



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 7 February 2014  
(OR. en)**

**6060/14**

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**"I/A" ITEM NOTE**

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From: ACP Working Party  
To: Permanent Representatives Committee (Part 2)/Council  
Subject: Discharge to be given to the Commission in respect of the financial management of the 8th, 9th and 10th European Development Funds (financial year 2012)

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1. Article 11(8) of the Internal Agreement applicable to the 10th European Development Fund, states that the discharge for the financial management of the Fund shall be given by the European Parliament on the recommendation of the Council, which shall act by the qualified majority laid down in Article 8(3) of the Internal Agreement (see OJ L 247, 9.9.2006, p. 32, and OJ L 202, 3.8.2007, p.35)<sup>1</sup>.
2. The ACP Working Party examined the annual Report of the Court of Auditors on the European Development Funds for the financial year 2012, together with the Commission's replies to the Court's observations (see OJ C 331, 14.11.2013, p. 261), in the presence of a representative of the Court of Auditors.

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<sup>1</sup> A similar provision is included in the Internal Agreements governing the 8th and 9th EDFs.

3. At the end of its discussions, the Working Party:
  - agreed to refer to Coreper and the Council the comments in the Annex regarding its examination of the Court's report;
  - instructed the Secretariat to draw up draft recommendations for a discharge, to be submitted to Coreper and the Council for adoption.
  
4. It is therefore suggested that, subject to confirmation by Coreper, the Council should, as an "A" item:
  - adopt the recommendations regarding the discharge to be given by the European Parliament to the Commission in respect of the implementation of operations under the 8th, 9th and 10th EDFs for the financial year 2012, as contained in documents 5748/14, 5750/14 and 5753/14, drawn up by the Legal/Linguistic Experts;
  - order their publication in the Official Journal of the European Union.

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**Comments by the ACP Working Party**

**on the Court of Auditors Annual Report<sup>1</sup>**

**concerning the activities funded by the eighth, ninth and tenth**

**European Development Funds (EDFs), for the financial year 2012**

1. The Working Party notes that the Court's Annual Report concerning EDF activities for the financial year 2012 shows that the error rate has significantly been reduced compared to the previous year, but notes that this is still too high. The Working Party welcomes the fact that, in the Court's opinion, the Commission's report on the financial management of the EDFs established in accordance with Articles 118 and 124 of the 10th EDF Financial Regulation, accurately presents financial information concerning the EDFs.
2. The Working Party notes the Court's conclusions that:
  - the revenue of the EDFs was free from material error;
  - the global commitments entered into by the EDFs were also free from material error; but
  - the payments made by the EDFs were affected by material error. The Working Party notes that, concerning the payments underlying the accounts, the Court estimated the most likely error rate to be 3,0%.
3. The Working Party remains very concerned with the Court's findings regarding the frequency of encoding errors that may affect the accuracy of data used for the preparation of the annual accounts. It also notes that the Court did not find any material errors in connection with such encoding errors which could have an impact on the annual accounts in 2012.

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<sup>1</sup> OJ C 331, 14.11.2013, p. 261.

4. Therefore, in agreement with the Court, the Working Party considers that improvements should continue to be made in certain important areas, and the Commission should demonstrate how this has been done in the context of the Annual Report of the Court of Auditors. Areas of particular importance are:
- reviewing the residual error rate (RER) methodology;
  - timely clearance of expenditure;
  - promoting better document management by implementing partners and beneficiaries;
  - enhancing the quality of expenditure verifications carried out by external auditors;
  - ensuring the correct application of specific conditions for budget support payments, and
  - making sure that recovery orders in respect of interest on pre-financing over 750 000 euro are issued annually.

In addition, the Common RELEX Information System (CRIS) system remains a significant area for improvement. This continues to be the cornerstone of EU programming and financial management. It is hence critical that the Commission fully implements all of the recommendations of Court of Auditors Special Report (No 5/2012) on CRIS. It is important that the Commission improves both the system's functionality and staff's use of it.

5. The ACP Working Party welcomes the fact that the Commission has elaborated and is implementing an action plan aimed at addressing the weaknesses of the control system, including data quality. The Working Party 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, it requests that the Commission informs the ACP Working Party at regular intervals on the implementation of the action plan, starting with an update on its state of implementation as of 30 June 2014.

6. While noting the Court's conclusions and recommendations in its latest report (paragraphs 45 to 51 of the Report), the Working Party took also note of the replies given by the Commission.
  7. The ACP Working Party welcomes the fact that the Commission is implementing the Court's previous recommendations which are detailed in Annex 3 to the Annual Report. The Working Party took note of the Commission's replies given in the context of the Court's review of progress in addressing previous recommendations, and invites the Commission to fully implement the outstanding recommendations at the earliest opportunity.
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