

Procedure file

Basic information		
CNS - Consultation procedure Regulation	2000/0135(CNS)	Procedure completed
Amendment to the Financial Regulation: separation of the internal audit from the ex ante control		
Subject 8.70.02 Financial regulations		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	CONT Budgetary Control		22/03/2001
		PSE VAN HULTEN Michiel	
	Former committee responsible		
	CONT Budgetary Control		06/06/2000
		PSE VAN HULTEN Michiel	
Council of the European Union	Former committee for opinion		
	BUDG Budgets		22/09/1999
		TDI DELL'ALBA Gianfranco	
Council of the European Union	Council configuration	Meeting	Date
	General Affairs	2342	09/04/2001
European Commission	Telecommunications	2325	22/12/2000
	Commission DG Budget	Commissioner	

Key events			
30/05/2000	Legislative proposal published	COM(2000)0341	Summary
16/06/2000	Committee referral announced in Parliament		
19/09/2000	Vote in committee		Summary
19/09/2000	Committee report tabled for plenary, 1st reading/single reading	A5-0260/2000	
04/10/2000	Debate in Parliament		
05/10/2000	Decision by Parliament	T5-0438/2000	Summary
31/10/2000	Modified legislative proposal published	COM(2000)0693	Summary

18/12/2000	Amended legislative proposal for reconsultation published	14380/2000	Summary
29/12/2000	Formal reconsultation of Parliament		
21/03/2001	Vote in committee		Summary
21/03/2001	Committee report tabled for plenary, reconsultation	A5-0100/2001	
05/04/2001	Decision by Parliament	T5-0188/2001	Summary
09/04/2001	Act adopted by Council after consultation of Parliament		
09/04/2001	End of procedure in Parliament		
20/04/2001	Final act published in Official Journal		

Technical information

Procedure reference	2000/0135(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	EC Treaty (after Amsterdam) EC 279
Stage reached in procedure	Procedure completed
Committee dossier	CONT/5/12837; CONT/5/12835

Documentation gateway

Document attached to the procedure		RCC0001/2000 OJ C 085 23.03.2000, p. 0001	24/01/2000	CofA	Summary
Legislative proposal		COM(2000)0341 OJ C 311 31.10.2000, p. 0328 E	30/05/2000	EC	Summary
Committee report tabled for plenary, 1st reading/single reading		A5-0260/2000 OJ C 178 22.06.2001, p. 0008	19/09/2000	EP	
Text adopted by Parliament, 1st reading/single reading		T5-0438/2000 OJ C 178 22.06.2001, p. 0185-0271	05/10/2000	EP	Summary
Modified legislative proposal		COM(2000)0693 OJ C 062 27.02.2001, p. 0294 E	31/10/2000	EC	Summary
Amended legislative proposal for reconsultation		14380/2000	18/12/2000	CSL	Summary
Committee final report tabled for plenary, reconsultation		A5-0100/2001	21/03/2001	EP	
Text adopted by Parliament after reconsultation		T5-0188/2001 OJ C 021 24.01.2002, p. 0254-0303 E	05/04/2001	EP	Summary

Additional information

European Commission	EUR-Lex
---------------------	-------------------------

Final act

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

In its opinion, the Court of Auditors proposes the introduction of amendments to the Financial Regulation to: - specify that internal auditing is an assurance and consulting activity designed to add value and improve the institution's operations, as well as helping it to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the management and control processes; - stipulate that each institution shall designate the internal auditor according to the method appropriate to its specific characteristics and requirements; - establish that the internal audit function is incompatible with all other functions; - ensure that the principle of the independence of the internal auditor vis-à-vis those who are audited is upheld; - define the scope of the internal auditor's work and adopt detailed objectives and procedures for the internal audit function, having due regard to international internal auditing standards.

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

PURPOSE : to separate the internal audit functions from the Financial Controller's other functions. CONTENT : this proposal is based on the premise that the accumulation of the internal audit function and the control ex-ante by the Financial Controller under Article 24, paragraph 5 of the Financial Regulation, may give rise to a dispersal of the two functions without necessarily ensuring the right balance between the two. Pending the adoption of the Financial Regulation, the internal audit function should be separated from the Financial Controller's other functions as soon as possible. The result is that the Financial Controller would continue to fulfil his present functions, including ex-ante control, but not that of internal audit, which would be performed by an Internal Auditor independent of the Financial Controller.?

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

The committee adopted by a large majority the report (consultation procedure) by Michiel van HULTEN (PES, NL) amending the Commission proposal to amend Article 24 of the Financial Regulation in order to separate the internal audit function from that of 'ex ante' financial control. The committee proposed changes to the Commission proposal to make it more precise and complete. It wanted it to be stated that during the transition period and until the review of the Financial Regulation had been approved, the financial control service should continue to perform 'ex ante' control functions and that its independence should not be hampered by the gradual establishment of the internal audit service. Other amendments sought to clarify the distribution of responsibilities between financial control and internal audit. The committee said that, apart from the Commission, Parliament and Council, it was up to the other institutions to decide, according to their needs, whether to appoint an internal auditor (independent of the financial controller). Lastly, the institutions should, by publishing annual internal audit reports, be able to benefit from each other's experience so as to improve the efficiency of their management and control systems. ?

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

The European Parliament adopted the resolution drafted by Michiel VAN HULTEN (PES, Netherlands) on separating internal audit and ex ante financial control functions. Parliament introduced some amendments to the draft regulation which expand on the appointment and duties of the internal auditor. Institutions other than Parliament and Council may decide to appoint an internal auditor, but if one is not appointed, the Financial Controller will be responsible for the internal audit of that institution.?

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

The European Commission has accepted the amendments suggested by the European Parliament and the Court of Auditors which relate in particular to: - the addition of an article on the production by the financial controller of an annual report for the budgetary authority ; - redrafting the new article of the Financial Regulation on the internal auditor to develop the missions of the internal auditor and specify that they are incompatible with those of authorising officer or accounting officer; to introduce flexibility for the institutions other than the Commission, the European Parliament and the Council; to require the publication of an annual internal audit report and exchanges of good practices between institutions; - the addition of a recital and an Article 2a to the proposed Regulation to restate that ex ante controls are retained in with the necessary resources and independence for these controls to be performed; - the statement in the Financial Regulation of the principle of an independent audit function; - the stipulation of the separation of the functions of internal auditor, financial controller, authorising officer and accounting officer; - the stress on the independence of the internal auditor; - the identification of the provisions on the internal auditor in a separate title. Broadly speaking the Commission can accept these amendments. The Commission has not, on the other hand, incorporated the following three amendments in its amended proposal: - first, if the internal audit function is separate from the ex ante control, and official or other servant must be appointed to take charge of it in each institution. This does not seem practical; - second the fast track procedure for a specific amendment to Financial Regulation is not the appropriate method for expanding the internal audit missions as proposed by the European Parliament; - there is not doubt that the internal auditor is not a financial actor within the meaning of the Financial Regulation. The proposed recasting does in fact have a separate chapter for the provisions concerning the internal auditor, but changing the structure of the Financial Regulation is not feasible as part of this specific proposal.?

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

The Council adopted a political agreement relating to the amendment of the Financial Regulation concerning the separation of the internal audit from the ex ante control.?

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

The committee adopted the report by Michiel van HULTEN (PES, NL) on the outcome of the conciliation procedure instigated after Parliament had introduced four amendments to the proposal which the Council was not willing to incorporate into the text of its Joint Guideline. After discussions between the EP delegation and the Council, it was agreed that two declarations would be published in the Official Journal alongside the Regulation - one joint EP and Council statement confirming their intention to separate internally the functions of internal audit and financial control and one Commission statement in which the Commission confirmed its intention to carry out the tasks of the internal auditor in accordance with international standards. In reaching this compromise, it was possible to conclude the conciliation procedure by an exchange of letters without convening the "Conciliation Committee" provided for in the 1975 Joint Declaration. In its report, the committee approved the decision on the outcome of conciliation but regretted that the Council did not see fit to agree to a trialogue meeting at political level prior to a formal meeting of the Conciliation Committee. It therefore urged the Council to reconsider this issue, particularly with a view to the pending general recast of the Financial Regulation.?

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

The European Parliament voted to endorse the report without debate by Michiel Van HULTEN (PES, NL) on the outcome of the agreement reached in conciliation on the separation of internal audit and ex ante financial control. ?

Amendment to the Financial Regulation: separation of the internal audit from the ex ante control

PURPOSE : to amend the Financial Regulation of 21/12/1977 applicable to the general budget of the European Communities as regards separating the internal audit function from the ex-ante financial control function. COMMUNITY MEASURE : Council Regulation 762/2001/EC, ECSC, Euratom. CONTENT : pending the recasting of the Financial Regulation, this regulation aims to separate the internal audit function from the financial controller's other functions. This separation shall enable the financial controller to continue to fulfil his present functions, including ex ante financial control, but not that of internal audit, which will be performed by an internal auditor independent of the financial controller. In order to bring greater transparency to budget implementation, each institution's financial controller and internal auditor should produce an annual report illustrating the main lessons to be learned from the last financial year. ENTRY INTO FORCE : 27/04/2001.?