The relation between autonomy and independence, and accountability and transparency is a very important one and can easily be put out of balance.
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Among my work at the ECA I got, and still get involved in giving presentations about the ECA to visitors' groups, most often students, civil servants or groups active in the private sector. I always like doing this because being exposed to the questions visitors put forward often helps to get a fresh look at the EU finances and activities. It also helps to understand better what citizens expect from the EU, but also from the European Court of Auditors. One of the questions that most frequently came up was: ‘Who audits the auditor, who audits the ECA?’ With all the independence, audit standards and expertise vested in the ECA people apparently still felt that some sort of external scrutiny should be exercised on those tasked to review work of others. And rightly so!

This expectation is also visible when the powers of parliaments are discussed. In medieval times the king, the sovereign, symbolised the power of God. Since the Renaissance sprouting parliaments, under different names, symbolised the power of the people, as was ultimately reflected in the parliamentary assemblies created during the French and American revolutions. Then parliament became the sovereign, having the primary power over government. Call it one of the paradoxes of power, but also this power had to be checked. Some scholars, like John Hirst in his book ‘The shortest history of Europe’ call this a feature unique for Europe, namely the thrive to control power, to keep it dispersed, geographically, but also institutionally. Which would explain the drive for a *Trias Politica* as formulated by Montesquieu, or as Americans call it, a system of *checks and balances*.

Auditors, and particularly public external auditors, also play a role in this surge for a balance of power. This became clear again in the symposium ‘Financial autonomy under discussion’ the ECA hosted in March 2018, focusing on public funding of parliaments in Europe. Independence and financial autonomy are often linked to each other, leading to rather different viewpoints among participants on what kind of accountability obligations the parliament, the ultimate *sovereign*, would have in both establishing its budget and giving account on its use of it. On the latter most often, but not always, the external auditor also comes into play.

Moreover, both media and citizens increasingly call for more transparency of parliamentary activities, going beyond the electoral opportunity once every four or five years. This issue has also been raised in the discussions about the recent decision of the European Parliament against creating more transparency on how certain allowances for expenses are used by Members of the European Parliament.

In view of all this we have chosen as special theme for this ECA Journal ‘Financing and auditing of parliament’. Because of the summer break, this edition is a bimonthly Journal, covering June and July, and so will be the next Journal covering August/September 2018. In this edition we give the floor to both the ECA people involved in initiating and organising this symposium, but also to scholars and practitioners active in this field. We present comparative perspectives with contributions from experts at EU and Member State level. The auditing perspective is covered by a number of interviews with ECA Members and staff working in this area, but also by our former President, like Vítor Caldeira. Or for example by people who present a non-European perspective on auditing, like Kate Siggerud of the U.S. Government Accountability Office.

The overall picture that comes out is not uncommon for Europe. Namely that there is a wide variety in the solutions chosen, certainly when it comes to auditing parliaments. Future developments on this topic will be the most relevant since they may have a strong impact on the perception citizens have of the highest institutions of the state, both at EU and national level. The level of transparency and accountability offered on how these institutions operate will be a key element to counterbalance populism, which has the potential to put the viability of our liberal democracies into question. Both for parliaments and their external auditors, the challenge will be to find the right balance between transparency and accountability on the one hand, and a practical approach that does not impede either institution to execute its core constitutional functions.

Gaston Moonen
Exchange between academia and auditors

The financing and auditing of parliaments is a topic of keen interest to Danièle Lamarque. This explains why she masterminded the symposium entitled ‘Public funding of parliaments in Europe: financial autonomy under discussion’, which took place at the ECA in March this year. This was the second symposium in a series of international symposia on comparative public finance. I have been cooperating with the University of Lille since 2014, where I made a presentation on the topic of the first symposium, which was about the coordination of fiscal policy in Europe. I focused on the role the ECA plays in this area. The University of Lille has a very active public finance law section, interested in comparative legislation issues. So the idea was to organise symposia and publish the results in journals. She points out that the second symposium will be published in the Revue gestion et finances publiques. ‘And I understand that it will be published in both French and English.’

She explains that the French Court of Auditors has close ties with academia. ‘I have known the people from the University of Lille for many years now and I find cross-country comparisons very rewarding. I felt that it was written in the very the DNA of our institution, with its capacity to compare, that we should look at financial issues related to parliaments, a very topical issue. For each country we try to have two presentations: one from an academic point of view and the other from a practitioner’s perspective.’ She believes that the issue is also very relevant for the European Parliament. ‘The accountability of the European Parliament also depends on the practices in the Member States. For example, in the UK, things changed after the Information Act scandal. When I compare the transparency there now with the situation in France, the accountability of the French National Assembly is not as strong as in the UK or as open as at the EU level.’

Information on exercising core functions

Danièle Lamarque highlights two core issues raised at the symposium that she found very informative: ‘The first one – perhaps because currently in France there
is a lot of debate about this – is how accountable a parliament is towards the public regarding how they work and perform their activities.' Her second point relates directly to finance: 'What does a parliament actually do with the means it has at its disposal? And I do not mean directly the salaries and allowances, but more on how they use the means it has available to exercise its core functions.'

She says that in France the debate currently also focuses on the extent to which the French Parliament assesses the executive's implementation of policies. ‘In France we see that rather little time is actually devoted to assessing the implementation of the budget. That debate generally lasts not much more than one day. And the rest of the time is then spent discussing the budget and what it should be used for.’ She quickly asserts that the role of parliament is to decide on legislation, budget or non-budget related. ‘But it also has a role in assessing the implementation of the budget, which is of course a key issue for us as auditors, both in terms of what we produce and the discharge procedure, if applicable.’

**Following the money…also in parliament too**

For Danièle Lamarque, the ECA’s role in auditing the use of funds by the European Parliament is very interesting and to some extent new. ‘The French Court of Auditors does not have that competence in relation to the funds used by the French Parliament. But if it is EU money, spent by the European Parliament, to finance political groups in France, the ECA can audit this EU public money. And we do, like when reporting on irregularities in the management of funds by some political groups, as we did in Chapter 10 of our 2016 Annual Report.’ She gives another example related to the study the ECA did on the costs of the European Parliament having seats in Strasbourg, Brussels and Luxembourg. ‘We looked at all the travel costs, etc., examining the use of EU money by the European Parliament. This is interesting, because the European Parliament can question us on the use of its funds, and we look at how the European Parliament uses EU money. Of course, we cannot get involved in any political activities. But I think it is a good example of democracy and transparency.’ She is not surprised to hear that in the 2016 discharge questions session, the European Parliament actually asked for more and not less audit work on its activities. 'MEPs know very well that some parties are breaching the rules. It is dangerous to have parties breaching the rules because this jeopardises the reputation of the whole institution.'

Danièle Lamarque considers it positive that steps have been taken towards allowing the French Court of Auditors to audit the accounts of the French Parliament. ‘A few years ago, in 2013, even though there is no legal basis for it, an agreement was made between the French Court of Auditors, the National Assembly and the Senate, which allows the French Court to audit the accounts of these two institutions. Here the focus is on compliance with accounting rules, looking also at internal controls, etc.’ She then refers to one of the speakers at the symposium, René Dosièrè, a former member of the French Parliament. ‘He started ten years ago, asking for more transparency in the use of public funds by public officials, President, ministers or parlementarians, and in use of public funds by the French Parliament. No transparency on their actual salaries, advantages, privileges, etc. At the symposium he gave a presentation on retirement advantages and other ‘perks’, addressing citizens’ call years earlier for more transparency.'
Balance in controls and powers

At the same time, Danièle Lamarque calls for balance and reason. ‘In the UK, there was a scandal which led to the resignation of the speaker of the House of Commons: something which had not happened since the 17th century.’ But the newly established system for scrutinising all the expenditure of Members of Parliament (MPs) may be going to the other extreme, and she considers it too bureaucratic. ‘As auditors, we know that you need to set up systems for internal control, etc. On the other hand, too many controls is not good either; people cannot bear that. You need to find the balance between transparency and fair control. What do we need to audit those who have been elected […] by the people, and who need to be accountable for the use of funds allocated to them? That is the question, which was also analysed at the symposium.’ While she thinks that accountability is important, audits of MPs should not impede their work as the representatives of the people. ‘In the end, democracy is more important than accountability. Accountability is part of a democratic system, but it should not become a barrier to its functioning. Again, finding the right balance. And I think we do that well here at the ECA, since we have a good relationship with the European Parliament, and the parliamentarians themselves believe that more audits and more transparency is necessary. So, we should not shy away from doing more work in this area, until we reach the point where they say: “This is our political role and you should not be involved in that.”’

Then Danièle Lamarque brings up the balance of power, as Montesquieu has described it. ‘From an audit perspective, with the judicial branch, being independent like the legislative and the executive, you will find the same limits on external audit, certainly in France: you cannot interfere in judicial activities. So, it is a balance of powers and the auditor must comply with this balance and understand how far he or she can go. An important criterion is that we cannot interfere in the implementation of their power.’

When speaking about how this applies to an audit institution itself, the ECA Member brings up the issue of audits requested by parliament. ‘In France we see that around 15 % of the audits stem from requests from the French Parliament. This is a very sensitive matter for the French Court of Auditors, which is very attached to its independence and its relationship with the executive and legislative. The idea is to be at an equal distance from both, safeguarding the independence of the institution. Requests from the executive may also occur but they are rare.’ Ultimately, she deems the relationship with Parliament more relevant: ‘We are accountable to Parliament, and the Parliament is accountable to citizens. And we are the tool making that possible.’ On the question of who then examines the work of parliament, she reflects: ‘Elected people would usually tell you that they are controlled by the electorate and accountable to them. However, I recall that when we set up the regional audit institutions in France in 1983 to audit the local authorities, they used the same argument: you do not have to report on our activities and the way we spend money. We are accountable to citizens every time there is an election.’

Assessing the work of the executive branch

With a smile, Danièle Lamarque then recounts the period when she was in charge of the regional audit offices in Normandy and Marseille. ‘I know these situations well and sometimes they are more difficult than relations with ministries at the national level. Sometimes mayors can be very powerful. I recall when I had a report on a public-private partnership for the football stadium in Marseille. While this partnership was actually very costly in the long term, it was hailed
by the mayor as an opportunity and a great success. But based on the audit report we published, the media asked many painful questions. I think that the mayor is still angry with me now.’ She explains that local issues can be more tangible than those at the national level, looking directly at schools, a theatre, water provisions. ‘This makes your work perhaps more lively and topical. But sometimes less comfortable as well, since you may have to deal with angry politicians who see you as an immediate threat to their work.’

The ECA Member quickly relates this back to the issue she touched upon earlier: the French Parliament’s assessment of policy implementation. ‘There is currently a reflection in France on how to improve this capacity of evaluating the executive’s actions. As a study of the European Parliament from a few years ago showed: compared with some other parliaments, like the US Congress, the European Parliament, or even the German or UK Parliaments, the French Parliament is not as strongly equipped to conduct impact assessments or research on policy initiatives.’ She says that there is a call within the National Assembly for more expertise for impact assessments, for ex post evaluation. ‘They want to rely less on the information provided by the French administration and draw more on their own findings and expertise, also when it comes to budgeting.’

When discussing what role the French Court of Auditors can play in providing such expertise to the French Parliament, Danièle Lamarque indicates that this institution has some obligations that bind its hands. ‘The French Court of Auditors must adhere to several legal provisions on giving information to the Parliament, which means that around half of its audit capacity is dedicated just to that, issuing a number of reports on the budget, on social security, reports on local authorities, etc. In addition, up to 15% of the audit team is spend on audit requests from Parliament.’ Then she chuckles: ‘And don’t forget: the French Court of Auditors considers that long reports, like 300 pages, better contribute to citizens’ information. Compare that with the 60 pages that we would consider a long special report at the ECA!’

Finding the fine line

Danièle Lamarque concludes that when it comes to financing parliamentary activities, the issues to look at go beyond salaries and allowances. ‘The core issue with the financing of parliament is not how much MPs earn. That is good for scandals in the media. Of course, they have to be transparent, and they have to be accountable for that. But the real question is how it works, what their actual activities are, how they contribute to making the government more efficient and effective. She believes it is important to distinguish between the means MPs have for their political activities and direct assistance on the one hand, and the means they have to get knowledge and do their work as MPs on the other hand. ‘The difference and the balance between these two aspects is the fine line for the auditor to see how far an auditor can to provide transparency and advice on these issues.’
ECA symposium on public funding of parliaments in Europe: main issues discussed

By Loris Corzillius and Stéphanie Girard, Private Office of Danièle Lamarque, ECA Member

On 22 and 23 March 2018, the European Court of Auditors hosted a symposium, initiated by ECA Member Danièle Lamarque in cooperation with the University of Lille, on the financing of Parliaments in Europe. The debate focused on the key issue of the financial autonomy of Parliamentary assemblies in a comparative approach. Stéphanie Girard and Loris Corzillius present below the main issues discussed.

Separation of powers

The symposium brought together academics, politicians and former politicians with backgrounds mostly in law, political science and audit, to discuss a key issue common to all parliamentary democracies: financial autonomy of parliamentary assemblies. Experts from Belgium, Bulgaria, Denmark, Germany, Greece, France, Italy, Luxembourg, Spain, the UK and the European Parliament presented their views.

Throughout the discussions, it emerged that financial autonomy has to be gauged in the light of the separation of powers and the possibility for Parliaments to free themselves from the rules of ordinary law. Indeed, the principle of separation of powers has a different meaning depending on the institutional set up of the Member State: a unicameral parliamentary system (having only one ‘house’) or a bicameral parliamentary system. In relation to a ‘bicameral’ parliament for example, financial autonomy has to be understood as a prerogative of each chamber in regard of their respective roles (e.g. France, Italy, Romania and Spain).
Arrangements for financial autonomy

It emerged that national constitutions rarely contain an article expressly recognizing the financial autonomy of parliaments. The significance of the principle is underlined by other legal acts and bodies (e.g. in France the Ordinance of November 17, 1958 and more broadly the jurisprudence of the Conseil constitutionnel). Yet, practice has shown that even when the principle is enshrined in a constitution, governments might interfere (e.g. Romania), therefore undermining the principle.

It is relevant to say that a parliament’s financial autonomy is a sacred concept and is used to justify principles that are sometimes difficult to accept in the eye of the public opinion. For example, and contrary to what one might think, the accounts of parliaments are sometimes not subject to any external control, but only internal control (e.g. Belgium). At the EU level though, the ECA audits the European Parliament.

To conclude, the idea that an autonomous parliament would necessarily have strong powers should be nuanced. When we take a close look at the French Parliament, which exhibits a considerable degree of financial autonomy, we can see that its power in relation to public policy budgeting is considerably constrained by the French Constitution.

Sharing the discussions of the symposium in a modern and traditional way

This symposium was a welcome opportunity to explore the theme of the financial autonomy of parliaments and its implications. It was transmitted live on Youtube and Facebook, a first-time experiment for the ECA. This allowed those interested in the subject to follow the discussions in real time. Moreover, video recordings of the sessions are available online on the ECA channels of Facebook and Youtube. They continue to be viewed, in particular by academics, students as well as by members and staff of parliaments – click here for the link.

The outcome of the symposium will also be shared in an academic: all contributions to the symposium are to be published in a specific bilingual (French/English) edition of the Revue gestion et finances publiques which is read at European universities and parliaments.
More discussion on the topic needed

Francis Delpérée first of all makes clear that it is exactly this experience from within, having worked within the parliament at several levels, be it local or national, which is important. ‘It is from my experience, having seen parliament financing from within and having seen it from outside, that I can contribute. When only looking at the topic from the outside it is clear that there is still not enough written, not enough reflection on the budget procedures when it comes to the financing of parliament. I believe there is really not enough exchange and discussions on the fundamentals related to this topic.’ He believes there is, at least in Belgium, but also in France, a difference between what the budget reflects and how it actually works in practice. ‘If you do not see it from the inside then there is a fair chance you will not understand this process.’

In his view many people still have this old image of the parliament: ‘Being independent, autonomous, being totally sovereign from others. But this is totally not the case. The parliament works with the government, particularly in a parliamentary democracy that has to work through coalition government. In the end, who prepares the budget? That is the government, most often the
ministries. This was one of the issues I tried to explain in my presentation in the symposium, that we should look beyond this myth of the third French Republic, of Westminster. However, he does not want to ‘label’ parliament as another high college of the state, putting it at an equal level like other institutions. ‘That would be the other extreme. Because this is not the case. If you tell me that it is a supreme audit institution (SAI), like the ECA, who does the oversight of the actions of the government, I would disagree. It is parliament, who has created SAIs to audit the executive. Therefore, a SAI cannot audit parliament as if it was another state body. You cannot make a SAI the master and the servant at the same time!’

Checking for parliament

For Francis Delpérée it is important that a parliament looks at the amounts in the state budget, and how these budget envelopes are used, focusing on right implementation - also regarding utilisation like what is done with the funds, how many people have been recruited to do so, etc. ‘That is why a parliament has created a SAI, to look into such details so that parliament can exercise proper oversight towards the executive. This is the purpose of a SAI, not to check on parliament but to check for parliament. That is why in Belgium the SAI does not audit the Belgium parliament. After all, the Belgium Court of Audit was created by the parliament, not the other way around.’

According to the Belgium professor and parliamentarian, citizens normally find it difficult to imagine how a parliament works. ‘If I take the Belgium Parliament, which has 150 members. Many people find it difficult to imagine that it has over 2000 staff members working with and for them.’ He gives an anecdote regarding a student in architecture who had to design a new parliament. ‘I told him, the first question you have to ask is not about the parliamentarians but how many offices are needed to house both parliamentarians and staff members.’

One parliament is not the other

Francis Delpérée believes that there are many differences between parliaments. ‘Already in Belgium there is a big difference between the federal parliament and the regional ones. Between the Belgium Parliament and the European Parliament, separated only by two kilometres - the first at rue de la Loi, the latter in the Wiertzstraat - there are also many differences. For many citizens they mean the same thing.’ But he points out that there are many differences, also when it concerns checking whether Members of the European Parliament attending meetings. ‘But you have to be there and see to understand how it all works. And you only need a few ‘bad’ ones to destroy the reputation of parliament, like with Madame Le Pen claiming money for non-existing employees.’ He gives another example affecting the reputation of parliament: ‘In Belgium parliamentarians cannot employ family members as staff members.’

When comparing financial accountability between the Belgium Parliament and the European Parliament Francis Delpérée underlines again the issue of giving account to whom. ‘In the Parliament of Belgium the internal auditor examines the accounts. The internal auditor does this with ‘auto-discipline.’ And the accounts are given to external private auditors, looking at the reliability of accounts. But not to the Belgium Court of Audit.’
When it comes to performance issues, he indicates that in Belgium there is no evaluation of work done by the Belgium Parliament. ‘Of course one looks at the effectiveness of legislation but that is normal.’ However, regarding evaluating for example the work of those responsible for running parliamentary services, like reviewing the work done under the authority of the secretary-general of the parliament, he points out that one has to realise that these services work under a different statute than staff working in the government. ‘So this is a specific area, with a relatively small number of staff, and those in charge of managing the services of the Belgium Parliament, selected by parliamentarians themselves, have received the trust of the President, political management, the questor, etc. of the Belgium Parliament. This makes it a sensitive area to review and is done internally. As I said before, the Belgium Court of Audit audits government and not the one who created this body in the first place!’
The public funding of parliaments in Europe was the subject of the symposium on comparative public finance held in Luxembourg on 22 and 23 March 2018 under the patronage of the European Court of Auditors in association with the Société de legislation comparée and the Société française de finances publiques. While the symposium’s title was nothing out of the ordinary, its sub-title read ‘financial autonomy under discussion,’ implying that parliaments have financial autonomy and that this is a matter for debate in Europe.

**Financial autonomy first and foremost**

Is it not something of a paradox to question the financial autonomy of parliaments in Europe, or indeed of any democratic national parliament, which, as things stand, is what the parliaments in Europe are? Is it not paradoxical to ask whether parliaments are financially autonomous given that, in a democracy, it is the legislator, i.e. parliament, that decides on everything concerning the financing of constitutional public authorities (sometimes with the exception of the civil list in a monarchy, which is laid down in the constitution). It is
Public funding of Parliaments in Europe: financial autonomy under discussion continued

parliament which, when voting on the state budget, determines the budgetary allocations of the constitutional public authorities: governments, supreme constitutional courts and other constitutionally guaranteed institutions. Is financial autonomy not, therefore, a given?

If parliament is the decision-maker for all constitutional public authorities, then it takes decisions for itself too. In line with the age-old maxim ‘if you want something done, do it yourself,’ it will allocate to itself the budget it believes it needs to operate and exert its influence. Given that parliaments have a monopoly on budgetary decisions (except in troubled times or when waiving this power), they are automatically autonomous. It is the autonomy of the other public authorities, bound by the parliamentary vote, that we should question. Gone are the days when in France, for example, the work of the general assemblies depended on the good will of the king, who would finance them from the privy purse.

It is impossible to conceive of a parliament agreeing to adopt a budget that would remove its allocations or slash them to the extent that it was no longer able to function. Since parliament itself votes on the allocations it believes it needs, it is, then, of course entirely free to use its budget as it sees fit. We can perhaps, therefore, go as far as to say that parliament is autonomous in terms of both revenue and expenditure, and this financial autonomy is part and parcel of democracy.

In fact, the only real issue surrounding financial autonomy relates not to parliament but to parliamentary assemblies where a parliament is pluricameral. In such cases, is it the parliament as a whole that is autonomous or each assembly taken separately? In other words, does one parliamentary assembly have the right to scrutinise the budget requests and expenditure of the other? This, though, is a matter which concerns the manner in which parliament manages its autonomy internally, and in no way undermines the principle’s very nature.

So, if a symbiosis between parliamentary democracy and financial autonomy is necessary, how can anything be under discussion? Yet, there are discussions; otherwise this symposium would have been pointless.

The reason for the debate is threefold

First, as the hackneyed phrase goes: Democracy may be priceless, but it does have a cost. Since the workings of parliaments have to be funded by taxes, citizens need to be able to exert some form of control to keep the budget that a parliament assigns itself in check. Likewise, should we exclude the option of funding parliament through a designated tax? Would such a tax not contravene the budgetary principle of universality? That too is a cornerstone of democracy. Article XIV of the 1789 French Declaration of Rights enshrines this principle: ‘All citizens have the right to ascertain, by themselves or by their representatives, the necessity of the public tax.’

There’s no escaping the paradox here: if citizens are to exercise their control via their representatives and those representatives are, as in a representative democracy, members of parliament (MPs), this means that it normally falls to parliament to control the budget … of parliament. What other control could there be without undermining the separation of powers, which, as we know, is yet another cornerstone of democracy? Need we remind ourselves that Article XVI of the 1789 Declaration states: ‘Any society in which the guarantee of the rights is not secured, nor the separation of powers determined, has no constitution?’ It would therefore not be viable for a court or an administrative body, even if independent, to audit parliament or to check the appropriateness of budget requests or expenditure decisions. More often than not, therefore, parliaments will devise their own internal control mechanism, leaving room for doubts about its independence and, therefore, its usefulness.
This inevitably leads us to a paradox: parliamentary financial autonomy is so important that it is exercised without any real control.

Second, this brings us, logically, to another topic of discussion: can a parliament spend what it wants, how it wants, without limit? After all, a semblance of impunity and omnipotence can lead to abuse. Since it is the MPs themselves who set the parliamentary allowances and financial and/or in-kind benefits resulting from their election, they might be inclined to take undue advantage. Let’s take a recent example from France, where there is currently a debate surrounding the funeral bonus which is awarded in the event of an elected representative’s death, but also in the event of their spouse’s or a child’s passing, in which case former parliamentarians draw this bonus ‘for life,’ if you’ll pardon the expression. This bonus could reach up to €18 255, or three months’ full pension for former representatives. In 2017, the total amount paid under this heading was €573 000.

Finally, all this inevitably brings us to the third discussion point. The example we just gave in fact simply fuels populism and, therefore, anti-parliamentarianism. Many citizens believe that MPs are only concerned about themselves and are all too ready to award themselves benefits or exemptions, leaving the mere mortals to pick up the bill. MPs fatten themselves at the expense of the people. That being so, we should cut their ranks and abolish such unfair advantages (which have become unfair because they come from another era), as privileges which are even less acceptable in the current time of budgetary constraint, when efforts are being made to restore the public accounts. At a time when we are seeking value for money, how can we tolerate such blatant injustice? This is the refrain sung by populist parties, from the poujadists in France in the Fourth Republic with their slogan ‘Out with the outgoing,’ to the present-day nationalist movements in France and Italy. It is the old refrain about the pointlessness of MPs, who are also under fire for their absenteeism.

Reflection needed to preserve parliamentarianism

So, yes, parliamentary financial autonomy is under discussion in Europe. If the funding of parliaments is left unregulated, and the problems we have just raised persist, parliamentarianism itself is at risk. Reflecting on the public (rather than private) funding of parliaments in Europe is therefore essential to preserving parliamentary democracy itself. Keeping up-to-date with discussions under way in the various European democracies, and how their parliaments fund themselves and spend, can help in finding the right balance between the necessary cost of a parliamentary democracy and the desire to achieve value for money in public spending. We have no doubt that this is what we need to achieve.
Transparency helps to maintain citizen’s trust in the parliamentary system

Interview with Pietro Russo, ECA Member

By Derek Meijers, Directorate of the Presidency

Out of the almost 130 billion euro the EU spent in total in 2016, about 9.4 billion were spent on all the EU institutions and bodies. The European Parliament (EP) accounts for 1.9 billion euro or around 20% of the Union’s spending on its own administration. As Member of the ECA Audit Chamber ‘Financing and administering the Union,’ and reporting Member for the annual report chapter dealing with the EP, Pietro Russo has a good overview of the main issues of this policy area.

Common issues for public administrations

ECA Member Pietro Russo has extensive experience as a public auditor both in Italy and in international organisations, such as the European Union and NATO. In his career as public auditor at different levels, he has given particular attention to the area of administrative expenses. When asked if he sees a red line in this field, he explains that the working methods and the issues he encountered in these different roles were generally rather similar.

Pietro Russo: ‘Regardless of your role or the organisation you work for, you will always have to deal with matters related to procurement, staff, buildings, and etc. From that perspective, I would not say there are many differences between auditing the expenses of a public administration in the national context or on the supranational level, such as NATO or the ECA.’ He quickly adds that there are of course considerable differences if one compares a centralized public administration such as in Italy with the ‘micro universe’ of the European Union, where the ECA has to deal with large institutions like the Commission with about 32 000 staff members, or small agencies with sometimes less than 100 staff members. Laughing: ‘Of course there is a difference if you detect ten errors for the Commission or for a small government department, but everywhere the way you audit is more or less the same and in the end you need to deliver an opinion on the reliability of the accounts!’
Pietro Russo: ‘At the European level, if you look at the management and implementation of the budget of the European Parliament (EP), public procurement is one of the most important issues. And this is a sensitive subject from the perspective of transparency, because as a democratic representation the EP has the obligation to be an example of transparency and good administration.’ He gives the example of the management of buildings, a topic that involves a lot of money, lengthy procurement procedures, big contracts, and very complex legal framework.

**Independence and autonomy versus accountability and audit**

Pietro Russo explains that the political bodies in Italy are fully independent and that this obviously means they are free to decide how they want to carry out their work, but that this freedom also comes with a considerable responsibility. ‘There must be a balance between being independent and having financial autonomy, and accountability. The more independent an institution is because of its role in the legal system, or its political role, the more accountable and transparent it should operate. Public institutions have to be reliable, act responsibly and demonstrate transparency to the citizens, their main stakeholders.’

The Italian Court of Auditors, the Corte dei Conti (CdeiC) has judicial powers concerning all public employees but not vis-à-vis constitutional bodies such as Parliament or the Constitutional Court, so it is neither allowed to scrutinise the Parliament’s administration and expenditure, nor can it or prosecute parliamentarians. Pietro Russo: ‘These bodies have internal structures to follow-up cases of mismanagement. In line with this, audits are carried out inside the Parliament itself by internal bodies. This is quite a normal situation in a democracy and I think the system is working well, in general.’ He underlines that the principal is that while you are autonomous, you should be accountable.

With regard to the position of the CdeiC and its relation with the Italian Parliament and other public bodies, he explains that there have been cases in which there were discussion about where the mandate of the CdeiC ends and the autonomy of political bodies starts. ‘That discussion started when the CdeiC raised concerns with regard to the Italian regional governments, which are to some extent also independent political bodies. On these grounds, these regional governments claimed that they were not subject to the audits of the CdeiC.’

**(Performance) audits at the EP: many possibilities**

At European level, the situation in respect of the independence and autonomy of the EP is similar. Pietro Russo: ‘Of course the ECA does not have judicial powers, so I think it is more interesting to look at the possibilities it has to audit the EP, especially in the field of performance audits.’

To sketch the framework in which the ECA carries out its work, Pietro Russo explains that, each year, the EP’s Conference of Committee Chairs and, specifically, the EP’s Budgetary Control Committee, provide a list of themes that they would like the ECA to examine. He illustrates: ‘Most of these themes concern the operational expenditure of the EU and the related audits are thus targeted at the Commission. But in addition to this, the EP acts as budgetary authority with a competence to ask for audits on every institution and body, including itself, rather than in the capacity
of representative of its administration.’ Pietro Russo considers that it is a good practice for an institution to ask for an independent examination of its own activities or of its own financial management. ‘Just as the ECA itself is subject to peer reviews.’

Pietro Russo emphasizes the College of ECA Members selects all audit tasks and topics independently. ‘In order to follow our strategy to foster trust through independent audit, we decide on the performance issues we deem the most topical, most critical and of most importance to our stakeholders – regardless of potential political sensitivity’. He gives as an example the audit his audit chamber is currently performing an audit on office accommodation, which scope extends to several institutions, including the Parliament. ‘And less than a year ago, the ECA issued a rapid case review on the 5 % staff reduction, which covered all institutions and bodies and agencies, thus reflecting the importance of the issue.’

He finds that also during this year’s exercise on the annual work program many interesting audit ideas were discussed in the field of administrative expenditure. ‘These range from general accountability and risk management aspects to specific questions of IT management, European Schools, the costs and benefits of financial instruments and investment vehicles, as well as the questions of ethics and gender. Within the constraints of resources available, we aim to implement many of the great audit ideas proposed.’

Low risk; not zero risk

Pietro Russo: ‘The independence and autonomy of parliaments should be subject to a maximum of transparency to reassure citizens that the public money that is managed by these bodies is not wasted. That being said, in practice a large part of the administrative spending by parliaments concerns for example salary payments which are completely automated. This means it is difficult to imagine big scandals or problems in this area, and indeed our findings for the EP in the annual report confirm this assumption. Therefore, the MFF heading covering the administrative expenditure of all the European institutions, pensions and European Schools is considered to be low risk, with around 60 % of the expenditure concerning salary payments, allowances, etc.’

For Pietro Russo it is nevertheless clear that there are risky areas even in this area of expenditure. ‘As ECA we are aware of this and for our compliance work for the upcoming annual report, we focussed on specific, potentially risky topics, such as expenditure for security, buildings, etc. Because we have seen an increase in spending as a result of the numerous terrorist attacks Europe has suffered in recent years. And although we do understand that administrations had to act under an immense time pressure, it is important to assess how they acted, also with a view to the future.’

The European perspective: building on systems that can be trusted

According to Pietro Russo, there is a continuing need to remain alert regarding administrative expenditure. ‘The relation between autonomy and independence, and accountability and transparency is a very important one and can easily be put out of balance. We as EU institutions, and especially the EP, are obliged to do everything within our power to ensure the citizens of the European Union we deserve the trust they gave us.”
However, in general, Pietro Russo is optimistic about the functioning of the current state of play: ‘If I look at this balance between independence and financial autonomy on the one hand and independence and accountability and transparency on the other, I think that one could say the systems that are in place are working rather well. That is at least my experience.’ He observes that this should not come as a surprise as we are only talking about administrative expenses and not about the management of large amounts of money for grants or procurement procedures. ‘The auto-correction capacity in the public bodies we mentioned before is rather high and I think it is safe to say – without disregarding the one or other incidental scandal – that we can generally trust them to work as intended.’
Auditing the European Parliament ...like any other EU institution.

For its financial and compliance audit work, and in particular its annual audit opinion – the so-called Statement of Assurance (SoA) – the ECA has structured its audit work around the different Multiannual Financial Framework (MFF) headings. MFF Heading 5 ‘Administration,’ comprises the administrative expenditure of all EU institutions and bodies. Among them is the European Parliament (EP), with a budget of about 1,9 billion euros for 2018, i.e. about 20% of the total budget under this Heading.

For the SoA the two key elements are the audit of the reliability of the accounts and of the legality and regularity of the underlying transactions. To reach a conclusion of legality and regularity, we examine a sample of payment transactions randomly selected throughout all institutions and bodies. Depending on the year the sample varies between 55 and 150 transactions and the number of transactions selected for EP expenditure ranges between 8 and 25, reflecting each year its relative share in the total annual budget of the EU institutions.

We also examine the operation of internal control systems, for instance those which apply to the calculation and payment of salaries and allowances or to the payment of mission expenses. In addition, we analyse the annual activity reports of the eleven directorates general of the EP to ensure that the information presented is consistent with our findings. Finally, we review the annual accounts of the EP before they are consolidated into the accounts of the EU.

The parliamentary activity of the EP leads the institution to having dedicated budget lines to serve this purpose. For instance, there are specific appropriations for the salaries of the MEPs, for the functioning of the political groups and for the functioning of the European political parties and of European political foundations. We underline that, although we sometimes audit expenditure incurred by political organs, which are independent from the administration of the EP, our auditee remains the EP.
Our audit methodology applies in the same way to all EU institutions and bodies. In particular, we communicate our findings, present our draft reports and carry out the adversarial procedure with the EP as with any other institution. There is of course one feature that distinguishes the EP from the other institutions: it is the discharge authority and, as such, it is the EP that gives discharge to its own institution.

**Audit findings generally resemble issues found in all EU institutions**

In terms of the most frequent audit findings, the EP is no exception to most other EU institutions. We detect problems in the calculation of salaries and allowances, in the eligibility to allowances, in the processing of payments, in the performance of procurement procedures and of recruitment procedures. Weaknesses in control circuits and in the implementation of control procedures are also common to most EU institutions and bodies, as are certain types of errors in the accounts. To put things into perspective: relatively few errors are found for MFF heading 5 ‘Administration.’ For years now the estimated level of error for this heading is below 1%, making it the heading with the lowest error rate compared to the other headings.

Of course, the specific activity of the EP sometimes generates errors, which are specific to the institution. For example, over the last years we reported several cases of weaknesses in the performance of procurement procedures by political groups. This type of findings entails high visibility and also a high reputational risk for the EP. The EP itself is very much aware of it, as is reflected in its encouragement to increase the ECA’s audit activities relating to the EP’s financial management. In the EP decision of 18 April 2018 on discharge in respect of the implementation of the general budget of the EU for financial year 2016 it explicitly recognises ‘…that financial and budgetary errors might impact negatively on the standing of the institution.’

**Auditing performance aspects of EP activities**

Performance audits in the area of MFF heading 5 generally include the EP as one of the three big EU institutions, in their scope. Examples are in our [special report 17/2016](#) on the access by the EU institutions to their public procurement or our on-going performance audit on office accommodation of the EU institutions.

In recent years, we have also produced an analysis of potential savings to the EU budget if the EP centralised its operations (the ‘single seat’ issue) to which a specific article is dedicated in this edition of the Journal – see page 24.

In December 2017 we have issued a so-called [rapid case review](#), which related to all EU institutions, including the EP. We reviewed how the European Union institutions, bodies and agencies implemented the commitment made in the Interinstitutional Agreement of 2 December 2013 to cut 5% of the staff in their establishment plans during the period 2013-2017.

Although not an audit report, another ECA publication that aims at improving the EP’s financial management is our [opinion 5/2017](#), issued in December concerning the statute and funding of European political parties and European political foundations. In this opinion, we give our views on issues like the EU co-financing of costs, recovery of unduly paid amounts, the need for clarifying the link between the national and European parties and the simplification of the legislative framework making it part of a single Rule Book.

The EP, in its decision of 18 April 2018 referred to above, encourages the ECA to issue more special reports on specific areas of EP’s operations, such as its communication policies and issues covered in the Opinion 5/2017, namely on the management of grants for European political parties and foundations, with a special focus on performance based budgeting.
ECA work on EU lawmaking

As the European Parliament’s powers and influence on EU laws and policies has grown with each successive treaty, so has its centrality to the legislative process itself. This is reflected in the inclusion of the European Parliament as an auditee of recent and ongoing performance audits on the EU’s approach to Better Regulation.

Our performance audit of the use impact assessments in the EU institutions (special report 3/2010) was a first attempt, covering the EP together with Council and, as the main auditee, the Commission. According to an inter-institutional agreement these assessments are to be carried out by the Commission for all legislative proposals and any significant modifications thereof during the legislative procedure.

More recently, another audit examined the system of ex-post review of EU law (special report 16/2018). In this report we highlighted the importance of the Parliament’s involvement in the entire legislative cycle to ensure a virtuous cycle of high quality evidence based legislation as well as the role that its in-house research service (the European Parliament Research Service) can play in contributing to that process.

Currently there are two other audits on this subject ongoing: first, an audit on the public participation in EU law-making where we examine the public consultations with stakeholders undertaken by the European Commission when preparing its legislative proposals. Second, a landscape review on the Commission’s oversight of the application of EU law by Member States under Article 17(1) of the Treaty the Functioning of the European Union.

ECA audits welcomed by... the auditee

On the one hand, the EP is a key stakeholder and main user of the ECA products. On the other hand, the ECA examines EP activities like those of any other EU institutions. For financial and compliance audits the EP falls under the administrative expenditure heading and the current ECA’s sample approach ensures this non-discriminatory treatment even on a statistical basis. Also for performance issues, we review EP activities like those of other EU institutions, particularly focusing on the facilities that support the EP to execute its legislative function of the European Union.

Until now, the EP has always welcomed the ECA audit activities on EP’s financial management, also pertaining to performance issues. The EP goes even further, for several years now asking the ECA, during the annual discharge exercise, to do more audit work on EP activities. The auditee asking to be audited to a greater extent, tends to be more the exception than the rule. In this respect, the EP understands well how ECA audits can contribute to building ‘citizens’ trust in EU institutions in general and in the EP in particular.
The European Parliament’s request

The European Parliament (EP) is spread over three sites. Member States endorsed this arrangement in a protocol annexed to the 1997 Treaty of Amsterdam. First some more information about these sites:

- The official seat is in **Strasbourg**. Each month the Parliament holds a four-day plenary session there. Only around 100 staff work there permanently;
- It holds committee meetings and additional plenary sessions in **Brussels**. The Parliament therefore also has a chamber there. At the time of our analysis, some 4 000 of the Parliament’s staff were based in Brussels;
- The administration of the Parliament (called the General Secretariat) is in **Luxembourg**, where some 2 500 staff work.

Every month, Members of the European Parliament (MEPs) and staff decamp from Brussels to Strasbourg. The cost and inconvenience of this exercise mean that arguments about these sites resurface regularly. Surveys of MEPs have shown that over two-thirds of them want one seat in Brussels, though this would require a Treaty change.

Over the years, the Parliament’s administration has carried out a number of studies of the costs of having three sites, and the savings which could therefore be achieved by centralising operations. However, these studies disagree on the amount which could be saved. Their estimates have ranged from €50 million per year to €200 million per year. MEPs wanted to resolve this uncertainty, and so, in a resolution of November 2013, they asked the ECA to analyse the potential savings if the Parliament had only one seat.

How we carried out the task – an early example of a rapid case review

The ECA audit chamber responsible for the audit of EU administrative expenditure was in charge of carrying out this task. Our analysis needed to be completed quickly so that the results could be published by July 2014 to coincide with the newly elected Parliament. As a result the task became, effectively, an early example of a rapid case review i.e. a quick analysis of the facts surrounding concerns raised by the public, media, or, in this case, the EP.
The planning document was presented to the audit chamber in February 2014. A key aspect of the proposed approach was to only examine the scenario of a single seat in Brussels instead of also other options such as a single seat in Strasbourg, Luxembourg or elsewhere. Also, the study would only examine potential savings to the EU budget from a single seat, rather than assessing the environmental benefits, the economic impact on the regions concerned or any other non-financial impact of having a single seat. The approval by the audit chamber of this sharply focused planning document was critical for the timely completion of the review.

A small core team of two auditors carried out the fieldwork itself. This enabled us to carry out the work quickly. We met with MEPs on both sides of the debate and we examined the earlier studies to understand why their estimates differed. We requested documentation from the Parliament’s administration on which to base our own estimate of the potential savings from centralising operations in Brussels. The Parliament staff shared our enthusiasm for the subject and responded quickly to our requests for information.

In drafting the results of our analysis, we received valuable support from Mark Crisp and Paul Stafford, respectively former director and principal manager in the Directorate Regulation of markets and competitive economy, and from Jacques Sciberras of the Private Office of Louis Galea, the reporting ECA Member. Jesús Nieto from the Directorate Audit Quality Control helped us in designing graphs to illustrate our findings.

From the initial request of the Parliament in November 2013, it took us eight months to plan, carry out and publish our analysis. The phase of finalising and publishing our analysis was particularly short in comparison with traditional performance audit reports. This was because, due to the chosen format of presenting the study as a letter of the ECA President, Parliament commented on our findings and draft report, but without the extended exchange of viewpoints of a formal adversarial procedure. This allowed us to take account of their views, even though we did not publish them together with the report. Moreover, we made concluding remarks but no recommendations.

What did we find?

Our analysis broke down the potential savings into two parts:

- Moving only from Strasbourg to Brussels, with no change in Luxembourg.
- Moving also from Luxembourg to Brussels.

We found that moving only from Strasbourg to Brussels could generate significant annual savings of €114 million. Of these savings:

- €70 million would come from no longer having to maintain the Strasbourg buildings (savings on building maintenance, security and equipment).
- €34 million would come from reduced travelling between Brussels and Strasbourg. Most of this would come from the travel and accommodation costs of some 1,000 staff who make the journey from Brussels to Strasbourg for one week each month. Around 1% of this is the cost of transporting trunks of documents from Brussels to Strasbourg and back, an image used by the media to deride what it calls the “travelling circus”
- €10 million would come from staff savings from the more streamlined staffing structure.

We pointed out that there could also be a substantial one-off benefit from divesting the Strasbourg buildings. An external expert had valued them at €1 billion. However, this sum might not be realisable in practice due to the specific nature of the buildings. We found that moving from Luxembourg to Brussels could add to the savings. However, these additional savings would be marginal.
More information can be found in the full analysis, which is published on the ECA website and can be found here.

**Did our work make a difference?**

Our analysis received some very positive feedback from MEPs, appreciating the ECA’s commitment to publish the results by July 2014 to coincide with the newly elected Parliament and the fact that the ECA analysis and figures provide a solid and objective assessment.

‘This is an important report at the very start of a new Parliamentary Term. It puts this issue right back at the top of the agenda.’

Ashley Fox MEP, co-author of the report leading to the resolution requesting the ECA to analyse the potential savings from a single seat.

Finally, the Court of Auditors has sorted out the mess where everybody has claimed whatever they please. For the first time we have unmanipulated figures on the table.’

Ingeborg Grässle, MEP, chair of the European Parliament’s Budgetary Control Committee.

The European Parliament has used our estimate of potential savings in its discharge procedure (the annual scrutiny of the EU budget). It was also cited in press articles in 2017 when the relocation of EU agencies following Brexit was being discussed. We can therefore conclude that our fact-finding rapid case review has become the new standard.
Summary of potential savings from centralising in Brussels

Option C
Luxembourg to Brussels
Buy buildings in Brussels
- One-off additional cost of building in Brussels
  - € 220 million
- Recurring savings from travel and efficiency gains
  + € 13 million per annum

Option D
Luxembourg to Brussels
Rent offices in Brussels
- One-off saving from sale or alternative use of KAD
  + € 476 million
- Recurring costs because cost of renting in Brussels exceeds recurring savings from travel and efficiency gains
  - € 16 million per annum

Option B
Strasbourg to Brussels
Strasbourg buildings not divested
- One-off cost if buildings not divested
  - € 40 million
- Recurring savings from less travel, less building costs and efficiency gains
  + € 114 million per annum

Option A
Strasbourg to Brussels
Strasbourg buildings divested
One-off saving from sale or alternative use of buildings
+ € 616 million
- Recurring savings from less travel, less building costs and efficiency gains
  + € 114 million per annum

Source: ECA
The European Parliament: ensuring accountability also on its own budget and activities

By Didier Klethi, Director General, Directorate General Finance of the European Parliament

The European Parliament (EP), as the only EU institution directly elected, represents the European citizens when establishing the budget priorities and resources and exercises the democratic control over the whole EU budget spending. This also comprises its own budget. There is another important point: while Parliament is one of the two branches of budgetary authority (the other being the Council), Parliament is the sole discharge authority, the Council having an advisory role on the latter.

Enhanced regulation, tools and procedures

The Treaty provisions in these fields are often brief and describe processes mechanically. It is up to the political authority to bring them to life. Over the years, Parliament has seen its political oversight reinforced and progressively developed rules, tools and procedures that, in addition to the general legal framework, ensure a better assessment of needs and control over budget implementation in the transparency required in a modern democracy.

Political scrutiny

The EP decision-making on its own budget can be presented as a mix of complex processes, allowing to strike a political compromise on an administrative budget. The different actors involved have their distinctive role and defend different political priorities. The EP budget decisions are debated between the elected political forces, scrutinised, and principally led on the public arena, in addition to being formally adopted in a plenary session.

The process of establishing the EP budget starts two years in advance with the presentation of the first proposal by Parliament’s Secretary General (administrative phase). To build this proposal, a thorough assessment of financial priorities and needs is undertaken across each Directorate General. Individual hearings are taking place between Director Generals to align the level of the budget proposal, within a framework of specific strategic objectives and projects (for example: preparation of the 2019 EP elections), along with financial parameters set by the institution.

The formal procedure starts with the presentation of the budget proposal by the Parliament’s Bureau. The Bureau is composed of the Parliament’s President and a number of Vice-Presidents and Quaestors (19 in 2018). It is the political authority which exercises scrutiny and responsibility for decisions relating to the internal organisation of Parliament and adopts the preliminary draft estimates before submission to the committee on budgets (BUDG).
The BUDG committee will assess the proposal in open meetings and prepare its recommendation to the Plenary. This committee proceeds to hearings of Parliament’s Secretary General and Director Generals as it sees fit. A so-calledconciliation procedure takes place between the Bureau and the BUDG committee in case their respective positions diverge, before endorsing the final political compromise. The BUDG committee formally approves the draft estimates for recommendations to the Plenary vote. They are finally transmitted to the Commission to be integrated in the draft general budget of the EU, closing the called ‘spring procedure.’

**Discharge procedure**

According to Article 319 of the Treaty of the Functioning of the EU (TFEU), the EP, acting on a recommendation of the Council, decides whether to grant discharge to the Commission as regards the implementation of the annual budget of the EU. The discharge procedure is a powerful tool through which the EP carries out ex-post democratic control at political level on the use of the EU budget. The principle of EP discharge is applied not only to the Commission but also to all other EU institutions, including to Parliament itself. The procedure aims at scrutinizing whether implementation was in accordance with relevant rules (compliance), including the principles of sound financial management (performance). The EP uses an array of measures to exercise its discharge power by the means of its Committee on Budgetary Control (CONT). This includes examination of relevant official documents (ad-hoc accounts and financial statements, financial and activity reports, the examination of the European Court of Auditors’ (ECA) annual report and special reports), hearings with the Commissioners and representatives of other Institutions, and request of clarifications in the form of exhaustive questionnaires. At the end of this process, Parliament may end with granting, postponing or refusing the discharge to the body in question.

**Discharge by Parliament to itself**

While the TFEU and the Financial Regulation mention traditionally the Commission as the institution implementing the budget and (thus most famously) subject to discharge as accountable institution, the EP grants individual discharge to other institutions, agencies and joint ventures entities accountable for budget execution.

The fact that the EP gives discharge to itself, the ‘autodécharge,’ has sometimes been criticized. However, in practice this leads to an assessment which has proved to be not less critical than towards other Institutions.

**Discharge to the Council**

What is more, the EP’s granting of separate discharge to the Council, which became practice as from 2003, appears to be a source of friction between the two institutions, proving to be politically sensitive. Both Institutions have advanced legal arguments - the Council mainly the formal argument that it is not a discharge subject; Parliament argues for a purpose-based systematic interpretation of the Treaties - resulting in a deadlock. For six consecutive years (2009-2014), Parliament has refused to grant discharge for the execution of the Council’s section of the budget, postponed its decision on granting discharge for 2015 and set out observations for 2016 financial year, criticizing the lack of cooperation from the Council in the process.

From 1958 to 1970, Parliament was simply kept informed of decisions on discharge given by the Council to the Commission in respect of its implementation of the budget. In 1971, it secured the power to grant discharge together with the Council. Since 1 June 1977, when the Treaty of 22 July 1975 entered into force, it alone has the power to grant discharge, once the Council has given its recommendation.
On 19 October 2017, in order to unblock this situation, and following up on earlier attempts to reach a sectoral or general inter-institutional arrangement, the EP’s Conference of Presidents (of each political group in the hemicycle) gave a mandate to the CONT committee to enter into negotiations on behalf of the EP with a view to achieve a mutually satisfactory agreement on the cooperation between the EP and the Council on the discharge procedure, in full respect of different roles of the two institutions in the discharge procedures. These negotiations are currently still in an impasse.

**Transparency and democratic accountability to citizens**

Being the voice of the European citizens also means that the Parliament has to be accountable to them for what it does, also when it comes to the finances allocated for its own functioning. Through an open and transparent budget process, including ownership at the political level, and subject to audits, both internally and by the ECA, and inclusion of these findings in the public scrutiny process starting in the EP through the CONT, the right elements are in place to ensure that for each budget year such accountability takes place. The functioning of the EP, like with any parliament, is a concern for every citizen and openness on its budget and how it is used contributes to the trust citizens have in the EU institution they can directly decide upon every five years, the next opportunity being in May 2019.
Each Member State has its own traditions and practice for scrutinising and controlling its own parliament’s activities, particularly in respect of the parliament’s finances. And so has the European Union. When it comes to putting the Union into perspective, compared with what happens at Member State level, Vítor Caldeira turns out to be THE person to talk to, having headed the ECA as its President for almost nine years and now working (since 2016) as President of the Tribunal de Contas, the Portuguese SAI.

Reaching out to other SAIs

When I spoke with Vítor Caldeira, President of the Tribunal de Contas of Portugal (TDC), he had just returned from a seminar in Granada organised by the Tribunal de Cuentas, the Spanish Supreme Audit Institution (SAI). Unfortunately he had a cold and, therefore, a raspy voice. ‘The topics discussed were very relevant and interesting, perhaps I spoke too much,’ he says with a smile. ‘It was on audit and ethics. Since 2011, the Portuguese SAI has led the task force of the European Organisation of Supreme Audit Institutions (EUROSAI) on this topic. I know that the ECA is organising a meeting on this in a few weeks and colleagues of the TDC will be there too.’ It is clear that Vítor Caldeira’s change from ECA President to TDC President (as of October 2016) has not changed a lot with regard to his interest in international activities and helping SAIs forward.

Auditing the EP… or the Portuguese Parliament

Regarding financing and auditing of parliaments – as for many other topics - Vítor Caldeira is in an excellent position to compare the European Parliament’s situation with that of his own Member State: ‘Both follow
Interview with Vítor Caldeira, President of the Tribunal de Contas of Portugal continued

broadly the same model. In both cases parliament agrees on its own budget, which is integrated in the overall budget, which is approved by parliament. As far as the situation in Portugal is concerned, he specifies: ‘The TDC has an obligation to issue an opinion on the financial statements every year, and on the basis of that opinion, the plenary of the parliament discharges the Administrative Council of the parliament. In Portugal, our parliament has a special body within it that manages the organisation, just as the European Parliament has the ‘Bureau.’ He indicates that the TDC’s annual work on the parliament falls within its annual financial and compliance audit work, as the ECA’s work on the EP falls within the framework of its statement of assurance. When it comes to performance audit work regarding the parliament, there is at least one big difference. Vítor Caldeira explains: ‘We can audit the parliament’s building activities, or we can see whether the parliament is introducing accrual accounting properly. This is important since, from 2019, the TDC will have the task of certifying the state’s consolidated accounts, including those of elected bodies, such as parliament, the Presidency of the Republic and also regional parliaments.’ However, unlike the ECA, the TDC cannot look into the financing of political parties and groups. ‘This is the competence of another body, the Constitutional Court, actually of an entity created within this Court. But apart from that we can look at all the expenditure and revenue, the latter being income collected from the Parliament’s museum and shops.’

Vítor Caldeira makes it clear that there is certainly interest in Portugal in the topic of political party financing, a recurring topic of discussion in many parliaments, including the European Parliament. ‘Recently there was a huge debate because the law on financing political parties was reviewed in a way which was perceived as going against the generally accepted philosophy applied to the financing of such activities. Related to this was a change in the law governing the entity responsible for controlling the financing of political parties. Also because this entity, established ten years ago, does not have the means or resources to execute proper control of expenditure given by the state, by the parliament actually, to the political parties.’ On this he concludes: ‘There is a gap between what we expect from this organisation and what it can deliver!’

Then he highlights another topic that has also gripped public interest and where the TDC is in the driving seat as far as the audit is concerned: ‘We look at particular aspects of the parliament’s management; this year, for example, at the way in which the parliament’s administration ensures that all the travel arrangements for parliamentarians are appropriately supervised.’ He cites the example of Madeira: ‘The media was certainly interested in reimbursements for parliamentarians receiving a specific allowance for travelling back each week, plus the general subsidy that is granted to people living in Madeira and travelling to Portugal. So we look at an issue like that where there may be a breach of the code of conduct on the use of those funds.’

Portuguese SAI and the judiciary

When discussing the relationship between the TDC and the Portuguese Parliament, Caldeira underlines that there is a great difference compared with the relationship between the ECA and the EP. ‘If you look at it from the perspective of the separation of powers à la Montesquieu, you have the parliament, the government, in Portugal also the President of the Republic, and of course the judiciary. The TDC falls within the judiciary and is an institution which we call ‘an organ of sovereignty.’ In this sense we do not have

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The TDC falls within the judiciary and is an institution which we call ‘an organ of sovereignty.'
the same attachment to parliament as the Westminster models have. We are not as close to the parliament as the ECA is. He makes it clear that for the TDC parliament is a stakeholder but within this particular context. ‘I never address the plenary of the Portuguese Parliament. I address the equivalent of the European Parliament’s Budgetary Control Committee. Outside this committee only exceptionally will there be calls on the President of the TDC to give explanations. Which was actually the case just recently regarding a report we published on the health care system.’

Building further on the TDC being part of the judiciary, Vítor Caldeira indicates that in its judicial capacity the TDC will not normally face parliamentarians: ‘The cases we deal with, involving financial responsibilities, are always related to specific individuals who have a particular responsibility within an organisation. As a parliamentarian, unless you have such specific financial responsibility within the administrative body of the parliament – similar to the European Parliament’s Bureau – where you might breach the law or a financial rule, you will have to face the public prosecutor for any financial irregularities you may have committed, not the TDC. We only come into play when you have a financial responsibility within the system.’

As to whether the TDC would undertake an audit on another part of the judiciary, comparable to what the ECA has done in its performance audit regarding case management at the European Court of Justice in special report 14/2017, Vítor Caldeira indicates there is certainly scope for the TDC to audit the judiciary. ‘But I would go for a more global view of the judiciary system, the different elements and how they interact as a system. One of the public criticisms is that if you have a case before the court, you can die before the case is heard. So we need a more comprehensive review.’

**Intensifying the dialogue with parliament**

Looking at the relations between the Portuguese Parliament and the TDC, Vítor Caldeira points out that there is quite a difference compared with the situation at EU level. ‘Between the ECA and the European Parliament there is a dialogue about which topics could be audited in the near future. In the ECA we started this specific exchange with the EP Conference of Committee Chairs (CCC) three or four years ago and I am pleased to see the format has developed into a true exchange. As to Portugal, he explains that there is no rule, or tradition, with regard to discussing the parliament’s concerns and what it would like the TDC to do. ‘It is written in the law that the Portuguese parliament can ask for two audits per year. Full stop! The practice, based on this law, is that the parliament can ask us to do two audits on topics like the privatisation and reverse privatisation of our airways company, TAP, which we published in June.’

On an informal basis Vítor Caldeira would like to change this practice. ‘This year we have made some steps forward with our committee for budget and financial control. I would like to move towards a broader discussion with the committee before we start planning our next multiannual work programme next year - a broader discussion, most probably with a newly elected parliament because we will have elections. The practice I experienced at the ECA is inspiring. Benefit from a newly elected parliament, a new relationship might allow us to move towards a new practice, respecting each other, of course, as independent bodies with our own responsibilities. I see there is more appetite for dialogue and this is already a step forward.’

We are not as close to the parliament as the ECA is.

As a parliamentarian [...] where you might breach the law or a financial rule, you will have to face the public prosecutor [...] not the TDC.

It is written in the law that the Portuguese parliament can ask for two audits per year.

The practice I experienced at the ECA is inspiring.
Bringing outside perspectives into the Portuguese SAI

For Vítor Caldeira his work at the TDC offers a unique opportunity: ‘I was in a position to look from the outside and to work in an organisation with a broad mix of responsibilities and competences, not only types of audit, be it a priori, concomitant, or a posteriori. What I, for example, have taken from my experience at the ECA is the need to increase our dialogue with society. We need to open ourselves and communicate better.’

When speaking about his almost 17 years of service as ECA Member, including almost nine years as ECA President, it is evident that Vítor Caldeira has many good memories. ‘I miss the multinational, multicultural environment that the ECA, like all EU institutions, offers. But what I miss above all is the people. Those that have made the ECA what it is: excellent teams, fine colleagues, doing outstanding work’. However, he is also happy to be back in Portugal, to work at the TDC. ‘I think I have managed to adapt smoothly and the past 18 months were very stimulating, working with an excellent and motivated team. We have done a number of important things, which is amazing. I was afraid it would take more time. A very pleasant way to assume my new responsibilities here.’

One issue Vítor Caldeira clearly wants to work on is the Portuguese government’s preparedness for disasters and catastrophes. ‘Think about the fires last year and the spread of desertification.’ On this last issue he refers to the cooperation the TDC has with the ECA: ‘We have good contacts with the team led by ECA Member Phil Wynn Owen and hope to build on the work already done and look deeper into the situation in Portugal. Water management is an issue we are looking at closely.’

Another topic Vítor Caldeira has high on his look-into list is the impact of demography, which he sees as an often under-estimated risk: ‘This goes beyond the issue of ageing. Overall, Portugal is expected to lose, in the next 40 to 50 years, almost 2 million inhabitants. This will have a major impact across health systems, pensions, education, etc. What are the measures undertaken by the political bodies to address the risks that can already be anticipated on this topic. And it is an issue that also plays at EU level, including questions on migration - a huge challenge for the EU. And for SAIs to look into.’

With obvious enthusiasm, Vítor Caldeira mentions that the TDC has performed a self-assessment using the SAI-PMF assessment tool. ‘That was a very nice experience. We are now looking at the final report and drawing up an action plan, which would help us modernise, reviewing our law, giving us a better view of the jurisdictional competence on sanctioning financial irregularities. Having this broader perspective from my time at the ECA also tells me that things take time and you have to prepare them well. After all, the TDC fortunately has a very positive reputation among Portuguese citizens and institutions, although its thoroughness is perceived sometimes as a bit bureaucratic. Our self-assessment showed that our institution’s reputation, value and credibility is clearly recognised. However, we cannot sleep on that. The experience I had at the ECA was an enriching one and allows me to have a broader perspective.’
Budgeting and auditing of financial statements in the Austrian Parliament

By Helmut Berger, Head of the Parliamentary Budget Office of the Austrian Parliament

The national parliament of Austria has an important role in the budget procedure of the Federal Government. But how is its own budget adopted? How are its accounts drawn up? And what is the role of the Austrian Court of Audit regarding parliamentary expenditure? Helmut Berger, Head of the Parliamentary Budget Office of the Austrian Parliament, provides us with an informative overview of the most important aspects of the budgetary lifecycle of the Austrian Parliament.

Drawing up the draft Budget

The Austrian Parliament's budget is part of the federal budget of the Austrian Federal Government and is drawn up according to the same procedure as for the other highest federal authorities (e.g. supreme courts, Court of Audit) and the individual federal ministries. Austria follows a top-down approach to budgeting, which in principle also applies to Parliament's estimates. The Federal Ministry of Finance provides the budget-directing entities with highly aggregated key figures. The draft estimate of Parliament is then drawn up under the responsibility of the President of the National Council, who coordinates the budget draft with the other two Presidents (2nd and 3rd President) of the National Council. The budget statement of the Austrian Parliament includes the detailed budgets of the National Council, the Federal Council (chamber representing the nine provinces – Länder) and the parliamentary administration for both chambers.
On the basis of the detailed budget planning submitted by the budget-directing entities, the Federal Minister of Finance prepares the final draft for the federal budget, which also includes the budget of Parliament. This is then unanimously decided by the Federal Government in the Council of Ministers and submitted to parliamentary discussion and decision-making as a government bill.

**Adoption of the Budget by the National Council**

Parliamentary deliberations in the National Council regarding the adoption of the budget begin with the budget speech by the Federal Minister of Finance, who sets out the broad economic policy guidelines and political priorities of the budget and highlights special initiatives.

After the first reading in plenary, which serves as a first general debate on the budget, the budget is allocated to the Budget Committee for further consideration. The parliamentary deliberations in the Budget Committee start with a public hearing of experts in which also the Head of the Parliamentary Budget Office participates. The budget chapters will then be discussed individually with the responsible line minister or the heads of the highest federal authorities. In the Austrian Parliament, all budget debates take place exclusively in the budget committee; the parliamentary groups can "re-register" members of the budget committee so that the Members of Parliament who are most familiar with the subject matter can discuss the budget of their responsible line ministry. The discussions in the committee last about one week and are not open to the public.

Budget deliberations on the individual budget chapters traditionally begin with Parliament's budget. The budget deliberations in Parliament have led to several changes to the draft of the Federal Government in recent years, particularly with regard to the budget for Parliament, because the government bill did not take sufficient account of the special needs of Parliament. Another reason was that, as a result of parliamentary deliberations, Parliament wanted to implement additional projects for which budget funds should be made available.

Following the discussions in the Budget Committee, the second and third readings are held in plenary, whereby the discussions are also structured according to budget chapters and responsible line ministries, as in the Committee. Parliament’s budget is therefore also debated in public in plenary, whereby amendments to the budget can be tabled until the vote. The budget is then adopted by the National Council.

**Implementation of the Parliaments Budget**

Parliament has a high degree of flexibility in implementing its budget. Since only one global budget is defined for the entire budget chapter of Parliament, for which there is a legally binding effect, the funds in principle can be freely used and reallocated within the limits of the global budget. Funds not used during the fiscal year are allocated to a budgetary reserve. However, their use in budget implementation in the following fiscal years requires the approval of the Federal Minister of Finance. The National Council may already provide for the use of the reserve in its budget decision. The utilisation is then no longer subject to the approval of the Federal Minister of Finance.

In line with a system of outcome orientation introduced throughout the budget cycle in Austria in 2013, Parliament’s budget is also linked to outcome objectives, measures planned to implement them and outcome indicators that identify the target values to be achieved and enable quantitative measurement of target achievement.

As with budgeting, the federal government’s central accounting system, which must be used by all federal authorities, is also used for budget implementation and settlement in parliament. The Federal Accounting Agency is the exclusive executive body for clearing and processing payment transactions and maintaining the federal accounts. It performs this task centrally for all federal authorities.
Preparation …

Parliament’s accounts are prepared by the parliamentary administration and audited in the same way as it is with other federal authorities. The Federal Constitution requires the Austrian Court of Audit (CoA) to audit and draw up the Federal Financial Statements and submit them to the National Council. In fact the submitted Federal Financial Statements are the report of the CoA on the audit of the federal accounts, that includes all the financial statements of the highest federal authorities and the line ministries.

Parliament’s accounts shall include an operating statement based on accruals, a cash flow statement and a balance sheet. The figures for the final accounts are provided by the federal central accounting system. The Budget Department of the Parliamentary Directorate carries out the necessary closing operations (e.g. the accruals for the operating statement) and then presents the closing accounts electronically to the CoA for auditing and inclusion in the Federal Financial Statement. Like the other budget-directing entities, the parliamentary administration provides reasons for major deviations from the budget, explanations of the main positions in the financial statements and notes to the annexes to the federal accounts (e.g. statement of fixed assets, overview on the development of provisions). These obligations of the parliamentary administration are laid down in the Federal Organic Budget Act and in the Financial Reporting Regulation issued by the CoA in accordance with the Federal Minister of Finance.

An internal audit department has also been set up in Parliament's Directorate. It provides independent, objective auditing and advisory services and reports directly to the Director General, who heads the parliamentary administration as the highest ranking civil servant. Its tasks include auditing the internal control system in all administrative areas of Parliament.

… and audit of Parliament’s financial statements

Parliament’s final accounts are audited by the CoA, which thus on the one hand acts as Parliament’s auxiliary body when performing its control function and on the other hand audits the correctness and accuracy of Parliament’s accounts. The CoA conducts the financial audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), in particular the Financial Audit Guidelines (ISSAI 1000-5800). The CoA's financial audit includes analytical procedures, functional audits (in particular of the internal control system) and sample audits (regularity and documentary checks). The selection of audit fields and processes is based on materiality criteria. If deficiencies are identified, particularly in the internal control system, the planned audit procedures are to be extended.

Sampling is carried out in accordance with a risk assessment by the CoA. Furthermore, since the CoA takes into account all budget chapters in its functional and sample audits, it is ensured that Parliament’s accounts are in any case included in the CoA's annual audit and audit report. The functional audit for the financial statements 2016 focused on the quality of accrual accounting and the operating statement.

Exclusive perogative

The Federal Financial Statements, audited by the CoA, are discussed by the Budget Committee of the National Council (and not by the Court of Audit Committee set up for the debate on the CoA's reports). These statements are approved by the National Council in the form of a federal law, representing the formal 'discharge' of the Federal Government by the National Council. As part of the federal accounts, Parliament’s accounts are thus also included in the discharge decision of the National Council.

The Austrian Federal Constitution does not regulate the case in which the National Council refuses to approve the federal accounts or does not adopt a resolution on Federal Financial Statements. It is then up to the National Council, which political or constitutional responsibilities it asserts. However, an amendment to the Federal Financial Statements cannot be made by the National Council, but exclusively by the CoA.
Wide mandate on several accounts

Overall one can say that the Austrian Parliament, and within that the National Council, has a wide mandate to establish its own budget. While the initial discussions in the Budget Committee are behind closed doors, subsequent readings are open to the public. Once adopted Parliament has a lot of flexibility to allocate funds from that budget to needs identified since only one global budget is defined for the entire budget chapter of Parliament. By means of outcome objectives and indicators, together with the CoA as external auditor of Parliament’s final accounts, important elements to ensure accountability are in place. While the Austrian Parliament grants also discharge to its own activities, amendments to the Federal Financial Statements require the consent of the CoA, giving it an additional role in the balance of power as far as financial management in Austrian government is concerned.
Relations of SAIs with their parliaments: mapping similarities and differences

By Barbara Ojeda Corominas and Philipp Dette, Directorate of the Presidency

On 22 and 23 March 2018, the ECA hosted a symposium on public financing of parliaments, highlighting differences between Member States in this regard. But how do the role of national public auditors vis-à-vis – and their relations with – national parliaments differ between Member States? And what about relations between the ECA and the European Parliament? Barbara Ojeda Corominas and Philipp Dette undertook some research on these questions.

A comparative analysis based on SAI’s websites and a study by the European Parliament

The discussions at the ECA symposium in March 2018 illustrated how different the arrangements regarding the financing of parliaments are within Europe. But how much do they differ in terms of the external audit of parliaments and their activities, and in terms of relations between supreme audit institutions (SAIs) and parliaments?

We did some research into these questions, based mainly on the SAIs’ websites and a 2012 study by the European Parliament (include hyperlink). We also interviewed colleagues with good knowledge of their own national SAI.

This research has allowed us to identify a number of commonalities and differences:
- SAIs’ organisational ties with parliament;
- their reporting lines to parliaments; and
- their remit to audit parliamentary activities and expenditure.

Organisational ties with parliament

We firstly examined the organisational ties between the SAIs of EU Member States and their national parliaments. In particular, we looked at whether the SAIs: form an integral part of parliament; maintain limited organisational ties to parliament relating to practical issues; or are totally separate from parliament in terms of staffing, budget, services and management.

As figure 1 shows, the vast majority of the SAIs we examined – including the ECA itself – are organisationally separate from their respective parliaments (the EU flag and small EU map represent the ECA’s situation).

Six SAIs (Denmark, Sweden, Poland, Lithuania, Hungary and the United Kingdom) maintain somewhat closer ties to parliament. For example, the Lithuanian SAI exercises its duties under the responsibility of the country’s parliament, and the United Kingdom’s Comptroller and Auditor General is an officer of the House of Commons. The Austrian Court of Audit and the Finnish National Audit Office, although fully independent, form integral parts of their respective national parliaments.
Reporting lines to parliament

For all the SAIs we examined, parliament is the main stakeholder and addressee of their reports. We therefore looked at the SAIs’ reporting lines to parliament and, in particular, which type of parliamentary committee deals with audit reports in each case.

Here, too, the arrangements differ between Member States (see figure 2). In seven national parliaments (Finland, Belgium, Latvia, Slovakia, Slovenia, Croatia and Denmark), reports are typically discussed in the budgetary committee and in selected or specialised committees dealing with legislation. This is also the case for the ECA’s reports. In 12 other Member States, the reports are mainly discussed in the parliamentary committees responsible for budget, finance or audit issues.

In the nine remaining Member States there is no specific policy on who primarily deals with audit reports, but they are addressed to parliament as a whole, which then decides how to act on them.
Relations of SAIs with their parliaments: mapping similarities and differences

continued

Figure 2: Reporting lines to parliament

Parliamentary requests for audits

We also examined, in each case, whether parliament can formally instruct the SAI to carry out a specific audit. Again, there are differences between Member States. In most countries, parliament can suggest potential audit topics, but the SAI is not actually under any obligation to perform suggested audits (see figure 3). This is also the case for the ECA.

In nine Member States (Lithuania, Poland, Slovakia, Hungary, Romania, Ireland, Belgium, Denmark and Greece), the SAIs are however obliged to fully comply with the request of their parliament. In four other Member States (Portugal, Austria, Slovenia and Bulgaria), the SAIs must act upon some but not all requests. There are limits on such requests in terms of number, size or scope, or a combination thereof.
Relations of SAIs with their parliaments: mapping similarities and differences continued

Opinion on legislative proposals

Legislation is at the core of each parliamentary activity. Due to this relevance, and in particular given the potential budgetary implications of some legislative proposals, SAIs may also be asked for their opinions on these. This provides a way of using the SAI’s audit experience to identify potential shortcomings before a law is formally passed. Examples of Member States where an opinion on all legislative acts with budgetary implications is required are Austria and Denmark. This is also the case for the EU. At the same time, in some Member States, like Spain or Finland, it is optional for SAIs to comment on legislative proposals. In practice, in some countries (e.g. Croatia and Ireland), SAIs rarely or never comment legislative proposals.
Discharge

At EU level, there is an annual formal discharge procedure in accordance with Article 319 of the Treaty on the Functioning of the European Union, where the European Parliament grants discharge to the Commission and other EU bodies implementing the budget. The ECA’s annual and special reports provide a key input into this procedure.

However, not all Member States have their own corresponding procedures. Some Member States, such as the United Kingdom, Cyprus and Finland, do not have any formal discharge procedure as such. Others have a discharge procedure similar to the one at the EU level. For instance, the German parliament (Bundestag) uses the SAI’s annual report as a basis for granting discharge to the Federal Government. In Latvia, there is a similar process known as ‘clearance of accounts’. In Austria, the Federal Council (Bundesrat) takes account of the SAI’s reports, among other information, in approving the Federal Financial Statements.

Audit of Parliament

Accountability for parliamentary expenditure is a major concern for EU citizens, as illustrated by media reaction to the European Parliament’s recent decision to reject greater transparency in relation to MEPs’ expenses. Proper audit and public scrutiny, including of parliament’s own expenditure, is likewise a major concern at national level in the Member States. We therefore investigated whether such parliamentary expenditure is within the national SAIs’ audit remit and what kind of audits they carry out in this regard.

Again, the picture is varied (see figure 4).

In six Member States (Belgium, Luxembourg, Italy, Denmark, Finland and Latvia) the SAI has no audit rights and parliamentary expenditure is audited by a private audit firm and/or the parliament’s internal auditors.

In six other Member States (France, the Netherlands, Croatia, Bulgaria, Greece and Romania), the SAIs’ mandates are limited to financial and compliance audits. In the remaining 16 Member States the SAI can also examine performance aspects in its audits of parliamentary activities and expenditure.

In several countries (such as Poland, Lithuania, Spain, the Netherlands and Ireland), such audit reports on parliamentary expenditure are published annually, either on a voluntary basis or as part of the mandatory annual audit exercise. Spain’s SAI also carries out an annual audit of expenditure by political parties represented in parliament. The Czech Republic’s SAI has only rarely exercised its audit rights vis-à-vis the national parliament, the last such occasion being 20 years ago.
Comparative overview to stimulate further discussion

The aim of this overview is to provide comparative information on relations between EU Member States’ SAIs and their national parliaments, in order to stimulate further discussion. We would stress, however, that these preliminary results reflect our understanding of publically available information, including information on the SAIs's websites. We have not formally validated our classification with each SAI.

And last but not least, despite all apparent differences, the actual practices may be more alike than it seems at first hand.
A SAI in Congress: GAO’s position and audits towards U.S. Congress

Interview with Kate Siggerud, Chief Operating Officer of the United States Government Accountability Office

By Gaston Moonen, Directorate of the Presidency

Supporting U.S. Congress

The initial idea to interview Kate Siggerud relates to the specific position the United States Government Accountability Office (GAO) has in the institutional set-up to ensure checks and balances in the U.S. The GAO was originally enacted in 1921 and was then, as it is now, vested within the legislative branch of the US government, which falls under the Congress rather than the executive branch, which fall under the President. Kate Siggerud underlines that the GAO provides its reports to and supports the U.S. Congress. ‘We are among several legislative branch agencies specifically set up to provide a variety of advice and support mechanisms to the Congress. The GAO was initially established as an auditing and voucher checking organisation. From the 1960s onwards we have evolved into a financial and performance auditing organisation.’

Kate Siggerud plainly explained the mission the GAO has: ‘Our principal mission is supporting Congress in its oversight and legislative activities. Congress has a primary mission of conducting oversight of how the executive branch carries out its functions and uses the funds that Congress has provided to the executive branch. So our primary mission is to assist in those oversight activities via performance audit. Most of our reports are addressed to Congress, presenting our observations of the effectiveness and efficiency of federal programmes and how the dollars were used.’ As to the second element of legislative activities, she says:

For many supreme audit institutions operating within a parliamentary democracy, a key condition for their independence is to operate independently from both the legislative and executive branch. How does this work for the U.S. Government Accountability Office, being vested in the U.S. Congress and considered as THE congressional watchdog? What kind of work does the GAO do regarding Congress’s own activities and how does Congress establish its own budget? When interviewing Kate Siggerud, the GAO’s Chief Operating Officer, she provides concise and to the point insights on these issues, and more.

For many supreme audit institutions operating within a parliamentary democracy, a key condition for their independence is to operate independently from both the legislative and executive branch. How does this work for the U.S. Government Accountability Office, being vested in the U.S. Congress and considered as THE congressional watchdog? What kind of work does the GAO do regarding Congress’s own activities and how does Congress establish its own budget? When interviewing Kate Siggerud, the GAO’s Chief Operating Officer, she provides concise and to the point insights on these issues, and more.

“'Our principal mission is supporting Congress in its oversight and legislative activities.'”
‘Our reports serve to support the legislative activities of Congress. So Congress may need to pass a budget or authorize a programme and our financial and performance audits can inform that legislative activity.’

Evidently, Kate Siggerud is the right person to talk to when it comes to perspectives on relations between the GAO and U.S. Congress. Prior to the position she has now she was the director of the GAO Congressional Relations Office. She has over 30 years of experience in the GAO and holds now the position of Chief Operating Officer. ‘When asked what this entails she explains: ‘The GAO has an executive committee, which has four members. One is of course the Comptroller General, the appointed leader of GAO. Then there are three others: the Chief Operating Officer, the position I have. I focus on our auditing work – planning, reviewing and resourcing it and ensuring its appropriately carried out. We also have the Chief Administrative Officer/Chief Financial Officer – he has both titles – who handles the budgetary and administrative efforts necessary to support GAO. And we have the General Counsel. We have a significant number of staff attorneys here and the General Counsel sits on our Executive Committee, overseeing that group along with advising the rest of the organisation.”

The work residing under Kate Siggerud’s responsibilities turns out to be vast when discussing the GAO products. ‘We typically issue 700 to 800 reports a year, so it is a lot to manage. We are set up into several teams, headed by executives.’

**Warrantees for independence**

A core element when it comes to warranting the independence of the GAO is the position of the Comptroller General. ‘He is appointed for 15 years, by the President. But the president must use a list generated by the Congress, fashioned by the leaders of the House of Representatives and the Senate. Unlike other appointments in the federal government, the choice is drawn from the list agreed to by Congressional leaders.’ Kate Siggerud brings up another important element in relation to the Comptroller General’s independence. ‘He is an appointed official, for 15 years, who can only be removed for cause, not by the President, but by impeachment by or a joint resolution from the Congress. That is a very high bar!’ She points out that the GAO’s independence has been reviewed in several peer reviews and found to meet auditing standards. ‘The credibility of the work we do is based on our ability to produce objective, non-partisan, fact-based work, and being viewed as an independent organisation as a source for information.

Another important element regarding independence are the protocols the GAO has developed with the Congress. ‘We have a set of protocols in place. We place priority on reports established in law and on requests from House and Senate leaders and leaders of Congressional committees. GAO will accept requests from both political parties (either the majority or minority party) as long as the Member of Congress requesting the audit is a leader of a Committee of jurisdiction in the topic he or she wants reviewed. We reserve the right not to accept requests from the Congress, if we believe that we cannot undertake an independent and objective review of the facts or if the work they ask us to do is outside our jurisdiction and our access to information. Those protocols have been in place now since 2001 and they work very well to guarantee GAO maintains its reputation as an independent and nonpartisan organisation. We are vested in the legislative branch but we are independent to carry out the work in the way that is most appropriate.

Formally, most of the GAO work stems from requests from Congress. But Kate Siggerud explains that the picture is a bit more nuanced: ‘95% of the work is either requested by Congress or because a law has been passed. We reserve about 5% of our resources to do audits under the Comptroller General’s own authority. We can commence an audit...’
when the GAO feels this would be a productive area. We also produce a strategic plan every four years based on consultation with the Congress and environmental scanning among other things. We lay out key topics we think the GAO should be focusing on over the next four to five years and work closely with the key committees in Congress to agree on a general work programme to be carried out. In most cases the requests we receive for audits reflects a joint planning effort between Congress and the GAO. Also for this purpose our executives are in regular contact with Congress.’

As to what constitutes a request from Congress, she refers to the protocols brought up earlier. ‘These specifically lay out a prioritisation scheme to handle requests. Our number one priority is when a law has been passed, requiring a report or a study from the GAO. These are, by their nature, bipartisan. The second priority is requested from either the chair of a committee, or the most senior member of the minority on that committee – what we call the “ranking member.’ Either one of those can request from the GAO a study on for example the Postal Service if their committee has jurisdiction on that portion of the federal government.’ Kate Siggerud explains that the GAO will treat minority requests on the same level as majority requests. ‘Many come from both parties together. Even if the Chair of the Committee (majority party) has not requested the audit we will respond to requests nevertheless, as long as it comes from a leader from a minority party in that committee and it is within our jurisdiction to do.

Multiple actors working on accountability

When discussing whether there are any clear disadvantages of being so close to Congress Kate Siggerud points out that within the different parts of the US federal government there are many different elements of accountability. ‘We see our responsibility as being effective in encouraging improvement in executive branch programs, where we conduct most of our audits. And Congress relies on us for the purpose of considering legislation, which is of course where change in executive branch programs can be accomplished.’ She indicates that of the GAO recommendations generally between 75-80% are implemented within four years of making them. ‘We see that we have an effect on the executive branch even though we are located where we are. One should note that most executive branch agencies also have inspector generals that are focused within doing their own financial and performance audits and making recommendations. And, like GAO’s reports, those reports are generally made public.’

Deciding on the budget of Congress

Speaking about decision-making on Congress’s own finances, it becomes clear that there is no involvement of the executive or judiciary branch whatsoever. Kate Siggerud explains that on the allocation of funds among federal agencies and programmes Congress has appropriations committees that make annual funding allocations. ‘For agencies that are in the executive branch, they develop their own proposals and send them through the Office of Management Budget which revises them and compiles them for Congressional Review. The budget that is developed for the congress and for the legislative agencies like us, is developed by the congress itself without input from the President. We as GAO propose a budget every year, and the Comptroller General testifies before the Appropriations Committee but in the end the House and the Senate committees decide on that amount.’

In relation to discharge procedures,’ Kate Siggerud explains that this is probably more related to the EU context. ‘Discharge is not a word we use here but I’ll try to talk about it. For the executive branch, all federal agencies are required to propose a budget every year that also explains how funds were used in previous years. So the budget itself is a document that records the funds used in the previous year and the planned funds going forward. Each organisation is expected to complete a financial statement. This is
audited by its inspector general or an accounting firm hired by the inspector general.’ She indicates the financial statements are compiled into The Annual Financial Report of the United States by the Department of the Treasury and the Office of Management and Budget. GAO audits the financial statements and prepares its own conclusions which are included in the Annual Financial Report. She continues: ‘Over the years the inspectors general and the GAO have seen improvements in these statements, although the Department of Defence has not yet received a clean opinion, and we have also raised issues on intergovernmental transfer of funds and how these are cleared, among other issues.’

Contrary to the EU setting, where the European Parliament is obliged to give discharge, there is no further action like that for Congress. Kate Siggerud: ‘This Annual Financial report is transmitted to the Vice-President and to Congress, and made available on government websites. But once that statement is issued Congress does not have to take any action concerning it.’

**Auditing Congress**

Regarding the question who audits the budget implementation and activities of Congress Kate Siggerud first points to the support agencies Congress has. She gives as examples the Library of Congress, who manages the largest library in the U.S. The Library also includes the Congressional Research Service which provides research assistance to Members of Congress and is somewhat comparable to the European Research Service of the European Parliament. Or the Congressional Budget Office, created 40 years ago, which does estimates of the cost of legislation for Congress when they consider new bills that could have significant financial implications. ‘The CRS mostly does research using secondary sources and provides expertise in reading of laws or statues. The GAO’s work on financial and performance audit is more focused on auditing and program evaluation, including generating data, analysing them and providing recommendations to Congress for improving government performance. CRS’ work is typically focused on descriptions of programmes and issues.’

She indicates that most of these support agencies have their own Inspectors General, with public reports: ‘They have their own inspectors general. The House of Representatives itself also has an inspector general. The Senate does not. And there is also for example the Office of Compliance, which is an office reporting to the House of Representatives and the Senate, making sure certain policies related to employment and facilities are carried out appropriately.’

While the GAO is sometimes asked to review operations of other legislative branch agencies, Kate Siggerud explains that the GAO is typically not asked to audit internal operations of the House or the Senate. ‘We do have a procedure, which is described in the protocol I mentioned earlier. In general, for a request involving work on programmes or activities relating to the internal operations of Congress, the GAO will seek bipartisan or bicameral support for such requests from senior leaders of the House or the Senate. With regard to audits of other legislative branch agencies is a review GAO conducted of the Library of Congress’ IT systems.

Overall, the practice is that the GAO will indirectly audit Congress activities by looking at agencies falling under them, be it more at policy and programme level, since most of them have their own inspector general. Kate Siggerud adds that, besides the inspector general in the House of Representatives, both the House and the Senate have ethics committees. They can receive referrals from external parties, from Members of Congress regarding any ethical violations concerning campaign spending or other inappropriate behaviour. This to complete the picture of oversight towards Congress.’
The Eurobarometer is a survey employed by the European Commission to inquire with EU citizens all over the EU about different topics. It also includes questions on the level of awareness and trust in EU institutions, such as the EP and the ECA. Timo Lehtinen had a closer look at what the recently published Eurobarometer results show for both institutions.

Eurobarometer – standard bi-annual survey across the EU

In June 2018, the European Commission published the results for its Spring 2018 Eurobarometer survey. This is a standard survey with EU citizens all over the EU about different topics. Each survey consists of approximately 1000 face-to-face interviews per country. The survey results are published twice yearly. The consistency over time of the questions asked makes this survey particularly relevant to look at changes in citizen perceptions over time.

The Eurobarometer also includes questions on the level of awareness and trust in EU institutions: these questions are particularly relevant for us in the context of our 2018-2020 strategy focusing on trust.

ECA first time included in survey since 2007

However, from 2007 onwards, questions related to the ECA had been removed from this survey. In early 2017, the Directorate of the Presidency (DOP) has requested Eurostat, the Commission Directorate-General which runs the survey, that these questions will again be included. And indeed, the 2018 spring survey now covers the European Parliament (EP), the Commission, the European Central Bank, the European Council, the Council of the European Union, the Court of Justice of the European Union, the European Court of Auditors (ECA), the European Committee of the Regions, the European Economic and Social Committee, and the European Ombudsman. There are also questions on national bodies, but no questions on national SAIs.

In view of the special theme of this journal ‘Financing and auditing of parliament’, the questions related to the level of awareness and trust for the EP and the ECA, are particularly relevant to focus on. For any reader more interested, all detailed results and information on how the surveys are conducted can be found here.

Knowing the institution: still a long way to go for the ECA

Citizens awareness of the different EU institutions is particularly high for the European Parliament, where overall, for the EU28, 93% of the people interviewed, have heard about the EP, with hardly any change compared with numbers presented in the previous survey, dating back to 2017.

At the same time, only 52% of respondents have heard of the ECA. Interestingly, the level of awareness has significantly increased compared with the last results in 2007 when only 45% knew our institution (see figure 1).

There are also considerable differences between Member State when it comes to knowledge of the ECA, with the highest ones (Slovenia and Luxembourg) being close to 80% and the lowest ones (UK and Czech Republic) being around 20%. The ECA is also much better known in the Euro area countries (64%) than in the non-euro area countries (31%). Such significant difference does not exist for the EP.
Figure 1: EP and ECA: Have you heard of…?

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### Public opinion in the European Union

#### Spring 2018

### Standard Eurobarometer 89

#### Tables of results

**QA13.7 Have you heard of...?**

*The European Court of Auditors (%)*

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It is all a question of trust …

The second question is related to trust: do citizens tend to trust these European institutions or not? This question was asked from all survey participants, i.e. not only those who responded knowing the Institution.

Here the differences are less significant. Half of the interviewees tend to trust the EP, while 39% tend not to trust the EP. For the ECA, 35% tend to trust us whereas 34% tend not to (see figure 2). Important to note that the percentage of not trusting the ECA has increased by 12 percentage points compared to the last results of 2007; but this is maybe not surprising since the previous results date more than 10 years back. In comparison with the EP, the share of respondents not trusting us is still somewhat lower.

Results per Member State show that the awareness score is inversely correlated to the perception on trust, i.e. respondents who have not heard of an institution are also more likely not to trust this institution. Another noteworthy element relates to the ‘Don’t know’ answers given when asked whether they tend to trust this institution. For the EP, this answer is given by 31% of the respondents. However, for the ECA such answer is given only by 3% of the respondents. Compared to the EP, respondents are therefore more decided on whether they tend to trust or tend not to trust the ECA.

Survey results may help to monitor citizen perception of the ECA in line with our strategy

The results of the 2018 spring Eurobarometer underline the importance of one of the three ECA strategic objectives for 2018 - 2020: to step up our efforts to connect with EU citizens and to improve and make better use of the relationships with our partners.

The results of the next surveys will show us whether we make progress in meeting this strategic objective.
Figure 2: EP and ECA: Tend to trust or tend not to trust

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<th>Public opinion in the European Union</th>
<th>Standard Eurobarometer 89</th>
<th>Tables of results</th>
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**QA14.1.** And please tell me if you tend to trust or tend not to trust these European institutions.

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### QA14.7 And please tell me if you tend to trust or tend not to trust these European institutions. The European Court of Auditors (%) 

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From Antwerp to Luxembourg

There are quite some noticeable differences, but also various similarities between Antwerp and Luxembourg. Antwerp, the largest city in the Belgian region of Flanders, is famous for its port, its renowned diamond industry, and a thriving fashion scene. More than 500 000 inhabitants of 161 nationalities call the city their home and make for a very diverse environment. Luxembourg City, on the other hand, is much smaller: it has roughly 116 000 inhabitants of more than 170 nationalities. However, despite its size, the capital of Luxembourg is an economic front-runner, with a booming financial sector: it proudly hosts numerous innovative industries and many cultural activities. With that reflection Annemie Turtelboom, the new Belgian ECA Member, does not regret her move to the Grand-Duchy at all. ‘Before I moved from Antwerp to take up my new role as a Member of the European Court of Auditors, I already knew Luxembourg quite well, having visited the city at least three times a year for the Justice and Home Affairs Council as a minister in the federal government of Belgium.’ She adds: ‘I like Luxembourg. The international community makes me feel right at home and on top of that, there really is a lot of culture. Where I recently saw Charlie Chaplin’s ‘Modern Times’ – so I will enjoy that part of Luxembourg very much! In Antwerp I also live in the theatre district, so I am happy I will be able to enjoy these things here as well!’ She is clearly relaxed, speaking spontaneously about her first experiences as a resident of Luxembourg.

Interview with Annemie Turtelboom, ECA Member since 1 May 2018

On 1 May 2018, Annemie Turtelboom, a woman with extensive experience in the political arena joined the ranks of the EU’s auditors. Ms Turtelboom, a former teacher and politician, worked in the public interest, also as a member of the Belgian federal parliament, and as a minister both at federal and regional level in Belgium, for over 15 years before she started her mandate as Member of the European Court of Auditors (ECA). She was appointed to the audit chamber dealing with ‘Financing and administering the Union’. What should we know about her, and what are her ambitions in Luxembourg? An interview about intensive years holding public office, the essence of being European, and a never-ending faith in what you might achieve if you dare to fail.

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Dare to be ambitious!

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Annemie Turtelboom can already look back at an impressive political career in Belgium. Among other things, she worked in the public interest as a member of the Belgian and the regional Parliaments, and was also a federal minister for several years. Not an easy period, as she recalls: ‘It definitely was an intense period, those 15 years in politics. Not only for myself, but also for my family members, with whom I could not spend a lot of time. Especially as a minister,’ she explains, ‘your days are filled with work. I would start early in the morning and end very late in the evening. My weekends were quite similar, as they were reserved for work in the European context in Brussels, presentations, contacts with your constituents, social obligations, etc.’ She laughs when she remembers one particular weekend in which she realised at nine o’clock on a Sunday evening that her weekend was about to start. ‘Something I will definitely not miss!’

As a minister, she was responsible for long-established departments where she had to deal with sensitive issues regarding security and migration, but also had to lead her staff during several crises, such as terrorist attacks, a train accident, and a natural disaster during a pop concert. ‘Not easy to cope with at all. And extremely demanding, on several levels. On top of that these things take a heavy toll on your private life, as they usually take place outside of normal office hours.’ With some nostalgia, she adds that it was also a very interesting period, in which she had the chance to contribute to the public good. ‘I had the chance to prepare new laws and to help reform the Belgium justice system, intellectually very rewarding tasks.’

Looking at her career until now, one can only admire Annemie Turtelboom’s accomplishments on various terrains. These achievements certainly demonstrate her intellect, her willpower, and her strong work ethic. But also, her courage. In previous interviews, Annemie Turtelboom used the phrase ‘no guts, no glory’ to indicate that failure was part of her road to success. An expression she mainly used to talk about her personal life. She explains: ‘When I was a twelve-year-old girl living in a small village in rural Belgium, no one could have imagined I would once become a federal minister, or the first female Belgian Member of the ECA.’ She continues: ‘Growing up as a girl in the seventies I did not often follow the track usually spelled out for girls, which meant I always had to believe in myself and to work very hard to get to where I am.’

Annemie Turtelboom is very proud to be a woman – blessed with professional success – and she permanently thinks about possibilities to improve the life of other women as well. ‘I like this topic,’ she says, laughing. ‘So whenever I receive an invitation from a women’s club or association I will go there to talk about it. Whenever I can, I will contribute to empowering other people!’ Therefore, it also is no surprise that she is a passionate supporter of gender equality, being the first female minister of home affairs or migration in Belgium ever. ‘It is just unbelievable that Belgium was unable to find a single woman who was smart enough to do such a job in the 178 years of its existence! And I think the ECA needs to set a good example here as well. Practise what you preach!’ That said, she is not convinced that it is a good idea to insist on gender equality in every audit the ECA carries out. ‘It is just impossible to put everything on a scale and to measure it. Sure, we should audit ourselves on gender equality and gender budgeting from time to time, but I am also a bit sceptical because of the risk of wasting too much other – male – talent.'
An EU state of mind

Having been in politics for fifteen years, Annemie Turtelboom felt it was high time to think about the next step in her life. She could have stayed longer in parliament or government, but she was ready to something new. That is why she decided to apply for a four-month fellowship at Yale University. ‘It was an amazingly interesting period, but I decided it was time to move to something else and Yale was kind of liberating. I finally had time to read a book, something you can only hope to do during the summer break as a minister. I finally had time to read long articles and was no longer only focused on preparing my work for the next day.’

Apart from being a very welcome mental break, Annemie Turtelboom’s American adventure also offered her a different perspective on what it means to be European. ‘While being in the US for four months I really felt: I am a European. And much more than before. I taught lessons on the future of Europe, the economic power of Europe, security issues in Europe. Topics that fell within my responsibility as a minister.’ She adds: ‘Teaching these topics at an Ivy League university made it very clear to me that I am European, that this is my DNA. It also made me realise I am proud to be a European. I am proud of our European culture, our history and heritage, proud of what we are doing here and what we have achieved. Proud about the values we share and strive to uphold, with all the complexities that come along.’

At Yale, Annemie Turtelboom also gave lectures on democracy, going back to its roots in Greece. ‘In the EU we sometimes tend to take these things for granted, and that is another reason to go abroad. To look at yourself from a foreign perspective.’ She gave such lectures to people from all over the world. From Cameroon to China, and from Brazil to Russia, and sometimes she was surprised by their reactions. ‘For some people this was clearly the first time in their life that they heard about the Netherlands and the UK, let alone about these countries being the first democracies from the recent period.’

Next stop: ECA

Soon after her return from the US Annemie Turtelboom was asked if she would be available to start a mandate as ECA Member. A question she did not have to contemplate on long before answering. ‘When the option of joining the ECA came, I was immediately very interested. I always thought the ECA would be a very interesting place to work, because it allows you more time to go in-depth, really looking at all the details of a topic. Something you do not have when you operate in the political arena.’ She explains that, at the ECA, she has the opportunity to work in an environment in which she can cooperate with other ECA Members from widely varying backgrounds. She adds that, from her experience, she also learned to appreciate the value of audit reports. ‘As a minister I always appreciated reports by the Belgian Court of Audit, the ‘Rekenhof,’ like the ones on overpopulation in prisons, or its annual reports on the Belgian federal budget. As a result I am very much looking forward to contributing to constructive reports as an ECA Member.’

She finds it logical that her new position meant she had to step down from the political positions she held before. ‘When you start your work here, it is crucial that you are independent and impartial and that you are also seen to be so. You cannot accept any pressure from any political party or Member State. Therefore, I think it was also important to commit myself aloud to this independence and impartiality during my swearing-in ceremony at the Court of Justice of the European Union.'
 Interview with Annemie Turtelboom, ECA Member since 1 May 2018

continued

ECA lives in the EU

As a former politician, Annemie Turtelboom understands and appreciates the position of the ECA very well. She explains it is also important to consider to what extent the ECA operates in a political context. ‘I believe that we do not live in a bubble, disconnected from the real world. To be independent is one matter, to be isolated entirely something else.’ She adds that it is important to maintain your network and good relationships, but that it is also important to remain completely independent. ‘When you find the right balance there, it will also be beneficial for the impact of your work.’ She continues: ‘So the ECA lives in the EU, but also needs to be independent, and the master of the words it writes down in its reports. The starting point for our work should be our own analysis. And in addition to our independence – which we are expected to use – we need to relate to our auditees, we need to be in contact with them to better understand how to improve shortcomings.’

This brings her to the topic of ECA reports, which she thinks should be constructive and curative. ‘The intention should not be to criticise, or to warn, but to make things better. And the EU can get better if the ECA produces good and clear reports, with constructive recommendations.’ She adds that to do so, and as an audit institution, the ECA should not be afraid of identifying things and responsibilities if something goes wrong. ‘I also believe many things could be improved with the help of the ECA and that is why I welcome the increased attention for performance issues.’ She adds that she sees the work of auditors as a tool that politicians can use to improve legislation and eventually society. ‘For me an auditor is an essential part of a healthy society. Politicians decide what the direction should be, but we also need watchdogs who can analyse and assess policy measures and outcomes.

Council level

Annemie Turtelboom’s efforts to work hard and her confidence to take certain risks on a personal level brought her a successful career. Talking about an auditor’s stance towards risk, she underlines that she has always been careful not to take unreasonable risks in her work. ‘On a professional level you cannot gamble. That is even more true here at the ECA, because we simply cannot risk our institution’s reputation by writing a report with an unfounded attitude or not paying enough attention to timeliness.’ She underlines that when the ECA writes something, it needs to be absolutely certain that all the facts are correct. ‘However, this does not mean we cannot be bold in the topics we select, the techniques we apply and the way we write our reports.’ Annemie Turtelboom is convinced that the ECA should be the front-runner of the EU and the audit world. ‘We need to improve ourselves continuously. This is also why I like to be surrounded by people who dare to criticise me, because I believe that is the path towards innovation!’

Here, she particularly sees the ECA’s interinstitutional contacts and especially its relationship with the Council, as an area with potential for innovative approaches. ‘The ties with the European Parliament are clear and constructive, and we have the adversarial procedure to discuss contents of draft reports, conclusions and recommendations with the Commission. But in general, we find it rather difficult to get direct interest from the level of the Council, although that is where decisions are taken in the end!’ The new ECA Member recognises the improvements that have been made in this respect. ‘We need to find out how to open up more to the Council and I think people like me, who have been a member of a Member State’s government, can be helpful in this respect.’ Annemie Turtelboom is not surprised that the ECA has difficulties in reaching the Council. ‘One should realise there are many things to do...
during such a rotating Presidency lasting only six months, so any issue can easily ‘fall’ between two Council presidencies. She then expands on the importance of bringing ECA reports to this higher level. ‘We report on important topics that represent large parts of the EU budget, so if it wants to improve the EU, it is important that the Council reads the ECA’s special and annual reports. Our findings and recommendations will help the Council to make well-informed decisions in the future.’ ‘One should realise there are many things to do during such a rotating Presidency lasting only six months, so any issue can easily ‘fall’ between two Council presidencies.’ She then expands on the importance of bringing ECA reports to this higher level. ‘We report on important topics that represent large parts of the EU budget, so if it wants to improve the EU, it is important the Council reads the ECA’s special and annual reports. Our findings and recommendations will help the Council making well-informed decisions in the future.’

Focus on the citizen

In the end, Annemie Turtelboom highlights that for her the starting point is the EU citizen. ‘As a former politician, in a city council, in a parliament, I see this is at the core of everything I do, and in my role as Member I intend to visit the Member States and to talk with citizens as often as possible.’ She argues that presenting ECA reports on the national level and, if necessary and feasible, on the regional level, is essential to ‘spread’ the ECA’s messages. ‘We should present the findings of our special reports not only in the Member States that are directly concerned, but also in other Member States. In addition to this, we should look for opportunities to work closer together with the Member State’s supreme audit institutions.’

She is convinced that all these efforts will help to explain what the ECA does, and to demonstrate what is going well and what needs to be improved in the EU. ‘This should be at the core of our work: to explain to all EU citizens that we help, through our audits, to improve the decisions that are made. To help the EU to deliver. Because that is the only way to rebuild trust in the EU.’
Four new Members of the European Court of Auditors sworn in by the Court of Justice of the European Union

By Victoria Gilson, Private Office of Phil Wynn Owen, ECA Member

On 31 May 2018 at the European Court of Justice, Eva Lindström (from Sweden), Tony Murphy (from Ireland), Hannu Takkula (from Finland) and Annemie Turtelboom (from Belgium) undertook their oaths for their six-year terms as Members at the European Court of Auditors. Victoria Gilson provides details on this ceremony and some background on what it entails.

ECA’s collegial system

Article 285 and more particularly article 286 of the Treaty on the Functioning of the European Union (TFEU) arrange for the composition and selection of the College of the ECA. The origins of ECA’s collegial system of today stem from the setting up of the Audit Board of the European Communities in 1959. It started out with just six part-time Members—one from each of the founding Member States and ended up with 12 Members in 1977, when it was replaced by the European Court of Auditors. The size of the College of the ECA increased as the EU enlarged, reaching now 28 Members.

Appointment

Article 285 of the TFEU explicitly stated that the ECA consists of one Member from each Member State. This process starts with a proposal from Member State governments, followed by a public hearing with the Committee on Budgetary Control of the European Parliament, a vote at a plenary session of the European Parliament, and finally the formal appointment by the Council of the European Union.
Ceremony and entry into function

The four most recently appointed Members started their work at the ECA respectively on 1 March (Eva Linström, Tony Murphy and Hannu Takkula) and 1 May 2018 (Annemie Turtelboom). During the ceremony on 31 May 2018, each newly appointed Member gave his or her oath in their respective native language before the Court of Justice of the European Union. The President of the Court of Justice of the European Union, Koen Lenaerts, pointed out in his speech that this commitment emphasises the fact that the European Union is founded on the principle of respect of law, which characterises also the functioning of its institutions.

The President of the European Court of Auditors, Klaus-Heiner Lehne, recalled in his speech that 'the EU Treaty provides for ECA Members to perform their duties independently as defenders of the Union’s financial conscience.’ He also noted that the strength of our institution and its college draws on the diversity of our Members: they bring valuable national experience, many different perspectives and expertise to our work. The recent appointments also contribute to making the ECA more gender-balanced. Klaus-Heiner Lehne said: ‘We now have 6 female Members, three of whom are Deans of their Chambers – we must continue to insist upon working towards gender balance also in the future.’
Oath given by newly appointed ECA Members

I solemnly undertake:

• in the general interest of the European Union, to be completely independent in the performance of my duties;

• in the performance of my duties neither to seek nor accept instructions from any Government or any other body;

• to refrain from any action incompatible with the nature of my duties.

I further undertake to respect, both during and after my term of office, the obligation arising therefrom, and in particular the duty to behave with integrity and discretion as regards the acceptance, after I have ceased to hold office, of certain appointments or benefits.

Duties and tasks

The ECA operates as a collegial body of 28 Members, one from each Member State for a renewable term of six years. They are chosen ‘among persons who belong or have belonged in their respective States to external audit bodies or who are especially qualified for this office’ (see article 286(1) of TFEU) and are required to to be ‘completely independent in the performance of their duties, in the Union’s general interest’ (see article 285 TFEU). Once they become ECA Members, they do not represent the interests of their country of origin. Members elect one of them as President for a renewable term of three years.

All 28 Members meet several times a month to discuss and adopt documents, such as the special reports, opinions on legislative proposals, the annual publications: the annual reports on the general budget of the EU and the European Development Funds or the specific annual reports on EU agencies and EU joint undertakings. Members are assigned to one of the five audit chambers, led by a Dean, and/or the Audit Quality Control Committee. Finally, the President, Deans and Secretary General meet regularly in the Administrative Committee to discuss and decide on administrative issues.

Each Member also has responsibility for specific tasks, primarily in the field of audit. The audit work leading to a report is carried out by the ECA’s audit staff under the coordination of a Member, who is assisted by a private office. The Member presents the report to the chamber and/or the College for adoption, and then to the European Parliament, Council and other relevant stakeholders at EU or national level.
On 30 and 31 May 2018 the ECA, as vice-chair hosted the 15th meeting of the Steering Committee of the Professional Standards Committee (PSC) of the International Organisation of Supreme Audit Institutions (INTOSAI). Alan Findlay, who is closely involved in the ECA work for the PSC, provides insights on what were the main issues discussed and decisions taken.

Minister Bruno Dantas, Chair of the PSC and Danièle Lamarque, Vice-chair of the INTOSAI PSC

Addressing the INTOSAI Strategic Plan

The 15th PSC meeting took place in the impressive surroundings of the Neumünster Abbey in Luxembourg. Bruno Dantas, Minister in the Brazilian supreme audit institution (SAI), the Federal Court of Accounts, represented the Chair of the PSC, while Danièle Lamarque, ECA Member, represented the ECA.

The PSC’s mission is to provide relevant, professional and clear standards and guidance on audit, in fulfilment of one of the key goals of the current INTOSAI Strategic Plan: to encourage strong, independent, and multidisciplinary SAIs and encourage good governance.

To this end, this year’s meeting focused on several technical discussions: the Implementation of the INTOSAI Strategic Plan, the Implementation of the 2017-19 Strategic Development Plan for professional pronouncements (SDP) and on setting-up a Technical Support Function (by first establishing a proof of concept exercise to start the momentum behind this initiative). The meeting also provided an opportunity to take stock of the improvements in INTOSAI standard setting following the changes implemented in the previous strategic plan running until 2016.

It is worth looking in detail at two further points of the agenda: the preparations for the Strategic Development Plan for Professional Pronouncements post 2019, and the governance of the Forum for INTOSAI Professional Pronouncements (FIPP).
Process for developing the next SDP

The SDP is a forward-looking planning document that brings together all initiatives to develop, revise or withdraw professional pronouncements and thus support the new INTOSAI Framework of Professional Pronouncements. The current SDP will finish in 2019. Its three priority actions were designed to implement the revised framework, to provide improved INTOSAI Guidance (GUIDs) that can better support audits in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), and to prepare for further development of INTOSAI's pronouncements in key areas beyond 2019. The evaluation of the current plan will be made at a later date. However, whatever its achievements, the new framework will still require nurturing and further strengthening to reach its full potential.

Most participants supported the idea that the SDP should cover a six-year period (with a mid-term review), i.e. double its present duration. This would allow working groups more time to develop and present their projects and crucially would allow the SDP to be aligned with the INTOSAI strategic plan, which is also on a six-year timescale.

The PSC will lay the groundwork for the next SDP by conducting a scanning exercise to gather input from those who have an interest in the SDP such as the Goal Chairs, INTOSAI external stakeholders and consultative bodies, and will create a shortlist of potential focus areas. The PSC will ensure that proposals for the next SDP are relevant, realistic to achieve, and will lead to standards which are principles-based (i.e. avoiding detailed or specific instructions), and drafted clearly enough to avoid the need for interpretation.

From the Forum for INTOSAI Professional Pronouncements (FIPP) side, representatives added that the overall aim of the SDP process is to arrive at a set of clear, consistent and adequate professional pronouncements that are consistent with ISSAI 100 (Fundamental Principles of Public-Sector Auditing).

Governance of the FIPP

The 68th meeting of INTOSAI’s Governing Board, held in Abu Dhabi, in December 2016, resolved to establish the FIPP as an INTOSAI permanent body. Its task is to consider and propose how to further develop the ISSAI framework by providing a clearer distinction between auditing standards, guidelines, best practice documents, etc. covering both auditing, ethics, and independence, and to provide clear directions on the format and quality requirements for each of these different categories of documents.

As the FIPP’s governing body, the PSC, including the other goal chairs, takes a leading role in the continued development of the FIPP. The PSC proposed the following changes to the FIPP’s terms of reference to reinforce the way it works:

- an increase in FIPP members from 15 to 16;
- stricter requirements on FIPP members’ professional qualifications;
- a clearer process for selecting the FIPP Chair; and
- to remove from FIPP all responsibility for providing answers to questions on the status and interpretation of the ISSAIs.
Meeting delegates endorsed the changes, but requested clarification on who should now take over FIPP’s responsibility for commenting on the status and interpretation of the ISSAIs. Participants, including the FIPP, stressed that this was a further reason for pronouncements to be drafted clearly. For the next PSC-SC meeting, the PSC chair will nevertheless prepare a proposal on the best approach to interpreting ISSAIs with particular reference to the practices of other standard setting bodies.

The PSC also decided that greater clarity for the role of the FIPP in the development of the SDP and on FIPP’s position in due process is needed. For instance, the PSC will explore how to deal with cases of disagreement between the FIPP and the project teams and also see how best to bring feedback on the implementation of ISSAIs and GUIDs into the standard-setting process.

Overall, participants agreed that the establishment of FIPP, and succeeding in preparing and gaining acceptance of a first SDP are important steps forward in making INTOSAI’s standard setting more effective. From the discussions it also evolved that clarity on the interpretation of at least the existing ISSAIs would still be welcome. Finally, the past two years have served as a very useful learning exercise with valuable lessons to be drawn for the future.
Auditing public procurement: 2018 seminar of the EU Contact Committee of SAIs

By Tomasz Kokot and Mariusz Pomienski, Directorate Financing and administering the Union

Auditing tendering procedures is a recurrent and important part of the work for public auditors. There is a common thread: thanks to the Single Market the EU regulates this aspect of government activity. This makes it more important to exchange on interpretation and experiences between auditors from national audit bodies and from the ECA. Mariusz Pomienski and Tomasz Kokot participated in a two-day meeting of 22 supreme audit institutions, the ECA as well as representatives from OECD/SIGMA organised by the Hellenic Court of Audit in Athens on 31 May and 1 June 2018.

Why this seminar

The 2018 Public Procurement Audit Seminar was organised and hosted by the Hellenic Court of Audit, as an activity related to the update of the Public Procurement Audit documents prepared by the Contact Committee of the Supreme Audit Institutions (SAIs) of the European Union.

The Contact Committee set up, in 2004, a Public Procurement Working Group, under the initiative of the SAI of Ireland. This group produced four documents meant to help auditors in the public procurement related audits, which were further updated and developed by a subsequent working group, co-chaired by the SAIs of Belgium and Slovenia:

- a Guideline for Auditors, based on the European Union (EU) Public Sector Procurement Directive 2004/18/EC, including summaries of the most important judgements of the Court of Justice of the European Union (CJEU);
- a Procurement Performance Model, including key questions developed as reference pointers for auditors evaluating the performance of the procurement function in public sector bodies;
- checklists for Financial and Compliance Audit of Public Procurement, to use when auditing public procurement processes; and
- summaries of audit reports published by EU Supreme Audit Institutions (SAIs)

The work was disseminated in 2010 by publishing the documents in a booklet and through the web and by a seminar, held in Lisbon for all European SAIs, about the audit of public procurement.
In October 2016, under the initiative of the SAI of Portugal, the Contact Committee promoted a new update of the mentioned documents. In fact, in order to stay relevant, the public procurement audit documents had to be adapted to the 2014 new EU Directives regarding public procurement.

The update was conducted by a team led by the Portuguese Court of Auditors: representatives from the SAIs of Belgium, Croatia, Czech Republic, Finland, Greece, Ireland, Latvia, Lithuania, Poland, Romania, Slovak Republic as well as from the European Court of Auditors participated.

There were more than 47 auditors from 122 supreme audit institutions, The ECA as well as representatives from OECD/SIGMA who participated in the Hellenic Court of Audit in Athens on 31 May and 1 June 2018. Androniki Theotokatou, President of the Hellenic Court of Audit, opened the meeting, zooming in on the work done since 2010 and the relevance of the audit work on public procurement for both internal and external auditors.

**ECA contribution**

Vítor Caldeira, President of the Portuguese SAI (and former ECA President) then presented the work done:

- describing the content of the new EU directives;
- updating the references to case law of the Court of Justice of the European Union (CJEU);
- redrafting audit questions related to the directives (including new procurement procedures and new areas dealt with, such as modifications to contracts and concessions);
- updating the notes to the several questions of the checklists;
- and updating the summaries of SAIs audit reports to current date.

Tomasz Kokot and Milan Smid from the ECA had worked on updating checklists for financial and compliance audits. They had also analysed CJEU case law and reviewed the European Commission’s work in the area of public procurement. Further, they put together an overview of the ECA’s compliance work on public procurement and an analysis of the most frequent irregularities found.

**Main issues discussed**

The two-day seminar was full of stimulating presentations focusing on a range of public procurement-related topics. These presentations mainly focused on the results of the updated work, the main changes of the new directive, and the challenges for Member States to transpose it.

Phil Wynn Owen (who had been reporting Member for one of our recent special reports on the subject) gave an overview of the ECA’s recent performance and compliance audit work on public procurement, and also on the actions taken to date on the recommendations in the ECA’s 2015 report.
We particularly want to highlight two other presentations that were of particular interest:

- first, Matti Vedenkannas, from the Finnish SAI, focused on performance auditing, and how to boost innovation through public procurement. In two reports, they had examined whether the tendering procedure had created additional demand for innovative products and services. They had looked at which factors, on one hand, encourage innovation and, on the other hand, stimulate innovative procurement. The Finnish auditors concluded that procurement and contracting arrangement could be useful tools to foster innovative solutions. Moreover, they considered the role of national policies in procurement organisations to be quite limited. Currently, the Finish SAI is continuing this innovative audit work by looking at public procurement from the perspective of sustainable (green) development. The audit covers the Finish government’s strategic goal for Finland to become a pioneer in clean technology and bio-economy. Public procurement is one of key instruments to achieve this goal by creating demand for sustainable solutions.

- Ioannis Kitsos, representing the Hellenic Independent Public Procurement Authority on remedies review, zoomed in on concessions and public-private partnerships from the perspective of the new EU public procurement law. He indicated that the new concession directive successfully introduces a level playing field for concession ventures in the EU investment market. For the first time, the EU legislator introduced a common regulatory framework which governs all concessions (i.e. works and services). In his view, however, it remains unclear which self-financed projects fall under the new concessions directive. Another issue he identified was that Member States may apply these rules differently.

The participants also discussed various other topics covering performance auditing, concessions and public-private partnerships, and how to prevent irregularities, fraud and corruption, to name a few.

Remaining up to date to remain relevant

Auditors’ ability to adjust to constantly changing environment is of paramount importance, if auditors’ work is to remain relevant to stakeholders. The initiative of the Portuguese SAI to bring up to date and exchange about EU directives on public procurement and its consequences for auditors shows that the EU SAIs understand this, and that they take action not only in theory, but in practice as well. And it was most useful to exchange insights that audits on public procurement can go far beyond compliance with rules and may have a clear impact on performance elements, most evidently as far as sustainability issues are concerned.
Connecting the regional and European level: Members of Parliament from the Berlin House of Representatives visit the ECA

By Philipp Dette, Directorate of the Presidency

Parliaments should make good use their auditors

The delegation from the House of Representatives of the State of Berlin visiting the ECA consisted of members of parliament from all political parties. It was headed by Ralf Wieland, its President. Heinrich Kreft, Ambassador of the Federal Republic of Germany in Luxembourg, had joined the delegation for its meeting with the ECA.

ECA President Klaus-Heiner Lehne opened the meeting by explaining the functioning of the ECA as a collegiate body and its organisation. He then zoomed in on the future focus of the ECA’s work. He underlined the accounting improvements in the European budget, with sustained trend towards lower levels of irregularities and more than half of the 2016 EU expenditures without material error. This, combined with other developments, opens the possibility to move towards attestation audit and to rely on the controls made by the Commission and national authorities. Klaus-Heiner Lehne also spoke about the upcoming Multiannual Financial Framework (MFF) where the ECA seeks to comment on the proposals and present its views to the European Parliament, the Council but also the public at large. The ECA President identified the lack of flexibility in the past MFFs as an inherent problem: around 90% of the expenditure is fixed in advance, which limits possible reactions to unforeseen challenges. Coming from the Berlin House of Representatives, the guests were quite familiar with the work of their own Court of Auditors or Landesrechnungshof. The advice from ECA President Lehne to them was:
'Pay more attention to the work of your auditor! Because a Court of Auditors will function more effectively if the Parliament, and as many of its committees as possible, discuss and make use of its reports for their legislative and supervisory work.'

**Citizens’ trust essential for the EU to be successful**

In the lively discussions during the meeting, all participants agreed that trust of citizens plays a key role in the future success of the European Union. This is however hard to achieve and several participants had the opinion that all supreme audit institutions, especially the ECA, have to play an important role to identify possible irregularities in spending, potentials for savings and areas of weak performance. On the other hand they should also highlight good practices and well-functioning policies. This assures citizens that their tax-money is being spent properly.

The ECA President highlighted that for a better legitimacy of the spending at EU level in the next MFF, non-transparent ‘budget galaxies’, which are not subject to the same level of oversight, should be avoided wherever possible. Most of the participants agreed that, overall, trust in the EU is improving, pointing out that many steps to enhance the European Union have already been taken, such as for instance work on Better Regulation. Furthermore, some participants brought up the results of recent polls. It was pointed out that support for the EU had been rising continuously since the referendum in the United Kingdom and its decision to withdraw from the EU.

Klaus-Heiner Lehne ended the meeting by highlighting the core benefits of the EU, which he found good to keep in mind: maintaining peace, achieving common goals for the future, in all areas where the EU Member States together achieves better value if they act together, and sustained prosperity in a globalised world.

<table>
<thead>
<tr>
<th>Berlin and the House of Representatives</th>
<th>Facts and figures</th>
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<tbody>
<tr>
<td>Population of Berlin</td>
<td>3.6 million</td>
</tr>
<tr>
<td>Gross regional product</td>
<td>€ 136.61 bn</td>
</tr>
<tr>
<td>Number of members of parliament</td>
<td>160</td>
</tr>
<tr>
<td>Election period</td>
<td>Five years</td>
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<tr>
<td>Supreme Audit Institution</td>
<td>Berlin Court of Auditors (Rechnungshof von Berlin - <a href="https://www.berlin.de/rechnungshof/">https://www.berlin.de/rechnungshof/</a>)</td>
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On 6 June 2018, to underline its good relations and intentions, the ECA renewed the framework agreement with the staff trade unions. Representatives of both the ECA’s staff and administration were present at the signing ceremony. Philipp Dette reports.

New Framework Agreement

On 6 June 2018, the ECA renewed the framework agreement with the staff trade unions, represented by the Union Syndicale Luxembourg (USL). Although it was signed only by the USL, the agreement is also open to other trade unions. The first agreement was concluded in 1993 to provide trade unions and staff associations with a sound basis for reinforcing social dialogue at the ECA. In 2017, the USL and the ECA agreed to update the existing agreement in line with today’s circumstances. After several months of discussions and an exchange of drafts, the agreement was finished before the elections for the new staff committee.

Signing ceremony

Henri Grethen, ECA Member, oversaw the signing ceremony. The Secretary-General Eduardo Ruiz García, signed on behalf of the ECA, while USL President Miguel Vicente Nuñez and Lars Michael Luplow, coordinator of the USL delegation at the ECA, signed the agreement for the trade union. Emese Fésüs, Secretary-General of the USL and ECA auditor, also attended the meeting. It was an honour for all participants to have Giuseppe Caló, USL President in 1993 and signatory of the original framework agreement, as a special guest during the signing.
ECA signs new agreement with staff trade unions to reinforce social dialogue

**Signing ceremony**

Henri Grethen, ECA Member, chaired the signing ceremony representing the President. ECA Secretary General, Eduardo Ruiz Garcia signed the agreement on behalf of the ECA, while USL President Miguel Vicente Nunez and Lars Michael Luplow, Coordinator of USL delegation at the ECA, signed the agreement on behalf of the trade union. Furthermore, the Secretary General of USL and ECA auditor, Emese Fesus, attended the meeting. It was an honour for all participants to have Giuseppe Calò, USL President in 1993 and signatory of the original framework agreement, as a special guest during the signing. The offices of the President and the Secretary General were represented by their respective Head of Private Office. The Director and Principal Manager for Human Resources were also present representing the ECA administration.

**Agreement as building block**

Alfonso de la Fuente Garrigosa, Head of the Private Office of the Secretary General, provided some background on why such an agreement is important. First, the ECA administration is keen to cooperate with the trade unions and ensure a good representation of all staff. Second, for the administration the renewal is another important building block in the traditionally good relationships with the staff representatives. In the Framework Agreement, there is much attention for the procedural aspects to ensure reaching the goal of good staff representation. He also indicated that the administration facilitates staff representatives activities, for example by providing designated office space and the possibility for staff representatives to go on training missions. Further, the head of the Staff Committee, has the possibility to continue with his/her duties on a part time basis or be full time allocated to exercise his or her staff representation tasks. Alfonso de la Fuente Garrigosa underlined the administration's commitment to work together with the staff committee and trade unions for the benefit of all ECA staff.
ECA contributes to the conference in Pisa on the protection of the EU financial interests

By Chiara Cipriani, Private Office of Pietro Russo, ECA Member

On 16 June 2018 an international conference on the protection of the financial interest of the European Union was held in the framework of the Jean Monnet module ‘Protecting EU’s Financial Interest: role of the European Court of Auditors and the cooperation with the Italian Corte dei conti.’ The conference was held at the Political Science faculty of the University of Pisa, Italy. Chiara Cipriani reports on the main issues discussed.

Academics and ECA cooperating for better understanding on fraud and corruption

Professor Giovanna Colombini, in charge of the project and promotor of the cooperation agreement between the ECA and the University of Pisa signed last year, Nicoletta De Francesco, dean of the university, and Alessandro Balestrino, Director of the faculty of political sciences, opened the conference on the protection of the EU financial interests. The speakers recalled the chain of events that lead to the fruitful cooperation between the academic world and the ECA in the framework of the Jean Monnet project. European funds are public money and as such are to be spent with project objectives, transparency, awareness and honesty. The young students participating in the project - approximately 80 students since the launch of the project in November 2017 and which runs for 7 month - were to develop a basic understanding on issues of fraud prevention and combatting fraud.

Institutional roles in protecting EU financial interests

The President of the Italian Court of Auditors, Angelo Buscema, and the Section President Mauro Orefice respectively chaired the two subsequent parts of the conference, covering
highly relevant topics. Caterina Chinnici, Member of the European Parliament (MEP) and member of the European Parliament's LIBE Commission, explained the role of the European Parliament in the protection of the financial interest. She, highlighted the ‘Protection of the Union’s Financial Interests Directive’ (the so-called PIF Directive), a directive recently amended and aiming to strengthen the discipline on European level in actions against criminal acts damaging the European budget through the application of penal law. According to the latest Parliament report, in 2015, fraud against the EU budget amounted to € 637 million. Apart from directly damaging the EU budget, fraud creates distortion in the competitiveness between enterprises and creates reputational damage to the trust of EU citizens in the European institutions.

Sara Panelli, representing the European Anti-Fraud Office (OLAF), subsequently explained OLAF’s role and how it conducts its investigations. In this context also the topic of the European Prosecutor (EPPO), was elaborated by Alberto Perduca, district attorney in Asti, Italy.

**Ethical behaviour**

On behalf of the ECA Pietro Russo, ECA Member, and Eduardo Ruiz Garcia, ECA Secretary General, held lectures on the relevance of errors detected through the ECA’s audit work and on its activities regarding irregularity and fraud in EU funds.

After elaborating the distinction between irregularity and fraud from a legal point of view, Pietro Russo explained in detail the means foreseen in article 287 of the Treaty on the Functioning of the European Union (TFEU), under which the ECA has to provide a so-called Statement of Assurance on the reliability of the accounts of the EU and the legality and regularity of the transactions underlying these accounts. Pietro Russo underlined that the detection of irregularity in the management of EU funds remains a crucial task for the ECA. Apart from the Statement of Assurance work confirming the legality of the underlying transactions, the detection of irregularity also serves as a basis for specific assessments in the main sectors of EU spending and activity.

Eduardo General Ruiz Garcia than spoke then about the specific role of the ECA in fighting irregularity and fraud; a role that is primarily derived from its mission in financial control, and secondly related to the promotion of good governance (through observations and recommendations) to enhance accountability and transparency. He elaborated on the various risk factors that auditors face in the course of their work and that need to be addressed to provide a legally valid process. He ultimately highlighted the necessity to promote ethical behaviour of public officials, politicians and citizens. Having this ethical dimension in the education as the basis to further build upon, the University of Pisa through the Jean Monnet project plays an important role to foster such behaviour in young students – citizens of tomorrow.

The final contribution was then delivered by Maria Teresa Polito, attorney at the Italian Court of Auditors. She spoke about the role of supreme audit institutions (SAIs) in fraud prevention and the experience of the Italian SAI in this field.

Before Professor Aristide Police, of the University of Rome Tor Vergata, went to deliver the final conclusions of this stimulating conference, three of the students participating in the Jean Monnet project spoke about their respective experiences and impressions obtained in this field and throughout the conference. In particular, Benedetta Ridarelli, student of law, presented her point of reflection on the consultancy function of the ECA, elaborating her view on the links between article 322 TFEU and article 287(4) TFEU and the ECA’s role in the judicial setting of the EU. Elena Ciulli of the faculty of political science then elaborated on the role of regional control sections in the functioning of the Italian Court.
of Auditors and Gian Marco Ricci, student of law, spoke about the evolution over time of the ECA’s role in fighting fraud.

**Key ingredients for attaining public trust**

The message that the University of Pisa and the ECA presented to the young students was that the adherence to transparency and accountability in the management of public funds at EU and national level, can help to re-establish trust in the institutions. This particularly in times of perceived waste of public funds, bad management and subsequently a bad reputation. Such management of public funds is nowadays collectively regarded as unacceptable. After all, public financial interests belong to the general public.

At the closure of the conference the students participating in the Jean Monnet project expressed their gratitude for the learning opportunities provided. For the ECA this Jean Monnet project was just the first step towards a deeper and stronger cooperation and synergy with the academic world. An important next step will be during the Summer School, starting at the end of July 2018, with an intense collaboration with the Association of Chartered Certified Accountants (ACCA).
Stimulating a dialogue with the ECA

The Bridge Forum Dialogue provides a forum to stimulate dialogue between public institutions and interested citizens about Europe. It aims at linking the European institutions established in Luxembourg with actors and institutions of Luxembourg financial, economic and legal life. Since its creation in 2000 the Bridge Forum Dialogue organizes around three conferences per year on various topics linked to the European Union.

For the June 2018 conference, it was ECA President Klaus-Heiner Lehne taking the floor. To familiarize the external audience of around 200 guests with the ECA, he first presented the tasks and responsibilities of the ECA as the EU’s external auditor and self-proclaimed guardian of the financial interest of Union’s citizens. He further pointed out key attributes of the ECA which is a full Institution since 1993, for instance that the College is composed of 28 independent members, one from each member state, and the strength of the ECA, having a well-trained and motivated workforce with diverse backgrounds from all member states. Moreover, to ensure the quality of its work, the ECA relies on regular peer reviews.
Recent improvements in EU’s financial management

Each year the ECA examines the EU budget when it assesses the reliability of the accounts and the legality and regularity of the transactions underlying these accounts in the context of its statement of Assurance. There has been a considerable improvement in ensuring that EU money is spent by the EU and the Member States in accordance with the applicable rules. Klaus-Heiner Lehne highlighted that an error found by the ECA does not automatically mean that this amount of money was wasted. ‘A bridge that was built might still attain the objectives of the investment, even though the tendering for the works was not done correctly.’ In 2016, the ECA was for the first time able to issue a ‘qualified opinion’ (rather than an ‘adverse opinion’) on the budget. This indicates there is still need for further improvement before the ECA can issue an ‘unqualified (or clean) opinion’.

According to Klaus-Heiner Lehne, a more holistic view on EU added value and EU performance needs to be taken by the ECA as the EU’s external auditor, since EU action takes effect in many ways. The considerable improvements in the EU’s financial management in the past years have also allowed the ECA to shift the focus of its work from checking compliance towards answering the key questions of citizens: ‘Does the EU deliver?’ and ‘Do EU funds provide value for money?’ With this objective in mind, the ECA has taken efforts to shift resources towards performance audits and the new review-based products, which, as Klaus-Heiner Lehne underlined, is fully in line with the 2018-2020 ECA strategy. Currently, however, around half of the staff resources are still dedicated to compliance testing.

Banking supervision

Talking about the roles and responsibilities of external auditors in relation to the EU banking union, Klaus-Heiner Lehne pointed to the paradox that the overall audit rights regarding financial supervision are more limited now than before the 2007/2008 financial crisis. This is the case despite the fact that limited supervision of the banking sector was one of the causes for the crisis.

Next Multi-annual financial framework

When referring to the 2021-2027 Multiannual Financial Framework (MFF) which is currently under discussion, the ECA President underlined the role the ECA intends to play in the discussions by issuing its opinions on the Commission’s main legislative proposals in the coming months. Klaus-Heiner Lehne indicated that the MFF is much more than a planning tool since it reflects the political decisions and spending priorities for the next seven years and even beyond.

When talking about the issued already raised by the ECA Klaus-Heiner Lehne highlighted the following aspects:

- the EU budget needs to become more responsive to changing circumstances and unforeseen developments;
- the accountability of all EU institutions should be improved and the management of EU funds simplified. A simpler set of rules does not only ease the administrative burden of beneficiaries and implementing bodies, but it also reduces the likelihood of irregularities. In its legislative proposals, the Commission already took a step in the right direction and reduced the number of sectoral programs from 58 to 37;
- a proper framework for assessing the EU added value needs to be developed;
- Lastly, the agreement of an EU budget for 27 instead of 28 member states should not be seen as a setback, but rather as an opportunity to reflect on the Union’s
spending priorities. In the long run, the EU should however aim at reducing its dependency on Member State contributions, away from a situation where 70% of the resources come from national budgets.

Furthermore, he underlined the need for clarity and accountability for financial instruments (i.e. loans, guarantees and equity investments) which are increasingly used to spent EU money. He pleaded the end of the so-called ‘Budget Galaxies’ to ensure better accountability on how European public money is spent. Klaus-Heiner Lehne observed that the ECA can be seen as a ‘pilot vessel’ helping to steer the budget ‘supertanker’ during the preparation of the new budget.

Making the ECA ‘future proof’

He concluded his speech by stating that also the ECA must be be ‘future-proof’. In this context, the ECA President referred to the ‘Foresight’ group the ECA has been established to identify how future trends and challenges may affect the work of public auditors, and in particular the ECA and how the ECA could best react to them.

Klaus-Heiner Lehne responding to questions from the audience, including at the reception that followed. Questions raised related to how the ECA ensures the quality of its work, how it relies on the work carried out by others and which criteria it uses for assessing EU added value. Furthermore, the ECA President replied on issues related to simplification of EU regulations, its intention to do more performance audits, and to what extent the ECA is exposed to political pressure.
ECA hosts conference on the ‘Association agreement between the Republic of San Marino and the EU’

By Benjamin Jakob & Chiara Cipriani, Private Office of Pietro Russo, ECA Member

Looking at San Marino’s path towards the EU

On 20 June 2018 the ECA welcomed a delegation from the Republic of San Marino, led by Secretary of State Nicola Renzi. The ECA hosted, at the initiative of Pietro Russo, ECA Member, a conference on the association agreement with the EU. The conference was dedicated to bringing together high profile speakers from the Republic of San Marino, the European External Action Service (EEAS), the European Court of Justice (ECJ), the European Investment Bank (EIB), the ECA as well as Italian authorities and academia. The goal was to identify and discuss the role of the EU institutions in the association process and eventual agreement between San Marino and the EU. Fabio Morvilli, the Honorary Consul of San Marino in Luxembourg, moderated the meeting after ECA President Klaus-Heiner Lehne gave the opening speech. Following the welcoming address, the speakers shed light on the subject from different points of view.

Nicola Renzi, Secretary of State for Foreign Affairs, Political Affairs and Justice of the Republic of San Marino, addressed the topic ‘The republic of San Marino and the path towards the European Union.’ In his speech, the Secretary of State outlined and reiterated the development process that the republic underwent and that lead from an initial thought to the negotiation of an association agreement. Giving a general introduction of the recent history and special aspects of San Marino, he highlighted the steps of the integration process of his country to the EU. The elements covered ranged from the first diplomatic relation in 1982 to the latest steps and
ECA hosts conference on the ‘Association agreement between the Republic of San Marino and the EU’ continued

discussions with Federica Mogherini, the High Representative of the European Union for Foreign Affairs and Security Policy and Vice-President of the European Commission. He underlined that the agreement should be as good as other agreements on the European Economic Area, including a full application of the four freedoms with national safeguard clauses.

**Perspectives from EU institutions**

Antonio Tizzano, Vice President of the ECJ, subsequently gave a presentation titled ‘The role of the Court of Justice in the procedure for association with the European Union.’ He highlighted the importance of the legal aspects of the process and the support that the ECJ was, and is able to deliver. The ECJ Vice President also indicated that the goal is to reach a common single multilateral framework for Monaco, Andorra and San Marino, bearing in mind the differences between the countries. Following these legal aspects the next step was to present and discuss the elements of sounds public financial management. Pietro Russo, ECA Member, delivered his perspectives in a presentation titled ‘The procedure for association with the European Union and public financial control.’ He brought forward several aspects of the different financial regulations and frameworks, including the crucial Article 32 of the Acquis Communautaire that San Marino has become subject of and will allow the country full access to funds and investment vehicles. Along with this access to funds comes the obligation to follow the framework of sounds financial management as well as being part of the audit universe of the European Union, from international standards like the ones of the International Organisation of Supreme Audit Institutions (INTOSAI) down to operational audit rights of the ECA and aspects of fraud prevention and action.

Following the legal and audit perspectives, Miguel Morgado, Director of the Adriatic Sea Division, Operations Directorate of the EIB, gave a presentation with as title ‘The EIB: EU instrument for financing economic development.’ He delivered a broad perspective on the financial and investment vehicles that the EIB provides and the Republic of San Marino has access to, as well as the existing ties and engagement between his institution and San Marino. Following the banking and investment aspects Giovanni Pitruzzella, President of the Italian Antitrust Authority, in his presentation ‘Safeguarding competition in the European Union and associated countries,’ delivered an in depth analysis on the aspects of San Marino joining the single market, bilateral and multilateral agreements and the concept of economic networks safeguarding competition. Zooming in on antitrust matters and market control, Giovanni Pitruzzella stressed the importance of the ties between political and judicial dimension in international competition for the functioning of a single market of 500 million consumers in the European Union.

Claude Maerten, Head of Division for Western Europe of the EEAS gave a presentation with as title ‘Future EU- San Marino association, state of play of the negotiations.’ He provided details on the current state of play of the association process, where the parties stand and what can be expected next. Negotiations are currently in the endgame; with a possible conclusion of the technical negotiations early 2019. If the agreement were ready, it would be one of the closest agreements between the EU and a third state. Nevertheless, he also point out some critical factors, for instance that the intensive negotiations for a comprehensive agreement are taking place in the context of other ongoing and challenging tasks, such as the withdrawal of the UK from the Union.
ECA hosts conference on the ‘Association agreement between the Republic of San Marino and the EU’ continued

Zooming in on specific characteristics of San Marino

In the light of the ‘speciality’ of San Marino in this negotiations with the EU; Professor Carlo Curti Gialdino from the University La Sapienza Rome, talked about ‘Institutional profiles of the association of micro-states with the EU: specific characteristics of San Marino.’ He provided insights into the specific challenges and opportunities that European microstates face, the profile they hold, and positive economic impact they could bring the European single market. A new generation of association agreements could help to overcome potential frictions caused by application of EU law in San Marino without participation in the decision-making. He also recalled the relationships between microstates and the European Union through history, presented the phases that these relations underwent in the last decades and provided an outlook how future connections between microstates and the EU could potentially look like.

Insights from different angles

By hosting the conference the ECA contributed to the discussion of relations between micro states and the EU, looking at new developments from different angles, be it political, legal, from a financial management and control perspective, but also from an investment and competitiveness point of view. It will be interesting to follow the association steps of San Marino in the endgame phase in the years to come.
2017 Activity Report

In this report, you will find a comprehensive account of our activities in 2017 and key information on our organisation, budget and staff. Throughout the year, we issued special reports on a wide range of EU policies and programmes as well as review-based publications such as landscape reviews and rapid case reviews. In addition, we prepared several opinions on legislative proposals and, as we do every year, our annual reports on the EU budget and the European Development Funds, as well as on EU agencies and many other Union bodies.

Click here for our report

Auditors identify challenges to integration of migrants in EU

The European Court of Auditors has identified a number of challenges to the integration of migrants from outside the EU into society where further EU action is needed. The challenges are set out in a new Briefing Paper on EU action to support the integration of those living legally in the EU but without EU citizenship, such as people migrating for the purposes of employment, family reunification or research, asylum seekers and refugees. The briefing paper does not cover people residing illegally in the EU.

Click here for our report

EU Auditors to examine cross-border healthcare

The European Court of Auditors is conducting an audit of cross-border healthcare arrangements in the EU. The auditors will examine the European Commission’s monitoring and support for putting the EU legislation on cross-border healthcare access into effect, the results achieved to date for patients, and the effectiveness of the EU funding framework and of the actions funded. The audit will also cover the eHealth sector, where information technology is used to improve healthcare delivery and the health of citizens. The auditors have today published a Background Paper on the EU cross-border healthcare system as a source of information for those interested in the subject.

Click here for our report
EU Auditors to examine public participation in law-making

The European Court of Auditors is conducting an audit of public participation in EU law-making. In particular, they will examine the public consultations with stakeholders undertaken by the European Commission when preparing its legislative proposals. The auditors have today published a Background Paper, “Consulting the public when preparing EU law”, as a source of information for those interested in the subject.

EU Auditors highlight key areas for simplifying Cohesion policy after 2020

Simplifying rules for Cohesion spending is a key challenge to be addressed for the post-2020 period. In a new Briefing Paper from the European Court of Auditors, the auditors set out a series of principles to be followed and key areas that need attention by the European Commission, the European Parliament and the Member States when deciding on new rules.

Tackling radicalisation that leads to terrorism: the Commission addressed the needs of Member States, but with some shortfalls in coordination and evaluation

Radicalisation is the phenomenon of people embracing ideas which could lead them to commit acts of terrorism. The Commission supports Member States in their efforts to tackle radicalisation, for example through the exchange of good practices. In doing so it draws on a wide range of EU funds. We examined whether the Commission managed its support well. We found that the Commission addressed the needs of Member States and promoted cooperation through relevant initiatives such as the Radicalisation Awareness Network. However, there were some shortfalls in the Commission’s overall coordination of actions addressing radicalisation and in its framework for evaluating the effectiveness of its support. We therefore make a number of recommendations to improve the Commission’s coordination so that it can make the most of potential synergies, and to improve the framework for assessing results.
Special Report N° 12

Broadband in the EU Member States: despite progress, not all the Europe 2020 targets will be met

Broadband, meaning faster, better quality access to the internet, is becoming increasingly important not only for business competitiveness, but also for helping social inclusion. As part of its Europe 2020 strategy, the EU has set targets for broadband, including fast broadband availability for all Europeans by 2020. To support these objectives, the EU has made some 15 billion euro available to Member States in the period 2014-2020. We found that broadband coverage has generally been improving across the EU, but that the Europe 2020 targets will not all be achieved. Rural areas, where there is less incentive for the private sector to invest, remain less well connected than cities, and take up of ultra-fast broadband is significantly behind target.

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Special Report N° 16

Ex-post review of EU legislation: a well-established system, but incomplete

Ex-post review of legislation is a key part of the EU Better Regulation policy, which aims at facilitating the achievement of public policy objectives at minimum cost and improving the added value of EU interventions.

We assessed whether the EU system of ex-post review of legislation had been properly planned, implemented, managed and quality-controlled, thereby contributing effectively to the Better Regulation cycle.

We found that the Commission’s current system of reviewing laws compares well overall with its equivalents in the Member States. However, we identified a number of weaknesses related mostly to the lack of common inter-institutional definitions regarding review clauses, the unclear treatment of some kinds of reviews as well as the lack of clarity of the Regulatory Fitness and Performance (REFIT) programme.

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Strengthening the capacity of the internal security forces in Niger and Mali: only limited and slow progress

Niger and Mali are fragile states in Western Africa, whose security is threatened by the presence of terrorist groups, insecure borders and irregular migration. In order to respond to these threats, the EU set up CSDP Missions, respectively in 2012 and 2014, to strengthen the capacity of internal security forces by providing training, advice and equipment. Between 2012 and 2014, respectively and 2017, the EU allocated € 69 455 000 to EUCAP Sahel Niger and € 66 475 000 to EUCAP Sahel Mali. We concluded that the Missions had some success but that progress was slow. This was due to the difficult context in which the Missions worked, but also because of operational difficulties. We make a number of recommendations for improving operational efficiency, sustainability and monitoring.

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Desertification in the EU

Desertification is a form of land degradation in drylands. It results from unsustainable land management practices and climatic factors. Thirteen EU Member States, not only in the Mediterranean region, but also in Central and Eastern Europe, have declared that they are affected by desertification. Desertification is a consequence, but also a cause of climate change: it is aggravated by more droughts, rising temperatures, less precipitation, and it also magnifies climate change by reducing the capacity of soil to retain carbon.

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Countering chemical, biological, radiological and nuclear threats from outside the EU: better governance, but cooperation should be more targeted

The EU CBRN Centres of Excellence Initiative is the main scheme for mitigating chemical, biological, radiological and nuclear threats and risks from outside the EU. Although these risks are low, there are signs that they are on the rise and, if they were to materialise, their impact on the global health, environment and economy could be high. This Initiative aims to strengthen partner countries’ capabilities through capacity-building projects and a network for cooperation. We examined whether the EU CBRN Initiative had mitigated the CBRN threat, concluding that it did but that many challenges remain. We make a number of recommendations for improving the Initiative.

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EU high-speed rail: an ineffective patchwork of lines without realistic long-term plan

EU-wide strategic approach, according to a new report from the European Court of Auditors. The European high-speed rail network, say the auditors, is only a patchwork of national lines without proper coordination across borders, planned and built by Member States in isolation, resulting in poor connections. The European Commission has no legal tools and no powers in the decision making to ensure that Member States make rapid progress towards completing the core network.

Published on 26 June 2018

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COVER:
Word cloud image drawn from all articles in this ECA Journal related to the special theme
Source: ECA