



**COUNCIL OF
THE EUROPEAN UNION**



Council conclusions on the follow-up to the 2003 discharge

**(2716th ECONOMIC AND FINANCIAL AFFAIRS Council meeting
Brussels, 14 March 2006)**

The Council adopted the following:

- "1. The Council takes note of the Commission's report on the actions taken in response to the Council's recommendation on the 2003 discharge. It notes with satisfaction the improvements in the presentation of this report, in particular regarding the inclusion of cross-references and links between the report itself and the related working document.
2. The Council acknowledges the Commission's work, together with Member States, to improve controls over funds in shared management and encourages it to pursue its efforts.
3. The Council notes the publication of the Commission's communication on a "Roadmap to an integrated internal control framework"¹, as well as the actions taken to improve sound financial management. It underlines the need for additional work to be done by the Commission regarding in particular the management of risk assessment.
4. The Council notes that most of the actions in the White Paper on "Audit, management and financial control" have been completed, including the internal control standards. It stresses again the need for the production of adequate indicators for activity-based management and urges the Commission to take the appropriate actions.

¹ 10326/05 COM(2005) 252 final

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5. As regards the new accounting system of the Commission, the Council will carefully check that there are no significant delays or problems in meeting the remaining objectives of the modernisation. In this context, it invites the Commission to provide more adequate financial information on multi-annual projects.
6. More specifically, the Council wishes to make the following comments on the various sectors of activity:

Budgetary management

The Council notes the actions taken to improve budget estimates and to eliminate "abnormal RAL". In this context, it recalls the importance of providing three times a year to the Budgetary Authority clear analytical information on the cumulative state of implementation of the most important Community programmes in comparison to the initial implementation plan.

Own resources

The Council takes note that the Commission is working on proposals aiming at simplifying the procedural framework of agricultural tariff quotas and that it has adopted guidelines to have more efficient procedures governing the system of the rules of origin in preferential arrangements.

Common agricultural policy (CAP)

The Council welcomes the progress made in the control system for those categories of CAP expenditure with higher risk (animal premium schemes), as well as the fact that the Commission amended the IACS regulation in order to oblige Member States to review annually the efficiency of the risk factors used.

In this context, the Council encourages the Commission to take further steps to strengthen its control systems in areas that are not checked through IACS, as well as in the area of export refunds.

Structural measures

The Council acknowledges the Commission's actions to remedy the weaknesses in the supervisory and control system for structural measures. In this context, it reminds the Commission of the importance of strengthening collaboration with Member States, in order to optimize the effectiveness of the current control system through simplification and streamlining of the rules.

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The Council notes the Commission's intention to propose a management and control framework for the 2007-13 period built on the experience of the past.

Internal policies

The Council takes note of the measures taken on board by the Commission to reinforce financial information regarding payment delays and to improve monitoring of budgetary implementation.

However, it notes with concern that insufficient action has been taken to develop an integrated IT system for the management and control system for the 6th Research and Technological (RDT) Framework Programme, even if it acknowledges that some IT tools have been deployed to provide the full range of support from evaluations of proposals through to contract payments and project monitoring.

The Council notes that the Commission has put in place a reporting system to assist the financial services in monitoring its recovery of undue payments, as well as further corrective actions to establish a coherent audit approach.

External action

The Council welcomes the measures taken to reform the External Aid management and takes note of the introduction of new tools (such as CRIS audit) to further improve the flow of information on audit results at central level. In this context, the Council continues to support the reform of the management of EU external assistance with the decentralisation of responsibilities to the EU delegations and encourages the Commission to work in a consistent way with the reform process.

Pre-accession aid

The Council takes note that the Commission is pursuing the full implementation of the Extended Decentralised Implementation System (EDIS), both in new Member States and candidate countries. It notes that for Phare the EDIS has been introduced in all ten new Member States and its introduction in 2006 remains an objective for the Romanian and Bulgarian administration.

As regards ISPA, the Council supports all measures aiming at preventing risks regarding tendering and contracting procedures and welcomes the initiatives taken by the Commission in this respect.

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Administrative expenditure

The Council welcomes the actions foreseen to continue the effective implementation of the administrative and financial reform, including internal control standards, development of a common risk evaluation methodology, ex-post controls and internal audit, and invites the Commission to carry on in this way.

Financial instruments and banking activities

The Council welcomes the fact that all suggested measures regarding the financial instruments in favour of small and medium-sized enterprises have been applied and invites the Commission to act in the same way in similar financial sectors."

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