

INDEPENDENT STATEMENT OF ASSURANCE BY THE COURT OF AUDITORS ON THE EDFs

(2010/C 310/02)

Independent Statement of Assurance by the Court of Auditors on the eighth, ninth and tenth European Development Funds (EDFs) for the financial year 2009

I. Pursuant to the provisions of Article 287 of the Treaty on the functioning of the European Union and Article 141 of the Financial Regulation applicable to the tenth EDF, which also applies to previous EDFs, the Court has audited:

- (a) the 'Final annual accounts for the financial year 2009 of the eighth, ninth and tenth European Development Funds' which comprise the consolidated financial statements ⁽¹⁾ and the consolidated report on the financial implementation of the eighth, ninth and tenth EDFs; and
- (b) the legality and regularity of the underlying transactions within the legal framework of the EDFs in respect of the part of the EDF resources for whose financial management the Commission is responsible ⁽²⁾.

Management's responsibility

II. In accordance with the Financial Regulations applicable to the eighth, ninth and tenth EDFs, management ⁽³⁾ is responsible for the preparation and fair presentation of the final annual accounts of the EDFs and the legality and regularity of the underlying transactions:

- (a) The management's responsibility concerning the final annual accounts of the EDFs includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, on the basis of the accounting rules adopted by the EDF accounting officer ⁽⁴⁾, and making accounting estimates that are reasonable in the circumstances. The Commission approves the final annual accounts of the EDFs.
- (b) The way in which management exercises its responsibility for legality and regularity of underlying transactions depends on the method of implementation of the EDFs. In the case of direct centralised management, implementation tasks are performed by the Commission's departments. Under decentralised management implementation tasks are delegated to third countries and under indirect centralised management to other bodies. In the case of joint management, implementation tasks are shared between the Commission and international organisations. Implementation tasks have to comply with the principle of sound financial management, requiring designing, implementing and maintaining effective and efficient internal control including adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used. Regardless of the method of implementation applied, the Commission bears the ultimate responsibility for the legality and regularity of the transactions underlying the accounts of the EDFs.

⁽¹⁾ The consolidated financial statements comprise the balance sheet, the statement of economic outturn, the statement of cash flow and the table of items payable to the European Development Funds.

⁽²⁾ Pursuant to Articles 2, 3, 4, 125(4) and 134 of the Financial Regulation applicable to the tenth EDF this Statement of Assurance does not extend to the part of the EDFs resources that are managed by the EIB and for which it is responsible.

⁽³⁾ At the level of the Commission management includes the Members of the Institution, Authorising Officers by delegation and sub-delegation, the Accounting Officer and the leading staff of financial, audit or control units. At the level of Beneficiary States, management includes National Authorising Officers, Accounting Officers, Paying Agents and the leading staff of implementing organisations.

⁽⁴⁾ The accounting rules adopted by the EDF accounting officer are derived from International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, in their absence, International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. In accordance with the Financial Regulation, the 'Consolidated financial statements' for the financial year 2009 are prepared on the basis of these accounting rules adopted by the EDF accounting officer, which adapt accruals based accounting principles to the specific environment of the Communities, while the consolidated reports on implementation of the EDFs continue to be primarily based on movements of cash.

Auditor's responsibility

III. The Court's responsibility is to provide, on the basis of its audit, 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. The Court conducted its audit in accordance with the IFAC and INTOSAI International Auditing Standards and Codes of Ethics. These standards require that the Court plans and performs the audit to obtain reasonable assurance whether the final annual accounts of the EDFs are free from material misstatement and the underlying transactions, taken as a whole, are legal and regular.

IV. In the context described under paragraph III, an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the final consolidated accounts and the legality and the regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the final consolidated accounts and of material non-compliance of the underlying transactions with the requirements of the legal framework of the EDFs, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the final consolidated accounts, and supervisory and control systems implemented to ensure legality and regularity of underlying transactions, in order to design audit procedures that are appropriate in the circumstances. An audit in this context also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made, as well as evaluating the overall presentation of the final consolidated accounts and the annual activity reports.

V. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

Opinion on the reliability of the accounts

VI. In the Court's opinion, 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 2009, and the results of their operations and cash flows for the year then ended, in accordance with the provisions of the Financial Regulation and the accounting rules adopted by the accounting officer.

VII. Without qualifying the opinion expressed in paragraph VI, the Court draws attention to an understatement of the amount of guarantees received in respect of prefinancing and to an overstatement of the amount of retention guarantees disclosed in the notes to the financial statements.

Opinion on legality and regularity of the transactions underlying the accounts

VIII. In the Court's opinion the revenue, commitments and payments underlying the accounts of the eighth, ninth and tenth European Development Funds for the year ended 31 December 2009, in all material respects are legal and regular.

IX. Without calling into question the opinion expressed in paragraph VIII, the Court draws attention to the high frequency of non-quantifiable errors affecting commitments and payments albeit not included in the estimation of total error.

X. The Court concludes that the Commission's supervisory and control systems are partially effective in preventing or detecting and correcting errors.

9 September 2010.

Vítor Manuel da SILVA CALDEIRA

President

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