

# Accountability and transparency: arrangements and practices



# JOURNAL



Accountability is  
the corner stone  
of a democratic  
society.



EUROPEAN  
COURT  
OF AUDITORS

No 1/2024



## ECA JOURNAL LONG READ

*Interview with Professor Mark Bovens, Utrecht University School of Governance*  
**'Basically, without accountability, no democratic control!'**

By Gaston Moonen and Tamara Pap, ECA



7

39



### INTERVIEW

*with Didier Reynders, EU Commissioner for Justice*

**'Accountability is essential in a system based on the rule of law'**

By Gaston Moonen

## Accountability and transparency – building blocks for trust in the EU

By Tony Murphy, ECA President



50

54



### INTERVIEW

*with Jan Gregor, ECA Member and Dean of Financing and Administering the Union Audit Chamber*

**Accountability requires a full audit trail for all EU expenditure**

By Gaston Moonen

## The EU's financial landscape report: challenges in auditing accountability from an auditor's perspective

By José Parente, Financing and Administering the Union Directorate, ECA



64

83



## The Belgian Court of Audit's 'whole-of-government' audits – encouraging the transparency of meta structures in a federal state

By Vital Put, Belgian Court of Audit

### INTERVIEW

*with Monika Hohlmeier, MEP and Chair of the Budgetary Control Committee*  
**'The CONT needs to cause "discomfort" to fulfil its role'**

By Sara Abbruzzetti, Gaston Moonen and Tamara Pap, Directorate of the Presidency, ECA



94

111

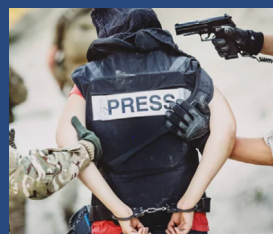


## The importance of transparent and accountable public administration for European democracy

By Emily O'Reilly, European Ombudsman

## How to ensure accountability for the decline in media freedom across the EU – the case for a values audit

By Ruth Kronenburg, Free Press Unlimited



116



**05 Editorial** Holding those in power to account

*By Gaston Moonen*

**07 ECA Journal LONG READ** 'Basically, without accountability, no democratic control!'

*Interview with Professor Mark Bovens*

*By Gaston Moonen and Tamara Pap, ECA*

**15 Debt, accounting and the origins of democratic accountability**

*By Professor Jacob Soll, University of Southern California*

**19 Accountability in the Public and Private Sectors Compared**

*By Professor Emeritus Richard Mulgan Crawford School of Public Policy*

**24 The role of the accountancy profession in enhancing transparency and accountability in the public sector**

*By Laura Leka, International Federation of Accountants*

**29 Accountability, transparency and the supreme audit institutions**

*By Peter Welch, Organisation for Economic Cooperation and Development (OECD)*

**33 INTOSAI and IDI helping SAs to contribute to a healthy accountability ecosystem**

*Interview with Einar Gørissen, Director-General of the INTOSAI Development Initiative,*

*By Sara Abbruzzetti and Gaston Moonen, ECA*

**39 'Accountability is essential in a system based on the rule of law'**

*Interview with Didier Reynders, EU Commissioner for Justice,*

*By Gaston Moonen*

**46 Accountability and transparency in the public sector – internal audit providing assurance and insight to the European Commission's top management**

*By Agnieszka Kaźmierczak, Internal Auditor and Director General of the Internal Audit Service, European Commission*

**50 Accountability and transparency – building blocks for trust in the EU**

*By Tony Murphy, ECA President*

**54 Accountability requires a full audit trail for all EU expenditure**

*Interview with Jan Gregor, ECA Member and Dean of Financing and Administering the Union Audit Chamber,*

*By Gaston Moonen*

**58 Accountability issues in European fiscal governance**

*By Nikolaos Milionis, ECA Member*

**64 The EU's financial landscape report: challenges in auditing accountability from an auditor's perspective**

*By José Parente, Financing and Administering the Union Directorate, ECA*

**71 Governance arrangements and accountability at the Commission: some reflections from our audits**

*By Daria Bochnar, cabinet of Keit Pentus-Rosimannus, ECA Member*

**75 Accountability and climate change – a report from external auditors at the United Nations Climate Change Conference (COP 28)**

*By Joanna Kokot and Austin Maloney, Sustainable Use of Natural Resources Directorate, ECA*

**79 Director's Cut** Working on the frontline of the annual accountability procedure

*Interview with ECA Director Alejandro Ballester Gallardo*

*By Gaston Moonen*



**83 The Belgian Court of Audit's 'whole-of-government' audits – encouraging the transparency of meta structures in a federal state**

*By Vital Put, Belgian Court of Audit*

**88 Auditing legal accountability: compliance with EU laws in the Netherlands in 2010-2020**

*By Maaike Luiten, Danielle van Osch and Peter van Roozendaal, Netherlands Court of Audit*

**94 'The CONT needs to cause "discomfort" to fulfil its role'**

*interview with Monika Hohlmeier, MEP and Chair of the Budgetary Control Committee*

*By Sara Abbruzzetti, Gaston Moonen and Tamara Pap, Directorate of the Presidency, ECA*

**99 Parliamentary scrutiny, transparency and the ECA**

*By Associate Professor Paul Stephenson, Maastricht University*

**105 Holding the executive politically to account – the Portuguese parliament as a public scrutiny arrangement**

*By Daniel Matos Caldeira, University of Lisbon, Professor Gustavo Fernandes, Fundação Getulio Vargas's Sao Paulo School of Business Administration, and Associate Professor Ana Lúcia Romão, University of Lisbon*

**111 The importance of transparent and accountable public administration for European democracy**

*By Emily O'Reilly, European Ombudsman*

**116 How to ensure accountability for the decline in media freedom across the EU – the case for a values audit**

*By Ruth Kronenburg, Free Press Unlimited*

**121 FORESIGHT AND AUDIT Ensuring accountability in times of uncertainty**

*By Oana Dumitrescu, Directorate of the Presidency, ECA*

**126 New ECA members The ECA must change with the European Union**

*Interview with Keit Pentus-Rosimannus, ECA Member since 1 January 2023*

*By Gaston Moonen*

**130 New ECA members'Independence is key, in appearance as well as in reality'**

*Interview with Katarína Kaszasová, ECA Member since 16 October 2023*

*By Gaston Moonen*

**134 Reaching out ECA brings policy makers and experts together in the conference on evaluating EU cohesion policy**

*By Celil Ishik, Attaché, private office of Annemie Turtelboom, ECA Member*

**139 Reaching out ECA addressing traineeships for young people, both in practice and theory**

*By Sara Abbruzzetti and Tamara Pap, Directorate of the Presidency, ECA*

**142 Focus ECA publications from November 2023 to March 2024**

**148 Next edition**



# EDITORIAL

## Holding those in power to account

The year 2024 will be the biggest election year in history. According to *The Economist*, over 4 billion people will be called to vote in 76 countries, including democracies such as the US and the EU. Many young people will have their first voting experience for the European Parliament in June, including my son, who has just turned 18. When he asked me what to look for and what to base his decision on, I replied, (influenced by working in audit for decades): 'To understand politics, don't only look at what politicians say they *want* to do, but also what they *did*. To understand the present, you need to understand the past.'

EU citizens are interested in, and often directly concerned by, the effective and efficient use of public funds. If the use of funds is not clear it will affect their trust in public government, which risks diminishing their appetite to vote at all. Elections are the moment for voters to hold those who are in power to account. This key feature of democratic governance requires proper information on the past performance of those who were or are still in power. The increasing risks posed by fake news, remaining in your bubble, the polarisation of public opinion, and data crunches through artificial intelligence, can blur our vision of reality. Now more than ever, reality checks are needed to obtain the high-quality information which holds those in power accountable. Four questions come into play: 1) who is accountable?, 2) who are they accountable to?, 3) what are they accountable for?, and 4) how are they accountable? In the public sector, governance arrangements are normally in place to answer these questions. The principles of accountability and transparency are key pillars for democratic legitimacy, even more so in a multi-level governance structure like the EU. But what is accountability, and what needs to be in place so that it works in practice? Also, what role do public audit and public scrutiny play in this?

Inspired by the 2024 election year, we made accountability and transparency the theme of this ECA Journal. Many of the contributors – whether in academic, executive or oversight positions – underlined how indispensable accountability is to make a democracy work in practice. As Professor Mark Bovens puts it: without accountability, there is no democratic control (page 7). Accountability is also imperative for a functioning private sector which addresses shareholders concerns accordingly, as Professor Richard Mulgan argues on page 19. And, as Laura Leka of IFAC explains, the assurance needs of the private and public sector have become mutually beneficial and interconnected (page 24).

What, then, is needed to make accountability work in practice? Professor Bovens has found that, in the EU, the approach to accountability is often to consider it as a mechanism with actors and roles, normally in a principal-agent relationship. Good governance arrangements are essential to make it work well, starting with management information to be provided by those responsible for an organisation or for implementing a policy instrument. This is not something new. Professor Jacob Soll has identified a causal relationship between the knowledge of successful governments and their use of accounting information, for example for debt management (page 15). Accounting and compliance information, and increasingly also performance data, are part of the spectrum of information to be provided by the executive. As EU Commissioner Didier Reynders argues, in a system based on the rule of law, accountability is an essential prerequisite, addressed by the European Commission through various reporting streams (page 39). Hence the Commission creates governance structures, including assurance statements as provided by the Commission's Internal Auditor, Agnieszka Kazmierczak (see page 46).

However, internal assurance is not enough to gain the trust of the larger public. For that, independent audit is required to verify management information. ECA President Tony Murphy explains that, over the years, independent audit work has moved from assurance that public sector entities followed regulatory frameworks to promoting and advancing a results-oriented approach (page 50). Einar Gorrissen of the INTOSAI Development Initiative highlights that building a healthy accountability ecosystem also includes promoting a government that is willing to learn. To do so requires the training and development of audit institutions in accountability environments which are context-dependent (page 33). Peter Welch of the OECD points out that, in their political environments, these institutions play a major role in ensuring that accountability relationships function well, and he hopes they can address some challenges of misinformation arising from new requirements, such as sustainability reporting (page 29).







The Recovery and Resilience Facility (RRF) was launched in 2021. As the largest EU action ever set up outside the EU budget, it clearly sets out a progression towards a results-oriented approach. As designed by the Commission, the innovative side of the RRF is that it works through payments which are made on the basis of results achieved instead of costs incurred. This raises questions for external auditors, including the ECA, as to whether such an approach sufficiently delivers accountability for EU funds. ECA Member Jan Gregor fears this is not the case if there is not a full audit trail for all EU expenditure, and hopes that this risk will be mitigated when designing new instruments (page 54). Potential and actual accountability gaps are also a concern of ECA Member Nikolaos Milionis, who notes that they are caused by incomplete or limited governance arrangements for reporting, insufficient public scrutiny, or the piecemeal set-up of EU initiatives (page 58).

Five years ago, in this ECA Journal, former MEP Jean Arthuis pointed to various risks related to what he called 'The EU budget galaxy'. The ECA assessed the EU's financial landscape and labelled it as a patchwork of different components requiring simplification and accountability. In this issue, José Parente describes how the ECA has focused on three accountability aspects – reporting, auditing and democratic scrutiny (page 64). Other ECA experts cover one or more of these aspects: Daria Bochnar highlights what governance arrangements entail in a complex environment (page 71), while Joanna Kokot and Austin Mahoney address the accountability challenges that external auditors face when auditing actions related to climate change (page 75). Oana Dumitrescu takes a leap forward by looking at emerging accountability gaps in EU governance arrangements (page 121). Vital Put of the Belgian Court of Audit finds that auditors are well placed to address aspects which may fall through the cracks between different ministries or levels of government. He highlights the 'helicopter' perspectives of supreme audit institutions (page 83). Such an approach is also part of the audit carried out by the Netherlands Court of Audit, which focused on legal accountability by assessing the member state's compliance with EU law (page 88).

Despite their names in English – 'courts' of audit – most of these oversight institutions do not have the power to impose their 'judgments', which is why they call them 'recommendations'. Accountability is not complete without a debate and a judgment on the actions done. Hence the need for the third dimension of accountability – after management information and independent audit – which is public scrutiny. It is not surprising that scrutiny should take place in public, especially so in democracies, so that voters can take note and review the positions taken. The European Parliament can give or withhold closure through its discharge process. According to Monika Hohlmeier, MEP and Chair of the Parliament's Budgetary Control Committee, this discharge prerogative has been the key stimulus for more accountability regarding EU expenditure, with a shift of attention from compliance to performance issues (page 94). ECA Director Alejandro Ballester Gallardo underlines, however, that the ECA's increased input on performance has not come at the cost of less assurance through its financial and compliance audits (page 79). The exercise of public scrutiny can vary substantially, with different legislatures assigning committee responsibilities in different ways, as described by Associate Professor Paul Stephenson (page 99). So it is evident that public scrutiny practices vary from one parliament to another, as can be seen when comparing the situation in the European Parliament with the work of public scrutiny in the Portuguese Parliament (page 105).

Besides management information and audit reports, parliaments receive information from multiple other sources. Outside the typical 'principal/agent' set-up, there is the role of the media. Provided, as Ruth Kronenburg of Free Press Unlimited points out, there is truly media independence – which in the EU, though it claims to be a 'beacon of press freedom', is not the case everywhere (page 116). Further accountability input comes from other institutional players such as Emily O'Reilly, the European Ombudsman. As well as working with individual complaints, she sees it as her task to continuously review EU whether institutions meet the highest standards for public administration, including when it comes to their own transparency and accountability (page 111).

The latter is one of the *raisons d'être* for this ECA Journal, providing insights on how audit relates to EU policies and their implementation. For many years, my colleague Nicolas Toulas has taken care of the layout of this Journal, and we owe him many thanks for his enduring ingenuity and keen photographer's eye. Following his retirement, Alexandra Damir-Binzaru has succeeded him. We have taken the opportunity to renew the Journal's layout and apply a new logo drawing on her inspiring design ideas. While the Journal may look different, it has the same ambition: to provide you with various perspectives on EU policy themes, and how audit ties into them.

As the saying goes, 'past performance is no guarantee for the future'. That said, it is a key indicator for the chances of success. This is why I said to my son, 'To look ahead you also need to look behind you, whether it relates to what you want to study or who you want to vote into office.' The truth is that facts matter, especially when holding those in power accountable and seeking guidance on future decisions.



ECA JOURNAL LONG READ

## ‘BASICALLY, WITHOUT ACCOUNTABILITY, NO DEMOCRATIC CONTROL!’

Interview with Professor Mark Bovens,  
Utrecht University School of Governance

By Gaston Moonen and Tamara Pap, ECA

Accountability is a wide-ranging topic that can have different meanings for different people. Anyone looking into accountability as a concept will inevitably come across the research and publications of Mark Bovens, Professor of Public Administration at the Utrecht University School of Governance. Professor Bovens’ publications on accountability, particularly in the public sector, are a benchmark not only for scholars, but also for the EU institutions. He has also advised the ECA on accountability challenges. Gaston Moonen, together with trainee Tamara Pap, interviewed the professor about accountability concepts, prerequisites, practices and gaps, discussing accountability developments in the EU and for oversight institutions including the ECA. Professor Bovens challenges the ECA to go beyond its comfort zone and plan ahead for the increasing role of the EU institutions in EU policymaking and implementation.

Source: WRR (The Netherlands Scientific Council for Government Policy)/Photographer: Arenda Oomen.

### Accountability – a ‘Sunday concept’?

Professor Bovens’ interest in accountability dates back several decades. Initially, it related to his PhD research, entitled *The Quest for responsibility*. This was about how we can hold individual civil servants responsible for the behaviour of large complex organisations. He explains that it took him some time, as a non-native speaker, to comprehend the semantic differences between ‘responsibility’ and ‘accountability’.

Accountability became prominent in his research after he received a grant from the Dutch Research Council to research potential EU democratic and accountability deficits. ‘The project was about describing and evaluating the extent of an accountability deficit in the EU, a very topical issue, salient already 20 years ago.’ He points out that he and his team had to invent a framework to tackle this very ‘elusive’ concept. ‘Accountability is a golden concept: everybody is in favour of accountability, and nobody is against it.’ He explains that it is a ‘container’ concept, covering multiple issues. ‘It is also a ‘Sunday’ concept: on Sunday you hear the sermon that we should have more accountability. Then, back at work on Monday, nobody knows what it means, and we just continue doing what we did.’



## ECA Journal Short Read

Accountability can mean many things. Overall, two schools of thought emerge: **accountability as a virtue** (mostly in the US) **or as a mechanism** (Europe). It is an elementary aspect of human activity – a way to **keep relations together**; a way to **control how power is exercised**; a way to **improve by learning** from mistakes; and a way to **bring closure**, as in the case of discharge. Through these four goals, it **contributes to legitimacy**, the key element of which is **trust, an outcome of accountability**. The second and third goals may be contradictory: holding people to account (blaming) often decreases incentives to be open about errors.

**Standards** are essential for accountability, in both schools of thought. Accountability can happen **involuntarily**, sometimes even enforced by the courts, or **voluntarily**, driven by reputation management. It can be **vertical** in nature, for example in **principle-actor relations**. Or it can be **horizontal**, for example through the media, which is very **prominent in open societies**. **Accountability is much more than transparency**, the latter being a condition for accountability, but lacking the aspect of public debate and judgement. Public accountability also relates to the **private sector** in terms of its effects on society and **adherence to publicly set rules**. There is a risk of **goal displacement** and **accountability overload**, burdening the actor. The way forward may be to increase trust, but in multi-level governance structures there can be a **risk of free riding**.

There has been much talk of **EU accountability deficits**. Looking more closely, however, EU accountability arrangements and practices are **often on a par with** those in many member states, if not better. **Accountability is a necessary condition for democratic control**. EU institutions can enhance their influence by **actively seeking out accountability roles**, as the European Ombudsman has proven. This requires clear choices, a clear vision of what you are pursuing, and coalition-building. In a changing EU with new tasks, the ECA can optimise its broad mandate to be an agenda-setter when it comes to future accountability issues.

He distinguishes two schools of thought regarding the concept. 'If you read US literature, accountability is often seen as a kind of virtue, it's about ethics. There is a positive connotation to it, that's why you find 'accountability' in many US acts, like the "Syria Accountability Act". If Americans talk about accountable behaviour, it means virtuous behaviour.' Accountability is a dependent variable or outcome. 'But on the European continent, accountability is much more seen as a mechanism. It is a social relation between an actor – an organisation or an individual official – and a forum – an

institution or an individual journalist. The actor is supposed to come forward with information about conduct and outcome, then the forum can ask questions and engage in debate. And eventually this may lead to a judgement, which can have consequences.' He makes an analogy with a school oral exam. 'There are questions, a debate, and then you get a mark. The same goes for the work the ECA does: in the end there is a judgement which can have consequences, because the European Parliament can decide to follow up.'



*If you read US literature, accountability is often seen as a kind of virtue (...) But on the European continent, accountability is much more seen as a mechanism.*

The European interpretation considers accountability an independent variable. 'Accountability is a mechanism that can bring forward various goals you find attractive in a democracy. Such as more democratic control, less abuse of public funds, better policies, more legitimacy.'



Professor Bovens identifies accountability as a very elementary human activity. 'If you go home tonight, your partner may ask what you have done today, how you spent your money, or why you didn't clean the dishes. Accountability is a form of social control. A way to keep relations together.' It is also a way to curb power, as a second goal. 'Political accountability is necessary for parliament to control the executive, just as legal accountability to the courts is necessary to curb the way power is exercised. But thirdly, it is also a way to control the quality of our society, to help improve society by learning from our mistakes. Obtaining public lessons so others in a similar position can learn and avoid making the same mistakes.' Finally, it may also bring social and political closure. 'Extreme examples are the truth commissions in South Africa, or the Nuremberg trials. Accountability processes can provide catharsis and end a profound crisis.' This can also mean financial closure. 'Discharge is an important accountability tool to provide financial closure, but also political closure.' He also refers to parliamentary inquiries. 'Find out who has done what, who should be punished or not, so we can move on as a society.'



*...accountability is very important as a source of legitimacy. (...) a key element of legitimacy is trust, also an outcome of accountability.*

In his view, all four of these goals contribute to legitimacy. 'Both in the public and private sphere, accountability is very important as a source of legitimacy. Public institutions have been given certain powers by law or through elections, and accountability is a way to legitimise the exercise of this power. And a key element of legitimacy is trust, also an outcome of accountability.'

For an accountability structure to work well, standards are essential. 'If an accountability forum assesses whether the actor – for example, the executive – has acted in a correct way, you need standards. With these standards you will have to evaluate the behaviour of the actor. This is where the two schools of thought – accountability as a virtue or as a mechanism – are connected.' Another element for him is the nature of accountability: voluntary or involuntary. 'Quite a few mechanisms are the latter, particularly the legal system. Police, the public prosecutor, the courts have strong powers. Similar in the political sphere, with parliamentary enquiries.'

He notes an interesting trend in the public sphere, where many actors are coming forward on a voluntary basis. 'In the past 10 to 15 years, agencies, a good example being European agencies, have voluntarily provided all sorts of information about their behaviour, engaging in ex-ante or ex-post forms of accountability. Sometimes organising their own accountability processes.' He considers that one possible reason for this could be pre-emptive action. 'I recently read the dissertation of Benjamin Tidå, who shows that many EU agencies engage in proactive forms of accountability, by and large driven by reputation management.' That is one driver. As another driver, he notes the will to communicate because of calls for transparency. 'Many agency directors have become socialised in the sense that accountability is one of the key elements of good governance in the public sphere. That it is part of being in the public realm, which is different from before.' This trend is relevant in his view because, while the focus was previously on accountability deficits, there is now also research on accountability as a management instrument. A related focus in accountability research is avoiding blame. 'A topic Christopher Hood wrote about, how to deflect blame.'

While many accountability structures are vertically organised, Professor Bovens considers horizontal accountability to be very important. 'This relates to the role of the media. Strikingly this mechanism is very informal. Nevertheless, it is very strong in democracies, in open societies, a very strong and important factor for accountability.' With various conditions, such as access to information. 'They have to rely on their investigative skills.'





## Accountability beyond scapegoating

This brings him to another aspect: accountability as an intrinsic condition for a functioning democracy. 'It is one of the main pillars of a democratic society, but also of a constitutional state.' He identifies three important purposes of accountability in this setting. 'First of all, democratic control. Without accountability it is almost impossible for voters and subsequently for parliament to control the exercise of power. Basically, without accountability, no democratic control! This can be ex-ante, for example in budget discussions, and of course afterwards.' As a second element, he relates accountability to the rule of law. 'Accountability is very important for a system of checks and balances – curbing misuse of power, financial abuse, corruption, administrative or political abuses.'



*...learning and democratic control can be at odds with each other.*

While the link to a democratic constitutional state may resonate with many, he thinks the third element is less obvious. 'I referred already to learning as an important goal of accountability. Yet learning and democratic control can be at odds with each other. Particularly for the ECA, this is an interesting issue. How to enhance learning and still keep your role as auditor, checking your auditee with possible consequences?' He identifies the central point for learning as preventing naming and shaming. 'In the literature, a distinction is made between a blame culture and a just

culture. For the first, it is crucial to find out who is responsible and who should remedy the problem. Perfectly fine for democratic control and certainly for financial management. Because we want to make sure the buck stops in time.' But for learning and improving, more is needed. 'In order to learn, people have to come forward and be willing to report that a mistake has been made. But you will not come forward if you are punished for it. So more politicised forms of accountability are difficult to combine with learning. Parliamentary enquiries often result in scapegoating.'

He explains that there are only a few areas that have established a just culture, with the focus on improving instead of blaming. 'A good example is aviation. There, already from before the Second World War, the rule is that if a mistake is made by a pilot, they should come forward and report it. And you're not punished. You will only be punished if you do not report a mistake. This has helped enormously to increase safety in aviation.' Similar practices can be found in the health sector. 'It would be interesting for the ECA to see how it can enhance a just culture in areas where we find this necessary. In areas like safety or security, a just culture can be much more important than a blame culture because only then we can learn and get better policies.'

He observes that in practice this may be at odds with reporting to Parliament. 'Because then defensive routines will be put in place. But it may be feasible if combined with voluntary forms of accountability. For example, by engaging directly with agencies in more informal ways at an early stage of novel policy instruments to find out ex ante how practices can be improved. Consider starting with a pilot project with one or two.' Risk assessments could be another avenue to explore. 'This could be an area where the ECA could operate more easily because there is not yet any reason for blame, but you can still proactively look into accountability issues.' He thinks it could be interesting for organisations to receive this type of advice from the ECA. 'Instead of fear because the ECA is coming, you create a win-win situation, with the institution obtaining praise for strategic thinking and action on prevention, and the ECA trying to nudge them towards enhanced standards, creating best practice.'

Public accountability is on the rise, in his view – including in the private sector. This does not only relate to environmental and social governance (ESG) arrangements. 'In the public sector, you have different forms if you compare it to the private sector. Voters, represented by parliament, versus shareholders. Yet increasingly the mechanisms are converging.' He refers to all sorts of inspectorates. 'Public tasks are outsourced to private enterprises, a trend we see for example in the Netherlands. There, the Ombudsman also declared himself the authority for all sorts of private industries that perform public tasks. Because otherwise there is an accountability gap.' For him, that relates to the mechanism. 'But you see indeed most convergence on the virtue part – ESGs, SDGs, the new CSRD



– the EU's corporate social responsibility directive. As the American scholar Bozeman once said, "all organisations are public." Because, in the end, every organisation's activities have a public effect. All organisations have to comply with a large range of public rules, and they are held accountable for it.' He calls this 'the next step in the publicness of private organisations. In the end, all organisations have to deal with the EU because the EU has great consequences for the way companies operate.'

The latter was one of the reasons why Professor Bovens chose to open his 2010 book, *The Real world of EU accountability*, with the phrase 'EU governance matters.' 'And it matters a lot! Because the EU



*[on accountability at EU level]... looking at it systematically, we found that the EU was actually doing quite well.*

exercises so many public powers, its accountability is important. Whether you like it or not, it's becoming like a federal state.' He recalls that, when he started the research for this book, both public opinion and academia were critical of the EU's accountability deficits. 'Perceived to be very deficient in terms of accountability and democracy. But looking at it systematically, we found that the EU was actually doing quite well. If you compare the accountability

architecture of the EU with what is there in member states, I would say that this architecture in some instances is even better than in many member states.'

He gives an example relating to the hearing of candidate Commissioners by the European Parliament. 'We were then struck – and I am still struck – by the very intensive accountability process that these candidates have to go through by means of the hearings in the European Parliament. They are so much more stringent – and effective, at least compared with the Netherlands. Here there is no such equivalent.' He recalls how the recent Dutch Commissioner Hoekstra was grilled for days by the European Parliament. 'The European Parliament is very powerful there in terms of ex-ante accountability.' He sees that people like to think that the EU is not accountable. 'Of course, it is difficult because of its combination of intergovernmental and supranational accountability mechanisms. But if you look at the latter ones, I find many of them on a par with what you find in other federal systems.'

Ex post, when Commissioners have to reply to questions regarding their policy and its implementation, he observes that Parliament is increasingly critical. He puts this into a historical perspective, observing that it took a century before the national democracies grew into the strong parliamentary democracies they are now.

In his work with Anchrit Wille of Leiden University, he found that, while formal powers can be helpful, clear leadership and a clear sense of purpose can sometimes be more important. He gives the example of the European Ombudsman. 'Not extremely powerful in legal terms but nevertheless with a lot of influence. Because Emily O'Reilly has a clear sense of where she wants to go and a clear view of the sort of topics she wants to put on the agenda. Therefore, even without very formal power, she has been able to enhance the level of accountability, for example with new standards on transparency and revolving doors. She clearly punches above her weight, with concentrated efforts and clear strategic priorities.'

He thinks it may be more difficult for the ECA to follow this path. 'With a college of 27 Members, it is far more difficult for the ECA President to operate strategically. I think it would be interesting for the ECA to decide on a strategic agenda for the next five to ten years, with a focus on topics even if they are not in its official remit. And come up with some standards and going public on them.' He recognises that there are some challenges in getting certain ECA concerns through at Council level. 'There it may be possible for the ECA to team up with national auditors and see what they come up with, with specific issues in the member



*...it would be interesting for the ECA to decide on a strategic agenda (...) with a focus on topics even if they are not in its official remit.*



states, have a concerted effort, including involving national media.' He thinks that finding a coalition of the willing could help to progress and pick promising issues to win selected battles. Selecting new topics along those lines, with substantial financial amounts involved, could also lead to success. 'Such as the financial management in the Recovery and Resilience Facility.'

## Accountability risks

While accountability can be beneficial, it also brings certain risks, like imposing unnecessary burdens on the auditee, or 'actor' in the words of Professor Bovens. 'This is what in the theory is called "goal displacement". A well-known phenomenon – if you choose to be rigid on facts and standards then the fact or instruments will become the goals. People want to have complied with the instruments, but the ultimate goals that are behind the policy have been forgotten.' The focus might turn to the use of the instrument instead of its output. 'Let alone outcome. Then the use of instruments is measured instead of reaching the ultimate policy objectives.' In his view, there is a substantial risk that



*...your past performance can give you credit, and you get some relief on your administrative burden. (...) with rewards in the form of trust.*

people will focus on ticking boxes instead of looking at why the policy is there in the first place. 'What often works best is a combination of quantitative and more qualitative forms of accountability. Where the forum can engage in a debate with the actor to get more qualitative information. Qualitative discussions can also contribute more to learning.'

He sees a risk that people in both the public sphere and his own university environment could easily be overburdened by administrative requirements. 'Here the interesting question arises whether you can operate on the basis of trust. In some cases you can do that, a method used by the Taxation Office in the Netherlands. If you for some years had no issues with your tax declaration, they will not check you as much

as before. You will build up credit points, so to speak.' He sees a possible analogy with compliance auditing. 'Instead of having to tick all the boxes, your past performance can give you credit, and you get some relief on your administrative burden. A more insightful way of learning, directed by new approaches to accountability, with rewards in the form of trust.'

However, he wonders whether this fits into the blame culture which is prevalent in parliamentary accountability. 'This relates also to the larger, perhaps even cultural issue of a large EU with many member states, with a risk of free riding. Then distrust often becomes the modus operandi.' He underlines that countries or systems able to operate on a basis of trust are often more efficient. 'Yet in multi-level governance systems it is difficult to operate on the basis of trust. With the possibility of games – and blames – between member states coming into the picture.' In addition, trust is easy to damage and difficult to repair. 'Accountability is the cornerstone of a democratic society. If public actors are not held accountable, if their behaviour is seen as inappropriate and not punished, then the general public will lose trust. Then the legitimacy of the publicly elected will diminish. Countries with little incidence of corruption show much higher political trust. The ECA and other oversight institutions, they're all, in the long run, crucial for political trust.'



*Yet in multi-level governance systems it is difficult to operate on the basis of trust.*

## Accountability – much more than transparency

While transparency and accountability are often connected, Professor Bovens makes a clear distinction between the two. 'Transparency is the extent to which actors come forward with



information in the public domain. But that is only a first step. It is not accountability yet.' He explains that having a good website, and publishing what you do and achieve, is important. 'But as long as there is no one who questions you, debates with you and judges you on what you have done, then there is no accountability. Accountability is much more than transparency.'

With the various crises that have emerged in the EU over the last few years, Professor Bovens considers that, while accountability can lag behind, it follows. 'Crises are actually helpful to enhance the debate about accountability.' He identifies two developments. 'When after or during a crisis people need to be held accountable, we often see there is no mechanism. Therefore, a crisis can help to institute such mechanisms. Secondly, a crisis has often meant an expansion of the powers of the EU.' He notes that an extension of powers comes first. 'And then, after a while, the European Parliament, or the ECA or European Ombudsman, manage to address accountability needs. So first comes an extension of powers and a few years after also an extension of accountability.'



*Crises are actually helpful to enhance the debate about accountability.*

In his view, an organisation like the ECA should not be too modest about stretching its mandate. For example, Professor Bovens sees various reasons for the ECA to audit EU compliance with the rule of law. 'Even if this would mean stretching it a bit, like the European Ombudsman has successfully done.' He reflects on who else would review adherence to rule-of-law conditions. 'European courts cannot write this type of report because they can only act in specific cases. I very much welcome the ECA doing this kind of assessment because it is also very important from a constitutional point of view, not only financial compliance, but also legal compliance. In that sense, the ECA can enhance the quality of the constitutional state – although we often do not refer to it in such terms.' He thinks that if the ECA did this kind of work alongside the European Commission, it would help to depoliticise the issue. 'The ECA can rightly argue it is addressing legal compliance.'

He observes that the EU is engaging in new activities, such as Frontex, external action, defence and security. 'These will be major topics for the coming years.' Since many are also intergovernmental in nature, he foresees national audit institutions acting on these topics too. 'This may lead to what in the literature is called "the problem of many hands" – who is responsible for the general outcome – and the ECA is in a position to provide for more collective forms of accountability.'

## All bark, no bite?

For the future, he sees a role for the ECA putting accountability issues on the agenda, for example regarding innovation of standards (where feasible validated by external experts), or identifying new topics and areas where accountability questions can be expected. 'The ECA can put them on the agenda in a non-political way. If I look at that agenda, I see new topics, new actors, and new fields. First, from a compliance point of view, I think it is very interesting to look at the use of AI – artificial intelligence – in all sorts of practices.' He sees work for the Ombudsman but also for the ECA. 'The increasing use of AI in policing, border control, and service delivery raises questions on accountability: who is accountable for the decisions of what we call system-level bureaucracies – bureaucracies that operate based on machine-learning algorithms?'

The second issue he identifies is accounting for the activities of transnational organisations. 'My colleague Thomas Schillemans has identified hundreds of transnational organisations that operate within the EU or partly within it – cross-border cooperation, European corridors, new regions, Interreg. Many actors are involved, but accountability regimes are not always clear.'

As a third element, he sees the EU operating through all kinds of international treaties. 'In the External Action area, security, Frontex, immigration. And perhaps also health issues, propelled by the pandemic. So a new topic, various actors, new fields, but often not yet with adequate accountability arrangements.'





Having researched and published on the EU's capacity as an accountability watchdog in 2021, he thinks that the ECA has the powers to fulfil its watchdog role properly. 'Of course, the official powers of watchdogs are essential. Secondly, the organisational power. The ECA has a lot of expertise. It engages in professional training, enhances its expertise, and has developed a strategy to address its mission to lead as a watchdog.' Thirdly, he refers to the actual use of these powers. 'The dog should not only bark, but does it actually bite?' He thinks the ECA does quite well on various issues. 'In his dissertation, Benjamin Tidå also looked at the powers of the ECA and he found a good balance between the traditional tasks of financial and compliance audit and special reports.'



*...it would be helpful for the ECA to be more visible in the EP and with European media (...) also as a mover and shaker in the agenda of how governance and accountability is going.*

He reiterates the idea that the ECA can use more of its 'soft' power to set the agenda regarding accountability discussions, including through more informal standard-setting. 'What I find particularly interesting is the ECA-EP relationship. I think it would be helpful for the ECA to be more visible in the EP and with European media by being more present in Brussels. Not only as external auditor but also as a mover and shaker in the agenda of how governance and accountability is going.' He thinks that Emily O'Reilly has set an example there. 'So be available for

interviews, etc. So not behind the curtains but in front of the curtains. Giving account of the ECA role, going beyond seeking publicity for ECA work and its reports. Including new standards the ECA envisages as a professional institution.' He highlights the ECA's role in rule-of-law accountability issues, as well as contributions on upcoming issues such as AI, including input into standards. 'In this sense, the ECA can be a trailblazer for national audit institutions regarding new approaches.'

While an oversight institution as the ECA may be seen as the ultimate fact checker, Professor Bovens has observed developments where facts appear less relevant, for example in an increasingly polarised discussion landscape. 'With the rise of populist parties, we see that facts do not always matter. And neither do fact checkers then. Some studies show that large numbers of citizens turned towards populist nationalist parties because they feel that the traditional parties did not deliver on curbing or regulating migration. This is an accountability issue, they hold them to account, changing their vote to parties that promise to deliver.' He believes that with an increasing EU role in regulating migration, this will be very relevant, including from an accountability perspective.

Overall, Professor Bovens is optimistic about the EU addressing its accountability aspirations. 'With new powers installed in the EU, accountability is often lagging a few steps behind, but on the supranational part, the EU is doing quite well.' Due to their intergovernmental nature, he also sees defence, security and external affairs as accountability challenges. 'Yet very important because these policy areas are key and accountability discussions started on such issues. Think about the Magna Carta, that's where accountability started. How can we curb the power of the King?'

Given its audit prerogative under Article 287 of the Treaty, he thinks the ECA has a broad mandate. 'I am not a legal scholar, but as a political scientist I would say: don't be too legalistic and use your remit to the fullest extent. Exercise it in the way it was meant to be. Like the Ombudsman has done.' He argues for a flexible, non-restrictive interpretation of Article 287. 'Because the EU is a living organisation and changes in shape and powers. And so should the ECA.'



*...don't be too legalistic and use your remit to the fullest extent.*



Ambrogio Lorenzetti's painting, Allegory of Good and Bad Government, in which he depicted the virtues of good financial management. Source: Palazzo Pubblico, Siena.

# DEBT, ACCOUNTING AND THE ORIGINS OF DEMOCRATIC ACCOUNTABILITY

By Professor Jacob Soll, University of Southern California

To have accountability some form of accounting is indispensable. Actually, the concept of account-giving has ancient roots in record-keeping activities related to governance and money-lending systems. Historical research has shown that the presence or absence of financial accounting can shape or break nations. Jacob Soll is professor of history and accounting at the University of Southern California, and has extensively researched the historical dimensions of accounting practices, as reflected in his book *The Reckoning – Financial accountability and the making and breaking of nations*. Below he looks at how well nations account for debt and its relevance for shaping democracies, building also on his 2024 book *Public Net Worth – accounting, Government and Democracy*, co-authored with Ian Ball, Willem Buiter, John Crompton, and Dag Detter.

## Accounting is primordial for informed decisions about public debt management

Today, we are told that we are living a debt crisis. From China and the US, to Japan and the UK, and the developing world, public debt hangs over economies and eats up tax revenues. Economists argue about whether it is sustainable or not. Some argue that violent austerity plans can have catastrophic economic effects, while others insist that too much spending can cause crippling debt. What we don't hear about is the one thing that is unarguably important: about how to effectively manage debt, given that so many states are saddled with it. This lacuna might be because good debt management is all about accounting, and accounting, sadly, is not considered a politically attractive topic. And yet, in the past, states have used double-entry, accrual-based accounting to successfully manage debt crises.

As we grapple with massive debt on a global scale, accounting rarely comes into the picture. This means the public and even political leaders often do not have a clear grasp of national liabilities, or, indeed, national assets. For effective debt management to happen, countries need national balance sheets, that show the ancient equation of assets minus liabilities equal net worth. With a national balance sheet in hand, decision-makers and the public alike, can, theoretically, make more informed decisions about how to manage debt and national assets.



Just a few years ago, Modern Monetary Theorists were claiming that sovereign states could take as much debt as they wanted and simply print more money. It was always a pipe dream. The Liz Truss<sup>1</sup> debacle in Britain showed that rich countries that do not manage debt can lose control of their own markets, and, in turn, their economic policy and even political stability. In short, debt is liability, and, even for mega states like China and the US, it takes management and assets to offset it to avoid financial crises.

History can be a guide to just how effective the use of accounting and balance sheets can be in steering a country through turbulent economic times of war, debt, and social upheaval. Some of the biggest events in world history hinged on the effective management of debt through accounting. The story of how nations succeed is often tied up in just how well they account for debt.

## If statesmen only used financial accounting...

There are various historical examples on how accounting in general and debt management in particular can make a difference. For example, Britain's rise in the eighteenth century has been attributed to many things, but foremost among them was some of the best public debt management and accounting of the time.

By the end of the War of Spanish Succession in 1714, the French and British had been at war for more than two decades. As a result, Britain had an unprecedented total debt of around £50 million, while France's national debt and various liabilities stood at a staggering 2.3 billion French livres (1 British pound equaled around 13 French livres), three times what it had been in 1675, representing around 70 percent of national output. The debt took 60 % of the British national income to service<sup>2</sup>.

For the first time, national debt became a subject of concern for political figures, the public, and economic thinkers. Leading economists in both countries looked to design instruments by which private companies would pay the public debt in return for monopolies. But this approach failed<sup>3</sup>. Over the course of the eighteenth century, a consensus emerged that successful states would have to manage their debt via the use of double-entry accrual accounting, and that national balance sheets could be a potent tool for good government. Yet only Britain was able to implement the accounting reforms necessary to manage national debt.

The French financier Pâris brothers recommended extraordinary reforms through the creation of a state balance sheet to manage debt. However, they were undermined by reactionary aristocratic political forces scared of both transparency and possible increased taxation. Their reforms were never realized. Inspired by the Pâris brothers' reforms, French administrators and theorists came up with the clearest concepts of accounting for public finance. François Véron de Forbonnais examined state accounts from 1595 to 1721, with hope of seeing if they had made any serious errors which had wider consequences<sup>4</sup>. Forbonnais claimed that accounting was the only tool that could reveal how state administration worked, and the only way, he claimed, to make budgets to create 'financial resources for the following years'<sup>5</sup>. He insisted that skillful financial administration and state accounting were the only ways to protect national industry and commerce and that studying them should be 'the principal occupation of true statesmen'<sup>6</sup>. Yet, like the Pâris brothers, Forbonnais'

---

<sup>1</sup> UK's Prime Minister from September to October 2022.

<sup>2</sup> Brewer, John, *The Sinews of Power: War, Money and the English State 1688-1783*, New York: Alfred A. Knopf, 1989, pp. 116-7.

<sup>3</sup> For example, in the early 1700s France and England turned to private companies to create schemes to pay their national debt. The South Sea Company scheme in England, and the Mississippi Company in France were both private companies that received colonial monopolies in return for servicing national debt. However, both turned out to be Ponzi schemes that ended in the financial bubble collapse of 1720. See Jacob Soll, *Free Market: The History of an Idea* (Hachette, 2022), pp. 155-160.

<sup>4</sup> Véron de Forbonnais, François, *Recherches et considerations sur les Finances de France depuis l'année 1595 jusqu'à l'année 1721*, 6 vols, Basle: Frères Cramer, 1758, vol. 1, pp. 3-4.

<sup>5</sup> Ibid., vol. 2, p. 451.

<sup>6</sup> Ibid., vol. 1, p. 2.





recommendations were never followed. Therefore, after 1720, the French government struggled, unreformed, without a modern taxation system, near bankruptcy with growth stagnating before the Revolution of 1789. Poor state financial management was an important reason France was comparably less competitive than Britain in the latter half of the eighteenth century as countries competed over commerce, empire, and technology<sup>7</sup>.

### ...as Britain's first prime minister did

In Britain, public financial debt management was another story. Britain's first prime minister, Robert Walpole (1676-1745) was fluent in double-entry accounting and pushed for successful reforms via balance sheet governance. Britain bounced back from its crash with something that no other country at the time had: a vibrant and also innovative accounting culture which permeated politics and debt management. This allowed Walpole, in particular, to design a government bailout of the Company and of British credit markets. Walpole's bailout is a vivid story of the promise and failures of accounting for public debt.

Walpole became First Lord of the Treasury in October 1715. The national debt was now his personal purview and he presented a plan to reduce the 6 % interest payments. In 1717, Walpole passed a plan through Parliament to lower debt interest to 5 %<sup>8</sup>. The savings from this would be then placed into a sinking fund, to pay off the principal of the debt and thus preventing the spiraling of future interest payments. This meant that the government both paid interest on the debt, but also dedicated a fund to pay off the capital on the debt, to lower the interest and pay off the debt<sup>9</sup>. This brought confidence to the markets and led to a general feeling that the debt was under control. By the time he left office in 1742, Walpole lowered the debt by £13 million<sup>10</sup>.

### Public accounts calm worried spirits

While Walpole was famous for his corruption and making secret state slush funds, but he also pioneered the tradition of accounting-based public financial management became the roadmap for future successful government reform. Even as good state accounting and balance sheets stagnated after Walpole's ministry, the American War of Independence (1775-83) again sent a financial and social shockwaves through Britain, and resulted in the Gordon Riots of 1780, which destroyed a fifth of the buildings in London, and led to radical calls for revolution. By 1784, Britain's debt exploded from £40 million under Walpole to a massive £250 million, amounting to 70 % of its tax revenue<sup>11</sup>. In response, reformist Whigs led by William Pitt looked to religious dissenter, philosopher, and public accounting activist Richard Price for a solution.

Price's *Two Tracts on Civil Liberty, the War with America, and The Debts and Finances of the Kingdom with A General Introduction and Supplement* (1778) called for a government for 'the benefit of the people governed', against the 'rapaciousness' of an oligarchy bent on holding onto power and wealth. Debt

---

<sup>7</sup> Ibid., p. 130. For an alternative view on French industrial growth, see Horn Jeff, *The Path Not Taken: French Industrialization in the Age of Revolution*, Cambridge, Massachusetts, The MIT Press, 2008.

<sup>8</sup> Black, Jeremy, *Robert Walpole and the Nature of Politics in Early Eighteenth Century England*, New York, St. Martin's Press, 1990, p. 27.

<sup>9</sup> Good accounting allowed Walpole to lower redeemable debt interest payments in 1727 from 5 % to 4 % and with this 1 % in savings, he saved almost £377, 381 (this was nearly the size of the entire military budget), he started putting the savings and other surpluses of sometimes more than £1 million per annum into the sinking fund which went to service the debt and lower the debt principal. See Brisco, Norris Arthur, *The Economic Policy of Robert Walpole*, New York (Columbia University Press), 1907, pp. 61-65.

<sup>10</sup> [Black, p. 27.](#)

<sup>11</sup> Cone, Carl B., *Richard Price and Pitt's Sinking Fund Of 1786*, in: *The Economic History Review New Series*, Vol. 4, No. 2, 1951, pp. 243-251.



management and fair public finance could be done, he claimed, through transparent state balance sheets. His treatise contained calculations and accounts, showing how a new sinking fund would vanquish national debt. Once considered a radical, Price was now praised in Parliament as 'that able calculator'<sup>12</sup>.

Inspired by Price, Pitt gave real powers to the Commission of Accounts to create state balance sheets for effective public accounting<sup>13</sup>. The Commissioners first met on 15 July 1785 at Downing Street, to examine all the accounts, and try to bring them together into a single balance sheet<sup>14</sup>. They would all make audits before an official and transparent 'statement' was presented to the Lords of the Treasury<sup>15</sup>. In 1806, Pitt's former secretary, George Rose, wrote, 'There has been no period in the history of this country in which so much anxiety has been shown to inform the public fully and clearly of the state of its finances as in the past twelve or fourteen years'<sup>16</sup>. Rose believed that keeping double-entry books for state receipts and expenditure, and a public rendering of these accounts would calm worried spirits<sup>17</sup>. In any case, accounting reforms provided stability and allowed Britain to finance debt during the Napoleonic wars. At the beginning of the nineteenth century, Britain's ultimate victory helped it to become the premier economic power of the world.

## Better accounting is needed to meet the challenge of overstretched public finances

Today, countries face the same challenges that France and Britain did in the eighteenth century. They have the advantage of having advanced accounting and auditing administration within the state. Indeed, Britain today has a national balance sheet, presenting a set of balance sheets for all sectors of the economy and for the economy as a whole—a consolidated national balance sheet account, providing insight also in a country's international investment position. However, the government does not use it in policy making. Only New Zealand really does. Why do governments not want to show the level of transparency that they demand of the private sector? What is clear is that if modern states hope to manage massive government debt in an era of sagging GDP and demographic collapse, their leaders will have to draw on better accounting to manage both debt and state assets.

<sup>12</sup> Cone, p. 243.

<sup>13</sup> Binney, p. 254.

<sup>14</sup> Ibid., p. 207.

<sup>15</sup> Ibid., p. 208: 'The Examiners first pore over and observe upon the account. The Inspector next investigates it. Then both, if necessary, go through it, and the Inspector makes his remarks upon it and lays it before the superintending Commissioner. He skims over the hostile notes, and the Inspector attends afterwards to perfect him in the less of objections. When the Inspector and instruction have done their utmost to make the Commissioner understand these points, he presents the accounts, objections, and his own explanation to the Board of Commissioners for general consideration. They may or may not be unanimous, but most probably are not, if the points under consideration be of importance. This brings on a statement to be referred for the opinion of the Lords of the Treasury.'

<sup>16</sup> Ibid., p. 254.

<sup>17</sup> Ibid.



# ACCOUNTABILITY IN THE PUBLIC AND PRIVATE SECTORS COMPARED

By Professor Emeritus Richard Mulgan Crawford School of Public Policy,  
Australian National University

People in the public sector are often keen to point out some key differences with working in the private sector. And the other way around is quite common too, particularly in market-driven economies. But how do they compare when it comes to accountability arrangements? Professor Emeritus Richard Mulgan, retired from his work at the Australian National University, has published extensively on public accountability aspects, for example in his book *Holding Power to Account. Accountability in Modern Democracies*. Below he focuses on congruences and differences in accountability in the public and private sectors, taking also into account wider societal concerns in relation to wishes for private sector accountability, while keeping an eye on the distinct legal foundations. He concludes that the defining purpose leads to several differences but large organisations, whether in the public or private realm, cannot escape from various accountability requirements in order to operate in societies that place a high value on transparency and performance.

## Holding power to account, whether it is public or non-government

Accountability, understood in its simplest form as the process of holding the powerful to account, is typically discussed in the context of one of two types of institutional power, public and non-government. Public power includes government and other public sector organisations that are established within a distinct constitutional framework with its own set of accountability laws and specialist accountability institutions, including legislatures and legislative committees, tribunals, government auditors, ombudsmen and so on. Non-government institutions, on the other hand, include commercial corporations and businesses as well as non-profit organisations and charities, which are governed by their own sector-specific legislation and accountability regimes. Academic analysis of accountability has naturally tended to assume the distinctive legislative framework of one particular sector, producing its own specialised literature, which is most highly developed in the case of government accountability<sup>1</sup>.

<sup>1</sup> Bovens, M., Goodin, R. E. and Schillemans, T (eds), *The Oxford Handbook of Public Accountability*, Oxford 2024 (Oxford University Press).





In spite of this understandable divergence in the respective literatures, accountability in both the government and non-government sectors retains its basic rationale of holding power to account and it is therefore worthwhile to compare the accountability regimes of each sector in order to identify the main similarities and differences between the two<sup>2</sup>. This objective is particularly relevant at a time when management practices in the different sectors have been converging to some extent, leading to similar pressures on accountability.

## Assessing accountability - four dimensions

Accountability can be assessed in terms of four dimensions - *who* is accountable, *to whom* are they accountable, *for what* are they accountable and *how* are they accountable<sup>3</sup>. In relation to *who*, meaningful comparison requires a focus on institutions of roughly similar size and structure. In the public sector, the typical government institution can be assumed to be a major government department under the political direction of a government minister as distinct from other publicly established organisations more or less independent of ministerial control, such as statutory authorities and state-owned corporations. The non-government sector includes an even wider range of organisations of varying size, function and complexity. For comparative purposes, the type of institution most analogous to the government department is the large-scale commercial enterprise with tradeable shares owned by shareholders. Such organisations, sometimes referred to as 'public' corporations, are subject to a considerable degree of regulation through company law and other laws and also through the requirements of stock exchanges.

In relation to *whom*, the government department, as an organisation established in the public interest is accountable to the public who ultimately own it and whose interests it serves. In the private sector, to whom is more complex. Companies are clearly accountable to their owners, that is the shareholders, as a collective group. Some analyses widen the accountability of companies to include accountability to 'stakeholders', that is people who are affected by the company's actions without being owners, for example the company's employees and its customers. Certainly, well-managed companies need to attend to the interests of these important groups but whether they can be said to be actually 'accountable' to them is mainly a matter of definition. Strictly speaking, 'accountability' entails a formal *obligation* to answer to the party in question, whereas so-called 'stakeholder accountability' is more a matter of prudent managerial choice rather than formal obligation and confers no rights on the account-holder. More broadly still, whether companies can be said to be accountable to the public as a whole in terms of their impact on the community remains contestable (see below).

Apart from these instances of accountability to *collective* groups such as the public or shareholders, both public and private organisations are also accountable to *individual* members of the public to whom they deliver services, whether as the result of a public entitlement or a commercial transaction.

In terms of *what*, the general goals or objectives of government departments are typically expressed as the pursuit of some general aspect of the public interest, such as national security, economic prosperity or community health (*general* accountability). Such objectives are inherently contestable, often requiring debate and discussion which many of the accountability mechanisms are designed to provide. By contrast, the general goals of private commercial companies are more typically clear-cut and measurable, normally being confined to returning a profit for shareholders in the form of dividends and rising share prices.

---

<sup>2</sup> Mulgan, R., *Comparing accountability in the public and private sectors*, in: Australian Journal of Public Administration 59(1), 87-97, 2000.

<sup>3</sup> Mulgan, R., *Holding Power to Account. Accountability in Modern Democracies*, Basingstoke 2003 (Palgrave Macmillan), p. 22-30..



## Incorporating public goals in private companies' activities

Some attempts have been made to incorporate elements of wider social responsibility in the goals of private companies, for instance by measures such as 'the triple bottom line', incorporating social and environmental as well as economic objectives, which would bring them closer to the objectives of the public sector. However, though such claims can be politically effective in drawing attention to the adverse effects of corporate behaviour<sup>4</sup>, they have not yet succeeded in altering the overwhelming commercial objective assumed in company law and practice.

Private companies are certainly subject to public regulation on matters such as employment and environmental impact and to that extent can be said to be accountable to the public and its regulatory bodies for meeting their legal obligations. But that is usually the limit of their accountability for the public interest. They are not formally obliged to consider a wider duty to the community beyond obeying any regulations that the community sees fit to impose. In this respect there is an asymmetry between the accountability of government and non-government organisations. Government organisations, being owned by the citizens, are therefore accountable to the public as owners for their impact on the public. Commercial companies, on the other hand, being owned by shareholders rather than citizens, are not obliged to answer to the wider public as if the public were their ultimate owners. In addition to *general* accountability for collective objectives, both public and private organisations are also accountable for the provision of particular services to individual members of the public (*particular* accountability).

## How accountability operates as a diverging factor?

The *how* of accountability, which refers to the institutional mechanisms by which accountability operates, provides the main field of comparison between the sectors. Beginning with accountability for general performance, public organisations face a wide range of accountability mechanisms requiring them to answer for their pursuit of the public interest, the most potent being political accountability through the legislature, by way of the responsibility of ministers to legislatures (in parliamentary democracies), and inquiry by legislative committees. The legislative process also feeds into a wider political context of interest group pressure, political party competition and media inquiry that generate widespread public discussion and therefore accountability. In addition, public organisations undergo regular government audit for financial compliance and aspects of performance, as well as investigations by ombudsmen and other inspectors as well as freedom of information requests for relevant information.

The most analogous private sector mechanisms concern the accountability of companies to their owners, the shareholders. Companies are obliged to report regularly to shareholders, particularly through financial accounts and other information presented to regular shareholder meetings. Overall, however, shareholders have less access to information than citizens in the public sphere. They have only limited rights to request information. Companies are typically entitled to treat their in-house information as commercially confidential to a much greater extent than public organisations. Company auditors usually report confidentially to their clients and provide no equivalent to the often critical performance audits regularly published by government auditors. Boards of company directors are not exposed to the same level of relentless public criticism that faces government ministers. Indeed, there is no business equivalent of a political 'opposition' whose function is to publicly oppose the company leadership with a view to replacing it at an election. On rare occasions, companies may become engulfed in public controversy or scandal and their leaders may find themselves in the media spotlight. But on the whole, the level of public inquiry is much less than that directed towards elected politicians.

---

<sup>4</sup> Moore, M.H., *Accountability, legitimacy and the court of public opinion*, in: Bovens, M., Goodin, R. E. and Schillemans, T (eds), *The Oxford Handbook of Public Accountability*, Oxford 2014 (Oxford University Press), p. 632-46.



At the same time, company directors and executives are not altogether sheltered from public scrutiny. Companies whose shares are traded on stock exchanges are exposed to a daily assessment of their performance through a published share price. Indeed, in this respect they can justifiably claim that they are more, not less, accountable than their government counterparts whose performance is usually a matter of political contestation and not subject to objective measurement.

This relative absence of measurable performance indicators has been a familiar criticism levelled at government organisations. It was the inspiration behind the performance management movement of the 1980s and 1990s which sought to emulate the accountability of the private sector through the development of measurable performance indicators for government, but with mixed success. Though some government objectives may be precisely defined and measured, many remain vaguely expressed and subject to contested interpretation<sup>5</sup>. Accountability of public organisations therefore still focuses more on the processes by which decisions are made rather than on the results of such decisions, whereas, in the private sector, the internal workings of companies are left undisclosed on the understanding that the eventual financial results will be readily available.

With respect to their wider obligations to society, public companies are held accountable through some of the same regulatory mechanisms as government institutions, for instance the criminal law against fraud. They are also publicly monitored for matters such as anti-competitive behaviour and consumer protection and may sometimes be the subject of inquiry by legislative committee. However, members of the public and their elected representatives do not have similar rights of access to corporate information. Overall, then apart from their financial performance, the general policies and actions of private companies are less subject to public scrutiny than those of government departments.

## Accountability mechanisms towards individuals

Turning to accountability mechanisms in relation to *particular* decisions affecting individuals, relevant procedures are available in relation to both government and non-government organisations. In the public sector, citizens seeking answers or redress may apply in the first instance to in-house complaints procedures. After that, further information may be sought through freedom of information laws or appeal can be made to a public investigator such as an ombudsman or to an administrative tribunal. Depending on the particular legal system, other legal remedies may be available under administrative law which can apply legal principles of natural justice such as legality, fairness and rationality. Where actual damage has been suffered, individuals may sue governments for compensation. Apart from legal remedies, aggrieved citizens can also approach their local member of the legislature who may advise them on appropriate courses of action and may take up their cause with the relevant government institutions. As a last resort, they may seek a sympathetic hearing on social media or in the press.

In the non-government sector, the legal framework is different because of the universal division between public and private law. Dealings between individuals and corporation are usually grounded in individual contracts that generate their own rights of legal redress under well-established contract law. Additional remedies may also be available under laws regulating fair trade and consumer protection. However, there is no effective equivalent of the administrative law requirements that decisions meet natural law standards of fairness and rationality. Short of instituting formal litigation which may be prohibitively expensive and beyond the resources of most customers, there is no right to relevant information parallel to the rights of access to personal information in the public sector.

---

<sup>5</sup> Radin, B., *Challenging the Performance Movement: Accountability, Complexity and Democratic Values*, Washington, D.C., 2006 (Georgetown University Press).



In response to these deficiencies, some industries, particularly in the financial sector (insurance and banking) but also health, law and building, have introduced accountability mechanisms mirroring those in the public sector, including formal complaints procedures and designated ombudsmen. When such safeguards are in place, there is little major difference between the accountability of public and private organisations to the individuals with whom they have dealings. Without these additions, however, the heavy reliance on litigation in the private sector means that effective accountability is available only to the wealthy few.

## More commonalities than differences

In conclusion, this brief comparison reveals that the various accountability obligations of government and non-government institutions have much in common, as one would expect from the fact that both are large organisations with important functions operating in societies that place a high value on transparency and performance. The main differences stem from contrasts in their defining purposes - the public good or profit - as well as distinct legal foundations in public or private law.

Some evidence of convergence can be identified as would-be reformers on each side seek to emulate the perceived strengths of the other. Experts in public management advocate greater government reliance on measurable performance objectives as a means of replicating the clarity of the private sector's accountability for financial results. At the same time, progressive critics of business try to persuade commercial organisations focused on delivering financial profits for their shareholders to open themselves up to wider groups of stakeholders and broader conceptions of social value. Such a reform would bring them more into line with the public sector's accountability to its citizens for the public interest. Some change may be apparent at the margins but institutional inertia and the strength of traditional expectations have so far resisted any major shifts on either side.







By Laura Leka, International Federation of Accountants

## IFAC's public interest mandate



## Box 1 – IFAC



The **International Federations of Accountants** (IFAC) is the global organisation for the accountancy profession, comprising 180 member and associate organisations in 135 jurisdictions, representing millions of professional accountants in public practice, education, government service, industry, and commerce. IFAC serves the public interest by enhancing the relevance, reputation, and value of the global accountancy profession. IFAC contributes to and promotes the development, adoption, and implementation of high-quality international standards for auditing and assurance, ethics and independence, education, and public sector accounting. IFAC is headquartered in New

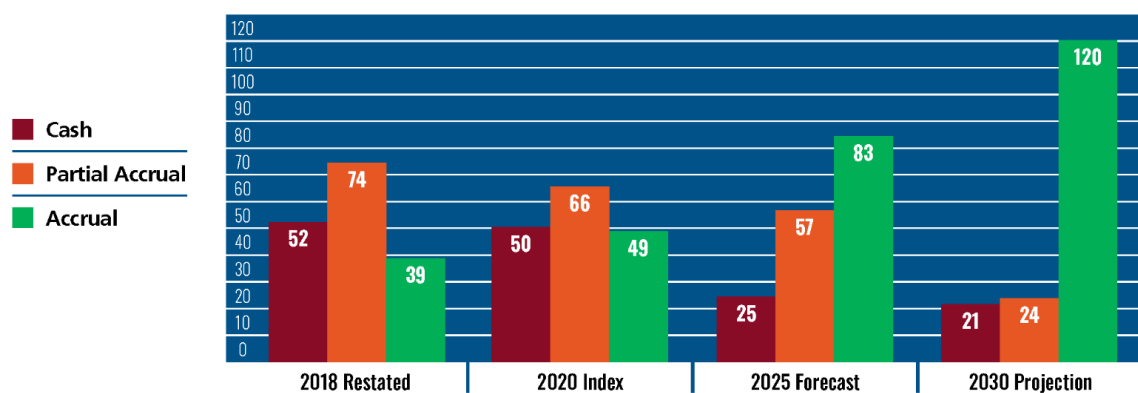
Strengthening governance in the public sector and enhancing PFM are key priorities for IFAC and the global accountancy profession and are critical to developing as well as developed jurisdictions. The accountancy profession with its public interest mandate has an important role to play in enhancing transparency and accountability. Below I present some key activities through which IFAC substantiates this mandate.

## Supporting high-quality, global public sector accounting standards

IFAC strongly advocates for the adoption and implementation of accrual accounting, in particular the accrual-basis [International Public Sector Accounting Standards](#) (IPSAS). Providing much needed trust and reliability over information for accountable decision making requires transparent and understandable financial reporting prepared in compliance with these standards and assured by independent auditors, as well as appropriate use of this accrual information by decision makers when making public policy decisions.

We are seeing a significant shift from cash to accrual reporting by governments over the next few years (see **Figure 1**). IFAC, the Chartered Institute of Public Finance and Accountancy (CIPFA) and International Public Sector Accounting Standards Board (IPSASB) have been tracking the global picture in terms of public sector financial reporting through the [International Public Sector Financial Accountability Index](#).

**Figure 1 – Continuing shift from cash to accrual**



Source: IFAC

The index covers 165 jurisdictions, and the headline is that 30 % of those 165 jurisdictions reported on accrual<sup>1</sup> in their 2020 financial statements, which is an increase of 6 % compared to 2018. The



index also shows a positive rising trend that by 2025, the forecast is an increase to 50 % using accrual, with significant accrual adoption activity underway across all regions of the world. Looking ahead to 2030, the current projection globally is that 73 % will be using accrual - although this is subject to more uncertainty.

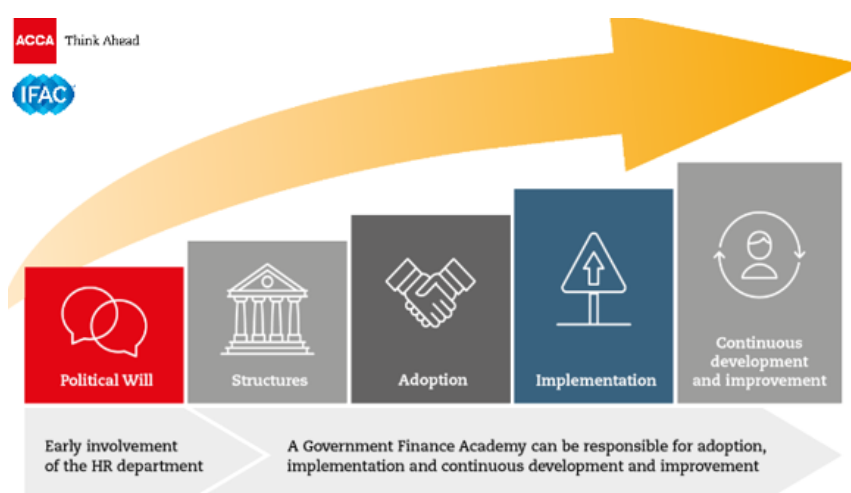
Alongside the move to accrual, the index also looks at financial reporting frameworks and the extent to which IPSAS are being used – either directly with no modifications, indirectly with modifications for local context, or as a reference to develop national standards. The trend in IPSAS usage and influence is also positive – in 2020 of those reporting on accrual 57 % are using IPSAS, in 2025 that increases to 73 %, and by 2030 the current projection is 81 %. This is positive because it also important to have comparability across jurisdictions.

## Capacity building and professionalization

While frameworks and standards are crucial to strengthening governance and PFM, having the right people, with suitable training and the right skills and competencies across governments and public sector entities, is fundamental. The public sector needs enhanced professionalization and enhanced skills given its scale and complexity. However, in many jurisdictions, there is a shortage of professional accountants, and the professionalization of the public sector is an immediate priority.

Actions needed involve increasing the number and capacity of skilled and competent public finance professionals, with suitable training and qualifications, and embedding strong professional and ethical standards. Investing in professionalization of the public finance workforce is key to creating an enabling environment for PFM reforms to succeed, as well as creating strong CFOs and finance functions to effectively and efficiently manage public finances and enhance public service delivery. There is also a need to improve the whole system - including accountants, auditors, internal audit, politicians' expertise, budget holders, and counter fraud specialists.

**Figure 2 – The journey to professionalization**



Note: IFAC and the Association of Certified Chartered Accountants (ACCA) published [A Global Guide for Professionalisation in Public Sector Finance](#) which highlights the benefits of professionalization and showcases country case studies along the journey to professionalization. Source: IFAC.

<sup>1</sup> An accrual basis of accounting is a basis under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses. Source: IPSASB



Professionalization starts with political will; effective implementation needs to begin by identifying appropriate advocacy partners. Appropriate structures will need to be in place, including consideration of whether legislative and regulatory frameworks are required. At the adoption stage, organizations will need to perform a gap analysis and understand the existing capacity and capability of individuals and the finance function overall. Implementation is then about closing the gap through recruitment and upskilling (see **Figure 2**). All of this journey will require significant activity and continuous improvement, recognising that skills requirements may change over time.

The accountancy profession, in collaboration with other stakeholders (see the example in **Box 2**), must drive and enable professionalization and related goals, such as increased diversity, which is particularly important in a public sector context to ensure that decisions made are representative of society as a whole.



### Box 2 – Example of Professional Accountancy Organisation (PAO) Capacity Building

- IFAC signed a memorandum of understanding (MOU) with donors Gavi (the vaccine alliance) and The Global Fund, to contribute to, and support, the implementation of robust accounting practices in the public health sector and to improve overall financial management of donor funds by implementing countries.
- Capacity building programs are underway in two pilot countries - Burkina Faso and Ghana. Working with the Pan African Federation of Accountants (PAFA) as the delivery partner, the programs are focused on strengthening the accountancy profession's infrastructure by directly supporting the professional accountancy organizations in Ghana and Burkina Faso.
- USAID became an additional signatory of the MOU in 2022.

## Advancing sustainability reporting and assurance

The sustainable development goals (SDGs), in combination with national sustainable development plans, provide context to government policy and spending decisions to address systemic, interconnected issues such as climate, inequality, access to education, and poverty. But to date, efforts to achieve the SDGs have fallen short and widening inequality between and within countries remains a huge challenge.

The public sector must lead and decisively drive actions to advance sustainability agendas worldwide. It is essential for governments and public sector entities to effectively measure and report on the ways their policies and expenditures are addressing sustainability challenges. Transparency and accountability for the long-term impacts of their decisions are crucial aspects of this process.

Sustainability reporting and assurance in the public sector is gaining momentum, with IPSASB taking the lead in developing sustainability reporting standards, starting with a public sector specific [climate related disclosures standard](#). Developing effective, high quality, independent audit and





assurance arrangements alongside the reporting standards is important to ensure public trust in sustainability disclosures. IFAC is continuing its global advocacy in this area. Working with ACCA and the International Organisation of Supreme Audit Institutions (INTOSAI) Development Initiative (IDI), we recently published a joint guide: [\*Preparing for Sustainability Reporting and Assurance: An introduction for the public sector globally\*](#), which sets out why the public sector should engage in reporting and assurance in this area, outlines principles for reporting and assurance, and explores what sustainability assurance involves for the public sector (see **Box 3**).



### Box 3 – The role of supreme audit institutions (SAIs)

- SAIs provide those responsible for governance with independent, objective, and reliable information, conclusions or opinions
- Uniquely well placed to undertake assurance work for sustainability reporting, given experience of financial, compliance and performance audits
- Auditing sustainability information would build on the experience many SAIs have developed more broadly in auditing progress towards the UN SDGs.

Professionals working in financial accounting, reporting, internal and external audit roles can all apply their expertise to this agenda. Their knowledge and experience of reporting processes, systems and controls, regulatory compliance, adherence to standards and, in the case of auditors, internal and external assurance, are vital in establishing and embedding sustainability reporting and assurance in the public sector.

## Commitment to strong governance to enhance public sector accountability

The pivotal role of the accountancy profession in enhancing transparency and accountability within the public sector cannot be overstated. As we navigate an era marked by complex challenges and heightened expectations, the profession's commitment to strong governance and PFM is more crucial than ever. The profession's intrinsic public interest mandate, and the skills and ethics of professional accountants, can help guide the public sector towards a more accountable, transparent, and sustainable path.



## ACCOUNTABILITY, TRANSPARENCY AND THE SUPREME AUDIT INSTITUTIONS

By Peter Welch, Organisation for Economic Cooperation and Development (OECD)

OECD reports cover the range of issues involved in accountability and transparency, including open government, public communication and drivers for trust. Peter Welch, seconded by the ECA to the OECD as Senior Advisor in its Public Management and Budgeting Division, discusses trust in government, the role of supreme audit institutions (SAIs) and OECD support for SAIs.

## Trust as a foundation for democratic governance

Launched in 2022, the [Reinforcing Democracy Initiative](#) is a major theme of the OECD's work. The Initiative reflects concerns that the foundations of democratic governance are challenged by developments such as the polarisation of political discourse, geopolitical tensions, public health and economic crises, and creeping foreign influence in democratic processes. Each of these problems is complicated by mis- and disinformation.

One of the symptoms of the strains upon democratic institutions is the low level of trust in government. The [OECD Public Trust Survey](#), carried out in late 2021, found that ‘public confidence is evenly split between people who say they trust their national government and those who do not’<sup>1</sup>. While the level of trust in 2021 was slightly higher than levels found in the wake of the 2008 economic and financial crisis, it remained strikingly low. The OECD recognises that willingness to question government is an indicator of a healthy democratic discourse. However, low levels of trust involve a cost to society: public trust helps governments to govern and deliver public policies<sup>2</sup>.

While it seems impossible to identify the right amount of trust for a population of voters, there are studies that seek to identify the optimum level of trust (in economic terms) for individuals. A [2016 study](#) looked at the relationship between personal economic success and trust in other people. When asked if they thought most people could be trusted, or not, respondents with a predisposition to trust, tempered with caution (scoring around seven on a scale running from one to ten), had significantly better economic outcomes than people who showed more trust than people who showed less trust.

<sup>1</sup> OECD, *Building Trust to Reinforce Democracy: Main Findings from the 2021 OECD Survey on Drivers of Trust in Public Institutions*, *Building Trust in Public Institutions*, OECD Publishing, Paris 2022.

<sup>2</sup> Ibid.



## Audit institutions and improved accountability

The OECD has consistently identified supreme audit institutions (SAIs) as playing a key role in improved accountability. For example, the [2011 publication \*Good Practices in Supporting Supreme Audit Institutions\*](#) characterised supreme audit institutions as ‘uniquely placed to contribute to building and sustaining stronger and more effective accountability mechanisms between governments and their citizens’; by providing oversight, insight, and foresight throughout the policy cycle. This has the potential to lead to increased trust in government<sup>3</sup>. Some SAIs are using their expertise to provide insight into the trends, overlaps and gaps that exist horizontally across ministries, or vertically within sectors, and foresight to assess countries’ preparedness to tackle future challenges.

Levels of trust in public institutions are influenced by economic, social, political and cultural factors, in addition to public governance factors such as the reliability, responsiveness, integrity, openness and fairness of public institutions<sup>4</sup>. The OECD Trust survey finds that low levels of trust in public institutions are related to perceptions of vulnerability and being left behind economically and politically; the trust gap is larger than the one due to demographic or economic characteristics such as age, gender, income, education<sup>5</sup>. The Delors Institute discussed the implications of low public trust in Europe in a [recent report](#)<sup>6</sup>. ‘Citizens hold their political institutions accountable for producing outcomes that align with their needs and expectations... research has shown that a visible and profound deterioration in macroeconomic performance drives down citizens’ confidence that political institutions are capable of and committed to fulfilling their responsibilities’. The Delors Institute argues that the modest rebound in overall public trust seen in the EU is not shared with lower-income groups, who were most affected by the inflationary pressures of the post-pandemic period.

SAIs are unlikely to play the leading role in determining overall levels of public trust, nor to have a significant impact on voters’ assessment of economic management. However, within a political system they play a major role in ensuring that important accountability relationships function.

## Budgets require effective accountability mechanisms

Key to this is the role of financial audit. While the OECD has stressed the importance of medium-term frameworks for budgetary planning<sup>7</sup>, it has also stressed the importance of the role of legislatures – indeed, the OECD works closely with parliamentary budget offices (PBOs). In OECD Member countries, legislatures typically ensure that the government is accountable to the legislature by setting budgets (including revenues) on an annual basis. Budgets do not, in general, provide a general authority to governments to spend, but link spending to specific activities. The budgetary framework frequently imposes specific additional rules on the costs of administration – such as restricting the discretion of the executive to make virements from operational to administrative budget lines<sup>8</sup>.

---

<sup>3</sup> OECD, [Public Governance Reviews Supreme Audit Institutions and Good Governance Oversight, Insight and Foresight](#), 2016,

<sup>4</sup> OECD, *Building Trust to Reinforce Democracy: Main Findings from the 2021 OECD Survey on Drivers of Trust in Public Institutions, Building, Trust in Public Institutions*, OECD Publishing, Paris, 2022

<sup>5</sup> Ibid, Chapter 3.

<sup>6</sup> Jansen, Jannik, *When trust becomes a luxury: How economic crises undermine political trust among the most disadvantaged*, Hertie School – Jacques Delors Centre Policy Brief, June 2023.

<sup>7</sup> OECD, [Spending Better: Post-Covid Budget Frameworks](#), June 2023.

<sup>8</sup> HM Treasury, [Consolidated Budgeting Guidance 2019-2020](#), and IMF, Saxena, Sandeep, Ylaoutinen, Sami, [Managing Budgetary Virement](#), 2016.



Work carried out by the OECD in the run-up to the 2023 meeting of the Working Party on Financial Management and Reporting indicated that parliamentary discussion of published accounts frequently centred around whether administrations had prepared them consistently, and in accordance with a suitable set of standards, and whether auditors had performed a convincing audit. This set of issues received more attention than the changes in the financial situation shown in the balance sheet. The argument that *published* accounts frequently inform policymaking was not supported by our work. The fact of publication may, however, have a significant upstream impact, as managers seek to avoid showing increased liabilities, or growing contingent liabilities. It clearly enhances transparency, and the OECD is currently considering ways in which this function can be enhanced.

Accounts prepared in accordance with the International Public Sector Accounting Standards (IPSAS) should include a statement showing the outturn against published budgets. In this case, the audit opinion provides the legislature with assurance government spending has been made within the limits established by the legislature – a key element of accountability.

## Spent for the purposes set in the budget?

Ensuring that governments have operated within the budgetary framework requires scrutiny of the sources of funding (for example, windfall gains and receipts for the disposal of capital). It also requires assurance that governments used spending for the approved purposes. Typically, when SAIs examine government spending (including the spending of government agencies) they consider whether it has been spent for the purposes set out in the budget<sup>9</sup>. Spending on agriculture from a budget line for health services, for example, would constitute irregular spending.

This examination of the legality of spending can extend to consideration of whether the recipient has met the conditions for receiving or retaining the funds transferred. So if, for example, a farmer receives public money to reduce nitrate emissions but does not do so, the spending may also be considered irregular.

Providing assurance on irregularity is one of the characteristics that differentiate public sector auditing from private sector auditing (although growing requirements for private sector auditors to report on breaches of law may indicate that this gap is closing). A more fundamental distinction comes from the role of supreme audit institutions in carrying out performance audits. The U.S. Government Accountability Office (the US SAI) defines performance audit as one that provides 'objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability'<sup>10</sup>. High quality performance audit by supreme audit institutions can play an important role in improving transparency and accountability and in supporting evidence-based debates. In so doing, they can help foster trust and provide credible data and information to counter misinformation.

The OECD is also supporting SAIs in developing risk-based approaches and data analytics capabilities to effectively identify integrity risks in governments. This effort includes [Analytics for Integrity](#) (2019) and [Strengthening Analytics in Mexico's Supreme Audit Institution](#) (2022).

---

<sup>9</sup> OECD, [Public Governance Reviews: Supreme Audit Institutions and Good Governance](#), 2016, Chapter 3, and. UK Parliament, [Finance glossary](#), 2017.

<sup>10</sup> See: Meyer, Rebecca E., [Fieldwork Standards for Performance Audits - The New Yellow Book](#), 2020 - Wiley Online Library





The [OECD Auditors Alliance](#) is a unique forum that brings together internal and external auditors in the public sector, providing a platform for discussion and information sharing. Since its launch in 2018, the forum has focused on policy solutions and good practices to address key challenges in public sector auditing, while its online platform provides a space for exchange ideas and knowledge.

## The challenge of misinformation

There is an interesting parallel in the concerns of governments in relation to citizens and those of citizens in relation to governments. Governments (and the OECD) are rightly concerned that citizens are vulnerable to mis- and disinformation. Many citizens are concerned that governments are exaggerating the impact of government programmes (as seen in the response to Climate Change Conference 27 (COP 27). Governments are already required to produce standardised reports on greenhouse gas emissions. The International Public Sector Accounting Standards Board is discussing new requirements for bodies using IPSAS to report on greenhouse gas emissions. Environmental, Social And Governance (ESG) reporting has, in parallel, become much more significant in the private sector. There will be a growing demand for SAIs to provide assurance on such disclosures.

The OECD has worked with some SAIs to help them meet challenges of this kind<sup>11</sup>. In the case of the Contraloría General de la República (CGR) in Chile, it found 'a behaviourally informed review of the auditing and follow-up process could help significantly improve the added value of the CGR's work and thus the effectiveness and efficiency of the public administration in Chile'.

The continuing dilemma for supreme audit institutions is to issue reports that are policy relevant but not 'political'. Performance audits that authoritatively and clearly provide an overview of the costs and benefits of government spending close an accountability gap. They have the potential to help build public trust – and providing a clear view of the impact of a policy may have a value that outweighs the impact of any recommendations. Achieving such outcomes requires SAIs to produce reports that are acknowledged to be fair and balanced, that are clear and understandable, and that address key issues. The OECD will continue to work with SAIs to support their valuable work.

<sup>11</sup> For example see the [OECD report on cooperation with the SAI of Chile](#).



# INTOSAI AND IDI HELPING SAIS TO CONTRIBUTE TO A HEALTHY ACCOUNTABILITY ECOSYSTEM

## Interview with Einar Gørrissen, Director-General of the INTOSAI Development Initiative

By Sara Abbruzzetti and Gaston Moonen, ECA

What is essential for supreme audit institutions (SAIs) to play an effective role for accountability and transparency in their country and beyond? And how do SAIs help each other to improve themselves and others to play such a role? Audit institutions across the world are organised globally in the International Organisation of Supreme Audit Institutions – INTOSAI – and the INTOSAI Development Initiative - IDI - is their capacity building body to help SAIs, particularly in developing countries, to strengthen their performance and capacity. Sara Abbruzzetti, trainee in the ECA, and Gaston Moonen interviewed Einar Gørrissen, IDI's Director-General, on how accountability and transparency is embedded in their activities to help SAIs make a difference and contribute to trust.

## Accountability is rather context-dependent, also for SAIs

*The INTOSAI Development Initiative – IDI- is an organisation of the International Organisation of Supreme Audit Institutions (INTOSAI) and hence you also represent INTOSAI in some ways. How do you see the role of a SAI in the accountability ecosystem of a society and what is, in your view, the core element for INTOSAI to do when it comes to the concept of accountability?*

**Einar Gørrissen:** The role of the supreme audit institution (SAI) within the accountability and oversight ecosystem is extremely context-dependent, as every country has its own accountability infrastructure. Nevertheless, SAIs occupy a special place in this ecosystem. In most countries, they are among the oldest, if not the oldest, accountability institutions. They are often less constrained than accountability institutions with a more politicised profile, such as anti-corruption or human rights commissions. SAIs are often empowered to request information and engage with entities across the government, which may not be the case for ombudspersons. They are also often better staffed and resourced than other accountability institutions, even if their staffing and resource levels are below what is needed to fulfil their mandate. Consequently, an independent SAI can function as both a model for other accountability institutions to aspire towards and as an essential partner in acquiring and disseminating information.





As the umbrella organisation of SAIs, INTOSAI can act as the global voice of SAIs on how they can contribute to accountability and what type of capacities SAIs require to contribute to accountability. Moreover, building on INTOSAI's motto of 'mutual experience benefits all', INTOSAI can facilitate knowledge-sharing amongst its member SAIs and their stakeholders in the national governance, public financial management - PFM - and accountability ecosystems on how SAIs can enhance their contribution to accountability. INTOSAI can also further develop robust professional interactions with UN bodies, donors and International NGOs for further taking forward the advocacy agenda for SAIs.



#### Box 1 – the INTOSAI Development Initiative (IDI)



IDI is a not-for profit, autonomous implementing body, mandated to support SAIs in developing countries to sustainably enhance their performance and capacity. With a needs-based approach, IDI seeks to empower SAIs by peer-to-peer cooperation. Activities range from reporting and advising on SAI's independence, promoting SAI governance, peer-support partnerships, and professional education for SAI auditors. IDI is headquartered in Oslo.

*What does accountability mean for you as leader of an organisation? And what does it mean for you as leader of IDI, aimed for developing SAIs?*

**Einar Gørriksen:** Leaders of any organisation should hold themselves accountable to others for actions and decisions and be answerable to stakeholders, both at a personal level and on behalf of the organisation and its employees. This means setting clear goals, following through on promises, owning mistakes and cultivating a culture of responsibility within the organisation. These are some of the fundamental principles of leadership accountability that IDI promotes to SAIs in our governance programmes and initiatives. As Director General of IDI, my own leadership accountability is two-pronged: not only do I need to be accountable in general terms of being head of an organisation, but I and my management team – in fact, all of us in IDI – need to 'walk the talk' of the accountability principles we promote to SAI heads and other SAI leaders.

## INTOSAI standards as anchor

*Does IDI offer particular support on what should be minimum accountability and transparency requirements for SAIs to work properly and have impact? And if so, what are these requirements in a nutshell?*

**Einar Gørriksen:** IDI's long-standing initiative on Strategy, Performance Measurement and Reporting - SPMR - has been at the forefront of supporting SAIs to become model organisations for transparency and accountability, in the spirit of INTOSAI P-12, a key INTOSAI pronouncement. More than 60 SAIs have participated thus far. SPMR's main premise is that for SAIs to have impact on other institutions' accountability and transparency, they need to lead by example. So, what are the minimum requirements in a nutshell? First, accountability starts (and ends) with regular and objective assessments of SAI performance, the findings of which should ideally be shared publicly. SAIs then need to establish their medium-term performance and development objectives through a strategy that is not just public, but actively publicised. It should clearly describe how the SAI aims to contribute to and improve the public sector and through that, make a difference to society. SAIs should publish a user-friendly and results-



*...for SAIs to have impact on other institutions' accountability and transparency, they need to lead by example.*



oriented annual performance report against the strategic plan and annual operational plan. For those SAI in fragile or conflict affected situations who are not at this point, and where the importance of accountability is even greater in the context of a greater risk of marginalisation of communities, IDI brokers targeted bilateral support to aspire towards these principles.

*Within this INTOSAI-P 12, principle 2 is an essential one for SAs and speaks about public sector auditing as a key instrument to hold custodians of public resources accountable. What are the key problems IDI finds which need to be addressed for SAs to be able to make a difference?*

**Einar Gørriksen:** A SAI's independence is obviously critical in supporting INTOSAI-P-12, but there are other challenges in day-to-day SAI activities. One area of SPMR in which many SAs still struggle is the final publication of a performance report against the Strategic Plan. Other critical aspects include the quality of the SAI's own budget plan and execution. Is it being audited by an independent external party? Then there is the growing importance of SAs planning and reporting on their own sustainability and, once again, leading by example. This is an area in which IDI is focussing heavily to support SAs, and I think we will see a significant change in this direction.



*... statements from the SAI are also only credible if the SAs is independent, and is seen by all stakeholders to be independent...*

IDI also provides support to SAs put in place a code of ethics using [ISSAI 130](#) as a foundation. This, along with compliance systems, will enable SAs to lead by example in combatting corruption within the public sector. It's also worth noting the crucial role of SAs to help government strengthen their systems and improve performance, and to give credit to governments where they are doing a good job. Of course, such statements from the SAI are also only

credible if the SAs is independent, and is seen by all stakeholders to be independent, hence the increased focus we are putting on awareness of SAI independence challenges. This is a crucial part in building public trust in SAs: it goes hand in hand with SAI credibility, SAI independence and SAI profile.

*In the EU accountability framework, discharge procedures are an important element in the accountability process. Also INTOSAI-P 12 speaks about public sector possibilities to discharge their responsibilities. Is discharge a common issue in the SAs IDI deals with and something that is promoted towards SAs and public scrutiny arrangements as good practice?*

**Einar Gørriksen:** Discharge of responsibilities of public officials is a core principle of INTOSAI P-12. In this area, IDI acts at different levels, from assuring the independence of the SAI to improving the relevance of audit and the quality of reporting and ensuring a follow-up. Overall, IDI has put in place several initiatives for enhancing the relationships between SAs and national parliaments, though admittedly this is particularly difficult in the context of fragile democracies. Parliaments and SAs have a crucial role in accountability and need to trust each other. Often, the SAI needs to make an effort to explain their role and establish a regular and clear flow of information. This is a common problem for many SAs, not only for those in developing countries.





## Track record of providing added value

*In your IDI strategy document, you refer for instance to added value of SAIs in enhancing electoral accountability. What does this mean and what is needed for SAIs to play a role towards 'electoral accountability'?*

**Einar Gørrissen:** There's a growing body of academic research looking at whether there is robust evidence to demonstrate the value of SAIs, that includes country studies in South Africa, Brazil, Italy and Indonesia, among others. We incorporate this learning into our support for SAIs. For instance, researchers found a link between the chance of local leaders getting re-elected and the results of recent audits of the bodies they lead – the more significant weaknesses found by the auditors, the lower the chance of re-election – so audit is contributing to leaders being held accountable through the electoral process. The research also showed that strong audit reduces the leakage of public resources through inefficiency and corruption and thus reduces the cost of building roads - but only where the audit reports are published, and local communities are closely engaged in the audit or in discussion of the audit findings in open meetings.



*... researchers found a link between the chance of local leaders getting re-elected and the results of recent audits of the bodies they lead...*

*IDI has set public trust in SAIs as one of its three key priorities. Public trust is often directly related to accountability and transparency. What does IDI undertake to enhance public trust in SAIs and how does transparency play a role in this?*



**Einar Gørrissen:** IDI's work contributes to enhancing public trust in a variety of ways. Accountability and transparency are key to this, as well as public participation. As mentioned, we support transparency through things like enabling and encouraging publication of audit reports, whether related to cooperative audits IDI has supported, the SAI's annual audit report, or audits of emerging issues relevant to stakeholder expectations. For example, in Madagascar the SAI produced insightful audit reports of government use of Covid emergency funds, but government obstacles held up publication. Liaising with external partners including the IMF and the European Commission, we helped the SAIs to get these reports published. On accountability, SAIs traditionally play an important role, but they are only one actor in the accountability ecosystem, with a specific mandate. One feature of IDI's new Strategic Plan is to put more emphasis on strengthening the role of SAIs within this ecosystem, for example through stronger relationships between SAIs and other actors.

Source: IDI

*An important dimension for SAIs to get their messages across is the presence of proper public scrutiny arrangements to deal with SAI reports. What kind of work does IDI do in this respect to address the SAI's accountability ecosystem?*

**Einar Gørrissen:** To enhance public scrutiny of SAI reports, a multi-faceted approach is necessary. Enhancing parliamentary scrutiny of SAI reports ensures a thorough examination and holds government agencies accountable for implementing recommendations. Public awareness initiatives and collaboration with civil society organisations further amplify the accessibility and impact of



SAI reports. Civil society organisations can help to interpret the findings, advocate for necessary changes, and monitor the implementation of recommendations. Legislative backing, mandating public report dissemination, cements accountability. SAI reports need to be made more accessible and understandable by simplifying the language, incorporating visual aids, and ensuring that these reports are readily available online and through other channels. Strengthening media relationships is essential for expanding the reach and impact of audit reports. By integrating these strategies, SAs can ensure their reports not only reach a wider audience but also drive informed public debate and lead to greater governmental transparency and accountability.

Recognizing the interconnected nature of tasks that SAs must undertake to achieve their goals, IDI is increasingly emphasising the enhancement of sustainable internal systems and frameworks within SAs. This goes beyond offering isolated training and knowledge sharing events. Our aim for comprehensive support is based on the understanding that robust frameworks ensure the continuity of audit practices, even under challenging conditions. Integral to these frameworks is the enhancement of public scrutiny of SAI reports. This emphasis on strengthening systems is a primary focus of the IDI's Centre for SAI Audit Professionals, launched in late 2023.

## **IDI initiatives to enhance accountability – within SAs and beyond**

*The INTOSAI-Donor Cooperation has launched the Global SAI Accountability Initiative – GSAI - and IDI has been tasked to lead a programme for the initial implementation phase. What does this initiative contain and how many SAs are participating in it?*

**Einar Gørrissen:** GSAI is targeting eight SAs in challenging contexts that have unique opportunities for development and needs of support: Benin, Belize, Dominica, Haiti, Honduras, Kyrgyzstan, Lebanon and Tajikistan. We hope to enable these SAs to reach a new level of stronger capacities and delivery of audits of high national value over the coming years. It's been amazing to see how peer-SAs have found a good match and established a joint multiyear agreement with clear expected results, and in a great mobilisation of peer support, we see partners with other comparative advantages working together for the unique needs of one SAI. Each beneficiary SAI has a SAI Support Group of donors and partners in their country that will meet regularly to find ways to enable scaled-up and well-coordinated support to the SAs. Thus, the SAI has an entire ecosystem of support, where those challenges we know will come in the country PFM environment can be discussed and support approaches adjusted. We see it as a form of innovation in how effective collaboration and capacity development is designed.

*Accountability and transparency concerns in society may change over time in view of societal developments, ranging from digitalisation and AI issues to transfer of tasks to different government levels. Is accountability a specific focal point in your multi-annual strategy regarding such societal developments and if so in which way?*

**Einar Gørrissen:** Accountability and transparency will always be part of a SAI's core mission, but the way in which these are achieved vary from country to country and evolve over time. In an era of ever accelerating change, we identified digitalisation as one of the three IDI strategic priorities in the new plan, because it can cut across everything a SAI does as well as shaping the environment in which SAs operate. We want to help SAs fully embrace digitalisation, from the way the SAI is governed and holds itself to account, to how the SAI conducts its audits and engages with stakeholders, right through to the topics selected for audit. During this strategic plan period, we will help SAs to strategise on how to audit government use of technology, facilitate cooperative audits in this area, and strengthen SAI use of technology in its engagement with stakeholders.

## **SAI's complex journey in an interdependent quest for accountability**



***What is in your view most essential to address by SAIs to substantially contribute to accountability and transparency in their respective countries?***

**Einar Gørrissen:** As I mentioned at the beginning of the interview, the role of the SAI within the accountability and oversight ecosystem is extremely context-dependent, as every country has its own accountability infrastructure. What is most important is for every SAI to have a thorough understanding of that context, then obtain support where it is most needed and that is most likely to move the dial in accountability and transparency in their country. Certain elements are key: clear, published, publicised audit reports; high quality audits of important societal topics in accordance with the ISSAIs; solid and abiding systems, principles and frameworks. And also a SAI that is both independent of and held in mutual respect with its parliament, interconnected within community, national and global support ecosystems. If every SAI could chart their capacity and performance in these terms, find relevant support that impacts where most needed and act on it, it would help them contribute to accountability and transparency most effectively. IDI's support is shaped around these fundamentals – but we know it's a long journey, and there's no single answer.



***...the role of the SAI within the accountability and oversight ecosystem is extremely context-dependent...***







Didier Reynders. Source: European Commission

## 'ACCOUNTABILITY IS ESSENTIAL IN A SYSTEM BASED ON THE RULE OF LAW'

### Interview with Didier Reynders, EU Commissioner for Justice

By Gaston Moonen

To keep citizens engaged with the European Union, the Von der Leyen Commission has made 'values and transparency' one of the six key priorities for its mandate. Whether it concerns the rule of law, public finances or economic regulation, accountability is meant to be a baseline used by those responsible for policy making and execution. Didier Reynders is the EU Commissioner for Justice. He also chairs the Commission's Audit Progress Committee and is responsible for its Internal Audit Service. In this interview, he explains what his various roles entail, and how the Commission addresses accountability and the related governance concerns.

### Accountability building blocks to ensure oversight, reporting and action

*In your work as EU Commissioner for Justice, how do you include key elements of accountability in your work and responsibilities?*

**Didier Reynders:** Transparency, integrity and accountability are the essential prerequisites of a democracy based on the rule of law. They promote good governance and build trust in the policy-making process, thereby enhancing the legitimacy and credibility of public institutions. They are also extremely important political tools in preventing corruption and bad governance practices.

One example where we put this principle of accountability into practice is the Commission's work on the rule of law, which is an important element of my work as Justice Commissioner. All instruments in our 'rule of law toolbox' aim at ensuring that national authorities are ultimately accountable for their actions in a system based on the rule of law – be it in front of their national parliaments or their national justice systems. Of course, the European Union, and the Commission specifically, has a role to play in this respect as 'Guardian of Treaties' – it is our task to make sure the rule of law is upheld and promoted in all member states.

Since 2020, through the [annual rule of law report](#), we have continuously monitored the situation as regards four key pillars in all member states – national justice systems, the anti-corruption framework, media pluralism and media freedom, and institutional checks and balances. Since 2022, this report has also included concrete recommendations to all member states. Many of these recommendations directly aim at improving systems of accountability – whether they concern integrity rules for high-ranking officials, the independent operation of the prosecution service, or the transparency and inclusiveness of the legislative process.





Another example is the [General Conditionality Regulation](#), which allows the EU to take measures (for example, suspension of payments or financial corrections) to protect the budget in cases where breaches of the rule of law principles affect or risk affecting EU financial interests. This approach reflects the principle of accountability, as respect for the rule of law is key for the sound financial management of the EU budget and the effective use of EU funding.

*At the Commission, you are both responsible for the Internal Audit Service and chair the Audit Progress Committee. What are your responsibilities at the IAS, and what is the main role of the APC?*

**Didier Reynders:** The Internal Audit Service of the Commission is key in supporting our institution in delivering on our objectives. I oversee administrative matters, such as its management plan and annual activity report, while the IAS itself remains independent by virtue of the Financial Regulation for the conduct of audits and the performance of the internal audit function. I also receive advice from the Director-General, who remains accountable to me and to the College for the implementation of the audit plan and sound management of resources.



*The APC is at the heart of the Commission's governance (...) it enhances public trust that the Commission is well managed and strengthens the independence and value of the internal audit activity.*

I am also the Chair of the Audit Progress Committee. The APC is at the heart of the Commission's governance, and its main role is assisting the College of Commissioners in fulfilling its regulatory obligations by ensuring the independence of the IAS; monitoring the quality of the internal audit work; and ensuring that internal and external audit recommendations are properly taken into account by the Commission departments and followed up appropriately.

In this way, the APC contributes to the overall further improvement of the Commission's effectiveness and efficiency in achieving its goals, and facilitates the College's oversight of the Commission's governance, risk management and internal control practices. Although the APC has no management powers, it enhances public trust that the Commission is well managed and strengthens the independence and value of the internal audit activity.

The results of the work of the Internal Auditor and the conclusions of the APC are two building blocks of the '[annual management and performance report](#)', a key accountability reporting instrument for the Commission. Through this report, the Commission publicly guarantees that budgetary spending represents value for taxpayers and that it follows the principles of sound financial management.

*How does the ECA contribute to the activities of the Audit Progress Committee? And to what extent does the IAS build on the work of other auditors, and where do you see potential for the ECA to use more IAS assessments from an accountability point of view?*

**Didier Reynders:** The work of the ECA is an important input that provides the APC with a complementary, external view of the internal control system of the Commission to ensure that observations are fully addressed at the appropriate time. In this respect, both the results of the ECA special reports and the ECA audit recommendations relating to the reliability of the EU consolidated accounts are very important.

The APC invites the ECA to its meetings where the members of the committee are able to exchange with ECA representatives on the various topics that the ECA will touch upon in the next years. Through the ECA presentations of its multiannual strategy and annual work programmes at the committee meetings, along with those of the Internal Auditor, the committee receives a better view on how the two audit functions can complement each other.



The IAS coordinates its work with the ECA, both at senior management level as well as operational level to ensure alignment and exchange best practices. While overlaps are sometimes inevitable, the aim is to ensure they are limited and do not create an unnecessary audit burden for auditees. Many services are confronted with a very high workload, and the IAS identified mutually beneficial solutions to ensure the delivery of its objectives, while respecting the difficult environment faced by its auditees.

As APC Chair, I support the suggestion for the ECA to use the work of internal auditors more. Throughout the years, the internal auditors have acquired valuable input which can be useful. Similarly, when external auditors look at the same processes they can provide internal auditors with results on which to build their work.

Later this year, we will be part of a big democratic exercise which will set Europe on its path for the next five years and beyond. Internal and external audit are key to ensuring a well-functioning organisation which retains the trust of those it is accountable to, and they will continue to strengthen our internal management systems and the performance of our departments. These audits will ultimately support the achievement of our Union objectives of freedom, prosperity and peace.

## Rule of law and accountability and transparency are indispensable

*In the Recovery and Resilience Facility (RRF) the rule of law has taken on an extra dimension in relation to EU spending. What do you expect from the ECA when it comes to accountability regarding rule of law issues in the EU?*

**Didier Reynders:** The rule of law stands alongside democracy and fundamental rights as one of the founding values of the Union. It is common to all member states and a bedrock of the Union's identity. It is a core factor in Europe's political stability and economic prosperity. During the current mandate, the Commission has further developed its rule of law toolbox I referred to earlier. One way in which we have been supporting rule of law related reforms in the member states is through national recovery and resilience plans.

Let me take a step back to explain the context of this. A number of rule-of-law issues – notably in relation to the effectiveness of justice systems, the fight against corruption, access to information and the quality and inclusiveness of the law-making process – are also monitored under the European Semester, where they have macroeconomic relevance and an impact on the business environment, investment, growth and jobs. To address a number of relevant, country-specific rule of law recommendations made under the European Semester by means of concrete reforms and investment measures, the Commission has agreed with several member states to include concrete milestones and targets in their recovery and resilience plans. These were subsequently formally approved by the Council and are now being gradually implemented.

Accountability is essential in a system based on the rule of law. The European Court of Auditors can play its role in independently assessing the economy, effectiveness, efficiency, legality and regularity

of EU action in order to improve accountability, transparency and financial management. This can also contribute to enhancing citizens' trust and responding effectively to current and future challenges facing the EU. I am aware there are two important ECA reports relating to the rule of law – the [special report on the rule of law in the EU](#), concerning the framework for the protection of the EU's financial interests, and a [review on the Commission's rule of law reporting](#). This attention paid from the side of the ECA reflects the central importance of issues relating to the rule of law, and the Commission will of course pay due attention to the findings and recommendations of these reports.



*This attention paid from the side of the ECA reflects the central importance of issues relating to the rule of law...*



**Accountability and transparency are mutually reinforcing concepts. What does transparency mean for the Commission in relation to its objectives regarding accountability?**

**Didier Reynders:** The Commission is committed to transparency and accountability as essential principles for maintaining the trust of citizens in the legitimacy of the political, legislative and administrative processes of the EU. Transparency can be understood as openness to external stakeholders, combined with accessibility of information. Accountability refers to the responsibility the Commission carries for its decisions and actions, including the commitment to meeting our objectives. Transparency thus plays a crucial role in making sure that the Commission remains accountable for its actions and its performance.



*Transparency thus plays a crucial role in making sure that the Commission remains accountable*

Transparency concerning interest representation is especially important to allow citizens to follow the activities and be aware of the potential influence of interest representatives, including influence exercised through financial support and sponsorship. The Commission uses the [EU Transparency Register](#) – a public website displaying up-to-date information about lobbying activities – as the key tool for lobbying transparency and for increasing the openness and visibility of stakeholders' and civil society's participation in the EU's democratic decision-making process. Since 2021 it has been a common tool used by the European Parliament, the Council and the Commission to foster a common transparency culture across the EU institutions. The Register showcases the common commitment of the EU institutions to promoting transparent and ethical interest representation.

The Commission applies strict internal transparency measures in relation to the Transparency Register. It requires all its senior decision-makers at political level (Commissioners and members of their cabinets) and administrative level (directors-general and heads of service) to meet only registered interest representatives and publish information on all such meetings. It also applies a range of other measures in relation to the participation of lobbyists in Commission expert groups and Commission initiatives such as public consultations and roadmaps.

Overall, the Commission provides information to the public through various reporting streams, most notably annual activity reports and the annual management and performance report. Moreover, the Commission periodically translates its general objectives into more specific and concrete actions via its work programme and the management plans published by the DGs. This allows interested parties to understand what the Commission's objectives are, and follow up on whether the Commission is achieving them or not. Transparency thus enables citizens to hold the Commission accountable for its actions.

Citizens may request and obtain access to Commission documents through the public portal [EASE](#) (Electronic Access to Commission Documents). The Commission displays a high degree of transparency. In 2022 access was fully or partially granted in 77 % of cases, while 12 % of requests were refused at an early stage. Wider or even full access was granted in more than 51 % of cases at the confirmatory stage. Furthermore, the Commission proactively publishes costs of missions undertaken by Commissioners.

As far as the issue of legislative transparency is concerned, the European Parliament, the Council and the Commission have agreed on the next steps towards the creation of a joint legislative portal. This database will be an important step forward in making the legislative process more understandable and transparent to the public. The portal will show the stages and detailed steps in the law-making process in files falling under the



*(...)the European Parliament, the Council and the Commission have agreed on the next steps towards the creation of a joint legislative portal (...) an important step forward in making the legislative process more understandable and transparent...*



ordinary legislative procedure. Each procedure will be shown as a timeline, displaying all events in a chronological order, including past and future events planned by the institutions and bodies. The portal will include search functions and will eventually show a tracker displaying an overview of the legislative priorities of the EU that were agreed upon in the Joint Declaration of the three institutions. The first version of the portal should be available to the public in the course of 2024.

In the end, transparency and accountability are both essential to maintain EU taxpayers' trust that money from the EU budget is spent in their best interest.

## Accountability embedded in EU's future actions

*As the EU takes on more responsibilities on issues of the economy, energy, security or migration, policy integration is also becoming more evident, and more in demand. What is the Commission doing to address and align the increasing number of cross-policy issues with knock-on effects for governance arrangements?*

**Didier Reynders:** The Commission actively promotes close cooperation and effective coordination for any initiative of a cross-cutting policy nature, and has dedicated governance arrangements in place to ensure this. At service level, for instance, an interservice consultation must be carried out with all departments involved on all initiatives that require a decision by the College of Commissioners. When preparing policy proposals, stakeholders are consulted in a transparent manner and their inputs taken into account. Economic, social and environmental policy aspects are also systematically considered, as well as the role of small and medium-sized enterprises and key issues such as administrative burden, competitiveness, innovation, digital readiness and future-proofing. The Secretariat-General plays an important role in this coordination.



*(...)we have a 'whole-of-government approach (...) to ensure that our proposals are coherent and take into account all possible policy implications.*

At political level, we have a 'whole-of-government approach', and as a member of the College I have the role to ensure that our proposals are coherent and take into account all possible policy implications. The College of Commissioners deliberates and decides collectively; policy integration and coherence are always considered when we take decisions at the weekly College meetings. My own justice portfolio includes several policy strands of cross-cutting significance and impact. To ensure synergies and consistency I work closely with other members of the College whose areas of responsibility are relevant to mine – and so do our respective teams.

Finally, good interinstitutional cooperation is crucial to overall coherence and the final effect for citizens. The European Council provides political steer on strategic challenges. Close cooperation with the European Parliament and the Council on a daily basis is fundamental to delivering joint EU solutions to strategic challenges and managing crises.





*The EU has significantly increased its borrowing activities in response to recent crises. For example, NGEU borrowing is close to €100 billion, and the EU budget is increasingly being exposed by the need to provide financial assistance to Ukraine – all of which raises questions about the EU's future financial state. What assurances are there of accountability in these new areas of EU action?*

**Didier Reynders:** Under the RRF, the legality and regularity of payments is solely linked to the satisfactory fulfilment of milestones and targets. The Commission builds its assurance about the controls implemented by the member states on the implementation of their measures. For this purpose, each member state submits a management declaration with each payment request, indicating any issues found as well as a summary of audits and relevant audit findings, which the Commission closely analyses.

However, our assurance is not just based on the member states' actions and declarations. The Commission carries out an extensive ex-ante assessment of the milestones and targets, including of all available primary evidence, to ensure compliance with the requirements. In February 2023, we publicly shared how we assess the satisfactory fulfilment of milestones and targets in an annex to our Communication on the first two years of the RRF. In addition, we carry out risk-based ex-post audits on milestones and targets on the spot.

Furthermore, Article 22 of the RRF Regulation imposes on member states the principal obligation to take all appropriate measures to protect the financial interests of the Union and ensure that the use of funds complies with Union and national law, and the Commission checks that they discharge that obligation properly. This is done via system audits of national control systems. To date [beginning February 2024], the Commission has audited the control systems of all member states, covering 154 entities. Some of them have been or will also be subject to additional audits when and where weaknesses are found. This also entails compliance audits of national audit bodies, to review their audit work and assess whether that work is reliable, provides assurance to the member state and adds to the assurance of the Commission.

In response specifically to an ECA recommendation to identify measures required to address the assurance gap at EU level regarding RRF-funded investment projects' compliance with EU and national rules, the Commission has extended the scope of its audit work. We now systematically include a requirement in all our audit checks that member states regularly and effectively verify compliance with public procurement and state aid rules for RRF measures.

The ECA's statement of assurance work (published in October 2023) was based on your risk-driven audit of 281 out of the overall total of 311 milestones and targets for which payments were made for non-repayable support in 2022 (meaning that the ECA audited 90 % of all milestones and targets assessed by the Commission in 2022). The ECA identified regularity issues with just 15. We disagree with the ECA findings for those 15, for which in any case the ECA considers the minimum financial impact to be close to the its materiality threshold. Nevertheless, the Commission acknowledges that further improvements can be made to its process for the assessment of milestones and targets in the future and is putting changes in place to address these findings. The Commission therefore broadly accepts the recommendations in the ECA's annual report, as well as various recommendations from performance audits aimed at improving the Commission's accountability efforts. We are working to implement these recommendations.

The Commission also counts on the valuable work of our Internal Audit Service, both as part of the various audit engagements and in the context of the overall opinion which is published every year in the annual management and performance report. This work is used to further improve the internal control systems at the Commission.



Concerning Ukraine, the EU stands united in its unwavering support for Ukraine against Russia's war of aggression. We made good on this commitment of solidarity by mobilising significant financial support. The bulk of this support was provided through macro-financial assistance (MFA) in the form of highly concessional loans, of which €7.2 billion was disbursed in 2022 and a total of €18 billion in 2023.



*Concerning Ukraine, the EU stands united (...) We made good on this commitment of solidarity by mobilising significant financial support.*

The MFA is first and foremost an exceptional financial instrument that provides 'untied' and 'undesignated' balance-of-payments support to third countries, i.e. there is no precise condition tying the use of funds to specific sectors or regions, for example. However, given the unprecedented scale of support, increased emphasis was put on ensuring its efficiency, transparency and accountability. While staying within the logic of untied and undesignated support, the Ukrainian authorities reported regularly on execution under the main budget headings and areas of expenditure, and gave information on the administrative and financial measures in place to ensure the transparent and efficient use of these public funds.

The Commission has also conducted an operational assessment of financial circuits in Ukraine through an independent consultant. The objective of this exercise is to obtain reasonable assurances on the functioning of administrative procedures and financial circuits in the recipient country before disbursing EU funds in the form of MFA.



*...it is remarkable how, even under the harsh circumstances of war, reforms have been implemented...*

Even more important is the strengthening of Ukraine's public institutions. This has been reflected in the focus of the reform conditions attached to the disbursement of aid, which comprised several actions in the areas of good governance, the fight against corruption, and the strengthening of judicial and law enforcement institutions. It is remarkable how, even under the harsh circumstances of war, reforms have been implemented within a short space of time. For example, the specialised anti-corruption prosecutor's office and the selection procedures of judges have been strengthened.

As much as uncovered cases of corruption are deplorable in terms of the crime behind them, it is worth emphasising that the judicial institutions now seem to be more effective in detecting and prosecuting irregularities. The push towards stronger institutions is due in no small part to the success of reforms induced by our support.



Source: IAS European Commission

# ACCOUNTABILITY AND TRANSPARENCY IN THE PUBLIC SECTOR – INTERNAL AUDIT PROVIDING ASSURANCE AND INSIGHT TO THE EUROPEAN COMMISSION’S TOP MANAGEMENT

By Agnieszka Kaźmierczak, Internal Auditor and Director General of the Internal Audit Service, European Commission

Now, more than ever, internal auditors in the public sector are recognised as adding value to the accountability chain and transparency of their organisations. They play a key role in providing independent ‘re-assurance’ for management statements of assurance. Agnieszka Kaźmierczak, **Director-General of the Internal Audit Service** and the European Commission’s Internal Auditor, draws on her 18 years of experience in policy making, resource management and audit at the European Commission to explain how – in an increasingly complex environment – internal audit is key in management efforts to ensure that the Commission’s risk, governance, and internal control systems provide stakeholders, taxpayers and the public with the highest levels of confidence in the organisation’s accountability and transparency.

## Role of the Internal Audit Service in assurance building

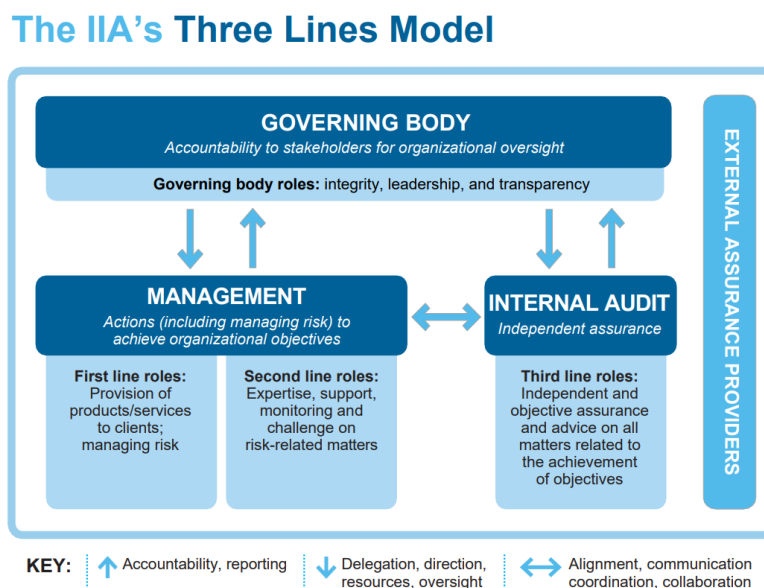
The Internal Audit Service (IAS) is an independent central service in the European Commission. It audits the management and control systems of the other 50 European Commission services and executive agencies, together with a growing number of decentralised EU agencies and other autonomous bodies receiving contributions from the EU budget.

To underpin annual reporting to stakeholders and the public, managers need to provide the body to which they are accountable with assurance that they are meeting all their statutory obligations as well as their performance, financial and other objectives. These ‘statements of assurance’ are essentially based on a series of ‘building blocks’ ensuring the reliability, coherence and completeness of the statements, such as robust performance and financial information, as well as the assessment of the effectiveness of the internal control system.



Such statements are also key pillars of the Commission's accountability and governance structures. Each year all services must provide an Annual Activity Report containing a signed statement of assurance by the Director-General or head of service<sup>1</sup>. The practices and procedures behind these statements of assurance also reflect international best practices as confirmed by the Institute of Internal Auditors in their well established Three Lines model<sup>2</sup> (see **Figure 1**).

**Figure 1 – the Institute of Internal Auditors' Three Lines Model**



Source: IAS European Commission

The Three Lines model offers organisations of all sizes a framework for identifying, combating and mitigating the risks and threats they face by establishing accountability and defining roles and responsibilities throughout the organisation. In the IIA model, it is management (lines 1 and 2) who are responsible for setting the objectives of the organisation and thereafter establishing and monitoring an effective system of internal control that will not only underpin the delivery of the objectives, but also provide assurance that all the internal processes and controls have operated effectively across the whole reporting period.

The key responsibility of the internal auditor, as the third line in the model, is to provide independent and objective assurance to management on the adequacy and effectiveness of governance, risk management and internal control systems. Internal audit achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It reports its findings to management and the governing body to promote and facilitate continuous improvement.

Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through accountability to the governing body, unfettered access to people, resources, and data needed to complete its work, and freedom from bias or interference in the planning and delivery of audit services. The IAS reports and is functionally accountable to the College of Commissioners via the Audit Progress Committee<sup>3</sup> (APC) regarding its audit activities in the Commission and executive agencies.

<sup>1</sup> In signing their Declaration of Assurance each Director General will confirm that their Annual Activity Report provides, '.... A reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions...' A supporting declaration signed by the senior manager in charge of risk management and control will be underpinned by reports and analysis covering assurance on a range of issues including financial management and an assessment of the effectiveness of the internal control systems.

<sup>2</sup> Institute of Internal Auditors, July 2020

<sup>3</sup> The APC follows closely the implementation of IAS's recommendations and acts where necessary, which has a considerable persuasive effect vis-à-vis the audited entities concerned.





## Cooperation and ethics among our basic principles

The Internal Audit Service cooperates closely with the European Court of Auditors, in accordance with professional standards. Cooperation and coordination – beyond improving the effectiveness, efficiency and added value of internal audit – is particularly welcomed by the audited entities and, as such, the minimisation of audit overlap is a key consideration when planning our work. The IAS shares the results of its work with the ECA, who can decide, if appropriate, to place reliance on it in providing its own assurance to the Council and the European Parliament. A regular and positive exchange can also contribute to our own important assurance role in respect of risk awareness and the effective and timely coverage of key areas.

Regular exchanges are organised with the ECA President, ECA Members and other ECA representatives. As the IAS, we welcome the prospect of even closer engagement with our ECA colleagues, with the aim of strengthening coordination and cooperation between the Commission's internal audit function and the ECA as external auditor. But also to contribute to harmonising the respective messages, for example in the annual discharge procedure by which the European Parliament and the Council hold the Commission accountable for the way it manages the EU budget. The IAS has been involved in the project on collaboration between public sector internal audit and supreme audit institutions in Europe, conducted by the European Confederation of Institutes of Internal Auditors (ECIIA) and the European Organisation of Supreme Audit Institutions (EUROSAI), and its next phase could be a good platform for enhancing collaboration.

For an organisation to be considered accountable to its stakeholders, shareholders and the public, it must also be able to demonstrate that it operates in an ethical manner. The ethical culture of the organisation is an important element for underpinning and instilling public confidence in the truth and fairness of the organisations' accounts and supporting the evaluation of their effectiveness and probity in meeting operational objectives.

In various internal audit reports, root causes can be traced to the culture and attitude of the staff in the organisation. In many instances, a 'pattern of attitude' might be observed. An ethical culture is essential, and a visible 'tone at the top' can make clear to staff the values and expectations embodied in the relevant rules, or code of ethics. Clear guidance and procedures ensuring that staff and managers are aware of their ethical obligations in relation to their day-to-day responsibilities are also important. For internal auditors, both are relevant for reviewing the effectiveness by which the organisation ensures that these values and expectations are present in corporate discussions and visible in behaviour. This is perhaps most plainly demonstrated by the clear and effective implementation of the policy on managing conflicts of interest.

To safeguard public trust, the IAS works in conformity with the international internal audit standards and code of ethics<sup>4</sup>. Our auditors are also bound by the Commission's staff conduct rules. As the IAS, we are committed to demonstrating our independence and accountability in conducting our professional activities and management. We work in an open and transparent manner, meeting the expected high levels for these relevant professional and ethical standards. In 2021, the External Quality Assessment<sup>5</sup> concluded that the IAS 'generally conforms'<sup>6</sup> to all International Standards for the Professional Practice of Internal Auditing and to the IIA Code of Ethics.

---

<sup>4</sup> The International Standards for the Professional Practice of Internal Auditing and Code of Ethics are part of [The IIA International Professional Practices Framework \(IPPF\)](#)

<sup>5</sup> IIA Standard 1312: External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

<sup>6</sup> Highest possible mark.



## Contributing to the Commission's accountability and transparency – the Annual report and Overall Opinion of the Internal Auditor

The IAS provides assurance on the effectiveness of risk management, control, and governance processes to the College of Commissioners and to all the audited entities. In doing so, we help the audited entities to achieve their objectives, contribute to the effective and efficient management of resources and promote a performance culture (economy, efficiency, and effectiveness).

The IAS has a clear role in the Commission's assurance building and accountability for its resources. Our key reporting elements are publicly available for the scrutiny of civil society and can be used to evaluate the nature and the extent of our service's contribution to increasing public confidence in the EU and providing transparency on our independence and professionalism.

We also support the annual discharge procedure. The EU Financial Regulation (article 247) requires the organisation to communicate to the European Parliament and the Council a set of financial and accountability reports which constitute essential input for this discharge decision.

The Commission's Integrated Financial and Accountability Reporting package (IFAR) brings together comprehensive information on the implementation, performance, results, sound financial management and protection of the EU budget. As part of this procedure, the IAS contributes to the IFAR with two deliverables. Firstly, the [Annual Report](#) of the Internal Auditor<sup>7</sup>, addressed to the Commission, contains a summary of our internal audits carried out in Commission Directorates-General, services and executive agencies as well as the recommendations made and corresponding actions. Secondly, the Annual Overall Opinion<sup>8</sup> on financial management in the Commission, covering the previous three years, concludes on the adequate protection of the EU budget as a whole and over time.

Thus, as the IAS, we contribute to key outputs of the Commission, which all stakeholders can access. Presenting our output in such an open and transparent manner allows EU stakeholders to judge our contribution within the Commission, and makes our work accountable.

### Improving effectiveness, coverage and adding value

Being audited is rarely popular. However internal audit and management working in a coordinated way contribute to the reliability, coherence, and completeness of information needed for risk-based decision making, and the IAS is continuously looking at ways its operations can become more effective and add more value to the Commission and the other bodies it serves. In the context of unexpected significant changes to existing processes and procedures adapting to new political or strategic policies, internal auditors are asked to provide value beyond assurance, for example in the form of insights, and now, more than ever, a mature, trust-based relationship with management is crucial.

Internal audit is an internal voice affirming the organisation's commitment to accountability and guiding it to improve its management and control system to give better account of its stewardship. The recognition of its importance is increasing, and with it the expectations of our stakeholders. We need to seize this opportunity and build on the role we have established in the overall governance of our institution to strengthen its ability to create, protect and sustain value to EU citizens.

---

<sup>7</sup> Article 118(4) FR

<sup>8</sup> Annex 6 of Annual management and performance report for the EU budget - Financial year 2022, Volume 3.



# ACCOUNTABILITY AND TRANSPARENCY – BUILDING BLOCKS FOR TRUST IN THE EU

By Tony Murphy, ECA President

As the EU's external auditor, the ECA plays a crucial role in the broader framework of EU institutions and organisations, aimed at enhancing accountability and pinpointing areas for improvement. Tony Murphy, who assumed the role of ECA President on 01 October 2022, has dedicated his career to public sector audit. In the following reflection, he delves into the significance of accountability and transparency in the public sector, explaining how the ECA actively contributes to realising these principles. In his opinion, these principles are indispensable factors of the democratic fabric of the EU.

## Indispensable pillars in public governance

In the intricate landscape of the European Union (EU), the principles of accountability and transparency stand as indispensable pillars, essential to its democratic, legitimate, and effective governance. In today's global context, the fragility of values such as accountability and transparency are increasingly evident. These principles are no longer assumed which means that their preservation is paramount.

If we look at accountability and transparency in a public sector setting, why are these principles so important? The short answer is 'trust'. In a democratic society accountability ensures that decision makers are held responsible for their actions, while transparency allows citizens to understand how decisions are made. Together they contribute to building trust between public institutions and citizens.



ECA President Tony Murphy speaking before the European Parliament Conference of Committee Chairs (CCC) in Strasbourg on 16 January 2024. From left to right: David McAllister MEP, Tony Murphy (ECA President), Wolfgang Stolz (Head of Cabinet of ECA President). Source: European Parliament.



The perception of governing bodies as legitimate entities hinges on the visibility and understanding of decision making processes by the public. In essence, when people can witness and understand how decisions are made, trust is cultivated, strengthening the democratic fabric of the EU.

## **Accountability focus evolving towards performance**

My perspective on these principles has been shaped by a career of over forty years as a public sector auditor. This has included working in the Irish Supreme Audit Institution, then as an internal auditor with the European Commission and finally I have held a number of positions in the European Court of Auditors.

In the early stages of my career, particularly as a qualified accountant, my view of accountability was primarily linked to adherence to established standards and regulations within the public sector. The focus was on ensuring that public sector entities followed legal and regulatory frameworks.

However, my perspective shifted as the environment in which I worked has evolved. This evolution encompassed changes at a broad level, including treaty modifications, institutional reforms, increased access to information, and the advent of digital transformation. Additionally, there was a heightened focus on engaging with citizens, upholding ethical standards, and the introduction of a results oriented approach in the public sector.

From an audit perspective, the focus on results and performance meant that the principles of accountability and transparency became tools for promoting continuous improvement. Through audits, identifying areas of inefficiency, ineffectiveness, or non compliance, enabled governing bodies to address weaknesses and enhance overall performance.

## **Accountability has multiple facets**

So today what do accountability and transparency mean for the European Court of Auditors? It is important that we look at this from several angles. Internally, as the EU's independent external auditor, it is imperative that the ECA remains accountable and transparent in its own activities, meaning that we are answerable for the proper and efficient use of our resources and operate free from undue influence. In terms of our outputs, these principles also guide what we do in terms of our audits and in terms of our engagement with our stakeholders.

Starting with our outputs, these principles are embedded in the ECA strategy and mission. While our mission states that through our work we aim to improve accountability and transparency, thereby enhancing citizens trust, Goal 1 of our current strategy relates to: Improving accountability, transparency and audit arrangements across all types of EU action. As an auditor, the most straightforward way for me to explain how the ECA achieves this is through examples of our recently published outputs.

A special report which I believe illustrates our strategy goal and our mission in this context, is our audit on the design of the Commission's control system for the Recovery and Resilience Facility (RRF) published as ECA [special report 07/2023](#) in March 2023. For context, the RRF represents the EU's main funding instrument in mitigating the impact of the COVID 19 pandemic. The funds available under the RRF total €724 billion. It offers a novel approach in terms of EU funding, in that funds are paid based on the progress in the achievement of the reforms and investments. As the RRF represents a new delivery model with a large amount of funds intended to be spent in a short period of time, it is crucial that there is an appropriate system of checks in place. Hence our overall objective was thus to assess the design of the Commission's control system for the facility.





Our main finding from this audit is that the design of the Commission's control system results in an EU level assurance and accountability gap in protecting the EU's financial interests. Member states are obliged to check that RRF funded investment projects comply with EU and national rules, but the Commission has little verified information through its own work as to whether and how these national checks are carried out. In the absence of such information, the Commission cannot provide assurance that these rules are complied with, which implies a lack of accountability at EU level. In our view, this represents a serious risk to protecting the EU financial interests.

While this audit provides a snapshot of our activities, it embodies our mission to cultivate trust through enhanced accountability and transparency. Broadly, we accomplish this by pinpointing areas for improvement and identifying potential risks across all dimensions of EU actions.

Examining accountability at a macro level, a notable example is our [special report 05/2023](#) on the EU's financial landscape, also published in March of last year. In recent times, the EU and its member states have demonstrated their remarkable ability to respond swiftly and with unprecedented measures to the series of recent crises we have all faced. These responses often come in the form of various instruments and spending programmes which means that EU's financial landscape continues to grow in scope and complexity which has resulted in an increasing number of financing instruments outside the EU's budget over the last 15 years. However, for some of those instruments, there is a gap in the audit of their performance and no European Parliament oversight. The EU's financial landscape is therefore not fully publicly accountable, a message we communicate to our stakeholders.

## Transparency in our own actions

As I indicated, it is essential that the ECA remains accountable on its own activities. Transparency is a core element of our work involving open communication, meaning that we have an obligation to engage openly about our activities, methodologies, and findings. Our commitment is to ensure that our audit reports, opinions, and relevant information are easily understandable and accessible to the public, stakeholders, and decision makers. Moreover, several mechanisms are in place to ensure the application of the principles of accountability and transparency to our own activities.

Annually, the ECA's accounts and activities undergo analysis by the European Parliament through the discharge procedure. During this process, we participate in sessions with the budgetary control committee, exchanging views and addressing committee members' questions. To foster further development and improvement, the ECA has undergone several independent peer reviews, with the next one scheduled to commence in 2024. Internally, we have established quality assurance procedures and an internal audit function to maintain rigorous standards and continuous improvement within the ECA.

## Accountability requires a common effort

Fostering accountability and transparency within an organization involves multiple actors. Similarly, within the EU institutional framework, we collaborate with various entities who also strive to uphold accountability and transparency through its activities. The European Parliament and Council in terms of legislative oversight, the European Commission, responsible for proposing and implementing policies and programs and the European Ombudsman who scrutinises EU institutions and agencies. Effective collaboration and interaction among these entities are vital to ensuring transparent, accountable decision making processes aligned with principles of democratic governance.





Looking ahead, accountability and transparency will remain key concerns for both ECA and the EU. We have learned that in times of crises transparent communication is crucial for managing public expectations and perceptions. In an era of rampant misinformation, accountability is crucial for those disseminating information, and as Artificial Intelligence (AI) systems play an increasing role in informing decisions and actions, these systems should also be subject to scrutiny. Our [Annual Work Programme for 2024+](#) maintains a strong focus on accountability and transparency. We will continue to assess the EU crises recovery funds, we will also examine EU expenditure related to defence, we have number of audits both ongoing planned in the area of rule of law and one audit related to AI.

In conclusion, accountability and transparency are not just core principles of the ECA, they are the bedrock of effective governance. As we strive for a more accountable and transparent EU, I believe the ECA's role is crucial in ensuring the responsible use of EU resources and fostering public trust. It is vital that we carry these principles forward together recognising that they are indispensable in order to serve the interests of EU citizens.







## ACCOUNTABILITY REQUIRES A FULL AUDIT TRAIL FOR ALL EU EXPENDITURE

Interview with Jan Gregor, ECA Member and Dean of Financing and Administering the Union Audit Chamber

By Gaston Moonen

Working as an ECA Member since 2016, Jan Gregor has been the reporting Member for various special reports and for the annual report on performance the ECA published for a few years. As Dean of the 'Financing and Administering the Union Audit' Chamber, he is currently the Member responsible for coordinating the tasks related to the ECA's main report, the annual report, which serves as key input for the European Parliament's annual discharge procedure. In this interview, he highlights how the Commission should lead by example when it comes to accountability, not only when defining accountability conditions for member states, but also for its own actions.

### Basic accountability principles should apply to all EU initiatives, including emergency instruments

Having worked in the Czech Ministry of Finance, including as Deputy Minister of Finance, Mr Gregor has not only been held accountable as an executive, but was also responsible for introducing accountability arrangements into the Czech public sector. 'In 2004, my main task was to ensure compliance with the EU Financial Regulation and the sector rules in cohesion policy and agriculture. We had to adjust our legal framework, our financial management and control framework, and introduce the internal audit function, which I established within our organisation as the first one in the Czech Republic.' He believes the accession process was also useful as a way of promoting the principles of sound financial management. 'What was guiding here is to have full audit rights. This is what we had been hearing from the European Commission at that time, from peer reviewers and from [SIGMA](#)<sup>1</sup>. Furthermore, we needed a full audit trail for all related actions. I recall that we felt that what was required from us was quite tough in comparison to what some of the "older" member states were doing.'

Mr Gregor refers to the ECA's strategic goal of being at the forefront of public audit. 'Our audits often focus on EU governance, accountability and transparency arrangements. Within our audits and reviews, we have identified numerous accountability and audit gaps within the EU's legal and institutional framework.' For him, a recent and important example is [special report 07/2023](#), relating to the Recovery and Resilience Facility (RRF). 'We identified major assurance gaps at the level of the Commission.'

---

<sup>1</sup> SIGMA (Support for Improvement in Governance and Management) is a joint initiative of the [OECD](#) and the [European Union](#) with as key objective to strengthen the foundations for improved public governance through building the capacities of the public sector, enhancing horizontal governance and improving the design and implementation of public administration reforms.



And I come back to this existence of an audit trail which I find somehow missing in the RRF. The funding cannot be traced from the very top to the bottom. This is my major concern for the RRF and this should not continue in the next multiannual financial framework – the MFF. The Commission implements the RRF by direct management, meaning it has full responsibility. However, the Commission delegated even more responsibilities to member states than in the EU shared management arrangements. In my view, the Commission should remain fully responsible for this EU expenditure.'



*...of an audit trail which I find somehow missing in the RRF. The funding cannot be traced from the very top to the bottom.*

Mr Gregor expects that, in the next MFF, the ECA will be duly consulted about the design of future delivery mechanisms, as it has been in the past. 'Before the Commission starts designing, we have a role to play to explain the accountability principles and our relevant audit findings. I believe there needs to be a distinction made between the normal funding systems and emergency instruments. The RRF was an emergency instrument but interfered with existing funding systems.' He observes there should be a proper structure in relation to the EU budget. 'For each spending area there should be one continuous funding system. This should avoid double funding, overlaps between the programmes, administrative burden, and limited transparency.' He reiterates that a key principle should be that all funding be traceable all the way from the EU budget down to the final recipients, or even end users. 'A full audit trail, which always was the major principle, until the Commission itself departed from this guiding principle through the RRF.'

For Mr Gregor, there is no convincing argument for the set-up of the RRF. 'The ECA has made various recommendations on how to promote performance-based financing. But we were always thinking in terms of performance-based financing at the level of individual projects, not at top level member state financing, which in reality is not performance.' Furthermore, performance-based financing should in his view be used in continuous funding systems, rather than in emergency instruments which, by default, are meant to be implemented very quickly. 'Performance is only measurable after some time, such as after an MMF period.' He refers to the ECA's assessment of performance indicators. 'We can distinguish between input, output, results and impact. Performance should be about results and impact. Measuring this in the short term for an emergency instrument is simply not possible.'

He explains that, from his time in the Czech Ministry of Finance, he has learned that there are two sides of public finance. 'One is the financing operations, the treasury function. The second is the budget itself, with revenue and expenditure. These two sides of public finance should not be mixed. But within the RRF, they are.' Another concern he has relates to keeping the decision-making for authorising payments detached from politics. 'The authorising officer in a public administration needs to be able to act



*No matter what the political decision is, the authorising officer should be held accountable.*

independently and to take responsibility. With the RRF, the system got politicised since payments have to be approved in cooperation with the Council. Such a system has no place in sound public financial management. No matter what the political decision is, the authorising officer should be held accountable.' He observes that, in the past, the Commission would 'teach' member states about the full audit trail, the independence of financial actors. 'And all of a sudden these principles are not followed by the Commission itself!'

## ECA recommendations geared to improve accountability

One of the main platforms for the ECA to address accountability issues has been its annual report, containing the statement of assurance. Over the years this statement has developed, and Mr Gregor welcomes the changes it has undergone, including on the error rate estimates. 'The error rate is our best estimate, based on our statistical sampling, of the problems that occur in the implementation of the EU budget.' He explains that, in big spending areas, the ECA also assesses management and control systems. 'So we can provide recommendations, ranging from revenue issues to, in the future, a new





specific assessment of the EU spending under MFF 6 “Neighbourhood and the world”. He concludes that, with its statement of assurance and explanations, the ECA provides a good basis for the follow-up discussions of the discharge authorities, i.e. the Council and Parliament.

Regarding whether or not there is a trend of decreasing error rates, Mr Gregor looks at the long-term. ‘I recall double digit error rates, which was frightening. The overall error rate went down, not far from our materiality threshold. However, the error rate fluctuates over the years. In the 2022 financial year, the error rate increased. This is linked to the COVID-19 period. We report, in the area of cohesion, that roughly half of the errors we found were linked to the 100 % financing done during COVID.’ Another possible reason he identifies is that financial and control systems have been relaxed due to simplification or other arrangements, such as teleworking. ‘When we deem it important, we always have system recommendations for specific areas to improve. This directly ties in with improving accountability.’

In his view, the statement of assurance continues to apply pressure to improve, with many ECA recommendations taken up by the discharge authorities. ‘Discharge is not a formality. Furthermore, there is a deterrent effect, also at the level of final beneficiaries. We need to do as many missions as possible on the spot, where we find many errors which cannot be seen from the paperwork or in the system. The ECA can provide key added value here.’ He refers to an example in a recent annual report relating to SMEs. ‘Which in reality were not SMEs.’



*We need to do as many missions as possible on the spot, where we find many errors(...)The ECA can provide key added value here.*

## Applying and advising on the accountability framework for EU expenditure

Mr Gregor explains that, for efficiency reasons and to decrease the audit burden, the ECA tries to use work done by other auditors. ‘Although this is not that easy in practice since basic conditions have to be fulfilled, such as whether the auditors could work in full independence and objectively, and whether the scope of the audit work was adequate for the ECA audit objectives.’ As examples where the ECA could build on the work of private auditors, he refers to the audit on the reliability of the accounts of EU agencies and joint undertakings, or on the European Schools. But it proves to be more challenging in other areas. ‘Some years ago, when reviewing the work of certification bodies in agriculture, we concluded we could not rely upon it for our audit purposes. For cohesion expenditure we are still in a pilot project, running for some years now. We cannot rely on the audit authorities, but we sample on the basis of their samples and we reperform their work. We are still reflecting on whether to continue this approach. If I recall the figure from the annual report, 61 % of the audit work we reviewed could not be relied upon, which is high. In the end it is our own responsibility to provide reasonable assurance.’



*...61 % of the audit work we reviewed could not be relied upon, which is high*

When it comes to using the work of the Commission’s Internal Audit Service (IAS), Mr Gregor explains that the ECA has access to the repository of IAS reports. ‘This can be used for our statement of assurance work, analysing the IAS work plan and seeing whether the results can be used to avoid overlapping.’ He points out that it does not make sense for the ECA to carry out an audit soon after the IAS has done so. ‘I think it is functioning, but there is always scope for improvement.’

The IAS was also mentioned in the ECA’s [special report 27/2016](#) on governance at the European Commission. ‘The principles we used in our 2016 governance assessment are still valid, and from time to time we need to remind the Commission of these principles, as we did in 2018 with our



observations on the new MFF. He expects that the ECA will provide input on the new MFF in two stages: during the consultation and after the new Commission has published its formal proposal. 'I think this input will also include reference to principles related to governance. More specifically, regarding the RRF, the ECA has decided to produce a synthesis review on the RRF, highlighting the gaps and deficiencies that we are finding in both our compliance and performance audits. This review is planned in our [2024+ work programme](#). As I said before, it will also be about governance, about what should remain the responsibility of the Commission and what it can delegate.'

While he is now the ECA Member with the key responsibility for the annual report, Mr Gregor also used to be the reporting Member for the ECA's annual report on performance. He explains that the Commission introduced its annual management and performance report (AMPR) in response to the ECA's recommendations that it improve its performance reporting. In the AMPR the Commission gives its management perspective on policy results and impact. 'We indicated how the Commission can improve this reporting, which was also the idea behind the ECA annual report on performance and continues now in our annual review report. One of our concerns is that the AMPR gives examples of good performance but not always an overall and balanced picture. I think that the AMPR can further develop by indicating challenges and lessons learned, and where further developments can take place.' He explains that this is what the ECA does in its review of the AMPR, published in November each year. 'Which is taken into account in the discharge discussions.'



*...the AMPR gives examples of good performance but not always an overall and balanced picture.*

## EU added value goes beyond providing EU funds

With elections for a new European Parliament coming up, Mr Gregor hopes that its Budgetary Control Committee (CONT) can continue to play its traditional role. 'The CONT is an important counterpart for the ECA, and since we publish many special reports we should also be able to approach, in coordination with the CONT, the specialised committees, as we do now. All in all, it works reasonably well, although due to COVID we could not have the regular meetings with CONT we had before.' He hopes that the ECA can quickly establish its relationship with the new parliament. As for the ECA's reports, he strives to make them as relevant and impactful as possible. 'We need to strike the right balance between budget related reports and performance in the budget areas, but also reports on policies – that is also our role – also through our opinions.'

As for the work for the statement of assurance, Mr Gregor sees a benefit in more audit missions rather than fewer. 'Particularly at the level of member states, I believe the ECA has a role to play by showing our presence to stimulate sound financial management and see the reality on the ground. That is what the budgetary authority and the public expect from us.'



*Sending millions of euros for vaguely defined milestones and targets is for me, as an auditor, difficult to digest.*

An important point for him is that all EU funding should be traceable. 'The worst-case scenario would be that the Commission would provide more budget support to member states. In my view, this has no place within the EU because this hampers accountability as well as the EU's added value. Sending millions of euros for vaguely defined milestones and targets is for me, as an auditor, difficult to digest.' He argues that it is better to keep the delivery mechanisms of the traditional policies, which have been developed over decades, bringing results and impact. 'Contributing to the cohesion of and in Europe – one of the key issues the EU is about!'



# ACCOUNTABILITY ISSUES IN EUROPEAN FISCAL GOVERNANCE

By Nikolaos Milionis, ECA Member

There are many dimensions to the concept of accountability in the public sector and those you consider important will depend on your viewpoint, as well as your operational role within the public sector. Two key aspects of accountability in the eyes of public auditors are public officials and institutions accounting for their actions and ensuring that their performance is measurable. Nikolaos Milionis, an ECA Member since 2014, who previously held a variety of posts at the Hellenic Court of Audit, zooms in on both aspects in the context of what he terms fiscal accountability, including the usual accompanying accountability arrangements. He also identifies accountability gaps in certain areas of the EU's activities where thought could be given to addressing shortcomings in the checks and balances arrangements, which are, he believes, "on the margins of accountability" in the context of the European project.

## The concept of public accountability

Accountability is a diverse and nuanced concept<sup>1</sup>. It is historically and semantically linked to the concept of accounting<sup>2</sup>. Accountability was originally defined as the accountable person's obligation to provide information<sup>3</sup> or render account in respect of an activity or transaction<sup>4</sup>. This literal concept of being accountable, i.e. giving an account of one's actions, reflects the traditional relationship between subject and ruler. The concept and use of the word have changed over time. "Accountability" is now a term used in political philosophy, constitutional legislation, modern governance and management science.

The concept changed drastically with the advent of 'New Public Management'. This era, which began in the Anglo-American sphere in the 1980s, is associated with the transfer of private-sector ideas and

<sup>1</sup> See: Bovens, M., Curtin, D and 't Hart, P., Studying the Real World of EU Accountability: Framework and Design, in: *The Real World of EU Accountability, What Deficit?* Oxford University Press, 2010, p. 31 et seq., in particular p. 32; Bovens, M., *Analysing and Assessing Accountability: A Conceptual Framework*, in: *European Law Journal*, Vol. 3, No 4, July 2007, p. 447 et seq., in particular p. 448.

<sup>2</sup> See: Soll, J., *The Reckoning, Financial Accountability and the Making of Nations*, London, 2014, p. 3.

<sup>3</sup> See: Stewart, J.D., *The role of information in Public Accountability*, in: Hopwood, A. G., Tompkins, G.R. (Eds), *Issues in Public Sector Accounting*, 1984, p. 13-34.

<sup>4</sup> See: Wathelet, J.C., *Budget, comptabilité et contrôle externe des collectivités territoriales – Essai prospectif*, in : L'Harmattan, 2000.



administrative practice into public administration, placing the emphasis on cost-benefit auditing, financial transparency, and increased accountability to citizens in terms of the quality of services offered, measured by performance indicators.

Accountability is perceived as a virtue, and therefore ethical. Broadly speaking, accountability (as value-based behaviour) is a concept closer to a sense of responsibility, and particularly a desire to act in a transparent and fair manner. In this highly value-based scenario, accountability is linked to the rules of conduct and ethics applicable to public officials, e.g. with regard to conflict of interest, restrictions on electoral funding, measures relating to respect for administrative transparency and supervision, etc.

However, in the strict sense, accountability, as a relationship mechanism<sup>5</sup>, is understood to be the relationship between the accountable person or public organisation (bodies) and the institution to which they are obliged to explain and justify their conduct. The accountable body's obligation may be formal or informal. Public officials and employees are formally required to provide accounts and reports at regular intervals. An informal accountability obligation is that of providing clarifications to the press, to inform public opinion. Account may be given to institutions such as Parliament or a ministry (political accountability) and the courts or Supreme Audit Institutions (legal or fiscal accountability), as well as the media or social media (social accountability)<sup>6</sup>. Such institutions may ask questions and criticise, while the accountable person or public organisation must provide explanations (accountability)<sup>7</sup>.

There is no consensus as to whether the imposition of penalties is an essential element of accountability. Hence, it is preferable to use a neutral expression, such as "attribution of responsibility". This may take the form of either standard consequences, such as fines, disciplinary measures, compensation and even criminal penalties, or unwritten rules, such as ministers' political accountability to Parliament, which may result in them having to resign. The negative consequences of being accountable can sometimes be more drastic, as in the case of politicians' informal accountability to the media, which may result in their public image being tarnished and their political career ruined in the wake of negative publicity<sup>8</sup>.

## The concept of fiscal accountability

Fiscal accountability concerns, in particular, supervision of the use of public money. It involves, first and foremost, confirming the legality and regularity of the transactions underlying public accounts<sup>9</sup>. The concept of good financial management is also promoted as a means of controlling public money, the aim being to ensure that public policies achieve the three Es of economy, efficiency and effectiveness.

To meet the public accountability requirements regarding the use of public resources, modern States have set up specific systems for monitoring the implementation of public policies, and submitting the relevant reports (e.g. the Ombudsman, independent authorities, etc.). The most important instrument for monitoring the use of public funds is financial audit. This is carried out by the Supreme Audit Institutions (SAIs), whether in the form of judicial authorities or audit institutions, which were set up and operate for this purpose, alongside Parliament's Committee on Financial and/or Economic Affairs, i.e. to supervise and verify the veracity of expenditure.

---

<sup>5</sup> See Hood, C., *The New Public Management in the 1980s: Variations on a Theme, Accounting*, in: *Organizations and Society*, volume 20(2-3), p. 93-109.

<sup>6</sup> OECD, *European Principles of Public Administration*, 1999, op. cit., p. 12.

<sup>7</sup> See Bovens, M., *Two Concepts of Accountability*, op. cit., in Bovens, M., Curtin, D. and 't Hart, P. (eds), op. cit., pp. 33 and 34.

<sup>8</sup> See March, J. G., Olson, J.P., *Democratic Governance*, New York, 1995, p. 167; White, F., Hollingsworth, K., *Audit, Accountability and Government*, Oxford, 1999, p. 6; Rabrenović, A., *Financial Accountability as a Condition for EU Membership*, Institute of Comparative Law, Belgrade, 2009, p. 32.

<sup>9</sup> See Lord Sharman of Redlynch, *Holding to Account, The Review of Audit and Accountability for Central Government*, February 2001, pp. 9-25, [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)





The explanation of the role of public audit in terms of accountability that is given in [INTOSAI Pronouncement No 12](#) states that “Public sector auditing, as championed by the Supreme Audit Institutions (SAIs), is an important factor in making a difference to the lives of citizens. The auditing of government and public sector entities by SAIs has a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions. Once SAIs’ audit results have been made public, citizens are able to hold the custodians of public resources accountable. In this way SAIs promote the efficiency, accountability, effectiveness and transparency of public administration. An independent, effective and credible SAI is therefore an essential component in a democratic system where accountability, transparency and integrity are indispensable parts of a stable democracy”.

## Accountability arrangements for EU institutions and bodies

In the context of the EU, accountability includes the institutions’ obligation to account for:

- the political decisions they have taken and the objectives set;
- the implementation and results of Union policies;
- the use of funds from private or international sources mobilised to implement EU policies, and the related projects’ compliance with the Union’s strategies;
- the effectiveness of the Union’s response to systemic risks to the economic interests of the Union and its member states.

Pursuant to Article 318 TFEU, ‘The Commission shall submit annually to the European Parliament and to the Council the accounts of the preceding financial year relating to the implementation of the budget’. The European Court of Auditors, pursuant to Article 287(1) TFEU, ‘shall examine the accounts of all revenue and expenditure of the Union’, while the European Parliament, ‘acting on a recommendation from the Council, shall give a discharge to the Commission in respect of the implementation of the budget’, pursuant to Article 319 TFEU.

‘Discharge’ means the closure of the accounts for a given financial year and relates to the amount of revenue and expenditure effected on the basis of the accounts presented by the European Commission, which is the manager of and accounting officer for the EU budget. The Commission and the majority of the Union’s other institutions and agencies are subject to the discharge procedure, which is the culmination of the political accountability process.

## Accountability gaps in the EU

When reviewing EU organisations and instruments, we are able to identify various gaps where accountability arrangements are limited or incomplete, be it in reporting, aspects of public scrutiny or what is actually covered. In its [special report 05/2023](#), the ECA identified such gaps at a broader level and made various recommendations addressing them (see also page 64). Below you will find examples of EU organisations and actions in which such gaps are evident and whose impact on the EU is considerable.

### *European Central Bank*

Under Articles 130 and 282 TFEU, the European Central Bank (ECB) and the national central banks of the euro-area countries are independent of the other EU institutions and the governments of the member states. The ECB is not funded from the EU general budget, and the Protocol<sup>10</sup> does not provide for budgetary discharge by Parliament.

---

<sup>10</sup> Protocol No 4 TFEU: Protocol on the statute of the European System of Central Banks and of the European Central Bank



As an accountability mechanism, the Treaty provides for the ECB issuing reports on the European System of Central Banks' (ESCB) activities at least quarterly<sup>11</sup>, and submitting a report on the ESCB<sup>12</sup> and monetary policy to the European Parliament, Council and Commission every year. The President of the ECB is required to present the report to the European Parliament and the Council for a general debate. Rule 135 of the Parliament's Rules of Procedure provides for the ECB President being invited to address the European Parliament four times a year, and for ad hoc invitations to be extended to members of the Executive Committee so that there is a regular exchange of views. The ECB also replies to written questions received from Members of the European Parliament.

The regulations establishing the Single Supervisory Mechanism entrusted the ECB with exercising oversight over the credit institutions of member states in the euro area<sup>13</sup>. The founding regulation provides for a specific accountability regime. Further details on the accountability of the Single Supervisory Mechanism were laid down in an interinstitutional agreement with the European Parliament<sup>14</sup> and a Memorandum of Understanding with the Council<sup>15</sup>.

The extent to which central banks are subject to independent external audit by public external auditors varies from country to country. As regards the ECB, its accounts are audited in accordance with the Treaty<sup>16</sup> by independent external auditors and not by the ECA. The ECA's audit powers "only apply to an examination of the operational efficiency of the management of the ECB" (operational efficiency)<sup>17</sup>. This wording limits the ECA's remit.

### **European Investment Bank**

The European Investment Bank (EIB) is the EU's financing institution and contributes to European integration, growth and cohesion by financing projects that support EU policies. The European Investment Fund is the EU's specialist vehicle for providing venture capital and guarantees that boost mainly SMEs and new technologies.

The EIB constitutes a 'special case' under the current accountability arrangements in that, while it has the status of an EU body, its capital is provided by the member states and it is therefore accountable to the Board of Governors, which comprises the member states' Finance or Treasury Ministers.

There are no specific provisions requiring the EIB to report to the European Parliament, nor does the Parliament have any authority over the EIB. The European Parliament has expressed concerns about the EIB's accountability on several occasions in recent years, including with regard to:

- the level of prudential supervision of the EIB;
- the fact that certain areas of the EIB's management of EU programmes and funds are excluded from the discharge procedure to which EU spending is generally subject, and it is not required to report on the results achieved<sup>18</sup>;
- the assessment of activities with major multiplier effects that are guaranteed by the EU budget;
- the need for a detailed explanation of the administration fees the EIB receives from the EU budget.

---

<sup>11</sup> Article 15, Protocol No 4 TFEU. In practice, the ECB meets this requirement by publishing monthly bulletins.

<sup>12</sup> Article 284(3) TFEU.

<sup>13</sup> [Council Regulation \(EU\) No 1024/2013](#) of 15 October 2013 entrusting the ECB with specific tasks concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

<sup>14</sup> [Interinstitutional Agreement between the European Parliament and the ECB on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred on the ECB within the framework of the Single Supervisory Mechanism](#).

<sup>15</sup> [Memorandum of Understanding between the Council of the European Union and the ECB on the cooperation on procedures related to the Single Supervisory Mechanism \(SSM\)](#).

<sup>16</sup> The independent external auditors are appointed by the Executive Board and approved by the Governing Council of the ECB, see Article 27 of Protocol 4 TFEU.

<sup>17</sup> Article 27.2 of Protocol 4 TFEU.

<sup>18</sup> The ECA proposed that European Investment Bank operations that are unrelated to the EU budget also be included in its audit remit, proposal 6 of [Review 01/2018](#): Briefing Paper 'Future of EU finances: reforming how the EU budget operates'



## **European Stability Mechanism**

The European Stability Mechanism (ESM) has a Board of Auditors (BoA) - to which the ECA appoints a member - that is responsible for inspecting the ESM accounts and verifying that the operational accounts and balance sheet are in order<sup>19</sup>. The ECA does not have audit rights but may acquire them on request. In a 2018 opinion<sup>20</sup>, the ECA pointed out the short duration of BoA members' term of office, and the very limited extent of both the audit findings reported and the evaluation of ESM performance. A private external auditor draws up the opinion on the ESM's financial statements in accordance with international auditing standards.

## **Self-financed EU agencies**

Some EU agencies are not funded directly by the EU budget. Such agencies are either entirely self-financed (e.g. the European Union Intellectual Property Office and the Community Plant Variety Office) and audited by the ECA, or financed by member states' contributions (e.g. the European Defence Agency) and audited by independent external auditors<sup>21</sup>. The management of these entities is not subject to the European Parliament's discharge procedure. However, even though their revenue is not sourced from the EU budget, it is generated as a result of public authority exercised at EU level, and the public nature of the use of these resources is no different to that of other EU funds. Hence, there appears to be no compelling reason for this difference in treatment in terms of accountability, including the public scrutiny arrangements.

## **Recovery and Resilience Facility**

As regards the Recovery and Resilience Facility (RRF), the ECA assessed<sup>22</sup> the appropriateness of the design of the Commission's control system for the Facility by examining whether it had been set up to ensure that milestones and target values are achieved and the financial interests of the Union are protected. It concluded that the system provides only limited verified information at EU level on the extent to which RRF-funded investment projects comply with EU and national rules, which impacts the level of assurance the Commission can provide and gives rise to an EU-level accountability gap.

## **Checks and balances as a sine qua non of public policy-making**

We have highlighted the importance of the ECA having audit rights and advocated that public audit mandates be established for all types of EU-policy financing, and that the ECA be invited to audit all bodies set up to implement EU policies on the basis of agreements concluded outside the EU legal order. The European Parliament has limited oversight over some of the agreements in question.

Public accountability is a fundamental institutional principle of the EU project. The constitutional requirement of checks and balances in public institutions manifests itself in the procedure under which the Commission is granted discharge by the European Parliament on the basis of the ECA's audit findings. This is the culmination of a logical process whereby the managers of European public money are held accountable before the European taxpayers' representatives. This can, of course, be replaced by rules instituting other means of rendering accountability, which may or may not be adequate. However,

---

<sup>19</sup> [Treaty establishing the European Stability Mechanism](#), article 30.

<sup>20</sup> ECA [opinion No 2/2018](#) *The audit and accountability considerations concerning the proposal of 6 December 2017 for the establishment of a European Monetary Fund within the Union legal framework*.

<sup>21</sup> The problem is highlighted in the ECA's 2017 Annual Report, par. 2.51, p. 75, footnote 54. The external audit of the agency is regulated by article 43 of its financial rules.

<sup>22</sup> [Special report No 7/2023](#) *Design of the Commission's control system for the RRF - Assurance and accountability gap remains at EU level in the new delivery model, despite extensive work being planned*.



we can conclude from my analysis and the examples set out above that there are gaps in these checks and balances in the sense that a significant part of the management of the European budget remains on the margins of accountability. To improve this situation, the Commission should engage with the legislative authorities in order to try to plug these gaps. Improving accountability, transparency, and audit arrangements across all types of EU action is also one of the key goals of the [ECA's 201-2025 strategy](#).







# THE EU'S FINANCIAL LANDSCAPE REPORT: CHALLENGES IN AUDITING ACCOUNTABILITY FROM AN AUDITOR'S PERSPECTIVE

By José Parente, Financing and Administering the Union Directorate, ECA

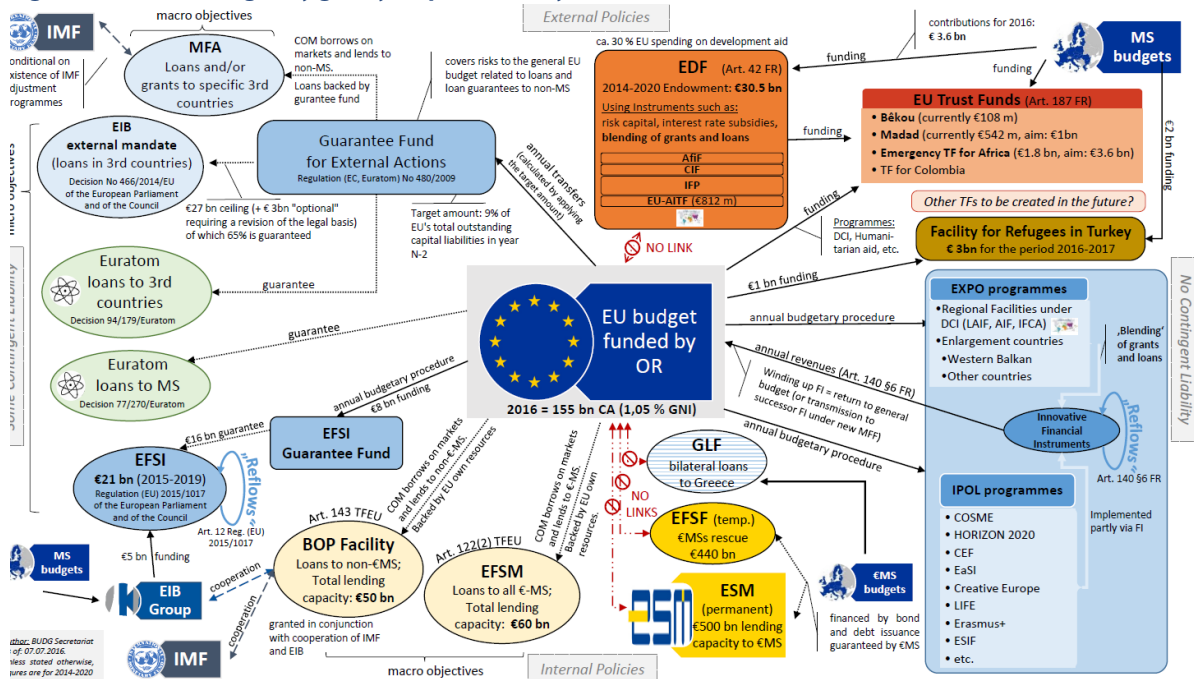
In 2023, the ECA published [special report 05/2023](#): 'The EU's financial landscape – A patchwork construction requiring further simplification and accountability'. Head of Task José Parente, provides insights into the way in which the audit was developed, highlighting some of the challenges faced by the team, which included assessing aspects of accountability in the EU's financial landscape. He illustrates how auditing accountability arrangements touches on principles that directly relate to the democratic fundamentals of oversight and transparency.

## The 'EU budgetary galaxy' and the reasons for auditing it

While our [special report 05/2023](#) refers to the EU's financial landscape, the working title during the audit was 'the EU budgetary galaxy'. This term was first introduced by Jean Arthuis, a former chairman of the European Parliament's Committee on Budgets. In an article published in the [ECA journal No 4](#) in 2019, Jean Arthuis explained the genesis of the term 'EU budgetary galaxy'. He also presented the diagram (see **Figure 1**), which he asked the European Parliament's secretariat to create in order to illustrate the complexity and the lack of transparency in the EU's budgetary system.



Figure 1 – The 'EU budgetary galaxy' as presented by Jean Arthuis



Source: European Parliament.

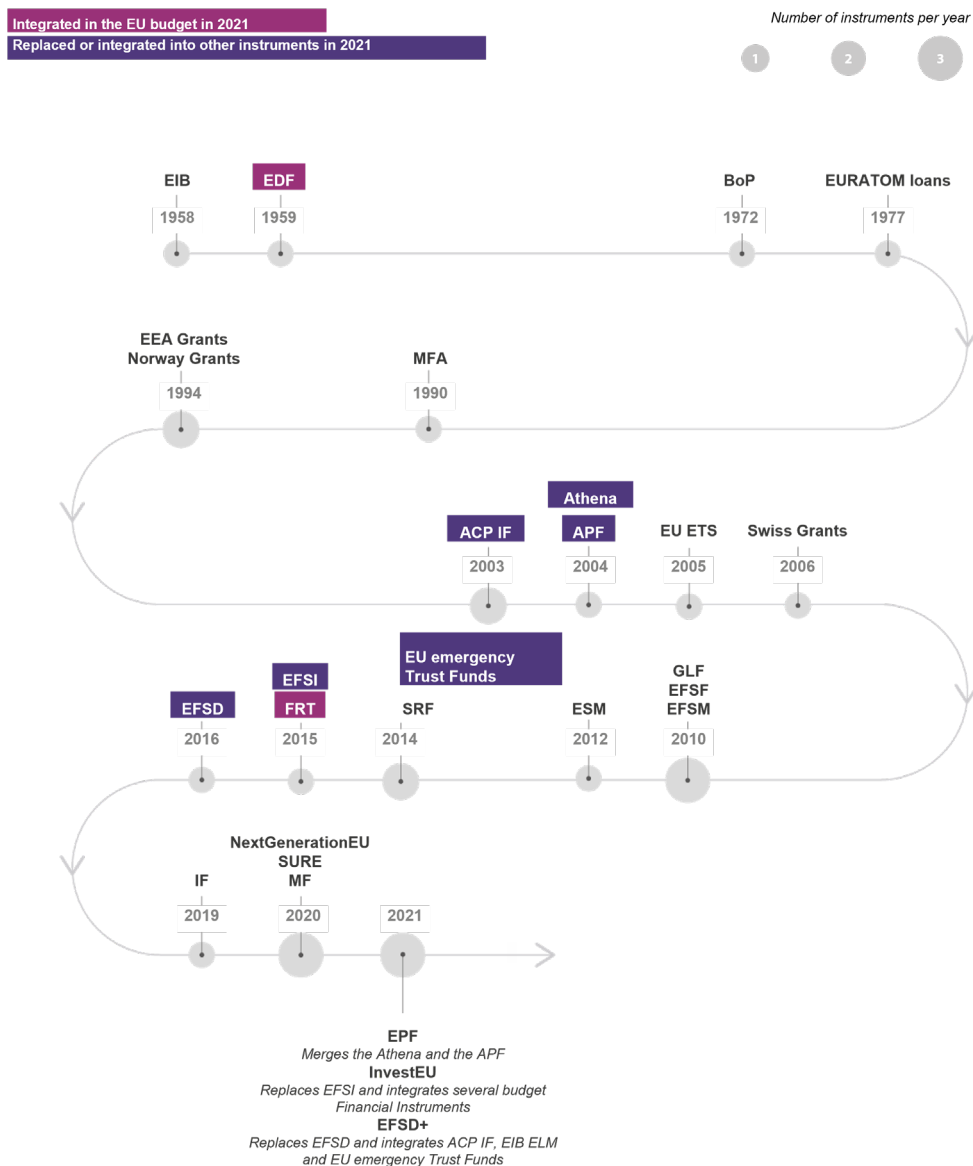
This attracted attention and prompted several publications by academics on the issue. The complexity of the system, coupled with a further increase<sup>1</sup> in the number of financing instruments<sup>2</sup> over recent years (see **Figure 2**), justified analysis by the ECA.

<sup>1</sup> Since the publication of ECA [special report 05/2023](#) in March 2023, a number of new instruments have been proposed by the Commission. For example, to address the need to provide financial assistance to Ukraine (MFA+ and Ukraine Facility) or support for businesses and people affected by the CO2 emissions targets (Social Climate Fund).

<sup>2</sup> In ECA [special report 05/2023](#), we use the term 'instrument' to refer to all types of financing for EU policies, which are called 'instruments', 'mechanisms', 'funds', 'facilities' or 'endowments' in EU legislative acts. We also use the term 'instrument' to refer to specific types of financing provided by institutions such as the European Stability Mechanism and the European Investment Bank.



Figure 2 – Timeline of creation of instruments



Planning this audit required a substantial amount of preliminary work and contact with several stakeholders (the European Parliament, the Council, the European Stability Mechanism (ESM) and the European Investment Bank (EIB)). We also had to make a number of important decisions before establishing a final audit plan, which included the following.

## What is the EU's financial landscape and what should we audit?

We started by collecting information on all instruments with any relation to the EU budget or EU policies. We used several sources for this, including official EU publications, academic studies, and publications (such as the 'EU budgetary galaxy' diagram above). We prepared a database comprising 63 instruments, ranging from EU budget programmes to private endowments fully financed by EU funds. This database included a short summary of the instruments' main characteristics to provide us with an overview and allow us to make an informed decision on how to further analyse them.

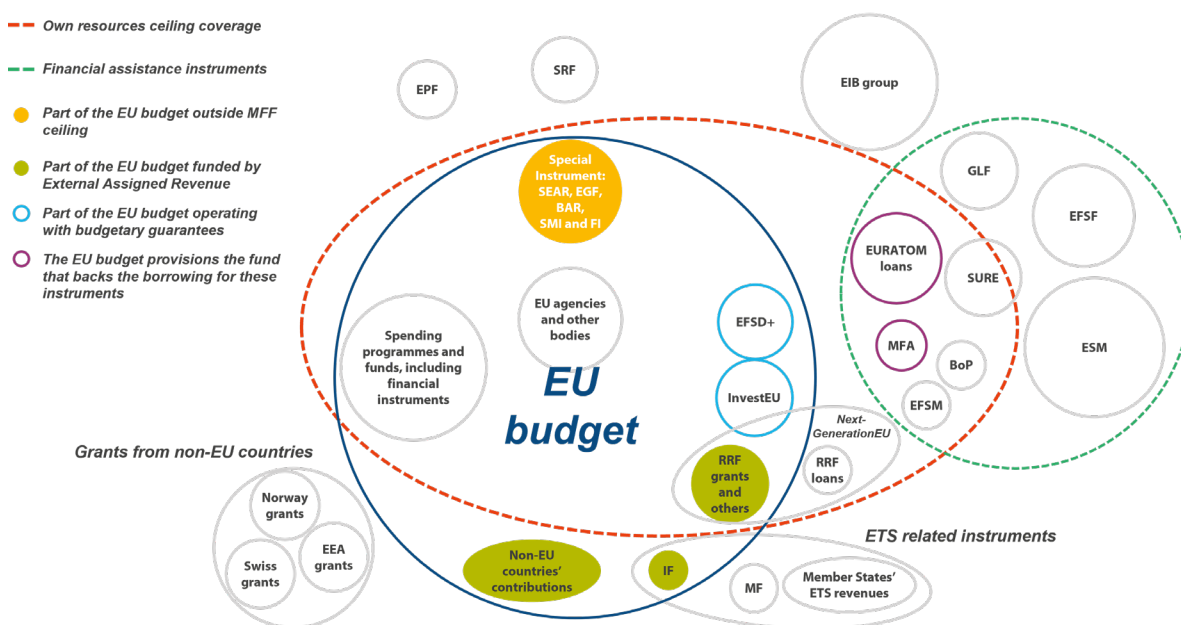
Although we had identified these 63 instruments during the planning phase, in the course of the audit we established criteria to define the limits of what we would consider the EU financial



landscape. We decided to include all of the instruments that finance projects or actions related to EU policies which were actively operational, or which continued to generate significant assets or potential liabilities for the EU or its member states by the cut off date of 01 January 2021.

From the outset, we understood the importance of providing a visual representation of the EU's financial landscape. We wanted to accurately present the complexity of the system (as shown in the 'EU budgetary galaxy' diagram), while at the same time providing the reader with simple yet valuable information. We worked with the ECA's graphic design team from an early stage in the audit process and after several versions we established the reference diagram for the audit (see **Figure 3**).

**Figure 3 – The EU's financial landscape as of 01 January 2021**



Note: The size of the bubbles in the picture does not represent the actual size of the instruments. For the abbreviations, reference is made to [special report 5/2023](#) where more explanations are provided.

As it would have been unfeasible to audit all of these instruments, we decided to limit the scope of our audit to the instruments which lie mainly outside the EU budget. Our audit work did not cover the instruments that are fully integrated into the EU budget and do not generate contingent liabilities, or are not based on external assigned revenue. Moreover, our work also excluded non-EU countries' grants and contributions to the EU budget, and member states' EU emissions trading system (ETS) revenues (since these are directly spent by member states).

## Who is our auditee?

As is the case for many ECA audits, our main auditee was the European Commission. However, because the European Parliament and the Council play a very important role in shaping the EU financial landscape by proposing or approving many of the instruments, we decided to consult these institutions and take their roles into consideration as part of our analysis. In addition, we also consulted the EIB Group and the ESM, due to their prominence in the financial landscape.





## **Audit criteria and what to assess**

Defining good criteria often proves a key factor in the quality of the final result of an audit. In this task, the budgetary principles laid down in the treaties and the EU's financial regulation provided a very useful source for these criteria.

As additional benchmarks, we used international standards, best practices, and recommendations on good budgetary governance and public finance management from the Organisation for Economic Co operation and Development (OECD), the International Monetary Fund (IMF), and the Public Expenditure and Financial Accountability program (PEFA). The audit team's participation in training and bilateral meetings with specialists from the OECD and the IMF proved to be instrumental in defining the best way to apply the benchmarks we identified.

Based on these criteria and benchmarks, we decided to assess whether there were legitimate reasons for not fully integrating all instruments under our audit scope into the EU budget when they were established. Furthermore, we assessed whether adequate provision had been made to ensure the public accountability of these instruments, and whether appropriate action had been taken to increase their level of integration over time.

## **Our audit approach**

Given the large number of instruments that we analysed (we carried out a detailed assessment of 31 instruments), it was important to plan and organise the audit fieldwork in the most practical way. We decided to use a two stage approach:

- We started by checking each of the selected instruments individually against a pre determined list of parameters. These included characteristics such as: the reason for its creation; governance arrangements; audit arrangements; reporting requirements; democratic scrutiny.
- Afterwards, we verified whether the characteristics we analysed individually were consistent across the various instruments. With this, we created a table of characteristics and instruments that allowed us to identify key differences and draw relevant observations and conclusions.

## **Main audit conclusions and reasoning**

The key conclusion of our audit was that the EU's financial landscape is a patchwork of different components. Our analysis revealed that there were legitimate reasons for creating new instruments, but we are faced with a range of governance arrangements, sources of funding and contingent liabilities.

Another important conclusion was that the potential for simplifying the EU's financial landscape has not been fully exploited. We acknowledged that good progress has been made in terms of streamlining the EU's financial landscape in the 2021-2027 multiannual financial framework. For example, we welcomed the integration of the European Development Fund into the EU budget. However, we noted that the financial assistance instruments were not subject to a similar consolidation or integration exercise. This is why several financial assistance instruments remain active, as shown in **Figure 3**. Moreover, despite following similar approaches, there are still a number of unjustified differences.

Finally, we also concluded that the EU's financial landscape is only partly publicly accountable. In the following paragraphs I will provide further detail on how we covered the issue of accountability in our audit and how we reached this conclusion.



## How did we audit accountability?

We assessed three aspects that we considered were important to ensure accountability, through submitting to the appropriate external scrutiny:

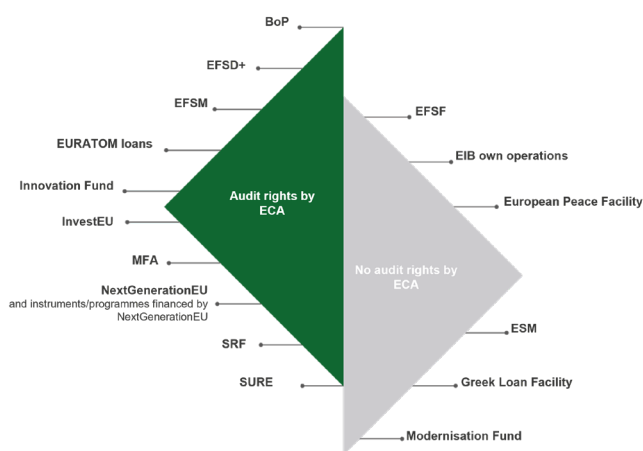
1. reporting;
2. auditing; and
3. democratic scrutiny.

We examined these three aspects for all of the selected instruments, and verified whether they followed the criteria we had determined, and if not, whether there were appropriate reasons for not doing so. Below is a short summary of the main results of our analysis.

We analysed the reporting arrangements for all of the instruments and concluded that the vast majority did have a sufficient level of individual reporting. However, we noted that there is no clear, concise resource for reporting on the EU's entire financial landscape.

The EU treaties establish the ECA as the EU's external auditor and the International Standards for Supreme Audit Institutions (the INTOSAI standards) state that all public financial operations should be subject to audit by supreme audit institutions, regardless of whether or how they are reflected in national budgets. We identified the instruments for which the ECA does not have audit rights (see **Figure 4**) and verified whether appropriate audit arrangements were in place.

**Figure 4 – ECA audit rights**



We have already covered this issue in previous publications. For example, in a [2014 ECA landscape review](#) we advocated that 'public audit mandates should be established for all types of financing for EU policies' and that 'the ECA should be invited to audit all bodies created through agreements outside the EU legal order to implement EU policies. This includes the ESM and the EIB's non-EU budget-related operations'. In ECA opinion 02/2018, we also recommended that the ESM grant a mandate to the ECA to address the gap we identified in relation to auditing performance. Our work confirmed that the conclusions we had previously published were still valid.

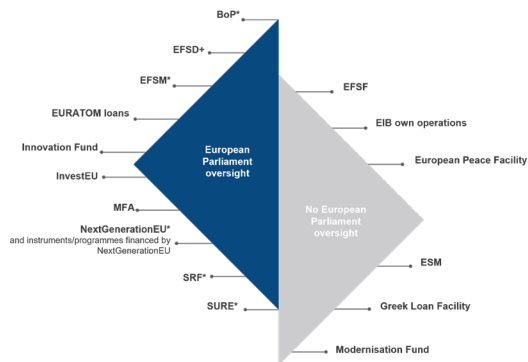
This aspect of the audit revealed different positions. For example, we noted that the European Parliament had made several calls for greater ECA involvement in EIB and ESM audits. However, both the EIB and the ESM consider that their audit arrangements are adequate.

Public democratic scrutiny is essential to ensure that the financing instruments are legitimate, justified and accountable. We found that the European Parliament has general oversight rights over many instruments, but not all (see **Figure 5**). For instruments over which the European



Parliament has no formal oversight rights, democratic scrutiny can only be exercised by national parliaments. However, this creates a gap, since the nature or degree of public scrutiny – and therefore accountability – may vary according to the type of financing instrument used.

**Figure 5 – The European Parliament's oversight**



## Driving change through greater awareness

Coordinating an audit which included several different instruments, interacting with many Commission services and various stakeholders, and balancing different views were among the many challenges we faced in the course of this audit. Our findings on accountability were particularly sensitive points and were not always easily accepted by the auditees.

Nevertheless, I believe that the added value of such a report is significant. Drawing attention to the inconsistencies that we detected in the EU's financial landscape, together with the proposed simplifications, can help to drive much-needed change. Working on this audit allowed me to better understand the political dimension of the EU's decision-making process. It also emphasised that the existing balance of power between the different EU institutions should not be underestimated, particularly in relation to a principle as fundamental as accountability.



© Adobe Stock/ Egor

# GOVERNANCE ARRANGEMENTS AND ACCOUNTABILITY AT THE COMMISSION: SOME OBSERVATIONS FROM OUR AUDITS

By Daria Bochnar, cabinet of Keit Pentus-Rosimannus, ECA Member

Well-designed and well-functioning governance arrangements promote public accountability, which plays a fundamental role in maintaining the public's trust. The COVID-19 pandemic, the Russian invasion of Ukraine, the ravages of inflation, and the energy and migration crises required the Commission to respond quickly and decisively. The growing complexity of the Commission's responsibilities, as well as the unprecedented scale and necessary speed of the response needed, impacted the decision-making process and triggered media commentary about the lack of transparency that is still ongoing. Some of these concerns were the subject of the observations in ECA reports published in 2023. Daria Bochnar, Attaché in the private office of ECA Member Keit Pentus-Rosimannus, highlights some of these observations, along with considerations on whether the EU budget's growing exposure needs more accountability and better transparency, which opens up discussion on whether the Commission's governance arrangements are sufficient.

## The Commission's governance arrangements

Since the administrative reform in 2000, the European Commission's governance arrangements have been based on a decentralised [decision-making model](#). The College assumes overall political responsibility, and the directors-general or heads of department are responsible for financial management. We audited the Commission's governance system in 2016 and made recommendations for improving independent oversight, risk management and financial and performance reporting.

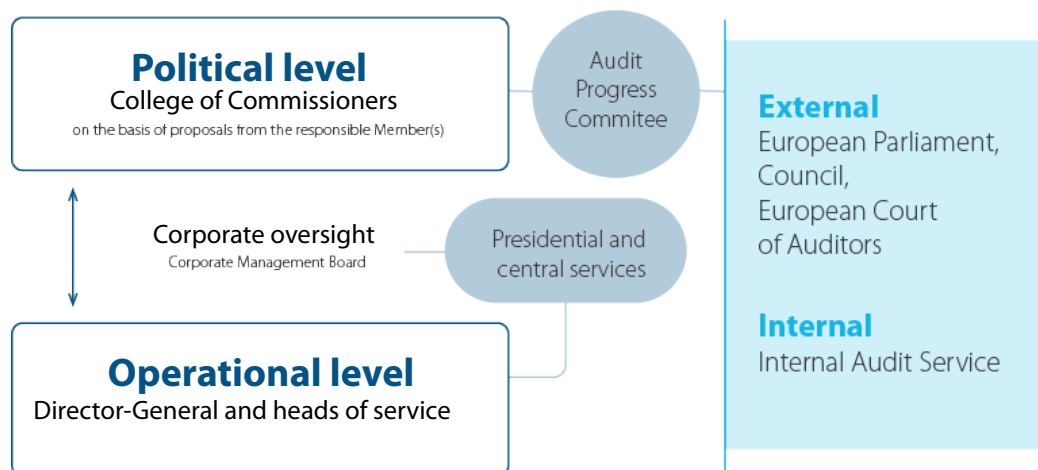
Since then, the Commission has taken steps to address these concerns. In 2018, the Commission rationalised the functioning of the corporate governance bodies and updated the mandate of the Corporate Management Board, which provides coordination, oversight, advice and strategic orientation on corporate management issues. Its mandate also covers the production of the Commission's flagship publication, the [annual management and performance report](#), through





which the College takes overall political responsibility for the management of the EU budget. The Commission's governance arrangements, as presented in **Figure 1**, are aimed at ensuring that it remains an accountable and performance-oriented public institution.

**Figure 1 – The Commission's governance model**



Source: European Commission, 21.11.2018, C(2018) 7704 final

## Accountability and governance arrangements in a complex and dynamic environment

In this article I will focus on oversight arrangements, which allow for a thorough assessment of risks relating to the exposure of the EU budget and EU policy achievements. Effective governance is even more important in emergencies, when decisions must be made rapidly and under extreme pressure. The expanding competences of the Commission in different policy areas, coupled with evolving forms of financing, raise concerns about the Commission's accountability. Two recent ECA reports present some considerations on potential gaps in this area.

In our audit on NextGenerationEU (NGEU) debt management at the Commission ([special report 16/2023](#)), we concluded that the Commission quickly developed a debt management system which allowed the required funds to be borrowed in a timely fashion. This success should, however, not distract from the consequences and potential risks related to increased debt resulting from large-scale borrowing in order to finance the NGEU, and subsequently from loans to support Ukraine. There is no escaping the fact that the EU budget is now exposed to a high degree of risk in an unstable context. Interest rates [rose sharply in 2022](#), putting considerable pressure on the budget, which is the main source of funding for EU programmes. At the same time, programmes have also been affected by increased implementation costs caused by high inflation.

To manage the risks described above, the Commission adjusted its organisational arrangements and set up separate risk management functions for different financial instruments. In the case of NGEU borrowing and lending activities, these functions form part of DG BUDG's overall risk management framework. The Commission developed a [high-level risk and compliance policy](#) and created the function of Chief Risk Officer (CRO), supported by a Risk and Compliance Committee.

Initially the CRO was only responsible for the risk and compliance assessment of NGEU operations. This was changed in December 2022, when the CRO's mandate was extended to cover all borrowing programmes implemented under the diversified funding strategy, and under back-to-back funding arrangements. The CRO may now conduct comprehensive assessments of the financial and non-financial risk exposure of the EU budget.

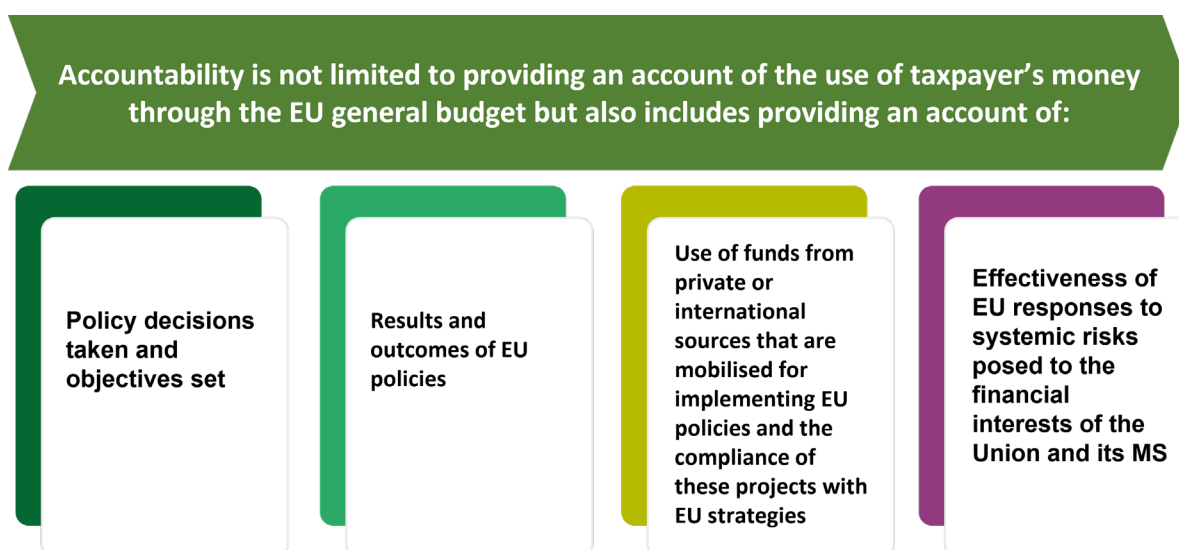


During our audit we identified weaknesses in the organisation of this function, and recommended that the Commission reinforce the role of the CRO to ensure that the person appointed can fulfil their mandate effectively and efficiently. We also suggested improvements to strengthen debt management accountability. These concerned the Commission's debt management performance and reporting.

The other audit which resulted in interesting observations on accountability is our [special report 05/2023](#) on the EU's financial landscape. We noted that EU activities and policies are financed by a 'galaxy of funds and instruments'. These include instruments that are fully financed (or provisioned) from the EU budget as well as off-budget instruments that use EU budget guarantees to leverage private sector investment, such as the European Fund for Strategic Investments or InvestEU.

Instruments outside the EU budget face particular challenges in terms of maintaining an adequate level of transparency and accountability. For this reason, it is necessary to report on performance and measure these instruments against the intended objectives. **Figure 2** shows how accountability beyond the EU budget should be understood.

**Figure 2 – Accountability beyond the EU budget**



## Complex accountability landscape regarding financial instruments

The growing number of financial instruments poses a challenge for the ECA's auditors in terms of auditability, which is described in another article in this Journal (see page 64). In addition to this, and similarly to the case of large-scale borrowing described above, the new instruments were often created as a response to emerging challenges and different crisis situations. However, moving with speed and agility comes at costs. The results of the ECA's audits show that, even if there were good reasons for creating instruments outside the budget, the piecemeal approach to the setup of the EU's financial landscape has resulted in a patchwork construction that is not fully publicly accountable.

The ECA has found that the Commission's reporting on these instruments is very complex. The Commission prepares a set of financial and accountability reports, including the EU annual accounts, which provide information on the instruments covered by the own-resources ceiling<sup>1</sup>.

There are also other reports which contain supplementary information on those instruments (e.g. the report on financial instruments, budgetary guarantees, financial assistance and contingent liabilities),

<sup>1</sup> [Council Decision \(EU, Euratom\) 2020/2053](#) on the system of own resources of the European Union.



not to mention the 13 working documents annexed to the 2022 EU budget. Although these documents present specific aspects in detail, there is currently no report that includes an overview of all instruments in the EU financial landscape. Furthermore, instruments established outside the EU budget are not included in this reporting at all. The growing complexity of financial instruments, as well as the fragmentary and complex nature of reporting, means that gaining a full overview of the EU financial landscape is challenging even for experts. This in turn may contribute to mistrust by the public and discharge authorities.

## Keeping pace with the evolution of EU actions

For nearly a decade, Europe has been confronted with successive emergencies: financial and migration crises, the COVID-19 pandemic, the Russian invasion of Ukraine, energy security concerns and climate change. The world of policy-making has fundamentally changed and crisis management has become the rule rather than the exception. In its 2021 [Government at a Glance report](#), the Organisation for Economic Co-operation and Development states that ‘the biggest lessons of the crisis are that governments will need to respond to future crises at speed and scale while safeguarding trust and transparency’.

In 2022 almost half of all Europeans said they trusted the European Union, which is the highest level registered since spring 2008. Considering the difficulties the EU has been facing, this can be seen as a remarkably good result. However, it also means that nearly 43 % of Europeans distrust the EU, which should be a cause for reflection. The Union therefore needs to continue to work on transparency and accountability with respect to crisis response measures.

The unprecedented amount of EU funding for the 2021-2027 period increased the need for accountability and protection of taxpayers’ interests. The ECA reports presented above show that the choices and decisions made now may have far-reaching consequences, including for the volume of EU debt and liabilities. Good governance arrangements are key to guaranteeing adequate risk management and accountability with regard to EU finances. They are essential to the Commission’s ability to mitigate risks and make decisions that take account of all the available information, actual and potential threats, and any complicating factors that may emerge in the short or long term. They are also an essential precondition for sound financial management and effective use of EU funding. This is why it is crucial for governance arrangements to keep pace with the evolution of the EU budget and the EU financial landscape.

So, are the governance arrangements at the Commission suitable for the challenges of the future? Do they take proper account of the increasingly complex environment in which the Commission operates, and do they guarantee effective management and oversight of the key risks it faces?

The most recent changes in the Commission’s governance arrangements date back to 2018 and maintain the decentralised decision-making model defined in 2000. While the ECA has not specifically audited this subject since 2016, several of our audits addressing specific aspects of accountability suggest that it may once again be time for the Commission to reflect on its accountability and governance arrangements. This is something the new Commission, which will take up office at the end of this year, may consider addressing to enable sustainable governance arrangements.



# ACCOUNTABILITY AND CLIMATE CHANGE – A REPORT FROM EXTERNAL AUDITORS AT THE UNITED NATIONS CLIMATE CHANGE CONFERENCE (COP 28)

By Joanna Kokot and Austin Maloney, Sustainable Use of Natural Resources Directorate, ECA

For transnational issues, such as economic stability or biodiversity, responsibility, and therefore accountability, easily become blurred. Climate action is a policy realm where the need for international action, and even targets for the 'distant' future, is generally agreed upon, but the pathway there is a little more disputed. Reporting by external auditors on climate change actions and the transition pace towards a carbon neutral society is therefore more relevant than ever. Joanna Kokot, senior auditor and assistant to the audit director of the 'Sustainable Use of Natural Resources' Audit Chamber, and Austin Maloney, trainee in the same audit directorate, show how several external auditors combined forces at United Nations Climate Change Conference COP28 to highlight ways to enhance accountability and transparency.

## Auditors and climate change action – a perfect match in promoting accountability

While many people link the ECA's, and other supreme audit institutions' (SAIs), work to finance and compliance, they also have a role to play when it comes to the major societal challenges of our time, such as climate change. SAIs are well-positioned to provide insight into, and a broad overview of, the progress made by authorities on their climate commitments – such as those made in the 2015 Paris Agreement - and the gaps between those commitments and their realisation. The ECA and other SAIs were present at the most recent edition of the COP, COP28 in Dubai (30 November – 12 December 2024), to provide an insight into their approaches to auditing climate action and to present their findings, conclusions and recommendations.

The ECA was represented by Marc-Oliver Heidkamp, Attaché in the Private Office of ECA Member Klaus-Heiner Lehne (responsible for the ECA's involvement in the INTOSAI [Working Group on Environmental Auditing](#) (WGEA)) and Joanna Kokot. The COP events, in which the ECA took part together with other SAIs, were co-organised by the INTOSAI WGEA. Below we learn about how SAIs can contribute to accountability and transparency in a policy area which is cross sectoral,





affects citizens directly, and has substantial amounts of public funds involved. The presentations SAls delivered at the COP give us some practical insights into how we auditors can address this accountability challenge.

## EU actions and funding make a difference...and yet more is needed

The ECA has audited climate action for many years now, and its presentation focused on the findings from recent ECA special reports in the area. 'Climate change, environment and natural resources' is one of four strategic areas set out in the [ECA Strategy 2021-2025](#), both because of the importance it has for EU priorities and the scale of the EU budget devoted to it. The EU, through the [European Green Deal](#), has given itself ambitious climate goals, aiming for Europe to become climate-neutral by 2050. These goals were written into law in the [European Climate Law](#), which also sets the intermediate target of a cut in net greenhouse gas emissions by at least 55 % by 2030, compared to 1990 levels.

There is therefore plenty for the ECA to audit in this field, and it has found positives and negatives in terms of the EU's climate performance. For 2021-27, the EU has committed to devoting a 30 % share of budget to climate action. This amounts to around €87 billion a year – however, estimates are that €1 trillion per year is needed. That places a lot of demand on national and private financing to fill the gap. For the earlier period, though the EU committed to 20 % of the total 2014-20 budget being spent in this area, ECA auditors found that only 13 % had actually been spent ([special report 9/2022 on Climate Spending in the 2014-2020 EU Budget](#)).

On the positive side, the ECA found ([special report 18/2023 on Climate and Energy Targets](#)) that the EU did reach its 2020 targets for GHG emissions, energy efficiency and renewable energy share, and that the EU share of global emissions dropped significantly, from 15.3 % in 1990 to 7.9 % in 2019. The EU did indeed manage to decouple GHG emissions from economic growth, a key [Green Deal priority](#) – meaning that GHG emissions dropped while EU GDP increased. So, the EU is decarbonising its economy, and faster than any other large economy. However, the economic downturn caused by the Covid-19 pandemic contributed to these emission reductions.

The ECA also noted a lack of knowledge capacity in certain areas. For example, in its view, offshore renewable energy will play a crucial role ([special report 22/2023 Offshore renewable energy in the EU](#)). However, the full potential of offshore wind capacity has not yet been identified across the member states. Boosting this area also leads to other issues – EU waters are already used extensively, for shipping, nature preservation and more. Dedicating water space to offshore wind capacity can therefore conflict with other uses.

On transparency, the ECA concluded that the EU's current tracking measures on trade, international aviation and shipping only consider intra-EU emissions. The figures would be around 10 % higher if emissions caused by EU interactions with external countries were included. In conclusion, so far, the ECA has found little to indicate that the ambitious 2030 targets of the EU will translate into sufficient action. The auditors' key message is to target efforts and funds at actions that bring results, and to be transparent in reporting on results relating to these actions.

## Auditing green policies – a process that poses methodological challenges

To be able to audit green policies also requires developing the correct means of doing so. The ECA is currently running a project together with the U.S. [Government Accountability Office](#) (GAO) on audit methodologies and audit approaches for auditing green fiscal policy tools. This project is covered by the INTOSAI WGEA Work Programme 2023-2025. It comes alongside two other projects, one on sustainability reporting and on environmental accounting.



All are very important elements in assessing the achievement of climate targets. Green Fiscal Policy Tools, together with budgetary tools, can be used to address climate and environmental challenges, such as congestion, pollution, the reduction of Co2 emissions and forestry policy. There are more examples of key audit findings relating to Green Fiscal Policy Tools in recent ECA work, such the review on [‘Energy taxation, carbon pricing and energy subsidies’](#) (review 01/2022), in which the ECA demonstrated that while overall in the European Union, subsidies for renewable energy are higher than before, subsidies for fossil fuels have remained stable over the last 15 years.

Other SAs are also doing similar work, such as the UK [National Audit Office’s](#) (NAO) [study on environmental tax measures](#), or the Riigikontroll of Estonia’s [overview of environmentally harmful subsidies](#). Green Fiscal Policy Tools also involve creating fiscal space for private investment to happen. That demands tools such as the [EU Taxonomy](#), a common classification system to establish what qualifies as a green investment. Other examples of Green Fiscal Policy Tools include fiscal reforms to raise public revenues, such as the [Plastics Own Resource](#), a revenue source for the 2021-27 budget, through which EU member states have to pay a contribution for plastic waste that is not recycled. The ECA is currently carrying out an audit on this matter.



Representatives of SAs replying to questions at the COP28. From left to right: Vivi Niemenmaa (Finnish SA), Dashiell Velasque da Costa (Brazilian SA), Joanna Kokot (ECA) and Vital do Rêgo (Brasil).

Representatives of other SAs also provided presentations at COP28, such as the Office of the Auditor General of Canada, the GAO, the Federal Court of Accounts of Brasil (TCU), and the Auditor General’s Office of the Maldives. The latter highlighted the particular circumstances it faces as Small Island Developing State due to climate change, such as coastal erosion, land loss and extreme weather conditions and the accountability challenges relating to that, going well beyond the Maldives itself.

Canada has the [Canadian Net Zero Emissions Accountability Act](#), which requires the government to reduce GHG emissions and set targets, and report on progress. It also requires the OAG to report at least every five years on the government’s implementation of measures to reduce GHG emissions. The first report by the OAG concluded that, while the [2030 Emissions Reduction Plan](#) included important mitigation measures, it was ultimately insufficient, and key measures were delayed or not prioritised and responsibilities were fragmented between various federal entities. The OAG is also planning to audit Canada’s first [National Adaptation Strategy](#). This strategy includes a range of topics such as: disaster resilience; health; nature and biodiversity; infrastructure, and economic considerations. It also includes the [Adaptation Action Plan](#) which has 73 actions across 22 federal departments and agencies.



The GAO noted that the INTOSAI WGEA has produced a report on climate finance ([Auditing Climate Finance: Research and Audit Criteria for Supreme Audit Institutions](#)), which provides tools that SAs can use to overcome some common challenges in auditing climate finance. The study found that few countries consistently track climate finance, making it difficult to evaluate progress towards the \$100 billion per year Copenhagen Accord (2009) commitment. Even fewer countries evaluated the effectiveness of climate finance investments.

The INTOSAI WGEA study also found that where a single government-wide audit of climate finance is impossible, SAs could make progress on auditing climate finance and other climate change issues by integrating multiple performance audits into a greater body of work. In this case, auditors can combine the results of many individual audits on specific programmes or issues over time to conduct the equivalent of a government-wide audit. GAO's climate change [High-Risk Area](#) is a good example of how to do this. It calls attention to areas where the federal government needs to reduce its fiscal exposure to climate change, such as where the federal government is the owner and operator of facilities and infrastructure, or the provider of national flood insurance and crop insurance. GAO conducts many individual audits in all these areas. Over time this lets the GAO tell a more coherent story about government-wide issues like climate action.

There are also global tools, such as the [Climate Scanner](#), led by the TCU via the INTOSAI WGEA. It is a platform whereby SAs globally can conduct an assessment of the actions governments have put in place to address climate change. The target is to include more than one hundred SAs in this assessment, and it covers three axes: governance, finance, and public policies. These axes break down into various components, such as risk management. The TCU is developing a handbook and working on training to offer to SAs in 2024, so they are better prepared to use the climate scanner and specifically the finance axis, and also better prepared to audit climate finance in their future audits.

## Accountability and auditing

The EU is at the forefront of international climate commitments and has taken major initiatives in climate policy actions, including in its involvement in COP 28. This means that for the ECA, as the EU's external auditor, it's even more important to contribute to accountability and transparency on progress for such a vital EU policy priority.

All of the SAs' contributions at COP28 accentuated the ever more important role of independent public audits when it comes to key societal changes and challenges, including climate change and environmental sustainability. Public auditors need to make recommendations that promote the effectiveness of actions and point to what works, and encourage rapid improvements where necessary. Public auditors have a duty to examine commitments made, highlight shortfalls and risks, and communicate them to the public in an understandable way. This also because of financial concerns: if effective and efficient actions are not taken now, the impacts on public budgets and citizens' lives are likely to grow, and will have higher unforeseen costs in the future. In this respect, accountability also applies to SAs, to ensure they come up with their findings at the right moment for them to be addressed in time by policymakers.





## DIRECTOR'S CUT

# WORKING ON THE FRONTLINE OF THE ANNUAL ACCOUNTABILITY PROCEDURE

## Interview with ECA Director Alejandro Ballester Gallardo

By Gaston Moonen

At the ECA, responsibility for accountability and transparency is not the preserve of a single audit chamber; rather, all chambers contribute to the task in all areas of EU action. However, many of the ECA's publications on accountability and EU governance originate from the Chamber for Financing and Administering the Union. How are audits focusing on accountability arrangements selected, and what methodological challenges do they present? We put these questions to Alejandro Ballester Gallardo, the director of this chamber since November 2022, who shares his views on how financial, compliance and performance audits are the three core dimensions of the ECA's work which his directorate delivers.

### Financial, compliance and performance audits are of equal importance

Having worked in several of the ECA's audit chambers, Alejandro Ballester Gallardo has seen many sides of the accountability issue. Working as the Director of the Chamber for Financing and Administering the Union for well over a year has nevertheless given him greater insight. 'It has not changed my view of the ECA's role in public accountability as such, but it has definitely focused my attention on the role of compliance and financial audit in this area.' His directorate is responsible for coordinating financial and compliance audit work for the ECA's annual report, which contains the statement of assurance. 'The annual report is our core product, to which many colleagues, also from other audit directorates, contribute. The annual report is at the heart of the European Parliament's annual discharge and is a visible example of accountability when it comes to implementing the EU budget. Financial and compliance audits are a very important part of this process. Working in this directorate has given me the opportunity to be on the frontline of the accountability procedure.'



*The annual report is at the heart of the European Parliament's annual discharge and is a visible example of accountability...*

In Alejandro's view, performance audit is an important part of ensuring accountability for the EU's actions, but this cannot be achieved without the two other dimensions of the ECA's audit work. 'The three dimensions – financial, compliance and performance audit – are equally important. We need all three to contribute fully to accountability and transparency in the public sector. With financial audit, we provide assurance and an independent opinion on the integrity of financial reporting. With our opinion on the reliability of the accounts, we are telling EU citizens and legislators that the financial statements provide a true and fair view of the EU's financial position.' He explains that when





it comes to compliance, the ECA provides an estimate of expenditure and, if applicable, revenue that has not been implemented in accordance with the rules. 'In my view, this is a very important element of accountability. Just as important as the performance part, in which, ideally speaking, managers of EU policies and programmes demonstrate that they have achieved the policy objectives with the public resources used. Without one of these three elements, an external auditor will not be able to contribute fully to accountability and transparency.'



*Without one of these three elements, an external auditor will not be able to contribute fully to accountability and transparency.*

Alejandro explains that his directorate focuses more on financial and compliance audit because of its responsibility for the annual report. 'Our financial and compliance audits absorb 75 % of the capacity that we have in the directorate. We have grown a lot in the last year: about 37 % of our staff joined in the last 12 months, mainly driven by the work we do on the Recovery and Resilience Facility (the RRF). With the remaining capacity, we produce special reports and reviews covering a broad range of accountability topics.' He refers to reviewing the EU performance framework, which is now carried out through the Annual Management and Performance Reports – the AMPRs. Another area under his directorate's remit is EU governance and law-making. 'This is directly related to accountability, i.e. how laws are built and the structures in place to apply them.' He mentions previous work carried out by the directorate, such as [review 02/2020](#) on law-making in the EU, or [special report 31/2019](#) on ethical frameworks in EU institutions, as examples.



*...directly related to accountability, i.e. how laws are built and the structures in place to apply them.*

## Methodological challenges to audit accountability

Does auditing accountability create unique methodological challenges, or require external expertise or specific training? Alejandro says that this is not generally the case. 'However, the concept of accountability is becoming broader and more complex over time because all the new EU responses to emerging crises are extending the delivery mechanisms and reach of EU actions. It is crucial for these new EU actions to have clearly defined roles and responsibilities.'

Overall, Alejandro sees the methodological challenge as stemming from the fact that it is not always easy for auditors to find standards and audit criteria relating to general accountability and transparency which are directly applicable to the EU context. 'We have this multi-institutional aspect, and we also have the EU and member state levels. For example, as regards the audit we will soon be publishing on the transparency register and how institutions are registering their interactions with lobbyists, every institution has a different objective and a different set-up, whether Members of Parliament, the Commission, and the Council with its member state representatives. All have different roles and contact with lobbyists. This means that a single set of standards wouldn't work. You need to adapt it, which can be quite a challenge.'

When discussing how his directorate maps and monitors progress on accountability and transparency, he emphasises that 'improving accountability and transparency is embedded in the ECA's mission and is one of its strategic objectives. In that sense, it is a corporate responsibility to which every ECA audit chamber contributes through our knowledge management framework and the programming system.' He explains that his directorate has seven knowledge nodes, ranging from EU financial instruments and budgetary management, to EU governance and law. 'The role of colleagues working on these nodes is to scan policy developments in these areas. First, to identify any changes in accountability and policy objectives. Second, to identify areas where we need more knowledge, through training or dedicated internal research. And third, very importantly, to identify potential areas that can lead to audit topics being reflected in our audit programme.'



## Reviewing governance arrangements

As regards governance arrangements at the Commission, the ECA published a rather critical report several years ago ([special report 27/2016](#)). Alejandro's directorate then followed up the report's recommendations in 2019. 'We identified a lot of progress in this area, such as the Commission's update of its internal control framework, the consolidation of separate reports into a single report containing accountability information, and progress on the Internal Audit Service's recommendations.'

He also refers to [special report 05/2023](#), which covers governance aspects in general. 'This report on the EU's financial landscape provides an overview of audit and accountability gaps, including the fact that the ECA does not have a mandate to audit some of the instruments which are mostly outside the EU budget, particularly where intergovernmental bodies are concerned.' He thinks it is too early to see whether concrete measures have been implemented as a result of the follow-up. 'But if we look at the latest developments now, such as on the Climate Social Fund, the Ukrainian Facility and the Western Balkans Facility, the ECA has audit rights for all of them.' However, one aspect that has clearly not been addressed is the piecemeal approach. 'However, these facilities are separate from the traditional EU programmes.'



*Our insights from the past provide useful lessons for designing the next MFF...*

Anticipating the discussions about the new Multiannual Financial Framework (the MFF), Alejandro explains that the ECA, as in the past, is ready to share ideas about the future of EU finances. 'The MFF midterm review has already taken place, resulting in a number of legislative proposals from the Commission. It is now time to start thinking about the future long-term EU budget. Our insights from the past provide useful lessons for designing the next MFF, and we are ready to share the experience, knowledge, conclusions and recommendations resulting from our work on the current MFF.'

When it comes to using the current governance arrangements, the Commission's Internal Audit Service (IAS) plays a significant role. 'At the ECA, we keep a repository of all IAS reports. As part of our work on the statement of assurance, we also follow the IAS's annual overall opinion on the Commission's financial management.' He explains that the IAS has opinions on the declarations made by the Commission's directors-general and on the RRF. 'Knowing the risks they identify can be useful when we plan our audits.' Another factor that he considers relevant for the ECA's audit work is the IAS's audit programming. 'It is important that we keep each other informed about our respective audit work, so we consult the IAS work programme every time we propose new audit ideas. If the IAS has recently looked at the same aspects we have in mind, we may wait rather than auditing the area directly, or redesign the audit, or go ahead anyway if there are good reasons. We meet the IAS on a regular basis at different levels.'

## Transparency as a condition for accountability

While accountability is often associated with transparency, they are not the same thing. But you cannot achieve one without the other, and Alejandro believes that the ECA's work directly contributes to transparency. 'In this respect, think about our financial audit work, because we are looking at the reliability of the financial information and whether it reflects the economic reality behind it. This includes information about the exposure of the EU budget, for example regarding the loans to Ukraine. Is this correctly reflected in the accounts, and is it sufficiently transparent for Parliament and EU citizens to know the extent to which the EU budget that serves as a guarantee for these loans is exposed? This is also part of our financial audit work.' He adds that chapter 2 of the [2022 annual report](#) contains further information about these issues and 'more details contributing to transparency.'

Having access to such financial data is one of the things which sets the ECA apart from other researchers such as think tanks. 'Through this, we can provide a lot of added value, putting our broad audit mandate to maximum use. And we should not be afraid to audit issues which may lie at the limit of our mandate when doing so is important to improve accountability and transparency.'



He argues that the broader governance reviews, which cannot be carried out every year, are complemented by specific and deeper assessments in other areas. 'Such as with our ongoing audit of the EU transparency register, looking in depth at a very specific aspect of accountability, and using our audit rights to the fullest.' He points to another ongoing audit on the transparency of EU funding to NGOs in selected internal policy areas, 'This will complement [special report 35/2018](#) on EU funds implemented by NGOs outside the EU. Another audit we are currently working on is how the Commission is managing infringement procedures. These enable the Commission to hold member states accountable, but we review how the Commission uses its powers here. This is how the accountability chain is set up.'

In this connection, Alejandro also highlights the ECA's audit work on the RRF. 'One of the first ECA reports on the RRF ([special report 07/2023](#)) assessed the design of the RRF control systems. We noticed there was an accountability gap at EU level because the existing RRF systems provided only limited verified information at EU level that the RRF-funded projects complied with EU and national rules. Building on these observations, we are now looking at the member states' control systems. We will see what member states are doing in the light of the accountability gap at EU level to ensure that RRF-supported investments comply with state aid and public procurement rules. This requires us to go to the member states to check what they actually do.'

## Unwelcome audits?

While ECA stakeholders and auditees welcome the ECA's traditional financial, compliance and performance audits, Alejandro feels that 'the need for audits in which the link to EU money may be less obvious is not always understood.' He explains that this does not stop the ECA from carrying out its audit work, 'but obviously this requires an additional effort in terms of explanation and communication so that stakeholders and auditees fully understand our audit rights and so allow us to do our work.' Alejandro is convinced that the ECA should keep carrying out such audits even if they are sensitive, 'because they build citizens' trust in EU institutions and activities. We also need to audit these areas to show that everybody is accountable and is held accountable.'



*'the need for audits in which the link to EU money may be less obvious is not always understood.'*

In this area, the ECA is very much in favour of management assurance also extending to policy objectives, especially in terms of accountability. 'To assess performance, we need relevant and reliable performance information. If you look at the audit reports the ECA has published on performance in various policy areas, the common denominator is that performance information is not always relevant, focuses too much on the short-term delivery of inputs and outputs, and does not provide enough detail about the impact of EU policies.' He stresses that there has been a lot of progress over the last 20 years on improving the EU performance framework. 'However, obtaining robust performance information about many programmes still poses a challenge.' An important development to promote this aspect has been the Commission's AMPR. 'This really helped to enhance public scrutiny of performance. But our reports on performance also contributed to this.'

Alejandro concludes that, by using its audit mandate to the fullest, the ECA can ultimately increase stakeholders' awareness of where accountability can be improved. Another aspect he believes it is important to address is policy coherence. 'This is typically an issue – albeit not an easy one – that external auditors can look at. Horizontal priorities are increasingly visible in the current Commission. Auditing specific horizontal priorities would require cross-cutting aspects to be assessed, necessitating expertise in different policy areas rather than the standard vertical approach. This requires multi-disciplinary teams working together to assess the achievement of horizontal priorities. Looking ahead, this could also trigger innovation for our work, for which we will ultimately be held accountable by our stakeholders, i.e. EU citizens.'



© Depositphotos/mtoome

# THE BELGIAN COURT OF AUDIT'S 'WHOLE-OF-GOVERNMENT' AUDITS – ENCOURAGING THE TRANSPARENCY OF META STRUCTURES IN A FEDERAL STATE

By Vital Put, Belgian Court of Audit

Accountability challenges can easily arise in countries with multilevel governance, even more so than in those with centrally organised governments. Belgium, a federal state, has a multilevel structure which brings about challenges and risks in terms of coordination. The Belgian Court of Audit explicitly addresses these aspects in some of its audits. Vital Put, councillor and a Member of the Dutch speaking chamber of the Belgian Court of Audit, discusses the complexity of meta-structures and how the Belgian Court of Audit addresses this issue and its consequences through a 'whole-of-government' approach.

## Transparency and accountability in a federal state

Belgium is a federal state. Besides the federal level, there are three regions (Brussels Region, Flemish Region and Walloon Region) and three communities (Dutch-speaking, French-speaking and German-speaking). **Figure 1** illustrates this structure. Each level has its own parliament and government. In Flanders, the Flemish Region and the Dutch-speaking community have been merged into one institution. The Belgian Court of Audit works for the six parliaments. One characteristic of the Belgian federal model is the exclusive division of powers – in principle, each specific matter falls within the competence of only one government, as far as possible. Furthermore, the federal state, the regions and the communities are on an equal footing – there is no hierarchy among them or their regulations<sup>1</sup>. Originating from a unitary state, the federalisation of Belgium has often been described as centrifugal and is still evolving.

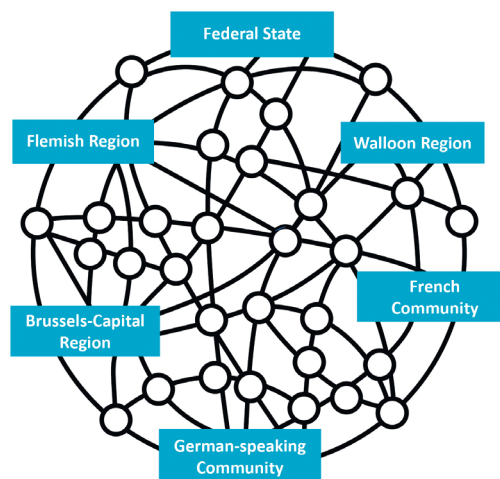
---

<sup>1</sup> Unlike in Germany, for example, where the Bundesrecht bricht Landesrecht principle applies [federal law takes precedence over state law].





**Figure 1 – Structure of the Belgian state**



Source: Belgian Court of Audit.

Cooperation remains indispensable no matter the division of competences, due to inevitable interference and numerous interfaces. This is particularly evident when addressing complex policy challenges such as the climate, employment, health, etc. Moreover, European policy and international agreements also require cooperation across the different levels of the Belgian state. Like in other federal states, there are mechanisms in place to ensure this coordination.

These mechanisms consist of a multitude of institutions and instruments, a kind of 'meta-structure', resembling a spiderweb across the state structure:

- the Concertation Committee (the central body);
- 24 inter-ministerial conferences (e.g. on labour market policy or public health), each housing many working groups;
- numerous inter-federal plans (e.g. on integrated care or road safety);
- hundreds of cooperation agreements;
- many inter-federal institutions (e.g. the National Climate Commission) set up on the basis of cooperation agreements;
- the COORMULTI consultation structure to coordinate Belgium's international positions (also regulated by a cooperation agreement);
- representatives of the regions in the management bodies of national institutions;

How well do these structures and mechanisms work? In a [European Commission study](#)<sup>2</sup>, Belgium and seven other EU member states are considered countries with a high degree of fragmentation and a low degree of coordination in policy making. Similar observations are made in the [country reports](#) on Belgium (European Semester), e.g. 'policy coordination in climate, energy, digital and transport policies is complex and not always effective' or 'budgetary coordination is not sufficiently effective yet, as the 2013 cooperation agreement has not been fully implemented.'

<sup>2</sup> Palaric, E., Thijs, N., Hammerschmid, G., A comparative overview of public administration characteristics and performance in EU28, European Commission, Publications Office, 2018, p. 34.



Ministers account for their policies in their annual policy letters. These letters often refer to activities related to the inter-ministerial conferences, cooperation agreements and inter-federal plans, but the information provided is – with a few exceptions – very limited (for example, simply stating that a cooperation agreement will be prepared or reviewed). Therefore, these policy letters don't allow an evaluation of these mechanisms. Some inter-federal bodies, such as the National Climate Commission, provide more information about their operations through their websites.

Various parliaments have held hearings and exchanges of views in preparation for a seventh state reform. In 2022, the Committee on the Evaluation of State Reforms since 1970 (Senate and Chamber of Representatives) published reports on issues such as healthcare, energy, climate, mobility and cooperation. The Working Group on Institutional Affairs (Flemish Parliament) published reports on topics such as the environment, climate, labour market policy and justice. Instances of both successful and underperforming mechanisms were highlighted during these discussions. However, the information provided remains fragmented and relies solely on testimonial evidence. Systematic empirical evidence is lacking. About the functioning of many mechanisms, simply nothing is known. Some academics present in the hearings raised concerns about the limited transparency and called for a comprehensive evaluation of cooperation mechanisms.

The SERV, a Flemish advisory body, also concluded that transparency and parliamentary oversight are limited. It therefore recommended a thorough assessment of the efficiency, effectiveness and coherence of the existing cooperation mechanisms<sup>3</sup>.

In summary, Belgium boasts a myriad of coordination mechanisms, with indications of varying degrees of success. However, these mechanisms are poorly understood overall. This is problematic, as there can be no accountability without transparency. High quality information is a prerequisite for holding a government accountable<sup>4</sup>.

## The Belgian Court of Audit – a unique helicopter view

Since the Belgian Court of Audit (BCA) assists the federal parliament and the parliaments of the regions and the communities in overseeing their governments, it has a unique comprehensive overview of the entire state structure.

Before 2020, this helicopter view was only used to a limited extent. For example, in its budget reviews, the BCA sometimes highlighted the lack of coordination between different levels of government concerning budgetary efforts. Performance audits occasionally also identified coordination problems. For instance, in its 2016 audit on the [federal plan against poverty](#), the BCA found that the Inter-ministerial Conference on Social Inclusion had not held a meeting in years. Moreover, the BCA has specific assignments relating to federal funding to communities, which also require it to oversee the whole state structure: it verifies the accuracy of the school student counts in each of the communities and the counts of the federal assignments to the regional houses of justice. Both figures serve as the basis for the distribution of federal funds among the communities.

Since 2020, as part of its 2020-2024 strategy, the BCA has decided to make more use of its unique oversight position. It has conducted more 'cross-cutting' or 'whole-of-government' audits, evaluating different levels of government simultaneously, including the coordination between them. The BCA then reports the audit findings to the parliaments concerned. **Box 1** contains a few examples.

<sup>3</sup> SERV, *Oproep voor een betere samenwerking tussen het Vlaamse en federale niveau en de andere Gemeenschappen en Gewesten*, 2023; SERV, *Rapport samenwerking tussen het Vlaamse en federale niveau en met de andere Gemeenschappen en Gewesten*, 2023.

<sup>4</sup> Schacter, M., *When Accountability Fails: A Framework for Diagnosis and Action*, Institute on Governance, Policy Brief No 9, 2000.



## Box 1 – Examples of BCA whole-of-government audits

- *SDGs*

In 2020, the BCA published an audit on Sustainable Development Goals that involved the federal, regional and community levels of government. In addition to findings regarding each level, the audit also flagged coordination issues. For instance, it revealed that the Inter ministerial Conference on Sustainable Development, which was supposed to ensure coordination between the different levels, had not held a meeting since 2017. On a positive note, findings on the Inter-federal Statistical Institute were more favourable. A recent follow-up audit found that the inter ministerial conference had resumed its work in 2022.

- *COVID-19 crisis*

In 2021, the BCA published an audit on support measures for businesses and individuals during the COVID-19 crisis, again encompassing all levels of government. The audit noted a lack of coordination among the different levels of government when launching their support mechanisms, thus risking inconsistencies and over-subsidisation. (To be clear, strong coordination mechanisms were put in place to manage the health crisis, but this audit was specifically about the socio-economic support measures.)

- *Prisoner support and services*

Not every cross-cutting audit covers all levels of government. For example, the 2022 audit on prisoner support and services only involved the Flemish and federal levels. This audit assessed the services delivered, from the intake of prisoners through to the impact of prisoner support (on recidivism, for example). Support to prisoners is a regional competence in Belgium, but the prison system is a federal one. Therefore, the effectiveness of the Flemish policy partly depends on certain federal conditions, such as the availability of suitable infrastructure (e.g. appropriate classrooms, digitalisation) or the policy on the transfer of prisoners (which is important for the continuity of care). The audit assessed the implementation of the relevant cooperation agreement and found several cooperation issues between the regional and federal levels.



Covers of BCA publications in three languages relating to its audits on SDGs, the COVID-19 crisis, and prisoner support and services. Source: Belgian Court of Audit.





## The challenging path to whole-of-government audits

'Whole-of-government' audits will become increasingly important in Belgium given that current challenges such as climate change, the energy transition or the digital transformation fall within the competence of different levels of government and therefore require cooperation. However, conducting this type of audit presents several challenges.

First, these audits are challenging on an organisational level, since the BCA's internal structure mirrors the structure of the Belgian state to a large extent. Therefore, for each cross-sectional audit a matrix organisation has to be set up, with an audit team being composed of auditors from different directorates within the BCA.

Second, the audit scope and criteria must remain within the BCA's competence. The BCA does not comment on the distribution of competences or on the principles behind state reforms since those result from political choices. The BCA only assesses to what extent cooperation is successful, given the division of competences. 'Cooperation' can mean many things, from just keeping each other informed in consultative bodies to jointly implementing a cooperation agreement. Working together does not necessarily mean that there should always be a fully consistent policy within Belgium, as our state structure inherently allows for each level of government to make different choices regarding policy (as previously explained, all levels are on an equal footing).

Third, in the audits described in **Box 1**, intra-Belgian coordination mechanisms were evaluated as part of a larger audit. Even if the BCA were to audit these mechanisms specifically, covering the full range would not be feasible in practice.

In brief, our modest contribution is to draw more attention to these mechanisms and encourage more transparency, presenting high-quality information to help hold accountable those responsible.







© Depositphotos/sezerozger

# AUDITING LEGAL ACCOUNTABILITY: COMPLIANCE WITH EU LAWS IN THE NETHERLANDS IN 2010-2020

By Maaïke Luiten, Danielle van Osch and Peter van Roozendaal, Netherlands Court of Audit

EU member states are obliged to implement and comply with EU laws. The Netherlands Court of Audit (NCA) studied the procedures conducted between the European Commission and the Netherlands in cases of possible non-compliance with EU law. Peter van Roozendaal, team leader, and Maaïke Luiten and Daniëlle van Osch, senior auditors, for EU-related issues at the NCA hereby present some of the key findings of the audit, one of which was that informal procedures between the Dutch government and the Commission frequently resolve issues of possible non-compliance, and formal steps are therefore unnecessary. Most formal procedures subsequent to the informal stage result in the Netherlands having to adjust its national laws to comply with the EU's laws. Interministerial coordination for the purpose of avoiding potential problems and learning from them when they materialise is rare. There is room for improved accountability and transparency in relation to non-compliance with EU laws.

## The various dimensions of government accountability

As Supreme Audit Institutions (SAIs), we usually look at government accountability or EU accountability in financial terms. Financial accountability relates to the way public money is managed and used. We analyse government revenue and spending and write reports on the reliability of the accounts and the regularity of the spending by examining the underlying transactions. In recent years, we have started writing reports whose scope goes beyond the regularity of government spending, in which we analyse the efficiency and effectiveness of EU spending programmes in our respective countries, e.g. the NCA's [report on the added value of EU grants published in 2022](#). In so doing, we, as independent public auditors, exercise a crucial role in helping to improve accountability and transparency in both our respective countries and the EU, and hopefully also contribute to reinforcing citizens' trust in our democratic systems.

There is, however, more to government accountability than just financial accountability. Once governments have passed laws, they must implement and comply with them. The same is true of EU laws. Once the Council of the EU and the European Parliament have passed new EU laws, EU member



states are obliged to implement and comply with them. EU member states agreed to this when they joined the EU and signed the EU treaties. This “legal accountability”, as it is termed, is another type of accountability and is complementary to financial accountability.

We believe that the SAs’ role should not be limited to carrying out audits relating to financial accountability in their respective countries but should extend to performing audits of legal accountability, thereby also increasing transparency in this regard. This is relevant because problems that are detrimental to both citizens and businesses can arise when governments do not comply with (EU) legislation. This can ultimately undermine citizens’ trust in their governments. There was an example of this in the Netherlands: after years of failure to comply with the Habitats Directive under the national plan entitled ‘Integrated Approach to Nitrogen’, in 2019 the Dutch Council of State ruled that the Habitats Directive was violated, which resulted in the end of the programme. In so doing, it effectively put an end to many large-scale infrastructure projects and housing construction activities that relied on elements of that programme. It is not difficult to imagine how such an event affects public trust.

We discerned two main aspects to legal accountability in the EU context:

- the timely implementation of EU law, and
- substantively correct and complete implementation of and compliance with EU law.

Most studies deal with the incorporation of EU law into national law<sup>1</sup>, and especially its timeliness.<sup>2</sup> There are few studies that examine how EU laws are implemented, or the nature of the problems caused by incorrect or incomplete implementation that leads to non-compliance with EU laws. This article concerns the correct and complete implementation of EU laws in the Netherlands.

## **Auditing the correct and complete implementation of EU laws in the Netherlands over the 2010-2020 period**

As a member of the EU, the Netherlands is obliged to implement and comply with EU law. The European Commission can investigate suspected cases of non-compliance with EU law, e.g. by means of a formal [infringement procedure](#). The Dutch Ministry of Foreign Affairs updates the Dutch Parliament every three months on the infringement procedures the Commission has initiated against the country, and cases before the Court of Justice of the EU (CJEU). However, it is unclear what kind of informal actions are undertaken to resolve problems before they become the subject of an infringement procedure. For example, how often are there so-called [EU Pilot](#) procedures, i.e. informal pre-infringement procedures? What other types of exchanges can be conducted between the Commission and a member state? Do such informal procedures help resolve suspected non-compliance and prevent the Commission from launching a formal procedure? When a citizen or business in one member state has problems with regard to EU law in another, how often do citizens and businesses in that EU member state use the [SOLVIT](#) network that the Commission set up to facilitate mediation? In such cases, a complaint can be submitted to SOLVIT, and an informal procedure is initiated to resolve the matter.

---

<sup>1</sup> See, for example, Toshkov, D., *Taking stock: a review of quantitative studies of transposition and implementation of EU law*, NIG Annual Work Conference, 2010; Haverland, M., & Romeijn, M., *Do member states make European policies work? Analysing the EU transposition deficit*, in *Public Administration*, 85(3), 2007, pp. 757-778.

<sup>2</sup> See, for example, Thomson, R., *Same effects in different worlds: the transposition of EU directives*, *Journal of European Public Policy*, in: 16(1), 2009, pp. 1-18; Mastenbroek, E., *Surviving the deadline: The transposition of EU directives in the Netherlands*, in: *European Union Politics*, 4(4), 2003, pp. 371-395; Zhelyazkova, A. & Torenvlied, R., *The time-dependent effect of conflict in the Council on delays in the transposition of EU directives*, in: *European Union Politics*, 10(1), 2009, pp. 35-62.

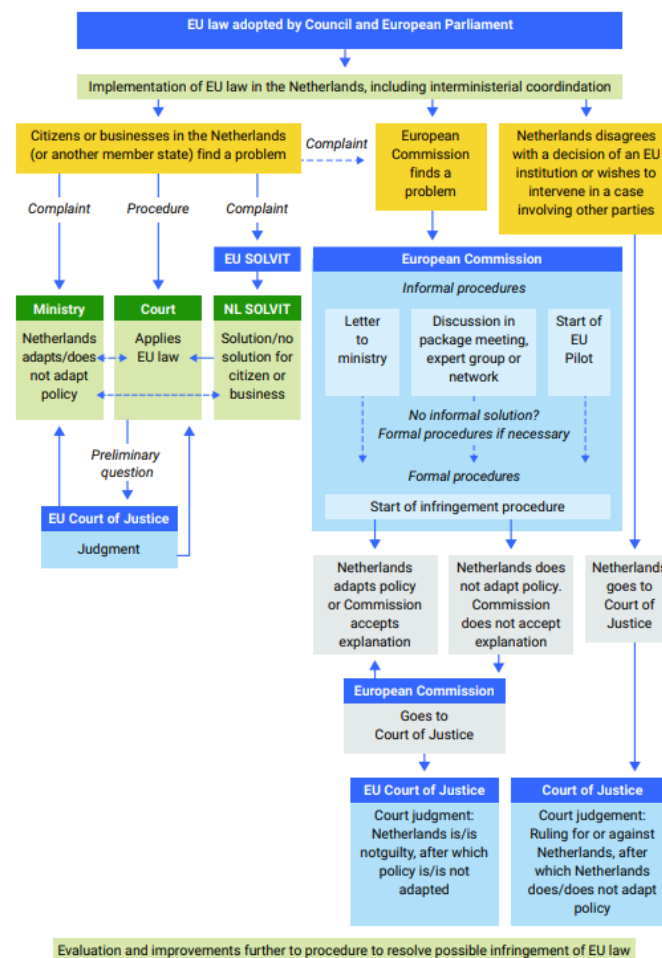


In its [review 07/2018 Putting EU law into Practice](#), the European Court of Auditors mapped out possible formal and informal procedures the Commission may initiate when it suspects that a member state has infringed EU law. The review does not contain any empirical evidence obtained from EU member states.

On 15 June 2023 the NCA published a report entitled [EU law in practice](#), which was based on our empirical audit of all the formal and informal procedures conducted between the Commission and the Netherlands to establish whether EU law was implemented correctly over the 2010-2020 period. We also assessed the government's coordination of compliance with EU law and the lessons drawn from procedures that had been closed. We examined nine cases to determine how the procedures had been conducted in practice, and to better understand the problems that had arisen. Areas covered in these cases included the enforcement of the [Water Framework Directive](#), [Corona Flight Vouchers](#), [Residence Permit Fees for third-country nationals](#) and the [European Arrest Warrant](#).

We began the audit by creating an overview of the different types of formal and informal action that can be taken in the Netherlands, at both national and EU level, where infringement of EU law is suspected. The results are shown in **Figure 1**.

**Figure 1 - Ways to address possible non-compliance with EU laws in the Netherlands**



Source: Netherlands Court of Audit

Below we describe our main findings regarding the EU Pilot procedure, infringement procedures, and the SOLVIT mechanism, which are followed by our key findings on coordination by the Dutch government and its learning processes.

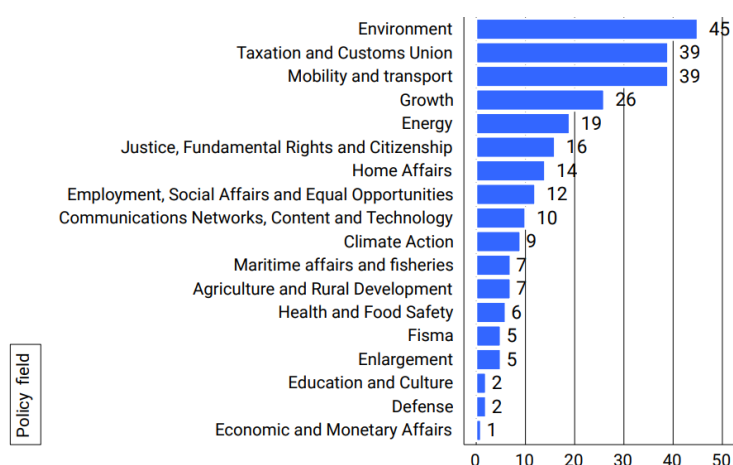


## EU procedures for dealing with suspected non-compliance in the Netherlands

We found that informal procedures relating to non-compliance often lead to a satisfactory outcome and obviate the need for the Commission, or any other body, to initiate a formal procedure against the Netherlands. More specifically:

- The Commission received 1 025 complaints concerning the Netherlands over the 2010-2020 period. Most of them related to employment and the environment. Of the complaints the Commission found justified, 92 became the subject of an informal EU Pilot procedure, and 18 prompted the Commission to launch an infringement procedure.
- Over the period in question, the Commission initiated a total of 264 EU Pilot procedures against the Netherlands. **Figure 2** gives an overview of how often cases were subject to an EU Pilot.

**Figure 2 – The Commission’s EU-Pilot procedures against the Netherlands over the 2010-2020 period**



Source: Netherlands Court of Audit

Most of the EU Pilots initiated by the Commission related to three policy areas: the environment (45); mobility and transport (39); taxation and the customs union (39). 92 EU Pilots were prompted by complaints related to education, taxation, employment, and social affairs. The remaining 172 cases, which mainly concerned the environment, energy, and mobility and transport, were initiated by the Commission.

In 177 of the 264 cases (67 % of the procedures), and usually following information exchanges, the Commission accepted the Netherlands’ reply and closed the procedure. Hence, informal EU Pilots resolved most cases and the Commission did not need to take any formal action. We therefore concluded that EU Pilots have a preventive effect. In 54 of the remaining 87 cases, however, the Commission considered that formal action was warranted, and in 39 of those cases it initiated infringement procedures against the Netherlands.

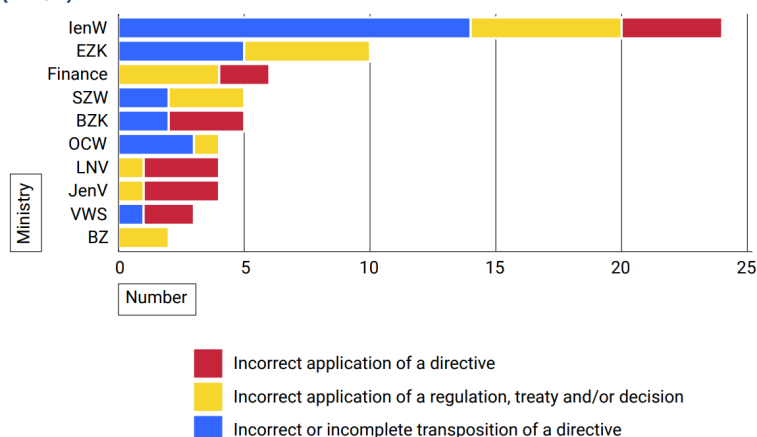
### *Infringement procedures*

67 infringement procedures were initiated against the Netherlands on substantive grounds over the 2010-2020 period. Of those, 39 began with an EU Pilot. **Figure 3** shows which government departments were most subject to infringement procedures.





**Figure 3 – Number of infringement procedures initiated on substantive grounds over the 2010-2020 period (N=67)**



Source: Netherlands Court of Audit

Most procedures were initiated against the Ministry of Infrastructure and Water Management (24), followed by the Ministries of Economic Affairs and Climate (10), and Finance (6). By the end of 2020, 49 of the 67 infringement procedures, lasting an average of 26 months, had been closed. Infringement procedures on the grounds of either the incorrect or incomplete incorporation of a directive into national legislation lasted longer than the above-mentioned average. Some of the 18 procedures that were still open at the end of 2020 had been underway for at least 10 years. Information we received from the Commission indicated that the Netherlands was not responsible for the lengthy duration of those cases.

We were able to break down the Commission information to determine the final outcome of 38 of 49 procedures that had been closed. In most cases the Netherlands had ultimately had to comply with the Commission's demands.

### Cases referred to the CJEU

13 infringement procedures were ultimately referred to the CJEU, which delivered judgments in 10 cases. It ruled against the Netherlands in 6 of the 10 cases, requiring it to rectify the non-compliance with EU law by adapting or changing Dutch laws.

### The SOLVIT mechanism

Lastly, with regard to the informal SOLVIT mechanism, we found that 443 SOLVIT cases had been filed against the Netherlands between 2010 and 2020. Many of the complaints concerned social security (203 cases) and the free movement of people (102), followed by recognition of personal qualifications (48) and taxation and customs (30). Most social security cases related to unemployment benefits and the payment of medical expenses and pensions. The majority of the SOLVIT cases relating to freedom of movement concerned visa applications.

Most of the SOLVIT cases received by the Netherlands over the period under review were submitted by the United Kingdom (69), Poland (52) and Germany (38). The Polish complaints related mainly to social security, and those from the United Kingdom to visa applications.

The Dutch SOLVIT resolution rate is 84.2 %. This points to SOLVIT's preventive effect in that, where a case is resolved, there is no need for formal procedures or for the complainant to go to court.



## Government coordination, learning from the procedures closed, and transparency

Through our audit we found that, in theory, the Dutch government's current consultation structures offer a great deal of scope for substantive coordination, alignment with EU law, and discussion of how to minimise the risk of non-compliance. In practice, however, interministerial coordination does not take place until protracted procedures have failed to resolve a dispute with the Commission and are referred to the CJEU. Any subsequent coordination and alignment are mostly procedural. There is no substantive ministerial coordination of compliance with EU law, nor is thought given to, for example, minimising the social impact of non-compliance.

We also found that ministries rarely evaluate the reasons for infringement of EU law, the way in which such infringement is resolved, or the lessons learned. Where, if any, reflection on cases that have been closed takes place, it usually takes the form of ad hoc informal discussions between individual policy experts. The NCA concluded that there is no structure within which ministries learn from earlier formal or informal procedures relating to non-compliance with EU law.

With regard to transparency, we saw that the Dutch Ministry of Foreign Affairs updates the Dutch Parliament every three months on both Commission infringement procedures underway against the Netherlands and cases referred to the CJEU. However, the information Parliament receives is rather abstract in that it states the subject of the infringement procedures but provides no background information. Furthermore, no information is publicly available or sent to Parliament regarding the informal procedures that are used to try to resolve problems, such as EU Pilot or SOLVIT, before they escalate into formal infringement procedures. We therefore saw that there is much room for improvement in terms of accountability and transparency in relation to non-compliance with EU laws.

## Main findings

Several key findings stand out from this audit of the formal and informal procedures conducted between the Commission and the Netherlands in respect of incorrect or incomplete implementation of EU law:

- first, the informal procedures conducted between the government and the European Commission to resolve issues of possible non-compliance are effective. In 67 % of EU Pilot cases, the Commission accepted the Netherlands's reply and closed the procedure, hence no formal steps were needed. Over 84 % of SOLVIT cases were also resolved by informal procedure;
- second, not all situations of possible non-compliance are resolved in this way. Where informal procedures have failed, the subsequent formal procedures result in the Netherlands having to adjust its national laws to comply with EU laws;
- third, while there seem to be ways for the government to forestall problems of non-compliance, e.g. through interministerial coordination of potentially problematic areas that have been discussed from different viewpoints and/or in which lessons have been learned, we found no empirical evidence of the government actually doing so in a structured manner.

In terms of oversight, our audit showed that there is merit in SAIs looking beyond financial accountability and examining legal accountability by auditing the degree of non-compliance with EU laws. ECA review 07/2018 and the NCA's 2023 report on this topic showed how this can be done, as well as the elements that can be taken into account in such audits. This is important in that we provide greater transparency regarding the legal issues with which member states must deal, including those not usually exposed to public scrutiny. This will stimulate governments to do their utmost to fix those legal issues, which will ultimately help restore the much-needed trust of citizens in their governments.



## 'THE CONT NEEDS TO CAUSE "DISCOMFORT" TO FULFIL ITS ROLE'

### Interview with Monika Hohlmeier, MEP and Chair of the Budgetary Control Committee

By Sara Abbruzzetti, Gaston Moonen and Tamara Pap, Directorate of the Presidency, ECA

Within the European Parliament, each and every Member of the European Parliament (MEP) is tasked with the role of legislator, but also with the role of overseeing the implementation of EU policies by the executive, namely the European Commission. However, this second task, public scrutiny, is vested even more specifically in the European Parliament's Budget and Control Committee (CONT), a committee with a rather horizontal outlook. Monika Hohlmeier has long experience serving as an MEP for almost 15 years, first as member of the CONT and, since 2019, as its chair. As she explains below, she takes the CONT's public scrutiny not only very seriously but also sees its impact, which extends well beyond the EU's financial interests alone.

### Two sides of the coin

When we speak with Monika Hohlmeier, she just had a hearing for Italy's candidate ECA Member. This is one of the tasks of her committee, part of the public scrutiny package. 'For such a nomination, we explicitly look at the person's whole CV, at how independent they are and whether their knowledge is sufficient, not only of audit but also in the area of legislation and management.' She explains that she has had candidates who were, in the Committee's opinion, not independent or experienced enough, or both. 'We had the impression that governments were nominating a person who was convenient for them. But that is not the criterion we use. They should first and foremost do their job without being influenced, and in line with international auditing standards.'

Having been a CONT member for almost 15 years now, Ms Hohlmeier has seen some evolution in the CONT's work. 'In the past, compliance played the biggest role, but other aspects have increasingly gained attention. Performance is one of the major ones now, partly because of the Recovery and Resilience Facility – the RRF. With this 'performance-based instrument', discussions of how to measure performance have intensified, with questions about how to do this, what indicators to use and whether the milestones and targets chosen by the Commission are valid enough means of telling how well money has been spent. Another question is how to be sufficiently sure that projects are really European and not just national?' As she points out, such EU funding should be avoided: 'Because then there is no European added value.'



*...how to be sufficiently sure that projects are really European and not just national?*



Another aspect that the CONT has paid more attention to is impact assessments. 'Several times we have seen legislation with insufficient impact assessments to substantiate it, also lacking transparency regarding what has really been done.' An example she gives relates to the Green Deal, adopted while the COVID-19 pandemic was also ongoing, which in her view did not help. A third aspect increasingly on the Committee's radar is avoiding 'having issues regulated three times from different sides, sometimes in different ways.' Because, says Ms Hohlmeier, 'contradictory legislation makes it complicated to hold people accountable. An issue also mentioned by the Court of Justice of the European Union.' She underlines that for many of these aspects, the question of the validity of data is also most relevant, whether in relation to an impact assessment or an ex-post evaluation. 'What is important is that the real figures are given in their correct context and are not inflated.'

On top of all this, the CONT chair sighs, working in crisis mode, adopting legislation to address various crises, takes a certain toll. 'Sometimes it isn't easy to have a really democratic decision procedure because you're under pressure. Normally we have more time to speak with different stakeholders – NGOs, citizens, companies – but this was not feasible during the pandemic and with the war going on in Ukraine, quick decision-making is needed now, too. The Ukraine Facility, the Western Balkan Facility – these were all done through the accelerated procedure.' But this should not mean toning down financial management, audit and scrutiny: 'From auditing such initiatives, lessons can be and need to be learned, also for our own sakes.' She underlines the importance of also having verified data and audit results on actions carried out by others, such as UN organisations ranging from UNWRA to UNICEF. 'It is essential to do humanitarian work and try to bring peace to a region. But if EU money is misused, then we won't bring the peace or the help needed.'

She underlines that while the CONT's interest in performance has increased, assurance regarding financial and compliance aspects is still just as necessary. 'For me they are two sides of the same coin. Let's say you have a wonderful infrastructure project like a bridge, but the tenders were manipulated. Performance may look great but if there was unfair competition, perhaps with oligarchs behind it or worse, then the compliance aspects are just as important, including for the eventual assessment of performance issues. Performance and compliance are two sides of the coin that cannot exist without each other.'



*Performance and compliance are two sides of the coin that cannot exist without each other.*

## The discharge procedure - key leverage for accountability...

Most of what the CONT does revolves around the discharge process, which Ms Hohlmeier considers an essential power of the European Parliament. 'Not all member states have a discharge process, and not all member states like it. But we have one and our committee cooperates a lot with specialised committees which identify issues that can be addressed in the discharge process.' She observes that the procedure itself is sometimes complicated because of various technical points it includes. 'But the main messages are there, such as the need for an IT system which is fully integrated and accessible also to the ECA, and not based on data delivered in multiple formats. Through digitalisation this should be a matter of seconds.' She cites the Commission's Arachne system as an example, saying its use should be extended to member states and thereby actually decrease bureaucracy. 'Because data only need to be entered once, not three times – at regional, national, and EU level.'

She observes that, during the current legislature, the Parliament's discharge report on the Commission has changed substantially. 'It is more structured now, with more focus, with political priorities and most important messages, which are also placed more often at the beginning of the discharge report.' Another area where she sees improvement is cooperation with the specialised committees. 'We don't want to be seen as checking these committees; we cannot be their superiors.' But her committee reaches out to discuss on certain issues. 'When we suggested requesting information about the 100 biggest beneficiaries in agriculture, the AGRI Committee was keen to have a joint meeting with us.'





The CONT chair explains that her committee pays a lot of attention to the arrangements for the RRF, even though it is outside the EU budget. 'It is a totally different instrument, described as "performance-based", even though you cannot monitor performance as we would like to see it monitored. This is the real problem with the RRF, and the ECA has shown this in several of its reports.' She highlights how important these reports have been. 'The ECA really put its finger on the problem. Say you have a large reform for which you receive €8 billion. Large amounts are paid, but the projects that need to be realised can come through years later, they don't need to be planned in detail. This is an accountability gap the ECA revealed, and with the information from the ECA it became clear that milestones and targets should also be linked to projects, including to prevent EU money from disappearing into national budgets.'



*...with the information from the ECA it became clear that milestones and targets should also be linked to projects...*

From an accountability perspective, this aspect is very important for Ms Hohlmeier. 'If EU funding is involved, the EU's financial interests need to be protected. It cannot be in the EU's interests to just give money to member states' budgets and let them do what they want with it.' She explains that the ECA criticised this approach and that, in the beginning, the European Commission stated that the final beneficiary would be the member state. 'We made clear that the final beneficiary is not a member state and that the ECA should receive clear information on where the money flows to.' She gives the example of a ministry for agriculture receiving over €500 million to be spent on biodiversity and climate projects. 'Full stop, a ministry as final beneficiary. Very frustrating! We want to see money going to real beneficiaries, not intermediate institutions.' In this respect, she pleads for the ECA to have full access to the RRF's financial management system, FENIX. 'Permanent access, not only for specific purposes as the Commission and member states were offering, because EU funding provided in 2022 might only be spent in 2025 or so.'

However, she thinks that good elements of the RRF structure can be combined with the experience gained in, for example, cohesion funding, where milestones and targets are clearly linked to projects, including specific reforms. She refers to a recent discussion relating to Slovakia. 'There were milestones relating to the fight against corruption and fraud and the improvement of the justice system. Then we saw Slovakia reverse two milestones.' The CONT chair explains that the Commission has gradually given member states less room for manoeuvre. 'It is strengthening milestones during the implementation phase. At least now there is a methodology for valuing milestones, which would not have happened without the ECA and the CONT. Now we are asking for a methodology for when milestones are reversed – as in the case of Slovakia – after everything has been paid.'

She also thinks that long-term planning as envisaged through the RRF is not always possible in practice, in view of changing circumstances. 'And the RRF is really a plan, not a framework like the multiannual financial framework (MFF). The RRF is often a rather top-down plan and you have to find good projects for it, which can lead to projects being funded which are not necessarily the best ones.'

### **...but enough accountability challenges remain**

While Ms Hohlmeier is positive about the various changes in terms of accountability needs and outcomes, she also sees room for improvement – for her committee, for the ECA, and for the citizens themselves, including in relation to the RRF. 'If, for example, you were to now ask Commissioner Gentiloni: "What are the most well-known projects implemented that proved to be effective, sustainable and increased our resilience?", you would not get precise answers. We need a much clearer overview of implementation status and the money spent on projects.' She does not believe the scoreboard that the Commission currently presents gives such information. 'The figures the ECA revealed showed projects still in the planning phase. The real status of projects, like in cohesion, where invoices are sent to the Commission only once things have been done – you don't have that in the RRF.'



Crisis conditions have taken their toll also when it comes to protecting the EU's financial interests. 'During and following the pandemic, advances were paid almost unconditionally.' She gives the example of EU funds provided to authorities in Hungary. 'I believe over €900 million was given. Four years after the crisis, they gave that money to one of the biggest state-owned companies in China for the development of a battery. For me this is simply incredible.' According to Ms Hohlmeier, this is one aspect that needs to be avoided in any future crisis situation: 'No unconditional pre-financing.' Another area for attention to improve accountability is full access to financial management systems for the ECA. 'Such systems need to be up to date, with recent, almost real-time data. A third aspect relates to the Early Detection and Exclusion System (EDES) in relation to the EU Financial Regulation. 'If there is misconduct, this EDES panel must be activated and the Commission must focus more on it.' She also wants more clarity about what resilience is. 'What does the word resilience mean for the Commission? The Commission needs to be clear on what kind of projects are not accepted under the heading of "resilience" in the EU. Just providing money to member states, almost unconditionally, does not increase resilience – only their dependence on EU funds.'



*During and following the pandemic, advances were paid almost unconditionally.*

Besides the ECA's publications, the CONT also receives information from the European Commission's Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO). For Ms Hohlmeier, the latter in particular has been a real game changer, including in relation to accountability. 'Various member states are beginning to see that EPPO is really helpful. In the past, when there were manipulated tenders, prosecutors in some member states did not respond to requests from the Commission or from OLAF. But with EPPO, such requests are made through prosecutors who are influential in their own public prosecution systems. Misuse of EU funds needs to be brought to court, needs to be sanctioned.' However, in relation to the RRF, she remarks that some member states – she mentions Malta, Croatia and Austria – have refused to refer cases to EPPO.

Ms Hohlmeier explains that cooperation with OLAF has also improved. Here her concerns relate to procedural errors. 'When OLAF is searching for evidence, it really needs to ensure that all procedural requirements are met. Otherwise, you risk losing the whole case.' She highlights the importance of OLAF in detecting fraud in the area of customs.



*[The IAS and the ECA should] focus on the important issues because we should not lose ourselves in nitty gritty cases.*

Another organisation the CONT cooperates with is the Commission's Internal Audit Service (IAS). 'We strongly rely on the reports of the ECA, which provide insight on where problems exist or risks may arise. From the IAS it is interesting to hear where it sees problems with administrative capacities, and about programmes particularly prone to errors.' Ms Hohlmeier hopes to see more from both the IAS and the ECA when it comes to the broader picture. They should, she says, 'not only look into all the details, because then we end up unable see the forest for the trees.' Rather, they should 'focus on the important issues because we should not lose ourselves in nitty gritty cases. Most often, only when such issues are systemic do they need recommendations for improvement.'

She adds, on the subject of the IAS, that the CONT does not have access to its internal reports, only those open to the public. 'I don't think we should have such access. The most important thing is that the ECA has access to IAS reports. It is important to know that the Commission can prove that, if it found something, it has really acted upon it.'

When it comes to the CONT's own accountability and transparency in relation to its work, the CONT chair refers to is the information publicly available on the committee's website. 'What is important for me in the CONT's activities is that we don't duplicate things, and avoid having reports on the same issue year after year.' Being rather introspective, Ms Hohlmeier identifies one thing at which she considers herself less successful. 'I like that we are doing various discharge reports, but do we really follow them up? So in terms of our own reports, this is an area where we could do more. Another



area she feels her committee needs to follow closely is public procurement, particularly in relation to the Green Deal.

## Financial interests go well beyond finance

Overall, Ms Hohlmeier is convinced that the CONT's work has really made a difference when it comes to transparency. 'What is happening with EU money? Member states, particularly regarding the RRF, don't like to say what the money is used for.' She points out that, without the CONT, member states would be able to get away with this more easily. 'Without the CONT, the ECA would not have been involved in the RRF Regulation. We will try to continue on this path, really changing regulations from in terms of accountability and transparency and allowing for the public to see and get proof of what happens with EU funds. For this, the CONT is the voice.' She adds that she hopes to be able to contribute to the next legislature herself, after the elections in June 2024.



*...allowing for the public to see and get proof of what happens with EU funds. For this, the CONT is the voice. (...) This discharge power of the European Parliament makes really a difference to democratic oversight.*

She underlines that the CONT has a stronger voice than parliament committees in some member states. 'Some parliaments are not used to this kind of public scrutiny. This discharge power of the European Parliament makes really a difference to democratic oversight.' She considers it crucial that a parliament should have the right to demand accountability of institutions and programmes and put its finger on problems, identifying lack of oversight and lack of audit. 'The RRF Regulation is the best example of where we did this. We need to remain critical. The CONT needs to cause "discomfort" to fulfil its role. Discomfort for the Commission and for member states.'

This does not mean she wants to change everything. 'But you can always strive to improve things.' She explains that, after the pandemic, her committee really achieved a common understanding on transparency, taking a firm position vis à vis the Commission. 'We "achieved" the conditionality mechanism, which really made a difference. We must continue on this path to show that we are the institutions to make the European Parliament and all the institutions more credible.'

Through this conditionality mechanism, Ms Hohlmeier believes that the Parliament showed EU citizens that governments must adhere to concrete European values, such as the independence of justice. 'It's about the way you treat EU money, making sure it is not misused. We won't accept an oligarchic system.' She observes that, for many people, these European values are not self-evident. '70 to 80 % of states in this world are autocratic, or not democratic, so we are really under pressure from outside.'



*It's about the way you treat EU money, making sure it is not misused. We won't accept an oligarchic system.*

She recalls working on the conditionality mechanism, some years ago now. 'We were saying "no EU funding" for those who were not respecting our legislation, our fundamental values as enshrined in the Treaties. Without the CONT, the conditionality mechanism would not have been introduced. You can really make a difference by having this kind of democratic oversight, voiced in parliamentary democratic protest.' She explains that even if the programme a member state submits for funding is fine in itself, if that country is violating various values – if its judges are not independent, its prosecution system does not work, etc – then other guarantees are needed that the EU's financial interest are being protected. 'In the end, financial interests go well beyond finance. In protecting them, we need to protect our values!'



*...financial interests go well beyond finance. In protecting them, we need to protect our values!*

– if its judges are not independent, its prosecution system does not work, etc – then other guarantees are needed that the EU's financial interest are being protected. 'In the end, financial interests go well beyond finance. In protecting them, we need to protect our values!'





# PARLIAMENTARY SCRUTINY, TRANSPARENCY AND THE ECA

By Associate Professor Paul Stephenson, Maastricht University

Public scrutiny arrangements underpin the functioning and delivery of financial accountability. Without such arrangements in place, reports from the external auditor might fall on stony ground, bringing limited added value when it comes to monitoring policy performance and drawing lessons on how to spend the EU budget more effectively in future. How does public scrutiny work in practice in the EU setting? Paul Stephenson is Associate Professor at the Department of Political Science at Maastricht University and has authored several publications relating to accountability, audit and the public scrutiny of EU policies. In this article he first presents some academic reflections on accountability, before examining accountability and transparency in the public scrutiny work of the European Parliament, and considering the ECA's redoubled efforts to find a wider audience among MEPs.

## Financial accountability, transparency and parliamentary scrutiny

Accountability is one of the cornerstones of the democratic process, and a key part of EU policy procedures. One of the core issues in accountability is public scrutiny. The European Parliament has a key role in budgetary oversight and the scrutiny of EU policy performance, which it does by carrying out own initiative control missions, as well as by using various inputs such as European Commission ex-post evaluations and audits carried out by the European Court of Auditors by way of its annual and special reports.

When ECA reports are presented to the European Parliament's Budgetary Control Committee (- CONT), they are assigned to one MEP, the rapporteur, for follow-up, leading in most cases to a CONT working document and EP resolution. CONT's discharge reports represent the fundamental basis upon which the Parliament's plenary takes the decision to grant discharge. But what does scrutiny mean in day-to-day practice? What systems are in place to ensure effective legislative oversight? How transparent is the scrutiny process? By extension, how to tell which ECA reports are scrutinised and by whom?

In an earlier issue of the ECA Journal ([No. 4/2019](#)), soon after the beginning of the current legislature, I wrote an article with María-Luisa Sánchez-Barrueco on the new faces in the EP, with in 2019 over 450 of the then 751 Members of the European Parliament (MEPs) - pre-Brexit - newly elected. The EP's CONT – which is the ECA's main interlocutor in the EP – was no exception as regards this significant turnover.





Accountability can be approached from many perspectives, the mostly commonly referred to being the notion of an actor and a forum<sup>1</sup>. In a recent publication, Sánchez-Barrueco<sup>2</sup> embraces this notion to consider the relationship between (financial) accountability and transparency, disaggregating this concept to conceive of four layers (a concept she develops and subsequently applies to the Recovery and Resilience Facility). In such a framework, 'transparency' is the first – and fundamental – basis for accountability, whereby the actor (let us take the ECA) makes information public and the forum (the EP) accesses it. Subsequent layers are 'reporting', 'criticism' and 'liability'. She paraphrases Hood<sup>3</sup>, to consider the transparency-accountability relationship as 'Siamese twins', ignoring their potential frictions. A key issue here, she notes, is whether the forum's rights of access to the actor's information is sufficient. We might consider this notion regarding EP scrutiny of budgetary expenditure, while also pondering whether (legal) rights of access is enough in itself? Who has rights and how widespread is the informational access in the forum? What is in place to optimise access to relevant information in the right places? A forum is but a forum of forums.

The concept of 'throughput legitimacy' has been applied in research on the EU administration, democratic processes, and institutions such as the Commission and European Parliament. As Schmidt and Wood assert, it can be considered an 'umbrella concept' for appraising the legitimacy of complex processes and procedures occurring within the 'black box' of multi-level governance<sup>4</sup>. Throughput legitimacy can thus be defined as 'the myriad ways in which the policy-making processes work both institutionally and constructively to ensure the efficacy of [multi-level] governance, the accountability of those engaged in making the decisions, *the transparency of the information and the inclusiveness and openness to "civil society"* (own emphasis)'<sup>5</sup>.

Schmidt and Wood seek to 'operationalise' the concept of throughput legitimacy by exploring the term through a series of normative building blocks of accountability, transparency, inclusiveness and openness, thereby providing a framework that can be used to analyse institutional reforms but may also be useful for analysing risk regulation. Here 'transparency' means citizens and political representatives have access to information about governance processes, as well as access to the resulting outputs such as decisions or findings. In the EU, this means that institutions make available information about their internal processes. This might refer to the production and publication of documents concerning effectiveness, or even risk, enabling citizens and the media to glean insights into policy implementation and performance<sup>6</sup>. Schmidt and Wood question these normative foundations and place a focus on 'procedure'.

## Scrutiny within the Budgetary Control Committee (CONT) in practice

As Monika Hohlmeier, CONT Chair, stated in this Journal in 2019, the committee has an important role to play in scrutiny, with it essential for CONT members to be neutral, objective, and transparent, but also very outspoken. How does one ensure transparency when it comes to a Member of the European Parliament's (MEP) individual professional behaviour and what should we expect in this regard, and how can we ensure it? Of course, the transparency register is in place to regulate parliamentarians' contact with lobbyists. To what extent might interest groups seek to influence parliamentary oversight and potentially influence scrutiny activity within committees? We know that organised interests regularly use stakeholder consultation exercises within the Commission's evaluation cycle to state their position and agenda, which they do explicitly<sup>7</sup>.

<sup>1</sup> Bovens, M., *Analysing and Assessing Accountability: A Conceptual Framework*, in: *European Law Journal* 13(4): 447-468, 2007.

<sup>2</sup> Sánchez-Barrueco, M.-L., *The recovery and resilience facility: Too complex a governance system for meaningful accountability?*, in: Swedish Institute for European Policy Studies, 2023:3, 2023. Available at: [https://www.sieps.se/globalassets/publikationer/2023/sieps-2023\\_3-eng-webb.pdf](https://www.sieps.se/globalassets/publikationer/2023/sieps-2023_3-eng-webb.pdf)

<sup>3</sup> Hood, C., *Accountability and transparency: Siamese twins, matching parts, awkward couple?*, in: *West European Politics*, 33(5), 989–1009, 2010.

<sup>4</sup> Schmidt, V. and Wood, M., *Conceptualizing throughput legitimacy: Procedural mechanisms of accountability, transparency, inclusiveness and openness in EU governance*, in: *Public Administration* 97: 727-40, 728, 2019.

<sup>5</sup> Schmidt, V. E., *Democracy and Legitimacy in the European Union Revisited: Input, Output and 'Throughput'*, in: *Political Studies* 61(1): 2–22, 2013.

<sup>6</sup> Stephenson, P., *Exploring the Throughput Legitimacy of European Union Policy Evaluation: Challenges to Transparency and Inclusiveness in the European Commission's Consultation Procedures and the Implications for Risk Regulation*, in: *European Journal of Risk Regulation* 14(2): 351–370, 2023.

<sup>7</sup> Ibid.



CONT places great value on ECA reports to ‘find new and relevant information about procedures, possible gaps, and shortcomings in how rules are implemented’<sup>8</sup>. As such, ECA reports are particularly relevant because they show where procedures are not working, where national authorities have deficiencies and where improvements can be made. MEPS in CONT are encouraged to seek dialogue with the ECA to clarify questions and obtain further information.

The current committee constitutes 29 colleagues from 16 countries. Its work involves strict supervision and control of the correct, targeted use of the budget (€170 billion in 2022) and holding those who spend it to account. The main responsibility for budget management lies with the European Commission. Some 80 % of the money goes to the member states, around 13 % is invested around the world, and about 7 % is spent on administration. It is also responsible for overseeing spending under the NextGeneration EU (NGEU) programme, a temporary instrument of an additional €750 billion established to help with the EU’s economic recovery after Covid. As Sánchez-Barrueco informs me, at this stage of implementing the Recovery and Resilience Facility (RRF), NGEU’s main implementing instrument, discharge in the parliamentary scrutiny of NGEU is of paramount importance: ‘The governing regulation reserved only minor powers to the EP through the RRF dialogues, but the fact that NGEU funds enter the EU budget (earmarked ‘revenue’) and go out of it through the RRF (‘expenditure’) opens the door to the EP scrutinising it through the discharge procedure (with much stronger teeth).’

CONT’s scrutiny work feeds the annual discharge procedure, and often leads to proposals for improving budgetary management and better safeguarding the EU’s financial interests, for example by digitalising audit and control to allow EU money to be tracked back to final recipients. Its remit also covers the European Public Prosecutor’s Office (EPPO), and the European Anti-Fraud Office (OLAF).

## Scrutinising the scrutinisers: public access to information and the CONT website

CONT demands transparency from its accountability stakeholders, but how transparent and accountable is it to the general public? I took a quick look at the EP website to assess the level of transparency of scrutiny-related documents, thinking about transparency as comprising openness and accessibility. Via the EP website, of particular use is the ‘Legislative Train Schedule’ which enables one to choose ‘CONT’ and then access draft reports (by rapporteur), reports (by committee) and resolutions (by plenary) on the same page, enabling the reader to follow [the process](#)<sup>9</sup> from the original text put forward by the rapporteur to the one adopted by 705 MEPs. The Committee’s own home page contains useful dropdown boxes for more details see **Box 1** for the modest transparency check I performed. CONT’s workload and output over the course of a legislature is logged in the hugely insightful ‘balance sheet of activities’ which is the sum of the committee’s scrutiny work over five years.

---

<sup>8</sup> *ECA Journal Audit and the new EU political environment*, No 4/2019, p. 68.

<sup>9</sup> See the Legislative Train Schedule at: <https://www.europarl.europa.eu/legislative-train/theme-budgetary-control-cont>



### Box 1 – Transparency check of the CONT home page

- The 'About' thumbnail contains a welcome from the committee chair and committee-wide information on data protection in committees, powers and responsibilities and information on for citizens on how to get in touch with the European Parliament.
- The CONT 'Home' thumbnail leads the reader to 'highlights', 'members', press releases, 'newsletters', 'publications' and 'subject files' (the latter accompanied by relevant reports and Staff Working Document as PDFs) - all providing the citizen with essential background information.
- The 'Meetings' thumbnail has dropdowns to 'meeting documents', 'webstreaming', 'votes' and 'minutes', thus enabling the citizen to watch committee hearings live and read up on the discussions and conclusions of past meetings. All documents for upcoming and past meetings can be accessed from one location.
- The third thumbnail 'Documents' leads one to 'latest documents', a useful 'search' function and 'work in progress'.
- The 'Events' thumbnail leads up to summaries of recent 'hearings', and contains very useful material related to past 'workshops', including posters, programmes, briefings and brochures.
- The 'missions' dropdown contains PDFs of mission reports, while 'other events' are also given.
- The 'Supporting analyses' contains publication documents from the Budgetary Affairs Policy Department.
- The 'Discharge procedure' thumbnail takes us to 'practical information' such as calendars, lists of responsible rapporteurs and shadow rapporteurs, and various sets of practical arrangements for the discharge of the relevant EU institutions and bodies.
- Elsewhere on the website you can find rules for members and intergroups, calendars of MEPs meetings, meetings and draft agendas.

It indicates all reports adopted, all opinions given, and the working documents produced, mainly in the context of the discharge procedure. It indicates all joint meetings held with other standing (policy) committees in the EP to discuss EP special reports, public hearings held, missions carried out across the EU and hearings held in the context of various nomination procedures. It also details the workshops held and studies commissioned with support of Policy Department D of the EP. It would be useful if such a balance sheet could be made available, and publicly accessible, throughout the legislature rather than being an ex-post tally of activities as this would improve transparency and accountability.

In short, there would appear to be 'active transparency' when it comes to CONT in so far as steps have been taken to ensure information is transparent and easily accessible, which compares well if we consider the Commission's management of, and public access to, evaluations despite recent improvements with the Have Your Say website. Nonetheless, many CONT hearings, supporting analyses and balance sheets may often go unnoticed.



## ECA advice to select committees: an audience beyond or beside CONT?

For many years since the establishment of the ECA, the EU's 'financial conscience' (term first found in the speech delivered by the President of the Court of Justice at the first oath-taking ceremony in 1977, later embraced by B. Laffan) has presented its work to the Budgetary Control Committee. CONT has traditionally been its first port of call in Brussels and main interlocutor. CONT has the first right to discuss and hear about ECA reports and it may decide to invite or allocate some reports to other committees. For example, it may invite an MEP from the Committee on Transport and Tourism (TRAN) to attend the presentation by and ECA Member of a new special report on EU-funded large-scale transport infrastructure.

In recent years the ECA, as well as reporting to CONT, the ECA has sought direct audiences with policy committees to present its work. This might be understood as the result of an ECA that reinforced its communications resources and become more aware of the need to demonstrate its relevance and impact to policymakers, but also bolster its professional reputation. Arguably, this make the ECA an 'accountability entrepreneur' and brings greater transparency to accountability processes.

Recent research reveals that EU agencies have initiated a whole set of voluntary accountability practices. Reputational considerations have been put forward as an important mechanism driving such organisational behaviour.<sup>10</sup> Though an official EU institution since the Maastricht Treaty, we may consider this development in reporting a voluntary accountability practice. Of course, the ECA is an EU institution in its own right since Maastricht. However, we must acknowledge that the ECA ultimately has no power to 'force-feed' accountability through the system, and must turn to the legislators to push for a better regulatory framework that makes the very best of high quality audit findings.

Such outreach on behalf of ECA from the mid-2010s may have initially 'upset the apple cart' vis-à-vis CONT, given it long had the de facto monopoly on ex post parliamentary scrutiny. However, as stated in the ECA Journal No 4/19, the CONT Chair recognised that a considerable number of ECA reports fell within the domain of specialised committees and should be presented there. The ECA guaranteed CONT that – despite nothing laid down in the rules of procedure – it would always be first to choose which ECA special reports should be presented in the CONT, and with an invitation to the specialised committees<sup>11</sup>.

One might imagine that the EP policy committees themselves would have had certain reservations, at first, when it comes to the external auditor seeking a direct audience to present their reports. The committees may have felt that the ECA's intention was to reprimand them for misspending and a failure of oversight. Over time, however, it would seem that MEPs have understood the value of openness and direct contact, since the ECA brings audit expertise and insights into policy performance in their area, thus empowering policymakers through greater knowledge and understanding. Again, what goes well and what needs improving, becomes more transparent to those debating future policy priorities and issue agendas.

## The future of committees, and implications for financial accountability and the use of ECA products

There are currently 20 parliamentary committees where MEPs do the preparatory work for the EP's plenary sittings, of which CONT is one of them, largely unique in its retrospective focus on policy performance. At present a committee consists of between 25 and 88 MEPs, and has a chair, a bureau and secretariat. The political makeup of the committees reflects that of the plenary assembly and committees meet once or twice a month with debates are held in public. The committees draw up, amend and adopt legislative proposals and own-initiative reports.

<sup>10</sup> de Boer, T. & Leidorf-Tidå, B., *From accountability victim to accountability entrepreneur: testing reputation-informed explanations of voluntary accountability among European Union agencies*, in: *Journal of European Public Policy* DOI: 10.1080/13501763.2023.2290209, 2023.





While it is likely that there will be any immediate change to the structure of the Committee system in the new legislature, there have been internal discussions on reducing the number of standing committees. What would this mean for parliamentary oversight and the impact of ECA reports? On the one hand this means less total time spent on presenting and discussing ECA audits, particularly special reports, given fewer venues and no increase in the duration of meetings. Moreover, with the competences of any given committee much broader, it might place more demands on MEPs to gain expertise in multiple policy areas in order to scrutinise effectively.

However, there would also be a number of advantages. First, with many policies dealing with cross-cutting issues, and many internal market policy areas interdependent ('coherence' was introduced as one of the five evaluation criteria introduced with the Better Regulation Agenda), it would make sense for performance audits to be presented to committees with a wider remit, for example, transport, energy, and environment policies are largely interdependent. Second, this would reduce the turf battles inside the EP whereby committees may fight to secure competences for new legislation and initiatives. As a result, committees could concentrate their efforts on oversight rather than intra-institutional politics.

In short, a shift to fewer committees with wider remits (but with a larger number of MEPs?), could allow for 'joined-up scrutiny' which would be a desirable outcome and - within the renewed emphasis on properly integrating evaluation into the policy cycle - contribute to more joined up policy planning. Of course, the EP would always be able to set up sub-committees and special temporary committees to deal with specific issues and would be - as it is today - empowered to create formal inquiry committees under its supervisory remit to investigate allegations of maladministration of EU law.

It will be fascinating to see in the months to come whether a new legislature leads to change in scrutiny structures and practices and how this will affect the procedures and relation with the ECA, currently with its reports and opinions a key source for the legislature to fulfil its public scrutiny role.

<sup>11</sup> ECA Journal Audit and the new EU political environment, No 4/2019, p. 68.





The Parliament of Portugal in session in 2023. Source: European Parliament

# HOLDING THE EXECUTIVE POLITICALLY TO ACCOUNT – THE PORTUGUESE PARLIAMENT AS A PUBLIC SCRUTINY ARRANGEMENT

By Daniel Matos Caldeira, University of Lisbon, Professor Gustavo Fernandes, Fundação Getulio Vargas's Sao Paulo School of Business Administration, and Associate Professor Ana Lúcia Romão, University of Lisbon

Moves towards closer European integration have altered the role of parliaments in the EU member states. With the Lisbon Treaty, which came into force in December 2009, more provisions were introduced for cooperation between the European Parliament and national parliaments with a view to guaranteeing the effective democratic scrutiny of European legislation at all levels. In their contribution, Daniel Matos Caldeira, a researcher in accountability, public governance and public policy evaluation, together with Ana Lúcia Romão, Associate Professor, also at the University of Lisbon, and Gustavo Fernandes, Professor at the Fundação Getulio Vargas's Sao Paulo School of Business Administration, take a closer look at the public scrutiny arrangements of the Portuguese parliament and its use of the information provided by the Portuguese Court of Auditors.

## Key developments for the Portuguese parliament's supervisory activities

Parliaments occupy a core position in robust democracies. That is also the case for the Assembly of the Portuguese Republic (hereafter the Parliament), which emerged as a central body in Portugal's democratic [semi-presidential system](#) in 1976, two years after the [Carnation Revolution](#). This movement brought a 48-year dictatorship to an end.

Under Portuguese semi-presidentialism, there is a balance of power between the President and the Prime Minister. This is a model which falls between those in which the President has a supporting role (e.g. in [Austria](#)) and those in which the President is the dominant political actor (e.g. in [France](#)). Below, we address political accountability based on the public scrutiny mechanisms of the Portuguese parliament, focusing on the role played by the parliamentary Budget and Finance Committee. Over the last 50 years, 7 constitutional revisions have reformed the Portuguese political system, shaping the characteristics of the Parliament's supervisory activities based on democratic practice. **Box 1** summarises the three phases of the Parliament and representative political accountability in Portugal<sup>1</sup>.



Within the realm of political scrutiny, existing formal competences include assessing the execution of national plans and scrutinising the government's financial records. In particular, there is a constitutional obligation to evaluate the government's agenda, vote on motions of confidence and censure within the executive, and oversee and assess Portugal's part in the construction of the EU.

Despite its importance, the legal dimension of its mandate is not enough to understand Parliament's capacity for scrutiny and its dynamics. Internal and external factors can affect its capacity to act. With regard to the internal factors, Portugal stands out in terms of political elections. In the Portuguese system, the form and intensity of parliamentary scrutiny are strengthened or diminished depending on the size of the government's support base. In coalition governments, the degree of scrutiny increases; in absolute majority governments, it tends to decrease.

The recent changes in the political scenery in Portugal reveal a boom period, where Parliament was dissolved twice; once in 2021 and once in 2023. One unusual fact is that the political party that governed Portugal remained in power in the elections that followed the first dissolution, and obtained an absolute majority. However, not even an absolute majority could accommodate an alternative political solution following the second dissolution. Other sources of conflict and governmental instability include the cohabitation of an elected president and elected prime-minister from different parties that marked the previous three governments, corruption scandals that gave rise to recent parliamentary inquiry committees, and the adversity that resulted from crises. One example of such a crisis was the major economic crisis that resulted in calls for austerity from the [Troika](#)<sup>2</sup>, which were a distinctive feature of the period between 2011 and 2014.

Among the external factors, we can highlight the creation of a new European economic and budgetary coordination and governance structure. In this aspect, the sophisticated process of the Europeanisation of public policies shaped the activity of national legislative oversight. Above all, the new structure (established to contain the [euro crisis](#)) has been improved and deepened since then, and now includes new mechanisms to allow the European Commission to have a greater influence of national parliaments. The Portuguese Parliament is no exception to the rule.

## Europeanisation and the European Union enforcement

Public policy Europeanisation is unavoidable due to the provision of increased resources to the member states, such as those from the Recovery and Resilience Facility or the EU budget. Implementing these initiatives or projects is conditional on complying with European guidelines and



### Box 1 – Phases of Portuguese representative politics

- 1976 – 1986: from the formation of the Parliament until Portugal joined the EU. This is when the Portuguese semi-presidential system was established.
- 1987 – 2003: a period marked by absolute majority governments and a decrease in Parliament's role of politically overseeing the government.
- Since 2004: this phase matches the growing relevance of the Parliament in democracy, particularly by facilitating parliamentary scrutiny.

<sup>1</sup> Goes, E., and Leston-Bandeira, C., *The Role of the Portuguese Parliament*, in: Fernandes, J.M., Magalhães, P.C., and Pinto, A.C. (eds), *The Oxford Handbook of Portuguese Politics* (pp. 136-148), 2022. <https://doi.org/10.1093/oxfordhb/9780192855404.013.9>

<sup>2</sup> The European Commission, the European Central Bank and the International Monetary Fund.



supervision. In Portugal, parliamentary action occurs mainly through participating in permanent, specialised thematic committees, ad hoc committees, and ad hoc inquiry committees. Furthermore, it covers participation in subcommittees and working groups that can be set up for specific topics.

Paradoxically, on the one hand, the implementation of European rules in the most varied areas resulted in a loss of powers for national parliaments. On the other, it brought new powers. At this point, the Portuguese parliament improved its performance by creating a specific working group to scrutinise European initiatives, and a subcommittee to monitor European funds and the national recovery and resilience plan. In this sense, these various forums fulfill the scrutiny role within their remit. To complement this, the political process of monitoring governmental activity takes place through different plenary debates, such as fortnightly debates with the Prime Minister, the debate on Portugal's monitoring of the process of European integration, and the debate on the State of the Nation.

## **The role of committees in political scrutiny**

In the Portuguese parliament, permanent committees are specialised in different budget fields. In general, the number of committees is defined at the beginning of each legislature. In the last legislature, there were 14 permanent committees. Their activities cover the process of political guidance and oversight.

The committees are responsible for annually analysing the Parliament's projects or proposed resolutions. Legislative initiative is the responsibility of members of parliament or parliamentary groups. After approval by the plenary, the government's compliance with the proposals is checked. However, at this point, most of Parliament's resolutions only provide recommendations to the government, which are not binding. The government decides on the political priority of Parliament's recommendations and a progress report is drafted at the beginning of every legislative session, which relates to these priorities. Although certain steps have been taken towards a more performance-oriented assessment of the budget according to [a comprehensive study](#) on the state of performance management in Portugal, the Portuguese parliament has failed to incorporate performance information for either internal or external purposes. As a result, incorporating a performance-oriented assessment in the qualification of political discussions and scrutiny does not take place in the committees. This can also be said for the overall budget process. In fact, from an analytical perspective, the political use of financial and accounting information is not widespread beyond the Parliament's Budget and Finance Committee.

## **Political scrutiny of the budget in practice**

In the Portuguese parliament, the Budget and Finance Committee stands out for its monitoring and control powers in fiscal and budgetary policy and public finances. Such tasks include the General State Budget and the General State Account, budgetary and financial relations with the EU, and assessing reports from the Portuguese Court of Auditors (CoA).

The government accountability process is triggered by the CoA's opinion on the State's General Account. The CoA is the supreme audit institution for monitoring the legality of public expenditure and assessing the accounts. The CoA is an independent body, and its audit reports provide technical input for the political debate in Parliament. In this regard, the relationship between the Parliament and the CoA is essential for political accountability. The Budget and Finance Committee draws up the final report based on the CoA's opinion, contributions from other committees, the budget support unit (see below), and [the economic and social council](#). This report is sent to the President of the Parliament for debate and a vote in plenary.





The Portuguese parliament has a [technical budget support unit](#) (the UTAO), which is a specialised unit under the Budget and Finance Committee, and which provides technical support services for budget management and public finances. The UTAO was created in 2006, and its powers were strengthened in 2010 and 2014. The UTAO supports members of parliament by helping them to understand budgetary and financial information.

To analyse the Budget and Finance Committee's role when it comes to public scrutiny, we have focused on three aspects: ex ante scrutiny, ex post scrutiny, and transparency and public access to actions taken by those responsible for public scrutiny.

## **Ex ante scrutiny**

Political scrutiny with an *ex ante* focus is associated with the legislative process for discussing the State Budget. This is an essential function of the Portuguese system. For example, the rejection of the Parliament's 2022 State Budget proposal triggered parliamentary dissolution by the President of the Republic.

The reform of the budgetary legislative process is a recurring theme. This fact was included in the [2008 OECD report](#) on Portugal's budgeting process and was repeated in 2022 in the UTAO diagnostic report, which was presented to Parliament. In this report, the main recommendation for the budgetary legislative process is to divide the budget discussion into two stages, spacing them in the legislative cycle so that there is time to hold the debate. Sufficient time for budget discussions must be allowed to adequately examine budget priorities, debate budgetary choices, and carry out an in-depth analysis of the long-term fiscal sustainability of any proposed changes. Moreover, the report advises that the institutional design of the UTAO should be reconsidered to safeguard the way in which it operates and its independence, ensuring legal guarantees to mitigate political pressure or any interference in its reports.

We consider that improving the *ex ante* scrutiny process should also address the supranational dimension of political accountability. This includes an assessment of European policies by the Portuguese parliament, taking full account of the views and developments in the European Parliament and the Council.

## **Ex post scrutiny**

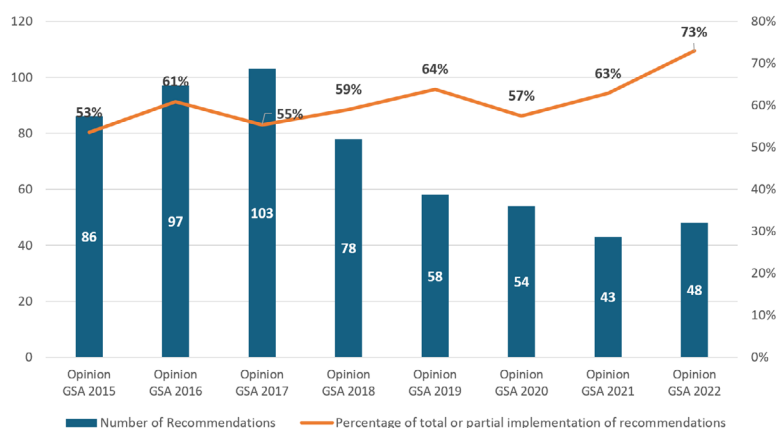
For what purpose does the Budget and Finance Committee use the information from the CoA? In addressing this we focused on the government's accounting process, according to which the CoA's recommendations form a part of the technical input for political debate. Information on the process of following-up the recommendations provides an awareness of the scale of the government's efforts to correct the deficiencies identified.

We identified a development, using two markers from the analysis of the 'Follow-up of Recommendations' from the Opinions of the CoA on the General State Account (GSA): the total number of recommendations and the percentage of recommendations that were fully or partially implemented. We looked at data from 2015, which was the first year after the Troika rescue programme was finished.

In **Figure 1**, the columns show a drop in the number of recommendations from the Opinions of the CoA on the GSA over the last eight years. At the same time, the line indicates that the percentage of total or partial implementation of recommendations has increased.



**Figure 1 – Follow-up of recommendations**



Source : Daniel Matos Caldeira, Gustavo Fernandes, Ana Lúcia Romão

A drop in recommendations indicates fewer audit findings related to management failures or inconsistencies. The increase in the implementation of recommendations signals the government's commitment to addressing the deficiencies that gave rise to the recommendations.

To summarise, our analysis corroborates the perception that the CoA promotes improvement in the control of compliance processes. The CoA contributes effectively to technically facilitating parliamentary political debate, so that Parliament can publicly hold the government to account. However, there is still room for improvement in terms of the assessment and scrutiny regarding performance.

The implementation of some of the innovative measures approved in the new 2015 Budgetary Framework Law, such as programme budgeting and the legal certification of the General State Account, have not yet been finalised. Despite that, in terms of practical effects, the 2023 data shows that public accounts are improving, as this is the first year with a substantive budget surplus following the Troika period. Furthermore, we think it would be logical that in line with what we assessed for the political accountability bodies, there should be optimal supranational coordination between the institutions that provide the technical input to political bodies. Therefore, improving the *ex post* scrutiny process also includes sound coordination between the Portuguese Court of Auditors and the European Court of Auditors.

## Transparency and public access to activities for public scrutiny

How transparent and open are those in the political realm who are responsible for public scrutiny? We looked at the public's access to politicians and their transparency, focusing on the [democratic debate process](#). Such information can relate to both *ex ante* and *ex post* activities. In the same sense, it can include both national and supranational dimensions. To effectively engage society in discussions and promote transparency through leading by example, both quantitative and qualitative information must be available on the Parliament's website.

We observed that more information could be made available on the Parliament's website, specifically related to parliamentary activity in the committees. For the Budget and Finance Committee, the minutes of hearings and 'audiences' do not provide extensive information, which in turn restricts public scrutiny. Some reports are also inaccessible, which hinders an assessment of the activities carried out in each legislative cycle.

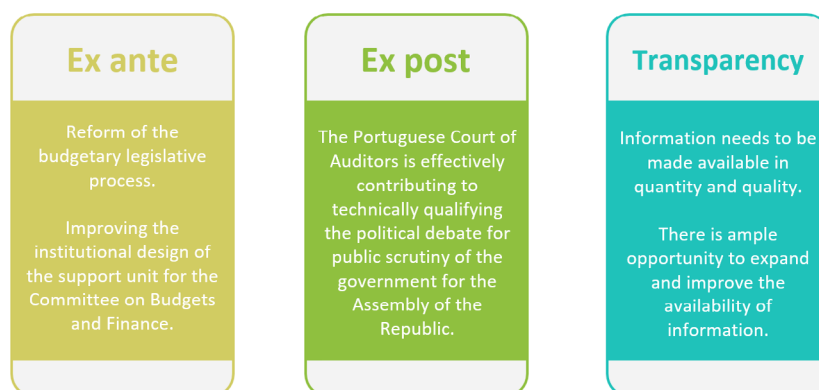


Budgetary transparency engages citizens and qualifies the public budget debate based on public scrutiny and allows Parliament's performance to be assessed. It is impossible to discuss society's involvement in the budget process without available data. There is ample opportunity to expand and improve the availability of information. The approach advocated for societal accountability is intended to establish more effective transparency, as opposed to a formalistic approach, which boils down to merely complying with the minimum legal access to information requirements.

## A lot has been achieved, but more can still be done

Portugal is preparing to celebrate and mark 50 years of democracy since 25 April 1974. After half a century of democracy, the dynamics of parliamentary scrutiny appear as a vigorous system which checks State activity. The discussions in the Portuguese parliament and its approval doubtless improves the quality and proper execution of the State budget. Public scrutiny definitely improves public policies in Portugal.

**Figure 2 – Key conclusions on the three types of aspects of analysis**



Source: Daniel Matos Caldeira, Gustavo Fernandes, Ana Lúcia Romão

However, when reviewing these three aspects, which we consider are crucial for the Portuguese parliament's public scrutiny activities, it is clear that more could be done (see **Figure 2**). For example, in view of the European dimension in Portuguese politics, more effort is required to ensure that the best possible information on implementation reaches the scrutiny discussions. Improvements could also be made in terms of showing what has been achieved with such information. Improving the transparency of public scrutiny activities and their effects is an important step for the Portuguese parliament to be able to lead by example.



# THE IMPORTANCE OF TRANSPARENT AND ACCOUNTABLE PUBLIC ADMINISTRATION FOR EUROPEAN DEMOCRACY

By Emily O'Reilly, European Ombudsman

As an oversight institution, the European Ombudsman plays a key role in holding EU institutions and agencies to account, promoting good administration, and proactively looking into how the EU administration deals with pressing issues, such as COVID-19 crisis measures or migration. European Ombudsman Emily O'Reilly (2013-present) argues that accountability and transparency are core obligations of the EU institutions, even more so in an EU where its legislation and policy decisions increasingly impact the personal and economic well-being of European citizens. She considers improving the EU institutions' commitment to these values central to EU democracy.

## Accountability critical to citizen trust

Much speculation surrounds the composition of the next European Parliament as we move towards elections later this year in an increasingly unstable world and with multiple threats to our democratic systems. The right to vote underpins democratic freedoms and the rule of law but the degree to which people believe that voting can affect legislative and policy outcomes is likely to be a key determining factor for turnout—and results—in 2024.

The development and maintenance of a strong culture of government accountability and transparency is critical to citizen trust. Without them, citizens cannot verify whether their elected representatives are working solely in the public interest. Weak public scrutiny of laws and regulations leads to damaging accusations of an out of touch administration, with decisions inappropriately or improperly influenced by special interests.

This logic also applies to civil servants, whose work informs, prepares, and executes new legislation and government programmes. In a healthy democracy, an independent public administration is an important check on executive overreach, ensuring that the exercise of political power respects fundamental rights and important norms of transparency and impartiality. Civil servants are also involved in the delivery of vital public services such as the collection and publication of economic data, critical new research in areas of significant public interest and the enforcement of health and environmental standards.





For these reasons, people must be able to verify that their public administration is open, efficient, meritocratic, and above all else, working in their best interests.

## **Bridging the gap between the EU and its citizens**

Fortunately, public administration at EU level is largely characterised by these qualities. The European Ombudsman's biennial Award for Good Administration consistently finds and rewards outstanding work undertaken by EU public officials. I presented the 2023 overall award to Eurojust and the Prosecutor of the International Criminal Court for the collaborative drawing up of guidelines for the documentation of evidence of war crimes and crimes against humanity for possible future prosecution. Past awards have included work on rare diseases and the handling of the COVID-19 pandemic.



Emily O'Reilly at the 2023 Award for Good Administration. Source: European Ombudsman.

High standards of transparency and government accountability are of particular importance for the European Union administration. As a relatively young supranational entity, the EU does not benefit from the cultural and historical ties that bind citizens to their nation states. Most Europeans understandably still feel closer to their nation or region than they do to the European Union and with that comes a deeper and more intimate understanding and knowledge of their own national governments and institutions but not those at EU level.

Nonetheless, the work of that EU level administration is increasingly impacting the personal and economic well-being of European citizens, including in the domains of monetary policy, environmental protection, public health and defence. The COVID-19 and Ukraine crises have reinforced that influence through initiatives and policies such as vaccine procurement, the funding of post-COVID economic recovery, the managing of the energy crisis, and the EU's support for Ukraine following the Russian invasion.

Against this backdrop, oversight institutions can play a key role in helping to bridge the awareness and comprehension gap between EU citizens and the EU institutions. And in so doing to bring greater accountability to bear on those institutions. As European Ombudsman, I do this by working to ensure that the EU's public administration is as transparent, accountable, and trustworthy as possible and by constantly reminding the institutions of the responsibility they have to ensure citizen trust and confidence in the EU as a whole by behaving in an open and transparent way.

We do this is through individual complaints, including on issues such as access to documents, the failure to explain policy or other decisions, the denial of grants or other benefits, ethical concerns around 'revolving doors' or conflicts of interest, and the alleged denial of fundamental rights. In



recent times, access to documents and other complaints have reflected the current concerns and involvement of the EU including vis-a-vis defence, environmental, and energy matters.

I also have considerable powers to act strategically on my own initiative. My Office can act quickly when we identify an area of potential concern, without having to wait for an individual complaint. We can also anticipate future topics of public interest, which can help ensure that EU institutions are transparent from the outset when it comes to legislating in new areas or administering new programmes.

## **Positive changes towards greater transparency**

Use of these powers has helped us effect positive change when it comes to EU transparency. The Council of the European Union has now created an online public repository of Eurogroup documents to help citizens follow decision-making around Eurozone economic policy. The European Medicines Agency now grants greater access to documents concerning clinical trial data.

We have also issued guidelines for the EU administration on documenting work-related text and instant messages and made suggestions to the European Commission on how to ensure greater transparency and accountability around the over €700 billion Recovery and Resilience Facility. Given the unprecedented size and scope of this programme, it is crucial that the EU provide accessible information about the loans and grants it supports to reassure the public that Member States are distributing and spending this money in full compliance with their funding conditions.

We have long identified transparency in the work of the Council as an issue of particular concern. If citizens cannot follow the enacting or influencing of legislation or what their governments agree or disagree on, it becomes easy for politicians to 'blame Brussels' for rules that prove unpopular in their countries. This damages the democratic credentials of the EU, suggesting to citizens that their lives are being affected by a remote power structure over which they have little influence.

Following a series of inquiries, some key improvements have been made. The Council proactively publishes progress reports on negotiations on draft laws as well as its mandate for negotiations with the European Parliament since 2020. This is in line with earlier proposals I made following inquiries into legislative transparency in the Council and the transparency of [trilogues](#).

Progress is still slow however such as on the recording of individual member states' positions on draft legislation. This risks preventing citizens from effectively holding their elected representatives to account for important EU decisions as well as boosting populist narratives about the nature of the EU decision-making process.

## **Lobbying transparency requires vigilance**

Member state governments are not the only influencers of EU legislation. The input of hundreds of external experts, advisers, academics, and consultants shapes the outcome of legislative texts and the implementation of EU policies and programmes. Over 12 000 organisations, business, and individuals are included on the [EU's Transparency Register](#), each seeking to influence the outcome of a variety of decisions or legislative files in their favour.

While external expertise is often necessary in policymaking and the right to lobby one's government is a fundamental part of a democratic society, citizens need to be sure that these activities are carried out transparently and fairly. The EU administration must ensure that the legislative outcome is the result of a careful and balanced consideration of viewpoints, and not subject to the outsized influence from the groups with significant financial resources and an influential network.



On expert groups that assist with the preparation or implementation of legislation, there have been positive changes. The Commission has made the selection procedure for members more transparent, introduced a new conflict of interest policy for experts appointed in a personal capacity, and now requires potential experts to be on the Transparency Register.

The influence of lobbying on legislation may require special vigilance however, especially on crucial matters such as the environment and public health. I have recently asked the Commission to do more to ensure transparency across all its departments when it comes to meetings with tobacco lobbyists and to ensure a better representation of interests, including civil society groups, at consultations concerning the implementation of the EU's Common Agricultural Policy.

## **Crisis management powers should remain exceptional**

The effect that crisis management has had on government transparency and accountability is now an important issue. The EU's emergency decision-making powers, which allow the Council to act quickly on qualified majority without the explicit approval of the European Parliament, have seen a significant increase in use since 2020. Examples include EU support for short-term work programmes (SURE), the post-pandemic recovery fund, joint vaccine procurement, and joint gas purchases.

These powers exist for good reason and their use undoubtedly helped to prevent or alleviate the suffering of EU citizens. Nevertheless, there is a risk of the normalisation of these measures and the potential to deprive EU citizens of their ability to participate meaningfully in decision making.

The current Commission has explicitly signalled its intention for the EU to act more 'geopolitically' to enable it to deal with the problems Europe faces from the shifting of global alliances, trade disputes, climate change, armed conflict, and more. This makes the external dimension of EU politics particularly vulnerable to sidestepping the accountability safeguards found in the EU's usual rules and procedures.

## **Access to documents is key to transparency**

My role as Ombudsman when it comes to decision making inspired by geopolitical calculations is to remind the EU institutions that the values of trust, transparency, and accountability remain paramount in everything they do. They can ensure this by following an open and service-oriented approach to access to documents requests, which enables journalists, civil society, and individuals to scrutinise their actions. In my experience, this has not always been the case with many instances of the EU institutions misapplying the exemption in the EU's access to documents. [Regulation \(EC\)1049/2001 of the European Parliament and of the Council](#) for the protection of the 'public interest as regards international relations'. These include documents concerning energy policy negotiations with the United States, the transfer of EU citizens' data outside of the EU, and EU sanctions against Russia.

Delays can also undermine citizens' ability to participate in the decision-making process at key moments. Recently, I found that the legal deadlines for the Commission to review a case in which documents had been denied or only partly released, were missed in 85 % of cases. I made recommendations to the Commission to remedy the situation, but with delays ongoing, I have now asked Parliament for its formal support in this matter via a Special Report.



## **Ambitions for good public administration must remain high**

My overarching role is to help the EU's institutions, bodies, and agencies set the highest standards in public administration. With strong foundations already in place, they now need to focus on keeping abreast of technological changes such as artificial intelligence, consider the impact of the expansion of EU responsibilities into new areas, and adapt to the evolution in public expectations concerning what constitutes good administration. By continuously working to ensure that the EU institutions are as transparent and accountable as possible, we can show Europeans that the EU is both listening to them and working on their behalf. Democracy is threatened not just by those with autocratic tendencies but also by institutions that fail fully to uphold their public service mandate.







# HOW TO ENSURE ACCOUNTABILITY FOR THE DECLINE IN MEDIA FREEDOM ACROSS THE EU – THE CASE FOR A VALUES AUDIT

By Ruth Kronenburg, Free Press Unlimited\*

Looking beyond the institutional framework and effective processes for holding those in power to account, the role of a free media and investigative journalism is central to transparency and accountability in a democratic society. The current European Commission has built core values such as transparency and scrutiny into its six political priorities. But how does that work out in practice, what does the Commission do to ensure media independence? Ruth Kronenburg is Executive Director of Free Press Unlimited, an organisation working to safeguard press freedom and the safety of journalists. In this article she provides insights on media freedom violations in the EU and EU pre-accession countries, and highlights some of the Commission's key actions to give substance to its prioritising of values and transparency. She concludes that auditing what has (or has not) been done in this area would be a good way of holding those in power to account to further those values.

## Is the EU still a beacon of press freedom?

In its Charter of Fundamental Rights, the European Union commits to respect for media freedom and pluralism, and to upholding freedom of expression as one of the pillars of modern democratic society. The smooth functioning of democracy depends on the separation of powers between the legislative, executive and judiciary, combined with vital scrutiny by independent journalists and media outlets holding those powers accountable to the public.

The EU has traditionally been considered a beacon of press freedom. Yet independent journalism is increasingly under pressure across the Union. We at Free Press Unlimited were already aware of this – but it was confirmed in 2019 when the European Commission tasked the [Media Freedom Rapid Response](#) (MFRR) consortium of civil society organisations to monitor the state of press freedom. Free Press Unlimited is a proud member of the consortium; through which we provide emergency support to journalists and advocate for press freedom in the EU member states and pre-accession countries.

---

\* Radin, B., Challenging the Performance Movement: Accountability, Complexity and Democratic Values, Washington, D.C., 2006 (Georgetown University Press).



The MFRR reported almost 1 100 media freedom violations in 2023 alone (a 25 % increase compared to 2022), affecting over 1 500 journalists and media outlets and resulting in an increase in the number of support requests from journalists in distress. This signals a serious deterioration in press freedom in Europe. Physical, digital and legal attacks on journalists and media outlets are on the rise, while measures to protect journalists and hold perpetrators to account are falling short of what is needed. In the digital domain, hate speech is prevalent and advertising revenue is siphoned away from independent media by tech platforms. Some member states channel support for media towards media capture, rather than facilitating pluralism and diversity of views in the service of public scrutiny of governments.



### Box 1 – Free Press Unlimited

‘People deserve to know. All over the world.’ This vision, which stems from Article 19 of the Universal Declaration of Human Rights, sums up Free Press Unlimited’s belief that everyone has the right to independent, reliable and timely information. Free Press Unlimited is headquartered in Amsterdam and employs about 70 staff. It offers worldwide support to journalists and media professionals in 55 countries, through advocacy work, emergency assistance, advice, training, capacity-building and awareness-raising.

## Recent Commission initiatives

In the vision of Free Press Unlimited (see **Box 1**), three things are required for independent (investigative) journalism and media freedom to flourish in the EU member states: safety and protection of journalists, the prioritisation in law of independent media content, and support for media pluralism and diversity of views. It is worth stating that the Commission has made considerable efforts during its latest term (which will end this year at the European Parliament elections) to uphold media freedom. Vice-President Věra Jourová, the Commissioner for Values and Transparency, has launched a sizeable number of initiatives and support efforts, and opened and encouraged discussion with member states at fault. To name just a few recent initiatives by the Commission:

- the MFRR, already mentioned above, is a consortium of civil society organisations that conducts fast-response missions to member states that fail to uphold the EU’s media freedom standards and values;
- the WhistleBlower Directive (adopted November 2019) offers protection for people that share information about malpractice in the service of public and corporate accountability, and is vital for investigative journalists to do their work;
- the Commission supports journalists and other media workers exiled as a result of the Russian war of aggression against Ukraine;
- with the European Parliament, the Commission moved to sanction Hungary and Poland for rule-of-law and media freedom violations;
- the newly adopted Digital Services Act compelling platforms to ensure the fundamental rights of users are respected ;
- the EU is working on a Media Freedom Act and an ‘anti-SLAPP’ directive to tackle strategic lawsuits against public participation, both of which should be approved by Parliament before the elections.

In our view these are all commendable efforts by the Commission (in many cases also prompted by Parliament) to improve the information ecosystem. And yet the erosion of media freedom is continuing. So who is to blame, and where should auditors look for the culprits?



Many would point to the Commission and Parliament. Auditors tend to criticise money poorly spent. National politicians rail against interference from Brussels, building on the ever-popular motto: claim success as a national achievement, blame failure on 'the EU'. But we think auditors, at EU and member state level, should look deeper, and should assess the political will (or lack of it) in the European Council and member states' implementation or transposition of EU laws and directives. It is worth taking a closer look at a recent example of legislation from Parliament and the Commission: [the anti-SLAPP Directive](#).

## Silencing independent journalism through legal intimidations

In April 2022, the Commission published a proposal for an anti-SLAPP directive, symbolically termed 'Daphne's Law' after the most famous target of SLAPPs: Maltese journalist Daphne Caruana Galizia, who was murdered in 2017 after 48 libel and defamation cases were brought against her. To this day, her immediate family is still entangled in a number of these lawsuits. Free Press Unlimited has long campaigned for such a directive with a coalition of civil society organisations (known as [the 'CASE' coalition](#)) to curb these and similar legal attacks on investigative journalism.



An alarming trend in the past few years has been the sharp increase in legal intimidation as a tool to silence critical voices reporting on matters of public interest. This practice undermines the work of journalists and directly affects the public's access to information. Corporations, wealthy individuals and politicians are suing journalists for defamation, slander and incorrect reporting, with the sole aim of driving them into silence. One striking example is the [defamation claims](#) brought by Grigoris Dimitriadis against Greek newspaper EFSYN and online investigative portal Reporters United because of an investigative report on Dimitriadis' connection to a surveillance scandal. Another is the ongoing [abusive lawsuit](#) against Dutch daily Het Financieele Dagblad by businessman Willem Blijdorp, in an attempt to stop further investigative reporting.

SLAPPs are on the rise against independent journalists and their media houses when they report on facts that are inconvenient for those in power. Through the use of SLAPPs, wealthy and powerful individuals and corporations abuse the legal system to intimidate and coerce journalists, human rights defenders and civil society organisations into silence. Not only do SLAPPs seriously harm journalists both financially and psychologically, but the damage also extends to the general public, who are denied their right to information.

The new directive, as initially presented by the Commission, showed great ambition, as it contained strong minimum standards for anti-SLAPP legislation in all member states. However, negotiations among the member states have resulted in a heavily watered-down position that would fail to offer any meaningful protection to journalists and activists who hold power to account.



On 30 November 2023, the European Council and European Parliament reached a negotiated agreement on the proposed directive, which aims to deter potential claimants from engaging in SLAPPs with cross-border implications. The proposal contains several positive changes that deflect some of the Council's attempts to dilute key safeguards. By enabling national courts to dismiss SLAPPs in an accelerated procedure early in proceedings, it maintains those guarantees. It also contains a broad concept of SLAPPs on matters with cross border implications and it aims to deter potential claimants from engaging in such practices.

However, the proposed directive falls short in deferring excessively to member states and relying on ambiguous language in relation to certain key safeguards and remedies: it would, for example, be for member states to decide whether compensation would be available to public watchdogs, or to flesh out the threshold test used to dismiss SLAPPs.

While these measures constitute an important and positive step forward, they should be considered the *minimum standards* needed to protect public watchdogs against SLAPPs. It is time for the EU member states to honour their commitment to press freedom by adopting strong national anti-SLAPP legislation during the process of transposing the directive into national law.

## Legislation watered down in the transposition process

Which brings me to another concern we have at Free Press Unlimited. In 2019, after we, WIN (Whistleblowers International Network) and Transparency International had campaigned long and hard, the Whistleblower Protection Directive was adopted. During transposition, however, unsatisfactory legislation was proposed. This was the case in [Spain](#); and it is about to happen again in [Slovakia](#), where a positive law on whistleblowing is being amended by the new government, causing great concern that many international press freedom organisations, including ourselves, have expressed in a letter addressed to the Slovak authorities.

The Whistleblower Protection directive is of such fundamental importance for investigative journalists because most of the political/economic scandals of the past ten years (such as Lux Leaks, Panama Papers, COVID -19 corruption cases) have at least partly been the result of whistleblowers coming forward with incriminating evidence of malpractice of harm to public interest. We need to keep a close eye on the transposition of the anti-SLAPP directive, so that it does not go the same way. This is just as true in weak democracies where the rule of law is less than perfect, or less liberal democracies such as Hungary, as it is in the western European founding member states of the EU.

An audit assessing progress on EU values could also include an assessment of what we have identified as the lukewarm mentality of many member states, and the decision-making process at the European Council. It could bring insights from fully independent auditors into what we consider a lack of progress towards stronger EU action in protecting media freedom.





## What is needed?

To uphold freedom of expression as a pillar in our democracies, we need greater proliferation of rock-solid practices for the protection of journalists that shield them effectively from physical, digital and legal harm. Strengthening the public accountability role of journalists means improving the *implementation* of access-to-information laws and increasing the role of civil society organisations in monitoring EU policy on press freedom. Enhancing public accountability will also need increased budgets for in-country civil society watchdogs that will monitor press freedom. And finally, considering their role in the institutional accountability framework, independent watchdogs such as the ECA and its counterparts in member states are excellently placed to shed light on the progress of the values the Commission claims to be working on and standing up for, and to identify any gaps between, on the one hand, commitments made and projected achievements and, on the other, the situation for journalists on the ground and the practice of media work.







## FORESIGHT AND AUDIT

# ENSURING ACCOUNTABILITY IN TIMES OF UNCERTAINTY

By Oana Dumitrescu, Directorate of the Presidency, ECA

In times of crisis, accountability is most often put to the test. Because of urgency, a lack of information, coordination challenges or other reasons, corners are cut – which complicates a future evaluation of what happened and what criteria were respected. What does such an environment require from auditors to ensure that accountability arrangements are observed, if not improved? Oana Dumitrescu is Senior Officer in the Directorate of the Presidency, and works on issues relating to strategy, foresight, planning and performance management. She identifies some emerging accountability gaps for the EU budget, which are related to different scenarios. She also flags other aspects for external auditors to keep an eye on to make sure they address accountability needs in a changing audit environment.

## Challenging times – also for auditors

Complex and uncertain times have returned. Although we have war in Ukraine, few people expected a conflict to erupt in the Middle East. The latter risks giving rise to further contagion, with geopolitical and economic impacts both in the EU and the rest of the world. This risk compounds the damage to the EU economy caused by Russia's war against Ukraine, the resulting EU sanctions and associated economic pressures. Other risks stem from the fact that not all sectors and businesses are prepared for the green and digital transitions, coupled with a decrease in the competitiveness of the EU economy compared to other economic powers. All of these factors lead to a strain on public budgets and trigger calls for austerity – at a time when the need for public investment appears to be at its greatest. Meanwhile, the EU's voice on the global stage is weaker than it was in the past, and the EU finds itself undermined from within, faced with the rise of Euroscepticism and competing views about future priorities.

We simply don't know what challenges the future may bring. Uncertainty further complicates the current landscape and the subsequent effects, which are yet to be seen. Therefore, the EU and we, as auditors, need to prepare for the future by exploring our role and the expectations in terms of accountability in a rapidly changing and ever more pressing environment.

The risk that EU policy and finance may be inadequate is at its greatest in these challenging times. Ensuring accountability with regard to public spending is our contribution to a robust budget, which



delivers on the overall aims and values of the EU, while ensuring a resilient and strong European Union over the long term. Building an EU that can overcome these challenges and leap forwards to arrive at a more sustainable and peaceful future is a work in progress.

But what does accountability actually mean in the context of EU funds? We believe that it entails ensuring and demonstrating to our stakeholders (i.e. the EU citizens represented by the European Parliament and the Council) that the institutions and beneficiaries implement EU policies and spend EU funds:

- in a regular and in a legally sound way<sup>1</sup>;
- in a way that contributes to the EU's objectives and upholds EU values; and
- using scarce resources in a way that maximises results and impact for every euro spent.

Basically, our role is to ensure sound public spending, protect the EU's financial interests and assess the impact of EU actions. These are all key elements enabling the increase of citizen confidence and ensuring that taxpayers' money is used properly and effectively<sup>2</sup>.

## Existing and emerging accountability gaps

We have already noted the risks facing accountability in the current EU financing arrangements, with a proliferation of off-budget instruments in recent years whose accountability arrangements differ substantially from those used for the traditional multi-annual financial framework (see [special report 05/2023](#) on the EU's financial landscape).

Let's take the example of financial assistance to Ukraine, in terms of tens of billions of euro and which is outside the EU multi-annual financial framework. In this case, our mandate and audit rights are less clear-cut. The financial allocation for Ukraine is set to increase, including in the area of defence. Defence is another area where the ECA has a very limited mandate – if any. According to Josep Borrell<sup>3</sup>, Vice-President and High Representative of the European Commission for Foreign Affairs and Security Policy, 'the high-intensity war will continue, and we must prepare for it'. Several headlines in the news raise the issue of EU national armies preparing for war scenarios. We need to reflect on the appropriate accountability arrangements for an expected increased materiality of defence expenditure.

Looking ahead to the near future, the proposal for the next Multiannual Financial Framework (MFF) is due in late 2025. In view of the clear political will for another wave of enlargement, we can only wonder what the future might bring, and what this would mean in terms of accountability. As touched upon above, uncertainty in the current climate means that the EU's finances should be robust, flexible and adequate to tackle any as yet unforeseen challenges. And we at the ECA have an important contribution in this context, as we strive to ensure transparency and accountability. We should therefore be equally robust, flexible and prepared for change.

Depending on adjustments made to the MFF, our role in EU-level accountability would change accordingly. Changes in the treaties, as mentioned in various reports, for instance by the European

---

<sup>1</sup> See [legality and regularity explained](#).

<sup>2</sup> European Parliament resolution of 18 January 2024 on the protection of the European Union's financial interests – combating fraud – annual report 2022 (2023/2045(INI)).

<sup>3</sup> Josep Borrell Fontelles, [Europe Between Two Wars](#), January 2024.



Parliament<sup>4</sup>, or by a Franco-German working group on treaty and budget reform<sup>5</sup>, could also affect both accountability arrangements and our mandate. Both of the abovementioned reports demonstrate extended EU competence in various areas, such as health, energy, defence and greater tax policy harmonisation, leading to a larger pool of common EU resources. They also propose limiting the length of each MFF to five years. In the current case, this would mean two options:

- either the current MFF could either be extended until the end of the next legislative period (lasting until the end of 2029 instead of 2027);
- or, since any reform would be years away, it is more likely that a new 5-year MFF cycle would start in 2034, at the time of the EU elections, ensuring that the budget cycle would tie in with the European Parliament's political term.

In December 2023, we discussed potential changes to the MFF and their implications for the ECA's audit directorates. We also reflected individually about potential changes to EU finances and challenges in terms of accountability. I can think of potential scenarios for the next MFF, which are based on literature and political discourse. The list is not exhaustive and it is not meant to serve as a prediction. Foresight is never a crystal ball, but instead explores different possibilities.

### *Scenario 1: 'business as usual'*

Business as usual, but with small adjustments. Essentially, this would mean the same priorities and way of financing, with a slight rise in amounts, and maintaining current off-budget instruments as they are. The current accountability arrangements would also be maintained, but the gaps we noted in our special report 05/2023 on the EU's financial landscape would likely remain unaddressed. This scenario is based on the outcome of previous MFF negotiations, which only made incremental changes.

### *Scenario 2: 'more than one EU budget'*

Two or more EU budgets, based on member states' voluntary contributions and focused on various priorities and in accordance with different rules. This is one of the options suggested by the recent Franco-German report if all member states cannot agree on a global treaty reform. Different rules would imply several accountability arrangements, which in turn would mean that our role would evolve, with accountability shifting towards multiple interinstitutional configurations.

### *Scenario 3: 'larger EU budget with the same priorities'*

A larger, consolidated EU budget. This would include the same priorities, but also strengthened enlargement and defence, and new EU competences. This option could bring with it an improvement in the accountability arrangements through broader coverage, if treaty reforms do not change anything substantial in our mandate. However, this increased coverage would depend on whether the accountability that we provide would include defence spending, which is a very sensitive matter.

### *Scenario 4: 'larger EU budget with changed priorities'*

A larger EU budget with significant changes in terms of which EU priorities would receive funding – with a reinforced focus on pan-European or EU added value projects<sup>6</sup>. This scenario relies on the fact that the world of today is not the same as the world of 2018-2019, when the current MFF was agreed. Accountability arrangements could be similar, if there were no significant treaty or legislative revision to alter them. Some considerations under the point above still apply.

---

<sup>4</sup> [European Parliament's proposals to amend the Treaties](#), November 2023.

<sup>5</sup> Report of the Franco-German Working Group on EU Institutional Reform [Sailing on High Seas: Reforming and Enlarging the EU for the 21st Century](#), 18 September 2023.

<sup>6</sup> See Financial Times analysis, [A grand bargain over the next EU budget is possible](#), of 14.1.24.





### Scenario 5: 'smaller EU budget'

A significantly smaller EU budget, focusing on key EU priorities and objectives, and with similar accountability arrangements as those of today. Despite calls for austerity in the current MFF revision, I see this option as less likely because it contradicts current political discourse and treaty reform proposals, which converge towards an increase in the EU's responsibilities.

## Key factors for accountability arrangements

Irrespective of the form and size of the future EU budget, the means of financing is a key factor which determines the scope of accountability and its arrangements. We consider it likely that certain existing practices (i.e. financing that is not linked to costs or performance-based budgeting) will be extended to more policy areas. In addition, more loans or equity could be a way to use the same money for several objectives over longer periods of time, thus reducing the need for an excessive increase in new own resources.

All these changes in spending mechanisms require reflection on how accountability is to be delivered, and questions our role, as the ECA, if no expenditure is actually incurred. Our ability to adapt to these changes and to continue providing valuable information and unique perspectives to our stakeholders will be key in managing these changes and allow us to continue to deliver on accountability issues.

Another example of an accountability challenge, but this time with a longer time horizon, refers to the commitment to carbon neutrality by 2050. The Commission recently hinted at a 90 % emissions reduction target by 2040. This contrasts with current public investment plans in terms of fossil fuel capacity, i.e. high capacity LNG terminals with a lifetime beyond 2040. Should we as auditors also consider the future risks of locked-in assets – or counter-incentives in more general terms – in our work to deliver assurance on sound financial management, thus ensuring better accountability for the future? Or should we focus only on the immediate need and decisions for public investment?

## Using AI to democratise accountability and shift towards radical transparency<sup>7</sup>

Artificial intelligence (AI) provides an opportunity to democratise accountability. In essence, AI represents models that analyse large amounts of data to identify patterns and key deviations, such as – in the case of audit – irregularities and potential fraud. Making EU funding information publicly available, as it is the case today in the final recipients' databases that each member state publishes, opens the door to independent scrutiny using such models. In this case, accountability can be reinforced. However, questions regarding our role once again emerge: how can we complement this type of independent scrutiny? How could we also use such large models? What do we need to do to reinforce our skills and capacities to be prepared for this likely future?



<sup>7</sup>One of the top three signs of change identified in the [first issue of an EU Horizon Scanning exercise](#).

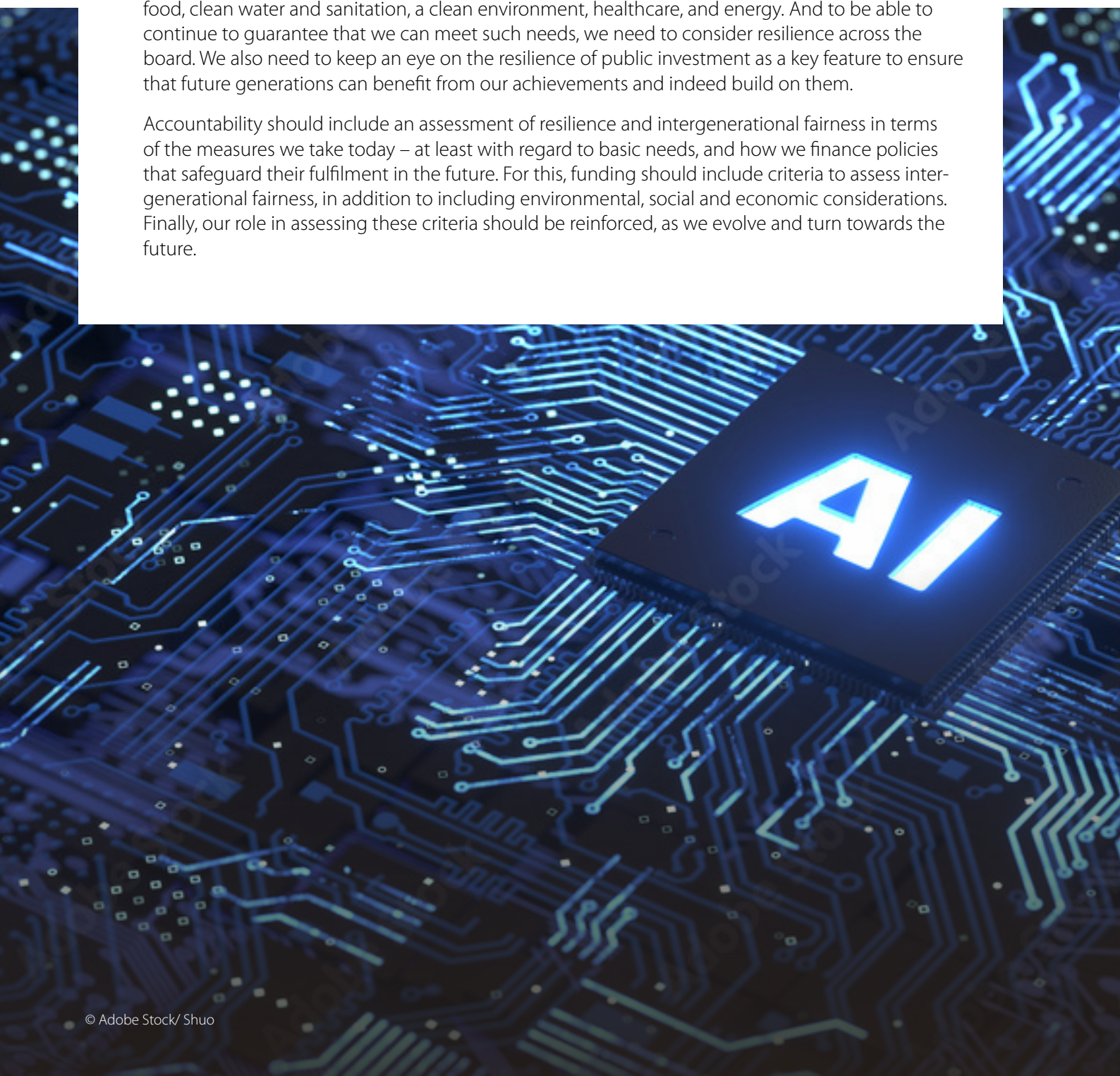


We should also be wary of misinformation derived from misinterpreting the results of analysing such big data. To provide an accurate picture, it is essential to carefully consider contextual factors and ensure that the data used is reliable. We already see examples of intentional misinformation campaigns, and we can also imagine a future where our reports could be hijacked – either re-written for limited distribution (i.e. on certain platforms) or even completely replaced in the public space by hackers. We should perhaps consider protecting our outputs from such threats.

## **Ensuring accountability towards the expectations of young people and future generations**

Intergenerational fairness is a question that is slowly making its voice heard in the public debate. Perhaps it is not as prominent as it should be, considering that any decisions we take today will affect future generations – and sometimes in unexpected ways. Future generations' needs may be different compared to those of today, but basic needs will always remain the same: shelter, safe and nutritious food, clean water and sanitation, a clean environment, healthcare, and energy. And to be able to continue to guarantee that we can meet such needs, we need to consider resilience across the board. We also need to keep an eye on the resilience of public investment as a key feature to ensure that future generations can benefit from our achievements and indeed build on them.

Accountability should include an assessment of resilience and intergenerational fairness in terms of the measures we take today – at least with regard to basic needs, and how we finance policies that safeguard their fulfilment in the future. For this, funding should include criteria to assess intergenerational fairness, in addition to including environmental, social and economic considerations. Finally, our role in assessing these criteria should be reinforced, as we evolve and turn towards the future.







## NEW ECA MEMBERS

# THE ECA MUST CHANGE WITH THE EUROPEAN UNION

Interview with Keit Pentus-Rosimannus,  
ECA Member, since 1 January 2023

By Gaston Moonen

Keit Pentus Rosimannus succeeded Juhan Parts as the Estonian ECA Member on 1 January 2023. During her previous career as a national minister and member of parliament, she launched the first Estonian climate strategy, fought against disinformation, and steered government finances through several crises. As a former politician, she is used to criticism and sees it as an opportunity to do better – something which is always her goal.

## An appetite for difficult puzzles

Some people are politically engaged from early on in their careers and Ms Pentus-Rosimannus is one of them. She became politically active while she was at university studying for a degree in Public Administration and European Relations- with which she graduated in 2000. However, this was not a planned career move for her. 'It was in response to my inner drive to make things better. It is not only the case with political issues – it's true for everything I do. It is not easy for me to stand aside and witness how things that can be improved are not improving.' She believes this also has to do with how she grew up. 'In my family we celebrated the Estonian Independence Day even during Soviet times, secretly. It was the sort of ambience we had at home.' She recalls that back then one could watch Finnish television in the north of Estonia, 'which seemed like a totally different world.

But what made me wonder at the time was what I remembered from my grandparents' stories about how – before Russia occupied us – Finland and Estonia had a similar quality of life, our economies were comparable and, at some point, the Estonian economy was even stronger than Finland's. When we regained our independence, I tried to be as active as possible and involved in everything.' She calls it 'positive hunger'. 'We wanted to make up for the lost time very quickly. It was a hunger to make things better.'



*It is not easy for me to stand aside and witness how things that can be improved are not improving.*

After serving in the local government in Tallinn and in the Estonian Prime Minister's office, she was elected to the Estonian Parliament and became Minister of Environment in 2011. Later on, Ms Pentus-Rosimannus was also Minister of Foreign Affairs and Minister of Finance. She has fond memories of all three experiences. 'I really feel that I have been extremely privileged to serve in five different cabinets in three different ministries.' She is proud to have been the one to push for the first ever climate strategy in Estonia more than ten years ago. 'Back then in Estonia we depended a lot on shale oil energy, which was produced in Estonia and made the country independent from Russian gas. But it's a very polluting way to produce energy.' Despite a burgeoning interest in renewables, the new



strategy was received with a great deal of scepticism. 'The majority believed that climate worries were just a hype. There were very few who understood that it would be a question of survival for hundreds of millions of people and a key issue for the EU's economy and competitiveness.'

She remembers another challenge in 2014 while she was Minister of Foreign Affairs. 'Russia began the war in Ukraine and with that, the importance of disinformation campaigns and the use of information as a weapon was recognised at EU level. That was something I was quite involved in and still consider very important.' As Minister of Finance she had to address the social and financial challenges created by the COVID 19 pandemic and the energy crisis triggered by Russia's full-scale invasion of Ukraine. 'The pressure to introduce all kinds of support schemes was enormous. It was a thankless task to keep a cool head and explain, time and time again, that the government operated with taxpayers' money and didn't have a magic tree with money growing on it.'

She finds tricky situations energising. 'I love challenges, difficult situations, solving puzzles. I think I function well under stress, and I love finding solutions to situations that seem unresolvable.'

Fortunately, she is not alone: one of her main takeaways from her experience as a minister working at an EU level is how remarkably quickly member states and the whole of the EU can mobilise themselves, if necessary. 'This was true during the COVID 19 crisis and with Ukraine, but also on other occasions. Whenever we prepared for the Foreign Affairs Council when I was minister, there were always rumblings that an agreement would not be possible, but in the end, we always found a solution. So in really critical situations, there is always a way and unity prevails.'



*(...) I love finding solutions to situations that seem unresolvable. (...) So in really critical situations, there is always a way and unity prevails.*

## Criticism as an opportunity

Having served as a minister, one might think that working in a collegial environment is new to her. Ms Pentus Rosimannus thinks the differences are fewer than they appear. 'Government also works in a collegial manner. Finding compromises and gaining support for ideas was a big part of my previous life. And I am really enjoying the chance to dive deeply into topics. My main goal is that I want to be very good at what I'm doing.' Another aspect she values is the quality of the teams she is working with. 'They are really very thorough, knowledgeable, quick and result oriented.'

Since she started working as an ECA Member over a year ago, one aspect that has struck Ms Pentus-Rosimannus has been the ECA's humility. 'Our auditors do excellent work and as the ECA we have relevant, carefully considered conclusions and recommendations on how to improve the European project, and how to make the EU more resilient and competitive. Yet we are often very modest when presenting those recommendations, when making ourselves heard. That was a bit of a surprise.' She is not afraid of being criticised by stakeholders or auditees for being outspoken. 'There will always be criticism – it comes with the territory. If our recommendations are sound, if we know what we are doing, if we ourselves are confident enough, we should not be worried about criticism.'



*...every criticism offers you a chance to explain what you are doing(...) It's an opportunity and we should use it as such.*

She admits that perhaps she is used to being criticised because of her former experience. 'I see it this way: every criticism offers you a chance to explain what you are doing, why you are doing it and why you obtained the results presented. It's an opportunity and we should use it as such.' She believes that it is much worse to receive no criticism at all, as it indicates that no one is paying attention to your work.





Being part of the audit chamber covering the sustainable use of natural resources aligns well with Ms Pentus Rosimannus's interest in issues related to climate, energy and the environment. 'I'm currently working on four rather different – but, to my mind, extremely interesting – tasks. One is organic farming. We know that the EU is very ambitious in this area: by 2030, 25 % of our agricultural land should be under organic farming and we are spending a lot of money to get there. Has EU support been effective and efficient? Are we getting the results that we expect? And is the system also sustainable when support measures change? The work is in the final phase, and I think we will deliver very interesting and important conclusions and recommendations.'

Another audit for which she is responsible is food labelling. 'This is something every consumer can relate to. When you go shopping and put your favourite yoghurt in the basket, do you get the information you need from the label? If you compare different products, do all the labels make sense? Or to put it more bluntly, do you understand all of them?' With hundreds of logos, nutrition labelling schemes and symbols, it is important to question whether consumers can truly get the information they need and whether they can trust it.

The Estonian Member is also rapporteur for a third task related to EU electricity grids. 'We cannot be successful in the energy transition if our grids cannot support it. The issues related to grids will be increasingly important, as the share of renewables increases. Again, a rather complex topic.' The fourth audit on critical raw materials is just beginning. 'Again, from the energy transition and strategic autonomy angles, a very relevant topic.'

Besides these 'vertical' audit responsibilities, Ms Pentus Rosimannus is also a member of the Audit Quality Control Committee (AQCC). 'Being a member of the AQCC has given me a much broader view of the ECA's work than I would have otherwise, as we are keeping an eye on the quality of all ECA audits. I am enjoying it because it has allowed me to go beyond the audit chamber topics.' She notes another more horizontal aspect. 'When thinking about the specific audits and related reports, whenever there is good cooperation between the quality review people and the audit team from an early stage, I can see how much this helps throughout the process.'

## No other option than to change with the EU

Ms Pentus-Rosimannus believes horizontal exchanges and cooperation are crucial to preserve one united ECA and not have five audit chambers each doing their own thing. 'I've worked in very complex organisations and I've always tried to follow the same simple principle – talk to people, communicate. It helps to prevent so many misunderstandings and unnecessary tensions. I also find that relevant here, at the ECA.' She thinks that we cannot address issues in isolation, as most topics are interconnected, and go beyond the audit area of one single audit chamber. 'Again, when working on a task it is crucial to communicate from the start, to be aware of what has been done before, what's ongoing, and to be on the same page. So much comes down to communication, simply reaching out and exchanging information with other Members, and the audit teams as well.' She underlines that it is also important for the outside world to know that the ECA coordinates closely internally. 'If we do not coordinate our findings and conclusions among different audit chambers, we become vulnerable. It is something that is easy to avoid, provided we make the extra effort and are clear about it.'



*(...) talk to people, communicate. It helps to prevent so many misunderstandings and unnecessary tensions*



She also stressed the need for clarity and transparency during her hearing at the European Parliament. 'What we say should be understandable and readable. Also, for digital information, solutions should be consumer friendly. I'm a strong believer in digital possibilities, but we must always keep the end user in mind.' She has also publicly highlighted the importance of performance



*If we want to be relevant, we must be flexible in a sense that we must innovate ourselves...*

audits and that it is vital to contribute to different policy areas. 'Compliance tasks will always remain a key part of our work, but I see the need to further develop and improve our performance audits.' The role of the EU and the Commission has changed over the years and that has a direct impact on the ECA. 'We have no other option but to change with the EU. If we want to be relevant, we must be flexible in a sense that we must innovate ourselves as well, continuously.'







## NEW ECA MEMBERS

# ‘INDEPENDENCE IS KEY, IN APPEARANCE AS WELL AS IN REALITY’

## Interview with Katarína Kaszasová, ECA Member since 16 October 2023

By Gaston Moonen

Following an application process notable for its transparency, Katarína Kaszasová was nominated by Slovakia as the ECA Member to succeed Ladislav Balko from 16 October 2023. Her wide-ranging career includes time as the managing director of the Slovak Auditing Oversight Authority and as the chair of the Board of Auditors of the European Stability Mechanism. With experience from both audit in the private sector and financial management in the public sector, she is keen to contribute to achieving the ECA’s mission to improve financial management, accountability and transparency, to enhance citizens’ trust in the functioning of the EU.

### Identifying and taking opportunities

Two aspects of Katarína Kaszasová’s CV are particularly striking: its diversity and the focus on audit. She has a science-oriented education, but also a master’s in economics; she has plenty of private sector experience, but has also spent many years in the public sector; and she has had senior jobs at both the national and EU level, having worked in Luxembourg at the European Investment Bank (EIB) and in relation to the European Stability Mechanism (ESM). The new ECA Member laughs when asked about this. ‘Growing up behind the iron curtain, the communist regime did not allow me to choose what I wanted to study. In fact, my family, since it was openly hostile to the regime, was somehow blacklisted with the result that I had no choice but to specialise in more scientific and “lower profile” studies.’ However, she explains that after the velvet revolution and the advent of a market economy and privatisation in Slovakia, there was a strong call for financial experts. ‘As a consequence, after one master’s in chemistry, I did a second one in economics.’

When Ms Kaszasová started her professional career with KPMG, her technical background combined very well with accounting and audit. ‘I specialised in auditing the financial statements of companies in the chemical industry. I liked to visit these companies in person, and they could see that I understood what was going on.’ She explains she was on track to become a partner, but then decided to move to the public sector for two reasons. ‘First, because my daughter was born, in 1999. At that time employees generally did not have access to the childcare flexibilities that are available these days. And you only have one chance in life to look after your child.’ The second reason relates to the public finance management reforms then going on in Slovakia. ‘There was this call for professionals, a unique opportunity to be part of a team dedicated to moving your country forward in public finance management. You can manage your finances only if you have relevant and timely information. Among our activities, we introduced changes in public sector accounting and reporting standards, and oversaw the move from cash-based to accruals-based accounting.’ With pride she adds that her team trained over 10 000 public sector accountants. ‘We produced the first ever consolidated financial accounts for Slovakia. This achievement was recognised by the accounting profession around the world. We became a leader in the EU, a best practice example.’

With this track record in the public sector, Ms Kaszasová was nominated for several posts on boards of directors or auditors. ‘And I was one of only a few female public sector professionals. I saw myself having an important role in mentoring and supporting women across the public sector.’



## Creating a governance and a culture that promotes trust

Having worked in various positions, including as Managing Director of the Auditing Oversight Authority in Slovakia, Ms Kaszasová has plenty of experience regarding accountability issues in the public and private sector. She thinks a governance structure with clear responsibility and accountability lines, internal rules and channels for sharing information is essential. 'This means having a corporate or institutional culture which promotes trust. This all very much depends on the tone set at the top of the organisation.' Clarity about who is responsible for what is also essential. 'It is about governance at the institutional level. Auditors, including the ECA, cannot impose our recommendation through new legislation, that power lies with somebody else.' In addition, she believes that the internal culture of an organisation is crucial. 'The culture should be: don't be afraid to say that you have a problem. The sooner this message is out, the better one can react. We usually say that only someone who takes no decisions makes no mistakes, but that is not possible when you are in management.'



*... having a corporate or institutional culture which promotes trust. This all very much depends on the tone set at the top of the organisation.*

As a member and chair of audit committees, the ECA Member has seen many sides of the audit coin. 'The typical audit committee as we know it from the corporate world reports to the owners of the company. Audit committees or audit boards in bodies such as the EIB, the ESM and even here in the ECA are different in responsibility and composition from those in the private sector, reflecting their status as EU or inter-governmental organisations. For the ESM I was a member and later chair of the audit committee at the early stages of this organisation. The ESM in 2012 and ESM nowadays are very different bodies. I truly believe that the audit committee helped the ESM, as it expanded, to become an effective institution.' She reflects that, for the general public, terms such as internal audit, external audit, audit by SAIs, are not typically well understood. 'What are the roles of all these auditors? It is exactly the audit committee which needs to assess the performance and benefits of all these different audits for the organisation. The audit committee reports directly to the owners of the institution or company, not to the management.'

Having been in audit for most of her professional life has been a significant influence on all her various activities. 'First of all, I am a chartered internal and external auditor, and I am bound by the standards of my profession. One of the key elements, perhaps the most important, is independence, in reality but also in appearance.' She underlines that the latter is easily forgotten - that as well as being independent, auditors must also be seen to be independent. 'A red line for me would be any situation that could prevent me adhering consistently to auditing standards and code of ethics. This is very important and is particularly relevant for the ECA and our auditors. As an auditor it takes years to build up your reputation. But you can lose it in seconds.' She refers to accounting and auditing scandals like Enron, the Lehman Brothers, and Wirecard. 'When you look at these cases in detail



*Ethics is one of the cornerstones of a healthy corporate culture and of the reputation of any profession.*

it is indeed about breaching certain technical auditing standards. But in reality, it is a breach of ethical rules. They did not do the right thing. Ethics is one of the cornerstones of a healthy corporate culture and of the reputation of any profession. We need to behave ethically, outside the auditing world as well as inside, whether it concerns conflicts of interest or anything else.'





## Nomination through an exceptionally transparent selection process

The selection process to replace her predecessor, Ladislav Balko, was a long and bumpy one, marked by exceptional transparency. 'Following a fall of government, the Slovak President established a temporary caretaker government, comprising a number of experts. This government decided that the selection procedure should set an example for other posts in international organisations.' She explains that everything – applications, CVs, discussions about the candidates – was open to the public. 'There was even a public hearing where anybody could ask questions. You can still access all the documents, including evaluation sheets, and recordings. One of the messages coming out of

the process was that posts such as this can be filled by experts – there is no need to go for a political nomination. The public hearing in Slovakia was a good trial run for my hearing in Brussels in the European Parliament.' Looking back, she considers that there was a short window of opportunity for professionals such as her. 'We don't know whether this will happen again. The competition was strong and if my career over many years had not prepared me well for this nomination then I wouldn't have got it. For me, the decision to apply came at the right time.'



*[regarding her selection as ECA Member]...government decided that the selection procedure should set an example for other posts in international organisations.*

Ms Kaszasová thinks that her allocation to the audit chamber 'Financing the European Union' is an excellent match for her skills and experience, as this audit chamber also examines compliance and governance issues. She underlines that the responsibilities are clear between the ECA as auditor and the Commission as auditee. 'I support discussion and exchange of views regarding methodology, and to explain why we came to certain observations and recommendations. We should not work in isolation, and a no surprises approach, leading to an informed auditee, has clear benefits for our audits. But it is essential that we do this in a way which does not compromise our independent role as auditor; ultimately we are bound by generally accepted auditing standards.'

One of the most frequent findings in ECA reports relates to the availability and the quality of data. She points out that some attributes of data – quality, timeliness, accuracy, reliability – may be contradictory. 'For example, if you need timely data, sometimes you have to work with estimates. If you insist on data which are accurate you may lose this attribute of timeliness. This means that we need to be careful in defining the quality level that we need. These are issues that we faced in our public finance management reform in Slovakia. For example, at the time, cash-based data were readily available and very reliable – but we needed more sophistication to take decisions on how to manage our finances. This led to our move to accruals-based accounting standards and the need to facilitate the ability of accountants to process data, such as through updated IT systems.' She realises that at the national level it might be easier to implement such changes. 'For the EU, dealing with a number of member states, each with their own national responsibilities and considerations, it is much more complicated.' She observes that the search for data should not become a burden either, creating too many requirements. 'Through machine learning, through AI, we have access to more data but the key is deciding which data are relevant and of the required quality? We used to joke that statistics were precise operations on the basis of imprecise figures. Is this what we should aim for with data? Perhaps not...'

As to the responsibilities she has taken on within the ECA, she first refers to the ECA's work on the European Schools. 'I am happy to have taken over from my predecessor, Ladislav Balko, as reporting member for the annual report we produce on the Schools. Secondly, I am responsible for the Statement of Assurance work regarding EU revenue. And thirdly, I will be in charge of a performance audit on Recovery and Resilience Facility arrangements, focusing on whether member states' control systems effectively prevent, detect and correct



*...the ECA is not serving my personal ambitions, I am serving the ECA's ambitions...*



fraud, corruption, and conflicts of interests.' As newcomer she believes she should not only focus on duties in her own audit chamber. 'I want to use this honeymoon period to observe the work of other chambers and committees, to ask questions, and to think about possible ideas for future audits. My starting point is to serve in the interest of the EU. So the ECA is not serving my personal ambitions, I am serving the ECA's ambitions, that is the framework for me.'

## Leading by example...to increase the relevance of the ECA

From a general accountability perspective, Ms Kaszasová has been able to use her accountancy and audit experience in publications and teaching. 'Following the scandals I referred to earlier, like Enron, new legislation came into force, such as the Sarbanes–Oxley Act of 2002 in the US and an EU regulation regarding statutory audit in public interest entities. All this placed new requirements on the audit profession in terms of oversight – audit committees, mandatory rotation, limits on fees etc. One chapter of a new study book I co-authored on fundamentals on auditing, published in October 2023, deals with this.'

For public sector auditors such as the ECA and other SAs, she thinks that the regulatory environment is less strong. 'However, that does not mean we do not pay attention to the quality of our work, as we are also bound by professional standards. And there is of course public scrutiny, by parliaments.' She thinks there are opportunities to increase the relevance of ECA. 'By being more forward looking, auditing on the basis of risk and using modern technology. We need to lead by example. That is not a cliché but is directly related to trust. If similar scandals took place in the public sector as happened in the private sector, leading to financial losses for investors and employees, then our reputation as auditors would be at stake. Stakeholders might lose their trust in our ability to provide assurance. We are still under public scrutiny, but that does not mean that the risk for scandals is eliminated. If you are well governed, that is already a good start.'



*We need to lead by example. That is not a cliché but is directly related to trust.*

When asked what she aims to be held accountable for at the end of her mandate - whether she has specific goals to realise – the new ECA Member is clear. 'I received a similar question during my hearing in Slovakia: what would I change in the work of the ECA, or its mandate? My answer was very simple: I very much like the ECA's multiannual strategy. Rather than proposing new issues, I want to contribute to the implementation of this strategy. As long as we work very hard collectively on delivering this strategy, then I will be happy.' In terms of Slovakia she has some specific objectives. 'I would like to close the gap between the ECA, the Slovak national audit authorities and Slovak citizens. The ECA is almost unknown in Slovakia. But the key stakeholders have recently changed – we have a new parliament, a new government, and soon a new president. With all these changes in my country, my starting point is effectively zero.' She concludes on a personal note. 'It is a real privilege to have been selected to work in an organisation at the heart of the EU and in an area that I have dedicated my professional life to. I want to repay the trust that my country has put in me by serving as an ECA member to the best of my abilities.'



*I would like to close the gap between the ECA, the Slovak national audit authorities and Slovak citizens.*

## Evaluating EU Cohesion policy

Challenges and opportunities

### REACHING OUT

# COHESION CONFERENCE BRINGS POLICYMAKERS AND EXPERTS TOGETHER AT THE ECA

By Celil Ishik, Attaché, private office of Annemie Turtelboom, ECA Member

On 23 October 2023 the ECA hosted a hybrid conference to discuss the evidence from EU and national evaluations of the added value for the EU of its cohesion policy, as well as significant developments in evaluation activities in the EU. Traditionally, cohesion policy is the EU's largest area of expenditure, involving more than a third of its budget. The effectiveness of cohesion policy has therefore been a perennial concern as well as a supreme interest for all stakeholders in the EU. Celil Ishik, Attaché in the private office of ECA Member Annemie Turtelboom, was heavily involved in organising the conference. Here he provides insights on what was discussed and highlights some key contributions.

### Cohesion one of the most evaluated policy areas

Thanks to the better regulation agenda over the past decade, more than one thousand evaluations have been carried out by member states since 2015, making cohesion policy one of the most evaluated policy areas. These evaluations (which are available to the public on the Commission's open data platform) present a veritable reservoir of evidence on the policy's implementation and effectiveness. For this reason, and considering the various strengths and weaknesses they reveal, evaluations certainly deserve a closer look from the ECA. With this aim in mind, the ECA decided to organise this conference to bring together experts, auditors, evaluators, academics and policymakers from many member states, as well as from organisations far and wide. At the end of the conference, which included some heated discussion and several outstanding points of contention, the panel line-ups agreed that the evaluations contain valuable lessons for optimising EU investments in the future.

The all-day event was divided into three panels, each moderated by an ECA Member and preceded by a keynote address. The panels had a diverse line-up to stimulate debate, being composed of ECA Members, directors and officials from EU institutions, evaluators, and other representatives of international organisations, universities and think tanks. The hybrid format also enabled participants to raise challenging questions online via Slido.



## Varied outlooks from the keynote speakers

The conference opened with introductory remarks by Annemie Turtelboom, ECA Member and Dean of the ECA audit chamber responsible for auditing cohesion expenditure. She focused on three big questions:

- Does cohesion policy deliver for EU citizens, for our regions and for the Union?
- Despite the shortcomings reported by the ECA, can the Recovery and Resilience Facility and its financing model really be the blueprint for the new cohesion policy?
- How can we leverage the national evaluations that offer important clues to understanding the factors behind the successes and failures of cohesion policy programmes in different countries?

Subsequently, Kyriacos Kakouris, Vice President of the European Investment Bank (EIB), delivered his keynote address on the virtues of European cooperation for economic development in EU regions. He highlighted the EIB's intermediation and its various programmes.

Elisa Ferreira, the EU Commissioner in charge of the EU's regional policy, gave the second keynote speech, building on information from the high-level group set up by the Commission to brainstorm about the future of cohesion policy. She reiterated her commitment to leave no regions behind and touted the [Cohesion Open Data Platform](#) (which makes many evaluations, summaries and visuals available to the wider public) as an example of data-driven governance and policymaking. She made reference to future plans for harnessing young talent in the regions and investing in administrative capacity as solutions to avoid the development traps that some EU regions are currently facing.

The third panel discussion was preceded by an address by Mathias Cormann, Secretary-General of the Organisation for Economic Co-operation and Development,, who sent his message by video. He underlined the importance of evaluations for evidence-based policymaking, good governance and transparency – the same virtues that we pursue and revere in auditing.

## Three panel discussions delving into challenging evaluation questions

### *Panel 1 – Assessing the EU added value of cohesion policy: evidence from EU and national evaluations during the last three programming periods*

The first panel discussed the ways in which cohesion policy is deemed to be successful and/or add value by bridging the gaps between regions (see [Box 1](#)). Moderator Stef Blok, ECA Member, firmly anchored the panel discussion in what cohesion policy should be versus what the evidence says it is. He also asked his panelists about why cohesion policy functions better in some member states, regions and local authorities than others.

### *Panel 2 - Innovative methodological approaches to evaluations, particularly in the context of new data sources*

The second panel reflected on innovation in the area of evaluation (see [Box 2](#)) and was moderated by ECA Member Eva Lindström. She pointed to new data sources and the challenge that they pose, especially in the context of the multi-level systems in the EU. She argued that the availability of big data is having an impact beyond simple number-crunching, and that it paves the way for better performance monitoring, experimentation and policy impact. However, she added that this comes with some challenges, such as accountability, exploitation of data, standards of robustness and the capacity of public actors.

### *Panel 3 - Setting-up and auditing a robust evaluation system*





### Box 1 – Panel 1 discussion points

Professor John Bachtler, EPRC Delft/University of Strathclyde, argued that the studies overwhelmingly show an increase in the standard of living in the regions receiving cohesion funds, and that the evaluations indicate variations between regions due to local context and conditions. He pointed to the importance of scale, arguing for structural projects that have the potential to transform the economic prospects of a region, rather than smaller projects with piecemeal effects and fragmentary results.

Alison Hunter, EPPC Director and consultant in sustainable regional policy and innovation, emphasised that evaluations are also valuable because of their archival quality. They are a footnote to the history of a particular intervention at a particular time and place. She also argued for the need to define what success looks like for cohesion policy now and what it should look like in the future.

Professor Friedrich Heineman, ZEW Mannheim, mentioned the limits of our knowledge and cited a sentiment analysis done at the German research institute ZEW which found that the majority of evaluations are positive overall, although he stressed that not all evaluations are conducted by independent bodies. He noted the importance of recognising that there are different approaches across the EU, both culturally and otherwise, when it comes to evaluations, and that national markets are quite segmented and usually dominated by a group of authors who do the bulk of evaluations.

Professor Adriaan Schout, Clingendael/Radboud University, raised the question of the ECA's role in evaluations. He argued that, in order to build institutional capacity, the ECA needs to be ready to involve national capacities in its audit work.



### Box 2 – Panel 2 discussion points

Peter Berkowitz, Director for Policy in DG REGIO at the European Commission, stressed that evaluations provide valuable information for DG Regio's audit, evaluation and legal affairs department about where cohesion policy is at a fixed moment in time. He also explained how evaluations fed into the DG's performance monitoring, and underlined the fact that 20 years of implementing cohesion policy has brought a certain amount of sophistication.

Aline Pennisi of the Italian Ministry of Economy and Finance highlighted the sheer volume of information that citizens and consumers create through their interaction with public and private bodies. She gave the example of the big data available to the public sector in Italy and the novel ways in which health, tax and social security payment records are centralised and used for policy learning and new policy design.

Assistant Professor Valentin Lang, Mannheim University, spoke about new breakthroughs in data collection, but noted that we are still in the early phases of understanding the causal relationship between data collection and policy interventions. He argued that causal inference is crucial for accurate policy evaluations as the two go hand in hand. He proposed that counterfactuals are one alternative that is underutilised as a tool for policy evaluation.

Sue Almond of the International Auditing and Assurance Standards Board (IAASB) emphasised that the IAASB attaches special importance to emerging technology in data science and data collection. She asserted that there are now more possibilities in auditing and assurance thanks to artificial intelligence and machine learning applications.



The third panel discussed issues that hinder impactful evaluations and how to set up a robust framework in member states (see **Box 3**). Moderator Helga Berger, ECA Member, turned her attention to better leveraging evaluations and ensuring that the evaluation ecosystem produces timely and useful evaluations with short, succinct and actionable findings in order to maximise their utility for audit institutions. Panelists provided key examples based on their firsthand experience of producing or auditing evaluations.



### Box 3 – Panel 3 discussion points

As a precursor to a robust evaluation system in the whole EU, Jorge Nunez Ferrer, Conference of Peripheral Maritime, stressed the fact that the EU needs to invest in convergence of evaluation cultures in the EU, together with a single audit culture as well as moving towards a single financial and management reporting system in the EU.

Highlighting the role that the ECA plays in accountability ecosystem, Alfredo de Feo of the European College of Parma argued that there have to be several institutional reforms for such EU-wide framework. Before that to happen, he continued that a closer interdependence between budget adoption, budget implementation and budget discharge, and accountability is needed.

Martina Jurjević of the Croatian State Audit Office argued that there is a lack of awareness in the member states, regarding what can be done and how the several platforms and tools made available by the Commission can improve the analysis of the programs implemented. She highlighted the need to invest in the administrative capacities in member states to achieve a level playing field between policy implementation and policy evaluations/monitoring.

Thomas Delahais of Quadrant Conseil argued that evaluations, by their nature, are not timely and they always come at the end of the implementation in a policy life cycle – an inconvenience that all parties involved should accept. As antidote he presented solutions such as the midterm reviews of a multiannual financial framework - often very informative and timely for the Commission to make necessary changes and amendments. He indicated that the current polycentric, more heterodox ecosystem has also its advantages providing evaluations in diverse areas and sectors. He found that a single evaluation approach or a single set of questions may not be an ideal template in all member states. He concluded that good questions to ask often surface to evaluators at a later stage in the analysis phase.



*Cohesion conference brings policymakers and experts together at the ECA*



From left to right: Annemie Turtelboom, Damijan Fišer, Thomas Delahais, Sue Almond, Helga Berger, Stef Blok, Martina Jurjević, Peter Berkowitz, Aline Pennisi, Jorge Núñez Ferrer, Valentin Lang, Friedrich Heinemann, Eva Lindström, John Bachtler, Alfredo de Feo, Adriaan Schout.

## **Ways forward by means of new data tools**

During the conference there were over 120 participants in the room, whereas more than 300 people followed the discussions online. At the end of the conference, with various questions raised, moderated efficiently by Damijan Fišer of the ECA, panel members and the audience found common ground that by using new data tools, we can improve the quality and reliability of evaluations, which can measure the results and policy impact more effectively. The conference was concluded by ECA President Tony Murphy who thanked all the participants for the rich exchange of views and perspectives. In view of the upcoming midterm evaluation of cohesion policy, the conference had been a good opportunity to showcase various ECA reports on cohesion, as well as the different evaluations available and options for new data source in evaluation and monitoring.





## REACHING OUT

# THE THEORY AND PRACTICE OF ECA TRAINEESHIPS FOR YOUNG PEOPLE

By Sara Abbruzzetti and Tamara Pap, Directorate of the Presidency, ECA

About 3.7 million young people in the EU undertake traineeships as their first professional experience each year.. ECA Member Eva Lindström recently presented ECA review 01/2024, which provided information in connection with the update of the EU policy framework for internships. Like the other institutions, the ECA offers traineeships, in the course of which it introduces, on average, over 60 young people per year to its activities. Sara Abbruzzetti and Tamara Pap, currently trainees in the Directorate of the Presidency, provide some insights on the review and share their experiences thus far. For this article they also spoke with Eva Lindström about her views on traineeships and her experience working with trainees.

## Traineeships as a professional stepping stone for many young Europeans

In the dynamic landscape of today's job market, young people often face the daunting task of transitioning from education to employment. Traineeships have emerged as a beacon of hope, offering a unique blend of practical experience and structured learning to facilitate this journey.

Our insights presented in this article stem from the newly published ECA [review 01/2024](#): “EU actions addressing traineeships for young people”. This review makes a critical examination of the current landscape of traineeships within the EU. It sheds light on the challenges and opportunities that young individuals face in their search for employment. Traineeships, defined as short periods of work coupled with training, have become essential components of youth employment strategies across the EU. Over the past decade, there has been a notable increase in the number of young people engaging in traineeships (now estimated at 3.7 million people annually). However, amidst this growth, there are disparities between member states in their legal frameworks and policy initiatives governing traineeships.

Notably, a significant number of countries lack clear legal definitions, leading to inconsistent quality standards for implementation. The issue of remuneration is a key concern in this regard, given the considerable proportion of unpaid traineeships, which hinders equitable access for marginalised youth. Despite these challenges, the EU allocates financial resources to support traineeships through





various programmes and initiatives. The ECA estimates that at least 270 000 young people participate each year in traineeships receiving some form of EU funding. 'By navigating the complexities and addressing the challenges, policymakers can foster an environment where all youth, irrespective of their social backgrounds, have equal access to traineeships in the EU before taking up regular employment', says Eva Lindström, the ECA Member responsible for the review.

## **ECA experience in practice**

EU institutions and bodies welcome around 4 700 paid trainees every year, enabling young people to gain hands-on experience of activities related to EU policy and practice. The ECA has been offering traineeships for many years, and selected over 60 trainees from 3 500 applicants in 2023. Thankfully, this included us (Sara and Tamara). We started our traineeships at the ECA in October 2023. We very much value this first-hand experience of working in the ECA's professional environment. Within the ECA's Directorate of the Presidency, we are working in the strategy and liaison teams respectively, where we carry out practical assignments such as contributing to policy scans in relation to NextGenerationEU, or updating data files and exchanges with institutional stakeholders. Many of our trainee colleagues work in audit tasks, such as compliance and performance audits conducted by the audit directorates. Around 35 trainees work directly in audit, the other 28 (including us) in 'administrative' departments, as they are labelled here.

Given our backgrounds in public policy (Sara) and international relations (Tamara), we have always been passionate about the EU and always wanted to work in one of its institutions. Working with highly knowledgeable colleagues has given us a greater understanding of the ECA's operations, departmental collaboration, and communication. Aside from our usual responsibilities in our directorate, we have participated in the training possibilities offered by the ECA for newcomers and trainees. This has given us a wider perspective on its activities and role.

Our learning has been further fuelled by intensive exchanges with other trainees, including those at other EU institutions in Luxembourg. From day one, we were welcomed into a community of fellow trainees from diverse backgrounds. Furthermore, our participation in extracurricular activities organised by the ECA and by our trainee representatives has added an extra layer to our experience. From sports to local events, these activities have allowed us to bond with trainees outside of work. This dynamic environment has fostered not only professional collaboration but also lasting friendships and invaluable insights that should help us to jump-start our professional career.

## **Engaging trainees in the world of audit ... and beyond**

ECA Member Eva Lindström has extensive experience of working with trainees. Throughout her mandate of six years, she has had eight trainees working in her private office at the ECA. They have participated in a wide range of work, for example organising conferences, preparing briefings on EU policy areas, and supporting the Member in preparing for upcoming meetings and events. Many of the trainees have also been directly involved in audit tasks within the audit chambers. Eva Lindström underlines that the benefits go both ways: a trainee's first professional encounters can be decisive in the direction a young person's professional career takes, while at the same time they can make a valuable contribution to the ECA. She gives the example of Fatima, whose first professional experience was with the ECA (see **Box 1**).

Eva Lindström is pleased to share her experiences with the trainees she has had in her private office. 'I have been lucky enough to have had the opportunity to welcome brilliant young people to my cabinet who have brought new skills and perspectives that have greatly contributed to our daily work. I would encourage all young people who are motivated to work in a dynamic, international environment to apply for a traineeship in the ECA or another EU institution.'



### Box 1 – A professional basis to excel, by Fatima Meho, ECA trainee 2018-2019



Source: Fatima Meho

When I first graduated from university, I had a human rights degree and was keen to discover what the world had to offer me. I applied for a number of jobs and came across EU traineeships, which seemed like a good entry into the job market. Having submitted my motivation letter and my CV, I was lucky enough to hear back from the ECA. At that time, I was convinced I had applied for the European Court of Human Rights. What was auditing, I thought to myself? And how did I end up applying for a unit I did not even know existed? Nevertheless, an EU traineeship is a good experience, right? The interview went well (I did my homework!) and a few months later I

headed to Luxembourg to start working for the private office of ECA Member Eva Lindström. Eva and her team Johan, Laura, Karin and Katharina welcomed me with open arms; a new graduate with little in her pocket and eager to learn!

My colleagues in other offices and departments were welcoming and eager to share their knowledge with non-auditing staff like me. I had the privilege to visit Italy and different offices in the country, together with a team of ECA audit experts. This gave me an insight into how the EU carries out its work across the member states. In Luxembourg, I learned that auditing is not just looking at numbers, it also includes a vast field of aspects on various topics. Do high-speed trains and rails serve their function across EU countries? (If you can't remember the answer, read special report 19/2018). As well as gaining significant insight into the EU's work, I also made friends with whom I am still in touch to this day!

After my ECA traineeship, I continued my work in the international field, more specifically the humanitarian world, where I joined the International Committee of the Red Cross (ICRC). Working with the ICRC has taken me to places I would never have thought of visiting, and some which I had only dreamt of visiting. I started in the Middle East in Baghdad, the capital of Iraq, just after the state declared victory over ISIS. I then headed to Maiduguri in Nigeria and worked with civilians affected by conflict. I continued to the Tigray region, which was at war at the time, training the military and armed groups in the rules of war. As you read this, I'm in South Sudan working with civilians still suffering from the aftermath of a civil war.

My traineeship at the ECA has definitely opened doors for me, which has led to even bigger opportunities. Whoever reads this, whatever you are doing, never give up and always aim high! Sometimes a cliché is what is needed to motivate us and push us further. I want to send my deepest gratitude to the people with whom I crossed paths at the ECA.



## ECA publications from November 2023 to March 2024

Audit reports, reviews and opinions

### Review 5/2023

Published on 7/11/2023



### Reforming the EU's economic governance: Opportunities with risks and challenges

The EU's economic governance framework has yielded a picture of mixed success so far. Just before the COVID-19 pandemic, 12 EU countries recorded public debt of over 60 %, 10 experienced macroeconomic imbalances, and three had excessive imbalances. These figures reveal some significant shortcomings, as the ECA has been reporting for years, in the economic governance framework and the way it is implemented: the use of non-observable indicators that are revised frequently and sometimes significantly, a lack of national ownership, an imbalance between transparency and discretion, non-enforcement in practical terms, complexity and overlaps in surveillance and monitoring. The European Commission itself acknowledged the need for a reformed framework, and presented a package of proposals in April 2023.

[Click here for our review](#)

### Specific annual report

Published on 15/11/2023



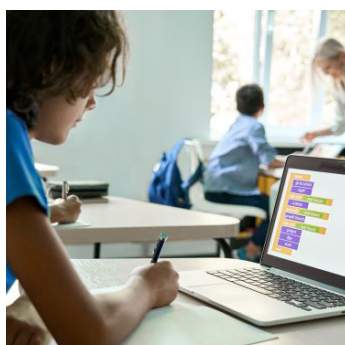
### Annual report on EU Joint Undertakings for the financial year 2022

Joint Undertakings (JUs) are partnerships between the European Commission, industry and – in some cases – research, intergovernmental organisations and participating states. JUs are financed by funds from the EU's research and innovation programmes (Horizon 2020, Horizon Europe, and Digital Europe), and by in-kind contributions and other financial contributions from the other partners. The JUs implement their specific agendas in the areas of transport, energy, health, bio-based industries, key digital technologies, supercomputing, and smart network systems.

[Click here for our report](#)

### Specific annual report

Published on 15/11/2023



### Report on the accounts of the European Schools for the 2022 financial year

The EU supplements and supports member states in the digitalisation of their schools under various programmes and measures financed from the EU budget.

In this audit, we examined whether EU-financed action supported the digitalisation of schools well. We conclude that, overall, it helped schools in their digitalisation efforts, but member states lacked strategic focus in the use of EU financing. Moreover, in spite of an ambitious EU target to connect all schools by 2025 to gigabit internet, only a small number of schools have such fast connections to make best use of the potential of digital education.

[Click here for our report](#)



## ECA publications from November 2023 to March 2024

Audit reports, reviews and opinions

### Review 6/2023

Published on 13/11/2023



### The Commission's 2022 annual management and performance report for the EU budget

The annual management and performance report (AMPR) is the Commission's high-level performance report on the EU budget, and part of the Commission's annual financial reporting package. The legal deadlines involved limit what we can address comprehensively in time for the annual discharge procedure and consequently this review focuses on Volume I of the 2022 AMPR. Our review notes that overall the Commission had good procedures for its preparation. We also highlight that the AMPR reflects the fact that the Commission does not share the same conclusion as we do on specific expenditure areas, and that there was scope to improve the quality of performance data.

[Click here for our review](#)

### Special report 25/2023

Published on 15/11/2023



### EU aquaculture policy – Stagnating production and unclear results despite increased EU funding

Aquaculture is an important element of the EU blue economy and, if carried out sustainably, it can represent a source of protein with a lower carbon footprint. We found that the EU's strategic framework for aquaculture has improved in recent years. However, some key national strategies for the environment do not take aquaculture into account properly, and member states' spatial planning and licensing procedures still hamper aquaculture growth. The large increase in EU funding available for aquaculture over the 2014-2020 period was followed by relatively low absorption and undemanding project selection criteria. EU aquaculture has seen little growth over the period, and there are no reliable indicators to track the sector's sustainability or the contribution of the increased EU funding.

[Click here for our report](#)

### Special report 28/2023

Published on 4/12/2023



### Public procurement in the EU – Less competition for contracts awarded for works, goods and services in the 10 years up to 2021

Public procurement is a key element of the EU's single market.

It helps public authorities in member states achieve the best value for money when purchasing works, goods and services by selecting the best performing companies. This in turn contributes to making markets competitive and safeguards the public interest. We found that over the last decade, competition for public contracts has decreased, and that the 2014 reform of the EU directives has not shown signs of reversing it. Overall, there is a lack of awareness for competition in public procurement.

[Click here for our report](#)



## ECA publications from November 2023 to March 2024

Audit reports, reviews and opinions

### Review 27/2023

Published on 6/12/2023



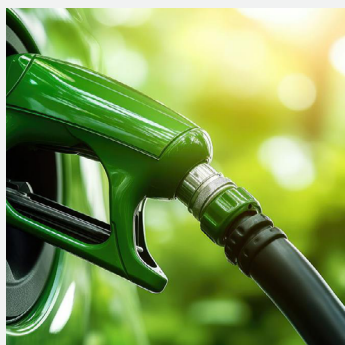
### Screening foreign direct investments in the EU – First steps taken, but significant limitations remain in addressing security and public-order risks effectively

In 2020, the EU established a framework for screening foreign direct investment (FDI) that may pose a threat to security or public order in the EU or its member states.

[Click here for our review](#)

### Review 29/2023

Published on 13/12/2023



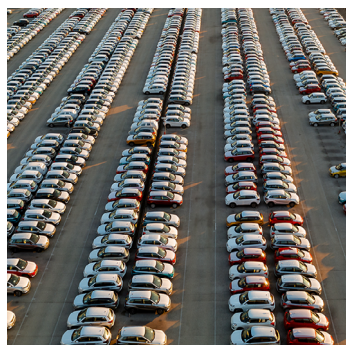
### The EU's support for sustainable biofuels in transport – An unclear route ahead

As an alternative to fossil fuels, biofuels are intended to help reduce greenhouse gas emissions in the transport sector. We assessed whether the EU is supporting sustainable biofuels effectively and whether these fuels have helped the EU achieve its energy and climate targets. We found that the lack of a long-term perspective in EU biofuels policy has affected investment security, and that sustainability issues, biomass availability and costs are limiting the deployment of biofuels. Overall, despite EU support for research, the deployment of waste- and residue-based biofuels has been slower than expected. We make a number of recommendations, including the need for a long-term strategic approach and improvements in data coherence.

[Click here for our review](#)

### Special report 1/2024

Published on 24/01/2024



### Reducing carbon dioxide emissions from passenger cars – Finally picking up pace, but challenges on the road ahead

As of 2020, 11 years after the first Cars CO<sub>2</sub> Regulation entered into force, CO<sub>2</sub> emissions from new passenger cars began to drop significantly. This was mainly due to a significant uptake of electric vehicles, while real-world CO<sub>2</sub> emissions from cars with combustion engines have not dropped. Although the Commission collected and verified the car CO<sub>2</sub> emissions data in line with the Regulation, there is insufficient assurance on the accuracy of CO<sub>2</sub> emissions declared by manufacturers on new car certificates of conformity. We recommend the Commission make better use of electronic tools for collecting and verifying car data and refocus the CO<sub>2</sub> emission reduction targets to address key elements that affect CO<sub>2</sub> emissions from new passenger cars.

[Click here for our report](#)

## ECA publications from November 2023 to March 2024

Audit reports, reviews and opinions

### Special report 2/2024

Published on 30/01/2024



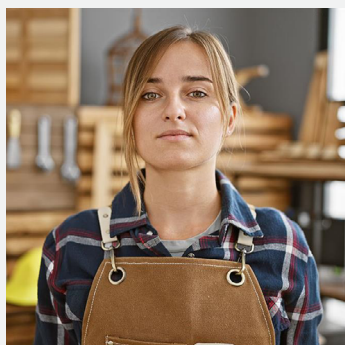
### The coordination role of the European External Action Service – Mostly working effectively, but some weaknesses in information management, staffing and reporting

The European External Action Service (EEAS) is the diplomatic service of the European Union. Working together with the EU institutions to implement the EU's common foreign and security policy, it also provides support to the EU's High Representative for Foreign Affairs and Security Policy (HR/VP). Our audit assessed whether the EEAS's coordination, both internally and with the Commission and Council, was effective. We found that coordination is mostly effective, allowing the service to properly support the HR/VP in delivering their mandate. However, we found some weaknesses in information management, staffing and reporting. We recommend that the EEAS fully implement its information management strategy and, together with the Commission and the Council, improve briefing tools and the secure exchange of information. Furthermore, the EEAS should improve interaction with EU delegations in the areas of planning, reporting and feedback, and facilitate the follow-up of the 2022 workload assessment in EU delegations.

[Click here for our report](#)

### Review 1/2024

Published on 6/02/2024



### EU actions addressing traineeships for young people

The share of young people completing a traineeship before taking up a regular job significantly increased over the last 10 years. Studies show that traineeships can help young people to make the transition to regular employment. The 2014 Council Recommendation on a Quality Framework for Traineeships (under update at the time of publication) establishes key criteria for good quality traineeships. Our review provides an overview of the EU actions and funding supporting traineeships. We identified challenges related to the: varying definition of traineeships, limited reliable data hindering evidence-based policy making, inconsistent application of the 2014 Council Recommendation on quality traineeships in member states and potential variations in opportunities and accessibility for young people from different social backgrounds.

[Click here for our review](#)

### Opinion 01/2024

Published on 7/02/2024



### Facility for the Western Balkans

The proposed €6 billion Reform and Growth Facility for Western Balkan countries is supposed to help them fulfil the conditions for EU accession. In our opinion 01/2024 concerning the proposal for a Regulation of the European Parliament and of the Council on establishing the Reform and Growth Facility for the Western Balkans, we suggest that this additional EU money should be better protected. We note that both the proposal for establishing the facility and the growth plan explain why the Western Balkan economies need to converge further with the EU. The plan also highlights various benefits that the proposed measures would bring to the region. However, in the absence of an impact assessment or an analytical document, we were unable to assess the extent to which the intended €6 billion in support is likely to contribute to achieving the facility's main objectives. Lastly, we suggest clarifying certain provisions of the proposal relating to the European Court of Auditors' audit rights, and access to data and documentation in order to ensure proper oversight.

[Click here for our opinion](#)

## ECA publications from November 2023 to March 2024

Audit reports, reviews and opinions

### Special report 3/2024

Published on 22/02/2024



### The rule of law in the EU – An improved framework to protect the EU's financial interests, but risks remain

The rule of law is one of the EU's fundamental common values. The situation has deteriorated in some member states over the last decade. The EU adopted a new instrument in December 2020 to protect its financial interests against breaches of the principles of the rule of law in EU countries: the Conditionality Regulation. We assessed whether the Commission's application of the Conditionality Regulation was appropriate and consistent with other mechanisms available under the Recovery and Resilience Facility and the Common Provisions Regulation 2021-2027 for cohesion policy. We examined the Commission's internal arrangements for implementing the Regulation, and the actions it took to protect the EU's financial interests under the three instruments. We concluded that, together with specific provisions of the Recovery and Resilience Facility and the Common Provisions Regulation for cohesion policy, the Conditionality Regulation marks an improvement in order to protect the EU's financial interests against breaches of the principles of rule of law, and the measures taken for one country so far were in line with the Regulation. However, we also identified certain aspects of the Regulation which are difficult to apply and identified a number of risks that could significantly undermine the effectiveness of measures taken. Our recommendations are aimed at addressing these matters to strengthen the effectiveness of the framework.

[Click here for our report](#)

### Review 2/2024

Published on 28/02/2024



### The Commission's rule of law reporting

The rule of law is one of the founding values of the EU. This review contributes to a better understanding of the EU's rule of law landscape and its tools, focusing on the Commission's annual Rule of Law Report – a preventive tool that presents the Commission's assessment of significant rule of law developments in member states and makes recommendations on the issues identified. We clarify the Report's place and purpose within the rule of law landscape and explain its production and follow-up, describing each step of the process from the collection and assessment of inputs to the formulation of recommendations. We highlight challenges and opportunities concerning, for instance, the Report's methodology or the relationship between various rule of law tools.

[Click here for our review](#)

### Special report 04/2024

Published on 12/03/2024



### Reaching EU road safety objectives – Time

In 2022, 20 640 people were killed in road accidents in the EU, with pedestrians, cyclists and motorcyclists particularly at risk. The EU aims at halving road fatalities and serious injuries by 2030 and getting close to zero by 2050. We assessed whether the Commission had been effective at setting up the EU Safe System approach and supporting member states in the achievement of those objectives. We concluded that the Commission has set up a comprehensive approach. However, we identified shortcomings in the Commission's actions. At the current rate of progress, and without additional efforts from the EU and member states, these ambitious objectives are unlikely to be reached. We made recommendations to increase the effectiveness of the Commission's initiatives in the area.

[Click here for our report](#)



# NEXT EDITION

## THE EU'S QUEST FOR STRATEGIC AUTONOMY THROUGH INDUSTRIAL POLICY

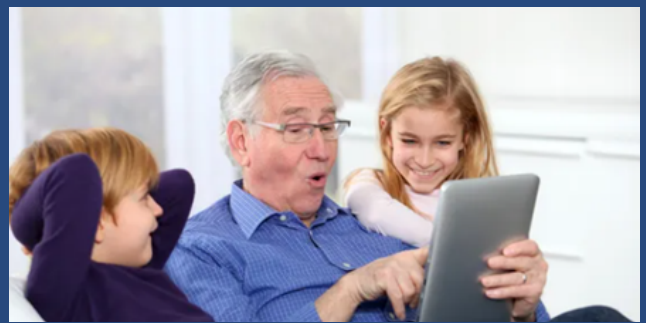
The international developments of the last few years have strengthened the conviction of policymakers that the EU needs to reduce its dependence on other regions of the world in multiple areas, whether security and defence, IT hardware, energy or critical raw materials. The current thinking is that the EU has to seek greater autonomy, so that it can pursue its decarbonisation and digitalisation goals while meeting the challenge of furnishing its own needs for products and services. But this ambition must be reconciled with the EU's liberal values of a market economy, free trade, a free society, a single market and reduced state support to avoid member states competing with each other instead of standing in unity.

In her 2023 State of the Union address Commission President von der Leyen called on Europe to 'think big and write its own destiny'. She stressed the economic and national security imperative of preserving a 'European edge' on critical and emerging technologies, whether in relation to AI or to electrification of transport. Von der Leyen promoted a European industrial policy with new models of common European funding, referring to the STEP platform – Strategic Technologies for Europe Platform – to make sure that “the future of the EU's clean tech industry [is] made in Europe”.

Under the title **Sustainability and people's wellbeing at the heart of Europe's Open Strategic Autonomy**, the Commission's 2023 Strategic Foresight Report had also focused on this aspect. The Commission defined the concept of open strategic autonomy in the following terms: 'cooperating multilaterally wherever we can, acting autonomously wherever we must.' Open to the world, yet preserving the EU's values by erecting and extending guardrails to help it stay on the right path. Building on last year's ambition, the current Belgian EU Presidency has asserted the EU's competitiveness and industrial policies as its second priority, and aims to further strengthen the EU's economic security and reduce harmful dependencies.



© stock.adobe.com/halberg



© depositphoto/Goodluz

Considered superfluous at a time when globalisation was the buzzword, industrial policies have once again become the focus as a strategic tool for preserving the EU's autonomy and its values. So what has the EU done so far to achieve this? Have industrial policies been effective, in the EU and elsewhere? How have EU policies from InvestEU to the Net-Zero Industry Act contributed to strategic autonomy and the EU's global competitiveness? What is the scope of these policies, and how interrelated are they?

The next ECA Journal will be a special edition on the EU's strategic autonomy ambitions and its industrial policy. It will feature expert views on the EU's policy initiatives, as well as the perspectives of top executives on where the EU now stands and its future industrial policy needs. It will also showcase what has been done so far on the ground through auditors' insights into the results and impacts of EU initiatives to foster 'made in Europe' and increase the bloc's self-sufficiency in areas such as energy, transition technologies and food security. There will be articles on complementarity, interconnectedness and the nature of EU initiatives compared with those of other regions. In short, a close and careful look at industrial initiatives to usher in technological and climate-neutral sovereignty for future EU generations.





## EDITION HIGHLIGHTS

- 7 'Basically, without accountability, no democratic control!'
- 39 'Accountability is essential in a system based on the rule of law'
- 50 Accountability and transparency – building blocks for trust in the EU
- 54 Accountability requires a full audit trail for all EU expenditure
- 64 The EU's financial landscape report: challenges in auditing accountability from an auditor's perspective
- 83 The Belgian Court of Audit's 'whole-of-government' audits – encouraging the transparency of meta structures in a federal state
- 94 'The CONT needs to cause "discomfort" to fulfil its role'
- 111 The importance of transparent and accountable public administration for European democracy
- 116 How to ensure accountability for the decline in media freedom across the EU – the case for a values audit

The contents of the interviews and the articles are the sole responsibility of the interviewees and authors and do not reflect the opinion of the European Court of Auditors.

COVER:  
© Adobe Stock/deagreez  
Alexandra Damir-Binzaru

### PRODUCTION

Editor in chief: Gaston Moonen  
Tel.: +352 4398 - 45716  
E-mail: [antonius.moonen@eca.europa.eu](mailto:antonius.moonen@eca.europa.eu)

Desktop publishing: Alexandra Damir-Binzaru  
Distribution: Directorate of the Presidency

Photos: Reproduction prohibited  
© ECA

© European Union, 2024  
Reproduction is authorised provided the source is acknowledged.

The contents of the interviews and the articles are the sole responsibility of the interviewees and authors and do not reflect the opinion of the European Court of Auditors.

Unless indicated otherwise, all pictures and graphical visuals originate from the ECA.

For more information:  
European Court of Auditors  
12, rue Alcide De Gasperi  
1615 Luxembourg,  
LUXEMBOURG

[eca-journal@eca.europa.eu](mailto:eca-journal@eca.europa.eu)

Published in March 2024

Past editions of the Journal can be found on ECA's website:  
[eca.europa.eu/en/Pages/Journal.aspx](https://eca.europa.eu/en/Pages/Journal.aspx)



[eca.europa.eu](https://eca.europa.eu)  
[@EUauditors](https://twitter.com/EUauditors)

