

## Comparative Study of the EC Financial Regulation.

Main Conclusions and Recommendations

Committee on Budgets  
22 March 2007



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1. Introduction
2. Public Procurement and Grants
3. Democratic Control
4. Role of Financial Actors
5. Sanctions and Liabilities
6. Internal Control and Audit
7. Reporting requirements in case of irregular events, corruption or fraud
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# 1. Introduction

## Background and Objectives

- **Background**: continuing negotiations between the Parliament, Commission & Council on improvements of the legal financial framework of the EC.
- **Objectives**:
  - focus on best practices/lessons to be learned in order to:
    - Enhance efficiency and speed of procurement and grant procedures, while preserving objectivity and accountability
    - Enhance efficiency of role distribution (liability, conflict of interest), while ensuring the above
    - Improve democratic control during budget execution
    - Enhance effectiveness of reporting procedures (irregular events, fraud, corruption)
    - Enhance effectiveness and efficiency of the audit function/internal control

# 1. Introduction

## Coverage and Approach

- **Coverage:**

- Spain, United Kingdom (UK) and United Nations Organisation (UN) and other useful and relevant practices, ideas and lessons from other countries or organisations.

- **Detailed document analysis** via Deloitte Network based on structured template

- **Interviews** to supplement the information from our documentary analysis

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## 2. Public Procurement and Grants

### Public Procurement

Rules at EC level are stricter than other cases below EC Public Procurement Directives' thresholds;

- Suggestions:
  - Simplify thresholds below the EC PPD thresholds;
  - Centralise pre-registration process for potential bidders;
  - More emphasis on Value For Money (VFM) Strategies;
  - Provide framework for VFM: Link procurement method with Value For Money Strategy + impact on internal audit and control;
  - More investment in e-Procurement, especially for low value and high volume contracts and further develop legal framework;
  - Procurement manual per Institute/DG/Agency according to characteristics.

## 2. Public Procurement and Grants

### Grants

Grant procedures within Member States are not regulated at European level. A wide variety of grant procedures exist and strictness can only be assessed case-by-case.

- Suggestions:
  - Centralise pre-registration process for applicants;
  - Link requirement of bank guarantees and audit certification to the principle of proportionality;
  - Promote use of specific, quality labels (on control framework) on use of public funds, with exemption from number of requirements.

## 2. Public Procurement and Grants

Financing of one-off events

Similar rules apply:

- Special fast-track procedures only apply in exceptional cases explicitly mentioned in regulations.



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### 3. Democratic Control

The following main observations can be made regarding budgetary control by Parliament:

- Spain:

- Trimestrial reporting to Budget Committee;
- Use of typical procedures, such as requests for information (oral explanation by government in Parliament) and written requests (slow process);
- Ex-post control: Joint Committee for the relation with the Court of Auditors

- UK:

- Appropriation Acts prescribe how resources should be consumed by the Departments for specified services (“ambits”);
- Different departmental committees, no single Budget Committee, responsible for monitoring on budget execution of a specific Department;
- Ex-post control: Public Accounts Committee

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## 4. Role of Financial Actors

Same basic principles apply regarding responsibilities of main financial actors and delegation of authority.

However, delegations in UN can not be further sub-delegated.

- Suggestion:

- To ensure transparency on the internal control environment in EC services and to avoid disproportionate control processes, introduce an annual reporting procedure by the Authorising Officer Sub-Delegated (Director-General) whereby the proportionality of the internal control environment needs to be reviewed.

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## 5. Sanctions and Liabilities

- The EC rules on sanctions and liabilities are in line with other organisations/member states in the area of:
  - rules (general rules that apply to all officials and specific rules that apply to financial actors)
  - kind of sanctions (disciplinary and financial sanctions, criminal sentencing)
  - liabilities (payment of compensation)
  - rights of defence (right to be heard, administrative appeal, court appeal)
- Inconsistency between the concerned rules of the different EC institutions and statutes needs to be avoided.

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## 6. Internal Control and Audit

- Organisational architecture of audit and control in the EC Institutions is in line with international standards and is similar to audit and control in comparable public sector organisations.
- The different perspectives of external control, internal control and evaluation cover all critical elements related to policy implementation and management of the EC Institutions and the monitoring of the implementation of recommendations is organised in an effective way - supported by an “issue track” system.
- However, the “Best Value for Money” principle could be further developed in the provisions concerning internal audit. Internal audit could help in different stages of the procurement process and be aligned with the overall BVM framework.



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## 7. Reporting requirements in case of irregular events, corruption or fraud

- Based on the report on “whistle-blowing procedures”, we confirm:
  - the usefulness of organising a consultation process with staff on the subject, in order to:
    - develop a code of conduct for EC staff members and other instruments of good governance;
    - safeguard consistency between the existing sets of EC rules and bodies;
    - promote a risk communication culture within the EC institutions.