

## Final annual report of the Commission's Financial Controller (Brussels, 2 April 2003)

**Caption:** Following the reform of the Financial Regulation undertaken in June 2002, the post of Financial Controller is abolished. After the transitional period expires, the Commission adopts the final annual report of the Commission's Financial Controller on 2 April 2003.

**Source:** RAPID. The Press and Communication Service of the European Commission. [ON-LINE]. [Brussels]: European Commission, [06.11.2006]. IP/03/480. Disponible sur <http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/03/480&format=HTML&aged=1&language=EN&guiLanguage=en>.

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**URL:** [http://www.cvce.eu/obj/final\\_annual\\_report\\_of\\_the\\_commission\\_s\\_financial\\_controller\\_brussels\\_2\\_april\\_2003-en-283407a4-27f5-4391-99c5-08aa0fa0eec3.html](http://www.cvce.eu/obj/final_annual_report_of_the_commission_s_financial_controller_brussels_2_april_2003-en-283407a4-27f5-4391-99c5-08aa0fa0eec3.html)

**Publication date:** 04/09/2012

## Final annual report of the Commission's Financial Controller

**The Commission today adopted the last-ever annual report of the Financial Controller. The decentralisation of financial control in the Commission is an important part of the reform package. At the beginning of 2003, the transition phase of the financial reform came to an end, and authorising departments are now fully responsible and solely accountable for the management of funds. Until now the central Financial Controller drew up a report every year about the work done, including a description of the activities and results achieved in the course of the year. This is therefore the last such report by a central Financial Controller of the Commission. Commissioner Michaele Schreyer commented: "It is a central principle of the reform that those taking financial decisions should be fully responsible for them. This report is the legacy of the dissolved central service. I am glad that its expertise has been integrated into the spending departments, who are now fully responsible for authorising and controlling expenditure."**

The dissolution of the central Financial Controller of the Commission was decided with the new Financial Regulation, adopted by the Council last June with an important input from the European Parliament and the Court of Auditors. Since January 2003 the central service has disappeared and staff have been integrated into other services. The financial control function is now exercised on a decentralised basis by the departments responsible for authorising expenditure and will cover all of the transactions.

DG Financial Control was created in 1968. At the beginning of the current Reform, it had a staff of somewhat over 200. In accordance with the concept outlined in the Reform White Paper of March 2000, control responsibilities were decentralised in two steps. The first step was taken in July 2000 and consisted of a partial decentralisation of posts and staff, as well as in the creation of a new Internal Audit Service and a new Central Financial Service. The second step was taken in December 2002, when the Commission decided to transfer the remaining staff and some activities to other departments by 31<sup>st</sup> March 2003.

During the past two years the financial management and control structures in the Commission have been thoroughly overhauled. The Financial Regulation and its Implementing Rules have been completely revised. Together with organisational changes such as the creation of the Internal Audit Service and the Central Financial Service in DG Budget, and the Internal Audit Capabilities in the services, the reform in the area of financial management has made very substantial progress.

Aided by the Internal Control Standards, services are fully aware of their responsibilities in financial matters; they have defined new financial circuits laying down the responsibilities of the financial actors, and the Commission has clarified the division of responsibilities between operational and central services. The report describes the results of controls in 2002 and gives advice, based on the practical experience of the Financial Controller, on where controls in the new decentralised environment may require the particular attention of the services involved.

During the transition phase of the reform, DG Financial Control focused on ex-ante control on the basis of sampling of transactions, the review of draft decisions by the Institution that had a financial impact and give guidance and advice to operational services.

Control coverage for 2002 was: about one million detailed financial transactions, grouped in about 350,000 operations, after approval by an authorising officer, were submitted for review by the Financial Controller for visa. The operations subject to controls in 2002 covered about 90 % of the value of commitments and about 80 % of the value of payments executed during the year.

In order to provide advice for financial management procedures in the future decentralised configuration, Financial Control carried out a review where the services will have to pay particular attention in their control work. This approach is known as risk analysis, previously used by Financial Control to focus its sampling approach. The analysis is structured by major processes and based on the practical experience of Financial Control during the past years. For budget allocation and legislation there is a medium risk arising from the complexity of texts of legal bases or budget remarks and problems of interpretation. Procurement spending

is a medium to high-risk area, where close attention must be paid to quality of tendering documents, correct application of selection and award procedures and contract implementation. Similar considerations apply to grants. In areas of shared management, which account for about five sixths of all spending, the key to consistent application of the rules is an efficient supervision of control and certifying processes in the Member States.

The Commission took the opportunity to thank the staff of DG Financial Control for their work, and in particular Mrs Kitzmantel and her senior officials for the good management of the service in the transition phase.