2006 discharge: EC general budget, Committee of the Regions

2007/2043(DEC) - 15/11/2007

PURPOSE: to present the Court of Auditor's report on the implementation of the 2006 budget (other institutions – Committee of the Regions - CoR).

CONTENT: in its annual report for the financial year 2006, the Court evaluates the legality and regularity of operating expenditure of the institutions. While, on the whole, all the institutions put in place a satisfactory monitoring and control framework in 2006, the Court notes a certain number of weaknesses in terms of the procurement procedures of the institutions (particularly a lack of competition between tenderers in the case of negotiated procedures). In particular, the European Economic and Social Committee and the Committee of the Regions largely disregarded the limited extent to which the negotiated procedure can be used according to the Financial Regulation. This can result in an increased risk for the legality and regularity of the expenditure.

Audit of the EESC and the Committee of the Regions: the examination of a sample of negotiated procurement procedures and contracts managed by the 'Joint Services' of the European Economic and Social Committee and the Committee of the Regions revealed management and control weaknesses. In 2006 the expenditure relating to contracts resulting from a negotiated procedure, instead of a call for tenders, was a high percentage of the whole expenditure for procurement. For budget lines 'insurance', 'water, gas, electricity and heating', 'cleaning and maintenance' and 'new purchases of technical equipment and installations', this percentage exceeded 50 % of the total of the appropriations committed, which amounted to EUR 6.4 million. This practice does not comply with the general rule, set out in Article 89 of the Financial Regulation, that "all procurement contracts shall be put to tender on the broadest possible base". **The negotiated procedure is an exception** applicable only within the strict limits set out in Articles 126, 127 and 129 of the Implementing Rules to the Financial Regulation (IR).

Furthermore, in negotiated procedures the number of candidates invited to negotiate or to tender may not be less than three, provided that a sufficient number of candidates satisfy the selection criteria, and the number of candidates invited to tender must be sufficient to ensure genuine competition. For 70% of the contracts examined during the audit, a tender was requested from only one potential supplier. The Court considers that for most of these contracts (with a total value of EUR 1.8 million), it would have been possible to request tenders from more than one supplier.

In addition, the Court notes that the proportion of negotiated procedures in relation to the number of contracts awarded by the authorising officer by delegation responsible for 'investments in immovable property, rental of buildings and associated costs' and 'movable property and associated costs' of the budget, had increased significantly in relation to earlier years. As far as March 2007, the authorising officer had not reported to the Institution setting out any measures taken to reverse that trend, as required by the Implementing Rules to the Financial Regulation.

The Committee of the Regions is also involved in a series of anomalies concerning refunded travel costs of its members: according to the Committee's rules, its Members may be refunded travel expenses for the cost of the flight tickets actually paid. Administrative costs incurred for the purchase of such tickets are reimbursed on presentation of the travel agency invoice. In various cases, travel expenditure was refunded on the basis of hand-written travel agency invoices always showing the same amount. In the context of an ex post verification procedure, the Committee's administration found that this amount was on average 83 % higher than the price charged by the airline for the ticket used. There was no evidence of the actual

administrative cost invoiced for the purchase. The Committee's administration carried out a broad investigation into the matter, which was completed in July 2007. In the Court's opinion the results of this investigation do not demonstrate that the amounts paid for administrative costs were justified.

Replies of the Committee of the Regions: the Committee of the Regions has noted the comments of the Court in relation to contracts managed by the Joint Services with the EESC and is committed to improving financial management practices and methods in the Joint Services. In this regard, the Secretary General of the CoR has written to the Secretary General of the EESC proposing the implementation of a number of corrective measures, particularly in the area of financial circuits and tendering procedures. It is hoped that these measures can be implemented by agreement between the two Committees as soon as possible.

Regarding the issue of refunded travel costs of its members, the Court notes that, in order to guarantee full transparency, the Committee has subjected further reimbursements to compliance with a number of conditions. It has also requested the members concerned to cease travelling under the previous arrangements (full flexibility of tickets, thus increasing the cost) and to ensure that their reimbursement claims reflect the actual price indicated on the flight ticket issued.