2009 discharge: Eighth, Ninth and Tenth European Development Funds EDF

2010/2151(DEC) - 09/09/2010 - Court of Auditors: opinion, report

PURPOSE: presentation of the Court of Auditors' report on the activities funded by the 8th, 9th and 10th European Development Funds (EDF).

CONTENT: pursuant to the provisions of the Treaty on the functioning of the European Union, the Court of Auditors submits to the European Parliament and Council, in the framework of the discharge procedure, a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions of each institution, agency and organ of the EU, on the basis of an independent external audit.

This audit also includes the financial management of the EDF.

The main conclusions of the Court are set out in a "statement of assurance" the main points of which may be summarised as follows:

Statement of assurance:

1. **Reliability of the accounts:** the Court concludes that the final annual accounts of the eighth, ninth and tenth EDFs present fairly, in all material respects, the financial position of the EDFs as of 31 December 2009. Without qualifying this opinion, the Court draws attention to **an understatement of the amount of guarantees received in respect of prefinancing** and to an overstatement of the amount of retention guarantees disclosed in the notes to the financial statements.
2. **Legality and regularity of the transactions underlying the accounts:** in the Court's opinion the revenue, commitments and payments underlying the accounts of the eighth, ninth and tenth European Development Funds for the year ended 31 December 2009, in all material respects are legal and regular. However, the Court draws attention to the high frequency of non-quantifiable errors affecting commitments and payments albeit not included in the estimation of total error. **With regard to commitments**, the errors detected concerned compliance with tendering rules, legal deadlines for the signature of contracts and provisions regarding mandatory guarantees. **With regard to payments**, the Court's audit of payments did not find material error. The main types of quantifiable errors detected on project payments were the following: (a) accuracy: calculation errors; (b) occurrence: absence of invoices or other supporting documents for services rendered or goods supplied; (c) eligibility: expenditure incurred outside the implementation period or related to items not foreseen in the contract, undue payment of VAT or non-application of mandatory penalties.
3. **Control systems:** the Court assessed overall that EuropeAid's supervisory and control systems as partially effective when it comes to preventing, detecting and correcting errors.

The Court's recommendations: the Court of Auditors makes a number of recommendations in order to improve EuropeAid's supervisory and control systems. In the context of its planned review of its overall control strategy, EuropeAid should:

- develop a key indicator for the estimated financial impact of residual errors after all ex- ante and ex-post controls have been implemented;
- **assess the cost-effectiveness of the various controls**,

- finalise and disseminate the financial management toolkit targeting the high inherent risk of errors at the level of implementing organisations, contractors and beneficiaries to ensure adequate knowledge of financial management and eligibility rules;
- continue its efforts to ensure that the Delegations record data in a comprehensive and timely manner. .

The Court also makes some technical recommendations with regard to implementation of budget support.

The report also includes the figures establishing the amounts regarding the **financial implementation** of the EDF in 2009. In particular, it confirms the following figures:

- total commitments: EUR 3.406 billion;
- individual legal commitments: EUR 4.14 billion;
- payments: EUR 3.069 billion;
- outstanding payments: EUR 12.49 billion.