



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 1 February 2013

5848/13

**ACP 20
FIN 53
PTOM 7**

“I/A” ITEM NOTE

from: ACP Working Party
to: Permanent Representatives Committee / Council
Subject: Relations with the ACP States and the OCT
– Council statement concerning the Statement of Assurance of the Court of Auditors relating to the activities of the 8th, 9th and 10th European Development Funds for the financial year 2011

1. The Court of Auditors has provided the European Parliament and the Council with a Statement of Assurance (SoA)¹ relating to the activities of the eighth, ninth and tenth European Development Funds about the reliability of the accounts and the legality and regularity of the underlying transactions; this statement applies to the financial year 2011.
2. The ACP Working Party examined the content of this Statement of Assurance in the presence of a representative of the Court of Auditors. It should be noted that examination of the SoA does not form part of the discharge procedure.

¹ OJ C 344 of 12.11.2012, p. 243.

3. The Working Party has drawn up the annexed "Council Statement concerning the Statement of Assurance of the Court of Auditors relating to the activities of the 8th, 9th and 10th European Development Funds for the financial year 2011".

4. It invites the Permanent Representatives Committee to suggest that the Council adopt the text of this statement as an "A" item on its agenda and agree to forward it to the European Parliament.

Council Statement
concerning the Statement of Assurance of the Court of Auditors
relating to the activities of the 8th, 9th and 10th European Development Funds
for the financial year 2011

1. For the financial year 2011 the Court of Auditors has provided the European Parliament and the Council with a Statement of Assurance (SoA) on the activities of the 8th, 9th and 10th European Development Funds about the reliability of the accounts and the legality and regularity of the underlying transactions¹.
2. The Council notes that the Court audited the activities of that part of the EDF resources for whose financial management the Commission is responsible, therefore the Court's Statement of Assurance does not extend to the part of EDF resources managed by the European Investment Bank.
3. The Statement of Assurance is globally positive about the **reliability of the accounts**. In general, the Court considers that the annual accounts of the eighth, ninth and tenth EDFs present fairly, in all material respects, the financial position of the EDFs as of 31 December 2011, as well as the results of their operations and cash flows, in accordance with the requirements of the EDF Financial Regulation.

The Council believes that the Commission is on the right track in terms of implementing the Court's previous recommendations, but there are still certain improvements that can be made in this regard.

¹ OJ C 344 of 12.11.2012, p. 243.

4. As regards the legality and regularity of the transactions underlying the accounts, the Court is of the opinion that the **revenue** and **commitments** underlying the accounts of the eighth, ninth and tenth European Development Funds for the year 2011, in all material respects, are legal and regular. The Council notes that the Court's audit revealed an **increased** error rate of 5.1% **in relation to the payments** underlying the accounts, indicating that supervisory and control systems are partially effective and that the Court concludes that the payments underlying the accounts for the year ended 31 December 2011 are materially affected by error.

The Council wishes to underline that the Court's audit:

- a) did not detect material errors concerning **commitments**,
- b) detected most likely estimated material errors (MLE: Most Likely Error) at 5.1% in relation to **payments**, in particular:
 - b.1) on **project payments**, detected both quantifiable errors and non-quantifiable errors:
 - i) **Quantifiable errors** related to accuracy (calculation errors), occurrence (absence of invoices or other supporting documents) and eligibility (e.g. expenditure incurred outside the implementation period).
 - ii) **Non-quantifiable errors** most frequently concerned insufficient supporting documents and non adjustment of performance guarantees.

The majority of these errors were found in the context of grants and contribution agreements with international organisations.

- b.2) on **budget support payments**, found them to be affected by a high frequency of non-quantifiable errors due to insufficiently structured demonstration of satisfactory progress made by the recipient governments in public finance management (PFM) resulting from lack of comparison between PFM achievements and the objectives set for the period under review.

The Council:

- welcomes the Court of Auditors' Statement of Assurance (SoA). Since its introduction, the SoA has proved its value in promoting improvements to the EDF accounts;
- takes note of the Commission's explanations and of the measures it has taken;
- welcomes the fact that the Commission's and the Court of Auditors' views largely concur and that the Court appreciates the efforts made by the Commission to implement its recommendations;
- welcomes the Court's finding that, in the context of Budget Support commitments, with the introduction of the revised framework for monitoring and reporting as well as the new format for annual reporting, monitoring and control improved significantly and, furthermore, invites the Commission to rigorously apply the new schemes, including on risk assessment and management, to equally strengthen substantive and continuous policy dialogue and to monitor the careful application of the key determinants to both budget and sector budget support referred to in the Council Conclusions on the future approach to EU budget support to third countries,
- stresses the importance of being regularly informed about the Commission's improvements of its financial control systems and the results of evaluations of the outcomes of measures undertaken. In that regard, asks the Commission to present these measures in a short and concise action plan, and update on implementation of the action plan in one of the ACP Working Party meetings of June 2013, to address the recommendations raised by the Court and to further improve its supervisory and control systems, especially regarding payments, in the central services of EuropeAid but even more in the Delegations.
