

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

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DOCUMENT 1-624/81

## Report

drawn up on behalf of the Committee on Budgetary Control

**on the budgetary control aspects of the acquisition and control of office supplies and equipment by the institutions of the European Community**

**Rapporteur: Mr Peter N. PRICE**



On 6 July 1981, the European Parliament authorized the Committee on Budgetary Control to prepare a report on the budgetary control aspects of the acquisition and control of office supplies and equipment by the institutions of the EC.

At its meeting on 1/2 October, the Committee on Budgetary Control confirmed the mandate of Mr Peter N. Price as rapporteur.

At the same meeting, it adopted the motion for a resolution by six votes in favour with none against and one abstention.

Present: Mr Aigner, Chairman, Mr Boserup, Vice-Chairman, Mr Price, Vice-Chairman and rapporteur, Mr Antoniozzi, Mr Gouthier, Mr E. Kellett-Bowman and Mr Saby.

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A

The Committee on Budgetary Control hereby submits to the European Parliament the following Motion for a Resolution, together with Explanatory Statement:

MOTION FOR A RESOLUTION

on the budgetary control aspects of the acquisition and control of office supplies and equipment by the institutions of the European Community

The European Parliament,

- having regard to the special report of the Court of Auditors<sup>1</sup>,
  - having regard to the report of the Committee on Budgetary Control (Doc.1-624/81),
  - aware of the growing sophistication and cost of office equipment,
1. Endorses in general terms the criticisms and recommendations contained in the special report of the Court of Auditors on the acquisition and control of office supplies and equipment;
  2. Calls on all the institutions of the European Community to take effective action in response;
  3. Emphasises that the provisions of the financial regulation concerning the acquisition, control and disposal of stores and assets must be observed strictly in future by all institutions;
  4. Urges that the call for tender procedure be used whenever practicable, so as to ensure that the best possible value for money is obtained and so that competitiveness may be the keynote in deciding on the supplier;
  5. Considers that there should be closer cooperation between the institutions in this sphere in order to harmonise policies relating to the purchase and hire of office supplies and equipment and also to achieve, so far as practicable, economies of scale;
  6. Asks each of the Community institutions to prepare, within four months, a report for Parliament on the action which it has taken in response to the special report and to forward a copy of that report to the Commission;
  7. Asks the Commission, within three months thereafter and following consultation with the other institutions, to present a report to Parliament:
    - (a) replying to the suggestion of the Court of Auditors that one Central Advisory Committee on Procurement and Contracts be established,
    - (b) assessing ways in which the institutions might operate jointly in the purchasing and holding of stock of office supplies and/or equipment, either through a single agency or two separate agencies at Brussels and Luxembourg respectively, and
    - (c) summarising the action taken by all the institutions in response to the special report;

<sup>1</sup> OJ No. C 326, 15.12.80, p.1

8. Asks that the form and layout of the contract documents used for office supplies and equipment be standardised;
9. Considers that the responsibility of the central purchasing section of each institution should be clearly defined;
10. Agrees that weaknesses in the present inventory records need to be rectified and calls on all the institutions to see that records of disposals are kept in proper form;
11. Asks its President to transmit this resolution and the report of its Committee to all the institutions of the European Community.

## EXPLANATORY STATEMENT

Introduction

1. In paragraph 68 of its resolution<sup>1</sup>, containing the comments accompanying the decisions granting discharge for the 1979 financial year, Parliament indicated that it would give separate consideration to the procedure for the acquisition of office equipment.

Special European Court of Auditors' report

2. The European Court of Auditors issues each year - apart from its annual report - a series of extremely useful special reports dealing with specific subjects. One of these<sup>2</sup> sets out the observations of the European Court of Auditors on the acquisition of and control over office supplies and equipment etc., as applied by the institutions of the European Communities.

Main findings of the special report

3. The following, for ease of reference, are the key findings of the special report in question:
  - the institutions should work together, rather than in isolation in the matter of purchase and control of equipment;
  - regard should be had primarily to the interests of the Communities as a whole rather than to that of each institution;
  - the purchasing functions of the institutions should be carried out as efficiently as possible;
  - joint implementing measures should include a clear definition of the role of each institution's central purchasing section and of its responsibility for final choice of supplier;
  - institutions should obtain their main regular needs from centrally invited and placed contracts;
  - standards of quality and cost should be defined in a clearer and more harmonised manner;
  - consideration should be given to the formation of one Central Advisory Committee on Procurements and Contracts (with appropriate amendment of the Financial Regulation);
  - greater regard generally should be given to obtaining competitive prices;
  - in 113 cases out of 244 referred to Advisory Committees because the orders to be placed exceeded 18,000 EUA, only one supplier had been consulted;
  - two institutions had particularly inadequate consultation of potential suppliers;

- prices of the suppliers chosen tend to be in excess of the target standards;
- type and form of document used for a formal contract should be standardised;
- as regards stocks at the Office for Official Publications, out of 64 active articles tested, more than 32 months' supply was held of 17 items;
- weaknesses in the present stock records should be remedied, particularly regarding furniture;
- weaknesses in the present inventory records, established according to Article 59 of the Financial Regulation should be remedied, particularly so as to assist stocktaking and to evaluate asset holdings;

Substantial sums involved

4. As is evident from the special report, the sums involved are not inconsiderable. Tables 1, 2 and 3 annexed to this explanatory statement set out the expenditure in 1979 and 1980 by the institutions for the acquisition hire and maintenance respectively of furniture, equipment and stationery. The tables which are not exhaustive because they do not include the Office for Official Publications, research provisions or items such as newspapers, show a total of over 22.1 million EUA for 1980. This is not, of course, a major element in the budget of the European Communities; nevertheless, it represents outlay which occurs year after year and there is scope for some savings.
5. The importance of control over furnishings, equipment and stocks held by the institutions is demonstrated by the values involved.

At the end of 1978, the value of furniture and equipment shown on the inventories was 37.4 million EUA (research sector excluded); stock not yet issued amounted to 1.49 million EUA (Office for Official Publications excluded). Taking a particular example, the total number of typewriters held at end - 1978 in Brussels, Luxembourg and Strasbourg was 8,362.

Wide range of approaches by institutions

6. It is evident from the results of the special investigation by the European Court of Auditors that predetermined standards are not always formulated for furniture needs; no common interinstitutional standard has been evolved throughout the institutions for typewriters; the European Court of Auditors found no coordinated evidence of evaluations of the respective facilities offered by the manufacturers; a difference in the interpretation of needs is seen in the area of offset machines; in some cases, purchasing sections are obliged to accept as a fait accompli the selection of the supplier; even where the invitation



to tender procedures are followed, a wide range of suppliers is not always consulted; out of 120 sample cases below the level of 6,500 EUA, there was no evidence of consultation of more than one supplier in 87 (or 72%) of the cases; the types and forms of contract or order form document vary greatly between the institutions; adequate passing-through-stores controls do not exist for important assets of the institutions.

#### Inventories

7. Attention has been drawn on previous occasions to the weakness of the inventory system in various areas of the European Communities. The situation was commented on specifically in the report of the Committee on Budgetary Control in its report on the Joint Research Centre establishment at Ispra, (Doc. 1-59/81). Weaknesses have been cited in the special report of the European Court of Auditors now under consideration.

#### Disposals

8. Great care needs to be taken in regard to the control over the disposal of assets. The weaknesses observed by the European Court of Auditors should be set right and the Commission is invited to indicate the measures taken by all the institutions in this context.

#### Some positive aspects

9. All is not negative, however. The institutions generally have restricted their orders of paper to A sizes. Advisory Committees on Procurements and Contracts have been established in all the institutions, as required by the Financial Regulation. Most of the institutions follow strict tender opening procedures - even the Council has now agreed to do so. **An inter-institutional group for the harmonisation of purchases exists.** However, the European Court of Auditors was unable to find conclusive recommendations in its minutes.

#### Increasing sophistication and cost of office equipment

10. The office of the future will be equipped with sophisticated electronic equipment. Already, we see word processing becoming widely used, The future will involve distributed data processing as well as word processing accessible to virtually all administrative employees. This makes it all the more important to establish now good systems for the selection, acquisition and control of such equipment.

## Conclusions

11. The Committee on Budgetary Control wishes to ensure that the main weaknesses identified by the European Court of Auditors in its special report are set right. Wasteful expenditure arising from inefficiencies should be eliminated and it would appear that an important element in an improved harmonisation of inter-institutional arrangements might be the setting up of a Central Advisory Committee on Procurements and Contracts. Such inter-institutional cooperation might also extend to joint purchasing and even the joint holdings of stock, either through a single agency or two separate agencies at Brussels and Luxembourg, respectively. Before the Committee on Budgetary Control can reach firmer conclusions, it is necessary to have from the Commission of the European Communities an up-to-date report setting out the present position in all the institutions in the light of the various European Court of Auditors' criticisms and their reaction to these proposals.

## EXPENDITURE ON THE PURCHASE OF ADMINISTRATIVE ASSETS (EXCLUDING RESEARCH)

(1,000 EUA)

| INSTITUTION                                   | Description:  | Office machines | Furniture    | Technical equipment | Transport equipment | Stationery and office supplies | TOTAL   |
|---|---------------|-----------------|--------------|---------------------|---------------------|--------------------------------|---------|
|   | Budget items: | 2200<br>2201    | 2210<br>2211 | 2220<br>2221        | 2230<br>2231        | 2300                           |         |
| Commission<br>(including Publications Office) | 1979          | 251.0           | 817.0        | 1848.3              | 173.0               | 3485.8                         | 6575.1  |
|   | 1980          | 315.8           | 423.8        | 1632.3              | 157.6               | 3307.4                         | 5836.9  |
| Parliament                                    | 1979          | 334.8           | 1185.3       | 3612.2              | 257.2               | 897.1                          | 6286.6  |
|   | 1980          | 458.7           | 2365.5       | 2775.1              | 197.7               | 1149.1                         | 6946.1  |
| Council                                       | 1979          | 102.3           | 310.2        | 283.2               | 21.7                | 845.6                          | 1563    |
|   | 1980          | 101.9           | 382.5        | 1227.2              | 23.3                | 1057.9                         | 2792.8  |
| Court of Justice                              | 1979          | 28.3            | 185.1        | 67.3                | 71.0                | 136.3                          | 488     |
|   | 1980          | 49.1            | 70.6         | 52.3                | 54.0                | 185.0                          | 411.0   |
| Economic and<br>Social Committee              | 1979          | 27.9            | 14.4         | 70.9                | 9.3                 | 136.8                          | 259.3   |
|   | 1980          | 32.4            | 122.7        | 122.8               | -                   | 140.0                          | 417.9   |
| <b>TOTAL</b>                                  | 1979          | 744.3           | 2512.0       | 5881.9              | 532.2               | 5501.6                         | 15172.0 |
|   | 1980          | 957.9           | 3365.1       | 5809.7              | 432.6               | 5839.4                         | 16404.7 |

TABLE I

Sources: - 1979: OJ L 378 Vol. 23 of 31.12.1980  
1980: Draft Budget, 1982

EXPENDITURE ON THE HIRE OF ADMINISTRATIVE ASSETS

(1,000 EUA)

| INSTITUTION      | Description  | Hire of office machines | Hire of furniture | Hire of technical equipment | Hire of transport equipment | TOTAL  |
|------------------|--------------|-------------------------|-------------------|-----------------------------|-----------------------------|--------|
|                  | Budget items | 2202                    | 2212              | 2222                        | 2232                        |        |
| Commission       | 1979         | 0.01                    | 0.1               | 947.0                       | 38.5                        | 985.6  |
|                  | 1980         | 0.09                    | 0.2               | 1719.9                      | 18.3                        | 1738.5 |
| Parliament       | 1979         | 0.06                    | 1.2               | 569.3                       | 217.1                       | 787.7  |
|                  | 1980         | 6.4                     | 0.2               | 736.6                       | 245.0                       | 988.2  |
| Council          | 1979         | 307.7                   | 1.5               | 32.3                        | 23.6                        | 365.1  |
|                  | 1980         | 3.3                     | 1.8               | 361.2                       | 24.8                        | 391.1  |
| Court of Justice | 1979         | -                       | -                 | 28.9                        | 0.5                         | 29.4   |
|                  | 1980         | -                       | -                 | 75.0                        | 1.3                         | 76.3   |
| ESC              | 1979         | 42.9                    | -                 | 71.1                        | 0.5                         | 114.5  |
|                  | 1980         | 69.4                    | -                 | 73.8                        | 0.5                         | 143.7  |
| TOTAL:           | 1979         | 350.7                   | 2.8               | 1648.6                      | 280.2                       | 2282.3 |
|                  | 1980         | 79.2                    | 2.2               | 2966.5                      | 289.9                       | 3337.8 |

TABLE II

Sources:- 1979: OJ L 378 Vol. 23 of 31.12.1980  
1980: Draft Budget, 1982

EXPENDITURE ON THE MAINTENANCE, USE AND REPAIR OF ADMINISTRATIVE ASSETS

(1,000 EUA)

| INSTITUTION      | Description   | Maintenance use and repair of office machines | Maintenance use and repair of furniture | Maintenance use and repair of technical equipment | Maintenance use and repair of transport equipment | TOTAL  |
|------------------|---------------|---|---|---|---|--------|
|                  | Budget items: | 2203  | 2213                                    | 2223  | 2233  |        |
| Commission       | 1979          | 185.7   | 78.5                                    | 408.6   | 370.8   | 1043.6 |
|                  | 1980          | 191.3   | 92.7                                    | 559.2   | 451.4   | 1294.6 |
| Parliament       | 1979          | 87.3  | 7.1                                     | 182.9   | 196.3   | 473.6  |
|                  | 1980          | 113.5   | 3.5                                     | 261.6   | 209.8   | 588.4  |
| Council          | 1979          | 7.8   | 34.1                                    | 122   | 15.2  | 179.1  |
|                  | 1980          | 11.4  | 10.8                                    | 134.7   | 25.5  | 182.4  |
| Court of Justice | 1979          | 17.2  | 1.1                                     | 52.6  | 69.1  | 140    |
|                  | 1980          | 25.0  | 0.5                                     | 59.6  | 80.9  | 166.0  |
| ESC              | 1979          | 27.5  | 1.0                                     | 41.3  | 13.7  | 83.5   |
|                  | 1980          | 34.5  | 1.2                                     | 78.4  | 14.2  | 128.3  |
| TOTAL:           | 1979          | 325.5   | 121.8                                   | 807.4   | 665.1   | 1919.8 |
|                  | 1980          | 375.7   | 108.7                                   | 1093.5  | 781.8   | 2359.7 |

TABLE III

Sources:- 1979: OJ L 378 Vol. 23 of 31.12.1980  
1980: Draft Budget, 1982

