



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 6 February 2012

5980/12

**ACP 16
FIN 59
PTOM 5**

“I/A” ITEM NOTE

from: ACP Working Party
dated: 3 February 2012
to: Permanent Representative 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 2010

1. The Court of Auditors has provided the European Parliament and the Council with a Statement of Assurance (SoA)¹ on the activities of the eighth, ninth and tenth European Development Funds as to the reliability of the accounts and the legality and regularity of the underlying transactions; this statement applies to the financial year 2010.
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 326 of 10.11.2011, p. 251.

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 2010".

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 2010

1. For the financial year 2010 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 as to the reliability of the accounts and the legality and regularity of the underlying transactions¹.

2. As regards the **reliability of the accounts**, the Statement of Assurance is globally positive. In general, the Court considers that the final 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 2010, and the results of their operations and cash flows, in accordance with the provisions of the EDF Financial Regulation.

The Council acknowledges that the Commission is on the right track for implementing the Court's previous recommendations, but also sees that there are still certain improvements to be made. The Council, while noting the Court's concern regarding an increased frequency of encoding errors that may affect the accuracy of data used for the preparation of the annual accounts, welcomes the fact that EuropeAid has set up a specialised service to monitor the quality of data encoded, and that major reviews of the contracts and audit modules of the CRIS² system have been initiated in 2010. The Council also notes that such encoding errors had no demonstrated impact on the annual accounts in 2010.

¹ OJ C 326 of 10.11.2011, p. 251.

² Common RELEX Information System.

3. 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 2010, in all material respects are legal and regular. The Council notes that, concerning the **payments** underlying the accounts, the Court's audit revealed an error rate of 3.4%, indicating that supervisory and control systems are partially effective.

In this respect, the Council underlines that the Court's audit:

- a) concerning **commitments**, detected **non-quantifiable errors** related, in particular, to individual commitments made for projects implemented under the decentralized management mode, regarding the compliance with tendering rules and legal deadlines for signature of contracts;
- b) concerning **project payments**, detected both **non-quantifiable errors** and **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);
- c) concerning **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. In this regard the Council acknowledges the fact that no such errors were found in the transactions examined for the second half of 2010, since the introduction by the Commission of the revised framework for assessing progress in public finance management (June 2010).

The Council:

- welcomes the Court of Auditors' Statement of Assurance (SoA). Since its introduction, the SoA has proved its value as an important tool 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;
- invites the Commission to continue with its reform efforts and to remedy the shortcomings identified by the Court as regards the regularity of the transactions underlying the accounts;
- asks the Commission to further improve its supervisory and control systems, in the central services of EuropeAid but especially in the Delegations; the Commission shall report annually the results of its control and audits;
- asks the Commission to pay special attention to the old and dormant unspent commitments and to continue with its efforts to reduce their amount;
- welcomes the Court's finding that, in the context of Budget Support commitments, with the introduction of the revised framework for monitoring and reporting and the new format for annual reporting, monitoring and control improved significantly and invites the Commission to rigorously apply the new schemes and to equally strengthen the policy dialogue;
- stresses the importance of being regularly informed on the Commission's improvements of the financial control systems and the evaluation of the outcomes of measures undertaken.
