PRESIDENT'S INTRODUCTION

The European Court of Auditors’ annual reports – one on the EU budget and the other on the European Development Funds - help the European Parliament, the Council and Europe's citizens to assess the management of the EU's public finances.

In 2012, the EU faced a number of financial management challenges in implementing its budget. These including dealing with an increasing level of final payments as the current financial framework draws to a close together with the effects of pressure on national financing. In all, €138.6 billion was spent from the EU budget.

The Court’s estimate of the error rate for spending from the EU budget as a whole was 4.8 % in 2012 (3.9 % in 2011), with increases in almost all individual spending areas. All operational spending areas were affected by material error in 2012.

The Court’s estimate of the error rate is not a measure of fraud, inefficiency or waste associated with spending. It is an estimate of the money that should not have been paid out because it was not used in accordance with the legislation concerned. Typical errors include payments for expenditure which was ineligible or for purchases without proper application of public purchasing rules.

As the EU prepares spending programmes for the 2014-20 financial framework, considerable financial commitments from previous years remain unspent - this will put added pressure on EU cash flows and may increase the risk of error over the next few years.

There is an important opportunity now for the EU institutions and the Member States to use the lessons learned during the current financial framework to improve EU financial management in the next financial framework period, in particular by addressing the findings and recommendations noted in the Court's audit reports.

Based on robust evidence, the Court of Auditors provides assurance on EU financial management, warning of the risks and offering guidance for improvement. In this way, we contribute towards strengthening EU accountability to citizens.

Vítor Manuel da SILVA CALDEIRA

President of the European Court of Auditors
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ABSTRACT OF THE STATEMENT OF ASSURANCE

In the ECA’s opinion, the consolidated accounts of the European Union present fairly, in all material respects, the financial position of the Union as at 31 December 2012, the results of its operations, its cash flows and the changes in net assets for the year then ended.

EU revenue underlying the 2012 accounts is legal and regular in all material respects.

Commitments underlying the 2012 accounts are legal and regular in all material respects.

Supervisory and control systems examined are partially effective in ensuring the legality and regularity of payments underlying the accounts. All policy groups covering operational expenditure are materially affected by error. The ECA’s estimate for the most likely error rate for expensed payments underlying the accounts is 4.8%.

For these reasons it is the ECA’s opinion that payments underlying the accounts for the year ended 31 December 2012 are materially affected by error.

For the full text of the Statement of Assurance, please refer to Chapter 1 of the 2012 annual report.

- The estimated error rate for spending from the EU budget as a whole increased again in 2012, from 3.9% to 4.8%. A part of that increase (0.3 percentage points) is due to a change in the ECA’s sampling approach. The estimated error rate has increased every year since 2009, after having fallen in the three previous years.

- Rural development, environment, fisheries and health remains the most error-prone spending area with an estimated error rate of 7.9%, followed by regional policy, energy and transport with an estimated error rate of 6.8%.

- The increases in the estimated error rate were greatest for the spending areas employment and social affairs, agriculture: market and direct support and regional policy, energy and transport.

- For the majority of transactions affected by error in the shared management areas (e.g. agriculture and cohesion), the Member States authorities had sufficient information available to have detected and corrected the errors.

- The substantial gap between appropriations for commitment and payment, coupled with a large amount of underspending at the start of the current programming period, has caused a build-up of the equivalent of 2 years and 3 months’ worth of unused commitments (€217 billion at the end of 2012). This leads to pressure on the budget for payments. To resolve that situation, it is essential that the Commission plans its payment requirements for the medium and long-term.

- For many areas of the EU budget the legislative framework is complex and there is insufficient focus on performance. The proposals on agriculture and cohesion for the 2014–20 programming period remain fundamentally input-based (expenditure oriented) and therefore still focused on compliance with the rules rather than performance.
SPENDING EU MONEY ACCORDING TO THE RULES

This section sets out the key audit results of the financial and compliance audit for the 2012 financial year.

Regularity of transactions

The ECA tests samples of transactions to provide statistically based estimates of the extent to which revenue and the different spending areas (groups of policy areas) are affected by error. The results of the testing are given for the EU budget as a whole in Diagram 1. The diagram shows the frequency with which transactions are affected by error and the impact of those errors whose effects can be quantified (estimated most likely error rate). For more information on the ECA’s audit approach see page 38.

Diagram 1 – 2012 results of transaction testing for EU budget as a whole

For 2012, the ECA concludes that commitments in all spending areas and revenue were free from material error. For the budget as a whole, the estimated error rate of 4.8% leads to an adverse opinion on the regularity of the expenditure.
The testing also provides results for each spending area as presented in Diagram 2. Further information on each spending area is given on pages 19 to 32, with full details provided in the related chapters of the 2012 annual report.

### Diagram 2 – 2012 Results of transaction testing for EU spending areas

<table>
<thead>
<tr>
<th>Spending area</th>
<th>Error frequency</th>
<th>Audited amount and most likely error rate</th>
<th>Audit conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture: Market and Direct Support</td>
<td>41%</td>
<td>3.8%</td>
<td>Free from material error</td>
</tr>
<tr>
<td>Regional Policy, Energy and Transport</td>
<td>49%</td>
<td>6.8%</td>
<td>Error</td>
</tr>
<tr>
<td>Rural Development, Environment, Fisheries and Health</td>
<td>63%</td>
<td>7.9%</td>
<td>Affected by material error</td>
</tr>
<tr>
<td>Employment and Social Affairs</td>
<td>35%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Research and other Internal Policies</td>
<td>49%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>External Relations, Aid and Enlargement</td>
<td>23%</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>Administrative and other Expenditure</td>
<td>1%</td>
<td>0.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Error frequency** (share of audited transactions affected by one or more quantifiable or non-quantifiable error)

**Most likely error rate** (estimated error rate based on the quantifiable errors found in the sample of transactions audited)

Note: The ECA uses standard statistical techniques to estimate the error rate. (See Chapter 1 Annex 1.1 of the annual report).
Analysis of audit results

The estimated error rate for spending from the EU budget as a whole increased again in 2012, from 3.9 % in 2011 to 4.8 % (see Diagram 3). A part of that increase (0.3 percentage points) is due to a change in the ECA’s sampling approach. The estimated error rate has increased every year since 2009, after having fallen in the three previous years.

Diagram 3 – Estimated most likely error rate for the EU budget as a whole: 2006 to 2012

Note: The ECA uses standard statistical techniques to estimate the most likely error rate. The Court is 95 % confident that the rate of error for the population lies in the range between the lower error limit and the upper error limit. For more details see chapter 1 Annex 1.1 of the annual report.

* The change of the ECA’s sampling approach resulted in significantly higher error rates in two spending areas (see text box below). Without this change the overall error rate would have been 0.3 percentage points lower.
The estimated error rate increased for all operational spending areas (see Diagram 4). The increases were greatest for the spending areas employment and social affairs, agriculture: market and direct support and regional policy, energy and transport. Rural development, environment, fisheries and health remains the most error-prone spending area with an estimated error rate of 7.9 %, followed by regional policy, energy and transport with an estimated error rate of 6.8 %.

### Diagram 4 – Comparison between 2011 and 2012 estimated error rates for EU spending areas

<table>
<thead>
<tr>
<th>Spending Area</th>
<th>2011 Error Rate</th>
<th>2012 Error Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture: Market and Direct Support</td>
<td>2.9 %</td>
<td>3.8 %</td>
</tr>
<tr>
<td>Regional Policy, Energy and Transport</td>
<td>6.0 %</td>
<td>6.8 %</td>
</tr>
<tr>
<td>Rural Development, Environment, Fisheries and Health</td>
<td>7.7 %</td>
<td>7.9 %</td>
</tr>
<tr>
<td>Employment and Social Affairs</td>
<td>2.2 %</td>
<td>3.2 %</td>
</tr>
<tr>
<td>Research and other Internal Policies</td>
<td>3.0 %</td>
<td>3.9 %</td>
</tr>
<tr>
<td>External Relations, Aid and Enlargement</td>
<td>1.1 %</td>
<td>3.3 %</td>
</tr>
<tr>
<td>Administrative and other expenditure</td>
<td>0.1 %</td>
<td>0.0 %</td>
</tr>
</tbody>
</table>

* The change in the ECA’s sampling approach resulted in significantly higher error rates in the spending areas external relations, aid and enlargement and research and other internal policies (see text box below and respective sections on these spending areas).
The ECA’s sampling approach: what changed, why it is better and what is the impact

The approach to sampling transactions has been updated. Transactions are now examined on the same basis for all spending areas - at the point at which the Commission has accepted and recorded expenditure, thus confirming that it believes payment from the EU budget to be justified.

The ECA now samples transactions from interim payments, final payments and clearing of advances (expensed payments). This change means that all areas of shared and non-shared management are now examined on a comparable basis. In addition, audited populations will be more stable from year to year as the fluctuating levels of advances will be eliminated along with the resulting impact on the error rate.

This change has a small impact on the overall most likely error rate (see Diagram 3) but increases it significantly in the spending areas external relations, aid and enlargement and research and other internal policies (see respective sections on pages 28 to 31).

The proper application of public procurement rules provides assurance that European taxpayers get better value for money. A breakdown of the overall estimated error rate by type of error shows that a significant compliance issue cutting across all spending areas is serious failures to respect public procurement rules (see Diagram 5). This means that the objectives of these rules – fair competition and award of contract to the best qualified bidder – have not been met.

Diagram 5 – Contribution to overall estimated error by type

- Serious failures to respect public procurement rules: 29%
- Ineligible projects/activities or beneficiaries: 22%
- Ineligible costs included in cost claims: 21%
- Incorrect declarations in agricultural area: 17%
- Other error types: 11%
Financial corrections and recoveries

Financial corrections reported as implemented in 2012 amounted to €3.7 billion, more than three times the figure for 2011 (€1.1 billion). Around 50% (€1.8 billion) of 2012 financial corrections relate to the 2000-06 use of cohesion spending in Spain. Recoveries remained essentially constant at €678 million (2011: €733 million).

Does the EU claim funds back?

Once EU budgetary payments have been made, the Commission and (in respect of expenditure which they manage together) Member States may make *ex post* checks of the operation of control systems and of declared expenditure. This can lead to financial corrections and/or recoveries.

**Financial corrections** mainly address weaknesses in management systems. In agriculture they result in reduced EU funds for the Member State concerned. In cohesion, the impact of financial corrections depends on whether the Member State accepts the correction proposed by the Commission:

- Member States usually agree with the proposed financial correction and either make a flat-rate adjustment to their claim and/or make detailed corrections at project level. These EU funds may then be reassigned to other areas of spending within the same Member State.

- When the Member State does not accept the financial correction proposed, the Commission may take a formal decision in order to enforce the correction. This involves a net reduction of EU funding to the Member State concerned.

Whether financial corrections will lead to recoveries from beneficiaries depends on the problem that triggered the financial correction and on the action taken by the Member State administration concerned.

**Recoveries** correct irregular expenditure at project level: the beneficiary repays all or part of the funds it received irregularly to the body which made the initial payment. These funds become available for payment to other beneficiaries.

Financial corrections and recoveries are taken into account in the error rate estimated by the ECA if they reverse any erroneous payments made during the year; in other words if incorrect expenditure has been identified and excluded from the declaration sent to the Commission and/or led to recoveries from beneficiaries during the year. These conditions are only sometimes met. For agriculture most financial corrections do not lead to recoveries from beneficiaries. For cohesion most corrections are flat-rate financial corrections which often do not lead to detailed correction at project level.

The Commission makes significant efforts to identify and improve non-performing supervisory and control systems as required by EU legislation. The Commission has proposed that for the 2014-20 programming period irregularities detected subsequent to presentation of the annual account of the national authorities should lead automatically to a net reduction of EU funding, thus increasing the incentive for effective checks by Member States.
Pressure on budget for payments

In 2012 the Commission was unable to meet all requests for payment from the available budget. Among the reasons for this situation were the increase in the gap between yearly appropriations for commitment and payment, and the accumulation of outstanding commitments from previous years.

What are commitments and payments?

Each year the budget has two components: commitments (promises to pay in the current or future years) and payments (covering payments of funds in the current year). The annual ceilings for commitments and payments are laid down in the multi-annual financial frameworks agreed by the Council and Parliament. Payments can only be made against a valid commitment.

During the current multi-annual financial framework (2007-13), yearly budgets for commitments have been near the ceilings originally agreed but payment budgets have been substantially below. This structural imbalance, coupled with a large amount of underspending at the start of the current programming period, has caused a build-up of the equivalent of 2 years and 3 months worth of unused commitments (€217 billion at the end of 2012). These obligations to pay will need to be fulfilled in future years.

Making a payment against a commitment does not always result in final expenditure. The Commission often makes payments to pre-finance activities, accepting justification for the use of funds in future years. Uncleared pre-financing has increased significantly in recent years. In 2012 gross pre-financing amounted to €80 billion. Extended periods of pre-financing can lead to an increased risk of error and loss to the EU budget.

The pressure on the budget for payments makes it essential that the Commission plan for payment requirements over the medium and long term. The ECA is of the opinion that the Commission should prepare and publish a long-range cashflow forecast, projecting future payments requirements, to assist in identifying future needs, planning budgetary priorities, and ensuring that necessary payments can be met from approved annual budgets.

Full information on the main findings can be found in Chapter 1 “The Statement of Assurance and supporting information” of the 2012 annual report on the EU budget.
GETTING RESULTS FROM THE EU BUDGET

Performance of the EU budget is assessed on the basis of the sound financial management principles (economy, efficiency and effectiveness). Its measurement is key throughout the public intervention process, covering inputs (financial, human, material, organisational or regulatory means needed for the implementation of the programme), outputs (the deliverables of the programme), results (the immediate effects of the programme on direct addresses or recipients) and impacts (long-term changes in society that are attributable to the EU’s action).

Lack of focus on performance

For many areas of the EU budget the legislative framework is complex and has too little focus on performance. The proposals for the new cohesion fund and common agricultural policy regulations for the 2014–20 programming period remain fundamentally input-based (expenditure oriented) and therefore focused on compliance with the rules rather than performance. For example the new regulations for rural development lay down a disparate and wide-ranging set of objectives but do not include expected results and impacts or relevant indicators.

For large parts of the EU budget the maximum level of expenditure under the multi-annual financial framework headings is divided into yearly allocations per Member State. It is a challenge to obtain good qualitative results from schemes where funds are pre-allocated among Member States and the full absorption of these funds is an implicit objective.

Reporting on policy achievements is evolving but still of limited use

The directors-general of the Commission set performance objectives for their policy responsibilities in management plans and then report on achievements in annual activity reports. The ECA’s review of the management plans and annual activity reports of a sample of Commission directorates-general (Competition; Mobility and Transport; and Maritime Affairs and Fisheries) identified the following main issues affecting the reporting on annual policy achievements:

- objectives taken directly from high-level policy or legislative documents are often not sufficiently focused;

Example: Policy goals are too broad to be used as objectives for directorates-general

The directorate-general for Competition defines the general objective “To support growth, jobs and competitiveness” and monitors its achievement by reference to the rate of real GDP growth, the employment rate of the population aged between 20 and 64 and the percentage of EU GDP invested in research and development. By using a political high-level objective and Commission overarching targets as impact indicators, the directorate-general cannot demonstrate the extent of its own contribution to achieving policy goals.
only 8 out of 52 objectives were specific, measurable, achievable, relevant and timed (SMART); and

Example: SMART objectives

A SMART objective: To “implement the core transport network by 2030” is one objective of the directorate-general for Mobility and Transport. This objective is specific, timed and relevant. The measurability of this objective is provided in quantified terms (for example as “five removed bottlenecks on the core transport routes by 2017”).

Objective not SMART: One of the objectives presented by the directorate-general for Mobility and Transport is “to promote a modern urban mobility”. It is neither specific as it does not provide any information on what needs to be changed nor is it measurable or timed.

the indicators for monitoring performance need improvement.

Example: Indicators outside the control of the directorate-general

The directorate-general for Maritime Affairs and Fisheries has indicators concerning international trade negotiations. These fall outside its scope of influence and thus the indicators are inappropriate.

The performance management and reporting is evolving and some corrective actions have been taken but it is too early to assess their results. In the context of the multi-annual financial framework negotiations the Commission has proposed a common performance framework for both the Commission and the national authorities which bases itself on agreed output and result indicators.

Evaluation reports not yet suitable to be used in discharge procedure

The Treaties require that the Commission produce an overall evaluation report on the EU’s finances, and that the report is part of the evidence on which the Parliament gives discharge each year to the Commission in respect of its implementation of the EU budget. The ECA assessed the second and the third evaluation report and came to the conclusion that while there have been improvements the report does not yet provide sufficient, relevant and reliable evidence on what the EU’s policies have achieved to be used in the discharge procedure.

Weak reporting and accountability systems for results and impact achieved with EU funds

The 25 special reports adopted by the ECA in 2012 cover a wide range of subjects and assess whether the EU’s intervention was managed in accordance with the principles of sound financial management (economy, efficiency and effectiveness).
For the 2012 annual report, the ECA examined the lessons that can be learned from its 2012 special reports for the preparation of new programmes and projects for the 2014-20 programming period and found that:

- there were deficiencies in the relevance, reliability and timeliness of performance data; and

**Example: Reporting too weak to verify achievement of targets**

In an audit of funding for municipal waste management infrastructure, the ECA noted significant weaknesses regarding the reporting by Member States, resulting in the inability of the Commission to evaluate in all cases whether the performance being achieved by Member States was in line with EU waste targets. While the Commission checked the consistency of the figures received, it did not assess their reliability.

- in several cases the sustainability of the results of EU projects was at risk.

**Example: Majority of project results and benefits at risk in the medium and long-term**

In its audit of development aid for drinking water supply and basic sanitation in sub-Saharan countries, the ECA found that projects examined were technically sustainable: they promoted the use of standard technology and locally available materials. However, for a majority of projects, results and benefits will not continue to flow in the medium and long-term unless non-tariff revenue can be ensured.

The ECA recommends that the Commission should:

- together with the legislator – ensure that there is a focus on performance in the forthcoming programming period (2014-20). This requires that a limited number of sufficiently specific objectives with relevant indicators, expected results and impacts are laid down in the sector-specific regulations or in some other binding manner;

- ensure that there is a clear link between the annual activities and objectives of the directorates-general. When identifying these objectives each directorate-general should take into account the relevant management mode, where applicable, and its role and responsibilities.

Full information on the ECA’s assessment of performance can be found in Chapter 10 “Getting results from the budget” of the 2012 annual report on the EU budget. All special reports can be found on the ECA’s website. [http://www.eca.europa.eu/en/Pages/ecadefault.aspx](http://www.eca.europa.eu/en/Pages/ecadefault.aspx)
AUDIT OF SPENDING AND REVENUE
IN MORE DETAIL
REVENUE
€139.5 BILLION

What we audited

The audit covered the EU’s revenue, through which it finances its budget. Contributions calculated on the basis of Member States’ GNI and VAT collected by Member States respectively provided 70.1 % and 10.5 % of the revenue in 2012. In 2012, the ECA also audited the effectiveness of the Commission’s verification of the GNI data used in these calculations. Customs duties collected on imports and the sugar production charge collected by national administrations of Member States on behalf of the EU provided 11.8 % of the revenue.

Explaining the audit of EU revenue

Most EU revenue is calculated on the basis of macroeconomic statistics and estimates provided by the Member States. The ECA’s audit of the regularity of the underlying transactions related to GNI and VAT-based contributions covers the Commission’s processing of the data provided by Member States and not the initial generation of that data. As a consequence, with the most likely error rate the ECA estimates the impact of the Commission’s errors on the overall amount of revenue.

What we found

- Affected by material error? No
- Estimated most likely error rate: 0 % (2011: 0.8 %)
- Audited transactions affected by error: 0 % (2011: 2 %)
- Audited control systems: Effective
The ECA audited how well the Commission had concluded its verification work in 2012 on the GNI data for 2002 to 2007 to calculate the GNI-based contribution by the Member States. The Commission’s verification was assessed as partially effective, because Eurostat did not plan and prioritise its work in an appropriate way, as the risks relating to Member States’ compilation of GNI data were not appropriately assessed. Furthermore, Eurostat did not apply a consistent verification approach between Member States.

The ECA’s audits also revealed weaknesses in national customs supervision. The ECA concludes that as in previous years the supervisory and control systems of the Member States are still only partially effective in ensuring that the customs duties recorded are complete and correct.

What we recommend

The ECA recommends that the Commission:

- reviews its control framework for the verification of GNI data including carrying out a structured and formalised cost-benefit analysis, carrying out in-depth verification of material and risky GNI components, limiting the use of general reservations and setting materiality criteria for placing reservations; and

- encourages Member States to strengthen customs supervision in order to maximise the amounts of traditional own resources collected.

Full information on the ECA’s audit of EU revenue can be found in Chapter 2 of the 2012 annual report on the EU budget.
AGRICULTURE: MARKET AND DIRECT SUPPORT
€44.5 BILLION

What we audited

This spending area covers the European Agricultural Guarantee Fund (EAGF), one of the two main instruments of the common agricultural policy of the EU. Management of the spending is shared with Member States.

What we found

- Affected by material error? Yes
- Estimated most likely error rate: 3.8 % (2011: 2.9 %)
- Audited transactions affected by error: 41 % (2011: 39 %)
- Audited control systems: Partially effective

A majority of expenditure in this spending area is calculated based on agricultural land surface. Many quantifiable errors are the result of inaccurate claims by beneficiaries, with the most frequent being over-declaration of land area (see example).

Example: Over-declarations – claiming aid for ineligible land

In Spain, Austria and Portugal* some land claimed and paid for as permanent pasture was in reality fully or partly covered with rocks, dense forests or bushes. This should exclude them from EU aid. In some of the cases the land may have once been used for an agricultural activity, but was found to have been abandoned for years.

* Note on the naming of Member States in examples: Due to its sampling approach the ECA does not audit transactions in every Member State, beneficiary state and/or region each year. The examples of errors are provided in order to illustrate the most frequent error types. They do not form a basis for conclusions to be drawn on the Member States, beneficiary states and/or regions concerned.

For a significant number of transactions affected by error, the Member States authorities had sufficient information available to have detected and corrected the error.

In all EAGF direct aid schemes, beneficiaries of EU aid have a legal obligation to fulfil cross-compliance requirements. These requirements relate to the protection of the environment, public health, animal and plant health, animal welfare and to the maintenance of agricultural land in good agricultural and environmental condition. If farmers do not comply with these obligations their aid is reduced. The ECA found infringements in 16 % of the transactions subject to cross-compliance obligations.
The ECA selected three integrated administration and control systems for detailed examination. Two were assessed as not effective (England and Northern Ireland, see example) and the other was assessed as partially effective (Luxembourg). Two other supervisory and control systems applicable to the EU food aid for the most deprived persons, examined in Italy and Spain, were assessed as effective.

**Example: Incorrect data as a basis to calculate payments**

Agricultural land surface (entitling beneficiaries to funding) is obtained using land parcel identification systems (LPIS) and geographical information systems (GIS).

In the United Kingdom (England) the paying agency does not assess the eligibility of common land (329 000 ha) and makes only limited use of aerial images for assessing whether other land for which farmers claimed payment was eligible for support. The ECA found that support payments had been made for forests which were not eligible for the payments concerned.

In the United Kingdom (Northern Ireland) features which would have rendered the land ineligible are not displayed as ineligible land in the GIS. The ECA found several instances in which forest land (not eligible for payment) was recorded as permanent pasture (which is eligible). There were other cases in which the LPIS recorded significantly more eligible land than existed in reality.

**What we recommend**

The ECA recommends that the Commission and Member States increase and speed up their efforts to ensure that:

- the eligibility of land, and in particular permanent pasture, is properly recorded in the LPIS, especially in cases where areas are fully or partly covered with rocks, shrubs or dense trees or bushes or where land has been abandoned for several years and that all agricultural land is included in the LPIS;

- immediate remedial action is taken where administrative and control systems and/or IACS databases are found to be deficient or out of date; and

- payments are based on inspection results and that on-the-spot inspections are of the quality necessary to determine the eligible area in a reliable manner.

**Full information on the ECA’s audit of EU expenditure on market and direct support in agriculture can be found in Chapter 3 of the 2012 annual report on the EU budget.**
RURAL DEVELOPMENT, ENVIRONMENT, FISHERIES AND HEALTH
€15.0 BILLION

What we audited

This spending area covers rural development; environment and climate action; maritime affairs and fisheries; and health and consumer protection.

The European Agricultural Fund for Rural Development (EAFRD) represents 90 % of the payments. Management of the spending is shared with Member States. The EAFRD co-finances rural development expenditure through Member States rural development programmes. The expenditure covers area-related measures (such as agri-environment payments and compensatory payments to farmers in areas with natural handicaps) and non-area-related measures (such as modernisation of agricultural holdings and the setting up of basic services for the economy and rural population).

What we found

- Affected by material error? Yes
- Estimated most likely error rate: 7.9 % (2011: 7.7 %)
- Audited transactions affected by error: 63 % (2011: 57 %)
- Audited control systems: Partially effective

The reason for most errors was that the beneficiaries did not respect the eligibility requirements, in particular those concerning agri-environment commitments, specific requirements for investment projects and procurement rules.

Example: Eligibility error: non-respect of agri-environment commitments

A beneficiary in Poland committed to respect specific requirements related to the maintenance of extensive permanent grassland and the protection of endangered bird species and their habitats. The main commitment was to leave every year, on a different surface area, 5 to 10 % of the applicable surface uncut, for which the beneficiary would receive €270 per hectare. The ECA found that the requirements were not met: the fields were either completely cut or the uncut area was the same as in previous years or in a different location to that indicated by the ornithological expert. Only on about 15 % of the surface were all the requirements respected.

Similar cases of non-compliance with agri-environment requirements were detected in the Czech Republic, Germany (Schleswig-Holstein), Greece, France and the United Kingdom (England).
For the majority of transactions affected by error, the Member States authorities had sufficient information available to have detected and corrected the error.

Of the six Member States’ rural development systems selected for detailed assessment, one was not effective (Romania) and the other five were partially effective (Bulgaria, Germany (Brandenburg and Berlin), France, Poland and Sweden). The most significant weakness detected by the ECA concerned ineffective checks of procurement rules (see example). Overall, the audit detected more than €9 million of ineligible expenditure resulting from the non-respect of procurement rules.

**Example: Insufficient quality of a Member State’s administrative checks**

For one public procurement case checked in Germany (Brandenburg and Berlin), the paying agency itself was the beneficiary of more than €2.2 million EAFRD aid between 2008 and 2012 under the measure «technical assistance», concerning its outsourced IT system.

The ECA found that the contract for the IT system and subsequent IT maintenance order was awarded to a company through negotiated procedure without notice, rather than through the required open or restricted procedure. Failure to follow the required procedures renders the expenditure ineligible for EU financing. The same situation concerning the award of contracts for IT systems occurred in 11 other German regions.

**What we recommend**

The ECA recommends in the area of rural development that:

- Member States carry out their existing administrative checks better, by using all relevant information available to the paying agencies. This has the potential to detect and correct the majority of errors;
- the Commission ensures that all cases where the ECA detected errors are followed up appropriately;

and for the EU common agricultural policy as a whole that:

- the Commission ensures adequate coverage in its conformity audits;
- the Commission addresses the weaknesses identified in its conformity audits and the persistent problem of long delays in the conformity procedure as a whole; and
- the Commission further improves its method of determining financial corrections so as to take better account of the nature and gravity of the infringements detected.

Full information on the ECA’s audit of EU expenditure in rural development, environment, fisheries and health can be found in Chapter 4 of the 2012 annual report on the EU budget.
REGIONAL POLICY, ENERGY AND TRANSPORT
€40.7 BILLION

What we audited

This audit covered regional policy (95 % of the total in this spending area), which is mostly financed through the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). Regional policy aims at strengthening economic and social cohesion within the European Union by reducing development disparities between different regions. Management of regional policy expenditure is shared with Member States, and involves the co-financing of projects within approved spending programmes.

Energy and transport represent the remaining 5 % of this spending area. Energy and transport policies aim to provide European citizens and businesses with secure, sustainable and competitive energy and transport systems and services. This expenditure is managed directly by the Commission.

What we found

- Affected by material error? Yes
- Estimated most likely error rate: 6.8 % (2011: 6.0 %)
- Audited transactions affected by error: 49 % (2011: 59 %)
- Audited control systems: Partially effective
The ECA found **serious failures to respect public procurement rules**. Such errors accounted for 52% of the error rate estimated by the ECA. The combined estimated contract value for the 247 audited public procurements amounted to €6.3 billion.

**Example: Serious failure to respect public procurement rules**

For the construction of a high-speed railway line in France, two civil engineering contracts were directly awarded to the same company that had previously provided similar services. Such a direct award is not in line with the applicable procurement rules and the contract should have been put out to tender.

Similar cases of unjustified direct awards were found in regional policy projects in Poland.

The second most frequent type of error was ineligible payments with **projects failing to fulfil the necessary conditions** either for part of the payment or for the entire project. Such errors accounted for 28% of the ECA’s estimated error rate.

**Example: Expenditure declared outside the eligibility period**

In a project in Finland for the production of a construction plan for a motorway bypass, six invoices were included in the expenditure declaration that had been incurred before the start of the eligibility period. This expenditure was incorrectly certified as eligible to the Commission.

Similar cases of expenditure that was ineligible because the eligibility period had not been observed were found in ERDF projects in France and Austria.

For 56% of the transactions affected by error, the **Member States authorities had sufficient information available** to have detected and corrected the error.

**Audit authorities**, which are established by the Member States for cohesion policy purposes, play a key role in ensuring that the expenditure reimbursed under the ERDF, CF and European Social Fund (ESF) is regular. The ECA assessed the functioning of a sample of four audit authorities, and found three to be ‘partially effective’, and one as ‘effective’. 
What we recommend

The ECA recommends that the Commission:

- addresses weaknesses in ‘first level checks’ carried out by managing authorities and intermediate bodies through specific guidance material and, where appropriate, through training measures;

- on the basis of its experience gained of the 2007-13 programming period, carries out an assessment of the use of national eligibility rules with a view to identifying possible areas for further simplification and eliminating unnecessarily complex rules (‘gold-plating’);

- specifies clear rules and provides robust guidance on how to assess the eligibility of projects and calculate the co-financing for revenue generating projects under the 2014-20 programming period; and

- seeks improvement in the work done by audit authorities and the quality and reliability of the information provided in control reports and audit opinions.

Full information on the ECA’s audit of EU expenditure in regional policy, energy and transport can be found in Chapter 5 of the 2012 annual report on the EU budget.
EMPLOYMENT AND SOCIAL AFFAIRS
€13.4 BILLION

What we audited

The audit covered the employment and social affairs spending area, part of the EU cohesion policy. The main objectives of the spending are to combat unemployment, to develop human resources and to promote integration in the labour market. The European Social Fund (ESF) is the main tool for the implementation of employment and social policy, accounting for 96 % of the expenditure in the spending area in 2012. The ESF funds investments in human capital through training and other employment measures. Management of the spending is shared with Member States.

What we found

- Affected by material error?: Yes
- Estimated most likely error rate: 3.2 % (2011: 2.2 %)
- Audited transactions affected by error: 35 % (2011: 40 %)
- Audited control systems: Partially effective

The majority of errors detected – 74 % of the estimated error rate – concerned the reimbursement of ineligible costs, projects, beneficiaries or participants.

Example: Ineligible participants

Support was given to Spanish companies hiring unemployed persons. A condition for participants was that the employers had to maintain the newly employed staff for a minimum period of three or, in some cases, up to five years. This condition was not respected for 12 persons. Costs claimed for ineligible participants represented 39.2 % of the audited amount.

Similar findings were also identified in a project in Italy.
For 67% of the transactions affected by error, the Member States authorities had sufficient information available to have detected and corrected the error.

On recommendation by the ECA, and with the aim of reducing the likelihood of error and the administrative burden on project promoters, the use of lump-sum and flat-rate payments instead of reimbursing ‘real costs’ was extended in 2009. In its 2012 audit the ECA did not detect any quantifiable errors related to the specific use of lump-sum and flat-rate payments. This indicates that projects whose costs are declared using such payment options are less error-prone. Thus a more extensive use of lump-sum and flat-rate payments would normally have a positive impact on the level of error.

What we recommend

The ECA recommends that the Commission:

- addresses weaknesses in first-level checks carried out by managing authorities and intermediate bodies, through specific guidance material and, where appropriate, training measures;
- on the basis of its experience gained in the 2007-13 programming period, carries out an assessment of the use of national eligibility rules in order to identify possible areas for further simplification and eliminating unnecessarily complex rules; and
- promotes the extensive use of lump-sum and flat-rate payments in order to reduce the risk of error in cost declarations and the administrative burden on beneficiaries.

Full information on the ECA’s audit of EU expenditure in employment and social affairs can be found in Chapter 6 of the 2012 annual report on the EU budget.
EXTERNAL RELATIONS, AID AND ENLARGEMENT
€6.6 BILLION

What we audited

This spending area covers expenditure in the fields of external relations, development and humanitarian aid and measures for EU candidate and accession countries. Development projects are dispersed throughout more than 150 countries, and the implementing organisations vary greatly both in size and experience. To be eligible for EU support, projects are required to comply with conditions set out in specific financing agreements as well as other rules covering, for example, tendering and contract-award procedures. Spending is implemented directly by Commission directorates-general, either from their headquarters in Brussels or by EU delegations in recipient countries, or jointly with international organisations.

What we found

- Affected by material error?  Yes
- Estimated most likely error rate: 3.3 %*
- Audited transactions affected by error: 23 %
- Audited control systems: Partially effective

* Clearing of advances – a new element in the sample for 2012 representing 68 % by value of the audited population – contributed 3.2 percentage points of the total estimated error rate for the spending area.

A majority of errors involve ineligible expenditure incurred at final beneficiary level, such as: expenditure incurred outside the eligibility period; inclusion of ineligible expenditure (e.g. VAT, staff costs and unjustified overheads) charged in the project cost claims and expenditure without adequate supporting documents.

Example: Ineligible expenditure

The Commission made payments of €90 000 to a non-governmental organisation in Guatemala. It reimbursed VAT, despite this being ineligible, as well as salaries for staff who worked outside the period covered by the grant. Around 18 % of the expenditure reimbursed was not eligible.
EXTERNAL SPENDING FROM THE EU BUDGET AND THE EDFS.

EuropeAid, a directorate-general of the Commission, manages most of the external spending under the EU budget and almost all of the spending under the EDFs. (The ECA’s assessment of the EDFs is summarised on pages 33 and 34). The extent to which audited transactions were affected by error points to weaknesses in EuropeAid’s checks before payment, and late clearing of advance payments and contract closure increased the risk that important supporting documentation was not available when it was needed to justify payments. Shortcomings persist in EuropeAid’s management information systems and the way that it follows up external audits, expenditure verifications and monitoring visits.

In 2012, EuropeAid carried out, for the first time, an exercise to assess the level of errors which had evaded all the management checks that have been designed to prevent, detect and correct such errors: the Residual Error Rate (RER) study. The study estimated the RER at 3.63%. Although there is scope for further refinement, the design of the methodology was in general appropriate and the study has provided interesting and potentially useful results.

The ECA therefore assessed EuropeAid’s supervisory and control systems as partially effective.

For DG Enlargement, the ECA assessed the supervisory and control systems as effective.

What we recommend

The ECA recommends that the Commission:

- ensures timely clearance of expenditure;
- promotes better document management by implementing partners and beneficiaries;
- improves the management of contract-awarding procedures by setting out clear selection criteria and documenting the evaluation process better;
- takes effective steps in order to enhance the quality of expenditure checks carried out by external auditors;
- applies a consistent and robust methodology for the external relations directorates-general to calculate residual error rates.

Full information on the ECA’s audit of expenditure in external relations, aid and enlargement from the EU budget can be found in Chapter 7 of the 2012 annual report on the EU budget.
RESEARCH AND OTHER INTERNAL POLICIES
€10.7 BILLION

What we audited

The main component of this spending area is the framework programmes for research and technological development (FPs), accounting for 68% of the total operational expenditure. Other internal policies include the Lifelong Learning Programme, accounting for 13%, home affairs, economic and financial affairs as well as the EU satellite navigation programmes. The majority of the expenditure is managed directly by the Commission.

What we found

- Affected by material error?
  - Yes
- Estimated most likely error rate:
  - 3.9%*
- Audited transactions affected by error:
  - 49%
- Audited control systems:
  - Partially effective

* Clearing of advances – a new element in the sample for 2012 representing 62% by value of the audited population – contributed 2.1 percentage points of the total estimated error rate for the spending area.

The main source of error remains the inclusion of ineligible costs in research FPs project cost statements (see example), and the use of incorrect methodologies by FP beneficiaries for the calculation of personnel and indirect costs.

Example: Ineligible costs

The ECA detected several errors in the costs which a beneficiary involved in a research project declared to the Commission: incorrectly calculated personnel costs based on budgeted rather than actual figures, unsubstantiated travel costs, and indirect costs based on incorrectly calculated hourly overhead rates and including ineligible cost categories not linked to the project. The ineligible costs declared by the beneficiary amounted to some €60 000. As the EU co-financing rate for this project was 70%, the Commission has unduly reimbursed some €42 000.
The Commission has significantly reduced the time it takes to make research grant payments in recent years. However, the ECA found several cases in 2012 where beneficiaries acting as project coordinators incurred lengthy delays in transferring the funds to other project partners. Such delays can have serious financial consequences, especially on small and medium-sized enterprises or other beneficiaries highly dependent on EU funding.

FP beneficiaries are required to provide an audit certificate by an independent auditor if the EU contribution exceeds €375,000. The independent auditor should certify that the costs declared are in line with the eligibility criteria set out in the grant agreement. However, in about one third of the cases audited by the ECA for which an audit certificate had been provided the ECA found a significant level of error.

The annual activity reports of the directorates-general for Research and Innovation, Education and Culture, Economic and Financial Affairs as well as the Research Executive Agency provide a fair assessment of financial management in relation to the regularity of underlying transactions, and the information provided corroborates the ECA’s findings and conclusions in most respects. The annual activity report of directorate-general Research and Innovation is an example of good practice, providing a clear and comprehensive analysis of the factors affecting the regularity of expenditure.

**What we recommend**

The ECA recommends that the Commission:

- further intensifies its efforts to address the errors found, in particular by reminding beneficiaries and independent auditors of the eligibility rules and the requirement for beneficiaries to substantiate all declared costs;
- reminds research FP project coordinators of their responsibility to distribute the funds received to the other project partners without undue delay;
- reviews the cases of weaknesses in ex ante checks identified by the ECA in order to assess if the checks require modification; and
- reduces delays in the implementation of ex post audits and increases the implementation rate for extrapolation cases.

Full information on the ECA’s audit of EU expenditure in research and other internal policies can be found in Chapter 8 of the 2012 annual report on the EU budget.
Administrative and other expenditure covers the expenditure of EU institutions and other bodies. Spending on human resources (salaries, allowances and pensions), account for 60% of the spending area; expenditure on buildings, equipment, energy, communications and information technology accounts for the remainder.

The ECA assesses the effectiveness of administrative control systems of the EU institutions on a rotational basis. This year the European Parliament, European Council and the Council of the EU were audited.

The results of the ECA audits of the European Union agencies and other decentralised bodies are reported in specific annual reports, which are published separately.

**What we found**

- Affected by material error? No
- Estimated most likely error rate: 0% (2011: 0.1%)
- Audited transactions affected by error: 1% (2011: 7%)
- Audited control systems: Effective

**What we recommend**

The ECA recommends that the Parliament and the European Council and Council of the EU should ensure that authorising officers improve the design, coordination and performance of procurement procedures through appropriate checks and better guidance.

Full information on the ECA’s audit of EU administrative and other expenditure can be found in Chapter 9 of the 2012 annual report on the EU budget.
EUROPEAN DEVELOPMENT FUNDS (EDFs)
€2.9 BILLION

What we audited

The EDFs provide European Union assistance for development cooperation to the African, Caribbean and Pacific (ACP) States and Overseas Countries and Territories (OCTs). Spending aims to reduce and eventually eradicate poverty, and to promote sustainable development and the integration of ACP countries and OCTs in the world economy.

The EDFs are funded by the Member States, governed by their own financial regulations and managed by the European Commission outside the framework of the EU Budget. External aid financed by the EDFs is implemented in a high-risk environment, notably due to geographically dispersed activities and weak institutional and administrative capacity in partner countries.

What we found

- Reliability of the EDFs accounts: 2012 accounts fairly present the financial position of the EDFs, the results of their operations, their cash flows and the changes in net assets.
- EDFs revenue affected by material error? No
- EDFs commitments affected by material error? No
- EDFs payments affected by material error? Yes
- Estimated most likely error rate: 3.0 % (2011: 5.1 %)
- Audited transactions affected by error: 26 % (2011: 33 %)
- Audited control systems: Partially effective
Typical errors in the EDFs project transactions were eligibility errors, such as: expenditure related to activities not covered by the contract, non-compliance by the beneficiary with procurement procedures, and expenditure incurred outside the implementation period or exceeding the budget set.

The EDFs are also used to provide budget support, i.e. direct payments into the state budget of a developing country subject to certain conditions. The ECA detected errors in budget support transactions where the Commission failed to set specific payment conditions and where it did not properly apply the conditions that had been set. (see example).

Example: Failure to set a specific payment condition for budget support

The ECA examined a payment of €600 000 related to the support for the 2007-10 Economic Reform Programme in Vanuatu, which included a performance-based variable tranche of €200 000. According to the financing agreement, the Commission was required to set specific performance indicators in respect of public finance management, but it did not do so.

The ECA’s assessment of the supervisory and control systems of EuropeAid, the Commission directorate-general that implements most of the spending under the EDFs is summarised on pages 28 and 29.

What we recommend

The ECA recommends that the Commission:

- ensures the timely clearance of expenditure;
- promotes better document management by implementing partners and beneficiaries;
- takes effective measures in order to enhance the quality of expenditure verifications carried out by external auditors;
- ensures the correct application of specific conditions for budget support payments; and
- makes sure that recovery orders in respect of interest on pre-financing over €750 000 are issued annually.

Full information on the ECA’s audit of the European Development Funds can be found in the 2012 annual report on the activities funded by the 8th, 9th and 10th European Development Funds (EDFs).
EXPLANATORY AND BACKGROUND INFORMATION
THE 2012 EU BUDGET

Payments from the EU budget for 2012 totalled €138.6 billion, equivalent to around 1% of the Union’s gross national income (GNI). In contrast Member States’ public sector budgets in many cases amount to around half of their total GNIs. The EU budget is decided annually – within the context of seven year financial frameworks – by the European Parliament and the Council. Ensuring that the budget is properly spent is primarily the responsibility of the Commission. For around 80% of the spending – agriculture and cohesion – the task of implementation is shared with the EU’s Member States.

WHERE DOES THE MONEY COME FROM?

The EU revenue mainly consists of ‘Own Resources’ contributions from Member States based on their gross national income (GNI) and on a measurement connected to value added tax collected by the Member States (VAT) as well as of customs and agricultural duties (Traditional Own Resources).

**2012 REVENUE**

- GNI own resources: 70%
- VAT own resources: 10%
- Traditional own resources: 12%
- Other: 8%

Total revenue 2012: €139.5 billion
WHAT IS THE MONEY SPENT ON?

The largest single share of spending from the EU budget is on agriculture and natural resources (spending areas agriculture: market and direct support and rural development, environment, fisheries and health) – principally in the form of payments to farmers. This accounts for almost half of the budget. Another significant proportion is spending on regional policy, energy and transport as well as employment and social affairs. This co-finances a wide range of projects from the renovation of buildings to the construction of railways networks across Europe. It constitutes about one third of the budget.

2012 EXPENDITURE

- Agriculture: market and direct support: 32%
- Rural development, environment, fisheries and health: 11%
- Regional policy, energy and transport: 29%
- Employment and social affairs: 8%
- External relations, aid and enlargement: 4%
- Research and other internal policies: 9%
- Administrative and other expenditure: 7%

Total expenditure 2012 €138.6 billion
DAS APPROACH AT A GLANCE

The ECA’s statement of assurance opinions – déclaration d’assurance (DAS) – are based on objective evidence obtained from audit testing in accordance with international auditing standards. This is how the work is done.

RELIABILITY OF THE ACCOUNTS

DO THE EU ANNUAL ACCOUNTS PROVIDE COMPLETE AND ACCURATE INFORMATION?

The EU budget is complex. Hundreds of thousands of accounting entries are initiated by Commission directorates-general each year, which capture information from many different sources (including Member States). The ECA checks that accounting processes work properly and the resulting accounting data are complete, correctly recorded and properly presented.

- **Evaluation of the accounting system** to ensure it provides a good basis for reliable data (complete and accurate).
- **Verification of key accounting procedures** to ensure they function correctly.
- **Analytical checks of accounting data** to ensure they are presented consistently and appear reasonable.
- **Direct checking of a sample of accounting entries** to ensure the underlying transaction exists and is accurately recorded.
- **Checking of financial statements** to ensure they fairly present the financial situation.
REGULARITY OF TRANSACTIONS

DO THE EU INCOME AND EXPENSED PAYMENT TRANSACTIONS UNDERLYING THE EU ACCOUNTS COMPLY WITH THE RULES GOVERNING THEM?

The EU budget involves millions of payments to beneficiaries both in the EU and the rest of the world. The majority of this spending is managed by Member States. To obtain the evidence it needs, the ECA tests income and expensed payments directly and assesses the systems by which they are administered and checked.

- **Samples of transactions are drawn** from across the EU budget using statistical techniques to provide a basis for detailed testing by ECA auditors.

- **The sampled transactions are audited in detail**, usually at the premises of final recipients (e.g. a farmer, a research institute, a company providing publicly procured works or services) to obtain direct evidence that the underlying event 'exists', is properly recorded and complies with the rules under which the payments concerned are made.

- **Errors are analysed and classified** as either quantifiable or not.

- **The impact of errors is calculated** through the extrapolation of quantifiable errors in the form of a 'most likely' error rate.

- **A number of control systems are assessed** to determine their effectiveness in making sure the transactions they manage are legal and regular.

- **Other relevant information** is taken into account, such as annual activity reports and reports of other external auditors.

- **All findings are discussed** with both the national authorities and the Commission to ensure the facts are correct.

- **The ECA adopts its opinions** based on the work done and results achieved.

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\(^1\) Expensed payments: interim payments, final payments and clearing of advances.

More information on the audit process for the statement of assurance can be found in Annex 1.1 of the 2012 annual report on the EU budget.
THE ECA AND ITS WORK

The European Court of Auditors - ECA - is the independent audit institution of the European Union. We are based in Luxembourg and employ around 900 professional and support staff of all EU nationalities. Since our creation in 1977 we have focused attention on the importance of EU financial management and contributed to its improvement.

The ECA's audit reports and opinions are an essential element of the EU accountability chain. Our output is used to hold to account – notably within the annual discharge procedure – those responsible for managing the EU budget. This is mainly the Commission, but also concerns the other EU institutions and bodies. Member States also play a major role in shared management.

Our principal tasks are:

- financial and compliance audits, principally in the form of the statement of assurance (or DAS);
- performance audits of topics selected to maximise the impact of our work; and
- opinions on regulations related to budgetary management and other issues of importance.

We aim to manage our resources in a way that ensures an appropriate balance between our various activities, helping achieve robust results and a good coverage across the different areas of the EU budget.

OUR OUTPUT

We produce:

- annual reports on the EU budget and European Development Funds. The annual reports mainly comprise the statement of assurance (DAS) opinions and results, and are published each year in November;
- specific annual reports setting out the ECA’s financial audit opinions on each of the EU’s various agencies and bodies. 50 published for 2012;
- special reports on selected audit topics, published throughout the year. They are mainly performance audits. 25 published in 2012;
- opinions used by the European Parliament and the Council when approving EU laws and other decisions with significant financial management implications. 10 published in 2012;
- annual activity report providing information and insight on our activities for the year.
Our work contributes to raising awareness and increasing transparency about EU financial management, providing assurance on the state of that management and making recommendations for further improvement. We do so in the interests of the citizens of the European Union.

Information on the ECA’s audits of European Union agencies and other decentralised bodies can be found in the respective 2012 specific annual reports available on the ECA’s website.

For more information on our role and work please see our website http://eca.europa.eu and follow us on Twitter @EUAuditorsECA.
We can also be contacted by e-mail at eca-info@eca.europa.eu
# ECA Spending Areas

**List of Corresponding Sections (S), Titles (T) and Chapters (C) of the 2012 Budget**

## Agriculture: Market and Direct Support
- **T.05 C01-03, 06-08** Agriculture expenditure financed by the EAGF

## Rural Development, Environment, Fisheries and Health
- **T.05 C04-05** Rural development
- **T.07** Environment and climate action
- **T.11** Maritime affairs and fisheries
- **T.17** Health and consumer protection

## Regional Policy, Energy and Transport
- **T.06** Mobility and transport
- **T.13** Regional policy
- **T.32** Energy

## Employment and Social Affairs
- **T.04** Employment and social affairs

## External Relations, Aid and Enlargement
- **T.19** External relations
- **T.21** Development and relations with ACP states
- **T.22** Enlargement
- **T.23** Humanitarian aid

## Research and Other Internal Policies
- **T.01** Economic and financial affairs
- **T.02** Enterprise
- **T.03** Competition
- **T.08** Research
- **T.09** Information society and media
- **T.10** Direct research
- **T.12** Internal market
- **T.15** Education and culture
- **T.16** Communication
- **T.18** Home affairs
- **T.20** Trade
- **T.33** Justice

## Administrative and Other Expenditure
- **S. I** Parliament
- **S. II** Council
- **S. III** Commission
- **S. IV** Court of Justice
- **S. V** Court of Auditors
- **S. VI** European Economic and Social Committee
- **S. VII** Committee of the Regions
- **S. VIII** European Ombudsman
- **S. IX** European Data-Protection Supervisor
- **S. X** European External Action Service
A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (http://europa.eu).


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THE EUROPEAN COURT OF AUDITORS
IS THE INDEPENDENT EXTERNAL AUDIT
INSTITUTION OF THE EU - GUARDIANS OF
THE EU’S FINANCES

In its annual reports on the EU budget and the European Development
Funds, the ECA gives its opinion - or statement of assurance - on
the reliability of the accounts and the legality and regularity of the
transactions that underlie them. The purpose of this information note
is to provide a summary of the main findings and conclusions. The
full texts of the reports are available on the ECA’s website and are