

2003 discharge: European Agency for reconstruction

2004/2051(DEC) - 09/12/2004 - Court of Auditors: opinion, report

This Court of Auditors report focuses on the results of the audit carried out by the Court at the European Agency for Reconstruction.

The Court's first serious observation is that the Agency's accounts do not give a true picture of the Agency's actual economic and financial situation. Furthermore, because of the lack of information on the final use of funds granted by the Agency to other national and international organizations, the Court was not in a position to give an opinion on the legality and regularity of related operations involving payments of up to EUR 21.4 million. Errors were corrected in regard to the validity of certain supporting documents and contractual provisions that were not respected. In addition, rules regarding delegation of public powers had been flouted. The Court also mentions that irregularities in procedures in the award of contracts (in one in five cases examined) were such that equality principles between bidders had not been respected.

The report states that the budget made available to the Agency for the 2003 financial year had risen to EUR 358.6 million comprising 97.4% of Community subsidies but that this amount could rise to EUR 592.1 million if EUR 233.5 million of commitment appropriations from previous years are added. Given this high differential, the credits committed would amount to EUR 358.7 million and only would have been paid up to the ceiling of EUR 91.9 million. The Court considers that around EUR 267 million should be brought forward to 2004. As regards cancelled credits, they amount to EUR 5.5 million for the 2003 financial year and to EUR 30.8 million for previous financial years.

The Court makes other observations concerning the execution of the Agency's budget regarding several aspects including:

- budgetary implementation: The Agency's budget does not observe the principle of differentiated appropriations, as a result of which the Agency presents as expenditure not only payments for the period charged to the appropriations for the financial year but also all the outstanding payments in respect of commitments for the financial year, irrespective of the extent to which these commitments have been implemented. The accounting out-turn for the financial year therefore bears no relation to the economic reality of the Agency's operations.
- weak accounting system: The efforts made by the Agency to improve its budgetary, financial and accounting management should be stepped up with a view to the consolidation of the Agency's accounts with those of the Community institutions, which will take place as from the financial year 2005.
- budgetary control: The management of one financial body which the Agency had set up in Kosovo, the management of which had been entrusted to an external consultant, was characterised by significant shortcomings (e.g. defective accounts, inadequate analysis of borrower-related risk, inadequate documentation provided in support of loan applications). The Agency's supervision was not sufficient to identify these shortcomings and take the necessary corrective action as swiftly as possible.