

SUMMARY

Report to the federal Parliament

Diplomatic and consular posts: internal control over the financial management of revolving funds and audit of the personnel management



In its report to the federal Parliament, the Court of Audit examines the internal control over the financial management of the approximately 140 Belgian diplomatic and consular posts. It also examines the human resources management within these posts and the mechanisms allowing the FPS Foreign Affairs to manage the main stages of the personnel cycle (recruitment, remuneration and payment channels).

Regarding the financial management control (part 1 of the report), the Court notes that as soon as the audit started, the administration spared no effort to improve the internal control.

However, the Court also notes that the posts' operational resources are used to finance operations that cannot be considered as operating expenditure, such as investments and expenses charged to the central administration or other third parties. Moreover, the posts' expenditure is allocated to several budget appropriations that are also used for other kinds of expenditure incurred by the central administration. Due to this lack of transparency, the real costs of the diplomatic posts' operation can only be roughly estimated.

The demarcation of powers and the consultation between the numerous actors involved in internal control are unsatisfactory. The tasks of the regional accounting coordinators (CCR) and the posts inspection overlap. These two services do not have a systematic access to their respective reports. The posts inspection, which is mainly composed of diplomats, is not an independent control institution.

When applying the Belgian legislation on public procurement, circumstances in the receiving State are usually taken into account. These exceptional regulations must be specified in a substantive law. Although the heads of diplomatic posts and the international cooperation attachés act as authorizing officers when awarding and implementing

contracts, there are no ministerial delegation orders providing the necessary legal basis. A structured *ex post* check of the expenses related to a specific mission is also lacking.

The collection of duties related to visa applications (« front office function ») has been subcontracted, which is international common practice. This outsourcing is however not always documented in a written agreement. Moreover, it is not clear whether this practice is efficient and whether competition has taken place. Neither does outsourcing necessarily mean reducing the visa staff. IT-problems prevent some posts from providing sufficient guarantee that the private company's revenue is calculated and paid correctly. Revenue from consular fees is generally paid to the Treasury with several months' delay.

Internal control of the subsidies to local organizations in developing countries is lacking. The central services have insufficient monitoring and control capacity and are therefore unable to guarantee that the organizations use the subsidies in accordance with the goal set initially, or that they don't apply for subsidies from other donors. Most of these issues had already been raised in an external audit in 2006; however, the ensuing recommendations were not sufficiently taken into account. The central services are planning to adapt the policy and procedures to solve these problems and to fight subsidy fraud.

As the posts' inventories of fixed assets are an incoherent whole, the total value of the assets in the posts cannot be estimated.

Under the Vienna convention, diplomatic representations enjoy in some cases local tax exemption in the receiving State. Several countries also apply the principle of reciprocity: the exemptions granted to the receiving State are brought into line with those obtained by its own representations in the sending State. Belgium has no systematic approach in this regard. There should be a permanent data base and an institutionalized monitoring. The FPS Foreign Affairs endorses these recommendations and promotes an adaptation of the policy. In consultation with the FPS Finance, the reciprocity principle applying to all VAT matters could be progressively extended as from 2012.

The audit of the personnel management (part 2 of the report) has established that the external service officers' individual pecuniary career is well managed.

There were some remarks about the recruitment and remuneration processes. In the interest of legal certainty, the Court of Audit recommends establishing a specific regulatory foundation for the recruitment of local staff hired by diplomatic posts. A staff register should also be set up in order to determine the maximum number of functions that each diplomatic post is allowed to take on. This register should define criteria enabling to make a distinction between functions entrusted to locally recruited contract agents and to expatriate contract staff.

As for remuneration, there is a specific system for the statutory personnel, who receive a salary scale and post adjustment. The Court of Audit recommends that the HR management of the FPS Foreign Affairs' external services be further modernized, while keeping the adoption of exhaustive administrative and pecuniary staff regulations in mind and adapting them to the latest reforms of the federal public services. The regulations of the pecuniary status (notably on post adjustment) must be updated and a new pecuniary status must be adopted to provide a legal basis to the fact that, since December 2004, the statutory personnel of the external services have been given the salary scales created by the Copernicus reform.

Finally, for the sake of transparency and administrative rationalization, the Court recommends a limitation of the number of actors in the remuneration payment process. The part played by the Central Fixed Expenditure Service (or SCDF) in this respect could be strengthened and the FPS accounting services should be exempted from intervening in the payment of this expenditure, in such a way that they could focus their efforts on checking the compliance of the expenditure with the regulations.

Information for the press

The audit report on the *Diplomatic and consular posts: internal control over the financial management of revolving funds and audit of the personnel management* has been sent to the federal Parliament. The full version, the conclusion and the press release can be found on the Court's website: www.courttofaudit.be.