

EN

# 2016

## activity report

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1977 - 2017



EUROPEAN  
COURT  
OF AUDITORS

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# European Court of Auditors

GUARDIANS OF THE EU FINANCES

A word cloud of terms related to the European Court of Auditors. The words are arranged in a roughly rectangular shape and vary in size and color. The colors used are shades of green, yellow-green, and blue. The words include: Court reform, Assurance, EU auditors, Quality, Knowledge management, Value for money, Transparency, Performance, Audit reports, Briefing paper, Opinions, Accountability, and Activity report.

Court reform  
Assurance  
EU auditors  
Quality  
Knowledge management  
Value for money  
Transparency  
Performance  
Audit reports  
Briefing paper  
Opinions  
Accountability  
Activity report

## Who we are

The European Court of Auditors (ECA) is an institution of the European Union, established to audit the EU's finances.

Based in Luxembourg, our institution has 28 members, one from every EU Member State. We employ around 900 professional and administrative staff of all EU nationalities.

## What we do

Since 1977 the ECA contributes to improving the EU's financial management, promotes accountability and transparency, and acts as the independent guardian of the financial interests of its citizens.

We check that the EU keeps good accounts, correctly applies its financial rules, and delivers value for money. Through our audit reports we inform the European Parliament, Council, national parliaments and the general public of how the EU's money is being spent.



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Dear reader,

2016 was a year in which the foundations of the European Union were severely shaken. Coping with the rise of populism, protecting our citizens from terrorism, facing up to the challenges of migration and witnessing an exit referendum in one of our Member States all left their mark. As a result, the faith and confidence of many citizens in our common European project was tested and we must do our utmost to ensure that the trust of our fellow citizens in the work of the European institutions is maintained. I believe sound financial governance has an important role to play in this respect. The European Court of Auditors contributes to this process by publishing independent audit reports on the state of the EU's finances. We have a duty to our citizens to make sure they know how their money is spent by the Union and that they get good value for it. The EU must invest wisely on their behalf in policies, programmes and projects where it can make a difference. It has to deliver results and ensure a fair return on investment; this will not only ensure the Union's sustainability, but will give it legitimacy in the eyes of its citizens.

This report covers our activities in 2016. It also contains information on our management and the resources we used to fulfil our mission and achieve our goals. We continued to audit the EU institutions and other bodies, as well as all EU funds received by the Member States, non-EU countries, international organisations and other parties. In line with our Treaty obligations, we produced annual reports on the EU budget and the European Development Funds, as well as on all EU agencies and many other bodies across the Union. Our 36 special reports of the year cover a large range of topics.

For our work to make a difference, it is essential that we communicate effectively the insights we gain to our stakeholders at EU and national levels. During the year, we further enhanced our cooperation with the European Parliament and the Council of the European Union. Most EU money is, however, spent in the Member States. It is therefore equally important that citizens hear from us and about our work.

This report highlights some of the changes we have made in our governance and knowledge management. It also sets out key information about our staff management, finances and performance over the past year, as well as the results of our internal and external audits and the annual discharge procedure. To continue fulfilling our mission effectively, we also built further on our internal reform, making the most of our staff and their knowledge.

I am pleased to say that the record output of reports and other audit publications in 2016 is a testimony to our efficiency and proof of our commitment to deliver results and protect the financial interests of EU citizens.

I wish you pleasant reading!

A handwritten signature in black ink, which appears to read 'K-H Lehne'. The signature is written in a cursive, somewhat stylized font.

Klaus-Heiner Lehne  
President

## Our activities

- Annual reports on the EU budget and on the European Development Funds.
- Fifty-two specific annual reports on the EU's various agencies and bodies located across the Union.
- Thirty-six special reports examining the effectiveness of diverse management topics and budgetary areas such as climate change, maritime transport, migration or banking supervision.
- Two opinions on new or updated EU laws with significant financial management implications — one on the European Fund for Strategic Investments (EFSI) and the other on the Supervisory Committee of the European Anti-Fraud Office (OLAF) — and a briefing paper on the mid-term review of the multiannual financial framework 2014-2020.
- Meetings, seminars and conferences with our partners and stakeholders, including a high-level conference on the use of financial instruments for the EU budget.

## Our management

- We elected a new president, Klaus-Heiner Lehne (Germany).
- We welcomed seven new members of our institution: Jan Gregor (Czech Republic), Mihails Kozlovs (Latvia), Janusz Wojciechowski (Poland), Samo Jereb (Slovenia), Rimantas Šadžius (Lithuania), Leo Brincat (Malta) and João Figueiredo (Portugal); Juhan Parts (Estonia) joined the ECA on 1 January 2017.
- We reformed our system of audit chambers and committees by creating a fifth chamber responsible for auditing the EU's financing and administration, and an audit control committee to ensure the quality of our audit work, and gave one member overall responsibility for our annual report.
- We launched our knowledge management framework and set up a new institution-wide risk management policy as part of our reform.
- We continued to reduce our staff, as agreed between the EU institutions, and to implement an equal opportunities policy in recruitment and human resources management.
- We put in place a high-quality system of environmental management for our buildings, which led to a positive environmental assessment by experts.

**Our output:**  
annual reports  
special reports,  
opinions and  
briefing papers

## Auditing

Audit is our core business.

We carry out three types of audits across the different areas of the EU budget:

- Financial audits and compliance audits — on the reliability of annual accounts and the legality and regularity of transactions as required by legislation (notably the statement of assurance) as well as assessments of whether the systems or transactions of specific budgetary areas comply with the rules and regulations governing them.
- Performance audits — on the effectiveness of EU policies and programmes and on the soundness of financial management (including value for money). These audits are on specific management or budgetary topics: we select them on the basis of such criteria as public interest, risk of irregularity or poor performance and potential for improvement.

Based on the evidence we collect when performing our audit work, we aim to provide clear conclusions on the state of EU budget accounting and financial management, including for the specific spending areas, as well as to give practical, cost-effective recommendations where improvements can be made. Our auditors obtain this evidence through their examinations of co-funded policies, programmes and projects in the EU and across the world, wherever EU money is spent.

## Audit visits in 2016

While most of the audit work is undertaken at our premises in Luxembourg, in 2016 our auditors also made a large number of visits to national, regional and local authorities in the Member States, and other recipients of EU funds in the Union and beyond its borders. This also includes the other EU institutions, agencies and bodies, or EU delegations, but also international organisations such as the United Nations involved in processing of EU funds. Through these visits, we obtained direct audit evidence from those involved in management, collection and payment of EU funds, and from the final beneficiaries who received them.

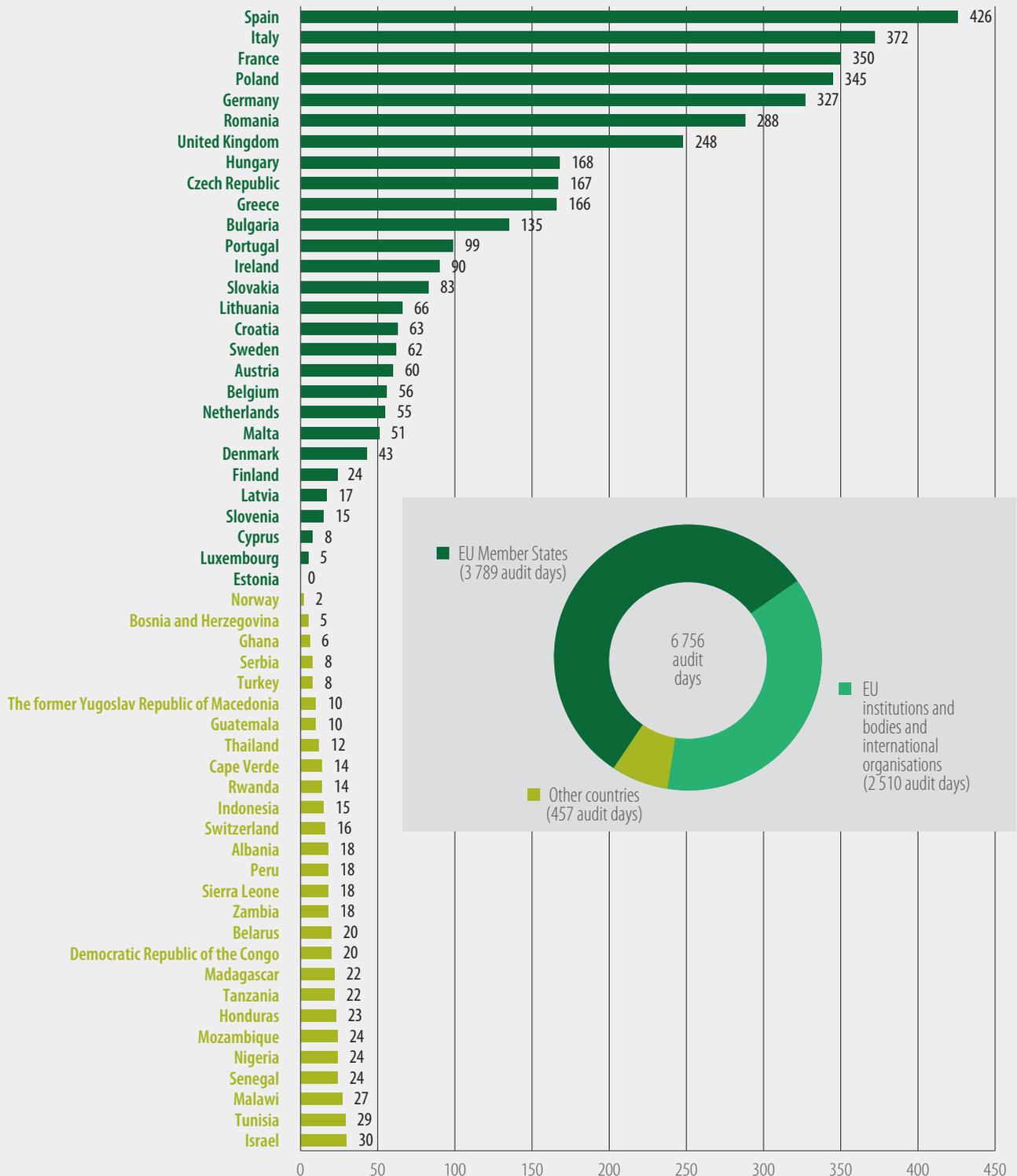
Our audit teams generally comprise two or three auditors, while our audit visits range in length from a few days to a couple of weeks. The frequency and intensity of audit work in individual Member States and beneficiary countries depend on the type of audit work we carry out.

Our audit visits within the EU are often made in liaison with the Supreme Audit Institutions (SAI) of the Member States concerned. In 2016, our auditors spent 4 246 days auditing on the spot (4 310 in 2015) — in Member States and outside the EU.

In addition, our auditors spent 2 510 days at the EU institutions in Brussels and Luxembourg, as well as at decentralised agencies and bodies across the EU, international organisations such as the UN or OECD, and private audit firms. We used videoconferencing and other information technology such as secure data and document sharing for their audit work, whenever possible.

**4 246 days**  
auditing on the spot  
in Member States  
and outside the EU

6 756 audit days in 2016



**Our activities**

**Reports and opinions**

Our audit reports and opinions are an essential element of the EU’s accountability chain, as they are used to hold to account — particularly within the annual discharge procedure — those responsible for managing the EU budget. This is mainly the European Commission, but also the other EU institutions and bodies. National, regional and local administrations in the Member States also play a major role in areas under shared management, such as agriculture and cohesion spending, accounting for the implementation of around 80 % of the EU budget.

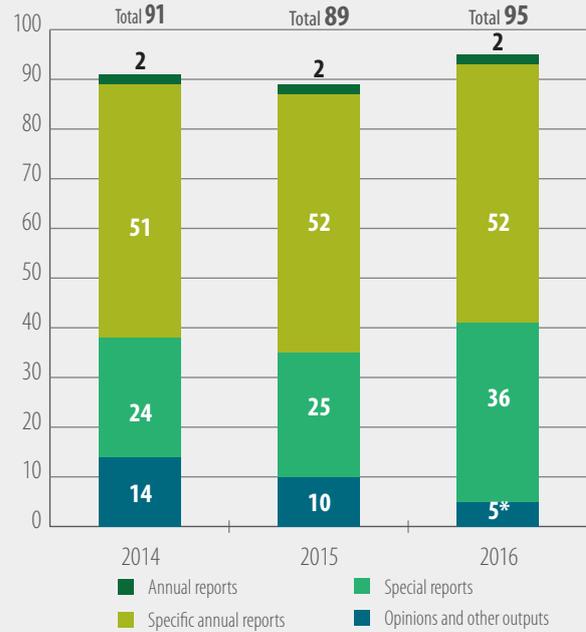
We publish three main types of audit reports.

- Annual reports, mainly containing the results of financial and compliance audit work on the European Union budget and European Development Funds, but also budgetary management and performance aspects.
- Specific annual reports, published separately on the EU’s agencies, decentralised bodies and joint undertakings.
- Special reports, presenting the results of selected performance and compliance audits of specific spending or policy areas, or budgetary or management issues.

In addition, we issue opinions on new or updated laws with a significant impact on financial management and other review-based publications, such as landscape reviews and briefing papers, either at the request of another institution or on our own initiative.

All our audit reports, opinions and other audit publications are available on our website ([eca.europa.eu](http://eca.europa.eu)).

**Audit reports and opinions produced**



\* Two opinions requested in accordance with the financial regulation and three publications produced at our own initiative: one briefing paper and two summary reports on EU agencies and joint undertakings.

Annual reports

2015 annual report on the EU budget

In 2016, when examining the implementation of the 2015 EU budget, our auditors tested some 1 200 transactions across all spending areas. This means we have assessed 1 200 different cases where EU money has been used to provide support to key infrastructure projects, SMEs, research organisations, farmers, students in our Member States or to beneficiaries in non-EU countries.

In the report, we provided assurance on how these EU funds had been used during the year and highlighted where they were most at risk of being spent irregularly. In addition, we specifically assessed each major area of EU activity by the headings of the 2014-2020 multiannual financial framework and provided information on budgetary and financial management, as well as on performance elements in three main areas of the EU budget. We also analysed why errors occurred and provided useful and cost-effective recommendations for improvement.

Our 2015 annual report was published on 13 October, a month earlier than in previous years.

In 2016 we established a high-level working group to examine the possibilities for further increasing the added value of our annual report to its users, in particular the European Parliament, for example through providing more geographical insights, performance assessments for additional areas of the EU budget and drawing assurance from the internal controls at EU and Member State levels. We adopted these proposals in early 2017.



Key information

<b>2015 EU spending</b>	€145.2 billion, around €285 for every citizen
<b>Accounts</b>	reliable, ECA signs them off
<b>Revenue</b>	legal and regular, ECA gives clean opinion
<b>Payments</b>	materially affected by error (3.8 %), ECA gives adverse opinion

### Main conclusions

- The EU accounts for 2015 were prepared in accordance with international standards and present, in all material aspects, a true and fair view. We were therefore able, once again, to give a clean opinion on their reliability. However, we gave an adverse opinion on the regularity of payments.
- The estimated level of error, which measures the level of irregularity, for 2015 payments is 3.8 %. This is an improvement on recent years but still significantly above our materiality threshold of 2 %.
- We continue to find nearly the same estimated level of error under shared management with the Member States (4.0 %) and for expenditure managed directly by the Commission (3.9 %). Administrative expenditure by the EU institutions had the lowest estimated level of error (0.6 %).
- Corrective action by authorities in the Member States and by the Commission had a positive impact on the estimated level of error. Without this action, our overall estimated level of error would have been 4.3 %. Although steps have been taken by the Commission to improve its assessment of risk and the impact of corrective actions, there is still scope for improvement.
- If the Commission, authorities in the Member States or independent auditors had made use of all the information available to them, they could have prevented, or detected and corrected a significant proportion of the errors before the related payments were made.



'The EU needs to regain the trust of its citizens', said ECA President Klaus-Heiner Lehne (middle), presenting our annual report at the Committee on Budgetary Control (CONT). Also in photo: CONT chair Ingeborg Gräsle and ECA member Lazaros S. Lazarou.

2015 results of transaction testing for EU spending areas

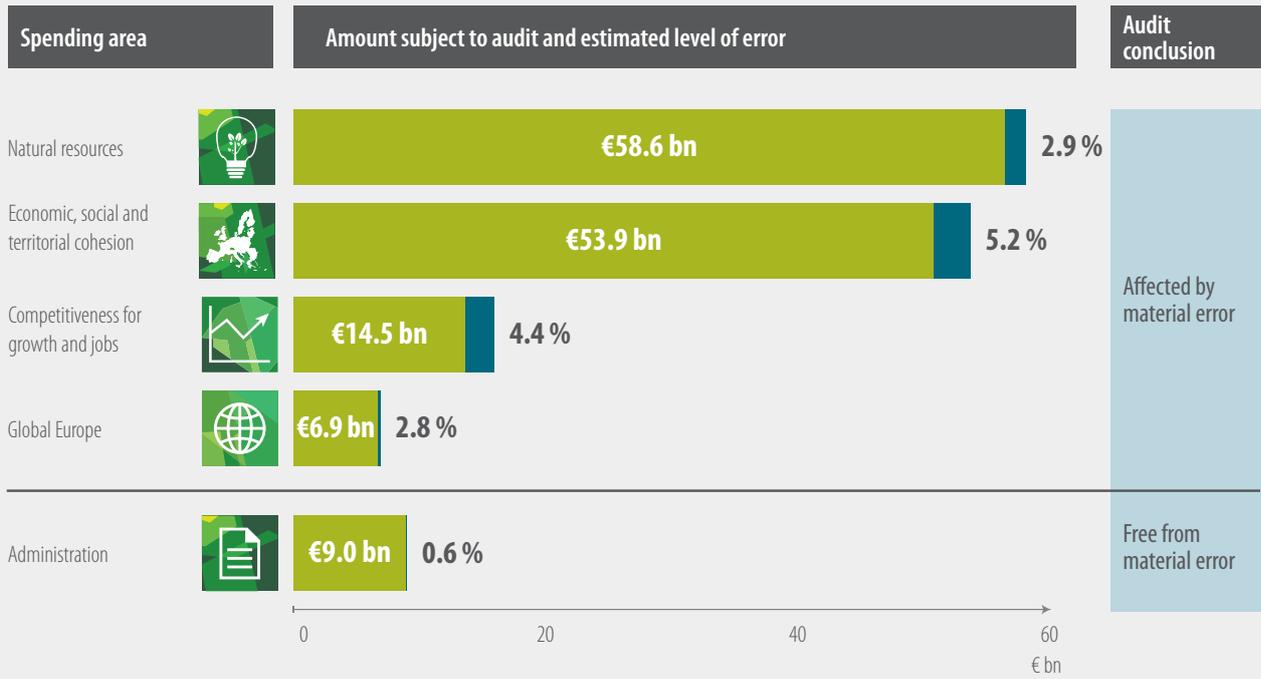


Table is taken from the 2015 EU audit in brief available on our website (eca.europa.eu).

**2015 annual report on European Development Funds**

The European Development Funds (EDF) provide European Union assistance for development cooperation to the African, Caribbean and Pacific (ACP) states and overseas countries and territories. They are funded by the Member States and managed outside the framework of the EU budget by the European Commission and, for some assistance, by the European Investment Bank (EIB).

We found the EDFs' 2015 accounts to be reliable. Their revenue was not affected by material error. Overall, as in previous years, the level of error we found in EDF expenditure (3.8 %) pointed to weaknesses in the *ex-ante* checks. Errors due to the absence of supporting documents to justify expenditure and non-compliance with procurement rules were the cause of more than two-thirds of the estimated level of error.

Our annual report on the EDFs is published alongside our annual report on the EU budget and is available on our website ([eca.europa.eu](http://eca.europa.eu)).



**Key information**

<b>2015 EDFs budget</b>	€3.1 billion
<b>Accounts</b>	reliable
<b>Revenue</b>	free from error
<b>Payments</b>	affected by material error (3.8 %)

## Our activities

### Specific annual reports

EU agencies, other bodies and joint undertakings are located throughout the Union and perform specific tasks in areas of vital importance to EU citizens, such as health, safety, security, freedom and justice.

In 2016, we audited whether their accounts are reliable and whether the transactions that underlie these accounts comply with the rules. When forming our opinion on their accounts, we considered — where available — the audit work done by private audit firms. We also audited the Sisnet communication infrastructure, the European Schools and the Europol Pension Fund.

### Our conclusion on accounts

The 2015 accounts of all agencies, other bodies and joint undertakings were reliable, except in the case of the European Border and Coast Guard Agency (Frontex), for which we issued a qualified opinion.

### Our conclusion on transactions

The transactions underlying their 2015 accounts complied with the rules, except in the case of the European Institute of Innovation and Technology (EIT) and of the Joint Undertaking for Electric Components and Systems for European Leadership (ECSEL), for which we issued qualified opinions.

All our specific annual reports together with the two summaries — one on the results of our 2015 audits of the agencies and other bodies and the other on the joint undertakings — are available on our website ([eca.europa.eu](http://eca.europa.eu)).



### Key information

<b>Audited by ECA</b>	41 EU agencies and other bodies, 7 joint undertakings, European schools ...
<b>Total 2015 budget</b>	€4.1 billion, around 3 % of 2015 EU budget
<b>ECA published</b>	52 specific annual reports

**Our activities**

**Special reports**

We present the findings, conclusions and recommendations of our performance and compliance audits in our special reports, which we publish throughout the year.

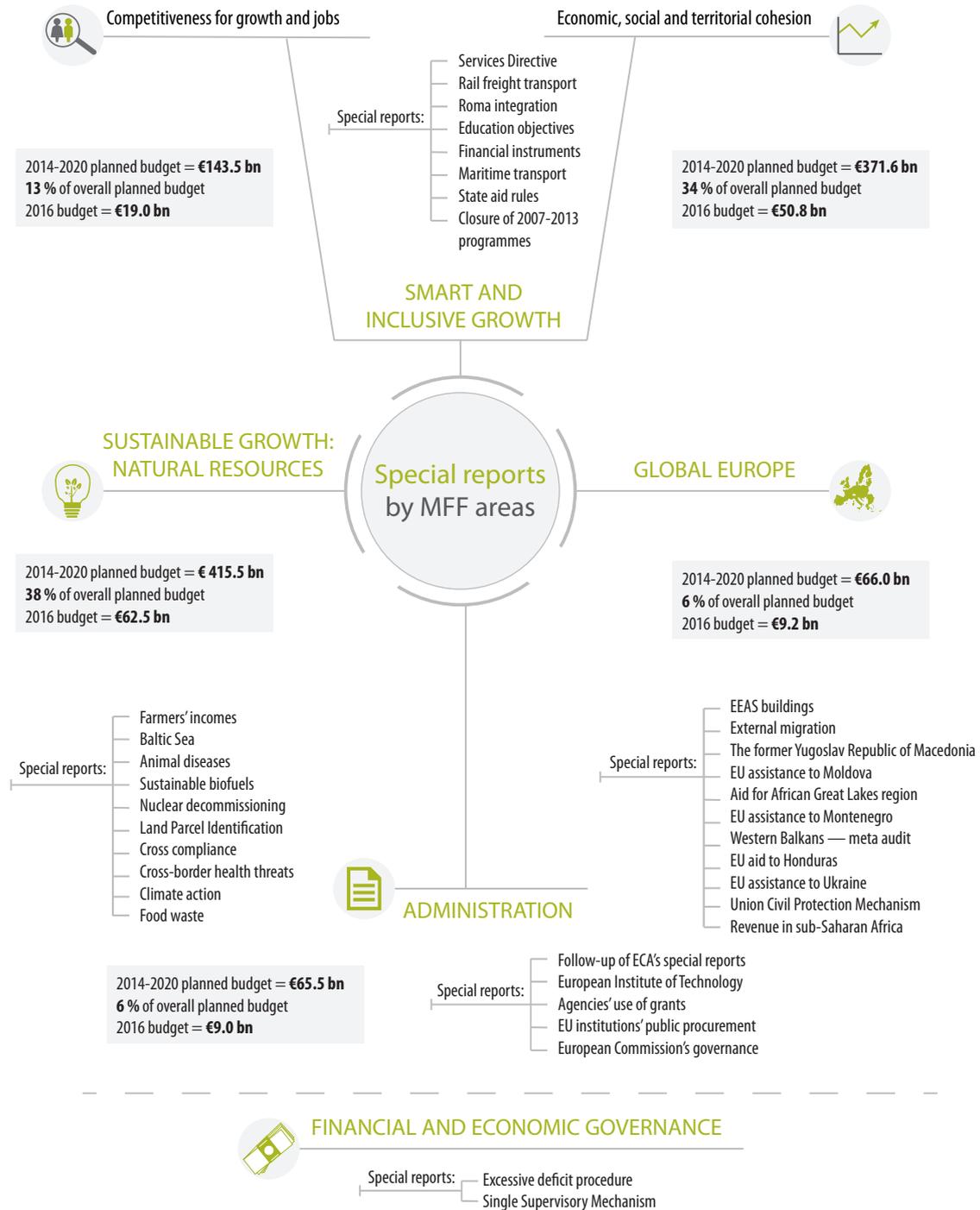
Our members decide on the audit subjects covered by these special reports. Our work programming makes use of criteria such as public interest, risk of irregularity or poor performance and potential for improvement. When selecting audit topics, we also take into account the views expressed by our stakeholders, and in particular by the European Parliament.

Our performance audits often cover a number of financial years and their complex subject matter means they can take more than a year to complete. We design these audit tasks to be of maximum impact, thereby making best use of our resources.

In 2016, our special reports focused on topics related to the overall EU objectives of achieving added value and growth, as well as the EU’s response to global challenges, including key concerns such as energy and climate, the internal market, and migration. In our special reports we focus mainly on assessing the performance of the EU funded policies, programmes and projects: we particularly check if the results were achieved effectively and efficiently and if the EU funding provided added value. We also provide recommendations for improvement, which might involve financial savings, better working methods, avoidance of waste, or a more cost-efficient achievement of the expected policy objectives.

In 2016, we produced a record number of 36 special reports (25 special reports in 2015). We highlight two of them: one on external migration, which illustrates the relevance of our work on EU spending beyond its borders; the other on EU maritime transport, showing the risks of inefficiencies in the Union’s spending to increase its external competitiveness. A list of all special reports produced in 2016 is provided in the annex of this report.







### Performance audit in focus

#### EU external migration spending in Southern Mediterranean and Eastern Neighbourhood countries until 2014 (09/2016)

Responding to migration, integration and European security challenges is high on the EU's and Member States' political agenda, receiving significant public attention across Europe and beyond its borders. It is also a policy area that touches on the lives of all Europeans. So it is very important that the EU spends money for this purpose to the best possible effect, delivering concrete and measurable results. We have made assessing EU spending in this area one of our priorities for 2016 and beyond.

Our first audit of this domain looked at the financing of the external dimension of the EU's common migration policy. Our auditors examined whether the EU had set out clearly what it aimed to achieve and whether spending had been effective and well-coordinated.

We checked 23 projects (€89 million of EU funding) in the Eastern and Southern Neighbourhood countries, namely Algeria, Georgia, Libya, Moldova, Morocco and Ukraine. We also reviewed policy, programming and project documents as well as related literature and evaluations, carried out interviews and collected information from the Commission, EU delegations, the responsible national and local authorities, final beneficiaries, international organisations, civil society and think tanks.

**Our auditors found that the Commission struggled to demonstrate the effectiveness of the EU's spending on external migration policy in neighbourhood countries.**



Migration remains a priority for us: in 2016, for example, we audited the area of migration hotspots in the Mediterranean and a special report on this audit is planned for 2017.

Overall, the financing instruments provided no clear strategy by which to identify their contribution to objectives and thus it was unclear what they intended to achieve at EU level. It was often difficult to measure the results achieved by EU spending and the contribution of migration to development, one of the EU's priorities, was difficult to assess. We also found that the policy had complex governance arrangements, insufficient coordination and no funding overview that specified who financed what between the Commission and the Member States.

Our auditors were unable to determine all amounts involved; we estimated that €1.4 billion were contracted under different financing instruments for the 2007-2013 period, but we could only determine the amounts effectively spent for one of those. Assessing the contribution made by each of the various financing instruments to migration policy, the degree to which they have furthered the EU's external migration policy or whether they were allocated to the main thematic or geographical priorities was therefore difficult.

**The EU should allocate its resources to those areas where they have the greatest potential for adding value.**

This is particularly important as resources devoted to assistance for non-EU countries fell far short of the rapidly expanding needs caused by the significant increase in irregular migration in the Mediterranean region, especially after 2013. Our auditors noted that funding was fragmented and that projects were spread too thinly to produce significant results in the countries concerned. This situation limited the EU's ability to ensure a genuine incentive effect of its intervention in non-EU countries or to develop effective cooperation with them on migration concerns.

We presented the special report to the European Parliament's Committee on Budgetary Control, as well as to the Council's High-Level Working Group on Asylum and Migration, underlining that EU spending on migration in the neighbourhood countries will only be effective if clear objectives are set, if funds are allocated to well-defined priorities, and if governance arrangements and the coordination between EU bodies and with Member States are improved. The recommendations made in the report were welcomed by both legislative institutions who will take them into account in discussing and deciding EU policy on external migration spending in the future. The report received extensive media coverage both inside and outside the EU and achieved — in terms of media impact — the most significant impact of all our special reports during the year.



Performance audit in focus

Maritime transport in the EU: in troubled waters — much ineffective and unsustainable investment (23/2016)

We regularly examine EU financed projects in the area of transport: airports, rail freight, inland waterways or roads are recent examples. This time we looked at EU investments in port infrastructure. Maritime transport is an important area for the EU’s trade and competitiveness, but also for our entrepreneurs and citizens. In recent years seaports contributed around 1 % to EU GDP and supported the employment of over 2 million people. It is therefore crucial that the EU — together with the Member State authorities — spends money on these investments as effectively as possible and that this EU funding delivers results.

Our auditors assessed the maritime freight transport strategies of the European Commission and the Member States and the value for money delivered by EU investments in port services, which totalled €17 billion in grants and loans between 2000 and 2013. This included some investments financed by the

European Investment Bank (EIB). They reviewed documents such as EU and national strategies for maritime transport and port development plans, interviewed Commission officials, regional and port authorities’ representatives in Member States, surveyed industry stakeholders such as port operators, and obtained further evidence by checking the ports. They carried out field examinations at 19 seaports in Germany, Italy, Poland, Spain and Sweden, as well as specific studies on eight others.

We found that the long-term strategies in place did not provide a robust basis for port-capacity planning.

Neither the EU nor the Member States had a strategic overview of which ports needed funding or for what, while the funding of similar types of infrastructure in neighbouring ports led to ineffective and unsustainable investment. We also reassessed five



Our audit found that much investment was ineffective and unsustainable, with a high risk of waste.

projects already examined in 2010 and found that these projects deliver poor value for money. The use of the EU funded infrastructure in these ports was still inadequate after almost a decade of operations and relevant port areas in four ports were still either empty or nearly so, while the fifth port did not have any operations at all.

In our audits, it is not always possible to clearly quantify the ineffectiveness of the EU funding examined. However, this was not the case this time. We found that a third of EU spending on facilities such as quays, docks and breakwaters at EU seaports between 2000 and 2013 was ineffective and unsustainable, with one euro in three spent on the projects examined (€194 million) going on projects which duplicated existing facilities nearby and €97 million being invested in infrastructure which was either unused or heavily underused for more than 3 years after completion.

**Our auditors also concluded that there is no level playing field yet in Europe in maritime transport.**

This is due to insufficiently harmonised customs controls and a lack of Commission guidance on port infrastructures and the application of the state aid rules for ports.

When presenting the report to the European Parliament and the Council, we stressed that maritime transport in the EU is in 'troubled waters', particularly underlining the high risk of almost €400 million of EU funding invested in the Member States being wasted.

This special report was hard-hitting. It showed the Commission and the Member States the direction towards a more effective, efficient and transparent way of spending EU money, supporting the Commission's attempts to prioritise investments to connect ports but suggesting also the avoidance of certain future investments, and tackling inefficiency and ineffectiveness with all legal means available. Our recommendations were welcomed by the Parliament and Council for their policy discussions on EU investment into ports services or similar cases.

As we do for a number of our reports, we presented this one to industry stakeholders, and to the media at a press conference in Brussels. In addition, we presented it to the press in Antwerp, the second largest EU port, at the opening of a new port building. Our report received considerable media coverage, ensuring EU-wide public scrutiny of its financial management in this important sector.

## Detecting fraud

Although our audits are not designed to specifically search for fraud, we detect a number of cases in which we suspect that irregular or fraudulent activity may have taken place. Our institution cooperates closely with the European Anti-Fraud Office (OLAF) in fighting fraud against the EU budget. We forward to OLAF any

suspicion of fraud, corruption or other illegal activity affecting the EU's financial interests that we identify in the course of our audit work. These cases are then followed-up by OLAF, which decides on any resulting investigation and cooperates as necessary with Member State authorities. During 2016, we communicated to OLAF 11 such cases of suspected fraud that we had identified during our statement-of-assurance work for the 2015 and 2016 financial years and within our other audit tasks.

## Our activities

### Opinions and other review-based publications

We contribute to improving EU financial management also through opinions on proposals for new or revised legislation with significant financial impact. These opinions are requested by the other EU institutions and used by the legislative authorities — the Parliament and the Council — in their work. We can also issue papers and reviews on other issues on our own initiative.

In 2016, we produced two opinions covering the Supervisory Committee of the European Anti-Fraud Office (OLAF) and the European Fund for Strategic Investments (EFSI).

- Opinion No 1/2016 on amending the EU regulation on the secretariat of the Supervisory Committee of the European Anti-Fraud Office (OLAF)

Our opinion supports the European Commission's proposal that the secretariat of OLAF's Supervisory Committee should no longer be provided by OLAF itself — which according to the Committee exposed secretariat staff to conflicting instructions — but by the Commission.

- Opinion No 2/2016 on a proposal to extend and expand the EFSI

Our opinion finds that European Commission plans to increase and extend just 1 year after its launch the investment fund at the heart of the 'Juncker Plan' aiming to generate €315 billion in public and private financing, were drawn up too soon and with little evidence that the increase was justified. We assessed that it was too soon for the economic, social and environmental impacts to be measured or for a conclusion to be drawn as to whether the EFSI is achieving its objectives.

### Briefing paper — new publication

In 2016, we developed a new product briefing papers which aims to provide the EU's legislators, in particular the Council, with independent, relevant and well-timed insights into various subjects. We published one such briefing paper in 2016 regarding the mid-term review of the multiannual financial framework (MFF) 2014-2020.

- Briefing paper — EU budget: time to reform?

We analysed the Commission's communication on the mid-term review and considered that the proposals have not benefited from any assessment of spending in the current period, that there will be little opportunity to assess performance before the next MFF, and there is a pressing need to tackle the growing complexity of the arrangements for funding EU policies. We suggested the Commission reconsider the timetable for developing the next MFF, conduct a comprehensive EU spending review, develop clearer, simpler and more coherent funding arrangements, and make EU budget priorities the subject of a high-level debate.

The briefing papers are produced in a different way from our audit reports, as emphasis is placed on using our extensive knowledge base. They review the current state-of-play on a given subject and allow for informed decision and policymaking on the basis of sound, independent and impartial advice.

Our opinions and other review-based publications are published on our website ([eca.europa.eu](http://eca.europa.eu)).

## Our activities

### Significant events

#### Public Sector Accounting: Better Accounts, Better Budgets, Better Spending?

25-26 January 2016, ECA Luxembourg

We organised a workshop for public sector accounting experts. The participants discussed whether the harmonisation of financial accounting, budgeting and macroeconomic statistics was a possible way forward to a common framework based on the generally accepted accounting principles (GAAP). A panel of experts elaborated on whether financial accounts, national accounts and budgets could be seen as three versions of one reality. An interesting perspective was given in the breakout sessions, which among other things, addressed the role of auditors in advocating for versus adjusting to reform.

#### Conference on EU financial instruments

15 November 2016, ECA Luxembourg

We organised a high-level conference on EU financial instruments where representatives from the public and private sectors considered how financial instruments can best be used to provide financial support from the EU budget. Among the participants were: Ingeborg Grässle, chair of the Budgetary Control Committee of the European Parliament, Pier Luigi Gilibert, chief executive of the European Investment Fund, Vazil Hudák, vice-president of the European Investment Bank and Nicholas Martyn, Deputy Director-General for Policy, Compliance and Performance at the European Commission's DG Regional and Urban Policy, who discussed the topic together with ECA member Iliana Ivanova.

The conference drew on the conclusions of our special report 'Implementing the EU budget through financial instruments — lessons to be learnt from the 2007-2013 programme period' and on our opinion on the EFSI. This was followed by a panel discussion on leveraging private capital, the reuse of available funds, management costs and the EFSI and SMEs initiative.



CONT chair Ingeborg Grässle, ECA President Klaus-Heiner Lehne and ECA member Iliana Ivanova were among the panellists of the ECA's financial instruments conference.

## Our activities

### CIPFA International Seminar 'Beyond base camp'

24-25 November 2016, ECA Luxembourg

The CIPFA (Chartered Institute of Public Finance and Accountancy) International Seminar is a key event for finance professionals and auditors working in the public sector. With CIPFA we share values and campaign actively for good financial management and governance. Our member Lazaros S. Lazarou responsible for the annual report moderated the CIPFA-organised event. Participants discussed a wide range of issues such as improving public financial management, scrutiny and audit in an uncertain world and accountability and good governance in public finances.



ECA member Lazaros S. Lazarou and CIPFA International chair Ian Ball were among the panellists of the seminar organised by CIPFA in cooperation with the ECA.

## Our activities

### Relations with stakeholders

The impact of our work depends to a large extent on the use made of our audit results and recommendations by the European Parliament, the Council of the EU and the national parliaments.

#### Parliament

During 2016 our president and members maintained regular contact with the committees of the European Parliament, and in particular with the Committee on Budgetary Control (CONT).

At the beginning of the year, President Caldeira presented the 2016 work programme to CONT and to the Conference of Committee Chairs, as part of our annual consultation with the European Parliament on the following year's work programme. In April, he took part in the European Parliament plenary debate on the 2014 discharge.

In October 2016, the newly elected President Lehne presented our 2015 annual report to CONT and later also to the plenary session. In November he was again at CONT to present our 2017 work programme. The same month, a CONT delegation paid their annual working visit to our institution.

During 2016 our members presented 33 special reports to CONT, as well as the findings and recommendations of the chapters of our 2015 annual report. In addition, they were asked to present 12 special reports and the annual report chapter on 'Competitiveness for growth and jobs' to other parliamentary committees. Moreover, our members and audit teams were invited to present and discuss our audit work at various committee working groups, seminars and other parliamentary events. As in previous years, we held a joint meeting with the Parliament's Committee on Agriculture and Rural Development in order to discuss points of common interest regarding the ongoing work and we continued to cooperate with the Parliament's research service with a view to achieving more efficient knowledge sharing.



CONT delegation visits the ECA to discuss topics of common interest, 14 November 2016, Luxembourg.

## Our activities

### Council

We continued our efforts to work more closely with the various formations of the Council, both at political and working levels.

In January 2016, President Caldeira met with Jeroen Dijsselbloem, the Minister of Finance of the Netherlands, chair of the Economic and Financial Affairs Council (Ecofin) and chair of the Eurogroup. They discussed the follow up of our 2014 annual report for the 2014 discharge and the challenges in the management of EU finances.

In October 2016, President Lehne met with Peter Kažimir, Minister of Finance of Slovakia and chair of Ecofin, and in November with Edward Scicluna, Minister of Finance of Malta and future chair of Ecofin, to discuss our 2015 annual report and its follow up in the 2015 discharge procedure together with other ongoing audit work.

### National parliaments

80 % of EU budget spending is managed by national, regional and local authorities in the Member States. We are therefore committed to closer future cooperation with parliaments in the Member States by regularly providing them with information about our work and discussing with them the results of our audits and their implications, including the recommendations we make. In 2016 our members presented the 2015 annual report in 19 Member States, and in a large number of them they also presented several of our special reports.

### Cooperation with Supreme Audit Institutions

The ECA is the EU's external auditor and we cooperate with other Supreme Audit Institutions (SAI) mainly through:

- the Contact Committee of the SAIs of EU Member States;
- the network of the SAIs of candidate and potential candidate countries to the EU;
- international organisations of public audit institutions, notably the International Organisation of Supreme Audit Institutions (Intosai) and its European regional group (Eurosai).



ECA President Klaus-Heiner Lehne discusses our annual report with Malta's Minister of Finance Edward Scicluna, 7 November 2016, Brussels.

**Our activities**

**Contact Committee of the Supreme Audit Institutions of EU Member States**

The EU Treaty requires the ECA and national audit bodies of the Member States to cooperate in a spirit of trust, while maintaining their independence. We actively cooperate with EU Member State SAIs through the Contact Committee framework, which includes an annual meeting and various working groups, networks and task forces set up to address specific issues of common interest.

During 2016, we contributed to or participated in the activities of the working bodies on the EU banking union, Structural Funds, the Europe 2020 strategy, fiscal policy audit, value added tax and the prevention and combating of irregularities and fraud.

As part of our support for sharing knowledge and expertise in auditing EU funds, we opened selected internal training courses to auditors from national SAIs.

We also coordinated the review and assessment of the Contact Committee cooperation framework. The committee took note of the resulting report and approved the recommendations.

Moreover, we provide administrative support to the committee, notably in the form of managing its website and administrative assistance and coordination of its early warning mechanism, through which SAIs keep each other informed of key developments in relation to their work.



Hosted and chaired by the Slovak SAI, the annual meeting of the Contact Committee mainly focused on EU energy policy and climate, 20-21 October 2016, Bratislava. (Photo: Peter Reefe)

**Our activities**

**Enhanced cooperation with respect to audit of EU funds**

We continuously liaise with the Member States' SAIs in order to enhance our cooperation with respect to auditing EU funds and to analyse the possibility of selecting audit topics which we could undertake in a coordinated manner. In 2016, we signed a memorandum of understanding with the SAIs of Croatia and Poland for the coordinated audit of the JASPERS programme, with a special report planned in 2017. We also continued to streamline our administrative procedures for informing national SAIs about our audit visits and for clearing the facts with our auditees in Member States.



In May 2016, our members and auditors met with the French SAI (Cour des comptes) in order to share the audit programmes and plan common activities in areas such as financial and economic governance, transport, environment and energy, migration and asylum and cohesion and agriculture.

## Our activities

### Network of Supreme Audit Institutions of candidate and potential candidate countries to the EU

We cooperate with the SAIs of EU candidate and potential candidate countries mainly through a network similar to the Contact Committee.

Throughout 2016, we continued to support this network in carrying out parallel audits on energy efficiency and public procurement, which in the latter case included the hosting of the kick-off meeting attended by the heads of the participating SAIs.

Further to this, we contributed actively to several other meetings and activities of the network, dealing with topics such as materiality and sampling in financial auditing, developing effective working relationships between SAIs and national parliaments, or SAI independence.

Nine auditors from the network SAIs participated in our 2016 internship programme and another 12 attended our internal training courses.

### Other cooperation

In 2016, we continued our active involvement in and contribution to the activities of Intosai and Eurosaï, notably in their relevant working bodies.

In June 2016, we hosted the 44th meeting of the Eurosaï Governing Board.

In December 2016, at the XXII congress of Intosai in the United Arab Emirates, the ECA was formally appointed Vice-chair of the Professional Standards Committee. This reflects our ambition to make a contribution to the public audit standard-setting process. We contributed significantly to the drafting and endorsement of the ISSAI 5600 standard (Peer Review Guide), as well as to the development of two new environmental audit standards (ISSAI 5110 and 5120).

## The ECA college

The ECA college comprises one member per Member State, each serving a term of 6 years, which can be renewed. Members are appointed by the Council, after consultation with the European Parliament, following nomination by their respective Member States. The Treaty on the Functioning of the European Union requires them to perform their duty in complete independence and in the general interest of the EU.

Most members are assigned to one of the five audit chambers, where reports, opinions and other review-based publications are adopted and decisions on broader strategic and administrative issues are taken. Each member has the responsibility for his or her own audit tasks. One member is assigned to lead the Audit Quality Control Committee and another to coordinate interinstitutional relations. They are assisted by a private office.

The reports, opinions and other review-based publications prepared under their responsibility are presented to the chamber and/or the full college for adoption and then to the European Parliament and the Council.

The members elect the president of the ECA from amongst themselves for a renewable period of 3 years.

In addition to his other responsibilities, the president supervises the performance of our work and represents our institution externally. On 1 October 2016, Klaus-Heiner Lehne replaced Vítor Caldeira, who after 9 years as the ECA's President became the President of the Portuguese SAI (Tribunal De Contas).

In 2016, following nominations from their Member States' governments and after consultation with the European Parliament, the Council of the European Union appointed:

- Jan Gregor (Czech Republic), Mihails Kozlovs (Latvia), Janusz Wojciechowski (Poland) and Samo Jereb (Slovenia), ECA members as of 7 May 2016;
- Rimantas Šadžius (Lithuania), ECA member as of 16 June 2016;
- Leo Brincat (Malta) and João Figueiredo (Portugal), ECA members as of 1 October 2016;
- Juhan Parts (Estonia), ECA member as of 1 January 2017.
- ECA members Ladislav Balko (Slovakia) and Lazaros S. Lazarou (Cyprus) were re-appointed on 7 May and 2 November 2016 respectively.



ECA members had 24 college meetings in 2016. Photo from their college meeting on 26 January 2017.

Our management

European Court of Auditors: organisation chart as at 1 January 2017

President



Klaus-Heiner LEHNE  
Germany

Chamber I  
Sustainable use of  
natural resources



Phil WYNN OWEN  
United Kingdom



Nikolaos MILIONIS  
Greece



Janusz WOJCIECHOWSKI  
Poland



Samo JEREB  
Slovenia



João FIGUEIREDO  
Portugal

Chamber II  
Investment for  
cohesion, growth  
and inclusion



Iliana IVANOVA  
Bulgaria



Henri GRETHEN  
Luxembourg



Ladislav BALKO  
Slovakia



George PUFAN  
Romania



Oskar HERICS  
Austria

Chamber III  
External action,  
security and justice



Karel PINXTEN  
Belgium



Szabolcs FAZAKAS  
Hungary



Hans Gustaf WESSBERG  
Sweden



Ville ITÄLÄ  
Finland



Bettina JAKOBSEN  
Denmark

Chamber IV  
Regulation of markets  
and competitive  
economy



Baudilio TOMÉ MUGURUZA  
Spain



Kevin CARDIFF  
Ireland



Neven MATES  
Croatia



Alex BRENNINKMEIJER  
Netherlands



Rimantas ŠADŽIUS  
Lithuania

Chamber V  
Financing and  
administering the  
Union



Lazaros S. LAZAROU  
Cyprus



Pietro RUSSO  
Italy



Jan GREGOR  
Czech Republic



Mihails KOZLOVS  
Latvia



Leo BRINCAT  
Malta



Juhan PARTS  
Estonia

Member for  
Audit Quality  
Control  
Committee



Danièle LAMARQUE  
France

## Audit chambers and committees

In June 2016, we reformed the chambers and committees our institution uses to prepare and take decisions. Three changes are particularly noteworthy. The reform established:

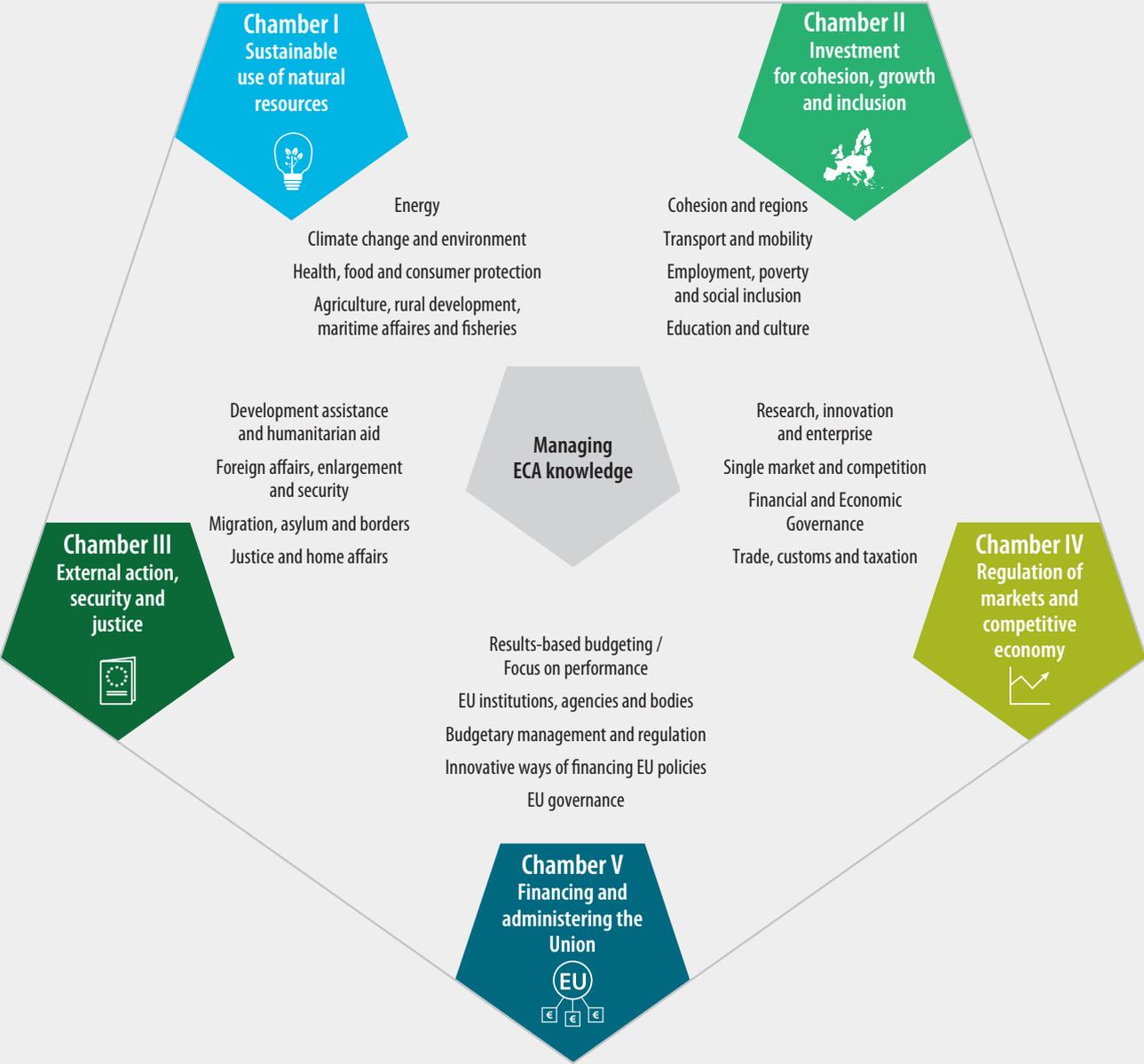
- five equal chambers of five members, including the dean each chamber elects to coordinate its work. Instead of being responsible for specific EU budget areas or bodies, each chamber now has an EU policy-based theme to guide its work: environmental, social, economic, external affairs, and internal governance.
- a new committee to oversee our audit quality management. The Audit Quality Control Committee is composed of the member for audit quality control and two members from chambers, who are appointed on a proposal of our president.
- new responsibilities and an additional member for our Administrative Committee. The committee maintained the responsibility for preparing our decisions on strategy, the work programme and organisational matters and took on additional decision-making responsibilities with respect to certain staff matters. The new member for audit quality control joined the committee, which comprises the president (the committee chair), the deans of the chambers and the member for institutional relations with the participation of the Secretary-General.

The reform of our chambers and committees complements two other major reforms linked to implementing our strategy for 2013-2017; the introduction of task-based organisation at the start of 2016 and the ongoing initiative to establish an institution-wide network to strengthen knowledge management. Under the new task-based organisation, audit directorates are composed of a management team (a director and principal managers) and a pool of staff (auditors and assistants).

For each task, the chamber responsible assigns a reporting member, a head of task and an audit team. The chambers and their policy experts will also play a key role in knowledge management activities for creating, maintaining and sharing knowledge. Moreover, the *Enabling Knowledge for Audit* (EKA) initiative was implemented during 2016 and became a central pillar of our knowledge management processes, which include policy scans and subject briefs by our auditors.

All elements of the reform aim to make our institution more flexible in carrying out our tasks and to make better use of our knowledge, skills and experience to carry out relevant, high-quality audits in a timely manner. This is a key goal of our strategy for 2013-2017.

ECA knowledge nodes: each chamber has an EU policy-based theme to guide its work



## Our management

### Measuring performance

We apply seven key performance indicators (KPI) to monitor progress towards achieving our strategic goals, to support decision-making and to provide information on our performance.

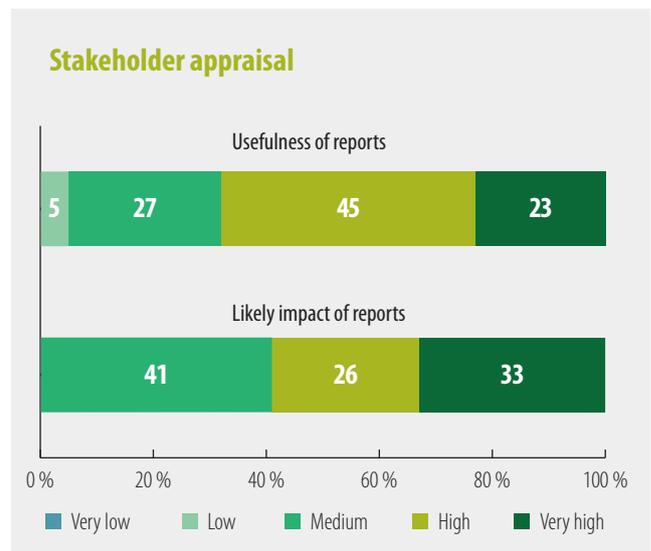
These indicators aim to measure key elements of the quality and impact of our work, and the efficiency and effectiveness of the way we use our resources.

### Quality and impact of our work

We assess the quality and impact of our reports based on stakeholder appraisal, expert reviews and the follow up given to our recommendations. In addition, we measure our presence in the media.

### Stakeholder appraisal

We invited our main stakeholders — the European Parliament’s Committee on Budgetary Control and Committee on Budgets, the Budget Committee of the Council, the main auditees in the Commission and European agencies, and the heads of EU SAIs — to rate the reports we publish. In 2016, similar to previous years, a large majority of the respondents rated the usefulness and impact of our reports to be ‘high’ or ‘very high’.



## Our management

### Expert reviews

Each year, independent external experts review the content and presentation of a sample of our reports as an assessment of quality. In 2016 the reviewers assessed six special reports (No 13/2016, No 14/2016, No 23/2016, No 25/2016, No 27/2016 and No 29/2016 — see **Annex**) and the 2015 annual reports. They rated the quality of various aspects of the reports on a 4-point scale ranging from 'significantly impaired' (1) to 'high quality' (4). The results have been very steady in recent years indicating the satisfactory quality of our reports.

### Expert reviews of ECA's reports



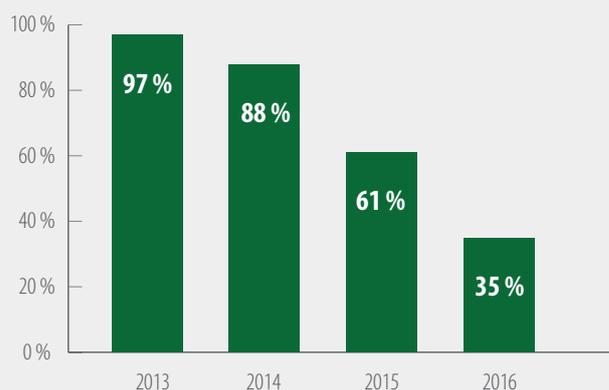
### Follow-up of recommendations

A key way we contribute to improving EU financial management is through the recommendations we make in our audit reports. Some recommendations can be implemented quickly, whereas others take more time due to their complexity.

We systematically monitor the extent to which our recommendations have been implemented by our auditees. By the end of 2016, 97 % of our recommendations issued in 2013 had been implemented.

In 2016, we introduced an additional milestone for implementing our recommendations, since we systematically specified time-limits by when our recommendations should have been implemented. On this basis, it will be easier to monitor in future years whether our recommendations have been implemented in a timely manner.

### Implementation of the ECA recommendations by year of issuance



# Our management

## Presence in the media

The indicator on our presence in the media provides a reflection of our media impact. It relates to the strategic objective of raising awareness of our institution, our products and the audit conclusions we draw.

In 2016, we identified some 9 000 articles online related to our special reports, annual reports and the institution in general. Around half of these covered our audit reports, while the rest make reference to the institution and our work in general. This compares to 3 400 articles online in 2015. In addition, there were over 11 500 references to our institution and products on social media, almost double the figure for 2015.

Not all of our reports receive the same level of media coverage. Our most mediatised reports in 2016 were special reports on external migration spending, EU aid to Ukraine, cross-border health threats, maritime transport and the Single Supervisory Mechanism. We believe that the significant overall increase in our media presence is due to several factors: a higher number of special reports, their increased topicality and improved communication with the press, both with EU correspondents in Brussels and journalists in the Member States.

## Efficient and effective use of resources

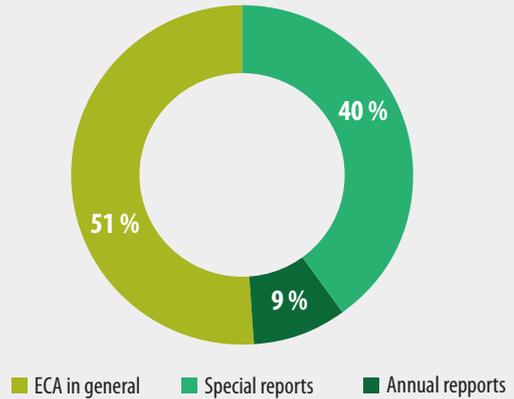
We assess the efficiency and effectiveness of the use of our resources in terms of our ability to implement our work programme, conduct timely audits and ensure the professional competence of our staff.

## Implementation of work programme

We plan our audit and other tasks in our annual work programme, and monitor progress throughout the year.

In 2016, the annual reports and specific annual reports were all implemented as planned. Moreover, 80 % of the special reports were published as initially planned. This compares to 69 % of our special reports in 2015. The remainder were delayed and will be published in 2017.

Media reference topics



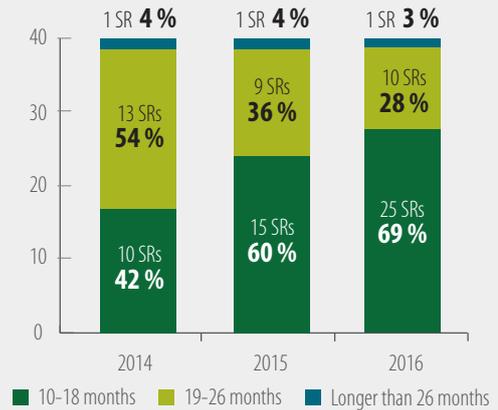
In 2016 we identified  
**9 000**  
online articles  
related to our work  
and institution

## Our management

### Production of special reports

In recent years we have managed to shorten the production time of our audits. In 2016, we produced our 36 special reports within our target time frame of 18 months on average. 25 of these special reports (69 %) were produced in less than 18 months. We will continue our efforts to further shorten the time to produce our special reports within the target time frame specified in the new financial regulation.

### Duration of special reports produced in 2014-2016

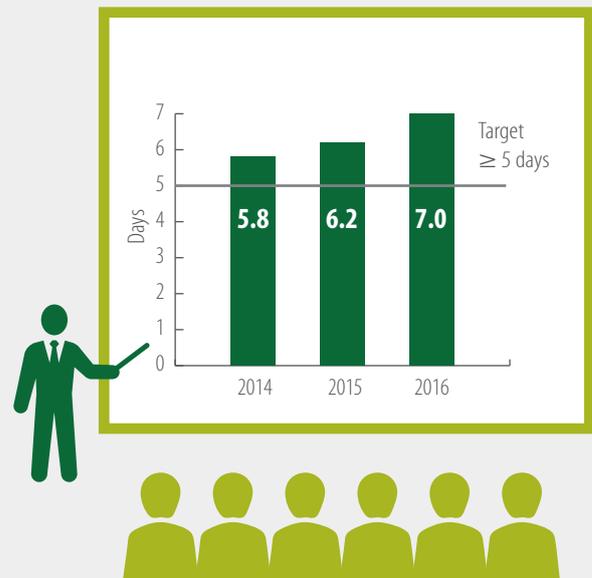


### Professional training

In accordance with the recommendations issued by the International Federation of Accountants, we aim to provide an average of 40 hours (5 days) of professional training per auditor.

In 2016, we again met our target for professional training for audit staff, reflecting the importance we place on staff development. When language training — which is needed so that our auditors efficiently can carry out their work in all EU Member States — is taken into account, our auditors received an average of 10 days of training in 2016. When taking into account all staff (i.e. not only auditors), training totalled 7.9 days.

### Professional training days per auditor per year



## Staff allocation

At the end of 2016, there were 839 officials and temporary staff working at our institution (917 including contract staff and seconded national experts).

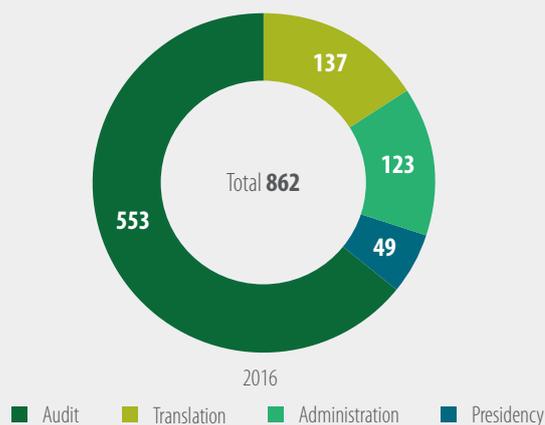
We continued to apply the reduction in staff of 1 % per year over a 5-year period (2013-2017) as laid down in the interinstitutional agreement on budgetary discipline and sound financial management of December 2013.

As a result, in 2016 our staff allocation was reduced from 872 to 862 officials and temporary staff (excluding members, contract staff, seconded national experts and trainees). Of these, 553 were in audit chambers, including 118 in private offices of the members.

## Recruitment

Our staff has a broad range of academic and professional backgrounds. Our recruitment policy follows the general principles and employment conditions of the EU institutions, and our workforce comprises both permanent officials and staff on temporary contracts. Open competitions are generally organised by the European Personnel Selection Office (EPSO). In 2016, we recruited 51 employees: 19 officials, 13 temporary staff, 14 contract staff, and 5 seconded national experts. We also provided 88 traineeships to university graduates for periods of 3 to 5 months, including 9 traineeships to auditors from Supreme Audit Institutions in candidate countries. At 31 December 2016, we had 14 vacant posts (1.6 % of the total number of posts).

## ECA staff allocation

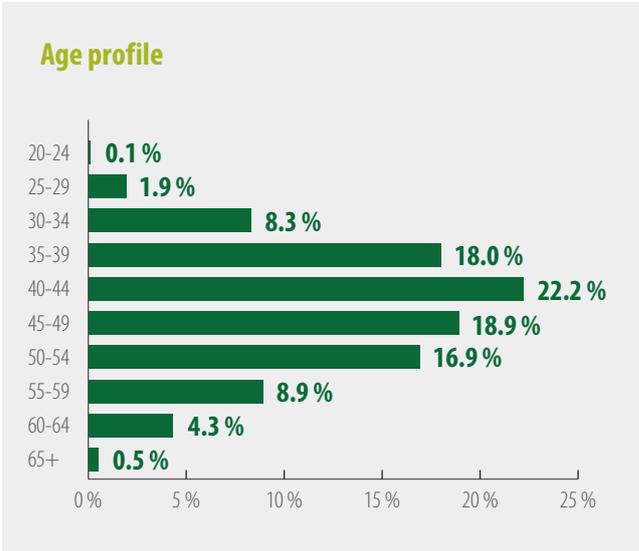


# Our staff

## Age profile

The age profile of staff in active service at 31 December 2016 shows around half our staff are aged 44 or less.

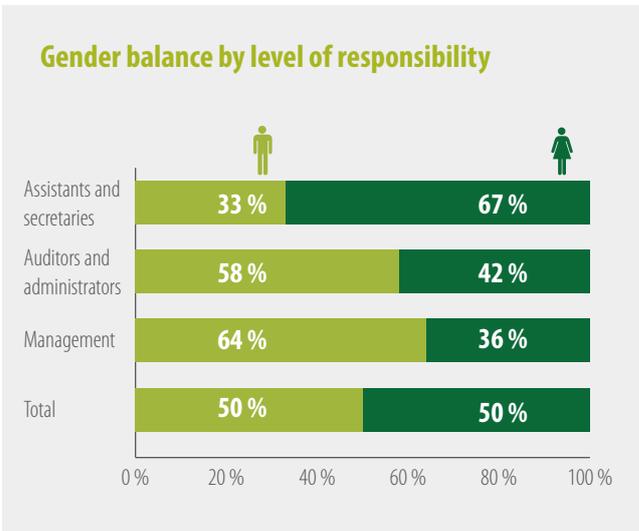
27 of our 67 directors and principal managers (40 %) are aged 55 or above. This will lead to a renewal of senior management over the next 5 to 10 years, as they retire.



## Gender balance

We have a policy of equal opportunities in our human resources management and recruitment. Overall, we have reached equal proportions of men and women in our workforce and 42 % of our auditors and administrators are female.

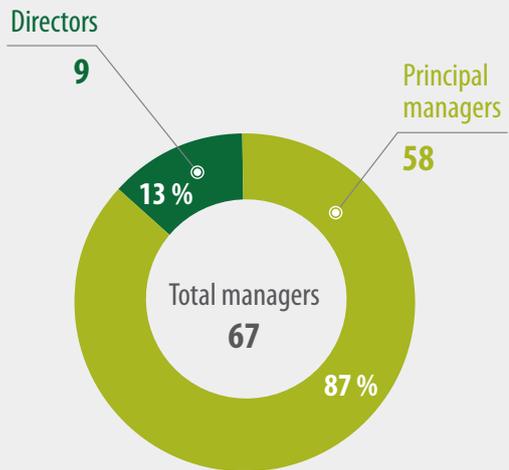
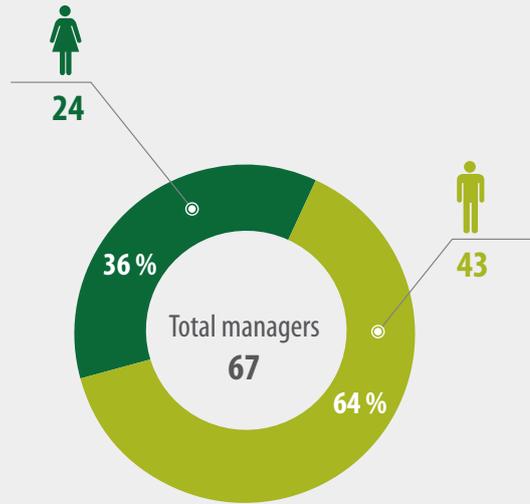
Compared to 2015, the share of female managers rose from 31 % to 36 %. Our equal opportunities action plan aims to achieve a balanced gender split at every level. After the latest recruitment campaigns, 51 % of all staff at AD5-AD8 levels are female (50 % in 2015). With the renewal of senior and middle management the increasing share of women at AD levels is expected to contribute to a higher proportion of women at management levels in the future.



Information on the nationality and gender of management is given in the next graph.

Managers by nationality and gender as at 31 December 2016

Nationality*	Directors	Principal managers
BELGIAN	1	3
BULGARIAN	0	1
CZECH	0	1
DANISH	0	2
GERMAN	1	7
ESTONIAN	0	1
IRISH	0	2
GREEK	1	3
SPANISH	1	8
FRENCH	0	6
CROATIAN	0	1
ITALIAN	0	4
CYPRriot	0	0
LATVIAN	0	1
LITHUANIAN	1	1
LUXEMBOURGISH	0	0
HUNGARIAN	0	0
MALTESE	0	1
DUTCH	0	2
AUSTRIAN	1	0
POLISH	0	3
PORTUGUESE	0	3
ROMANIAN	0	1
SLOVENIAN	0	1
SLOVAKIAN	0	1
FINNISH	0	1
SWEDISH	0	1
BRITISH	3	4



\* Presented in Member State protocol order.

## Professional training

We continued to support continuous professional development of our staff through the courses we offered as well as through our financial support for staff involved in programmes of acquisition or maintenance of professional qualifications and diplomas in areas relevant to our role and work.

Within the interinstitutional framework, we continued to develop our close cooperation with the European Commission and European School of Administration. In addition, we expanded the range of courses on offer with e-learning courses and continued our successful series of presentations by internal or external experts on developments in the field of audit or on subjects related to the work of our auditors.

We also launched the pilot year of the postgraduate university diploma in 'Audit of public organisations and policies' and a master's degree programme on 'Management of public organisations' in cooperation with the University of Lorraine. Furthermore, auditors from six other Supreme Audit Institutions visited our institution to present their audit methodologies to our staff on the occasion of our annual training day.

## Translation

Our Translation and Language Services Directorate translated and revised 230 640 pages, which is 16 % more than in 2015 and our highest number yet. We continued our Clear Language Campaign by organising a conference and workshops for non-native speakers of English involved in drafting. For a number of reports, translators provided drafting support to the audit teams. In addition, our translators provided language support for auditors on 34 on-the-spot audit visits (audit missions) totalling 30 weeks (compared to 26 missions with a total of 22 weeks in 2015) as well as interpretation at events we organised.

## Information technology

During 2016, the Directorate for Information and Technology has become the Directorate for Information, Workplace and Innovation consisting of information technology, information management (library and archives) and buildings infrastructure services. This reorganisation was in response to the need to take into consideration both physical and digital components when designing activity-based workspaces.

We have replaced and upgraded the full storage infrastructure in our data centres, increased the capacity of the internet access and filter, migrated the email system from Lotus Notes to Outlook, and started upgrading or migrating several human resources management systems.

All developments and deliveries have been achieved with due regard to managing the risks and ensuring security of operations and business continuity.

## Support to audit

### Buildings

We currently own three buildings ('K1', 'K2' and 'K3') and rent office space for our disaster recovery centre in Luxembourg. We also rent a meeting room and three offices in the European Parliament in Brussels and one office in Strasbourg.

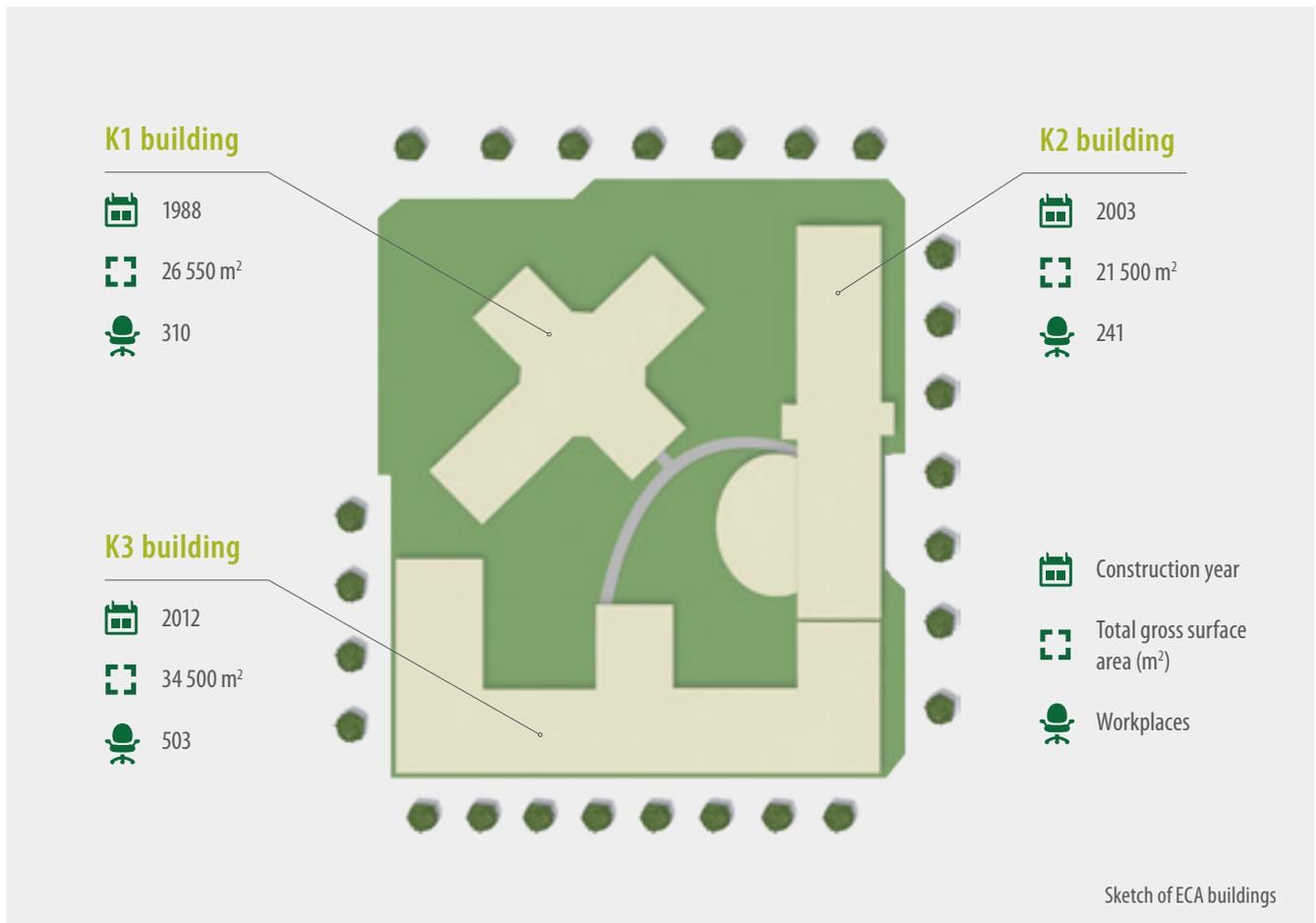
#### The K1 building

The K1 building opened in 1988. It contains offices for up to 310 staff and meeting rooms. The basement levels contain the car parks, technical facilities, storage areas, the library and the main archive room, while the upper floor is used entirely for technical facilities.

K1 was modernised in 2008 to bring it into conformity with national health, safety and environmental requirements. Wherever possible, the technology in K1 was adapted to make it compatible with the one used in K2 and K3. As a result, the three buildings, to the maximum degree possible, operate as a single, integrated technical entity.

We are committed to continue improving our workplace environment to further increase efficiency of our work. In 2016 we created open office spaces on one of the floors of the K1 building, from which we will gain useful experience for the future activity-based workspaces in K2.

We are currently carrying out feasibility studies with the aim to upgrade it from the point of view of environmental requirements.



## Support to audit

### The K2 building

The K2 building opened in 2003. The basement levels contain the car parks, technical facilities and storage, and the fitness centre. The top floor is used entirely for technical facilities. The remaining floors are used for offices for up to 241 staff, meeting rooms, a conference room with interpreting booths, videoconferencing rooms, a cafeteria and basic kitchen areas.

K2 has an authorisation to operate (conformity certificate) until end of 2017. By this date, it will be necessary to have a new authorisation and to upgrade the building to bring it in line with the current health, safety and environmental standards. As agreed by the Council and the European Parliament in March 2014, we will cover the cost of this upgrade from the remaining budget of the K3 construction project completed a few years ago.

### The K3 building

The K3 building opened in 2012. The basement levels contain car parks, technical facilities and storage, unloading bays, waste storage facilities, the print shop, kitchens and archives. The ground floor comprises the canteen, cafeteria and training rooms. There are also offices for up to 503 staff, meeting rooms and an IT room. The sixth floor comprises reception rooms, a kitchen and technical facilities. The K3 building has a 'very good' certification (BREEAM) obtained through the world's leading method of evaluating and certifying the sustainability of buildings.

Staff safety is crucial for us, as for all other EU institutions. We launched a project in 2016 to reinforce the security of our institution, involving the construction of a new fence, improved video surveillance systems, baggage scanners, secure revolving doors at building entrances, a new security control centre and an external accreditation and access control centre for staff and visitors. The project progressed according to plan. Baggage scanners and secure revolving doors are already in place and operating. The infrastructure components of the project will be completed by the end of 2017.

## Environmental management

As an EU institution, we believe we have a duty to apply the principles of sound environmental management in all our activities. We launched the implementation of an Eco-Management and Audit Scheme (EMAS) in 2014 and in 2016 our institution obtained a positive recommendation for the EMAS certification. In addition, we obtained an ISO 14001:2004 certificate for our environmental management system.



In 2016, and for the second consecutive year, we analysed the greenhouse gas emissions generated by our activities, with the aim of systematically cutting our CO<sub>2</sub> emissions. The results of this *Carbon Footprint* study are available on our website ([eca.europa.eu](http://eca.europa.eu)).

In 2016, we introduced an e-publishing policy for our special reports: they are now published online and distributed electronically.



## Financial information

We are financed by the general budget of the European Union. Our budget is entirely administrative expenditure. In 2016 it accounted for around €137.6 million, representing less than 0.1 % of total EU spending or around 1.5 % of total administrative spending. The overall rate of implementation was 99 %.

### Implementation of the 2016 budget (in thousand euro)

2016 FINANCIAL YEAR	Final appropriations	Commitments	% use (commit/ appro)	Payments
<b>Title 1: People working with the institution</b>				
10 — Members of the institution	11 540	11 091	96 %	10 970
12 — Officials and temporary staff	98 000	97 629	99 %	97 629
14 — Other staff and external services	5 099	4 993	98 %	4 918
162 — Missions	3 355	3 146	94 %	2 460
161 + 163 + 165 — Other expenditure relating to persons working for the institution	2 594	2 559	98 %	1 996
<b>Subtotal Title 1</b>	<b>120 588</b>	<b>119 418</b>	<b>99 %</b>	<b>117 973</b>
<b>Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure</b>				
20 — Immovable property	4 843	4 843	100 %	2 014
210 — IT&T	8 241	8 241	100 %	4 361
212 + 214 + 216 — Movable property and associated costs	864	805	93 %	696
23 — Current administrative expenditure	427	393	92 %	235
25 — Meetings, conferences	706	630	89 %	471
27 — Information and publishing	1 888	1 737	92 %	1 182
<b>Subtotal Title 2</b>	<b>16 969</b>	<b>16 649</b>	<b>98 %</b>	<b>8 959</b>
<b>Total</b>	<b>137 557</b>	<b>136 067</b>	<b>99 %</b>	<b>126 932</b>

## Budget for 2017

The 2017 budget represents an increase of 2.7 % on the 2016 budget.

### Budget for 2017

BUDGET	2017 (thousand euro)	2016 (thousand euro)
<b>Title 1: People working with the institution</b>		
10 — Members of the institution	11 300	10 885
12 — Officials and temporary staff	103 632	98 881
14 — Other staff and external services	5 101	4 946
162 — Missions	3 450	3 600
161 + 163 + 165 — Other expenditure relating to persons working for the institution	2 788	2 559
<b>Subtotal Title 1</b>	<b>126 271</b>	<b>120 801</b>
<b>Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure</b>		
20 — Immovable property	3 216	4 911
210 — IT&T	7 408	7 347
212 + 214 + 216 — Movable property and associated costs	925	882
23 — Current administrative expenditure	438	439
25 — Meetings, conferences	676	706
27 — Information and publishing	2 306	2 401
<b>Subtotal Title 2</b>	<b>14 969</b>	<b>16 686</b>
<b>Total</b>	<b>141 240</b>	<b>137 557</b>

## Our accountability

### Risk management

In 2016, we adopted a corporate risk management policy. Each of our directorates now assesses the risks associated with its activities, which we review on a yearly basis in order to put in place action plans for managing those risks.

We take these plans into account in designing and carrying out our internal checks, which we ensure are cost-effective. Our internal control systems form a basis for the annual assurance by our Secretary-General on the soundness of our work, which is presented in this activity report and will be used for next year's risk assessments.

### Internal and external audits

#### Internal audit

Our Internal Audit Service (IAS) advises our institution on how to manage risks by issuing opinions on the quality of management and internal control systems. Its activity is monitored by an audit committee composed of three of our members and an external expert. The committee regularly monitors the progress of the various tasks set out in the IAS annual work programme and ensures its independence.

In 2016, the IAS examined our management reporting system, contract management, IT investments and the management of library and archive services. It also reviewed the implementation of our new risk management policy and monitored the implementation of its recommendations, ensuring that the action plans were implemented.

We report to the Parliament and the Council every year on the results of our internal audit activity.

### External audit

Our annual accounts are audited by an independent external auditor. This is as an important aspect of our institution, applying the same principles of transparency and accountability to ourselves as we do to our auditees. The report of the external auditor — PricewaterhouseCoopers Sàrl — on our accounts for the 2015 financial year was published on 30 August 2016.

#### Opinions of the external auditor — 2015 financial year

##### Regarding the financial statements:

'In our opinion, the financial statements give a true and fair view of the financial position of the European Court of Auditors as of 31 December 2015, and of its financial performance, its cash flows and the changes in net assets for the year then ended in accordance with the Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union; and repealing Council Regulation (EC, Euratom) No 1605/2002 of 26 October 2012 (the financial regulation); and with the Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of the financial regulation.'

##### Regarding the use of resources and the control of procedures:

'Based on our work described in this report, nothing has come to our attention that causes us to believe that in all material respects and based on the criteria described above:

- the resources assigned to the ECA have not been used for their intended purposes;
- the control procedures in place do not provide the necessary guarantees to ensure the compliance of financial operations with the applicable rules and regulations.'

## Our accountability

### Discharge

Like all other EU institutions, we are subject to the discharge process. In April 2016, the European Parliament granted our Secretary-General discharge in respect of the implementation of our budget for the 2014 financial year, meaning that our accounts for 2014 were closed and approved.

We have carefully analysed all issues raised during the discharge exercise regarding our audit and management responsibilities, taken appropriate action and reported on our follow-up actions to the European Parliament.

# Declaration by the authorising officer by delegation

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I, the undersigned, Secretary-General of the European Court of Auditors, in my capacity as authorising officer by delegation, hereby:

- declare that the information contained in this report is true and accurate; and
- state that I have 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;
  - the control procedures in place provide the necessary guarantees concerning the legality and regularity of the transactions underlying the accounts and ensure an adequate treatment of allegations of fraud, or suspected fraud;
  - the benefits of controls are in proportion to the costs.

This assurance is based on my judgement and on the information at my disposal, such as the reports and declarations of the authorising officers by sub-delegation, the reports of the internal auditor and the reports of the external auditor for previous financial years.

I confirm that I am not aware of anything not reported here which could be detrimental to the interests of the institution.

Done at Luxembourg, 16 February 2017



Eduardo Ruiz García  
Secretary-General

- Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data? (01/2016)
- 2014 report on the follow-up of the European Court of Auditors' Special Reports (02/2016)
- Combating eutrophication in the Baltic Sea: further and more effective action needed (03/2016)
- The European Institute of Innovation and Technology must modify its delivery mechanisms and elements of its design to achieve the expected impact (04/2016)
- Has the Commission ensured effective implementation of the Services Directive? (05/2016)
- Eradication, control and monitoring programmes to contain animal diseases (06/2016)
- The European External Action Service's management of its buildings around the world (07/2016)
- Rail freight transport in the EU: still not on the right track (08/2016)
- EU external migration spending in Southern Mediterranean and Eastern Neighbourhood countries until 2014 (09/2016)
- Further improvements needed to ensure effective implementation of the excessive deficit procedure (10/2016)
- Strengthening administrative capacity in the former Yugoslav Republic of Macedonia: limited progress in a difficult context (11/2016)
- Agencies' use of grants: not always appropriate or demonstrably effective (12/2016)
- EU assistance for strengthening the public administration in Moldova (13/2016)
- EU policy initiatives and financial support for Roma integration: significant progress made over the last decade, but additional efforts needed on the ground (14/2016)
- Did the Commission effectively manage the Humanitarian aid provided to populations affected by conflicts in the African Great Lakes Region? (15/2016)
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- More efforts needed to raise awareness of and enforce compliance with State aid rules in cohesion policy (24/2016)

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- Single Supervisory Mechanism — Good start but further improvements needed (29/2016)
- The effectiveness of EU support to priority sectors in Honduras (30/2016)
- Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but at serious risk of falling short (31/2016)
- EU assistance to Ukraine (32/2016)
- Union Civil Protection Mechanism: the coordination of responses to disasters outside the EU has been broadly effective (33/2016)
- Combating Food Waste: an opportunity for the EU to improve the resource-efficiency of the food supply chain (34/2016)
- The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa (35/2016)
- An assessment of the arrangements for closure of the 2007-2013 cohesion and rural development programmes (36/2016)

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