

**Internal Control Framework of the Office of the Body of
European Regulators for Electronic Communications (the
BEREC Office) – Revision 2018 of the Internal Control System**

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1. CONTEXT AND DEFINITIONS

Internal control applies to all activities, irrespective of whether they are financial or non-financial. It is a process that helps an organisation to achieve its objectives, to sustain operational and financial performance and to comply with the respective rules and regulations. It supports sound decision making, taking into account risks to the achievement of objectives and reducing them to acceptable levels through cost-effective controls.

The Internal Control Framework (ICF) of the BEREC Office is designed to provide reasonable assurance regarding the achievement of the five objectives set in the Article 30 of the BEREC Office Financial Regulation¹:

- (a) effectiveness, efficiency and economy of operations;
- (b) reliability of reporting;
- (c) safeguarding of assets and information;
- (d) prevention, detection, correction and follow-up of fraud and irregularities;
- (e) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

This framework supplements the BEREC Office Financial Regulation and other applicable rules with a view to align the BEREC Office standards to the highest international standards. The framework implemented by the Commission served as a base for defining principles and their characteristics (revised in 2017 with a view to aligning Commission standards to the highest international standards set by the COSO framework)².

Following the Commission's revision in 2017³, it is appropriate for the BEREC Office to update its internal control framework. The revised framework consists of 5 components and 17 Internal Control Principles and characteristics of each principle have been included to help to define the principles.

The aim of the Commission was to move from a compliance-based system to a principle-based system and to ensure a more robust internal control framework through consistent assessment, while providing the necessary flexibility to enable the framework to be adapted to fit the specific characteristics and circumstances of the Commission itself and the Agencies.

The Internal Control System of the BEREC Office is based on the five internal control components: the control environment, risk assessment, control activities, information and communication and monitoring activities. They are the building blocks that underpin the framework's structure and support the Agency in its efforts to achieve its objectives. The five components are interrelated and must be present and effective at all levels of the organisation for internal control over operations to be considered effective.

¹ [Decision MC/2014/1 of 9 January 2014](#)

² The full text of the Internal Control-Integrated Framework is available at www.coso.org

³ Communication to the Commission: Revision of the Internal Control Framework ref: C(2017) 2373 of 17.04.2017

Components: The components are the building blocks that underpin the structure of the framework. They are interrelated and must be present and effective at all levels of the organisation for internal control over operations to be considered effective.

Principles: Each component consists of several principles. Working with these principles helps to provide reasonable assurance that the BEREK Office's objectives have been met. The principles specify the actions required for internal control to be effective.

Characteristics of each principle: The characteristics are based on those of the Commission, but have been defined in such a way as to take into account the specific governance arrangements and the specific situation of the BEREK Office. There is no requirement for the BEREK Office to assess whether each individual characteristic is in place. The characteristics have been defined to assist management in implementing internal control procedures and in assessing whether the principles are present and functioning.

2. IMPLEMENTATION

In order to facilitate the implementation of the Internal Control System and management's assessment of whether each component is present and functioning and whether the components function well together, each component consists of several principles. Working with these principles helps provide reasonable assurance that the organisation's objectives are met. The principles specify the actions required for internal control to be effective.

The internal control framework moves away from a purely compliance-based to a principle-based system, whereby the managers are offered the necessary flexibility to adapt to their specific characteristics and circumstances while ensuring a robust internal control with a consistent assessment throughout the Agency. This approach aims at helping the organisation to achieve its objectives and sustain operational and financial performance by establishing diverse and objective based managerial processes, adequately to each entity needs (divisions, units, teams or equivalent).

Ongoing monitoring of the effective functioning of internal control is built into business processes and performed on a real-time basis at all levels of the organisation. This enables the entities to timely react to changing conditions and to correct deviations from intended performance and effectiveness levels.

The BEREK Office must be able to demonstrate not only that they have put controls in place but also that these controls take account of the risks involved and that they work as intended.

Internal control principle 16 states that the assessment of internal control is founded both on ongoing (continuous) monitoring and on specific (periodical) assessments to ascertain whether the internal control systems and their components are present and functioning. They must carry out an overall assessment of the presence and functioning of all internal control components at least once per year.

Risk management is necessary for an effective Internal Control Framework. Risk management should be embedded, as a standard element, in all planning and decision-making processes.

Annual risk management will be carried out in accordance with the provisions of the financial regulation of the BEREC Office (decision MC/2014/1) and under the principles within the present internal control framework.

3. THE COMPONENTS, PRINCIPLES AND CHARACTERISTICS OF THE REVISED INTERNAL CONTROL SYSTEM AS SET BY THE MANAGEMENT OF THE BERC OFFICE

Components	Principles
3.1. Control Environment	1. A control environment is put in place to demonstrate a commitment to integrity and ethical values.
	2. The Management exercises oversight of the development and performance of internal control.
	3. The Management establishes, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
	4. The Control Environment demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
	5. The Control Environment holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
3.2. Risk Assessment	6. The Risk Assessment specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
	7. The Risk Assessment identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed.
	8. The Risk Assessment considers the potential for fraud in assessing risks to the achievement of objectives.
	9. The Risk Assessment identifies and assesses changes that could significantly impact the internal control system.
3.3. Control Activities	10. The Control Activities are selected and developed in a way that contributes to the mitigation of risks to the achievement of objectives to acceptable levels.
	11. General Control Activities are selected and developed over technology to support the achievement of objectives.
	12. Control activities are deployed through corporate policies that establish what is expected and in procedures that put policies into action.

3.4. Information & Communication	13. Information & Communication are obtained or generated and use by ensuring relevant quality data to support the functioning of internal control.
	14. Information & Communication are achieved by internally communicating all relative components and data, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
	15. Information & Communication is achieved by ensuring that external parties are notified and implement requirements about matters affecting the functioning of internal control.
3.5. Monitoring Activities	16. The Monitoring Activities aid to select, develop, and perform ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning.
	17. The Monitoring Activities aid to assess and communicate internal control deficiencies in a timely manner to those parties responsible for taking corrective action.

The below description identifies the characteristics of each principle. These characteristics are defined in such a way as to take into account the specific governance arrangements in the BEREK Office. There is no requirement for the manager to assess whether each individual characteristic is in place. The characteristics are defined to assist management in implementing internal control procedures and in assessing whether the principles are present and functioning. Management is expected to have persuasive evidence to support their assessment.

3.1. Control Environment

3.1. Control Environment	1. Demonstrates a commitment to integrity and ethical values.
	2. The Management exercises oversight of the development and performance of internal control.
	3. Management establishes, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
	4. Demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
	5. Holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

The control environment is the set of standards of conduct, processes, and structures that provide the basis for carrying out internal control across an organisation. The management sets the tone at the top for the importance of internal control, including expected standards of conduct.

1. The BEREK Office demonstrates a commitment to integrity and ethical values.

Characteristics:

- ✓ **Tone at the top.** All management levels respect integrity and ethical values in their instructions, actions and behaviour.
- ✓ **Standards of conduct.** The BEREK Office's expectations on integrity and ethical values are set out in standards of conduct and understood at all levels of the organisation, as well as by entrusted bodies, outsourced service providers and beneficiaries.
- ✓ **Alignment with standards.** Processes are in place to assess whether individuals and departments are aligned with the BEREK Office's expected standards of conduct and to address deviations in a timely manner.

2. The Management exercises oversight of the development and performance of internal control.

Characteristics:

- ✓ **In their capacity as Authorising Officer or Authorising Officer by delegation,** each manager provides a Declaration of Assurance on the appropriate allocation of resources and their use for their intended purpose and in accordance with the principles of sound financial management, as well as on the adequacy of the control procedures in place (with the assistance of the staff responsible for the BEREC Office's internal control framework). These declarations serve to ground the Administrative Manager's Declaration of Assurance (see Administrative Manager's Declaration of Assurance in the Consolidated Annual Activity Report).
- ✓ **Each manager oversees the internal control systems within their unit/team.** Each manager oversees the development and performance of internal control. Managers are supported in this task by the staff responsible for the BEREC Office's internal control framework.
- ✓ **Within the process of the Consolidated Annual Activity Report preparation,** declarations of assurance are collected from the managers taking responsibility for the completeness and reliability of management reporting. This declaration covers both the state of internal control in the entity (division, unit, team or equivalent) and the robustness of reporting on performance. Responsibility achieving objectives remains with the relevant unit.

3. Management establishes, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Characteristics:

- ✓ **Management structures are comprehensive.** The design and implementation of management and supervision structures cover the work programme and its activities to support the achievement of the work programme, the activities and the control objectives.
- ✓ **Authorities and responsibilities.** The Administrative Manager, as appropriate, delegates authority and uses appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the BEREC Office.
- ✓ **Reporting lines.** The BEREC Office designs and evaluates reporting lines within units to enable the execution of authority, fulfilment of responsibilities, and flow of information.
- ✓ **Deputising arrangements** for operational activities and financial transactions are in place to ensure continuity of operations.

4. The BEREK Office demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

Characteristics:

- ✓ **Selection procedures.** The BEREK Office publishes widely its vacancies/calls for expression of interest, describing clearly core and technical skills needed and job profile in order to attract relevant and competent individuals.
- ✓ **Competence framework.** The BEREK Office defines the competences necessary to support the achievement of objectives and regularly evaluate them across the Agency, taking action to address shortcomings where necessary.
- ✓ **Professional development.** The BEREK Office provides the training and coaching needed to attract, develop, and retain a sufficient number of competent staff.
- ✓ **Mobility.** The BEREK Office promotes and plan staff mobility so as to strike the right balance between continuity and renewal.

5. The BEREK Office holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

Characteristics:

- ✓ **Enforcing accountability.** The BEREK Office defines clear roles and responsibilities and holds individuals and units accountable for the performance of internal control responsibilities across the organisation and for the implementation of corrective action as necessary.
- ✓ **Staff appraisal.** Staff efficiency, abilities and conduct in the service are assessed annually against expected standards of conduct and set objectives. Cases of underperformance are appropriately addressed.
- ✓ **Staff promotion.** Promotion is decided after consideration of the comparative merits of eligible staff taking into account, in particular, their appraisal reports.

3.2. Risk assessment

3.2. Risk Assessment	6. Specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
	7. Identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed.
	8. Considers the potential for fraud in assessing risks to the achievement of objectives.
	9. Identifies and assesses changes that could significantly impact the internal control system.

Risk assessment is a dynamic and iterative process for identifying and assessing risks which could affect the achievement of objectives, and for determining how such risks should be managed.

6. The BEREK Office specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

Characteristics:

- ✓ **Mission.** The BEREK Office and its units (and teams, where applicable) have up-to-date mission statements that are aligned across all hierarchical levels, down to the tasks and objectives assigned to individual staff members. Mission statements are aligned with the BEREK Office founding regulation and the objectives set in the legal base.
- ✓ **Objectives are set at every level.** The BEREK Office's objectives are clearly set and updated when necessary (e.g. significant changes in priorities, activities and/or the organigram). They are consistently filtered down from the level of the Administrative manager to the various levels of the organisation, and are communicated and understood by management and staff.
- ✓ **Indicators are set for the most significant activities.** Objectives and indicators cover the BEREK Office's most significant activities contributing to the delivery of its priorities or other priorities relating to the core business, as well as operational management. Setting objectives and performance indicators make it possible to monitor progress towards their achievement.
- ✓ **Objectives form the basis for committing resources.** Management uses the objectives set as a basis for allocating available resources as needed to achieve operational and financial performance goals.
- ✓ **Financial reporting objectives.** Financial reporting objectives are consistent with the accounting principles applicable in the BEREK Office.
- ✓ **Non-financial reporting objectives.** Non-financial reporting provides management with accurate and complete information needed to manage the organisation at unit and/or team level.
- ✓ **Risk tolerance and materiality.** When setting objectives, management defines the acceptable levels of variation relative to their achievement (tolerance for risk) as well as the appropriate level of materiality for reporting purposes, taking into account cost-effectiveness.

7. The BEREK Office identifies risks to the achievement of its objectives across the organisation and analyses risks as a basis for determining how the risks should be managed.

Characteristics:

- ✓ **Risk identification.** The BEREK Office identifies and assesses risks at the various

organisational levels, analysing internal and external factors. Management and staff are involved in the process at the appropriate level.

- ✓ **Risk assessment.** The BEREC Office estimates the significance of the risks identified and determines how to respond to significant risks considering how each one should be managed and whether to accept, avoid, reduce or share the risk. The intensity of mitigating controls is proportional to the significance of the risk.
- ✓ **Risk identification and risk assessment are integrated** into the annual activity planning and are regularly monitored.

8. The BEREC Office considers the potential for fraud in assessing risks to the achievement of objectives.

Characteristics:

- ✓ **Risk of fraud.** The risk identification and assessment procedures consider possible incentives, pressures, opportunities and attitudes which may lead to any type of fraud, notably fraudulent reporting, loss of assets, disclosure of sensitive information and corruption.
- ✓ **Anti-fraud strategy.** The BEREC Office sets up and implements measures to counter fraud and any illegal activities affecting the financial interests of the EU. This is achieved by putting in place a sound anti-fraud strategy to improve the prevention, detection and conditions for investigating fraud, and to set out reparation and deterrence measures, with proportionate and dissuasive sanctions.

9. The BEREC Office identifies and assesses changes that could significantly impact the internal control system.

Characteristics:

- ✓ **Assess changes.** The risk identification process considers changes in the internal and external environment, in policies and operational priorities, as well as in management's attitude towards the internal control system.

3.3. Control Activities

3.3. Control Activities	10. Selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
	11. Selects and develops general control activities over technology to support the achievement of objectives.
	12. Deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action.

Control activities ensure the mitigation of risks related to the achievement of policy, operational and internal control objectives. They are performed at all levels of the organisation, at various stages of business processes, and across the technology environment. They may be preventive or detective and encompass a range of manual and automated activities as well as segregation of duties.

10. The BEREK Office selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Characteristics:

- ✓ **Control activities are performed to mitigate the identified risks and are cost-effective.** They are tailored to the specific activities and risks of each entity (unit, team or equivalent) and their intensity is proportional to the underlying risks.
- ✓ **The BEREK Office processes and procedures** include a variety of checks, including supervision arrangements, and where appropriate, should include a balance of approaches to mitigate risks, considering manual and automated controls, and preventive and detective controls.
- ✓ **Segregation of duties.** When putting in place control measures, management considers whether duties are correctly divided between staff members to reduce risks of error and inappropriate or fraudulent actions.
- ✓ **Business continuity plans based on a business impact analysis** following corporate guidance are in place, up-to-date and used by trained staff to ensure that the BEREK Office is able to continue working to the extent possible in case of a major disruption. Where necessary, business continuity plans must include coordinated and agreed disaster recovery plans for time-sensitive supporting infrastructure (e.g. IT systems).
- ✓ **Sensitive positions are identified** in order to mitigate the risks associated with specific duties and/or responsibilities. These positions may require a certain degree of rotation and will be subject to periodic mobility.

11. The BEREK Office selects and develops general control activities over technology to support the achievement of objectives.

Characteristics:

- ✓ **Control over technology.** In order to ensure that technology used in business processes, including automated controls, is reliable, and taking into account the overall corporate processes, the BEREK Office selects and develops control activities over the acquisition, development and maintenance of technology and related infrastructure.
- ✓ **Security of IT systems.** The BEREK Office applies appropriate controls to ensure the security of the IT systems of which they are the system owners. It does so in

accordance with the IT security governance principles, in particular as regards data protection, professional secrecy, availability, confidentiality and integrity.

12. The BEREC Office deploys control activities through corporate policies that establish what is expected and in procedures that put the policies into action.

Characteristics:

- ✓ **Appropriate control procedures ensure that objectives are achieved.** The control procedures assign responsibility for control activities to the department or individual responsible for the risk in question. The staff member(s) put in charge perform the control activities in a timely manner and with due diligence, taking corrective action where needed. Management periodically reassesses the control procedures to ensure that they remain relevant.
- ✓ **Exceptions reporting is one of the management tools used to draw conclusions about the effectiveness of internal control and/or the changes needed in the internal control system.** A system is in place to ensure that all instances of overriding controls or deviations from established processes and procedures are documented in exception reports. All instances must be justified and approved before action is taken, and logged centrally.
- ✓ **The impact assessment and evaluation of the BEREC Office activities** are performed in accordance with the guiding principles of the Commission's better regulation guidelines.

3.4. Information & Communication

3.4. Information & Communication	13. Obtains or generates and uses relevant quality information to support the functioning of internal control.
	14. Internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
	15. Communicates with external parties about matters affecting the functioning of internal control.

Information is necessary for the organisation to carry out internal control and to support the achievement of objectives. There is external and internal communication. External communication provides the public and stakeholders with information on the BEREC Office's policy objectives and actions. Internal communication provides staff with the information it needs to achieve its objectives and to carry out day-to-day controls.

13. The BEREC Office obtains or generates and uses relevant quality information to support the functioning of internal control.

Characteristics:

- ✓ **Information and document management.** The BEREC Office identifies the information required to support the functioning of the internal control system and the achievement of its objectives. Information systems process relevant data, captured from both internal and external sources, to obtain the required and expected quality information, in compliance with applicable security, document management and data protection rules. This information is produced in a timely manner, and is reliable, current, accurate, complete, accessible, protected, verifiable, filed and preserved. It is shared within the organisation in line with prevailing guidelines.

14. The BEREC Office internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

Characteristics:

- ✓ **Internal communication.** The management communicates internally about its objectives, challenges, actions taken and results achieved, including but not limited to the objectives and responsibilities of internal control.
- ✓ **Separate communication lines** are in place in order to ensure information flow when normal channels are ineffective.

15. The BEREC Office communicates with external parties about matters affecting the functioning of internal control.

Characteristics:

- ✓ **External communication:** All managers ensure that their external communication is consistent, relevant to the audience being targeted, and cost-effective. The BEREC Office establishes clear responsibilities to align all communication activities with the priorities and narrative of the institution.
- ✓ **Communication on internal control.** The BEREC Office communicates with external parties on the functioning of the components of internal control. Relevant and timely information is communicated externally, taking into account the timing, audience, and nature of the communication, as well as legal, regulatory, and fiduciary requirements.

3.5. Monitoring Activities

3.5. Monitoring Activities	16. Selects, develops, and performs ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning.
	17. Assesses and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action.

Continuous and specific assessments are used to ascertain whether each of the five components of internal control is present and functioning. Continuous assessments, built into business processes at different levels of the organisation, provide timely information on any deficiencies. Findings are assessed and deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

16. The BERIC Office selects, develops, and performs ongoing and/or separate assessments to ascertain whether the components of internal control are present and functioning.

Characteristics:

- ✓ **Continuous and specific assessments.** The BERIC Office continuously monitors the performance of the internal control system with tools that make it possible to identify internal control deficiencies, register and assess the results of controls, and control deviations and exceptions. In addition, when necessary, it carries out specific assessments, taking into account changes in the control environment. Ongoing assessments are built into business processes and adjusted to changing conditions. Both kinds of assessment must be based on the qualitative and quantitative assessment criteria to be measured through clearly defined indicators.
- ✓ **Sufficient knowledge and information.** Staff performing ongoing or separate assessments has sufficient knowledge and information to do this, specifically on the scope and completeness of the results of controls, control deviations and exceptions.
- ✓ **Risk-based and periodical assessments.** The BERIC Office varies the scope and frequency of specific assessments depending on the identified risks. Specific assessments are performed periodically to provide objective feedback.

17. The BERIC Office assesses and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including the senior management, as appropriate.

Characteristics:

- ✓ **Deficiencies.** With the support of the designated staff in charge of risk management

and internal control, the BEREK Office considers the results of the assessments of how the internal control system is functioning.

Deficiencies are communicated to management and to the units (or teams) responsible for taking corrective action. They are reported in the Consolidated Annual Activity Report and to the Management Committee, as appropriate. The term 'internal control deficiency' means a shortcoming in a component or components and relevant principle(s) that reduces the likelihood of the BEREK Office achieving its objectives. There is a major deficiency in the internal control system if management determines that a component and one or more relevant principles are not present or functioning or that components are not working together. When a major deficiency exists, the Administrative Manager cannot conclude that it has met the requirements of an effective system of internal control. To classify the severity of internal control deficiencies, management has to use judgment based on relevant criteria contained in regulations, rules or external standards.

- ✓ **Remedial action.** Corrective action is taken in a timely manner by the staff member(s) in charge of the processes concerned, under the supervision of their management. With the support of the manager in charge of risk management and internal control, the Administrative Manager monitors and takes responsibility for the timely implementation of corrective action.