

**STATEMENT OF ASSURANCE BY THE COURT OF AUDITORS ON THE 6TH, 7TH, 8TH AND 9TH
EUROPEAN DEVELOPMENT FUNDS (EDFs) FOR THE FINANCIAL YEAR 2005**

(2006/C 265/02)

I. The European Court of Auditors (the Court) has examined the accounts of the sixth, seventh, eighth and ninth EDFs and the underlying transactions for the financial year ending 31 December 2005. These accounts comprise the financial statements, the reports on financial implementation, and the financial statements and information supplied by the European Investment Bank (EIB) ⁽¹⁾. Pursuant to the financial regulations the Court is required to provide the European Parliament and the Council with a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions in respect of the part of the EDF resources for whose financial management the Commission is responsible ⁽²⁾. The Court carried out the audit in accordance with its auditing policies and standards. These are based on generally accepted international audit standards that have been adapted to the context of the EDFs. The Court thus obtained a reasonable basis for the opinions expressed below.

II. Reliability of the accounts

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:

- (a) the reservation made by the Director-General for Budget regarding the inability of the existing IT system to provide full accounting information and the unavailability of definitive data on the outcome of accounting controls which could lead to an imperfect presentation of the accounts (see paragraph 15);
- (b) the understatement of the amount of guarantees disclosed in the notes to the financial statements (see paragraph 17).

III. Legality and regularity of the underlying transactions

A. Substantive testing of transactions

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:

- (a) the Court found that the financial impact of errors detected is not material (see paragraphs 19 to 21);
- (b) 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 (see paragraphs 19 (a) and 22).

⁽¹⁾ Pursuant to the provisions of Articles 96(1), 100, 101 and 125(2) of the Financial Regulation applicable to the ninth EDF; in practice, this refers, firstly, to the balance sheets and associated statements prepared by the accounting officer and, secondly, to the management accounts comprising the tables prepared by the principal authorising officer in consultation with the accountant. These financial statements are presented for each of the four EDFs and in a comprehensive, consolidated form. The financial statements and information supplied by the EIB are not covered by this Statement (see footnote 13).

⁽²⁾ Pursuant to Article 103(3) of the abovementioned Financial Regulation; taken together with Article 1 of the same Regulation, this means that the Statement does not extend to the part of the ninth EDF resources that is managed by the EIB and for which it is responsible.

B *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 (see paragraphs 40 to 42) in order to better address the risk of errors affecting the legality and regularity of the underlying transactions.

Conclusion on the legality and regularity of the underlying transactions

In the light of the findings set out above, the Court is of the opinion that the revenue, EDF allocations, commitments and payments for the financial year are, taken as a whole, legal and regular.

Without qualifying the above audit opinion, the Court draws the attention to the increased risk of error affecting transactions initiated in ACP countries under the responsibility of national authorising officers (see paragraphs 19 to 21).

7 September 2006

Hubert WEBER

President
