EUROPEAN COURT OF AUDITORS

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Managing risks to good-quality spending is essential to making the best use of EU money, say EU Auditors

In its landscape review of risks to the financial management of the EU budget, published today, the European Court of Auditors (ECA) identifies key issues for good financial management of the EU's finances. All actors dealing with the EU budget, say the EU auditors, should focus on obtaining results and EU added value, while ensuring that EU money is properly accounted for and spent as intended.

"*The governments and taxpayers of the Member States want to see better value being achieved for the funds they contribute to the EU budget*" **stated Dr Igors Ludboržs, the ECA Member responsible for the Review**. "*They want to see that EU money is spent properly and is well managed, that it is used for the purposes approved by the European Parliament and Council, and that it results in the desired outcomes*."

EU auditors found that complex eligibility rules and other conditions can lead to poor targeting of EU funds and sub-optimal use of the EU budget. In some budget areas there are too many layers of rules, which may lead to differing interpretations and thus inconsistent application of rules and increased risk of error. Many of the errors found by the auditors relate to the poor application of procurement rules and procedures – either deliberately or because the rules are not well understood.

Because of the emphasis on spending the EU budget, say the auditors, those managing the activities and projects often focus on compliance with the conditions for getting and using the money, regardless of the results achieved. The EU budget should offer clear and visible benefits for the EU and its citizens, which could not be achieved by spending only at national, regional or local level. However, in some cases the EU budget may do no more than simply increase total funds available, without adding a particular EU aspect. EU funds are sometimes used for activities that would have been carried out by the Member States and other beneficiaries anyway ('deadweight') or the funds may be insufficient to achieve the intended outcomes.

The Commission coordinates the many actors involved in spending the budget and faces the challenge of ensuring that the right data is collected from intermediaries on a timely basis and that it is checked effectively. The auditors found that the Commission's monitoring and financial and performance management are often based on limited, incomplete or unreliable information. The Commission can apply corrections to the expenditure claimed from the EU budget by Member States by rejecting it or clawing it back. Such corrections are complicated to administer and provide little incentive to Member States to address weaknesses in their systems, since for some categories of spending, notably the cohesion policy, they may substitute rejected expenditure with eligible spending.

In addition to the €908 billion (payments) agreed for the multiannual financial framework (MFF) 2014–2020, Member States will in the future be required to contribute a further €326 billion for commitments made under previous MFFs. This may affect the Commission's ability to meet all requests for payments in the year in which the requests are made.

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Notes to editors:

Landscape reviews are a new type of publication from the European Court of Auditors (ECA). They consider broad themes based on the ECA's output, accumulated knowledge and experience. They are intended to serve as a basis for consultation and dialogue with the ECA's stakeholders, and enable the ECA to make observations on important matters which might not ordinarily be subject to audit. The first landscape review, published in September 2014, addressed issues of EU accountability and public audit arrangements.

This second landscape review entitled "**Making the best use of the EU money: landscape review of risks to the financial management of the EU budget**" provides an overview of EU financial flows, and gives a summary of issues to be addressed to ensure that, among other things, the EU taxpayer gets better value for money from the EU budget. The landscape review is presented in three parts:

(a) an executive summary which gives an overview of the main issues;
(b) a detailed report which sets the context and provides information on the EU budget, the actors involved in spending EU funds and other financial flows. It also indicates the opportunities and what needs to be done to address the issues highlighted;
(c) individual fact sheets showing each of the main MFF headings, sources of EU revenue and public procurement, which summarise the main characteristics and issues.

The financial crisis and the sovereign debt crisis have raised challenging questions about the role and development of the EU, and what it means to be part of the EU. The lengthy discussions before the approval of the 2014–2020 MFF and the Member States' reluctance to increase the budget for payments have shown that there is little appetite for EU funding that is perceived to promote the 'European project' over national requirements.

The annual EU budget is small in comparison with the total revenue and public expenditure of the Member States: it represents just over 1 % of their combined GNI, and is approximately 2 % of their total public expenditure. It is also a fraction of the support provided to deal with the financial and sovereign debt crises.

The Member State governments and the European Parliament expect a high degree of transparency from the EU budget. The ECA's negative opinion on EU spending for each of the last 20 years poses a problem for the EU. In particular, the negative opinion can inadvertently promote the perception that the errors reported indicate that the spending of the EU budget is seriously affected by fraud and corruption, adversely affecting public confidence in the EU institutions.

Both the Commission and the Member States are responsible for ensuring that EU funds are spent well and wisely, and they have already successfully undertaken many measures to ensure this in recent years. Nevertheless, the start of the new financial framework in 2014, the introduction of related implementing legislation and the new financial regulation, together with the Commission's commitment to ensuring that the budget is more performance-oriented, all provide opportunities for simplifying and improving the financial management of the EU budget.