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Press Release

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'Revolving doors': lax rules for EU agencies

EU agencies should tighten their rules and controls to minimise the risk that managers and other senior staff who leave may take up private-sector jobs that could lead them into conflicts of interest and put the integrity of the EU institutions at risk, the European Court of Auditors (ECA) has said in its annual report on the EU agencies, published today. At the same time, the EU's financial watchdog confirmed that the agencies' bookkeeping was trustworthy by signing off their 2021 accounts. The auditors also gave all 44 agencies a pass mark on how they collect income for their operations, and all but one agency obtained a clean bill of health on spending, despite persistent public procurement problems across most agencies.

"We are once again able to give the EU's agencies positive, clean audit opinions on their accounts and revenue, while their spending is generally up to the mark," said Rimantas Šadžius, the ECA member leading the audit. *"But legislators and agencies must heed our red-flag warning and handle the potential revolving doors more stringently in order to prevent conflicts of interest and avoid reputational damage to themselves and to the EU as a whole."*

EU rules set out very few obligations for EU bodies to monitor compliance of current and former staff with the 'revolving door' requirements. On the other hand, EU agencies – especially those with regulatory powers and links to industry – are particularly prone to the risk of 'revolving doors' for two reasons: first, they rely on temporary staff, and so have high turnover rates; and second, their governance model includes management boards with members on short-term appointments. The problem with this is that board members are not part of the agencies' staff, so the 'revolving doors' rules do not apply to them. The auditors say this creates a legal vacuum, and leads to only a small fraction of potential 'revolving door' cases being assessed. Furthermore, only a few agencies go beyond the minimum legal requirements when handling potential 'revolving door' situations, while most do not even monitor compliance among their current and former staff, relying almost exclusively on self-reporting instead.

The auditors have already identified governance issues and conflicts of interest for EU agencies in several of their previous reports. This report once more points out governance issues of the supervisory agencies for banks, insurances and financial markets, which leave the doors open for favouring national interests over European ones.

The purpose of this press release is to convey the main messages of the European Court of Auditors' 2021 annual report on EU agencies. The full report is available at eca.europa.eu.

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The auditors are also critical once again of how the agencies purchase goods and services, and urge them to ensure that they get the best value for money. The fact is that weaknesses in public procurement are still among the main reasons why the agencies fail to comply with payment rules, and such cases have recently been on the rise. For half of the agencies, the auditors found contracts involving shortcomings. For one agency – eu-LISA, which manages large-scale IT systems in the area of freedom and security – they detected €18.1 million of erroneous spending due to issues that had already been flagged in the past. The agency has now seen another yellow-card warning in the form of a qualified audit opinion on its payments, and is asked to improve its procurement and contract management.

The audit shows that Russia's war against Ukraine affected three agencies in particular. The EU's asylum agency (EUAA) has asked for more staff and money after EU countries that took in Ukrainian refugees had asked for more assistance. The activities of the EU space programme (EUSPA) suffered because Russian Soyuz launchers could no longer be used for its Galileo satellites. And the agency for winding up failing banks (SRB) concluded that the war increased credit risks in relation to banks' exposures to counterparties in Russia, Belarus and Ukraine, and for loans to domestic firms most exposed to the effects of the war.

Background information

EU agencies wield major influence in vital areas of Europeans' daily lives, such as health, security and justice. In 2021, they spent €13.1 billion from the EU's budget to run programmes such as those supporting the European Green Deal and research. They employed 14 430 people (17 % of all EU staff), with a total budget of €4.1 billion (2.5 % of the entire EU budget), excluding the SRB. Frontex tops the list, with over 1 500 staff and a €500 million budget.

'Revolving doors' in the EU context means staff who leave the EU civil service to take up positions in the private sector related to their previous activities. This can create conflicts of interest and pose a risk to the integrity of the EU institutions because valuable inside knowledge can move into the private sector, because ex-officials might lobby their former colleagues, or because current officials might be influenced by the possibility of employment elsewhere.

The full annual report on the EU agencies is available on the ECA website, together with a summary document "*2021 Audit of EU agencies in brief*". Today, Thursday 27 October, the auditors are holding an online conference "Sound financial management in EU agencies", focusing on the risk of conflicts of interest connected with the 'revolving door' recruitments and public procurement issues. Watch live on YouTube from 9.30 a.m. to 12.30 p.m.

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