2005 discharge: 6th, 7th, 8th and 9th European Development Funds EDF

2006/2169(DEC) - 31/10/2006 - Court of Auditors: opinion, report

PURPOSE: to present the Court of Auditors' report on the 2005 budget implementation of the 6th, 7th, 8th and 9th EDF (European Development Fund).

CONTENT: the Court of Auditors published its 29th Annual report concerning the financial year 2005.

The Court is of the opinion that the reports on financial implementation for the financial year 2005 and the financial statements at 31 December 2005 reliably reflect the revenue and expenditure relating to the sixth, seventh, eighth and ninth EDFs for the financial year and their financial situation at the end of the year.

Without qualifying the above opinion, the Court draws the attention to:

- the reservation made by the Director-General for Budget regarding the inability of the existing IT system to provide full ccounting information and the unavailability of definitive data on the outcome of accounting controls which could lead to an imperfect presentation of the accounts;
- the understatement of the amount of guarantees disclosed in the notes to the financial statements.

On the **legality and regularity of the underlying transactions**, the Court states that with regard to transactions under the sole responsibility of the Commission, the Court's audit did not reveal any errors.

With regard to transactions initiated in the ACP States under the responsibility of **national authorising officers**, the Court found that the financial impact of errors detected is not material.

For programme estimates and grant agreements, on which the Court's audit has put a greater focus, errors in the application of tendering procedures were found.

As regards the **analysis of the supervisory and control systems**, the Court's audit confirmed the need for the Commission, in the context of its action plan towards an Integrated Internal Control Framework, to further improve the supervisory and control systems in order to better address the risk of errors affecting the legality and regularity of the underlying transactions.

As far as **budget support** is concerned, the Court's work in respect of the legality and regularity of the underlying transactions is limited to verifying that the relevant conditions have been properly assessed by the Commission.

In its recommendations, the Court states that the financial control exercised by Delegations needs to be strengthened to prevent and detect errors. Controls of expenditure should focus more on the reality of goods delivered and works performed. This control requires an intensified supervision of projects by carrying out more visits and controls on-the-spot throughout the duration of projects, and the Commission should therefore pay careful attention to staffing problems reported by Delegations and, where necessary, take appropriate action.