Speech by Vítor Caldeira, President of the European Court of Auditors

Presentation of the Annual Reports 2012

PLENARY MEETING OF THE EUROPEAN PARLIAMENT

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Check against delivery. The spoken version shall take precedence.
President Schulz,

Honourable members of the European Parliament,

Commissioner Šemeta

It is a great honour to present to the Court’s annual report on the implementation of the 2012 EU budget to this plenary session of the Parliament.

Europe’s citizens have the right to know how their money is being spent and whether it is being used properly. They also have a right to know whether it is delivering value, particularly at a time when there is such pressure on public finances.

The Court’s annual report helps to provide this parliament and the citizens it represents with an overview of what is known about the state of EU financial management.

The picture presented this year is consistent with previous years. In short, the Court’s annual report on 2012 says:

- We know what EU money is spent on - the EU accounts prepared by the Commission are reliable, as they have been since 2007.
- We also know that not all funds are used properly – the Court concludes that payments from the EU budget are materially affected by error.
- But not enough is known about the overall value the EU budget delivers to citizens. The management and reporting systems for the EU budget are not yet capable of providing sufficient, relevant and reliable information on the results obtained by EU spending.

As regards the legality and regularity of payments, the Court estimates that the most likely error rate for expensed payments underlying the EU accounts is 4.8%.

The 2012 annual report includes considerable insight about the nature of these errors, where they occur, and why they persist. I would like to draw this parliament’s attention to a number of points.
First, errors represent cases where EU funds were not used in accordance with the relevant legislation and hence the wishes of this Parliament and the Council, as legislator and budget authority.

Over two thirds of the estimated error rate pertains to the ineligibility of cost claims submitted for payment and to serious failures to respect procurement rules.

Second, errors are not confined to any specific area of the budget. All policy groups covering operational expenditure are materially affected by error. Administrative expenditure is the only area where no material level of error was found.

The Court’s overall estimate of the most likely error rate for all areas of operational expenditure showed increases compared to 2011, leading to an overall rise from 3.9% in 2011 to 4.8% in 2012.

Third, the Court’s estimated rate of error is higher for those areas jointly managed by Member States. Improvements to the Court’s methodology enable a fair comparison to be made in this year’s annual report.

The Court calculates that the estimated rate of error on shared management expenditure was 5.3% compared to 4.3% on all other forms of operational expenditure.

Rural development remains the most error-prone with an estimated error rate of 7.9%, followed by regional policy with an error rate of 6.8%.

But the Court’s findings do not suggest that errors in areas under shared management are confined to specific Member States. In fact, the Court’s assessments of supervisory and control systems it examined showed there to be weaknesses at a wide range of national and regional authorities.

Member States’ authorities could do more to prevent errors. The Court’s transaction testing also shows that over half of the errors the Court found could have been
corrected by national authorities before submitting claims for reimbursement to the Commission.

The Commission can and does take action to protect the EU budget by applying financial corrections. But the system for doing so is complex and the impact of financial corrections on Member States and beneficiaries depends on the applicable regulations.

For example, in agriculture most financial corrections do not lead the Members States concerned to recover payments from beneficiaries, while for cohesion most corrections are flat rate corrections which do not lead to detailed correction at project level.

So, in effect, most financial corrections fall on national taxpayers.

President, honourable members,

The main problem is that the current legal frameworks for spending do not do enough to encourage better spending. The challenge will be to change that over the new financial framework period.

With mounting pressure on public finances at EU and national level, the Court recommends a greater focus on the performance of EU spending programmes.

This means laying down clear objectives, relevant indicators, and expected results for all spending programmes. Currently the Court finds that this is not done consistently enough so as to provide a sufficient basis for managing and reporting on their performance.

The Union needs to address this issue and create a culture of performance if the next generation of spending programmes are to deliver – and to be seen to deliver - added value to Europe and its citizens.
President, honourable members,

EU institutions will need to work together to improve EU performance and accountability in the coming years.

The Court looks forward to playing its part alongside this parliament and the other EU institutions in achieving that goal for the benefit of EU citizens.

Thank you for your kind attention.