

2002 discharge: European Agency for Reconstruction

2003/2242(DEC) - 15/10/2003 - Non-legislative basic document

PURPOSE : to present the report from the Court of Auditors on the financial statement of the European Agency for Reconstruction for the financial year 2002. **CONTENT** : this report consists of the results of the audit performed by the Court on the financial statements for the financial year ended 31 December 2002. This examination has enabled the Court to obtain reasonable assurance that the annual accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial are as follows. The amount of financial budget appropriations entered for the year concerned amount to EUR 495,9 million. EUR 326,3 million were committed and the amount of EUR 106,8 million was paid. From this amount EUR 219,5 has been carried over to 2003 and the amount of EUR 7,1 has lapsed. As regards the total 2001 and 2002 appropriations, (including the commitment appropriations carried over from 2001 of EUR 170,3 million) this amounts to EUR 666,2 million of which EUR 457,8 million has been committed. The report states that at the end of 2002, the Agency found that it had made payments amounting to EUR 2,7 million which were not covered by budgetary commitments. The payments related to the carrying out of projects that the Commission had transferred to the Agency in the course of the year. The budget forecasts for Title II (administrative expenditure) should be given careful attention, so as to ensure that the carryovers and appropriations which lapse do not account for too great a part of the total budget (50 % in the financial year 2002). It should be noted that, in 2002, the Agency's internal control system was strengthened by the introduction of the SI2 budget accounting system. In 2002, despite the Court's previous observations, the Agency was still using a spreadsheet for its general accounts. The introduction of a reliable general accounting tool in all the centres should be a matter of priority. The Agency makes funds available to specialised bodies for the financing of loan programmes in specific fields (development of SMEs, agri-industry undertakings, etc.). Either these funds remain the property of the Agency, in which case they are placed in bank accounts opened in its name, or, where the Agency intends to transfer the funds to the authorities concerned following implementation of the programme, they are paid as subsidies and recorded as Agency expenditure. In one case where an account had been opened in the Agency's name, the accounting officer had not been advised of the existence of the account, the balance of which was EUR 205 000 at the end of the financial year. Since the Agency was set up, funds totalling EUR 13,3 million have been assigned to this type of project; as at 31 December 2002 the cumulative balance of the bank accounts concerned (including the balance of EUR 205 000 not reported to the accounting officer) was EUR 3,7 million and is included under the item 'Bank accounts' on the balance sheet. In one case concerning funds to be paid to a public-sector bank as a subsidy for the development of SMEs in Serbia (EUR 5million), the provisions of the contract specify that the funds disbursed remain the property of the Agency. The Court considers that the Agency must seek a suitable means of providing information on these funds in its balance sheet or the annexes thereto. As regards the legality and the regularity of the underlying transactions, the report shows that as of the end of the 2002 year, the director had issued no fewer than 67 delegations for the implementation of the budget. Even allowing for the dispersal of the Agency centres, the number of delegations seems likely to weaken the internal control system. The Agency has replied to the criticisms made by the Court. It states in particular that in relation to the budgetary implementation, the payments were made on the basis of figures stated in a formal decision of the Commission. A delay which occurred in committing these funds in the Commission accounts is expected to be regularised in 2003. The unspent funds for Title 2 in 2002 are mainly due to the starting-up of the Agency in the former Yugoslav Republic of Macedonia and the difficulties of estimating better the costs of this type of exercise. Concerning the financial accounts set-up, the Agency expects to close the 2003 accounts with an already installed professional application for the general ledger. The Agency is spread over five locations and manages a budget divided into 3 distinct titles. Within assistance programmes, there are 6 to 8 distinct

sectors of activity in each of the 4 operational centres. Therefore, in each centre, the number of staff in Operations with a delegation of signature for each relevant sector is the minimum. The Agency undertook a streamlining of its procedures in order to avoid any omission of delegation of signature in the future.