2003 discharge: 6th, 7th, 8th and 9th European Development Funds EDF

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PURPOSE : to present the Court of Auditors' report on the budget implementation of the 6th, 7th, 8th and 9 th EDFs (European Development Funds) for the financial year 2003.

CONTENT : the Court of Auditors has published its 27th Annual Report concerning the financial year 2003. Pursuant to the financial regulations the Court is required to provide the European Parliament and the Council with a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions in respect of the part of the EDF resources for whose financial management the Commission is responsible.

- ***As regards the reliability of the accounts*** : the Court highlights the amounts payable to the EDFs and not included as assets in the balance sheet at 31 December 2003 (27,5 million euro in recovery orders issued); in the absence of effective internal control procedures the Court cannot give assurance that these amounts are complete; advances (EUR 400 million); as the Commission has not indicated the total value of the amounts to be recovered, the Court cannot ascertain what fraction is to be added when establishing the debt; Stabex funds; the Commission can only very partially establish the ACP States' use of the funds (this information was still incomplete at the end of 2003); the lack of an entry in the balance sheet for the funds transferred to the EIB and not utilised (EUR 209 million);

- ***On the legality and regularity of the underlying transactions*** : the supervisory systems and controls still seem to be causing problems. As in the case of the 2002 financial year, when the Court drew attention to deficiencies regarding audits of EDF projects and the insufficiency of key controls on compliance with contracts and the reality of the works, supplies and services invoiced, the Court

was not able to rely fully on the Commission's supervisory systems and controls in 2003 for the following reasons: in 2003, the Commission continued with the implementation in its central services of the internal control standards adopted in 2001. However, their effect is limited because their implementation at Delegation level is tied to the devolution process, which will not be complete until the end of 2004, and there is a lack of coordination in the measures implemented; the action plans that were introduced at the time of the 2002 annual activity report or adopted in 2003 have been effective as regards the structure of external audits, follow-up of audit conclusions, analysis of the risks linked to external aid and processing of recoveries. By continuing with these action plans and implementing them fully, the Commission should obtain an effective future framework, particularly at the level of the Delegations; in the Delegations and ACP States the supervisory systems and controls covering contracts and payments are generally well designed. However, their implementation could be further improved.

As regards the audit of transactions, this was based on the documentation available at the Commission in Brussels and, where appropriate, in the Delegations in ACP States, and was also based on on-the-spot audits carried out in six ACP States in order to verify the reality of works, supplies and services. It should be noted that the Court's audit of the legality and regularity of budget support expenditure stopped at the stage where the aid was paid to the beneficiary countries'. The audit did not

bring any major problems to light.

In conclusion, the Court is of the opinion that the problems encountered are not material and that the revenue entered in the accounts, the EDF allocations, the commitments and the payments of the financial year are, taken as a whole, legal and regular.