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'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: The European Court of Auditors' Special Report No 27/2016 "Governance at the European Commission – best practice?"
- *Draft Council Conclusions*

1. On 18 October 2016, the European Court of Auditors' published Special Report No 27/2016 entitled "Governance at the European Commission - best practice?".¹
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors², the Permanent Representatives Committee, at its meeting on 15 February 2017, instructed the Working Party on General Affairs to examine this report according to the above-mentioned rules.
3. The Working Party on General Affairs examined the report at its meeting on 31 March 2017. On 21 April 2017, it reached agreement on the draft Council conclusions as set out in the Annex of this note.
4. The Permanent Representatives Committee is therefore invited to approve these draft Council conclusions and to submit them, as an "A" item, to the Council for adoption.

¹ This special report is available in all official languages on the Court's website:
<http://eca.europa.eu>.

² 7515/00 + COR 1.

DRAFT COUNCIL CONCLUSIONS

on the European Court of Auditors' Special Report No 27/2016 "Governance at the European Commission – best practice?"

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the European Court of Auditors' (hereinafter 'the Court') Special Report No 27/2016, 'Governance at the European Commission – best practice?';
2. NOTES that the objective of the audit was to assess whether governance arrangements on audit, financial management and control in place at the Commission are in line with recognised best practice and the institution's needs;
3. ACKNOWLEDGES the conclusions of the report and the usefulness of its recommendations;
4. RECALLS that the overarching principles of the Commission's governance framework, reflecting its supranational nature and its particular structure, are established in the EU treaties;
5. RECOGNISES that recent organisational reforms and initiatives taken by the Commission already represent good practices: the use of accrual-based accounting since 2005 following pressure from the Council, the creation of the Public Internal Control (PIC) network for the promotion of good governance in Member States in 2012, and the publication of the Integrated Financial Reporting Package in 2016, including the Annual Management and Performance Report;
6. WELCOMES the reply from the Commission attached to Special Report No 27/2016 and TAKES NOTE that the Commission has accepted or partially accepted the proposed recommendations;

7. NOTES that the Commission has already taken initial steps towards addressing some of the specific recommendations. In particular:
- a) The Commission is currently working on an update of the Governance Statement;
 - b) The Commission control and audit arrangements are currently being enhanced to comply fully with the internal control principles issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in 2013;
 - c) The Commission has asked its Internal Audit Service to carry out an audit on governance arrangements concerning risk management, financial reporting and the ex-post verification/audit function; such an audit was launched in January 2017;
 - d) The Commission is selecting a third external member of the Audit Progress Committee.
8. INVITES the Commission, in the context of the implementation of the recommendations regarding the publication of the annual accounts (recommendation 2(c)) and the preparation of a single accountability report or suite of reports (recommendation 2(d)), to reach preliminary agreement with Member States on any reviews of deadlines for providing necessary data, in order to assess their feasibility and impact on the integrity of the data provided;
9. INVITES the Commission to clarify, in response to the recommendation on the publication of the estimate of the level of error (recommendation 2(f)), whether any actions have been devised to improve the current error rate methodology, especially if the changes would have an impact on the common approach to estimating the level of error defined in cooperation with Member States' audit authorities;
10. CALLS upon the Commission to pay the utmost attention to the implementation of the recommendations contained in this Special Report and upon the Court to report on the progress achieved.