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Gaps and Overlaps – Accountability and Public Audit Arrangements in EU, ECA, Brussels

Accountability for the Use of EU Funds at Member State and Regional Level

Distinguished member of the European Court of Auditors,
members of the Supreme Audit Institutions, Excellences,
fellow speakers,
Ladies and Gentlemen,

I am most honoured and delighted, as the Vice-Chair of the European Parliament' Committee on Budget Control, to have the opportunity to address you.
Being the vice-chair of Parliament's Budget Control Committee and former auditor general I am highly aware that we must promote accountability and better understanding of proper and effective use of EU funds also within the interdisciplinary network bringing together knowledge and expertise from a wide range of institutions.
As the former president of the Slovene Court of Audit you can understand that I wanted to use my knowledge and experience in best possible way and joined the Parliament's Budget Control Committee. I am especially privileged and at the same time I carry the great responsibility because within the Parliament's Budget Control Committee I was entrusted with the job of "permanent rapporteur" for relations with the European Court of Auditors.

It is most interesting to be now at the receiving end of the production line of report, recommendations, special reports from the European Court of Auditors which form the most important information this committee is depending on for its political work.

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The topic of accountability for the use of EU funds would be an interesting topic at any time for any institution using or supervising these funds. But in the time of a very specific economic situation, the proper, effective and efficient use of EU funds has become even more important.

As I have highlighted many times, when discussing the concept of accountability, taking into account the implemented activities up till now, the basic question arising is whether inclusion of this concept into the legal bases and administrative procedures can contribute to better management of EU funds. The answer depends on the institutions which are included in the process and have important responsibilities therein. The founding of institutions, which provide for accountability is only the first step; another important condition is that the institutions operate effectively.

The key question is whether accountability is in line with the objectives for which they were set up. It can easily happen that despite the established processes the public remains insufficiently informed, because details are concealed or can be accessed only by a limited number of entities. Even though the mechanism of accountability exists, the institutions are in such cases not effective enough. Therefore, in order to develop healthy public finance and efficient use of EU funds, it is important to introduce the concept of accountability, and to provide the legal basis to implement them. It is also necessary to design mechanisms that shall efficiently operate and follow the objectives of the concepts. The Supreme Audit Institutions have in this regard an important role, since they assess whether the concepts were implemented, point out differences between the practical solutions and their theoretical basis; between the activities formally approved and the activities implemented by the public sector entities themselves. These institutions also need to be able to understand and follow all the reforms of the public sector and, if possible, stimulate their implementation.

Audit institutions are not examining only matters of regularity of use of EU funds but increasingly its economy, efficiency and effectiveness. In other words, they are perceived as being able to "study areas of service delivery and publish studies which promote the best ideas and methods of achieving best value whilst, at the same time, identifying savings and resources which can result". Another important role is in the area of performance measurement where they are often involved in the assessment of the systems used to collect and present the data. Accountability takes importance under newly adopted financial regulations and auditors need to consider this when assessing financial reporting.

We can assess that there have already been positive changes in this area; from the beginning of 2013 the delivery of EU funds to beneficiaries was improved thanks to simplified procedures. The new legislation enabled increased transparency and introduced higher accountability of all involved in dealing with EU finances. As the European Commission highlighted at the time of delivery of the new Financial Regulation, "it moves the protection of EU financial interests to a higher level". The new rules were adopted to increase the accountability of Member States especially in regional policy. National authorities in charge of EU funding have to sign and submit to the Commission annual declarations certifying that EU funds have been used correctly. Mechanisms for financial corrections in cases of irregularities committed by beneficiaries and discovered by audit have been strengthened. Nevertheless further processes should be encouraged, considering the sanctions for misuse of EU funds as one of the most important setbacks to be overcome.

We are aware that the public sector is being put under high pressure to increase the amount and the quality of its output, while disposing with fewer resources and being confronted with demands to further increase its accountability. The use of EU funds is in this respect with high level of certainty the most important tool for further development of the societies in general as well as the European Union. It is therefore even more important that National Supreme Audit Institutions and the European Court of Auditors perform their role of supervisors and make sure the intentions of the states and EU become reality in the best

way possible. And that the funds of all EU members serve the purposes they are dedicated to in the most efficient, effective and economical way. Reinforcing accountability and also transparency in the public finance arena can therefore only be performed when these institutions are founded upon core principles of autonomy and independence.

Development of a stable environment is highly dependent on accountability and transparency. Together they add to the improvement of the management of EU funds. Transparency of these funds aims at efficient and comprehensive accountability of public sector employees and therefore provides for better management of public funds. Many financial crises that occurred already in the past have opened up several issues related to the designing and managing of the fiscal policy and to the need of reducing the overall fiscal vulnerability of states. Through independent audits Supreme Audit Institutions contribute to improving budgetary outcomes and to strengthening of transparency and accountability which was recognized also by the United Nations core principle in the post-2015 development agenda.

Yet there is a necessary requirement - promoting the institutional development of competences and exchange of best practices also through knowledge sharing, which is especially important when the EU funds are in question.

Another important and essential objective is the cooperation as well as coordination between supreme audit institutions and other institutions involved in supervising of the use of EU funds. In this respect SAIs within the network of the Contact Committee of the Heads of Supreme Audit Institutions of the Member States of the European Union strive to establish effective models of cooperation and partnership. At its meeting already 10 years ago, the Contact Committee adopted Guiding Principles for Enhanced Co-operation. These principles emphasized the common interest "in working together to improve the audit of European Union funds and other matters concerning good governance for the benefit of EU

citizens". Such approach was further enhanced by establishing working groups, performing parallel audits and sharing the results of reports. Already in 2000 the Contact Committee set up a working group to oversee parallel studies on the management of Structural Funds in the Member States. The purpose of the studies was to obtain an accurate, correct and documented description of the procedures implemented in the Member States to manage and control the Structural Funds.

The Working Group was given a mandate to continue its work with focused reviews on the processes for identifying, reporting and following up on irregularities within the Structural Funds. Further on, the Working Group carried out an audit on performance of the Structural Funds programmes in the areas of employment and/or environment and continued its work with a focused review of costs of controls. In 2011 the Working Group pursued its work with a focused review on “Simplification of the regulations for Structural Funds” and in 2013 with continuing its review of the Structural Funds and the conducting of a parallel audit on the “Analysis of the errors in public procurement within the Structural Funds programmes”.

A deeper insight into the findings of the reports is recommended and here are some main conclusions as of 2008:

• With respect to the planning of measures and the selection of projects the review identified examples of good practice but also several shortcomings in the arrangements in place within Member States in responding effectively to meeting the primary goals of the Structural Funds. For 2007-2013 the situation was much more encouraging as the review concluded that Member States have responded positively to the lessons learned from the previous period, and had acted upon recommendations for improvements.

• Some weaknesses were identified regarding the reliable assessment of projects’ cost-effectiveness.

• While Member States have established systems for monitoring and reporting which provide a basis for evaluation, in many cases the monitoring indicators have been

overcomplicated, inconsistent or not well-defined. Typically, more attention is paid to financial monitoring than to monitoring progress in achieving the planned outcomes.

Some of the main recommendations directed to individual Member States and also to the European Commission are:

• In order to be able to evaluate the success of the Structural Funds programmes, the criteria for the evaluation, the programme goals and indicators should be clearly specified. The criteria for project selection, appraisal and evaluation should be set to facilitate an assessment of value for money and sustainability.

• Where measures from previous financial period continue in the next financial period, any procedural weaknesses should be addressed before the aid measure is continued.

• Controls should be put in place to help ensure that projects are carried out as planned, funding is used only for eligible activities, and clawback arrangements could be used to recover funds where appropriate.

• Project indicators should be simplified and better defined so that the effectiveness of individual projects can be better assessed.

• Monitoring and evaluation of results should focus less on financial indicators and more on the outcomes achieved by the structural funds.

• Programme evaluation should be carried out at the level of specific and operational objectives, assessing their definition and quantification, and discuss implementation and monitoring mechanisms. Evaluation should not be purely descriptive; an in-depth analysis is essential for sound decision-making.

• All assessment files should be retained for accountability purposes.

Ladies and gentlemen,
Distinguished guests,

We must bear in mind that we all are called to great responsibilities of publicly presenting the importance of taking the prudent path while trespassing in the use of EU funds could be

costly. And last but not least, such initiatives strongly depend not only on personal will to be effective and efficient, but also on political will to be accountable and transparent.

Altering the ways of thinking and taking actions is always a lengthy and difficult process. When introducing any novelties, we should keep in mind that even if the process starts quickly, it takes quite a while after the newly adopted measures are fully implemented.

I welcome the initiative of further suchlike events and would like to thank and congratulate to each and every one who participates in making progress and is committed to accountability and raising awareness for the use of EU funds.

Thank you very much!