

EN

2014

Work Programme



EUROPEAN
COURT
OF AUDITORS

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG
Tel. +352 4398-1
Fax +352 4398-46410
E-mail: eca-info@eca.europa.eu
Internet: <http://eca.europa.eu>

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The European Court of Auditors (ECA) undertakes:

- o **Financial audits** - on the reliability of accounts and the legality and regularity of transactions. Financial audits are generally required by legislation (notably the statement of assurance, or 'DAS') on an annual basis.
- o **Compliance audits** - a key component of financial audit, comprising an assessment of whether transactions (income or spending) or systems of specific budgetary areas comply with the rules and regulations governing them.
- o **Performance audits** - on the soundness of financial management (including value for money). These audits are on specific management or budgetary topics, often covering a number of financial years.

Performance and compliance audit topics are **selected** at the ECA's discretion on the basis of criteria such as risk of irregularity or poor performance, potential for improvement and public interest. Their complex and detailed nature means they generally require more than a year to complete.

The Court publishes the results of its audit work in the following types of reports:

- o **Annual reports** - present the results of financial audits of the EU budget and the European Development Funds in the form of statements of assurance. These two reports are published together in November of the following year.
- o **Specific annual reports** - present the results of financial audits of the EU agencies and decentralised bodies. They are published at the end of the following year.
- o **Special reports** - present the results of selected performance and compliance audits. Special reports can be published at any time of the year.

In addition, the ECA is called upon to provide its **opinion** on new or updated legislation with a financial impact. It can also issue **position papers** on topics of interest at its own discretion.

The ECA - in line with other supreme audit institutions - carries out its work in compliance with **international standards** to ensure the highest professional quality.

ECA strategy 2013-2017

The ECA's objective for the 2013 to 2017 period is to maximise the value of its contribution to EU public accountability. In order to meet this objective, the priorities are to:

- o focus the ECA's products on improving EU accountability;
- o work with others to leverage the ECA's contribution to EU accountability;
- o guarantee the ECA's continuing professionalism;
- o make best use of the ECA's knowledge, skills and expertise; and
- o demonstrate the ECA's performance and accountability.

In line with its strategy, the ECA submitted itself in 2013 to a peer review on its performance audit process. The results will be published on the website.

The planned work of the European Court of Auditors in 2014

The European Court of Auditors is the external auditor of the European Union. Most of its resources are devoted to auditing the budget of the EU. However, the ECA also audits the European Development Funds and the EU agencies, decentralised bodies and other institutions.

This document provides an overview of the ECA's planned work and output for 2014.

The ECA intends to publish:

- o **53 annual reports** on the 2013 financial year, including the annual reports on the EU budget and the European Development Funds, and the specific annual reports on EU agencies, decentralised bodies and other institutions (51 reports);
- o **24 special reports**;
- o two dedicated **follow-up reports** of previous special reports (for 2013 & 2014);
- o two **landscape reviews** on EU financial management risks and EU accountability and audit deficits (see below);
- o a report on the results of a **peer review** of the ECA's performance audit practice carried out in 2013, and
- o the ECA's **annual activity report** for 2013.

1 Some of the audit reports have been finished and adopted by the ECA in 2013 but will be published in early 2014.

The landscape reviews are a new product. The purpose of the one on EU financial management risks is to identify the principal financial management risks currently facing the EU and to provide an overview of EU policies where the quality of financial management is most at risk. The review on EU accountability and audit deficits will identify those deficits which affect public financial management and good governance.

Statement of Assurance

A significant proportion of the ECA's resources is devoted to preparing its annual statements of assurance (also known as 'DAS'). These are based on financial audits of the EU budget and European Development Funds, as well as the 51 EU agencies, decentralised bodies and other institutions. The audit work takes place between March of year n through to June of year n+1, to allow the annual reports to be made available according to the timetable set by the Financial Regulation. During 2014, the ECA will therefore work on the completion and publication of the statement of assurance for the 2013 financial year, and start on the exercise for the 2014 financial year.

The work underlying the statement of assurance covers the two aspects on which the Treaty on the Functioning of the European Union requires the ECA to provide an annual opinion: the **reliability of the accounts and the legality and regularity of the transactions** that underlie them. Where it can, the ECA takes account of the results of the work of **other auditors**, as well as the representations of management in the form of the **annual activity reports** of the Directors General of the Commission. Further information on the audit approach followed can be obtained from www.eca.europa.eu.

In performing its work the ECA aims to provide clear conclusions on the state of accounting and financial management of the EU budget (and specific spending areas), as well as to give practical, cost-effective **recommendations** where improvements can be made.

Selected performance and compliance audit reports expected in 2014

The subject areas on which the ECA expects to adopt special reports in 2014 are presented below under the related financial framework heading. Further information on these tasks, as well as other individual tasks on which the ECA will work in 2014 is provided in the appendix².

- 2 At this stage the titles are only indicative. Some of the selected audit reports may only be published in early 2015. The ECA has the right to choose whether and how it publishes the results of its selected audits in the form of special reports. Publication is decided on a case-by-case basis, taking into account the best use of the Court's financial and human resources.

Smart and inclusive growth - Regional policy, energy and transport

- Airports
- E-commerce
- Renewable energy
- Urban transport
- Bio-diversity
- Danube river basin³

³ Could also be categorised under Sustainable growth: natural resources.

Smart and inclusive growth - Employment and social affairs

- Business incubation centres

Sustainable growth: natural resources - Agriculture: market and direct support

- Wine audit phase 2
- Inclusion of coupled aid into SPS

Sustainable growth: natural resources - Rural development, environment, fisheries and health

- Aquaculture
- Forestry potential and prevention actions
- Economy with the rural development budget
- Technical assistance
- Integration of water policy into the CAP

Global Europe - External relations, aid and enlargement

- EU support to Haiti
- EU pre-accession assistance to Serbia
- Blending mechanisms (regional investment facilities)
- Evaluations and results oriented monitoring (ROM)
- Climate change and aid programming
- European External Action Service (EEAS)

Administration - Administrative and other expenditure

- Analysis of potential cost savings from a single EP seat
- Carbon footprint of EU institutions

Security and Citizenship - Research and other internal policies

- External Borders Fund

Other - Financial and economic governance

- Implementation of the BOP and EFSM

EUROPEAN COURT OF AUDITORS – SPECIAL REPORTS TO BE ADOPTED IN 2014			
Audit Subject	Financial framework heading	Policy area	Area description
	Description	Description	
Airports	Smart and inclusive growth	Regional policy, energy and transport	<p>There are over 500 commercial airports in Europe, including hub and regional airports. European airports directly and indirectly employ over a million people. Airlines and airports contribute more than €140 billion to European GDP. International and interregional air connections can offer positive long-term effects on business development and competitiveness, on labour mobility, and on the improvement of accessibility of remote regions. Therefore, investments to develop airport infrastructures are a strategic area of intervention for the European Cohesion Policy also considering that air traffic in Europe is expected to double by 2030.</p> <p>Over the period 2000-2013, the EU specifically allocated around €4 billion to airport infrastructure, of which 2.8 billion from the Cohesion policy funds. Structural Funds have invested in (i) solving capacity problems (extending and refurbishing existing terminals, aprons, runways on existing airports or constructing new regional civil airports) and in (ii) airports' connections to other transport networks.</p>
E-commerce	Smart and inclusive growth	Regional policy, energy and transport	<p>There are more than 23 million SMEs (Small and Medium Enterprises) in the EU, representing more than 99 % of all European businesses and two thirds of employment in the private sector. SMEs are a major source of entrepreneurial skills and innovation and they contribute to economic and social cohesion. The Information and Communication Technology (ICT) sector is directly responsible for 5 % of European GDP and contributes significantly to overall productivity growth. Promoting the take-up of ICT, e-learning and e-business is a key element in improving overall and, in particular, SMEs growth and competitiveness.</p> <p>E-commerce comprises the sale or purchase of goods and services, whether between businesses, households, individuals or private organisations, through electronic transactions conducted via the internet or other computer – mediated networks.</p> <p>During the period 2007-2013, Structural Funds provided around €27 billion in direct support to SMEs. ICT take-up by SMEs in ERDF investments sums up to around €3 billion.</p>
Renewable energy	Smart and inclusive growth	Regional policy, energy and transport	<p>Renewable energy is key to improving the security of energy supply in the EU, reducing the EU's dependence on fossil fuels and nuclear energy as well as its growing dependence on imported energy. RES (Renewable Energy Sources) has also an important role to play in reducing carbon dioxide (CO₂) emissions and enhancing environmental sustainability. Moreover, renewable energy has a potential to boost Europe's economy, industrial competitiveness, and employment.</p> <p>The EU has allocated €4.7 billion to ERDF and the Cohesion Fund to renewable energy in the 2007-2013 programming period.</p>
			<p>The audit aims to assess the design, planning, the implementation, and results of Cohesion Policy investments in airports.</p>
			<p>The audit focuses on the results of e-commerce projects financed through the ERDF, covering both their contribution to SME growth and to implementing EU strategies in the area of ICTs and Information society.</p>
			<p>The audit will assess whether ERDF and Cohesion Fund co-financed investment projects for energy production from renewable energy sources have achieved good results.</p>

EUROPEAN COURT OF AUDITORS – SPECIAL REPORTS TO BE ADOPTED IN 2014					
Audit Subject	Financial framework heading <i>Description</i>	Policy area <i>Description</i>		Area description	Objective of the task
Urban Transport	Smart and inclusive growth	Regional policy, energy and transport		Urban transport is a critical issue for European cities which increasingly face transport related problems, such as congestion, pollution, security, and energy dependency. For city dwellers, the quality of life is largely linked to the quality of urban mobility and the structure of public transport implemented today will shape cities in the long term. The EU funding allocated to urban transport for the 2000-2006 and the 2007-2013 periods were €2.9 billion and €7.8 billion, respectively.	To establish if urban mobility projects, co-financed by the Structural Funds, are effective, with a special focus on structural projects (their planning, design, implementation, performance, and their integration in urban mobility plans).
Bio-diversity	Smart and inclusive growth	Regional policy, energy and transport		Protecting biodiversity is a key environmental priority for the EU. Biodiversity is valued as the world's natural capital which provides vital goods and services, such as food, carbon sequestration, and water regulation that underpin economic prosperity, social well-being and the quality of life. The loss of biodiversity gives rise to substantial economic and welfare losses. The Common Agricultural Policy (CAP) is the policy tool having the most significant impact on biodiversity. Cohesion Policy is also an important source of EU co-financing. For the 2007-2013 programming period, Member states have allocated around €2.7 billion to the promotion of biodiversity and nature protection under this policy.	To assess whether the European Regional Development Fund is successful in financing projects directly promoting biodiversity. The focus of the audit will be on the effectiveness and sustainability of projects as well as on the adequate use of the ERDF as source of finance.
Business Incubation Centres	Smart and inclusive growth	Employment and social affairs		Business incubators are organisations that help entrepreneurs and start-up companies become successful by providing the necessary resources and support they need to become self-sufficient and profitable. The support includes physical space for establishing entrepreneurial activity, business advice, technical support, and training to develop human resources.	To assess whether business incubation facilities co-financed by ERDF successfully support entrepreneurship in the field of innovation and to identify key elements of their performance.
Danube river basin	Smart and inclusive growth, Sustainable growth: natural resources	Regional policy, energy and transport; Agriculture : market and direct support; Rural development, environment, fisheries and health		Water pollution is one of the main environmental worries expressed by EU citizens. The main aim of EU water policy is to ensure that, throughout the EU, a sufficient quantity of good quality water is available for people's needs. The Danube River Basin covers one fifth of the European Union's territory and is home to some 100 million inhabitants. It flows through seven Member states (Germany, Austria, Slovakia, Hungary, Romania, Croatia, and Bulgaria), as well as two non-Member states (Serbia and Ukraine). Environmentally, the Danube is home to some of Europe's rarest species and is rich in biodiversity, but the basin is vulnerable to pollution through, for example, agriculture, waste water discharge, and old-fashioned energy generation. Flooding and water shortages also threaten delicate ecosystems and the people living in the area. The protection of the environment is one of the four pillars of the Commission's overall strategy for the Danube River Basin region. The EU's most important means of intervention in the field of water policy are: (a) Direct financial support through the ERDF and Cohesion Fund (CF); European Agricultural Fund for Rural Development (EAFRD); and Instrument for Pre-accession assistance (IPA). (b) Conditionalities attached to payments from the Common Agricultural Policy (CAP) and some EAFRD payments, related to the mechanism of the cross-compliance.	The audit addresses EU actions and interventions regarding water quality in the Danube River basin.

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Wine audit phase 2	Sustainable growth: natural resources	Agriculture: market and direct support	With the reform of the wine market and the foreseen cancellation of distillation and storage measures, the majority of EU support is provided by means of national envelopes. Member states are free to choose from a series of measures available, including promotion and investment measures. Total expenditure in the years 2009-2013 amounted to about €548 million for promotion and €545 million for investments.	To assess the effectiveness of new implemented measures for investment and promotion.
Aquaculture	Sustainable growth: natural resources	Rural development, environment, fisheries and health	Aquaculture is a growing economic activity sector that provides employment and supplies the people of Europe with a needed resource. The growth of this sector in a sustainable way, balancing economic, environmental, and social factors and minimising the risk to human health is an objective of the European Fisheries Fund (EFF) and is particularly relevant given declining maritime fish stocks. Axis 2 of EFF covers aquaculture, processing and marketing of fish and inland fishing. Total allocation of EFF funds for axis 2 is €1.26 billion for the period 2007-2013.	To assess whether health, environmental, and social objectives are undermined due to conflicts of interest with economic objectives of beneficiaries.
Restoring forestry potential and introducing prevention actions (RD measure No. 226)	Sustainable growth: natural resources	Rural development, environment, fisheries and health	According to Article 48 of Regulation No 1698/2005 on the European agriculture Fund for Rural Development (EAFRD), support can be provided for restoring forests damaged by natural disasters and fire, as well as for prevention actions. Preventive actions against fires concern forests under high or medium forest fire risk according to forest protection plans set up by the Member states. No limit is established concerning ownership or aid intensity; private and public forests are eligible and the total costs of the interventions may be supported. Commission regulation 1974/2006 provides examples of eligible activities in its Article 33.	To examine whether the support for restoring forestry is effective.
Reasonableness of costs / Achieving economy with the rural development budget	Sustainable growth: natural resources	Rural development, environment, fisheries and health	The Financial Regulation sets the sound financial management principle of economy: obtaining the appropriate quantity and quality at the best price. Specifically for rural development expenditure, the implementing regulations require national authorities to check that applications for support have reasonable costs. This requirement applies only to certain measures ('Title II') – which roughly corresponds to the measures of Axes 1 and 3.	To assess whether the Commission and Member states have applied good practices to ensure that the costs of rural development projects are reasonable.
Use of technical assistance	Sustainable growth: natural resources	Rural development, environment, fisheries and health	The technical assistance in the area of "Agriculture and natural resources" consists of operational technical assistance and non-operational technical assistance and is funded from both EAGF and EAFRD. Additionally, technical and administrative assistance for pre-accession are funded under the Instrument for Pre-accession Assistance for Rural Development (IPARD).	To examine whether the technical assistance scheme is well managed.
Integration of Water Policy into the CAP	Sustainable growth: natural resources	Rural development, environment, fisheries and health	The Water Framework Directive adopted in 2000 sets the objectives for water protection (both for quality and for quantity). In line with this Directive, Member states should develop river basin management plans and define "programmes of measures". The CAP has the potential to support water policy through (i) cross compliance (Pillar I) - CAP beneficiaries must respect requirements to keep agricultural land in good agricultural and environmental condition; (ii) Rural Development Programmes (Pillar II) - Member states dedicate specific measures to the protection of water bodies.	To establish whether the CAP has integrated the objectives of EU policy effectively.

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Inclusion of coupled aid for specific sectors into SPS	Sustainable growth: natural resources	Agriculture: market and direct support	To check whether the calculation of entitlements are correct. Any errors in this regard would have financial consequences for future years.
EU support to Haiti	Global Europe	External relations, aid and enlargement	To assess whether the EU support for rehabilitation following the earthquake was well designed and implemented.
EU pre-accession assistance to Serbia	Global Europe	External relations, aid and enlargement	To assess whether the assistance to Serbia has been effective.

Articles 64–67 of regulation 73/2009. As of 2010 and 2012 respectively, aid for dried fodder, durum wheat protein crops, rice, nuts, flax and hemp, potato starch, olive groves, and soft fruit is to be decoupled and corresponding amounts are to be allocated to beneficiaries by way of allocation of additional entitlements or top up of existing entitlements. The total value of these decoupling operations is estimated more than €800 million.

Haiti is a fragile state and the poorest country in the Americas. It was in 2010 hit by an earthquake of the magnitude 7.0 on the Richter scale. Around 230.000 people were killed and 1.2 million were homeless. The administration collapsed and basic services could not be provided. The international community, therein DG ECHO, reacted rapidly and massively provided humanitarian assistance. At the donors conference in New York, 55 donors including the EU, pledged to provide USD 9.3 billion for the country's development. The EU development funding is secured from the European Development Fund (EDF) including general budget support and budget lines. Three years after the disaster, Haiti is still in the reconstruction/rehabilitation phase and 270.000 people still live in camps. The main challenges are to ensure an effective transition from relief through rehabilitation to durable development of the country and to increase the resilience of households in case of further disasters.

Serbia occupies a pivotal position in the Western Balkans having been the largest republic in former Yugoslavia. Its introduction of democracy and the process of transition to a market economy were relatively late compared with other Central and Eastern European countries. Under the December 2006 Instrument for Pre-Accession Assistance (IPA) Regulation, Serbia was classified as a 'potential candidate country'. In April 2008, following increasing cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), the EU signed a Stabilisation and Association Agreement with Serbia. In December 2009 Serbia submitted an application for EU Membership. Following a positive 'Opinion' from the Commission in October 2011, the Council confirmed Serbia as a candidate country for EU membership in March 2012.

EUROPEAN COURT OF AUDITORS – SPECIAL REPORTS TO BE ADOPTED IN 2014			
Audit Subject	Financial framework heading		Objective of the task
	Description	Policy area Description	
Blending mechanisms (regional investment facilities)	Global Europe	External relations, aid and enlargement	<p>The regional investment facilities are blending mechanisms that combine contributions from the EDF or the EU general budget with loans mainly from European development financial institutions, sometimes topped up with Member state grants. The financial tool used may take various forms but the ones most used for external assistance by the Commission are direct investment grants, interest rate subsidies, technical assistance, and loan guarantee schemes. The main aim of blending mechanisms is leveraging external assistance financially. The intention is to attract public and private finance into EU policy priority areas by lowering the hurdle rate for financial feasibility as well as by reducing the overall risk associated with a project. Blending particularly aims to address sub-optimal investment situations for activities or infrastructures capable of being economically viable but that do not attract sufficient funding from market sources. In addition to the financial leverage, blending may enable the grant donor to gain leverage on the definition of policies or to have an impact on the way projects are set up and managed. Other benefits associated to the use of blending mechanisms are promoting donor cooperation, increasing efficiency, and enhancing the visibility of European aid.</p>
Evaluation and results oriented monitoring (ROM)	Global Europe	External relations, aid and enlargement	<p>To assess whether the Commission's evaluation and ROM system for development aid is reliable.</p>
Climate change and aid programming	Global Europe	External relations, aid and enlargement	<p>To assess whether the Commission has managed climate related spending from the EU budget and the European Development Fund (EDF) well and whether the Commission has taken appropriate steps to promote coordination with EU Member states in respect of climate finance for developing countries and whether such coordination has been adequate.</p>

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The European external action service (EEAS)	Global Europe	External relations, aid and enlargement	<p>To check whether the EEAS is managed correctly and efficiently.</p> <p>The European External Action Service (EEAS) is a functionally autonomous body under the authority of the High Representative (HR) of the Union for Foreign Affairs and Security Policy. It supports her in fulfilling her mandate, in short: to conduct the common foreign and security policy (CFSP – TEU Article 18(2)) and to ensure the consistency of the Union's external action (TEU Article 18(4)). All operational expenditure remains within the Commission section of the budget. EEAS functions include:</p> <ul style="list-style-type: none"> (a) The overall political coordination and, to varying degrees, contribution to the programming and management cycle for external assistance instruments (implementation remains with the Commission). (b) Managing CFSP actions (the Commission retains responsibility for budget management and financial implementation). (c) Managing the network of EU delegations. Heads of delegation, who are EEAS staff, have authority over all staff in the delegation and receive a sub-delegation from the Commission for the implementation of operational credits for development assistance.
The effectiveness of EU institutions in reducing their carbon footprint	Administration	Administrative and other expenditure	<p>To assess to what extent the EU Institutions are respecting the "polluter pays" principle and set a good example with regard to their carbon footprint. The audit will focus on the existence of environmental management schemes (such as EMAS) and Green Public Procurement.</p> <p>The Carbon Footprint is the overall amount of greenhouse gas emissions associated with the activity of an organisation. The European Union is committed to cutting its emissions to 20 % below 1990 levels. For this policy to be credible, it is important that the Institutions lead by example.</p>

EUROPEAN COURT OF AUDITORS – SPECIAL REPORTS TO BE ADOPTED IN 2014			
Audit Subject	Financial framework heading	Policy area	Area description
	Description	Description	
Effectiveness of the implementation of the External Borders Fund	Security and citizenship	Research and other internal policies	The main objective of the External Borders Fund (EBF) is to contribute to the development of a common European integrated border management system. In addressing this objective, it supports the Schengen states to comply with one of the key obligations under the Schengen <i>acquis</i> : The fund was established as a part of financial solidarity mechanism (SOLID funds) to support the states which are confronted with a higher burden due to their geographical situation. The EBF funds infrastructure, operating equipment, training, and information collection for border checks/ border surveillance and the development of IT systems - e.g. the Schengen Information System (SIS) and Visa Information System (VIS). It also contributes to the financing of FRONTEX (European Agency for the Management of Operational Cooperation at the External Borders). FRONTEX carries out risk assessments on the external border situation for the EBF and supports practical cooperation between EU states' police forces, border guards, and judicial and customs authorities.
Has the implementation of the BOP and EFSM been managed appropriately by the Commission?	Other	Financial and economic governance	Balance of payments support (BOP) comprises of medium term loans granted to non-Euro Member states to help restore confidence in their economies and support reform. The loans are financed through back-to-back borrowings on the capital markets by the European Union (off-budget operations), thereby benefiting from the EU's favourable credit rating. The preferential interest rates are passed on to the beneficiary countries which would otherwise have to borrow at higher cost. Financial assistance to euro-area Member states is very similar. It is also provided through back to back loans and based on compliance with agreed economic policy conditions. However, new temporary structures have been put in place: The European Financial Stability Mechanism (EFSM) established on 11 May, 2010 allows maximum financing of €60 billion. The EFSM allows the Commission to borrow on financial markets on behalf of the EU. The Commission then lends the proceeds on to the beneficiary Member state. The beneficiary Member state repays the loan principal as well as all interest.
			To assess the effectiveness of the implementation of the External Borders Fund.
			To see if the system was managed in a way which effectively contributed to the improvement of the economic situation of the Member states concerned.

For more information:

European Court of Auditors
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG
eca-info@eca.europa.eu



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