

# 2010 discharge: 8th, 9th and 10th European Development Funds (EDF)

2011/2212(DEC) - 01/09/2011 - Court of Auditors: opinion, report

**PURPOSE:** to present the 2010 report of the Court of Auditors on the implementation of the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> European Development Funds (EDFs).

**CONTENT:** pursuant to the tasks and objectives conferred on the Court of Auditors by the Treaty on the functioning of the European Union (TFEU), it provides, as part of the discharge procedure, both the European Parliament and the Council, with a Statement of Assurance regarding the reliability of the accounts and the legality and regularity of the underlying transactions of each EU institution, body or agency, based on an independent external audit.

The audit also focused on the financial implementation of the EDFs.

The main conclusions of the Court are contained in a "statement of assurance" whose main elements can be summarised as follows:

## **Statement of Assurance:**

**Reliability of the accounts:** the Court concludes that the EDFs accounts for the financial year ending 31 December 2010 fairly present, in all material respects, the financial position of the EDFs and the results of their operations and cash flows for the year then ended, in accordance with the provisions of the Financial Regulation and the accounting rules adopted by the accounting officer.

**Legality and regularity of the underlying transactions:** as in 2009, EuropeAid's transactional ex-post controls and the Court's own controls identified a still high frequency of encoding errors. While the Court's audit of the financial statements did not reveal material error due to such errors, these remain a source of concern as they may affect the accuracy of data used for the preparation of the annual accounts, in particular with respect to the annual cut-off exercise at year-end. Such errors also affect the reliability of EuropeAid financial management data. The Court's audit of **commitments** did not find any material error. However, individual commitments made for projects implemented under the decentralised management mode were affected by a significant frequency (four out of 14) of non-quantifiable errors regarding compliance with tendering rules and legal deadlines for the signature of contracts. As regards the regularity of transactions, the Court's testing of the sample of payments found 27% to be affected by error. The most likely error estimated by the Court is 3.4 %.

**Control systems:** the Court's audit revealed that the supervisory and control systems are partially effective in ensuring the regularity of payments.

**The Court's recommendations:** as noted in previous Annual Reports on the EDFs, EuropeAid has set up a comprehensive control strategy, but weaknesses remain in certain areas. At the end of 2010, EuropeAid launched an 'Action Plan for a strengthened EuropeAid management and control pyramid'.

For 2010, the Court recommends that EuropeAid should finalise the following actions foreseen in its Action Plan:

- 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, notably of the transactions ex-post control systems;
- strengthen the effectiveness of project monitoring, including on-the-spot visits, on the basis of multiannual monitoring and evaluation plans.

**The Court also recommends that EuropeAid should:**

- review the reliability of certificates from external supervisors, audits and expenditure verifications;
- introduce management information systems to better monitor the follow-up of results from on-the-spot visits, external audits and expenditure verifications;
- link the CRIS Audit and CRIS Recovery Orders information systems;
- continue;
- **as regards budget support**, ensure that Delegations consistently apply the new format and scheme for Delegations' annual reporting on reforms of public finance management systems in recipient countries so as to provide a structured and formalised demonstration of public finance management progress.

The report includes a part establishing the amounts of **financial implementation** in figures for the financial year 2010:

The report confirms in particular the following amounts:

- Cumulative use of EDF resources: EUR 48 792 million.
- Global commitments: EUR 37 778 million.
- Individual commitments: EUR 32 324 million.
- Payments: EUR 26 334 million.
- Outstanding payments: EUR 11 444 million.
- Available balance: EUR 11 014 million.