

Technical Assistance Facility for the Government of Lebanon
Office of the Minister of State for Administrative Reform (OMSAR)

Central Inspection Board
Diagnostic report

Contract xxxx

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1 Executive summary

THE GENERAL OBJECTIVE of this project consists of reviewing the inspection methodology adopted by the Central Inspection Board (CIB) and developing new guidelines that go in line with the best international practices all the while taking into account both the Lebanese context and the institutional constraints.

The expected results as per the terms of reference are the following:

- Organizing a set of meetings with different inspectors to ask them about their opinion regarding the current inspection practices.
- Conducting field visits to the ministries under the CIB supervision in order to assess the comments of the inspected civil servants.
- Evaluating the current inspection methodology adopted at the CIB by inspectors working in different sectors (administrative, financial and engineering) while analyzing the results based on a result-oriented perspective.
- Developing a general inspection methodology manual.
- Organizing a two-day training workshop to show inspectors how the new general inspection methodology shall be implemented.

This project contributes to the **Technical Assistance Facility for the Government of Lebanon** Program (TAF), namely to its Outcome 1.2 (Accountability and transparency towards the Lebanese citizens through a strengthened management and administration system has increased); Intermediate outcome 1.2.1: Advanced inspection and audit methods and guidelines have been introduced to improve the CIB capabilities in fighting fraud and irregularities.

The expectations of this project according to the CIB are the following: The focus will be on the processes that are common to all five inspection sectors targeted by the CIB. Study cases involving other countries will be submitted and corruption risks will be highlighted. Risk analysis is generally a primary topic and a new concept in Lebanon. This topic will be amply tackled and supported by examples. Also, a code of ethics will be developed in this regard.

The project is divided into two missions:

- From June 18 to 29, 2018: A diagnostic mission that was aimed at drafting this **Diagnostic report**. This report examines the adopted inspection practices. It also includes an analysis as well as key recommendations aimed at improving the inspection results and optimizing accountability.
- A 7-week mission in August-October 2018 aimed at developing a **general inspection methodology manual** for the CIB and conducting a two-day workshop aimed at showing inspectors how to implement such a methodology.

THE DIAGNOSIS: In the diagnosis phase, three kinds of conclusions have been drawn:

Concerning the scheduling of inspections over the year, we have noted the lack of a systematic risk analysis system capable of inspiring the development of an annual inspection plan. This plan lacks strategic aspects that would improve accountability and optimize the public funds' management efficiency.

Concerning the execution of investigations, the inspection process remains focused on the discovery of violations and the punishment of civil servants on an individual level. It fails, however,

to focus on the weaknesses and inconsistencies plaguing the procedures adopted by the organism and the recommendations capable of improving such procedures.

On the other hand, some observations have been made regarding the **weaknesses plaguing the Lebanese administrative system** and that affect the inspection efficiency, such as the lack of computerization. While these observations set the stage for recommendations regarding the general institutional plan, they do not fall within the framework of this project.

COMPARATIVE ANALYSIS: In order to examine the good international practices, a preliminary analysis has been conducted, targeting the different inspection systems adopted in the EU as well as the Southern Neighborhood region. This analysis has inspired the recommendations of this report and will be amply dealt with during the second mission.

THE RECOMMENDATIONS: Following the observations mentioned above and the examination of good international practices, a set of recommendations has been developed. The main topics are related to: The need to introduce a risk analysis system; the need to have the inspection mission focus on well-defined themes and conduct field visits that would achieve a more systematic approach; the need for follow-up and transparency.

The content of this report has been submitted to the President and General Inspectors of the CIB on June 28, 2018.

2 Observations

2.1 CIB institutional and legislative framework

The CIB is an independent control authority charged with the inspection of public establishments and administrations in order to ensure their compliance with the rules and regulations. The CIB is hierarchically affiliated with the presidency of the council of ministers.

It consists of five inspectorates, each headed by an Inspector General:

- General Inspectorate of Administration
- General Inspectorate of Education
- General Inspectorate of Finance
- General Inspectorate of Engineering
- General Inspectorate of Public Health, Social Affairs and Agriculture

The CIB currently employs 84 inspectors and has 123 vacancies. New inspectors are currently being recruited, and 30 new inspectors are expected to be recruited in the short term. Among the currently employed 84 inspectors, there are 20 administrative inspectors; 15 financial inspectors; 7 health, social affairs and agriculture inspectors, 25 pedagogical inspectors and 17 engineering inspectors.

The main legal texts governing the CIB line-up and activities are the following:

- Decree -law no. 111 of June 12, 1959 – The organization of the Lebanese public administration
- Decree -law 112/59 – Regulation of civil servants
- Decree -law no. 115/59 – CIB constitution and organization
- Decree-law 2460/59 – CIB organization
- Decree no. 2862, published 12/16/1959 – Inspection methodology
- Circular no. 55/62 - Report methodology

The Decree -Law 115/59 regulates the constitution and organization of the CIB:

- Article 15 stipulates, inter alia, that the CIB President shall set the annual and exceptional inspection programs, ensure their execution and establish special mandates and special committees tasked with inspection missions.
- Article 16 mainly defines the powers of inspectors as follows: consulting all documents and registers and keeping copies thereof (except for secret documents, unless they have the authorization of the Prime Minister following the approval of the concerned minister); controlling offices, vehicles, works, etc.); interviewing and summoning civil servants as well as private persons (legal and natural); and imposing sanctions.
- Article 17 sets out the obligations of inspectors. These mainly include the need for absolute secrecy in investigations. Inspectors are only allowed to inform the concerned minister, the CIB President, the president of the Public Service Council. For financial investigations, the President of the Audit Court and the Prosecutor General may also be informed.
- Article 18 particularly defines how inspectors shall submit their reports to their superiors (the inspectors general) and how these latter shall submit their reports to the CIB president, who, in turn, refers the report with his own conclusions to the CIB in order for it to impose the necessary sanctions or make the necessary recommendations. The president may submit the final reports to the concerned ministers, the director of the inspected administration and the Public Service Agency. For financial investigations, the president may also submit the final reports to the President of the Audit Court and the Prosecutor General.
- Article 19 particularly describes the sanctions procedures.

Decree no. 2862/59 reiterates the content of Decree-Law 115/59 in a more detailed way (signature of minutes, drafting and submission of reports, deadlines, etc). It also defines the separation of tasks between the administrative and non-administrative inspection. What's more, it defines the need for inspectors to act independently from any orders or directives, except from their superiors and when they have all the necessary authorizations.

Circular no. 55/62 defines the methodology of the report, which is structured into four parts:

1. The mission includes: the mandate number, date and source, the investigation subject and key data, the consulted documents – in the annex
2. Facts: include a summary of the mission execution steps; an overview of both the inspected administrative unit, the initial contact with the officials at the administration and the chronological and detailed sequence of events
3. Conclusions and responsibilities: include a summary of the investigation minutes; observations and collected documents; an identification of the individual responsible for the non-compliance, as and when necessary
4. The proposed sanctions and recommendations include either the imposed or recommended sanctions as well as suggestions for the correction of non-conformities and improvement of work procedures.

This circular also describes the accused civil servants' means of defense as well as the Inspector General's examination of the report.

Apart from the legislative and regulatory texts, there are some methodological tools that are used by inspectors:

- A manual entitled **"How to carry out a complete inspection"** sets out the guidelines for an inspector's good behavior.
- **"Interrogation minutes"** form
- **"Notification of non-compliance and written defense request"** (**"interrogation book"** form)

2.2 Observations regarding the scheduling of inspections and reports

As far as scheduling is concerned, the annual plan is set out in January for the year to come based on letters that the CIB President sends to the ministries and public establishments asking them to identify specific files or topics they wish to have inspected. The ministries are obliged to respond. Some particular topics may, meanwhile, be raised by ministers or the council of ministers throughout the year.

The Inspector General of every sector determines how each ministry and topic are allocated for inspectors in the sector.

For example, the below table introduces the 2013 annual financial inspection plan of the CIB.

2013 Annual Financial Inspection Plan
<p>1. Exhaustive financial inspection of the public institutions and administrations, municipalities and municipal associations.</p> <p>2. Topics of a particular nature:</p> <ul style="list-style-type: none">• Inspection of the statistical records of free private schools• Inspection of all central and regional tax administrations• Inspection of diplomatic missions <p>3. Focus on the following topics:</p> <p>A. Employee compensation, their resources and legitimacy</p> <p>B. Social benefits and their granting mechanism</p> <p>C. Fixed assets:</p> <ul style="list-style-type: none">• Properties• Investments• Leases <p>D. Vehicles (Circular no. 26/74)</p> <ul style="list-style-type: none">• Liquid fuels• Vehicle maintenance fees• Legitimacy of their availability to administrative civil servants• Overnight parking <p>E. The different types of employment contracts and their legitimacy</p> <p>F. Telephone, electricity and water expenses and their settlement</p> <p>G. Hospitality expenses and national delegations</p> <p>H. Expenses of delegations, conferences and missions abroad and their legitimacy</p> <p>I. Costs of judicial verdicts, employee liability and reconciliation agreements signed with third parties</p> <p>J. Costs of building, equipment and furniture maintenance</p> <p>K. Expenditure commitments: their legitimacy and compliance with the provisions of the Public Accounting Act</p> <p>L. Expenses of new administrative units established in compliance with administrative principles</p> <p>M. Civil servants' training programs</p>

When reading this plan, we conclude that focus is on specific themes. We also note, inter alia:

- The absence of an essential theme, which is **public procurement**.
- The lack of focus on **organisms that pose a particular threat**. It should be noted that the risk (financial risk specifically) of an administration increases proportionately to the amount of its annual budget; the number of civil servants; the number of transactions; and the complexity of these transactions.

As a second example, the table below includes an extract of the inspection program of the 2013 General Administrative Inspectorate.

**Extract of the inspection program of the 2013 General Administrative Inspectorate
Status of employees and workers within public administrations (summary)**

- Legal compliance of the civil servants' employment conditions across all public establishments and administrations
- Compliance of the tasks' execution with the employment records of civil servants and the contracts of public contractors
- Ensuring the civil servants' execution of the tasks they are assigned
- Ensuring the heads of units' execution of hierarchical supervision
- The availability of job descriptions for civil servants
- The enforcement of an evaluation system for the performance of civil servants and the institutional performance based on prepared forms
- Respect for legal provisions when creating reception and orientation offices for citizens
- The extent to which public administration assets are preserved

This extract focuses on human resources and shows that there are **performance aspects** that have only been dealt with from the point of view of their compliance with the legislative and regulatory framework. Also, this extract lacks concrete elements of performance measurement, such as the number of processed / finalized files over a certain period.

With regard to **transparency**, which is a good international practice, inspection reports are not published. This is, inter alia, due to the fact that inspections focus on civil servants per se and their sanctioning, which is why the results of such inspections must remain confidential, as provided by law. Had the inspection focused on the analysis of non-conformities and the means to improve them (at the level of processes and organisms), the publication of the respective reports would not have shown any confidentiality obstacles in most cases.

The annual reports, which are also unpublished, include numerical statistics concerning the observed violations, the imposed sanctions, the held sessions and the referrals to the Audit Court, to the Higher Council of Discipline and to the Prosecution. These reports lack analytical content, such as for example: the monetary value of the inspected transactions, the recovery of misappropriate funds, etc.

2.3 Observations concerning the inspection methodology

The practical implementation of the methodology has been observed by an expert during three field visits: to the Ministry of Health; the Baabda Prefecture and the Ministry of Finance.

Field visits usually last 2 to 3 hours during which the inspector focuses on both compliance with the legislation in force in different fields of work and the compliance of the civil servants' work with the legislation and regulations. The quality of the institutional procedures and performance are only secondary objectives of the inspection.

Observations concerning the work of inspectors during the field missions:

- 1. Visits are unannounced.** This constitutes an advantage because it prevents the inspected civil servants from having the time to hide non-conformities or irregularities. However, there are several disadvantages that seem to outweigh this one advantage: The inspected administrations cannot prepare the supporting documents requested by the inspectors on such short notice. Experience has shown that inspectors waste considerable time during field missions just waiting for the respective files to be prepared. This proves that the inspection is not systematic as inspectors move from a topic to another while waiting for the documents to be ready. In order to increase the efficiency of field missions, announcing the visits for individuals who are unable to hide facts or falsify documents would be an option.
- 2. Lack of focus on well-defined themes:** During a 3-hour field visit, very different subjects are tackled, such as for example issues related to the human resources, the issuance of permits and the public procurement. This helps cover a great number of topics simultaneously (all the while detecting new topics), but the disadvantage lies in the lack of a systematic approach. Inspectors focus on non-conformities or violations committed by civil servants instead of focusing on the shortcomings plaguing procedures in a bid to draw more general conclusions. Each visit shall therefore target specific topics (example: human resources; inventory; public procurement, etc.)
- 3. Sampling:** The selection of files and transactions for an investigation (unless for a special investigation or a follow-up) is randomly defined, hence the need for a selection based on risk mapping.
- 4. Inspections concerning human resources:** The inspection focuses on the presence of the civil servant. Performance is assessed based on the respect of the deadlines set for certain administrative procedures, such as for example the issuance of permits. However, the relation between the performance of a civil servant and the processing of files is yet to be targeted (for example: number of processed or finalized files over a certain period of time).
- 5. The follow-up** of cases that include non-conformities is well carried out, and the cases that should be followed-up on are clearly marked in both the inspected administration register and the report of the inspector in charge. However, there is no list or computer system at the CIB that shows the current status, consolidated and exhaustive, of the inspections underway and their monitoring process. Consequently, it is impossible to draw parallels between the different public institutions (for example identifying similar weaknesses or violations noticed at several administrations) in order to draw general conclusions relating to the improvement of procedures. The annual statistics conducted by the CIB are numeric (number of handled cases, imposed sanctions), but do not sufficiently target the recommendations for the improvement of procedures. They also fail to meet the CIB expectations in terms of performance improvement.
- 6. Inspection of tax auditors:** One of the responsibilities of financial inspectors is to control tax auditors. Article 14 (3) of Decree - Law 115/59 stipulates that the offices of financial inspectors shall be at the Ministry of Finance. There is no inspection unit at the tax administration, the customs administration

or the Ministry of Finance in general. It is most notably in the case of tax and customs administrations that the absence of an internal audit unit¹ constitutes an important gap. The only 14 financial inspectors of the CIB are available for the inspection of 936 tax auditors (along with other types of financial controls they perform). Given that tax audit is also not based on a systematic risk analysis, this number is largely insufficient, and the risk of losing considerable amounts of tax revenues is great.

The **absence of computer technologies** has also been noticed at several levels:

- The CIB does not use computer tools (database)
- It does not have online access to the data of the ministries, agencies and law enforcement services (prosecutor, police).
- Some inspectors have no computer skills and there is no computer tools available for the inspection
- Inspectors are not skilled enough to inspect electronic transactions and registers of public administrations.

2.4 Observations concerning the general institutional plan

The analysis of the weaknesses of the Lebanese administrative system goes beyond the scope of this project. However, it remains necessary to state three aspects:

1. **Absence of an internal control system:** In contrast with the best international practices, there is no internal control system in Lebanon. Had such a system been progressively installed, it would have facilitated the work of inspectors and allowed them to focus on improving processes and performance instead of focusing on civil servants' attendance.

In order to clarify the term "internal control," a definition is in order:

Definition of internal control

The internal control deployed across ministries aims at ensuring risk control related to the management of public policies they are in charge of. It consists of a set of formalized and permanent measures adopted by every ministry and implemented by civil servants at all levels under the coordination of the secretary general of the ministerial department. These civil servants work on controlling the risks related to the achievement of the goals set by every ministry. Such control covers all types of activities, including those related to budget and accounting management.

Source : www.performance-publique.budget.gouv.fr

2. **Taking computerization into account:** Despite the partial computerization of transactions within public institutions, paper registers are kept in parallel with the electronic registers. This is deemed a kind of inefficiency as it requires a double amount of work and has a double error risk resulting thereof. Meanwhile, paper registers are the only ones used by inspectors. In other words, any potential incoherence between paper registers and electronic registers cannot be identified.
3. **Absence of coordination with the Audit Court:** Cooperation with the Audit Court is limited to the referral of cases of financial violations. According to international good practice, however, cooperation must be established between the inspection services and the Audit Courts, particularly at two levels: The synchronization of the work plans of these institutions and the exchange of information between them.

¹ This is a pure audit activity, as the focus is on the process (the work of the tax auditors) and not on the actual transactions.

3 Recommendations

Following these observations, and while taking into account the legal and administrative constraints of the Lebanese system, the recommendations can be summarized as follows:

3.1 Recommendations concerning scheduling and reports

For the annual scheduling, a risk analysis is in order. Risk analysis includes the following five elements:

1. Definition of objectives (strategic, operational, financial, compliance with legislation and regulation)
2. Identification of events that may have an impact, be it positive or negative. Events with negative impact pose a threat.
3. Risk evaluation (determining the probability of an event happening and the impact of such an event)
4. Response to risks
5. **Monitoring activities**

Risks are generally represented and quantified by a risk matrix.

		→				
		IMPACT				
		Negligible	Minor	Moderate	Important	Severe
Probable	↑	Highly probable	Medium weak	Medium	Medium high	High
	Plausible	Weak	Medium weak	Medium	Medium high	High
	Possible	Weak	Medium weak	Medium	Medium high	Medium high
	A little plausible	Weak	Medium weak	Medium weak	Medium	Medium high
	Very implausible	Weak	Weak	Medium weak	Medium	Medium

The second recommendation concerns the content of the annual reports. These reports shall establish conformity with risk-based programming and shall be improved in terms of analytical content, such as: the coverage of revenues and expenditure operations (% of the annual budget), the collection rate, the detection of corruption cases, etc. All of these factors can be analyzed by administrative sector and by municipality.

Strengthening transparency through the publication of reports contributes to achieving greater visibility as far as the CIB work is concerned all the while increasing the CIB value for citizens.

3.2 Recommendations concerning the inspection methodology

The main methodological recommendations are the following:

1. **Announcing field visits:** For a considerable part of the field visits, there is no particular reason that impedes the announcement of visits. In other words, it is only in a small part of cases (prone to fraud and concealment) that it is necessary to conduct unannounced visits. This would allow administrators

to prepare their files in advance and inspectors to prepare the course of their investigation in a more efficient way.

2. **Concentrating and preparing visits:** Each visit shall focus on one or two well-defined topics. For example: For investigations conducted at a ministry or a municipality, the investigation plan shall be established over several months. The first visit shall focus on human resources while the second visit on public procurement and the third on the management of the inventory, and so on.
3. **Improving sampling:** The selection method of files and transactions to be verified shall evolve from the currently practiced random mode to a risk-oriented model (at the detailed level): Choosing cases with great impact (financial losses, corruption). This evidently requires preparation prior to the field visit: Inspectors should ask the administrations they will be inspecting to prepare some lists in advance such as for example the list of public contracts attributed without a call for tenders.
4. **Focus on the control of civil servants' performance:** This would consist, for example, of checking how many files a given civil servant has processed and / or finalized over a certain period of time. This procedure shall be set out together with a performance-based human resources management system.
5. **Establishing a consolidated monitoring register** (through the CIB). For this purpose, the introduction of a computer tool shall be considered in order for it to serve, in the first place, as a simple bureaucratic tool such as Excel, and in the medium term as a database accompanied by a report generator.
6. **Establishing an internal audit unit within the Ministry of Finance:** In accordance with international good practices, an internal audit unit shall be established within the Ministry of Finance in order to monitor the discipline of tax auditors. This is an indispensable measure to fight corruption at the level of the tax administration. The financial controllers of the CIB would as such be liberated from a part of their work and would be able to focus on other fields such as ensuring the conformity of expenses and public procurement.

3.3 Institutional recommendations

As previously mentioned, the recommendations concerning the reforms of the Lebanese administrative system go beyond the scope of this project.

These recommendations include measures concerning the legislation governing the CIB:

- The recruitment of inspectors with computer skills
- At a later stage, the recruitment of information system inspectors
- Giving the CIB online access to the data of the ministries, agencies and law-enforcement services (prosecutor, police).

Other topics raised by the CIB (shortcomings) concern the inspection process at companies to which the government has outsourced some activities. The inspection activities at these companies are not regularized. The same applies to the regulators (telecommunication, transport sectors, etc.). Legislation shall be modified in order to allow for inspections within these bodies.

4 Good practices – Comparative analysis

4.1 Criteria

In order to identify the most relevant reform approaches for Lebanon, a comparative analysis (benchmarking) regarding the inspection organization is conducted throughout the stages of the project, particularly to offer examples during the training. The following countries will be particularly considered:

- **France**, given that the Lebanese institutional framework is based on the French system
- **Countries of the Middle East and North Africa** (Southern Neighborhood)
- **Other countries of the EU**, inter alia Germany and Sweden, both of which are very advanced but have adopted different approaches to inspection and audit

Countries in transition in Eastern and South-Eastern Europe that have replaced their inspection systems with internal audit systems will also be considered.

The comparative analysis is based on the following criteria:

The institutional framework of the inspection	How is the inspection service organized? In a centralized /decentralized way?
The mandate of the inspection service	What sectors and topics are subject to inspection?
Internal audit	Is there an internal audit system in the country?
Internal control	Is there an internal (financial/non-financial) control system in the country?
The rights and responsibilities of the inspection service	Giving recommendations / imposing sanctions, etc.

4.2 Overview of the different systems

This comparative analysis will be more amply explored throughout the different training units. The below paragraph offers a first glimpse of some fundamental aspects

4.2.1 The context of the European Union in general

Financial inspection: A financial inspection service is established in almost half of the countries of the European Union (EU), but the organization and responsibilities of such services remain considerably different.

- A financial inspection function is established in the majority of new EU member states, such as Bulgaria, Hungary, Poland, Romania and Slovakia, as well as in Belgium, France, Greece, Italy, Portugal and Spain.
- However, there are no central financial control institutions in the Nordic countries (Denmark, Finland and Sweden), the Baltic States (Estonia, Latvia and Lithuania), Austria, Germany, the Netherlands and the United Kingdom. In these countries, this function is embedded in the system of internal control and financial management.

Financial inspection is generally deemed as a retrospective control activity carried out by centralized control body inspectors who are independent of the entity they inspect, meaning by inspectors working in a separate unit of the entity they are inspecting.

In Belgium, the financial inspection service also has a priori tasks.

During the period of their accession, the new EU Member States have established an internal control function but have nevertheless retained the financial inspection function to close the gap as the internal audit was still under development. However, they have shifted the focus of their traditional financial inspection function to inspecting significant cases of mismanagement, suspicions of fraud and corruption triggered by complaints and other information.

The positioning of inspection services also differs between countries. While in the new EU member states, financial inspection is usually conducted by the Ministry of Finance, in countries where external audit is organized as an Audit Court with a judicial power (France, Italy, Portugal and Spain), as well as Lebanon, such inspection is also responsible for reporting any irregularities detected to the Audit Court. The latter subsequently starts a process of identification of financial responsibility and asks the persons responsible for any undue payment to pay their dues.

Of note, the function of financial inspection, in the sense adopted by the EU countries, includes a (more or less, depending on the country) part of the administrative inspection functions as practiced in Lebanon.

In the EU, inspections that tackle human resources aspects are also carried out by the internal control and internal audit departments and prosecuted by the respective audit courts in case of irregularities, fraud and corruption. These latter are also responsible for monitoring the performance of civil servants (at the institutional level) through performance audits.

In addition to these financial and administrative control systems, all of these countries have established sector inspections within (or under the supervision) of the respective sector ministries, including inspections in the education, health and environment sectors. etc.

4.2.2 The particular case of France

The UE country that allows for the best comparison with the Lebanese inspection system is France.

The inspection departments in France are directly placed within the concerned ministries. See Annex 6.2. In addition, there are three inspectorates that are interdepartmental in their mission but remain attached to a ministry:

- The General Inspectorate of Finance (GIF)
- The General Inspectorate of Social Affairs (GISA), and
- The General Inspectorate of Administration (GIA)

The internal control deployed at the ministries aims at ensuring the monitoring of risks related to the management of public policies offered by these ministries. It consists of a set of formalized and permanent measures adopted by every ministry and implemented by officials across the board. This takes place under the coordination of the secretary general of the ministerial department. While such measures aim at controlling the risks related to the achievement of goals set by every ministry, they also cover all types of activities, including those related to budget and accounting management.

Established according to the standards of COSO², which is an international benchmark body for risk management, internal control has four operational objectives:

- Compliance with laws, regulations and contracts,
- Protection of assets,
- Reliability and integrity of financial and operational information as well as
- Effectiveness and efficiency of operations.

Internal audit is an activity carried out in an independent and objective manner that provides every minister with assurance with respect to the extent to which they are in control of their operations. It also offers advice to these ministers on how to improve such control. The internal audit ensures that the internal control systems are effective.

The decree relative to the public budget and accounting management specifies the audit organization while establishing, for the State, the ministerial internal audit committees that schedule the budget and accounting audits. As far as bodies are concerned, it is the deliberating organ that sets out the audit program. When the need arises, it establishes an audit committee that takes charge of the audit program. In the absence of an internal audit within the body, the budgetary and accounting operations supervision evaluation and internal control quality assessment are conducted by auditors placed either under the authority of the minister in charge of the budget or that of another supervising minister from the body.

4.2.3 Sweden and the Anglo-Saxon system

The Anglo-Saxon system, also practiced in the Nordic countries of Europe, follows a different concept.

The administrative power is exercised by independent executive governmental bodies. These institutions have established internal control functions tasked with:

- Presenting risk analysis aimed at identifying the circumstances that could jeopardize the objectives set by the government
- Systematically and regularly controlling and evaluating internal control processes.
- Documenting risk analysis, control, follow-up and evaluation measures.

The internal audit department established in each agency supports these agencies in achieving their objectives in terms of risks, materiality and control. It makes recommendations aimed at improving the agency's internal control processes. This department also leads assurance missions (financial audit, compliance audit, performance audit) and provides advice and support for the management of the agency, meaning its board of directors and director general.

In addition to this audit system, **technical inspectorates** are established in several sectors of the central government. These are mainly focused on compliance with the sector legislation in force.

4.2.4 Tunisia

The inspection system in Tunisia is similar to that of France, in particular with its General Financial Control (GFC) which carries out, pursuant to mission orders signed by the Minister of Finance, compliance and regularity monitoring missions at the level of public services and bodies:

² *Committee Of Sponsoring Organizations of the Treadway Commission*

- Different services affiliated to ministerial departments,
- Public establishments (administrative and equivalent),
- Public companies and NAPE (non-administrative public establishments),
- Local communities (municipalities and regional councils),
- Associations and mutual societies
- Interprofessional groups and cooperatives
- Any other body directly or indirectly benefiting from subsidies or support from the State or regional or local authorities.

The GFC also undertakes evaluation missions targeting public projects and programs in order to evaluate the performance of the various stakeholders as well as the ensuing effects.

In addition, the GFC conducts, on an exclusive basis, audit missions for externally-funded projects on behalf of the main investors.

Similarly to the other control bodies, the GFC carries out its activities in coordination with the High Administrative and Financial Control Committee (HAFCC) created within the Presidency of the Republic. The HAFCC is also responsible for following up on the recommendations and proposals made in the various control and verification reports, copies of which are systematically sent to it.

The head of the GFC and his counterparts in the other control bodies (GCPS “General Control of Public Services” and GCSD “General Control of State Domain”) as well as in the State Control and the General Inspectorate of the Interior Ministry, attend the HAFCC board meeting once a month. The said council includes a representative of the Audit Court.

Refer to Annex 6.3

5 Work plan for the second mission

The second mission of this project has two objectives: the development of a **General Inspection Methodology Manual**.

The execution of the second

5.1 Development of a general inspection methodology manual

The development of this manual and the training materials will be carried out in August / September 2018 as follows:

- 10 working days in August 2018 (potentially remotely, subject to the approval of the EU Delegation in Lebanon)
- 10 working days in Beirut: from September 3 to 14, 2018
- The training materials will be available at least three days before the start of the training in order for them to be approved by the President of the CIB.

The manual will consist of two parts: (i) the annual scheduling and preparation of the CIB annual report; and (ii) the daily work of inspectors (field missions and their preparation and monitoring as well as report writing). The guide will also include tools to facilitate the work of inspectors (forms, questionnaires, etc.)

5.2 Training delivery

The training will be delivered as follows:

Groups: A maximum of 6 groups made of 20 people each.

Date: From September 17 until October 6, 2018, a total of 3 weeks – from Monday to Thursday (6 x 2 days)

Location of sessions: National Administration School in Lebanon

Trainers: Ilse Schuster and 2nd expert (to be determined)

Interpretation: The training will be held in French and simultaneous interpretation will be provided throughout the sessions

Training of trainers: It is recommended that 2-3 inspectors take part in three groups in order to learn about the topic and be able to teach it to new recruits at a later stage.

These modalities are to be confirmed by the contractor Crown Agents

The training plan is detailed on the following page.

Emphasis will be placed on practical examples, especially those that fall within the inspectors' fields of expertise (health, education, etc.)

Training plan

Schedule	Units	Objective	Target audience	Unit content	Duration
First day					
08H30-09H00	Registration				
09H00-10H00	Unit 1 - The concepts: Internal audit, external audit, inspection, internal control	Understanding the differences and the relations between these concepts	All inspectors	<p>The different types of audit:</p> <ul style="list-style-type: none"> • System audit • Performance audit • Compliance audit <p>A priori and a posteriori control</p> <p>The presentation of the concepts will be supported by practical examples from different countries.</p>	1 hour
10H00-11H00	Unit 2 – Risk analysis	Understanding the basics of risk analysis	All inspectors	<p>Risk management cycle:</p> <ul style="list-style-type: none"> • Risk mapping • Risk evaluation • Risk treatment with examples 	1 hour
11H00-11H30	Coffee break				
11H30-12H30	Unit 3 – Strategic programming and annual report	The development of annual risk-based inspection plans and annual reports	Inspectors general (and all the inspectors who are taking part in the scheduling of the annual plan)	Presentation of a concrete example that shows how to develop the annual plan based on a risk analysis and how to produce an annual report that highlights violations.	1 hour
12H30-13H30	Lunch break				
13H30-15H30	Unit 4 – Inspection mission realization steps	Improving the inspection methodology	All inspectors	<p>Preparation :</p> <ul style="list-style-type: none"> • Preparatory meeting • Mission organization <p>Field missions:</p>	2 hours

Schedule	Units	Objective	Target audience	Unit content	Duration
				<ul style="list-style-type: none"> • Meetings and inventories • Retrieval of information The report : <ul style="list-style-type: none"> • Preparation • Presentation Follow-up	
Deuxième journée					
08H30-09H00	Registration				
09H00-11H00	Unit 5 – Public procurement inspection	Identifying public procurement risks	All inspectors	Risks throughout the public procurement cycle <ul style="list-style-type: none"> • Call for tenders • Decision • Execution • PPP 	2 hours
11H00-11H30	Coffee break				
11H30-13H30	Unit 6 – Financial aspects of the inspection	Understanding the importance of financial aspects in inspection missions	All inspectors	<ul style="list-style-type: none"> • Budget cycle • Focus on expenses: Optimization of resources (cost/benefit relationship) • Financial risks • IT risks 	2 hours
13H30-14H30	Lunch break			•	
	Unit 7 – Code of ethics and communication skills	Adopting an ethical behavior; and interpreting the behavior of the interlocutors	All inspectors	<ul style="list-style-type: none"> • Conflict of interest • Transparency, impartiality, knowledge sharing, follow-up • Listening, non-verbal communication • Report submission 	1 hour

6 Annexes

6.1 List of interviews

During the first mission, the following interviews have been conducted:

Date	Activity	Participants
June 18, 2018	Briefing at the CIB	Mr. Fadi Haydamous, Administrative Inspector General Mrs. Houry Dersarkissian, Inspector General Mrs. Rania El Jamal, Administrative Inspector Mr. Naji Moustafa, Administrative Inspector Mr. Rabii Timani, Administrative Inspector Mr. Charbel Nehmeh, Head of the IT Section Mr. Rabii charaf El Dinn, Financial Inspector Mrs. Lena El Murr, Administrative Inspector (Focal point) Mrs. Ilse Schuster, Expert Mr. Peter Salloum, Team Leader Mrs. Josiane Massihi, Project Assistant
June 19	Internal meeting with the President (Briefing on the plan and expectations of the mission)	Mr. Georges Attieh, CIB President Mr. Fadi Haydamous, Administrative Inspector General Mrs. Houry Dersarkissian, Inspector General Mrs. Ilse Schuster, Expert
June 20, 2018	Inspection at the Ministry of Health	Mr. Naji Moustafa , Administrative Inspector Mr. Rachad Sangare, Administrative Inspector Mrs. Manal Abdo, Administrative Inspector Mrs. Ilse Schuster, Expert
June 21, 2018	Inspection at Baabda Prefecture	Mrs. Joyce Berdkan, Administrative Inspector Mr. Rabii Timani, Administrative Inspector Mrs. Maya Akoum, Administrative Inspector Mrs. Ilse Schuster, Expert
June 22, 2018	Internal meeting (preliminary findings and training program)	Mr. Fadi Haydamous, Administrative Inspector General Mrs. Houry Dersarkissian, Inspector General Mrs. Nidale el Raii, Inspector General of Health, Social Affairs and Agriculture Mrs. Ilse Schuster, Expert
June 25, 2018	Inspection at the Ministry of Finance	Mr. Ihsan El Hasan, Administrative Inspector Mrs. Manal Abdo, Administrative Inspector Mrs. Katia Khoury, Administrative Inspector Mrs. Rania Abou Antoun, Administrative Inspector Mme Najwa Saker, Financial Inspector Mrs. Ilse Schuster, Expert
June 26, 2018	Meeting with health inspectors	Mrs. Nidale el Raii, Inspector General of Health, Social Affairs and Agriculture Mrs. Nahla Fatfat, Inspector of Health and Environment Dr. Joseph Kahwach, Veterinary Inspector Mr. Salah Bou Hadir, Agricultural Inspector Mr. Najla Fahed, Agricultural Inspector Mrs. Hala Debs, Agricultural Inspector

Date	Activity	Participants
		Dr. Mustapha Abdul Nasser, Public Health Inspector Dr. Amer Mansour, Public Health Inspector Mrs. Houry Dersarkissian, Inspector General Mrs. Ilse Schuster, Expert
June 27, 2018	Meeting with the Financial Inspector General	Mr. Wael Khadach, Financial Inspector General Mrs. Houry Dersarkissian, Inspector General Mrs. Ilse Schuster, Expert
	Meeting with engineering inspectors	Mrs. Faten Hamandi, Engineering Inspector General Mr. Jalal Sleiman, Inspector General Mr. Issam Chabani, Engineering Inspector Mr. Elias Kosta, Engineering Inspector Mr. Youssef Brahim, Engineering Inspector Mr. Samir Hjezé, Engineering Inspector Mrs. Houry Dersarkissian, Inspector General Mrs. Ilse Schuster, Expert
June 28, 2018	Presentation of the report	Mr. Georges Attieh, CIB President Mr. Fadi Haydamous, Administrative Inspector General Mrs. Houry Dersarkissian, Inspector General Inspectors General Mrs. Lena El Murr, Administrative Inspector (Focal point) Mrs. Ilse Schuster, Expert Mr. Peter Salloum, Team Leader A representative of OMSAR

6.2 Example 1: France

6.2.1 List of French inspection services, by ministry

Ministry	Inspection unit
Ministry of Ecology, Sustainable Development, Transport and Housing	<ul style="list-style-type: none"> • General Council for the Environment and Sustainable Development • General Inspectorate of Maritime Affairs
Ministry of Foreign and European Affairs	General Inspectorate of Foreign Affairs
Ministry of Defense and Veterans Affairs	<ul style="list-style-type: none"> • General Control of Armies • General Inspectorate of Armies
Ministry of Justice and Freedoms	<ul style="list-style-type: none"> • General Inspectorate of Justice • General Inspectorate of Prison Services (GIPS)
Ministry of Interior, Overseas Territories, Local Authorities and Immigration	<ul style="list-style-type: none"> • General Inspectorate of Administration (GIA) • General Inspectorate of the National Police (IGPN) • General Inspectorate of the National Gendarmerie (GING)
Ministry of Economy, Finance and Industry	<ul style="list-style-type: none"> • General Inspectorate of Finance (GIF) • General Council for Industry, Energy and Technology (GCIET)
Ministry of Labor, Employment and Health	General Inspectorate of Social Affairs (GISA)
Ministry of National Education, Youth and Community Life	<ul style="list-style-type: none"> • General Inspectorate of National Education (GINE) • General Inspectorate of Administration, National Education and Research (GIANER) • General Inspectorate of Youth and Sports
Ministry of Budget, Public Accounts and State Reform	<ul style="list-style-type: none"> • General Inspectorate of Finance (GIF) • General Inspectorate of Social Affairs
Ministry of Agriculture, Food, Fisheries, Rurality and Spatial Planning	<ul style="list-style-type: none"> • General Inspectorate of Agriculture • General Council for Food, Agriculture and Rural Spaces (GCFARS)
Ministry of Culture	<ul style="list-style-type: none"> • General Inspectorate of Cultural Affairs • Inspectorate of Heritage • Creation, artistic teachings and cultural action advisor and inspector • General Inspectorate of Libraries
Ministry of Solidarities and Social Cohesion	General Inspectorate of Social Affairs (GISA)
Ministry of Public Service	
Ministry of Higher Education and Research	<ul style="list-style-type: none"> • General Inspectorate of Administration, National Education and Research (GIANER) • General Inspectorate of Libraries (GIL)
District Ministry	General Inspectorate of Social Affairs
Ministry of Sports	General Inspectorate of Youth and Sports

6.2.2 General Administrative Inspectorate (GAI)

Given its interdepartmental nature, the GAI can receive missions from any interested minister and remains at the disposal of various authorities:

- Prime Minister;
- Minister of Interior ;
- Ministers in charge of overseas and territorial communities;
- Minister in charge of the public service ;
- Any other member of the government.

The Prime Minister or the Minister of Interior may also authorize the GAI to intervene at the request of local authorities and their groupings, foundations or associations, foreign states, international organizations or the European Union whenever there are tasks that fall within its remit.

The Administrative General Inspectorate produces reports about the following topics:

- Agriculture
- Spatial planning
- Territorial communities
- Sustainable development
- Economy and taxation
- Elections
- Public service
- European funds
- Immigration
- Justice
- Public freedoms
- Housing
- Overseas
- Prefectures
- State reform
- Sanitary and social [development]
- Security
- Civil security
- Road safety
- Sport
- Transport
- Urbanism

For example, the recent reports that have been issued about “**public service**” are the following:

- Expenditure review – management acts concerning the local authorities’ human resources
- Evaluation of the public service medical authorities’ apparatus – diagnostic report
- Evolution of the police and national gendarmerie workforce
- Secularism and public function

These examples show the GAI’s focus on the processes per se (instead of the civil servants at the individual level)

6.3 Example 2 : Tunisia

In Tunisia, audit and control systems deployed across public structures include the following bodies:

General Control of Public Services (GCPS)	<p>The GCPS is part of the administrative control system, which includes several general control bodies and ministerial inspectorates. The GCPS is a superior supervisory body that enjoys horizontal competence allowing it to control state services, local authorities, public enterprises and establishments and all bodies that receive direct or indirect participations from the State or the local authorities. The GCPS is also an advisory body that provides advice on draft laws and regulations aimed at organizing and modernizing the management tools of public services.</p>
General Financial Control (GFC)	<p>The GFC is responsible for carrying out, under the authority of the Minister of Finance, compliance and regularity control missions at the level of public services and bodies. It also carries out evaluation missions of public projects and programs in order to assess both the performance of stakeholders and the ensuing effects. In addition, the GFC carries out audit missions for the accounts of externally-funded projects on behalf of the main investors.</p>
General Control of State Domain	<p>The main mission of the General Control of State Domain and land affairs, affiliated with a ministry of the same name, is to control the use of the state's public and private domains as well as the use of immovable property occupied by the state, the movable property managed by the state and the in-kind or cash participations of the State.</p>
Audit Court	<p>The Court is competent to examine accounts and assess the management of the State, local authorities, public establishments and enterprises, as well as all bodies in which the State, local authorities, public establishments and enterprises are shareholders. In addition, the Court evaluates the results of the economic and financial aid granted to associations, mutual societies, enterprises and private bodies regardless of their name. Besides its competence to control the finances of political parties, the Court is empowered to audit the accounts of international institutions or organizations.</p>
Administrative Tribunal	<p>The Administrative Tribunal is compulsorily consulted on draft regulatory decrees. It provides its advice on the other draft texts and all the questions for which its intervention is envisaged by the legislative or regulatory provisions, or which are submitted to it by the government.</p>
High Committee of Administrative and Financial Control (HCAFC)	<p>The HCAFC is a public institution of an administrative nature, directly affiliated with the Presidency of the Republic. It consists of all the heads of control bodies, two directors-general in charge of the state budget at the Ministry of Finance as well as the director general of public enterprises and contributions. The HCAFC, whose staff consists of ten people, including 5 senior executives, is responsible for three missions:</p> <ul style="list-style-type: none"> • It coordinates the control programs of all internal and external inspection bodies, including the Audit Court. These submit to the HCAFC their audit program for each year; • It regulates the frequency of inspections (every 4 to 5 years) and thus avoids duplication of control while ensuring the regular monitoring of inspections; • It proposes modifications that it deems necessary in the control and audit structure for the improvement of the function.
Public Expenditure Control	<p>The General Directorate of Public Expenditure Control reports to the Prime Ministry. It ensures prior control of commitments through expenditure controllers who are responsible for:</p> <ul style="list-style-type: none"> • Verifying the expenditure regularity of each of the state, the public administrative institutions and the local authorities under its supervision all the while reviewing the related expenditure commitment proposals; • Targeting the institutional and modifying decrees related to imprest systems, the decrees appointing managers and the requests for advances of funds granted to these latter;

	<ul style="list-style-type: none"> • Targeting credit transfer requests; • Targeting the quarterly and annual expenditures, be they conducted or scheduled, knowing that payment mandate issuers are required to forward these to the Audit Court
Committee of State Controllers	<p>The Committee of State Controllers is part of the general system of guardianship over public enterprises and non-administrative public establishments. This Committee consists of State Controllers who carry out their missions within public enterprises and establishments whose essential characteristics are as follows:</p> <ul style="list-style-type: none"> • External control: the effectiveness of the State controllers' interference lies in the fact that they do not belong to the public enterprises or establishments that they are tasked with controlling. This ensures their independence vis-à-vis these structures. • Control of general nature: the intervention of state controllers encompasses the different aspects of the activities of the public non-administrative enterprises and establishments, all the while ensuring these structures' compliance with the rules and regulations concerning the management organization on the one hand and monitoring their financial situation on the other. • Essentially preliminary control: The preliminary nature of the state controllers' interference is exemplified by their role in ensuring compliance with the procedures governing public procurement as well as the management of human resources before their entry into force. <p>The objective of state control mainly has a preventive character aimed at avoiding irregularities that could have adverse repercussions on the interests of the state as a shareholder.</p>
General Committee of Public Service	<p>The General Committee of Public Service is mainly tasked with the following:</p> <ul style="list-style-type: none"> • Monitoring the execution of orientations, objectives and programs pertaining to the public service sector, • Suggesting ideas aimed at modernizing the administration's human resources management system all the while contributing to the development of skills and the improvement of performance, • Contributing to the development of public services' organization methods and modalities as well as to the monitoring of their execution, • Monitoring the development of studies and research in the field of public service and the organization of public services.
Ministerial inspectorates	<ul style="list-style-type: none"> • General Inspectorate of the Ministry of Sport • General Inspectorate of the Ministry of Women • General Inspectorate of the Ministry of Health • General Inspectorate of the Ministry of Tourism • General Inspectorate of the Ministry of Information and Communication Technologies • General Inspectorate of the Ministry of Employment • Administrative and Financial Inspectorate of the Ministry of Education • General Inspectorate of the Ministry of Transport • General Inspectorate of the Ministry of Equipment • General Inspectorate of the Ministry of Religious Affairs • General Inspectorate of the Ministry of Environment • General Inspectorate of the Ministry of Agriculture • General Inspectorate of the Ministry of Culture • General Inspectorate of the Ministry of High Education • Administrative and Financial Inspectorate of the Ministry of Public Health • Administrative and Financial Inspectorate of the Ministry of Regional Development and Planning • General Inspectorate of the Ministry of Social Affairs • General Inspectorate of the Ministry of Commerce • General Inspectorate of the Ministry of Industry

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| | <ul style="list-style-type: none">• General Inspectorate of the Ministry of Foreign Affairs• Administrative and Financial Inspectorate of the Ministry of Justice |
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