Financial Regulation applicable to the general budget: rules for the implementation of Regulation (EC, Euratom) No 1605/2002

2005/0904(CNS) - 15/12/2005 - Court of Auditors: opinion, report

The Court of Auditors adopted an Opinion (11/2005) on the draft Commission Regulation amending Regulation 2342/2002/EC.

The Court based its examination of the Commission's proposal on the following principles:

- that the proposed revision complies with the principles of sound financial management;

- that the proposed revision constitutes simplification without compromising effectiveness or protection of financial interests;

- that the proposed changes are kept to the minimum necessary, and

- that the proposed revision provides no exception to the principles and norms contained in the Financial Regulation, except where the Financial Regulation itself provides for such exceptions.

The Court considers that in most cases the proposed amendments meet these conditions. However, for some issues this is not the case:

Imprest accounts: the maximum individual amount that can be paid by an imprest administrator is to be doubled from 30 000 euro to 60 000 euro - considerably in excess of the cumulative effect of inflation since the approval of the current implementing rules - whereas the Financial Regulation limits the payment by imprest accounts to 'small sums'.

Grants: The Court makes the following points:

- the Commission's proposal removes the need for cofinancing in kind to be restricted to 'duly substantiated exceptional cases'. The practice of cofinancing in kind constitutes a high risk of irregularity in view of the difficulties of defining an appropriate valuation and verifying its delivery. The proposed change may encourage its increased use and is therefore contrary to the protection of the Communities' financial interests;

- the authorising officer, depending on his risk assessment, may dispense with the requirement for beneficiaries to provide evidence of co-financing in the case of grants of EUR 25 000 euro or less. Given the risk at this level, and the ease with which such evidence can normally be provided, the Court considers the change to be contrary to the protection of the Communities' financial interests;

- the limits below which an external audit report is not required have been raised from EUR 300 000 to EUR 750 000 euro in the case of actions, and from 75 000 euro to 100 000 euro in the case of operating grants. There is therefore a large disparity in the rate of the increase between the two, with the first being considerably in excess of the cumulative effect of inflation since the approval of the current implementing rules, and contrary to the protection of the Communities financial interests;

- the Court feels that the issue of ‘educational establishments’ needs to be re-examined, with regard to the presentation of an external audit report certifying their accounts, and verification of financial capacity.

Finally, the Court observed that in a number of cases the wording of the changes require clarification.