

ANNUAL REPORT ON THE ACTIVITIES
FUNDED BY THE SIXTH, SEVENTH,
EIGHTH AND NINTH EUROPEAN
DEVELOPMENT FUNDS (EDFS)

(2005/C 301/02)

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INTRODUCTION

1. The European Development Funds (EDFs) are the result of international conventions or agreements ⁽¹⁾ between the Member States of the European Union and certain African, Caribbean and Pacific (ACP) States, and of Council Decisions on the association of overseas countries and territories (OCT).

2. The Commission has responsibility for and takes charge of the management of the major part of the EDFs — the grant part — in association with the ACP States. Since 1 April 2003, the EIB has been fully responsible for implementing the remaining part of the EDF — the investment facility — which is not taken into account by the Court's Statement of Assurance or the European Parliament's discharge procedure ⁽²⁾ ⁽³⁾ ⁽⁴⁾.

3. The financial allocation for each of the four EDFs being implemented in 2004, with the exception of the instruments now under the EIB's sole management, is mainly assigned to:

- (a) programmable aid ⁽⁵⁾ intended for the implementation of development projects (roughly half of the total allocations);
- (b) programmable aid ⁽⁵⁾ intended to provide budget support for the beneficiary States (almost a quarter of the total allocations);
- (c) non-programmable aid intended for specific fields of cooperation such as humanitarian and emergency assistance, support for export earnings (Stabex and Sysmin or, now, FLEX) or financial contributions such as venture capital ⁽⁶⁾ and aid for debt relief (just over a quarter of the total allocations).

⁽¹⁾ The Yaoundé I Convention dates back to 1964. The most recent agreement (Cotonou) dates from 23 June 2000 and has been revised in Luxembourg on 25 June 2005.

⁽²⁾ See Articles 96, 103 and 112 of the Financial Regulation of 27 March 2003 applicable to the ninth EDF (OJ L 83, 1.4.2003, p. 1). In its Opinion No 12/2002 on the proposal for this Regulation (OJ C 12, 17.1.2003), the Court underlined that those provisions reduce the scope of the European Parliament's powers of discharge.

⁽³⁾ Thus, under the ninth EDF, the initial allocation amounted to 13 800 million euro, of which the EIB is responsible for 2 200 million euro.

⁽⁴⁾ The Court nonetheless retains overall responsibility for the EDF audit. In the case of the operations under EIB management, it performs this task as provided for in a tripartite agreement between the EIB, the Commission and the Court (Article 112 of the Regulation referred to above).

⁽⁵⁾ Programmable aid is defined within the framework of national and regional indicative programmes (NIPs and RIPs) and of intra-ACP funded projects and programmes.

⁽⁶⁾ As regards the sixth, seventh and eighth EDFs, these operations continue to be implemented by the EIB under the Commission's responsibility.

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4. Once programming is complete, the EDFs' resources are mobilised in two stages. When a request is received from an ACP State, the Commission, as chief authorising officer, takes financing decisions (shown in the accounts as financial commitments) after receiving the favourable opinion of the EDF Committee ⁽⁷⁾ (composed of representatives of the Member States). Then, within the framework of financing agreements, the Commission and the ACP State lay down the rules for the implementation of these decisions by the national authorising officer ⁽⁸⁾ of the country concerned. The latter concludes contracts (shown in the accounts as individual legal commitments) and authorises payments, which will be checked and executed by the Commission in accordance with the procedures for implementing the EDF.

5. Budget support is not subject to this system of management. The Commission remains the sole authorising officer. Financing agreements constitute legal commitments and give rise to payments without the conclusion of other legal commitments. Once the Commission has checked that the conditions of the Cotonou Agreement and the financing agreement have been met, it makes an initial transfer of funds, on the basis of its signature alone, to the budgets of the beneficiary countries. Once they have been transferred, these funds merge into the budget of the ACP States, where they are used and audited in accordance with the laws and procedures pertaining in the beneficiary States. The Commission and the other main international donors assess both the improvements made to the management of public finances in these countries and the results in terms of poverty reduction. Before disbursing further tranches, the Commission checks that the conditions laid down in the financing agreement have been met.

6. In 2000, the Commission decided to devolve a sizeable proportion of its functions and resources (except notably the approval of financing proposals, the decision of payment for budget support and the management of intra-ACP projects) to its Delegations in the ACP States. Thus, some 80 % of the EDF payments were to be performed in a devolved way. At the end of 2004, regarding ACP countries, only four Delegations out of 44 still had to be devolved.

6. *As of July 2005, all the ACP delegations have been devolved.*

⁽⁷⁾ For amounts below 8 million euro, the Committee's assent is, in principle, not necessary.

⁽⁸⁾ In general, the national authorising officer's powers are vested in the Finance Ministers of the ACP States.

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CHAPTER I — IMPLEMENTATION OF THE SIXTH, SEVENTH, EIGHTH AND NINTH EDFS ⁽⁹⁾*Late forwarding of the report on financial management*

7. The financial management report for the financial year 2004 concerning the sixth, seventh, eighth and ninth EDFs was forwarded by the Commission to the Court on 7 July 2005, after the 31 May deadline laid down in Articles 102 and 135 of the Financial Regulation applicable to the ninth EDF.

Need for additional explanations over key issues

8. The report conveys the main features of the EDF management during the year 2004. It compared the achievements of 2004 with the objectives and the results of the previous year, in terms of financial commitments, legal commitments, and payments (see **Tables 1 and 2**), and details the specific events that impacted on the financial management in all areas of Commission management. The report could be made still clearer and more precise, and its informative value would be greater if certain facts were placed more clearly in context. In particular, the following points were significant in relation to financial management of the EDF in 2004 and would have deserved to be described in the report:

- (a) the key elements that increased the resources of the ninth EDF (an extra 105 million euro for the Democratic Republic of Congo);
- (b) the high level of payments (2 414 million euro net in 2004) which was, as in previous years, partly due to instruments which permit a prompt disbursement of large amounts (budget support, debt alleviation, etc.);

7. The Commission will endeavour to respect the deadline.

8. The report now covers 35 pages including eight annexes relating to specific cumulative requests for additional information and analyses from the Court of Auditors and the European Parliament in the context of the annual discharge procedures. However, the Commission indicates in its replies below that it will provide additional information on certain points in next year's report.

- (a) The financial management report highlights the most significant events and detailed information is displayed in the financial statements which the report accompanies (concerning the increase of the resources of the ninth EDF for the Democratic Republic of Congo, see note 1 to the accounts).
- (b) Figures for payments in respect of budget support are given in the table on page 16 of the report, and developments in the use of budget support are presented in section 2.2. The record level of payments in 2004 reflects improvements in the management of all the instruments. In fact the share of budget support, debt alleviation, etc. was lower in 2004 than in 2003. Approximately 724 million euro were paid (gross) in 2004 under the HIPC, Stabex, Global Health Fund and macroeconomic budgetary support instruments. Corresponding figures for previous years are: 2003 — 976 million euro; 2002 — 567 million euro; 2001 — 1 021 million euro.

⁽⁹⁾ This chapter summarises the results of a limited review by the Court of the financial management report for the financial year 2004.

Table 1 — Cumulative utilisation of EDF resources at 31 December 2004

	Situation at end of 2003 ⁽¹⁾		Budgetary implementation during the financial year 2004 ⁽²⁾						Situation at end of 2004 ⁽³⁾					(million euro)
	Global amount	Implementation rate % ⁽²⁾	6th EDF	7th EDF	8th EDF	9th EDF	Global amount	6th EDF	7th EDF	8th EDF	9th EDF	Global amount ⁽³⁾	Implementation rate % ⁽²⁾	
A — Resources ⁽¹⁾	43 408,7		– 32,2	– 58,4	– 172,3	656,0	393,1	7 439,4	10 867,7	11 590,6	13 904,1	43 801,8		
B — Utilisation														
1. Financial commitments	33 317,0	76,8	– 32,2	– 58,4	– 172,3	2 638,1	2 375,2	7 439,4	10 867,7	11 590,6	5 794,5	35 692,2	81,5	
2. Individual legal commitments	27 566,9	63,5	28,7	121,4	848,7	1 747,5	2 746,3	7 378,3	10 418,5	9 775,2	2 741,2	30 313,2	69,2	
3. Payments ⁽²⁾	23 504,1	54,1	30,0	244,5	1 191,9	947,6	2 413,9	7 312,1	9 849,6	7 531,1	1 225,2	25 918,0	59,2	
C — Outstanding payments (B1-B3)	9 812,9	22,6						127,3	1 018,1	4 059,5	4 569,3	9 774,1	22,3	
D — Available balance (A-B1)	10 091,7	23,2						0,0	0,0	0,0	8 109,6	8 109,6	18,5	

⁽¹⁾ Initial allocations to the 6th, 7th, 8th and 9th EDFs, interest, sundry resources and transfers from previous EDFs.

⁽²⁾ As a percentage of resources.

⁽³⁾ To be consistent with the financial statements and with the report on financial implementation produced by the Commission, these data exclude the operations now managed autonomously by the EIB (at end 2003: 2 245 million euro of resources, 366 million euro of financial commitments, 140 million euro of individual legal commitments and 4 million euro of payments).

Source: Court of Auditors, based on the EDF financial statements at 31 December 2004.

Table 2 — Budgetary implementation in the financial years 2000-2004 inclusive

(million euro)

	2000	2001	2002	2003 ⁽¹⁾	2004 ⁽¹⁾
1. Financial commitments	3 757,4	1 554,2	1 768,4	3 395,8	2 375,2
2. Individual legal commitments	2 296,2	2 263,4	2 142,9	2 742,7	2 746,3
3. Payments	1 547,7	2 067,9	1 852,7	2 293,1	2 413,9

⁽¹⁾ To be consistent with the financial statements and with the report on financial implementation produced by the Commission, these data exclude the operations now managed autonomously by the EIB (at end 2003: 366 million euro of financial commitments, 140 million euro of individual legal commitments and 4 million euro of payments).

Source: Court of Auditors.

(c) the proposed solutions to the recurrent problem of treasury shortages;

(c) *The Financial Regulation (ninth EDF) in force until the end of 2007 does not allow for significant modifications. For the future (post ninth EDF), the Commission has proposed the 'budgetisation' of the EDF. EDF financing is made through three instalments per year which, compared to the general budget, triples the risk of this type of treasury shortages.*

It should be underlined that providing for the necessary financial resources is the joint responsibility of the Commission and of Member States. Indeed, Member States have to decide and to pay the contributions within the legally binding deadlines. Part of the shortage at the end of year 2003 and the shortage at the end of 2004 were due to the too-late payment of contributions by Member States.

The Commission has taken measures to improve the forecasts of disbursements and in 2005 the calls for contributions have been adapted consequently.

(d) the increasingly significant amounts involved in the activities with major international organisations (some 300 million euro of new legal commitments in 2004);

(d) *The Commission will include this information in the next financial management report.*

(e) the administrative costs of running the EDF, for which no overview is provided, whereas the Union's general budget is structured by activity so as to permit such an overview of management costs, despite the Commission's agreement to study this orientation ⁽¹⁰⁾.

(e) *The Commission is addressing this question in its report on the follow-up of the 2003 discharge. Administrative costs linked to the implementation of development aid in ACP countries (EDF and budget headings) are mostly included under policy area 21 'Development and Relations with the ACP countries' of the general EU budget. The total costs under this policy area amounted to 238,9 million euro in 2004. This figure includes the expenditure related to staff at headquarters, in delegations, as well as external staff, plus expenditure on buildings and related expenditure.*

⁽¹⁰⁾ The Commission's reply to the Annual report on the European Development Funds for the financial year 2003.

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However, as activities related to the EDF are integrated into the Commission's other activities concerning development aid and political relations with developing countries, the total administrative costs charged to the general budget cannot be divided between EDF activities and other activities in a meaningful way.

Moreover, it should be noted that the ninth EDF made it possible to fund some administrative costs directly from the EDF. These costs amount to a total of 233 million euro covering the whole five-year period of the ninth EDF.

Need for a better indication of action to be taken

9. As to the status of Stabex funds, the consulting firm that the Commission mandated to conduct an inventory concluded in its final report, which has been available since September 2004, that 'of the total transfers [...] of 2 164 million euro at 31 December 2002, no data has yet been provided in respect of transfers to nine countries totalling 46,5 million euro [...]. For the other 36 countries, only a few have been able to supply complete and reliable data'. A lot of the information required will never be available. The report fails to indicate what actions the Commission will undertake to address those reservations (see also paragraph 16 on the reliability of the accounts). Moreover, the Court, in its annual report for 2003, stressed the key importance of the report on the use of funds that the recipient ACP State has to send to the Commission (Article 212 of the revised Lomé convention). There is no indication in the report as to the action taken by the Commission to get these reports prepared.

10. The EDF is to shift to accruals-based accounting with a view to adhering to the IPSAS ⁽¹⁾ standards by 1 January 2005. Besides the useful and detailed technical content given by the Commission in its quarterly progress reports to the European Parliament and to the Council, this report on financial management should have briefly included the steps taken during 2004 with regard to that crucial deadline, specifically the preparation of the opening balance of the financial year 2005.

9. *Action has indeed been taken and will be reported fully in the 2005 report. The Commission delegations are under instructions to ensure that the annual reports of the ACP States are prepared following a set format. Local auditors are generally recruited to prepare the report when the national Authorising Officers' own staff are not able to take on the task. Quality control is of course an important aspect of this exercise. The Commission has set, as its working priority, the finalisation of all Stabex 'primary' commitments, implying the approval of any new frameworks of mutual obligations (FMO), the revision of current FMOs and the closure of former or obsolete FMOs. For this to be successfully undertaken, it is a precondition that the 43 Stabex-receiving countries should provide reliable annual accounts on the use of Stabex.*

10. *This matter is briefly mentioned in section 5.1.1.2 of the 2004 Financial Management Report. Progress on the accruals-based accounting (ABAC) project will be further reported in the 2005 Report.*

⁽¹⁾ IPSAS, International Public Sector Accounting Standards.

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Need to improve communication on financial management

11. The report on financial management comments upon the financial data set out in the annual accounts. In the current practice (articles 102 and 135 of the Financial Regulation of the ninth EDF), the report is already in its definitive version as of 31 May, based on the provisional accounts established on 30 April. The accounts are published in their definitive form on 31 October. It may therefore appear that the financial data in the report on financial management are no longer consistent with the definitive published accounts. The Court recommends that the final version of the report be based on the definitive accounts and be published at the same time as the EDF's annual accounts.

11. *The deadlines set out in the EDF Financial Regulation imply that this report accompany the provisional and not the final accounts.*

The Financial Management Report is essentially a management report on the performance of the EDFs for the year in question in relation to the objectives set.

Conclusions

12. The Court mainly notes that:

- (a) a number of key items of information deserve to be included, or complemented, or better put in their context, in the report on the financial management;
- (b) the Commission has not set out in the report the main actions remaining to be taken as a result of the Stabex inventory in the ACP States;
- (c) it would be more appropriate for the report on financial management to be consistent with final data and be published at the same time as the definitive annual accounts.

12.

- (a) *The financial management report highlights the most significant events and the detailed information is displayed in the financial statements.*
- (b) *The Commission has given instructions and set priorities for its delegations, which have to work with the National Authorising Officers of the 43 Stabex-receiving countries in order to obtain the necessary data, and also ensure proper use of the Stabex funds still to be disbursed. Given the variable quality of the information received it is difficult to report globally on the results so far achieved.*
- (c) *See reply to paragraph 11.*

CHAPTER II — STATEMENT OF ASSURANCE BY THE COURT OF AUDITORS ON THE EDFs

Statement of Assurance by the Court of Auditors on the sixth, seventh, eighth and ninth European Development Funds (EDFs) for the financial year 2004

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 2004. These accounts comprise the financial statements, the reports on financial implementation, and the financial statements and information supplied by the European Investment Bank (EIB) ⁽¹²⁾. 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 ⁽¹³⁾. 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*

Except for the effects of the problems concerning:

- (a) the incompleteness of the assets, as the Commission has not sufficiently investigated which part of the outstanding advances are to be reimbursed by the debtors to the EDF (see paragraph 14);
- (b) the incompleteness of the provisions on doubtful debts, which do not reflect the real level of bad debts (see paragraph 15);
- (c) the unreliability of the balance of Stabex funds disclosed in a report joined to the financial statements (832 million euro) (see paragraph 16);

the Court is of the opinion that the reports on financial implementation for the financial year 2004 and the financial statements at 31 December 2004 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.

III. *Legality and regularity of the underlying transactions*

Analysis of the supervisory and control systems

The Court examined the implementation of the Commission's internal control standards and tested the effectiveness of the supervisory and control systems. While progress has been achieved, further improvements need to be made in the following areas:

- (a) risk management (see paragraphs 20 to 22);
- (b) control framework (see paragraphs 23 to 33);

⁽¹²⁾ 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).

⁽¹³⁾ Pursuant to Article 103(3) of the above-mentioned 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.

- (c) accountability for internal control of Delegations (see paragraphs 34 and 35);
- (d) Activity Report of the Director General of EuropeAid (see paragraph 36).

Audit of transactions

The Court examined a number of transactions on the basis of documentation available at the Commission central services and Delegations and also on-the-spot checks down to the level of implementing entities in the beneficiary ACP states. The examination aimed to verify compliance with the regulations and to ascertain the reality of works, supplies and services. As regards budget support expenditure, the examination stopped at the stage where the aid was paid to the beneficiary countries' budgets. The Court found that the frequency and financial impact of the errors detected are not material (see paragraphs 37 to 41).

Conclusion on the legality and regularity of the underlying transactions

The Court is of the opinion that the revenue, the EDF allocations, the commitments and the payments of the financial year are, taken as a whole, legal and regular.

28 September 2005

Hubert WEBER
President

European Court of Auditors
12, rue Alcide De Gasperi, L-1615 Luxembourg

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

*Information in support of the Statement of Assurance***Reliability of the accounts**

13. The observations in paragraph II of the Statement of Assurance are based on the following findings.

14. The sum of 18 million euro of recovery orders issued and not yet collected at the end of 2004 does not represent the total value of receivables. As the Commission has not sufficiently ⁽¹⁴⁾ investigated all the advances paid to beneficiaries, it cannot identify the amounts to be recovered. As regards outstanding advances to be investigated ⁽¹⁵⁾, the Commission has not quantified the amount at end 2004 ⁽¹⁶⁾.

15. The balance of provisions for doubtful debts recorded in the accounts (0,03 million euro) does not reflect the real level of bad debts ⁽¹⁷⁾ within the 18 million euro of recovery orders issued. With the adoption of accruals-based accounting from 2005 onwards, it will be even more necessary to identify the bad debts and related provisions ⁽¹⁶⁾.

16. In 2004 the Commission completed the inventory of the Stabex funds. These funds, although already belonging to the ACP states, are disclosed in a report joined to the financial statements ⁽¹⁸⁾ since the Commission co-manages them and authorises the disbursements from the local bank accounts. The inventory of the Stabex funds concluded that there are ACP States where no further information will be forthcoming, and others where the information required, in the form of bank statements or disbursements records, may not be available, largely due to the passage of time. As a consequence, an unknown part of the bank balance claimed of 832 million euro has not been ascertained by the Commission on the basis of reliable documents.

14. In accordance with the Financial Regulation, the Commission has analysed and systematically monitored the advances to be recovered. This monitoring work is given a separate chapter in the management report.

The Commission will continue its efforts to identify which advances must be recovered in this way.

15. The Commission agrees with the Court's observation and has planned to carry out this work for the financial year 2005.

16. The Commission is seeking, through its delegations, to obtain a clearer picture of the utilisation of Stabex funds by means of the annual Stabex reports, in standard format to facilitate global reporting. Now that the inventory of Stabex funds has been completed, a country-by-country approach is being followed, in line with the Commission's policy of devolution of authority to its delegations in the ACP countries, in order to clarify the situation and to commit and disburse all remaining Stabex funds.

⁽¹⁴⁾ The Commission investigated the outstanding advances during missions in four countries, and concluded by issuing a total of 115 recovery orders amounting to 10 million euro.

⁽¹⁵⁾ Advances paid to the projects, use of which should normally have been justified by the beneficiaries at the latest 18 months after the start of the project or of the contract. The amount to be investigated was 400 million euro at end 2003.

⁽¹⁶⁾ Like in 2003, the Director-General for Budgets expressed a reservation on its declaration for the EDF 2004 about the inadequate presentation of the assets and liabilities and of the financial position of the EDF (see also paragraph 1.9 of Chapter 1, General Budget section).

⁽¹⁷⁾ Including 2,6 million euro of recovery orders older than two years, where the Commission has obvious difficulties in recovering 1,5 million.

⁽¹⁸⁾ Accounts 2004, Report on financial implementation (version of 22 August 2005) Table 4.2.5.

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Legality and regularity of the transactions

17. The observations expressed in paragraph III of the Statement of Assurance are based on:

- (a) evaluation of the supervisory and control systems at both Commission central services in Brussels (headquarters), in particular EuropeAid, and in four Delegations (Ouagadougou, Conakry, Abuja and Georgetown) ⁽¹⁹⁾;
- (b) detailed audit of transactions based on files and on-the-spot examination;
- (c) examination of the Annual Activity Report and declaration of the Director-General of EuropeAid and the process for its preparation.

18. The Court underlines that the cases of deliberate irregularity and corruption committed outside the Commission's control environment cannot, by their nature, be systematically detected through application of the Court's auditing policies and standards.

Evaluation of supervisory and control systems

General improvement of the supervisory and control systems

19. Implementation of the Commission's internal control standards (ICS) in both headquarters and Delegations continued steadily in 2004 and contributed to a better functioning of the supervisory and control systems. However improvements still need to be made in the following areas (see paragraphs 20 to 36).

Risk management: improved but still too global

20. Around 2 500 million euro is spent every year through a myriad of entities. This highly complex environment encompasses five Directorates-General (External Relations, EuropeAid,

20. The Commission is aware that EDF management involves a number of risks. These risks can be kept to a minimum through the introduction of tighter systems of control, monitoring and regular audits.

⁽¹⁹⁾ Responsible for six countries (Burkina Faso, Guinea, Nigeria, Guyana, Trinidad and Tobago, Suriname).

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ECHO, Development and Budget ⁽²⁰⁾), 44 Delegations (almost all devolved) ⁽²¹⁾, 76 partner countries that are among the world's poorest countries, with structural administrative weaknesses ⁽²²⁾, and thousands of implementing entities of varying management capabilities (private contractors, NGOs, International organisations, local management units, etc.).

21. EuropeAid has made efforts to improve its operational and financial risk management by following the relevant Commission instructions. In 2003 it carried out a global risk assessment on external action as a whole (including the EDF) and a self-assessment of risks was carried out by senior managers. EuropeAid has thus identified risks associated with its reorganisation (which took effect in mid-March 2005) and with the implementation of infrastructure projects.

22. However, specific financial risks (project portfolio and staff capability, NAOs' office capability, and project management capability) are not sufficiently identified by each Delegation. Delegations may be informed of such risks but are not instructed on how to assess and report them. Exposure to residual specific risks ⁽²³⁾ may therefore not be properly identified, nor addressed.

22. The Commission has already taken steps to identify the risks mentioned by Court, notably by introducing a standardised methodology for delegations' risk self assessment in 2004 to be applied from 2005 onwards. Moreover, it should be noted that the process of project/programme identification and financing includes an analysis of the constraints and conditions which are necessary for the successful implementation of the project/programme, including sustainability aspects (capacity of the final beneficiary). Regular monitoring and in cursu reviews of projects allow the Commission to take appropriate measures to correct or re-address projects.

Verification missions before devolution assess all necessary prerequisites, including the delegation's capability. Where necessary the NAO's capability is supported by the Commission through specific capacity building actions.

⁽²⁰⁾ DG External Relations is responsible for the Delegations' human and material resources, DG Development for programming the aid (in other words the determination of the amount of aid to be distributed among ACP states), EuropeAid and ECHO (humanitarian aid) for implementation of the aid, and DG Budget is the accountant and paymaster of the EDF.

⁽²¹⁾ A Delegation is devolved when it has received delegation of powers from EuropeAid to make individual financial commitments and payments. Eight Delegations were devolved in 2002, seven in 2003, 24 in 2004 and five in 2005.

⁽²²⁾ In several countries there are difficulties of dialogue and cooperation with the local authorities, partly due to their poor capacity.

⁽²³⁾ The residual risk is the risk of not achieving management's objectives after the carrying out of controls. Management assesses whether the level of risk is acceptable, taking account of the potential financial impact of the risk and the cost of reducing it further (Internal control standard no 11).

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Control framework needs better risk management

23. Ensuring the legality and regularity of transactions depends mostly on the effective operation of the following systems: technical and financial supervision by the ACP States, Delegations and EuropeAid, *ex ante* and *ex post* controls at EuropeAid, audits launched by Delegations and EuropeAid and Internal Audit Capability of EuropeAid. An enhanced risk management would allow to set up a more coherent and adequate control framework.

23. The Commission is constantly working at further strengthening and improving the functioning and articulation of its risk-management approach.

The Commission considers that all the control systems for the EDF mentioned by the Court will ensure the legality and regularity of underlying operations. This system allows action to be taken to remedy any shortcomings on the part of the local authorities. Moreover, the Court's control of transactions has confirmed that the nature of errors is not material.

Improvements in technical and financial monitoring

24. With devolution, primary responsibility regarding technical and financial monitoring of projects was transferred to Delegations, whereas EuropeAid is responsible for overall monitoring. Monitoring comprises a wide range of activities from desk to on-the-spot examination of documentation, analysis of data in the accounting system and the evaluation of management at all levels. Many tools are available to both Delegations and EuropeAid: external aid management reports (EAMR), computer information system (CRIS), annual seminars for the headquarters and Delegations of each of the six geographical areas, daily contacts between Delegations and the geographical coordinators at the headquarters, checklists, missions of headquarters staff to Delegations and vice versa.

25. Thanks to these tools, the effectiveness of monitoring is globally satisfactory. However, a clearer and more detailed definition of tasks and roles of both headquarters and Delegations would improve their effectiveness.

25. The objective of the reorganisation of EuropeAid in early 2005 is to improve the monitoring and support role of headquarters.

Satisfactory second level *ex ante* control

26. EuropeAid established an optional *ex ante* control in the latter part of 2003. It includes an examination of the files of a daily sample of payments and commitments, randomly selected from those ready to be authorised for execution, after completion of the standard checks⁽²⁴⁾ carried out under the control of the authorising officer. Such second level control has been attached to the Direction responsible for ACP countries, thereby assuring

⁽²⁴⁾ These standard checks comprise the initiation and the verification of transactions regarding the operational and financial aspects (Article 24(1) of the Financial Regulation of 27 March 2003 applicable to the ninth EDF).

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

independence from the authorising officer in the vast majority of cases (except transactions authorised by the Director himself, notably budget support). The purpose of this control is to help bring about an effective transition from the fully centralised to a fully decentralised financial control (i.e. under the control of the authorising officer), and the establishment of effective *ex post* control. The optional *ex ante* control was discontinued in 2005, following the reorganisation of EuropeAid.

27. The *ex ante* control checked 6 % of transactions effected in 2004 and identified various types of errors in 6 % of them, allowing corrective action to be taken. Although these errors were not ranked according to their potential impact, it appears that in most cases they are due to non-compliance with less significant internal procedures. The Court reviewed a random sample of 23 transactions checked by the second-level *ex ante* control and found that, except in cases of minor importance, the control operated effectively.

Ex post control needs to be better documented

28. EuropeAid established an *ex post* control in June 2004 for the verification of transactions already processed. The control, resulting from the desk examination of supporting documentation only, has the objective of checking 3 % of payments, including clearances of advances ⁽²⁵⁾, so as to identify one-off and recurrent errors, identify the potential for improving procedures and provide additional assurance that payments are regular and legal. The extent of the checks is more focused than that of the optional *ex ante* control.

29. Due to insufficient staff resources, only the first three quarters of the 2004 quota had been checked at end of January 2005 representing 1 % of payment transactions compared with the objective of 3 %.

30. The Court reviewed a sample of 51 transactions out of the transactions checked by *ex post* control and found that, except in cases of minor importance, the control operated sufficiently effectively. However, the control would have provided further assurance if checks had been extended to the financial commitments and detailed checklists had been established, thereby ensuring consistent and documented checks.

29. Although below the target of 3 % of the number of financial transactions passing through the information systems, the *ex post* controls covered 14 % of the total financial volume of 2004 transactions.

30. The decision to introduce a centralised system of *ex post* transactional control and the description of its characteristics arise from an assessment of the residual risk and the dovetailing of the *ex post* transactional control with the other components of the control system.

The operational procedure calls for data on both the control and all the stages of implementation to be entered in a monitoring file.

⁽²⁵⁾ The clearance of advances is a procedure whereby an advance payment, which is made to the project management in advance, is cleared and made definitive against proofs of the actual expenditure.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Audit as a part of management control activities

31. Errors of compliance with regulations, resulting in ineligible expenditure, mainly occur at the level of project management, since in most cases this is carried out by ACP countries' administrations where management capacity is poor. Audits in the form of 'certification of accounts' are a key tool for detecting such errors and 'systems audits' for advising project management on how to improve financial management and reduce the risk of future errors. Audits may be launched by the project management itself, the NAO, Delegation or headquarters and can be funded by the project in the first two cases and by EDF administrative funds in the last two ⁽²⁶⁾. Financial agreements with the ACP countries increasingly provide for audits launched by the project management and NAO, especially those aimed at obtaining the certification of the programme estimate's accounts. In addition, the new general conditions for contracts ⁽²⁷⁾ provide that Delegations and headquarters may use project funds for launching audits of ninth EDF projects.

32. EuropeAid improved its audit function in 2004. It set up a comprehensive audit strategy to be applied by both EuropeAid and Delegations to ninth EDF projects, defined risk criteria for the identification of audits to be undertaken, issued standard terms of reference for the auditors, carried out six audit support missions to Delegations, prepared two activity reports and put in place CRIS-Audit, a computerised system for supporting and monitoring audits. The audits finalised by EuropeAid in 2004 ⁽²⁸⁾ revealed a rate of ineligible expenditure of 2 %. Further audits based on specific suspicions of irregularities revealed high rates of ineligibility or lack of documentation. These audits contribute to provide better knowledge of the legality and regularity of the implementation of the EDF.

32. *EuropeAid has indeed continued its efforts to report and consolidate information on the audits. A monitoring exercise has also been established and this is managed centrally.*

⁽²⁶⁾ Funds covering administration of the EDF by the Commission (Internal Agreement, Article 1(2)(a)(iii) (OJ L 317, 15.12.2000, p. 355)).

⁽²⁷⁾ Decision No 2/2002 of the ACP-EC Council of Ministers (OJ L 320, 23.11.2002, p. 1), point 9 of the Annex: 'Audit and [...] are always concluded by the Commission acting for and on behalf of the ACP State [...]'.
⁽²⁸⁾ As of June 2005, 33 audits out of 35 provided for in the 2004 audit plan had been finalised.

THE COURT'S OBSERVATIONS

33. However, the rate of coverage of the audits launched by the Delegations and the national authorising officers, and their timeliness are not centrally consolidated. The follow-up of all these audits is not centrally monitored and it is not possible to effectively identify cases of insufficient action following an audit (for example absence of a recovery order in cases of overpayment detected by the auditors). The risk analysis for launching audits is mainly based on qualitative criteria. CRIS-Audit might have tackled some of the weaknesses identified above, especially as regards coverage of audits and follow-up. Although claimed to be at a pilot stage in 2003, CRIS-Audit is still not delivering all the expected results.

Accountability for internal control of Delegations needs to be more consistent with the Financial Regulation

34. Following the principle of line management, the Director-General of EuropeAid has delegated to a Director the powers and the responsibility of the financial implementation of the EDF. In turn, in the context of devolution, the latter has delegated most powers and responsibility, except for the decision of payment for budget support, to the Heads of Delegation. According to the same principle, the Heads of Delegation are accountable to that Director, who in turn is accountable to the Director-General of EuropeAid (see Articles 21(1) and 25 of the Financial Regulation). The duty of accountability covers, among other aspects, the effective functioning of the internal control system, which is based on the Commission's internal control standards.

35. Delegations carry out a self-assessment of internal control but, contrary to the above-mentioned principle of line management, the Heads of Delegation are not accountable for it to the Director of EuropeAid, but to a Director of Directorate-General External Relations, to whom all staff at the Delegations are hierarchically attached for administrative purposes. The reason for this is that the internal control of a Delegation covers not only operational (which is the most significant part) but also administrative expenditure, and Delegations' staff might take instructions from other Directorates-General, notably Development and Trade. Therefore, as EuropeAid is responsible for the implementation of internal control in Delegations without being in charge of the reporting for it, the related weaknesses may not be adequately tackled.

THE COMMISSION'S REPLIES

33. *The rate of cover of the 2004 audit plan, based on risk analysis and managed centrally, is more than the 5 % of the volume of payments recommended in the methodology developed by EuropeAid. The 2004 audit plan comprised 35 audits at headquarters, while the delegations' audit plans totalled 426 audits.*

The monitoring of audits and the possible issue of a recovery order are the responsibility of the devolved delegation. However, EuropeAid ensures that these audits are of sufficient quality and are followed up (with the possible issue of a recovery order) by examining a sample.

CRIS audit which was indeed at a pilot stage during 2003, became operational in April 2004, and was made available to users from June 2004. The Delegations in ACP countries will be able to make full use of the module once the EDF accounting system has also migrated to CRIS.

35. *Due to the sharing of responsibilities among different DGs, the current arrangement for the internal control self-assessment exercise ensures a unique and consistent set of instructions to delegations.*

The methodology for the self-assessment of the internal control of Delegations was decided by DG External Relations with the support of the central financial service and was based on the work of an inter-service group to which EuropeAid participated. The results of the exercise are communicated to all concerned services (DG External Relations, EuropeAid, DG Development, etc.) for appropriate follow-up.

The annual exercise of self-assessment is not the sole element substantiating the accountability of the Head of Delegation, as Authorising Officer by subdelegation, to the competent Director at EuropeAid.

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According to the provisions set out in the Charter of the Authorising Officers by sub-delegation, the Head of Delegation has the obligation to regularly inform headquarters on the implementation of the activities and resources for which he has sub-delegated powers, as well as of any problems arising in the functioning of the management and control mechanisms he has put in place to discharge his responsibilities.

EuropeAid monitors internal control in delegations and is accountable for tackling potential weaknesses relating to the implementation of the external aid.

The Activity Report of the Director-General of EuropeAid does not mention significant internal control weaknesses

36. As in previous years for the EDF, the Director-General of EuropeAid declared that he had obtained reasonable assurance as regards the legality and regularity of the underlying transactions. As for the activity report, it would however have been worth mentioning the most significant internal control weaknesses like those identified by the Court's audit (see paragraphs 19 to 35) and those reported by the Delegations in their External Activity Management Reports (EAMR). There were 52 such reports in 2004. Delegations drew attention to, *inter alia*, insufficient audits and follow-up and the weaknesses of NAOs' management capability, with increased workload on Delegations' staff. However the procedure of consolidating these issues has not assured their adequate and comprehensive disclosure in the Activity Report of the Director-General of EuropeAid. As a result, their impact on internal control may not have been fully considered in this activity report.

36. EAMRs are the object of a regular follow-up by the competent authorising department at headquarters. When necessary, corrective actions are agreed with the delegations and implemented. Authorising Officers by sub-delegation at headquarters (Directors) report on the follow-up given to the major issues raised by delegations, highlighting where appropriate, any problems requiring special attention by the Director General of EuropeAid.

Audit of transactions

37. The sample of 74 payments and the corresponding financial commitments selected from those subject to the *ex ante* (23) and *ex post* (51) controls (see paragraphs 27 and 30) was also used by the Court for checking legality and regularity on the basis of supporting documentation only. A further judgmental sample of 26 payments and the corresponding financial commitments was also selected by the Court from those made in six ACP States in 2004 and checked for legality and regularity on the spot down to the level of the implementing entity with a view to ascertain also the reality of works, supplies and services.

THE COURT'S OBSERVATIONS

THE COMMISSION'S REPLIES

Errors on individual legal commitments and payments are not material

38. The errors found checking the legality and regularity of the legal commitments and payments are not material in terms of their frequency and financial impact. They are accompanied by a series of more common errors relating to the implementation of procedures. Taken together they corroborate the internal control weaknesses identified above and indicate where improvements are still necessary.

39. As regards individual financial commitments, the types of errors found were as follows: derogation to the rule of carrying out open tendering without appropriate prior authorisation; contracts signed after the deadline set out in the financial agreement or not duly signed; programme estimates with imprecise eligibility criteria.

40. As regards payments, the types of errors were as follows: money advanced to the management of programme estimates temporarily invested without authorisation; ineligible expenditure; late payments with a potential risk of receiving claims for late interest; grant expenditure not documented.

Budget support operations

41. As far as budget support is concerned, the legal framework of the EDFs offers considerable scope for interpretation and exemptions. Thus, the checks of the Court in respect of the legality and regularity of the underlying transactions consist of verifying that the relevant conditions have been properly assessed by the Commission. The initial assessments carried out when financial commitments are adopted are still insufficiently formalised in terms of the individual criteria listed in Article 61(2) of the Cotonou Agreement. Such formalities are essential, especially as regards the transparency, reliability and effectiveness of the management of public finances, otherwise it is subsequently impossible to ascertain whether management has improved, a prerequisite for further aid.

Changes in the performance of supervisory and control systems

42. All the above observations are to be included in a table of indicators so that changes in the performance of supervisory and control systems can be evaluated (see **Table 3**).

38-40. *EuropeAid is aware of the risk environment in which the EDF is implemented and regularly reviews and adjusts its approach to risk and its financial circuits in order to improve the quality and effectiveness of its internal control. The resulting effectiveness is confirmed by the limited number of errors noted by the Court.*

41. *The conditionality employed by the Commission partly consists of objectively verifiable and measurable indicators, reducing the margin of discretion.*

An effort will be made to obtain more clarity in the financing proposals as regards the eligibility of the beneficiary country under Article 61(2) of the Cotonou Agreement. At present, all financing proposals contain an annex analysing the main aspects of public finance management and the problems to be resolved in this connection. The criteria set out in that Article are thus covered de facto, although it is true that this could be done more explicitly.

42. *The Commission would make the following observations:*

- *as regards point 1.2 of table 3: in accordance with the Financial Regulation, the Commission has analysed and systematically monitored the advances to be recovered. In future, with the adoption of accrual-based accounting, it intends to calculate the provision for doubtful debts,*

Table 3 — EDF DAS 2004: Indicators resulting from audit work

1 KEY OBSERVATIONS — CHANGES IN THE SITUATION						
	2002			2003		2004
	Observations	Action to be taken	Observations	Action to be taken	Observations	Action to be taken
1.1 Implementation of budget support	Due to lack of information on the quality of public finance management in the ACP States, the Court cannot give an opinion on the use of budget aid	Improve the information on public finance management in the ACP States	The Commission has provided more information on its monitoring of public finance management in the ACP States, in particular in its financial management report for the financial year 2003	Continue to improve communication on this key topic	Funds are now disbursed by the Commission on the basis of the examination of achievement of conditions (partly through performance indicators)	No action is required anymore
1.2 Clearance of advances and miscellaneous sums to be recovered, and provision for doubtful debts	Advances and sums to be recovered do not appear in the accounts in a reliable way	Omission to be remedied	Very poor management of the clearance of advances going back more than 18 months (400 million euro) and the recovery of sums to be recovered (275 million euro)	Improve the procedures for identifying, registering and monitoring advances to be cleared and sums to be recovered	Poor management of the clearance of advances going back more than 18 months and the recovery of sums to be recovered. The provision for doubtful debts does not reflect the level of bad debts	Improve monitoring of uncleared advances. Calculate and adjust the provision for doubtful debts
1.3 Inventory and use of the Subex funds	No information in the accounts on the use of Subex funds	Omission to be remedied, since the Commission shares responsibility for the use of these funds	The Commission is unable to verify the use to which Subex funds are put (Article 21.2 of Lomé IV), and there is inadequate authorisation of bank transfers	Obtain all the reports on the use of Subex funds from the national authorising officers, and strengthen internal checks on bank transfers	The inventory of Subex funds is completed but the amounts of funds available in the bank accounts are not reliable (832 million euro). Information on the use of Subex funds is insufficient	Investigate further in order to obtain more reliable figures for funds available in the banks. Obtain the reports on the use of funds
1.4 Risk management	not assessed	not assessed	not assessed	not assessed	Risk management done by headquarters is too global in order to determine exposure to risk, notably in ACP countries	Improve risk management so to identify specific risks
1.5 Ex post control	not assessed	not assessed	not assessed	not assessed	The number of transactions checked was limited by staffing constraints. The controls were sufficiently effective but checks were not adequately documented	Improve documentation of checks
1.6 Audit as a part of management control activities	not assessed	not assessed	not assessed	not assessed	The coverage rate of the audits is not centrally consolidated and their follow-up is not centrally monitored	Improve the functionality of CRUS-Audit, the computerised system for supporting and monitoring the audits
2 SUPERVISORY AND CONTROL SYSTEMS						
REVIEW OF FINANCIAL AUDITS						
	2002			2003		2004
	Frequency (a)	Rating of supervisory and control systems (b)	Frequency (a)	Rating of supervisory and control systems (b)	Frequency (a)	Rating of supervisory and control systems (b)
2.1 Terms of reference do not clearly define the nature of ineligible expenditure	frequent	B	occasional	B/A	occasional	B/A
2.2 The audit report does not clearly quantify the expenditure audited or the amounts of eligible and ineligible expenditure	frequent	B	occasional	B/A	occasional	B/A
2.3 Insufficient action to recover ineligible expenditure identified by external auditors	frequent	B	frequent	B/A	occasional	B/A
INTERNAL CONTROL SYSTEMS IN BRUSSELS						
2.4 True level of implementation of a selection of internal control standards relating to underlying transactions	B	B	B/A	B/A	B/A	B/A
INTERNAL CONTROL SYSTEMS IN THE ACP COUNTRIES (DELEGATIONS AND NATIONAL ADMINISTRATIONS)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
2.5 Overall assessment of calls for tender	B	B	B/A	B/A	B/A	B/A
2.6 Overall assessment of payments	B	B	B/A	B/A	B/A	B/A
2.7 Overall assessment of audits	B	B	B	B	B	B
2.8 Overall assessment of recoveries	C	C	C	C	C/B	C/B
2.9 Overall assessment of accounts	B	B	B/A	B/A	B/A	B/A
2.10 Overall assessment for the countries visited	B	B	B	B	B	B

Key to indicators
(a) Frequency (occurrence)
rate

occasional
frequent

(b) Rating of supervisory and control systems

A. Works well, a few minor improvements required

B. Works, but improvements necessary

C. Does not work as intended

(¹) Uganda, Malawi, Ghana, Zimbabwe, Madagascar and Zambia.

(²) Kenya, Papua-New Guinea, Solomon Islands, Senegal, Mali and Mauritania.

(³) Burkina Faso, Guinea, Nigeria, Trinidad and Tobago, Suriname.

Source: Court of Auditors.

THE COURT'S OBSERVATIONS

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- as regards point 1.6 of table 3: the coverage rate of the 2004 audit plan based on risk analysis and managed centrally is more than the 5 % of the volume of payments recommended in the methodology developed by EuropeAid. The 2004 audit plan comprised 35 audits at headquarters, while the delegations' audit plans totalled 426 audits.

CHAPTER III — FOLLOW-UP TO PREVIOUS OBSERVATIONS

Infrastructure work financed by the EDF

43. In Special Report No 8/2003 ⁽²⁹⁾ concerning the execution of infrastructure work financed by the EDF, the Court highlighted the need to improve supervision of the implementation of works contracts and, in particular, reduce the divergences that were found between contracts and their actual implementation. To this end, it recommended that the Commission should:

- (a) provide a better framework for and increase the responsibility of the consultants who carry out the studies upon which contracts are based;
- (b) place greater emphasis on changes made while works are in progress and handle implementation problems and complaints more quickly;
- (c) reorganise its central departments so as to provide greater support for the Delegations as part of the decentralisation process;
- (d) pay greater attention to accompanying measures which have an impact on the viability and durability of the works and re-examine the general conditions for the implementation of works contracts ⁽³⁰⁾.

The Discharge Authority's position

44. The European Parliament noted the Court's recommendations and the Council ⁽³¹⁾ welcomed the fact that the Commission had already started to follow them up. It specifically recommended that support for ACP States should be increased (in

⁽²⁹⁾ OJ C 181, 31.7.2003.

⁽³⁰⁾ Decision No 3/90 of the ACP-EEC Council of Ministers of 29 March 1990 adopting the general regulations, general conditions and procedural rules on conciliation and arbitration for works, supply and service contracts financed by the European Development Fund (EDF) and concerning their application.

⁽³¹⁾ Council document No 14530/03 approved on 17 November 2003 (Minutes No 14882/03 of 10.2.2004).

THE COURT'S OBSERVATIONS

particular so as to maintain the infrastructure created) and that checks in respect of preparatory studies should be improved (as regards the financial liability of consultants, closer supervision and more specific terms of reference).

Follow-up by the Commission

45. The Commission's report on the financial management of the sixth, seventh, eighth and ninth European Development Funds for 2003 and the limited review of this area carried out by the Court show that the Commission intended to follow the Court's main recommendations.

46. It now gives consultants greater responsibility by employing the same consultant to both design and supervise the work. It also decided to complete all the studies before the financing proposals were submitted to the EDF Committee. However, some Delegations were reluctant to adopt this new approach as it delays the accounting commitment of the transactions. Head Office nevertheless decided to compel the Delegations to comply with this measure by postponing several financing decisions for projects whose studies had not been completed. The amount of commitments fell as a result.

47. It is still too early to tell whether the recommendation about the early handling of disputes has been followed: the computerised management system (CRIS) contains no information and Head Office has not monitored this area.

48. As regards the reorganisation of the various departments of EuropeAid, the new arrangements came into effect on 16 March 2005. An 'Infrastructure' unit is chiefly responsible for advising and supporting the Delegations. This reorganisation is a useful addition to the decentralisation process which is coming to an end and, together with the training provided, should make it easier to implement the Court's recommendations.

49. As regards the Court's recommendation, which was taken up by the Council, regarding accompanying measures (maintenance, the checking of axle loads, road safety and the environment), the Commission did not introduce new rules as it felt the measures had already been implemented. Although the resources of the Road Funds (special road maintenance funds) are not always sufficient, they are generally made available, a process which the Commission checks, in particular in the context of budgetary aid. These Funds do, however, come up against significant organisational problems (e.g. where they are used to finance rather than maintain the infrastructure).

THE COMMISSION'S REPLIES

46-49. Following the Court's Special Report of July 2003 on infrastructure projects, the Commission, in February 2004, called on the Delegations to pursue the following four measures to avoid any recurrence of the problems mentioned by the Court: 1. complete all studies before the financing proposal is presented to the EDF Committee; 2. use the same consultant for project design and supervision; 3. use the suspension clause if necessary; and 4. deal with firms' complaints as they arrive.

THE COURT'S OBSERVATIONS

50. Lastly, the Court recommended that the regulations should be reviewed, which would have made it possible, in particular, to publish 'works' calls for tenders with a suspension clause before the financing proposals were submitted to the EDF Committee. The fact is that the current regulations ⁽³²⁾ restrict the use of the suspension clause to exceptional and duly justified cases. This review, which began in 2002, was still not complete by the end of 2004.

Conclusion

51. Initially, the Commission did define the main measures needed to implement the Court's recommendations. It should ensure without further delay that all the measures decided upon are actually implemented and should consider in more concrete terms the Council's recommendation that the beneficiary countries should be provided with institutional support so as to consolidate their administrative and technical capacity.

CHAPTER IV — MAIN OBSERVATIONS SET OUT IN SPECIAL REPORTS PUBLISHED BY THE COURT SINCE THE LAST DISCHARGE PROCEDURE

Special Report No 10/2004 concerning the devolution of EC external aid management to the Commission Delegations

52. This Special Report is summarised in chapter 7 of the Court's Annual Report on the activities financed from the general budget.

Special Report No 2/2005 concerning EDF budget aid to ACP countries: the Commission's management of the public finance reform aspect

53. The Commission is transferring budget aid to certain ACP countries, provided that reforms are put in place to improve their financial management systems. The Commission has devised tools with the aim of making an initial diagnosis of the quality of public finance management and the proposed reforms, but also of evaluating management changes and the progress of those reforms.

THE COMMISSION'S REPLIES

50. *The revision of the Cotonou Agreement of June 2005 includes a new Article 19b which goes in the direction recommended by the Court (tender procedure with suspension clause).*

51. *The Commission totally subscribes to this recommendation and has taken and is taking the lines of action described above. The consideration of institutional support measures is systematically analysed in the project's identification/formulation phase. When justified, as is very frequently the case, it is systematically included in the project content.*

⁽³²⁾ Article 5 of Decision No 2/2002 of the ACP-EC Council of Ministers of 7 October 2002 regarding the implementation of Articles 28, 29 and 30 of Annex IV to the Cotonou Agreement.

THE COURT'S OBSERVATIONS

54. These analytical and follow-up tools, which the Commission applies in coordination with the other donors, in particular with the World Bank and the IMF, provide relatively comprehensive information that enables it to take appropriate action. However, the tools do not make enough provision for more cogent diagnosis and follow-up reports; in addition, its implementation is not sufficiently coordinated with other donors at local level.

55. The Court recommends that the Commission update and complete its Methodological Guide relating to budget aid, *inter alia* where the monitoring reports are concerned; give clearer evidence for the eligibility of beneficiary countries; employ enhanced-incentive public finance performance indicators; finalise the new public finance management performance measurement tool and do its utmost to have it adopted by the various donors; strengthen local cooperation between donors; and strengthen its relations with the parliaments and Supreme Audit Institutions of beneficiary countries.

THE COMMISSION'S REPLIES

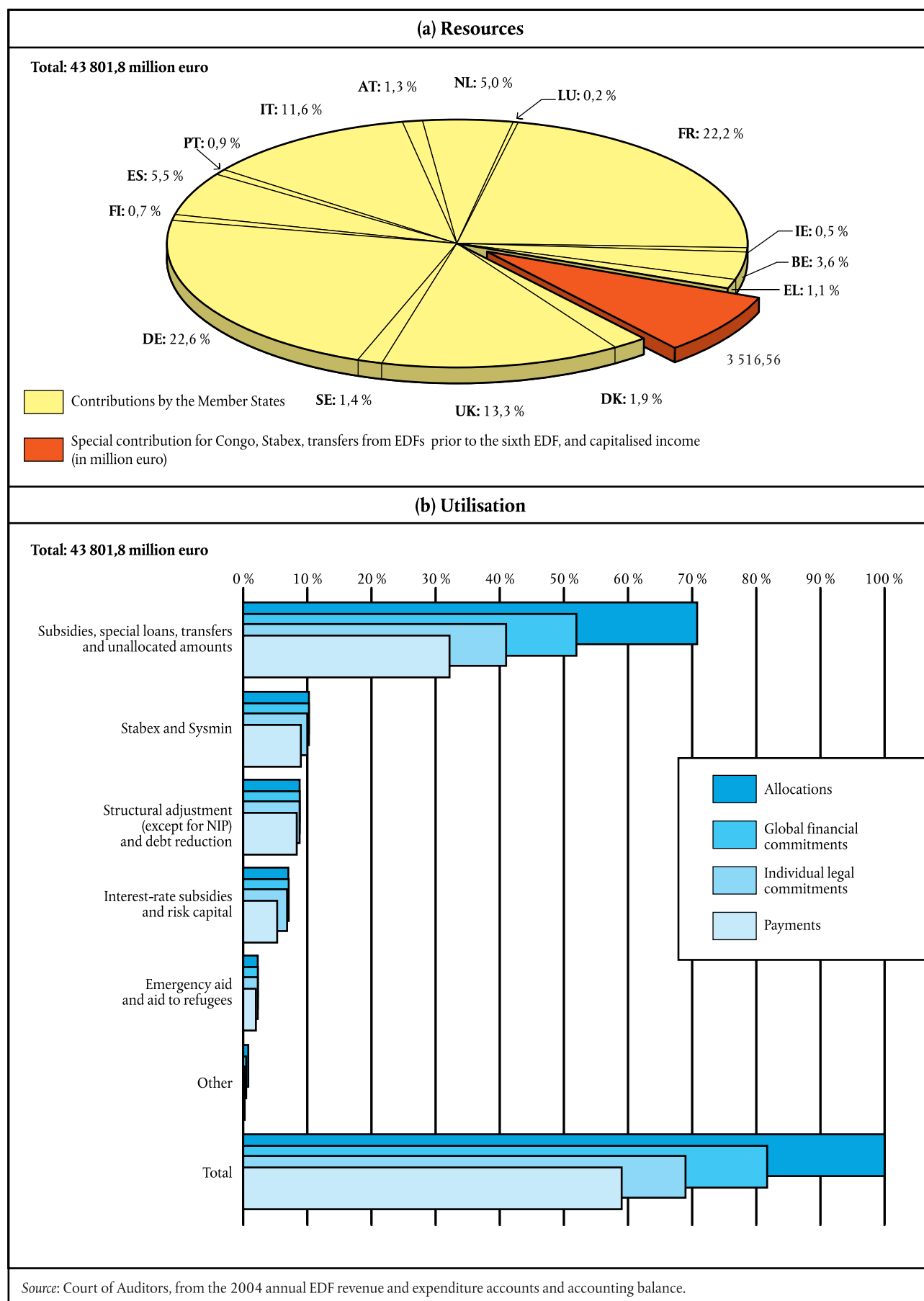
54.

1. *The Commission has undertaken to take account of the Court's suggestions to boost the public finances aspect of the financing proposals and turn the delegations' six-monthly reports into more dynamic instruments of analysis.*
2. *Coordination with the other donors is one of the Commission's constant concerns, both at headquarters and local level. A large number of joint frameworks, bringing together budget aid donors for the purpose of close coordination, have been established on the Commission's initiative.*

55.

1. *The Guide is now being updated and reworked, particularly as regards the six-monthly reports and the analysis of public finances in the financing proposals (see reply to paragraph 41), the latter covering eligibility criteria.*
2. *The Commission attaches considerable importance to the incentives presented by the conditions/indicators selected in the field of public finances as elsewhere.*
3. *The PEFA (public expenditure financial accountability) analysis framework was finalised at the end of the first half of 2005. The Commission will do all it can to ensure that it is put into general use and replaces other diagnostic tools.*
4. *Increasing coordination at local level: see reply to previous point.*
5. *The Commission is aware of the important role played by Parliaments and the SAIs. However, the possibility of it approaching these institutions must be examined with caution and with due regard for national sovereignty and the national rules governing the distribution and the balance of powers between the institutions. It should also be studied from the point of view of the Cotonou Agreement.*

**Chart illustrating the consolidated sixth, seventh, eighth and ninth EDFs
as at 31 December 2004**



ANNEXES TO THE ANNUAL REPORT ON THE IMPLEMENTATION OF THE BUDGET

ANNEX I

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PRELIMINARY NOTES

SOURCES OF FINANCIAL DATA

The financial data contained in this Annex have been drawn from the annual accounts of the European Communities ⁽¹⁾ and from other financial records provided by the Commission. The geographical distribution is in accordance with the country codes in the Commission's system of accounting information (Sincom2). As the Commission points out, all the figures given by Member State - for both revenue and expenditure - are the result of arithmetic that gives an incomplete view of the benefits that each State derives from the Union. They must therefore be interpreted with circumspection.

MONETARY UNIT

All the financial data are presented in millions of euro. The totals are rounded from each exact value and will not therefore necessarily represent the sum of the rounded figures.

ABBREVIATIONS AND SYMBOLS

AFC	Appropriations for commitments
AFP	Appropriations for payments
AT	Austria
BE	Belgium
CA	Commitment appropriations
CY	Cyprus
CZ	Czech Republic
DA	Differentiated appropriations
DE	Germany
DIA	Diagram referred to within other diagrams (e.g. DIA III)
DK	Denmark
EAEC or Euratom	European Atomic Energy Community
EC	European Community(ies)
EE	Estonia
EEC	European Economic Community
EFTA	European Free Trade Association
EL	Greece
ES	Spain
EU	European Union
EU-25	Total for the 25 Member States of the European Union
FI	Finland
FR	France
FR	Financial Regulation of 25 June 2002
GNI	Gross National Income
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg

⁽¹⁾ In the case of the financial year 2004: final annual accounts relating to operations under the 2004 budget [SEC(2005) 1158].

LV	Latvia
MT	Malta
NDA	Non-differentiated appropriations
NL	Netherlands
OJ	<i>Official Journal of the European Union</i>
PA	Payment appropriations
PL	Poland
PT	Portugal
S	Budgetary section
SE	Sweden
SI	Slovenia
SK	Slovakia
T	Budgetary title
UK	United Kingdom
VAT	Value added tax
0,0	Data between zero and 0,05
—	Lack of data
%	Percentage

BACKGROUND INFORMATION ON THE BUDGET

1. ORIGIN OF THE BUDGET

The budget comprises the expenditure of the European Community and the European Atomic Energy Community (Euratom). It also includes administrative expenditure on cooperation in the fields of 'justice and home affairs' and the common foreign and security policy, as well as all other expenditure that the Council considers should be borne by the budget for the purpose of implementing these policies.

2. LEGAL BASIS

The budget is governed by the financial provisions of the Rome Treaties ⁽²⁾ ⁽³⁾ (Articles 268 to 280 EC and Articles 171 to 183 Euratom) and by the financial regulations ⁽⁴⁾.

3. BUDGETARY PRINCIPLES LAID DOWN IN THE TREATIES AND THE FINANCIAL REGULATION

All items of Community revenue and expenditure are to be included in a single budget (unity and accuracy). The budget is authorised for one financial year only (annuality). Budgetary revenue and expenditure must balance (equilibrium). The accounts are established, implemented and presented in euro (unit of account). Revenue is to be used without distinction to finance all expenditure and, like the expenditure, is to be entered in full in the budget and subsequently in the financial statements without any adjustment of one item against another (universality). The appropriations are earmarked for specific purposes by title and chapter; the chapters are further subdivided into articles and items (specification). The budgetary appropriations are used in accordance with the principles of sound financial management, i.e. in accordance with the principles of economy, efficiency and effectiveness (sound financial management). The budget is established and implemented and the accounts are presented in observance of the principle of transparency (transparency). There are some exceptions to these general principles.

4. CONTENT AND STRUCTURE OF THE BUDGET

The budget consists of a 'Summary statement of revenue and expenditure' and sections divided into 'Statements of revenue and expenditure' for each institution. The eight sections are: (I) Parliament; (II) Council; (III) Commission; (IV) Court of Justice; (V) Court of Auditors; (VI) Economic and Social Committee; (VII) Committee of the Regions; (VIII) European Ombudsman and European Data-protection Supervisor.

Within each section, items of revenue and expenditure are classified under budget headings (titles, chapters, articles and, where applicable, items) according to their type or the use to which they are to be applied.

⁽²⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Economic Community (EEC).

⁽³⁾ Treaty of Rome (25 March 1957): Treaty establishing the European Atomic Energy Community (Euratom).

⁽⁴⁾ Mainly the Financial Regulation (FR) of 25 June 2002 (OJ L 248, 16.9.2002).

5. FINANCING OF THE BUDGET (BUDGETARY REVENUE)

The budget is mainly financed from the Communities' own resources: agricultural duties, sugar and isoglucose levies; customs duties; own resources accruing from VAT and GNI-based own resources ⁽⁵⁾.

Besides own resources, there are other, marginal items of revenue (see Diagram I).

6. TYPES OF BUDGET APPROPRIATION

To cover estimated expenditure, the following types of budget appropriation are distinguished in the budget:

- (a) differentiated appropriations (DA) are used to finance multiannual activities in certain budgetary areas. They comprise commitment appropriations (CA) and payment appropriations (PA):
 - commitment appropriations make it possible to enter into legal obligations during the financial year for activities whose implementation extends over several financial years;
 - payment appropriations make it possible to cover expenditure arising from commitments entered into during current and preceding financial years;
- (b) non-differentiated appropriations (NDA) make it possible to ensure the commitment and payment of expenditure relating to annual activities during each financial year.

It is thus important to establish the following two totals for each financial year:

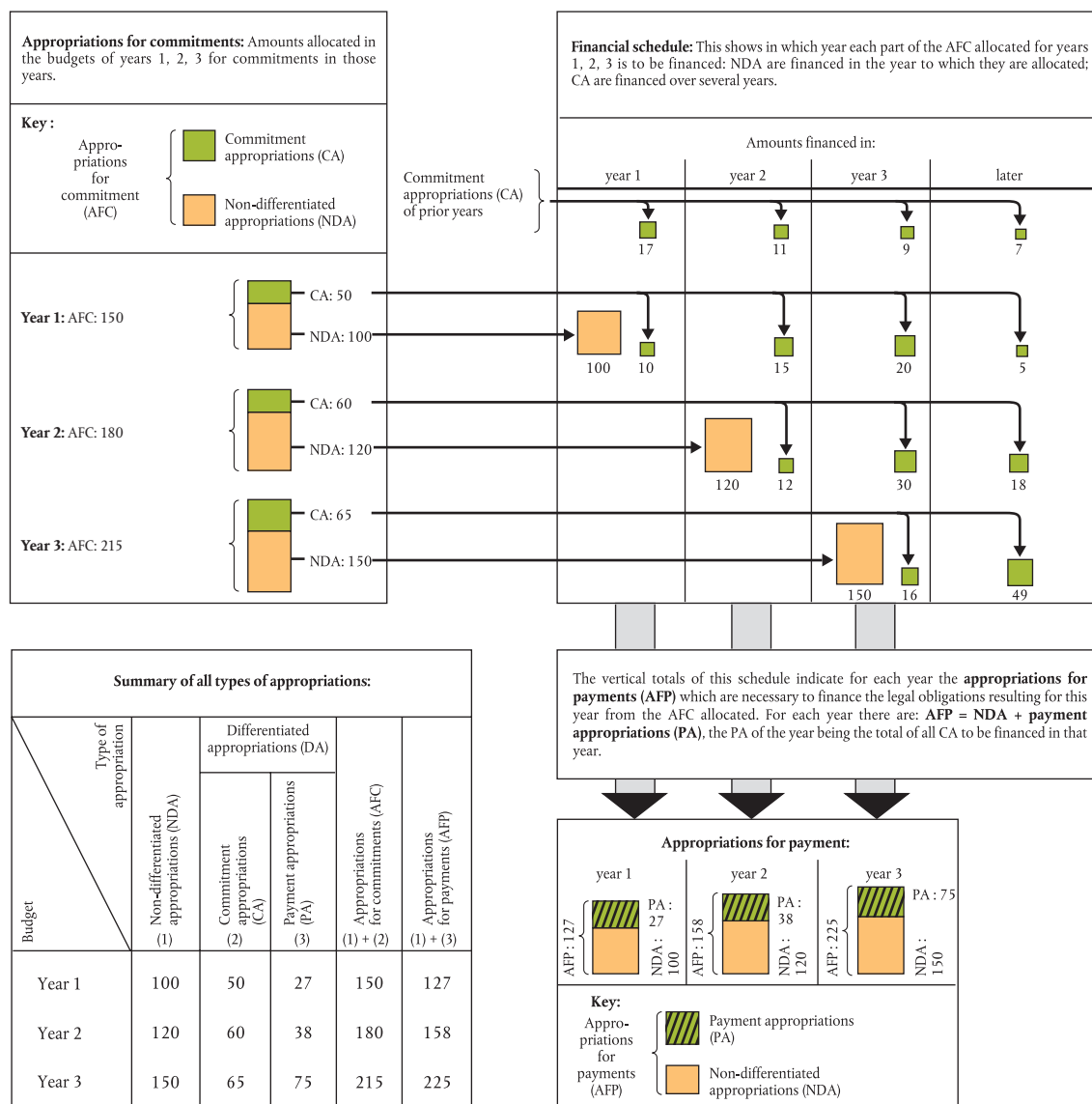
- (a) the total of appropriations for commitments (AFC) ⁽⁶⁾ = non-differentiated appropriations (NDA) + commitment appropriations (CA) ⁽⁶⁾;
- (b) the total of appropriations for payments (AFP) ⁽⁶⁾ = non-differentiated appropriations (NDA) + payment appropriations (PA) ⁽⁶⁾.

⁽⁵⁾ Principal legal acts relating to own resources: Council Decision 2000/597/EC, Euratom of 29 September 2000 (OJ L 253, 7.10.2000); Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000); Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 (OJ L 155, 7.6.1989); Sixth Council Directive of 17 May 1977, common system of VAT: uniform assessment basis (OJ L 145, 13.6.1977); Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonisation of the compilation of GNI (OJ L 49, 21.2.1989), Council Regulation (EC, Euratom) No 1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices (OJ L 181, 19.7.2003).

⁽⁶⁾ It is important to note the differences between 'appropriations for commitments' and 'commitment appropriations' and between 'appropriations for payments' and 'payment appropriations'. The two terms 'commitment appropriations' and 'payment appropriations' are used exclusively in the context of differentiated appropriations.

Revenue raised in the budget is intended to cover the total appropriations for payments. Commitment appropriations do not need to be covered by revenue.

The following simplified presentation (with illustrative amounts) shows the impact of these types of appropriations in each budget year.



7. IMPLEMENTATION OF THE BUDGET

7.1. *Responsibility for implementation*

The Commission implements the budget on its own responsibility in accordance with the Financial Regulation and within the limits of the allotted appropriations; it also confers upon the other institutions the requisite powers for the implementation of the sections of the budget relating to them ⁽⁷⁾. The Financial Regulation lays down the implementation procedures and, in particular, the responsibilities of the authorising officers, accounting officers, administrators of imprest accounts and internal auditors of the institutions. In two main specific areas (EAGGF-Guarantee and Structural Funds) the management of Community funds is shared with the Member States.

7.2. *Implementation of revenue*

The estimated revenue is entered in the budget subject to changes deriving from amending budgets.

The budgetary implementation of revenue consists of establishing the entitlements and recovering the revenue due to the Communities (own resources and other revenue). It is governed by certain special provisions ⁽⁸⁾. The actual revenue of a financial year is defined as the total of sums collected against entitlements established during the current financial year and sums collected against entitlements still to be recovered from previous financial years.

7.3. *Implementation of expenditure*

The estimated expenditure is entered in the budget.

The budgetary implementation of expenditure, i.e. the evolution and utilisation of appropriations, may be summarised as follows:

(a) appropriations for commitments:

- (i) *evolution of appropriations*: the total appropriations for commitments available in a financial year are made up as follows: initial budget (NDA and CA) + amending budgets + assigned revenue + transfers + commitment appropriations carried over from the preceding financial year + non-automatic carry-overs from the preceding financial year not yet committed + released commitment appropriations from preceding financial years which have been made available again;
- (ii) *utilisation of appropriations*: the final appropriations for commitments are available in the financial year for use in the form of commitments entered into (appropriations for commitments utilised = amount of commitments entered into);
- (iii) *carry-overs of appropriations from one financial year to the next financial year*: appropriations belonging to the financial year which have not been utilised may be carried over to the next financial year following a decision by the institution concerned. Appropriations available as assigned revenue are automatically carried over;
- (iv) *cancellation of appropriations*: the balance is cancelled;

⁽⁷⁾ See Articles 274 of the EC Treaty, 179 of the Euratom Treaty and 50 of the FR.

⁽⁸⁾ See Articles 69 to 74 of the FR and Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000).

(b) appropriations for payments:

- (i) *evolution of appropriations*: the total appropriations for payments available in a financial year are made up as follows: initial budget (NDA and PA) + amending budgets + assigned revenue + transfers + appropriations carried over from the previous financial year in the form of automatic carry-overs or non-automatic carry-overs;
- (ii) *utilisation of appropriations of the financial year*: the appropriations for payments of the financial year are available in the financial year for use as payments. They do not include appropriations carried over from the previous financial year (utilised appropriations for payments = amount of payments made against the appropriations of the financial year);
- (iii) *carry-overs of appropriations from one financial year to the next financial year*: non-utilised appropriations of the financial year may be carried over to the next financial year following a decision by the institution concerned. Appropriations available as assigned revenue are automatically carried over;
- (iv) *cancellation of appropriations*: the balance is cancelled;
- (v) *total payments during the financial year*: payments against appropriations for payments of the financial year + payments against appropriations for payments carried over from the preceding financial year;
- (vi) *actual expenditure charged to a financial year*: expenditure in the consolidated statements on budgetary implementation (see paragraph 7.4) = payments against appropriations for payments of the financial year + appropriations for payments of the financial year carried over to the following financial year.

7.4. *The consolidated statements on budgetary implementation and determination of the balance of the financial year*

The consolidated statements on budgetary implementation are drawn up after the closure of each financial year. They determine the balance of the year, which is entered in the budget of the next financial year through an amending budget.

8. PRESENTATION OF THE ACCOUNTS

The accounts for a given financial year are forwarded not later than 1 May of the following financial year to the Parliament, the Council and the Court of Auditors; these accounts comprise financial statements and statements on budgetary implementation, together with a report on the budgetary and financial management.

9. EXTERNAL AUDIT

Since 1977 the external audit of the budget has been carried out by the Court of Auditors of the European Communities ⁽⁹⁾. The Court of Auditors examines the accounts of all revenue and expenditure of the budget. It must 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. It also considers whether revenue has been received and expenditure incurred in a lawful and regular manner, and whether the financial management has been sound. The audits may be carried out before the closure of the financial year in question and are performed on the basis of records and, where necessary, on the spot in the institutions of the Communities, in the Member States and in third countries. The Court of Auditors draws up an annual report for each financial year and may also, at any time, submit its observations on specific questions and deliver opinions at the request of any of the institutions of the Communities.

⁽⁹⁾ See Articles 246, 247 and 248 of the EC Treaty, 160a, 160b and 160c of the Euratom Treaty and Articles 139 to 147 of the FR.

10. DISCHARGE AND FOLLOW-UP

Since 1977 the following provisions have been applicable ⁽¹⁰⁾: Parliament, on the recommendation of the Council, gives, before 30 April of the second year following the financial year in question, discharge to the Commission in respect of its implementation of the budget. To this end, the Council and Parliament in turn examine the accounts presented by the Commission and the annual report and special reports of the Court of Auditors. The institutions must take appropriate action in response to the comments appearing in the decisions giving discharge and report on the measures taken.

DIAGRAMS

BUDGET FOR THE FINANCIAL YEAR 2004 AND BUDGETARY IMPLEMENTATION DURING THE FINANCIAL YEAR 2004

DIA I	2004 budget — Estimated revenue and final appropriations for payments
DIA II	2004 budget — Appropriations for commitments
DIA III	Appropriations for commitments available in 2004 and utilisation thereof
DIA IV	Appropriations for payments available in 2004 and utilisation thereof
DIA V	Own resources in 2004 — Actual revenue by Member State
DIA VI	Payments made in 2004, in each Member State

HISTORICAL DATA IN RESPECT OF THE IMPLEMENTATION OF THE BUDGET (2000-2004)

DIA VII	Evolution and utilisation of appropriations for payments for the period 2000 to 2004, by financial perspective heading
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⁽¹⁰⁾ See Articles 276 of the EC Treaty and 180b of the Euratom Treaty.

Diagram I

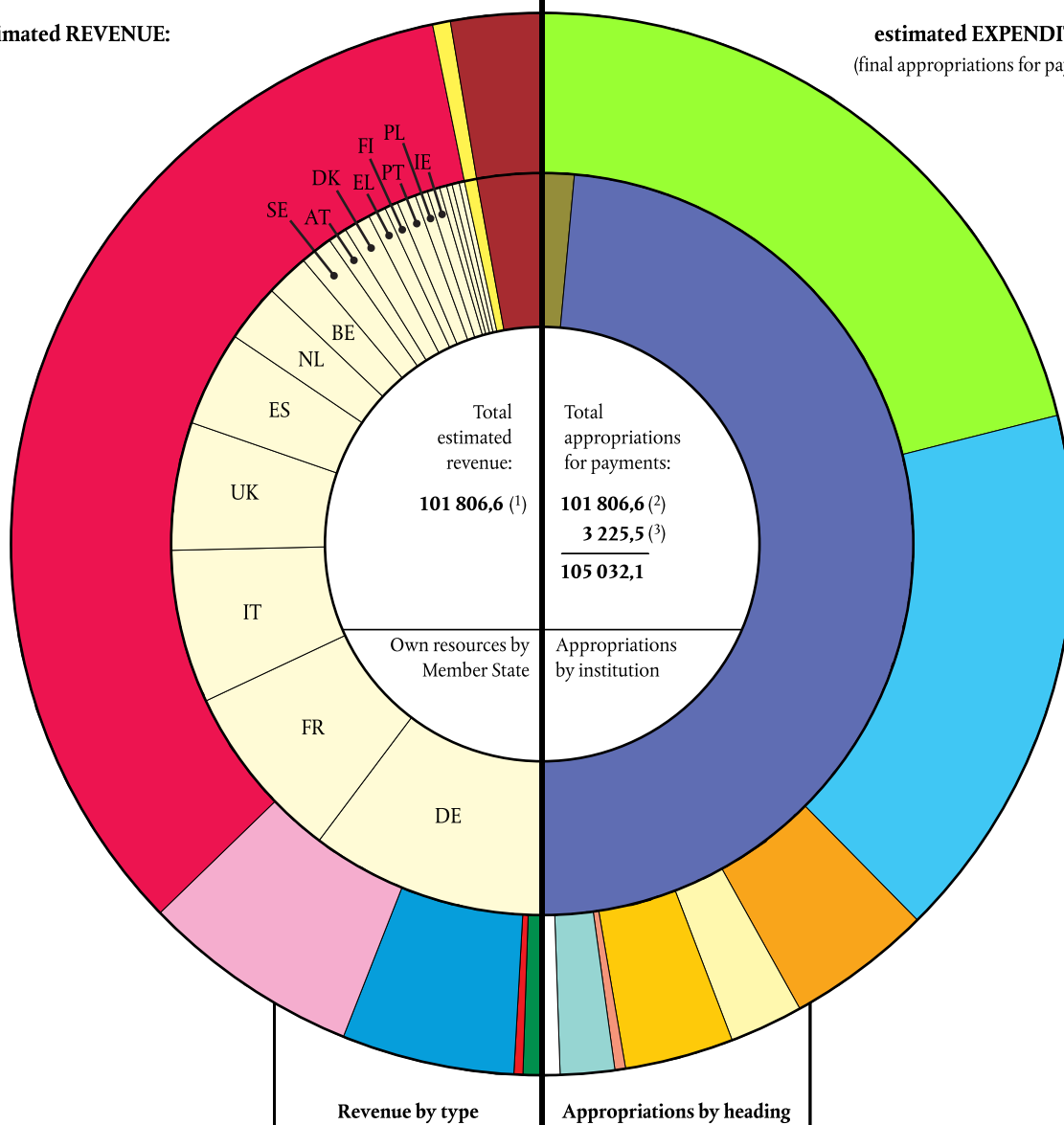
2004 budget — Estimated revenue and final appropriations for payments

(for revenue criteria, see 'Background information on the budget', paragraph 7.2;
for expenditure criteria, see 'Background information on the budget', paragraph 7.3, and for more detailed information, see Diagram IV, column (a))

(million euro and %)

estimated REVENUE:

estimated EXPENDITURE:
(final appropriations for payments)



Revenue key

Total own resources (by Member State)	
Agricultural duties	1 325,6 (1,3 %)
'Sugar' and 'isoglucose' levies	416,9 (0,4 %)
Customs duties	10 644,4 (10,5 %)
Own resources accruing from VAT	13 579,9 (13,3 %)
GNI-based own resources	69 010,2 (67,8 %)
Other revenue	1 116,6 (1,1 %)
Surplus available from the previous year	5 693,0 (5,6 %)

⁽¹⁾ After amending budgets.

Expenditure key Financial perspective headings

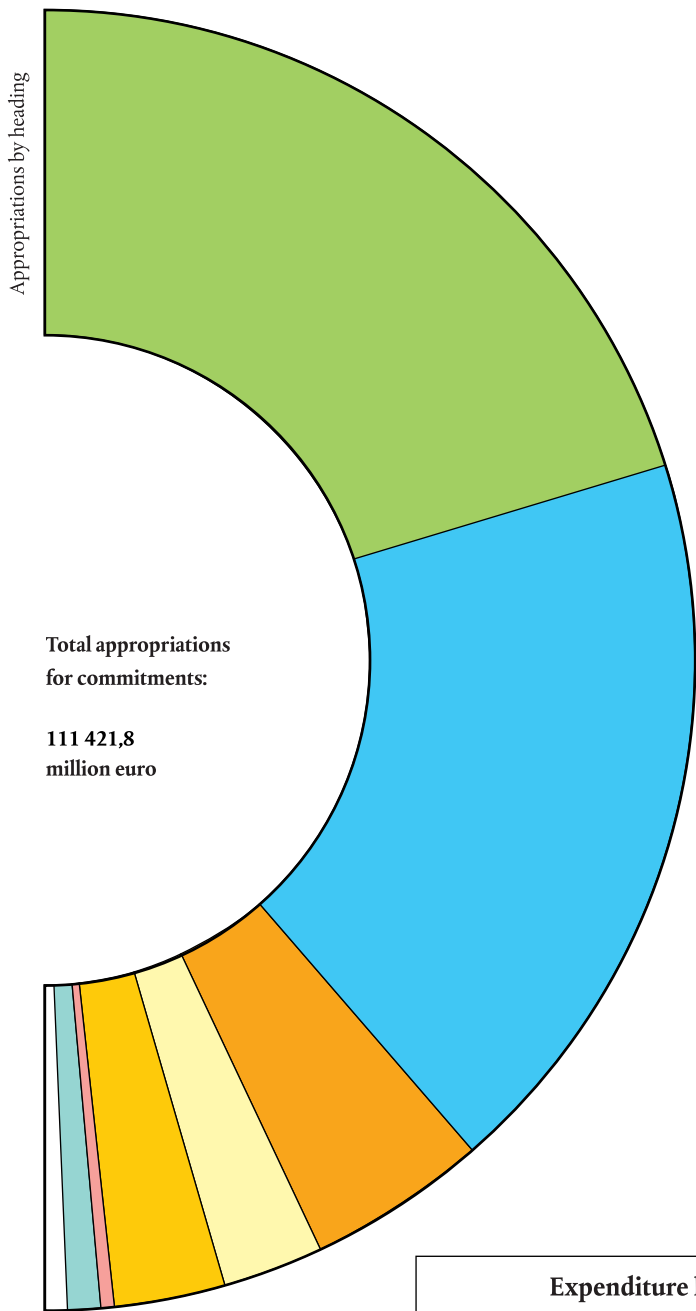
1. Common agricultural policy	44 308,3 (42,2 %)
2. Structural actions	34 635,1 (33,0 %)
3. Internal policies	8 992,1 (8,6 %)
4. External actions	5 098,0 (4,9 %)
5. Administration	6 927,2 (6,6 %)
6. Reserves	442,0 (0,4 %)
7. Pre-accession strategy	3 219,9 (3,1 %)
8. Compensation	1 409,5 (1,3 %)
Appropriations available for other institutions	2 703,7 (2,6 %)
Appropriations available to the Commission of which operating appropriations	102 328,4 (97,4 %)
	98 104,9 (93,4 %)

⁽²⁾ After amending budgets and transfers between budget headings.

⁽³⁾ Assigned revenue, appropriations made available again, carried over and re-used.

Diagram II
2004 budget — Appropriations for commitments
(after amending budgets; for more detailed information, see Diagram III, column (b))

(million euro and %)



Note:

The total appropriations for commitments are not balanced by the budgetary revenue of 2004 as the commitment appropriations also include amounts to be financed by budgetary revenue from subsequent years.

Expenditure key		
Financial perspective headings		
1. Common agricultural policy	45 122,3	(40,5 %)
2. Structural actions	41 045,6	(36,8 %)
3. Internal policies	9 835,4	(8,8 %)
4. External actions	5 368,4	(4,8 %)
5. Administration	6 361,2	(5,7 %)
6. Reserves	442,0	(0,4 %)
7. Pre-accession strategy	1 837,4	(1,6 %)
8. Compensation	1 409,5	(1,3 %)

Diagram III

Appropriations for commitments available in 2004 and utilisation thereof

(million euro and %)

Sections (S) and titles (T) corresponding to the 2004 budgetary nomenclature and financial perspective headings	Financial perspective	Final appropriations		Utilisation of appropriations					
		Amount (¹)	Rate (%)	Commitments entered into	Utilisation rate (%)	Carry-overs to 2005 (²)	Rate (%)	Cancellations	Rate (%)
		(a)	(b)/(a)	(c)	(c)/(b)	(d)	(d)/(b)	(e) = (b) - (c) - (d)	(e)/(b)
<i>Budgetary nomenclature</i>									
I Parliament (S. I)		1 311,0		1 275,9	97,3	7,4	0,6	27,6	2,1
II Council (S. II)		562,7		540,1	96,0	12,3	2,2	10,3	1,8
III Commission (S. III)		109 025,1		106 982,7	98,1	1 043,0	1,0	999,4	0,9
III.1 Economic and financial affairs (T. 01)		482,2		431,4	89,5	1,3	0,3	49,5	10,3
III.2 Enterprise (T. 02)		334,5		285,5	85,4	25,0	7,5	24,0	7,2
III.3 Competition (T. 03)		86,5		83,9	97,0	0,9	1,1	1,6	1,9
III.4 Employment and social affairs (T. 04)		10 900,2		10 779,1	98,9	90,0	0,8	31,1	0,3
III.5 Agriculture and rural development (T. 05)		48 861,6		48 470,9	99,2	77,5	0,2	313,2	0,6
III.6 Energy and transport (T. 06)		1 424,0		1 344,7	94,4	46,6	3,3	32,7	2,3
III.7 Environment (T. 07)		365,8		344,6	94,2	7,1	1,9	14,0	3,8
III.8 Research (T. 08)		3 658,3		3 513,9	96,1	142,8	3,9	1,6	0,0
III.9 Information society (T. 09)		1 334,3		1 249,0	93,6	77,8	5,8	7,6	0,6
III.10 Direct research (T. 10)		530,9		328,8	61,9	201,9	38,0	0,3	0,0
III.11 Fisheries (T. 11)		975,3		943,3	96,7	3,9	0,4	28,2	2,9
III.12 Internal market (T. 12)		74,0		67,1	90,7	0,8	1,0	6,1	8,3
III.13 Regional policy (T. 13)		26 639,7		26 557,9	99,7	10,3	0,0	71,5	0,3
III.14 Taxation and customs union (T. 14)		112,3		96,3	85,8	5,8	5,2	10,1	9,0
III.15 Education and culture (T. 15)		1 176,7		1 063,6	90,4	101,6	8,6	11,6	1,0
III.16 Press and communication (T. 16)		181,9		155,7	85,6	1,6	0,9	24,6	13,5
III.17 Health and consumer protection (T. 17)		583,7		571,4	97,9	6,8	1,2	5,6	1,0
III.18 Justice and home affairs (T. 18)		536,9		512,4	95,4	6,3	1,2	18,3	3,4
III.19 External relations (T. 19)		3 808,5		3 704,3	97,3	81,9	2,1	22,3	0,6
III.20 Trade (T. 20)		77,0		71,8	93,2	0,8	1,0	4,4	5,7
III.21 Development and relations with ACP States (T. 21)		1 246,4		1 196,3	96,0	38,4	3,1	11,7	0,9
III.22 Enlargement (T. 22)		1 426,1		1 289,9	90,4	89,4	6,3	46,9	3,3
III.23 Humanitarian aid (T. 23)		536,6		536,2	99,9	0,2	0,0	0,2	0,0
III.24 Fight against fraud (T. 24)		55,1		51,3	93,2	0,0	0,0	3,7	6,8
III.25 Commission's policy coordination and legal advice (T. 25)		206,9		199,4	96,4	3,0	1,4	4,6	2,2
III.26 Administration (T. 26)		726,1		700,1	96,4	13,0	1,8	13,1	1,8
III.27 Budget (T. 27)		1 474,4		1 471,2	99,8	0,6	0,0	2,6	0,2
III.28 Audit (T. 28)		9,6		9,3	96,4	0,1	0,9	0,3	2,6
III.29 Statistics (T. 29)		136,9		111,9	81,7	8,0	5,8	17,1	12,5
III.30 Pensions (T. 30)		841,8		841,7	100,0	—	—	0,1	0,0
III.31 Reserves (T. 31)		221,0		—	—	—	—	221,0	100,0
IV Court of Justice (S. IV)		236,3		221,3	93,7	2,9	1,2	12,1	5,1
V Court of Auditors (S. V)		97,4		86,1	88,4	0,3	0,3	11,0	11,3
VI Economic and Social Committee (S. VI)		107,7		95,6	88,8	0,3	0,3	11,8	10,9
VII Committee of the Regions (S. VII)		73,9		64,1	86,7	0,1	0,1	9,7	13,2
VIII European Ombudsman and European Data-protection Supervisor (S. VIII)		7,7		6,7	86,4	—	—	1,1	13,6
Grand total appropriations for commitments		115 434,0		111 421,8	96,5	1 066,3	1,0	1 082,9	1,0
<i>Financial perspective</i>									
1 Agriculture	49 305,0	45 122,3	91,5	44 760,5	99,2	49,8	0,1	311,9	0,7
2 Structural actions	41 035,0	41 045,6	100,0	40 833,5	99,5	115,5	0,3	96,7	0,2
3 Internal policies	8 722,0	9 835,4 (¹)	112,8	9 009,9	91,6	619,1	6,3	206,4	2,1
4 External actions	5 082,0	5 368,4 (¹)	105,6	5 198,4	96,8	121,2	2,3	48,8	0,9
5 Administration	5 983,0	6 361,2 (¹)	106,3	6 161,2	96,9	70,1	1,1	129,8	2,0
6 Reserves	442,0	442,0	100,0	181,9	41,1	—	—	260,1	58,9
7 Pre-accession strategy	3 455,0	1 837,4	53,2	1 717,5	93,5	90,6	4,9	29,3	1,6
8 Compensation	1 410,0	1 409,5	100,0	1 409,5	100,0	—	—	—	—
Grand total appropriations for commitments	115 434,0	111 421,8	96,5	109 272,6	98,1	1 066,3	1,0	1 082,9	1,0
Grand total appropriations for payments	111 380,0	105 032,1	94,3	100 139,4	95,3	2 829,9	2,7	2 062,7	2,0

(¹) Final budget appropriations after taking account of transfers between budget headings, appropriations corresponding to assigned revenue or similar and appropriations carried over from the previous financial year. As a consequence the ceiling for some financial perspective headings is exceeded by the available appropriations.

(²) Including appropriations corresponding to assigned revenue or similar.

Diagram IV

Appropriations for payments available in 2004 and utilisation thereof

(million euro and %)

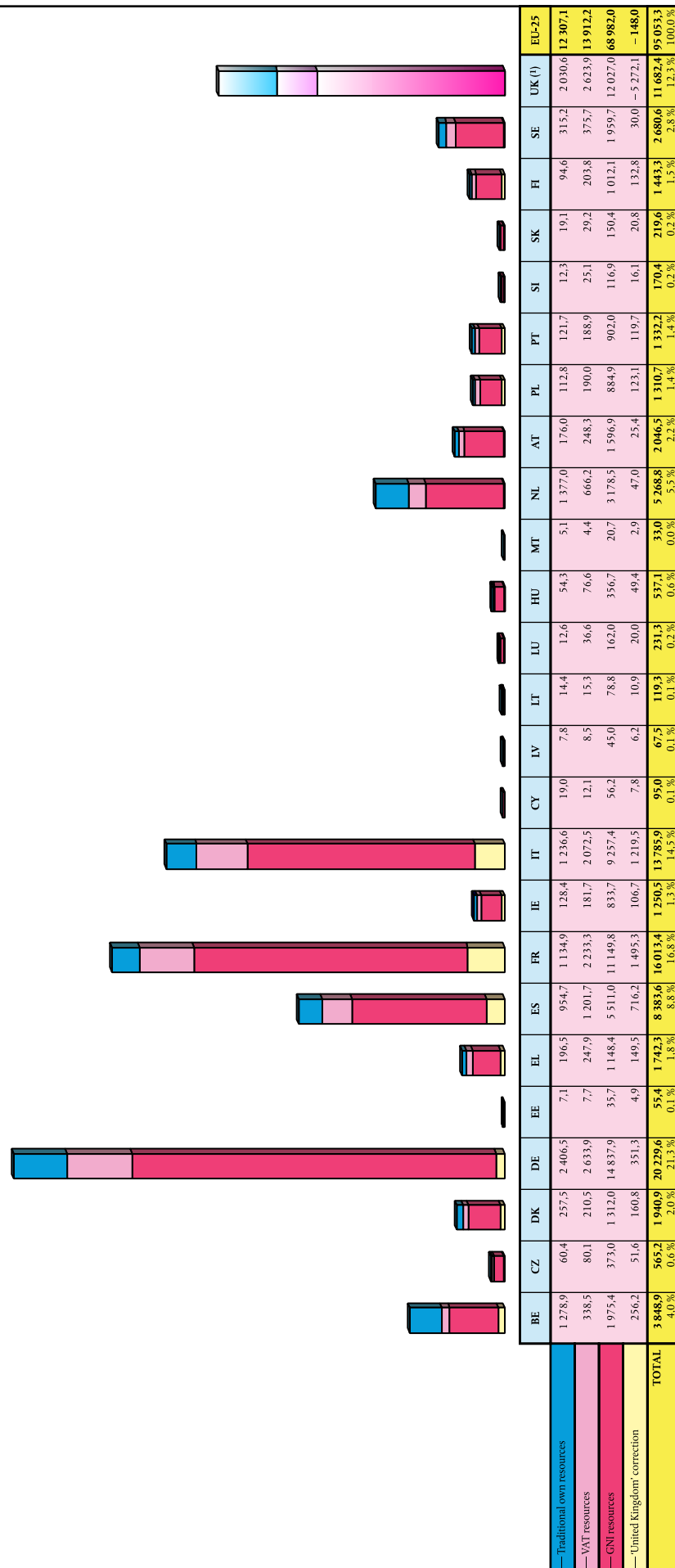
Sections (S) and titles (T) corresponding to the 2004 budgetary nomenclature and financial perspective headings	Final appropriations (¹)	Utilisation of appropriations					
		Payments made in 2004	Utilisation rate (%)	Carry-overs to 2005	Rate (%)	Cancellations	Rate (%)
	(a)	(b)	(b)/(a)	(c)	(c)/(a)	(d) = (a) - (b) - (c)	(d)/(a)
<i>Budgetary nomenclature</i>							
I Parliament (S. I)	1 524,5	1 166,4	76,5	314,4	20,6	43,7	2,9
II Council (S. II)	630,4	506,8	80,4	105,8	16,8	17,8	2,8
III Commission (S. III)	102 328,4	98 003,9	95,8	2 371,2	2,3	1 953,3	1,9
III.1 Economic and financial affairs (T. 01)	427,6	348,7	81,6	14,0	3,3	64,9	15,2
III.2 Enterprise (T. 02)	335,5	246,4	73,5	40,5	12,1	48,6	14,5
III.3 Competition (T. 03)	86,5	77,2	89,3	7,4	8,6	1,9	2,2
III.4 Employment and social affairs (T. 04)	9 404,5	9 286,0	98,7	24,5	0,3	93,9	1,0
III.5 Agriculture and rural development (T. 05)	47 837,8	47 445,8	99,2	75,9	0,2	316,2	0,7
III.6 Energy and transport (T. 06)	1 268,8	1 008,4	79,5	71,9	5,7	188,5	14,9
III.7 Environment (T. 07)	334,4	252,1	75,4	42,9	12,8	39,5	11,8
III.8 Research (T. 08)	3 079,5	2 605,8	84,6	459,7	14,9	14,0	0,5
III.9 Information society (T. 09)	1 445,8	1 248,3	86,3	166,2	11,5	31,3	2,2
III.10 Direct research (T. 10)	527,1	320,6	60,8	203,5	38,6	3,1	0,6
III.11 Fisheries (T. 11)	1 069,4	841,0	78,6	52,8	4,9	175,6	16,4
III.12 Internal market (T. 12)	71,3	56,4	79,1	7,7	10,8	7,1	10,0
III.13 Regional policy (T. 13)	22 099,6	21 880,1	99,0	152,9	0,7	66,7	0,3
III.14 Taxation and customs union (T. 14)	98,2	81,3	82,7	7,5	7,7	9,4	9,6
III.15 Education and culture (T. 15)	1 180,6	989,2	83,8	171,6	14,5	19,9	1,7
III.16 Press and communication (T. 16)	172,3	136,7	79,3	15,3	8,9	20,3	11,8
III.17 Health and consumer protection (T. 17)	852,6	447,2	52,5	361,6	42,4	43,8	5,1
III.18 Justice and home affairs (T. 18)	520,6	436,2	83,8	19,4	3,7	65,0	12,5
III.19 External relations (T. 19)	3 690,3	3 316,8	89,9	152,2	4,1	221,4	6,0
III.20 Trade (T. 20)	76,3	65,8	86,2	6,7	8,8	3,8	4,9
III.21 Development and relations with ACP States (T. 21)	1 109,3	975,7	88,0	80,8	7,3	52,8	4,8
III.22 Enlargement (T. 22)	2 175,6	1 987,3	91,3	60,7	2,8	127,6	5,9
III.23 Humanitarian aid (T. 23)	535,5	514,1	96,0	5,2	1,0	16,2	3,0
III.24 Fight against fraud (T. 24)	57,8	43,7	75,6	4,6	7,9	9,5	16,5
III.25 Commission's policy coordination and legal advice (T. 25)	212,9	185,4	87,1	20,4	9,6	7,1	3,3
III.26 Administration (T. 26)	983,5	801,5	81,5	118,0	12,0	64,0	6,5
III.27 Budget (T. 27)	1 474,8	1 460,2	99,0	12,0	0,8	2,6	0,2
III.28 Audit (T. 28)	9,6	8,6	89,5	0,8	7,9	0,3	2,6
III.29 Statistics (T. 29)	127,7	97,3	76,2	13,1	10,3	17,3	13,5
III.30 Pensions (T. 30)	841,8	840,1	99,8	1,6	0,2	0,1	0,0
III.31 Reserves (T. 31)	221,0	—	—	—	—	221,0	100,0
IV Court of Justice (S. IV)	245,2	216,3	88,2	15,9	6,5	13,0	5,3
V Court of Auditors (S. V)	103,0	84,2	81,8	7,2	7,0	11,5	11,2
VI Economic and Social Committee (S. VI)	113,4	92,3	81,4	8,8	7,8	12,3	10,8
VII Committee of the Regions (S. VII)	79,0	63,2	80,0	5,7	7,2	10,1	12,8
VIII European Ombudsman and European Data-protection Supervisor (S. VIII)	8,2	6,2	75,4	0,9	10,8	1,1	13,8
Grand total appropriations for payments	105 032,1	100 139,4	95,3	2 829,9	2,7	2 062,7	2,0
<i>Financial perspective</i>							
1 Agriculture	44 308,3	43 579,4	98,4	397,9	0,9	331,0	0,7
2 Structural actions	34 635,1	34 198,3	98,7	197,0	0,6	239,7	0,7
3 Internal policies	8 992,1	7 255,2	80,7	1 152,1	12,8	584,8	6,5
4 External actions	5 098,0	4 605,8	90,3	175,6	3,4	316,6	6,2
5 Administration	6 927,2	5 856,4	84,5	849,6	12,3	221,2	3,2
6 Reserves	442,0	181,9	41,1	—	—	260,1	58,9
7 Pre-accession strategy	3 219,9	3 052,9	94,8	57,8	1,8	109,2	3,4
8 Compensation	1 409,5	1 409,5	100,0	—	—	—	—
Grand total appropriations for payments	105 032,1	100 139,4	95,3	2 829,9	2,7	2 062,7	2,0

(¹) Final budget appropriations after taking account of transfers between budget headings, appropriations relating to assigned revenue or similar and appropriations carried over from the previous financial year.

Diagram V
Own resources in 2004, by Member State

Actual revenue

(million euro and %)



(¹) For the United Kingdom a correction (5 272,1 million euro) is applied to the gross amount of own resources (16 954,5 million euro). The financing of this adjustment is borne by the other Member States. This correction was solely assigned to the VAT and GNP elements of gross own resources in accordance with their respective amounts.

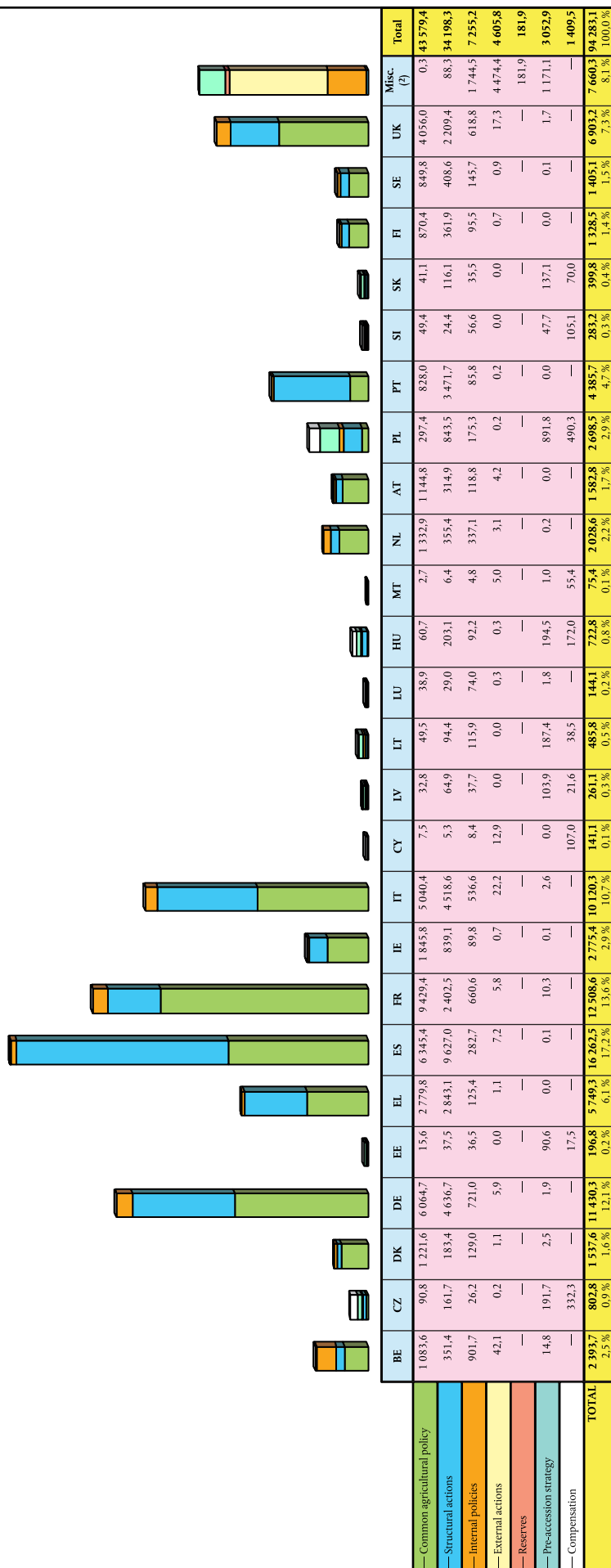
Diagram VI

Payments made in 2004, in each Member State ⁽¹⁾

Note: Payments made in 2004 = payments against 2004 operating appropriations plus payments against carry-overs from 2003.

Financial perspective headings

(million euro and %)



⁽¹⁾ The geographical breakdown is not by payments made to the Member States but by expenditure according to the data in the Commission's computerised accounting system Sincom2.

⁽²⁾ The amounts under 'Miscellaneous' mainly include expenditure related to projects implemented outside the Union and participation by third countries. Expenditure in respect of which the geographical distribution could not be established is also included.

ANNEX II

Reports and Opinions adopted by the Court of Auditors since 2000

The Court of Auditors is required by the terms of the Treaties to produce an annual report. It is also required, by the Treaties and other legislation at present in force, to produce special annual reports on certain Community bodies and

activities. The Treaties also give the Court the power to submit observations on specific questions and to deliver opinions at the request of one of the institutions. The reports and opinions adopted by the Court since 2000 are listed below.

Title	Publication
Annual Reports and Statements of Assurance	
Twenty-third annual report concerning the financial year 1999:	OJ C 342, 1.12.2000
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	
Twenty-fourth annual report concerning the financial year 2000:	OJ C 359, 15.12.2001, OJ C 92, 17.4.2002 and OJ C 36, 15.2.2003
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	
Twenty-fifth annual report concerning the financial year 2001:	OJ C 295, 28.11.2002
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	
Twenty-sixth annual report concerning the financial year 2002:	OJ C 286, 28.11.2003
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth, seventh and eighth EDFs	
Twenty-seventh annual report concerning the financial year 2003:	OJ C 293, 30.11.2004
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth, seventh, eighth and ninth EDFs	
Twenty-eighth annual report concerning the financial year 2004:	Published in this OJ
— Report and Statement of Assurance on the activities financed from the general budget	
— Report and Statement of Assurance on the activities of the sixth, seventh, eighth and ninth EDFs	
Special Reports	
<i>Own resources</i>	
— Special Report No 17/2000 on the Commission's control of the reliability and comparability of the Member States' GNP data	OJ C 336, 27.11.2000
— Special Report No 23/2000 concerning valuation of imported goods for customs purposes (customs valuation)	OJ C 84, 14.3.2001

Title	Publication
<i>Common agricultural policy</i>	
— Special Report No 1/2000 on classical swine fever	OJ C 85, 23.3.2000
— Special Report No 8/2000 on the Community measures for the disposal of butterfat	OJ C 132, 12.5.2000
— Special Report No 11/2000 on the support scheme for olive oil	OJ C 215, 27.7.2000
— Special Report No 14/2000 on 'Greening the CAP'	OJ C 353, 8.12.2000
— Special Report No 20/2000 concerning the management of the common organisation of the market for sugar	OJ C 50, 15.2.2001
— Special Report No 22/2000 on evaluation of the reformed clearance of accounts procedure	OJ C 69, 2.3.2001
— Special Report No 4/2001 on the audit of the EAGGF — Guarantee — the implementation of the integrated administration and control system (IACS)	OJ C 214, 31.7.2001
— Special Report No 6/2001 on milk quotas	OJ C 305, 30.10.2001
— Special Report No 7/2001 concerning export refunds — destination and placing on the market	OJ C 314, 8.11.2001
— Special Report No 8/2001 concerning refunds for the production of potato and cereal starch and potato starch aid	OJ C 294, 19.10.2001
— Special Report No 14/2001 — Follow up to Special Report No 19/98 on BSE	OJ C 324, 20.11.2001
— Special Report No 5/2002 on extensification premium and payment schemes in the common organisation of the market for beef and veal	OJ C 290, 25.11.2002
— Special Report No 6/2002 on the audit of the Commission's management of the EU oilseeds support scheme	OJ C 254, 22.10.2002
— Special Report No 7/2002 on the sound financial management of the common organisation of markets in the banana sector	OJ C 294, 28.11.2002
— Special Report No 1/2003 concerning the prefinancing of export refunds	OJ C 98, 24.4.2003
— Special Report No 4/2003 concerning rural development: support for less-favoured areas	OJ C 151, 27.6.2003
— Special Report No 9/2003 concerning the system for setting the rates of subsidy on exports of agricultural products (export refunds)	OJ C 211, 5.9.2003
— Special Report No 12/2003 on the sound financial management of the common organisation of the market in dried fodder	OJ C 298, 9.12.2003
— Special Report No 13/2003 concerning production aid for cotton	OJ C 298, 9.12.2003
— Special Report No 14/2003 on the measurement of farm incomes by the Commission (Article 33(1)(b) of the EC Treaty)	OJ C 45, 20.2.2004
— Special Report No 2/2004 concerning pre-accession aid: — 'Has Sapard been well managed?'	OJ C 295, 30.11.2004
— Special Report No 3/2004 on recovery of irregular payments under the common agricultural policy	OJ C 269, 4.11.2004
— Special Report No 6/2004: The organisation of the system for the identification and registration of bovine animals in the European Union	OJ C 29, 4.2.2005
— Special Report No 7/2004 on the common organisation of the market in raw tobacco	OJ C 41, 17.2.2005

Title	Publication
— Special Report No 8/2004 on the Commission's management and supervision of the measures to control foot-and-mouth disease and of the related expenditure	OJ C 54, 3.3.2005
— Special Report No 9/2004 on forestry measures within rural development policy	OJ C 67, 18.3.2005
— Special Report No 3/2005 concerning rural development: The verification of agri-environment expenditure	OJ C 279, 11.11.2005

Structural measures

— Special Report No 3/2000 on the European Social Fund and the European Agricultural Guidance and Guarantee Fund (Guidance section) — Measures to assist the employment of young persons	OJ C 100, 7.4.2000
— Special Report No 7/2000 on the International Fund for Ireland and the Special Support Programme for peace and reconciliation in Northern Ireland and the border counties of Ireland (1995-1999)	OJ C 146, 25.5.2000
— Special Report No 15/2000 on the Cohesion Fund	OJ C 279, 2.10.2000
— Special Report No 1/2001 concerning the URBAN Community initiative	OJ C 124, 25.4.2001
— Special Report No 10/2001 concerning the financial control of the Structural Funds, Commission Regulations (EC) No 2064/97 and (EC) No 1681/94	OJ C 314, 8.11.2001
— Special Report No 12/2001 concerning certain structural measures to improve the employment situation: the impact of ERDF aid on employment and ESF measures to combat long-term unemployment	OJ C 334, 28.11.2001
— Special Report No 3/2002 concerning the Community initiative employment — Integra	OJ C 263, 29.10.2002
— Special Report No 4/2002 on local actions for employment	OJ C 263, 29.10.2002
— Special Report No 7/2003 on the implementation of assistance programming for the period 2000 to 2006 within the framework of the Structural Funds	OJ C 174, 23.7.2003
— Special Report No 4/2004 on the programming of the Community initiative concerning trans-European cooperation — Interreg III	OJ C 303, 7.12.2004

Internal policies

— Special Report No 9/2000 concerning trans-European-networks (TEN) — telecommunications	OJ C 166, 15.6.2000
— Special Report No 10/2000 on the public contracts awarded by the Joint Research Centre	OJ C 172, 21.6.2000
— Special Report No 9/2001 on the Training and Mobility of Researchers Programme	OJ C 349, 10.12.2001
— Special Report No 2/2002 on the Socrates and Youth for Europe Community action programmes	OJ C 136, 7.6.2002
— Special Report No 11/2003 concerning the Financial Instrument for the Environment (LIFE)	OJ C 292, 2.12.2003
— Special Report No 1/2004 on the management of indirect RTD actions under the fifth framework programme (FP5) for research and technological development (1998 to 2002)	OJ C 99, 23.4.2004

External action

— Special Report No 2/2000 on aid given by the European Union to Bosnia-Herzegovina with a view to restoring peace and the rule of law	OJ C 85, 23.3.2000
— Special Report No 4/2000 on rehabilitation actions for ACP countries as an instrument to prepare for normal development aid	OJ C 113, 19.4.2000

Title	Publication
— Special Report No 12/2000 on the management by the Commission of European Union support for the development of human rights and democracy in third countries	OJ C 230, 10.8.2000
— Special Report No 16/2000 on tendering procedures for service contracts under the Phare and Tacis programmes	OJ C 350, 6.12.2000
— Special Report No 18/2000 concerning the programme to supply agricultural products to the Russian Federation	OJ C 25, 25.1.2001
— Special Report No 19/2000 on the management by the Commission of the programme of assistance to Palestinian society	OJ C 32, 31.1.2001
— Special Report No 21/2000 on the management of the Commission's external aid programmes (in particular on country programming, project preparation and the role of Delegations)	OJ C 57, 22.2.2001
— Special Report No 2/2001 concerning the management of emergency humanitarian aid for the victims of the Kosovo crisis (ECHO)	OJ C 168, 12.6.2001 and OJ C 159, 3.7.2002
— Special Report No 3/2001 concerning the Commission's management of the international fisheries agreements	OJ C 210, 27.7.2001
— Special Report No 5/2001 on counterpart funds from structural adjustment support earmarked for budget aid (seventh and eighth EDFs)	OJ C 257, 14.9.2001
— Special Report No 11/2001 concerning the Tacis cross-border cooperation programme	OJ C 329, 23.11.2001
— Special Report No 13/2001 on the management of the common foreign and security policy (CFSP)	OJ C 338, 30.11.2001
— Special Report No 1/2002 concerning macrofinancial assistance (MFA) to third countries and structural adjustment facilities (SAF) in the Mediterranean countries	OJ C 121, 23.5.2002
— Special Report No 2/2003 on the implementation of the food security policy in developing countries financed by the general budget of the European Union	OJ C 93, 17.4.2003
— Special Report No 5/2003 concerning PHARE and ISPA funding of environmental projects in the candidate countries	OJ C 167, 17.7.2003
— Special Report No 6/2003 concerning twinning as the main instrument to support institution-building in candidate countries	OJ C 167, 17.7.2003
— Special Report No 8/2003 concerning the execution of infrastructure work financed by the EDF	OJ C 181, 31.7.2003
— Special Report No 10/2003 concerning the effectiveness of the Commission's management of development assistance to India in targeting the poor and ensuring sustainable benefits	OJ C 211, 5.9.2003
— Special Report No 15/2003 concerning the audit of microproject programmes financed by the EDF	OJ C 63, 11.3.2004
— Special Report No 5/2004 concerning Phare support to prepare candidate countries for managing the Structural Funds	OJ C 15, 20.1.2005
— Special Report No 10/2004 concerning the devolution of EC external aid management to the Commission delegations	OJ C 72, 22.3.2005
— Special Report No 2/2005 concerning EDF budget aid to ACP countries: the Commission's management of the public finance reform aspect	OJ C 249, 7.10.2005
— Special Report No 4/2005 concerning the Commission's management of economic cooperation in Asia	OJ C 260, 19.10.2005

Title	Publication
<i>Administrative expenditure</i>	
— Special Report No 5/2000 on the Court of Justice's expenditure on buildings (annex buildings Erasmus, Thomas More and Annex C)	OJ C 109, 14.4.2000
— Special Report No 13/2000 on the expenditure of the European Parliament's political groups	OJ C 181, 28.6.2000
— Special Report No 3/2003 on the invalidity pensions scheme of the European institutions	OJ C 109, 7.5.2003
— Special Report No 1/2005 concerning the management of the European Anti-Fraud Office (OLAF)	OJ C 202, 18.8.2005
— Special Report No 5/2005: Interpretation expenditure incurred by the Parliament, the Commission and the Council	Being published

Financial instruments and banking activities

- Special Report No 6/2000 concerning the granting by the Community of interest subsidies on loans by the European Investment Bank to small and medium-sized enterprises, through its temporary lending facility OJ C 152, 31.5.2000

Special Annual Reports*Financial statements of the ECSC*

- Report on the financial statements of the ECSC at 31 December 1999 OJ C 281, 4.10.2000
- Report on the financial statements of the ECSC at 31 December 2000 OJ C 185, 30.6.2001 and OJ C 363, 19.12.2001
- Report on the financial statements of the ECSC at 31 December 2001 OJ C 158, 3.7.2002
- Report on the financial statements of the ECSC at 23 July 2002 OJ C 127, 29.5.2003

ECSC annual report

- Annual Report on the ECSC for the financial year 1999 OJ C 347, 4.12.2000
- Annual Report on the ECSC for the financial year 2000 OJ C 366, 20.12.2001
- Annual Report and Statement of Assurance concerning the ECSC for the financial year 2001 OJ C 302, 5.12.2002
- Annual Report and Statement of Assurance concerning the ECSC for the financial year ended 23 July 2002 OJ C 224, 19.9.2003

Euratom Supply Agency

- Report on the financial statements of the Euratom Supply Agency for the financial year 1999 Not published in OJ
- Report on the financial statements of the Euratom Supply Agency for the financial year ended 31 December 2000 Not published in OJ
- Report on the financial statements of the Euratom Supply Agency for the financial year 2001 Not published in OJ
- Report on the financial statements of the Euratom Supply Agency for the financial year 2002 Not published in OJ
- Report on the annual accounts of the Euratom Supply Agency for the financial year 2003 Not published in OJ

Title	Publication
<i>Joint European Torus (JET)</i>	
— Report on the 1999 accounts of the JET joint undertaking	Not published in OJ
— Report on the 2000 accounts of the JET joint undertaking	Not published in OJ
— Report on the 2001 accounts of the JET joint undertaking	Not published in OJ
<i>European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation)</i>	
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2002	OJ C 319, 30.12.2003
— Report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the 2003 financial year	OJ C 324, 30.12.2004
<i>European Centre for the Development of Vocational Training (Cedefop, Thessaloniki)</i>	
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop, Thessaloniki) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Centre for the Development of Vocational Training for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Centre for the Development of Vocational Training for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Centre for the Development of Vocational Training for the 2003 financial year	OJ C 324, 30.12.2004
<i>European Schools</i>	
— Report on the financial statements of the European Schools for the financial year ended 31 December 1999	Not published in OJ
— Report on the financial statements of the European Schools for the financial year ended 31 December 2000	Not published in OJ
— Report on the financial statements of the European Schools for the financial year 2001	Not published in OJ
— Report on the financial statements of the European Schools for the financial year 2002	Not published in OJ
— Report on the annual accounts of the European Schools for the financial year 2003	Not published in OJ

Title	Publication
<i>European Monetary Institute and European Central Bank</i>	
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 1999	OJ C 47, 13.2.2001
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2000	OJ C 341, 4.12.2001
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2001	OJ C 259, 25.10.2002
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2002	OJ C 45, 20.2.2004
— Report on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2003	OJ C 286, 23.11.2004

Management of the 'Schengen contracts'

— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and functioning of the Help desk Server of the Management Unit and of the Sirene network Phase II (Schengen contracts) for the period 3 May to 31 December 1999	Not published in OJ
— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and functioning of the Help Desk Server of the Management Unit and of the Sirene Network Phase II (Schengen contracts) for the financial year ended 31 December 2000	Not published in OJ
— Special Annual Report on the financial statements relating to the management by the Secretary-General/High Representative of the Council of contracts concluded by him on behalf of certain Member States and concerning the installation and functioning of the Help Desk Server of the management unit and of the Sirene Network Phase II (Schengen contracts) for the financial year ended 31 December 2001	Not published in OJ
— Special Annual Report on the 2002 financial statements relating to the 'Schengen contracts'	Not published in OJ

Management of 'Sisnet contracts'

— Special Annual Report on the financial statements in respect of the management, by the Deputy Secretary-General of the Council, of contracts concluded in his name on behalf of certain Member States, relating to the installation and the functioning of the communication infrastructure for the Schengen environment, known as 'Sisnet', for the financial year ended 31 December 2000	Not published in OJ
— Special Annual Report on the financial statements in respect of the management, by the Deputy Secretary-General of the Council, of contracts concluded in his name on behalf of certain Member States, relating to the installation and the functioning of the communication infrastructure for the Schengen environment, known as 'Sisnet', for the financial year ended 31 December 2001	Not published in OJ
— Special Annual Report on the 2002 financial statements relating to 'Sisnet'	Not published in OJ
— Special Annual Report on the 2003 financial statements relating to 'Sisnet'	Not published in OJ
— Special Annual Report on the 2004 financial statements relating to 'Sisnet'	Not published in OJ

Community Plant Variety Office (CPVO, Angers)

— Report on the financial statements of the Community Plant Variety Office (CPVO-Angers) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
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Title	Publication
— Report on the financial statements of the Community Plant Variety Office (CPVO-Angers) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Community Plant Variety Office for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the Community Plant Variety Office for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the Community Plant Variety Office for the 2003 financial year	OJ C 324, 30.12.2004

Office for Harmonization in the Internal Market (OHIM-Alicante)

— Report on the financial statements of the Office for Harmonization in the Internal Market (OHIM-Alicante) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the Office for Harmonization in the Internal Market (OHIM-Alicante) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Office for Harmonization in the Internal Market for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the Office for Harmonization in the Internal Market for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the Office for Harmonization in the Internal Market for the 2003 financial year	OJ C 324, 30.12.2004

European Agency for Safety and Health at Work (EASH-Bilbao)

— Report on the financial statements of the European Agency for Safety and Health at Work (EASH-Bilbao) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Agency for Safety and Health at Work (EASH-Bilbao) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Agency for Safety and Health at Work for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Agency for Safety and Health at Work for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Agency for Safety and Health at Work for the 2003 financial year	OJ C 324, 30.12.2004

European Environment Agency (EEA, Copenhagen)

— Report on the financial statements of the European Environment Agency (EEA-Copenhagen) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Environment Agency (EEA-Copenhagen) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Environment Agency for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Environment Agency for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Environment Agency for the 2003 financial year	OJ C 324, 30.12.2004

European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon)

— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA-Lisbon) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2001	OJ C 326, 27.12.2002

Title	Publication
— Report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Monitoring Centre for Drugs and Drug Addiction for the 2003 financial year	OJ C 324, 30.12.2004

European Agency for the Evaluation of Medicinal Products (EAEMP-London)

— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP-London) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products (EAEMP-London) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products concerning the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Agency for the Evaluation of Medicinal Products concerning the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Agency for the Evaluation of Medicinal Products concerning the 2003 financial year	OJ C 324, 30.12.2004

Translation Centre for the bodies of the European Union (TCBEU-Luxembourg)

— Report on the financial statements of the Translation Centre for Bodies of the European Union (TCBEU-Luxembourg) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the Translation Centre for Bodies of the European Union (TCBEU-Luxembourg) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the Translation Centre for Bodies of the European Union for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the Translation Centre for Bodies of the European Union for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the Translation Centre for the bodies of the European Union for the 2003 financial year	OJ C 324, 30.12.2004

European Training Foundation (ETF-Turin)

— Report on the financial statements of the European Training Foundation (ETF-Turin) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Training Foundation (ETF-Turin) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001
— Report on the financial statements of the European Training Foundation for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Training Foundation for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Training Foundation for the 2003 financial year	OJ C 324, 30.12.2004

European Monitoring Centre on Racism and Xenophobia (Vienna)

— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) for the financial year ended 31 December 1999	OJ C 373, 27.12.2000
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia (Vienna) for the financial year ended 31 December 2000	OJ C 372, 28.12.2001

Title	Publication
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Monitoring Centre on Racism and Xenophobia for the 2003 financial year	OJ C 324, 30.12.2004

European Agency for Reconstruction (Thessaloniki)

— Report on the financial accounts of the European Agency for Reconstruction and the implementation of aid for Kosovo for the year 2000	OJ C 355, 13.12.2001
— Report on the financial statements of the European Agency for Reconstruction for the financial year 2001	OJ C 326, 27.12.2002
— Report on the financial statements of the European Agency for Reconstruction for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of the European Agency for Reconstruction for the financial year 2003	OJ C 41, 17.2.2005

European Maritime Safety Agency

— Report on the annual accounts of the European Maritime Safety Agency for the 2003 financial year	OJ C 324, 30.12.2004
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European Aviation Safety Agency

— Report on the annual accounts of the European Aviation Safety Agency for the 2003 financial year	OJ C 324, 30.12.2004
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European Food Safety Authority

— Report on the annual accounts of the European Food Safety Authority for the 2003 financial year	OJ C 324, 30.12.2004
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Eurojust

— Report on the financial statements of Eurojust for the financial year 2002	OJ C 319, 30.12.2003
— Report on the annual accounts of Eurojust for the 2003 financial year	OJ C 324, 30.12.2004

Convention

— Report on the accounts drawn up by the Secretary-General of the Convention on the future of the European Union for the financial year 2002 (started on 21 February and ended on 31 December 2002)	OJ C 122, 22.5.2003
— Report on the accounts drawn up by the Secretary-General of the Convention on the future of the European Union for the financial year ended 31 December 2003	OJ C 157, 14.6.2004

Galileo Joint Undertaking

— Report on the accounts of the Galileo Joint Undertaking for the financial year ended 31 December 2003	Not published in OJ
— Report on the accounts of the Galileo Joint Undertaking for the financial year ended 31 December 2004	Not published in OJ

Title	Publication
Opinions	
— Opinion No 1/2000 on a proposal for a Council Regulation amending the Financial Regulation of 21 December 1977 and separating the internal audit function from the <i>ex ante</i> financial control function	OJ C 327, 17.11.2000
— Opinion No 2/2000 on a proposal to amend the Financial Regulation of the Community Plant Variety Office (CPVO-Angers)	Not published in OJ
— Opinion No 1/2001 on a proposal for a Council Regulation amending Council Regulation (EC) No 1258/1999 on the financing of the common agricultural policy as well as various other regulations relating to the common agricultural policy	OJ C 55, 21.2.2001
— Opinion No 2/2001 on a proposal for a Council Regulation on the Financial Regulation applicable to the general budget of the European Communities	OJ C 162, 5.6.2001
— Opinion No 3/2001 on a proposal for a Council Regulation introducing special measures to terminate the service of officials of the Commission of the European Communities as part of the reform of the Commission	OJ C 162, 5.6.2001
— Opinion No 4/2001 on a proposal for a Council Regulation amending Regulation (Euratom, ECSC, EEC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the Protocol on the Privileges and Immunities of the Communities apply (purpose: taxation of those entitled to the allowance provided for in the event of termination of service)	OJ C 162, 5.6.2001
— Opinion No 5/2001 on a proposal to amend the Financial regulation of the Office for Harmonization in the Internal Market (OHIM-Alicante)	Not published in OJ
— Opinion No 6/2001 concerning a draft Commission Regulation (Euratom, ECSC, EC) amending Commission Regulation No 3418/93 of 9 December 1993 laying down detailed rules for the implementation of certain provisions of the Financial Regulation of 21 December 1977	Not published in OJ
— Opinion No 7/2001 on a proposal for a Council Regulation amending Regulation (EEC, Euratom, ECSC) No 259/68 laying down the Staff Regulations of officials and the conditions of employment of other servants of the European Communities	Not published in OJ
— Opinion No 8/2001 on a proposal for a Council Regulation laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes	OJ C 345, 6.12.2001
— Opinion No 9/2001 on a proposal for a Directive of the European Parliament and of the Council on the criminal-law protection of the Community's financial interests (ref. 2001/0115 (COD — COM(2001) 272 final)	OJ C 14, 17.1.2002
— Opinion No 1/2002 on a proposal to amend the financial regulation of the Office for Harmonization in the Internal Market (OHIM-Alicante)	Not published in OJ
— Opinion No 2/2002 on an amended proposal for a Council Regulation on the Financial Regulation applicable to the general budget of the European Communities	OJ C 92, 17.4.2002
— Opinion No 3/2002 concerning a proposal for the Financial Regulation applicable to the budget of Eurojust	Not published in OJ
— Opinion No 4/2002 on an amended proposal for a Council Regulation amending Regulation (Euratom, ECSC, EC) No 549/69 determining the categories of officials and other servants of the European Communities to whom the provisions of Article 12, the second paragraph of Article 13 and Article 14 of the Protocol on the Privileges and Immunities of the Communities apply	OJ C 225, 20.9.2002
— Opinion No 5/2002 on a proposal for a Council Regulation introducing special measures to terminate the service of officials of the Commission of the European Communities as part of the reform of the Commission	OJ C 236, 1.10.2002

Title	Publication
— Opinion No 6/2002 on a proposal for a Council Regulation introducing special measures to terminate the service of officials of the General Secretariat of the Council of the European Union	OJ C 236, 1.10.2002
— Opinion No 7/2002 on an amended proposal for a Council Regulation introducing special measures to terminate the service of European Parliament officials and temporary staff working in the Political Groups	OJ C 236, 1.10.2002
— Opinion No 8/2002 concerning a proposal for a revised Financial Regulation applicable to the budget of the European Agency for Reconstruction	Not published in OJ
— Opinion No 9/2002 concerning the financing of the common agricultural policy	OJ C 285, 21.11.2002
— Opinion No 10/2002 on a Commission proposal for amendment of the constituent acts of Community Bodies following the adoption of the new Financial Regulation	OJ C 285, 21.11.2002
— Opinion No 11/2002 on a proposal for a Commission regulation on the framework financial regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget	OJ C 12, 17.1.2003
— Opinion No 12/2002 on the proposal for a Council regulation on a Financial Regulation applicable to the ninth European Development Fund under the ACP/EU Partnership Agreement signed at Cotonou on 23 June 2000	OJ C 12, 17.1.2003
— Opinion No 13/2002 concerning a draft Commission regulation laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities	OJ C 12, 17.1.2003
— Opinion No 14/2002 on a proposal for a Council Regulation amending the Staff Regulations of officials and the Conditions of Employment of other servants of the European Communities	OJ C 21, 28.1.2003
— Opinion No 1/2003 on a proposal for a regulation for the Budget Committee of the Office for Harmonization in the Internal Market (Trade Marks and Designs) laying down the financial provisions applicable to the Office ('Financial Regulation')	Not published in OJ
— Opinion No 2/2003 on a proposal for a regulation of the Administrative Council of the Community Plant Variety Office laying down the financial provisions applicable to the Office ('Financial Regulation')	Not published in OJ
— Opinion No 3/2003 concerning the draft financial regulation of the European Food Safety Authority	Not published in OJ
— Opinion No 4/2003 concerning a draft financial regulation applicable to the Translation Centre for bodies of the European Union	Not published in OJ
— Opinion No 5/2003 on a proposal for a Council Regulation introducing, on the occasion of the accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, special temporary measures for recruitment of officials of the European Communities	OJ C 224, 19.9.2003
— Opinion No 6/2003 concerning the draft financial regulation of the European Agency for the Evaluation of Medicinal Products	Not published in OJ
— Opinion No 7/2003 on a proposal for a Council Regulation amending Regulation (EC, Euratom) No 1150/2000 implementing Decision 2000/597/EC, Euratom on the system of the Communities' own resources	OJ C 318, 30.12.2003
— Opinion No 8/2003 on a proposal for a Decision of the European Parliament and of the Council establishing a Community action programme to promote activities in the field of the protection of the Community's financial interests	OJ C 318, 30.12.2003

Title	Publication
— Opinion No 9/2003 on a draft Commission Regulation on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes	OJ C 19, 23.1.2004
— Opinion No 10/2003 on a proposal for a Council Regulation amending Regulation (EC, Euratom) No 2728/94 establishing a Guarantee Fund for external actions	OJ C 19, 23.1.2004
— Opinion No 1/2004 on an amended proposal for a Council Regulation amending the Staff Regulations of officials and the Conditions of Employment of other servants of the European Communities	OJ C 75, 24.3.2004
— Opinion No 2/2004 on the 'single audit' model (and a proposal for a Community internal control framework)	OJ C 107, 30.4.2004
— Opinion No 1/2005 on the proposal for a Council Regulation on the financing of the common agricultural policy	OJ C 121, 20.5.2005 and OJ C 167, 7.7.2005
— Opinion No 2/2005 on the proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund	OJ C 121, 20.5.2005
— Opinion No 3/2005 on the draft Regulation (EC) of the Commission amending Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities	OJ C 124, 23.5.2005
— Opinion No 4/2005 on a proposal for a Council Decision on the system of the European Communities' own resources and on a proposal for a Council Regulation on the implementing measures for the correction of budgetary imbalances in accordance with Articles 4 and 5 of the Council Decision of (...) on the system of the European Communities' own resources	OJ C 167, 7.7.2005
— Opinion No 5/2005 on the draft Amendment of the Financial Regulation of the Community Plant Variety Office adopted by the Administrative Council of the Office on 16 September 2004	Not published in OJ
— Opinion No 6/2005 on a proposal for a Regulation of the European Parliament and of the Council amending Regulations (EC) No 1073/1999 and (Euratom) No 1074/1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)	OJ C 202, 18.8.2005
— Opinion No 7/2005 on a draft Commission Regulation amending Regulation (EC) No 1653/2004 as regards the post of accounting officers of executive agencies	OJ C 249, 7.10.2005