



EUROPEAN
COURT
OF AUDITORS

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Speech

Strasbourg, 23 October 2019

Speech by Klaus-Heiner Lehne, President of the European Court of Auditors

**Presentation of the European Court of Auditors 2018 Annual Report
to the European Parliament Plenary Session**

Strasbourg, 23 October 2019

**Check against delivery.
The spoken version shall take precedence.**

ECA Press

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President,

Distinguished Members,

Representatives of the Council Presidency

Commissioner Oettinger,

Ladies and gentlemen,

I am delighted to be here with you today, together with my esteemed colleague Lazaros Lazarou, to kick off this year's discharge procedure with the European Court of Auditors' Annual Report concerning the financial year 2018. Why am I here this afternoon? To provide you with a snapshot of the EU's financial management. In our annual report, and in particular with our statement of assurance, we assess whether the money which you as Parliament put into the budget last year was spent legally, regularly, and of course effectively.

We have audited the consolidated **accounts** of the EU for the year 2018. In our view they present fairly, in all material respects, the EU's financial position and are not affected by material mis-statements – in other words, we issued an unqualified opinion.

Secondly, for **revenue** flowing to the EU budget, we did not detect a material level of error.

Third, for **expenditure**, we estimated the level of error at 2,6%¹. This means that we estimate that 2,6% of payments should not have been paid out from the EU budget, because they were not used in accordance with EU rules. However, this overall estimate obscures an important distinction: the way the funds are disbursed has a big impact on the risk of error.

For expenditure subject to complex rules representing around half the EU budget², mainly "**reimbursement-based payments**" where beneficiaries have to submit claims for eligible costs which they have incurred – think of research projects, employment-related projects, regional and rural development projects and developments projects in non-EU countries - the level of error is estimated at 4,5%.

On the other hand, the risk of error is lower for expenditure subject to simpler rules, mainly "**entitlement-based payments**" where beneficiaries receive payment if they meet certain conditions – think of direct aid for farmers, administrative expenditure, student fellowships or budget support for non-EU countries. In other words, around 50% of our population is **free from** material error.

¹ Lower limit: 1,8%, estimated level of error: 2,6%, upper limit: 3,4%. AR 1.15

² 50,6%

This is why, for the third year in a row, we gave a “**qualified opinion**” on expenditure – meaning “yes, but”. We see it as an encouraging sign that the Commission and Member States have sustained the progress noted in the two previous years. Our auditors found some good things to say on the low-risk areas, but at the same time, there remain serious issues that still need to be tackled in the high-risk areas.

As part of our own multi-annual strategy, the Court of Auditors set out to base its statement of assurance on an attestation approach, meaning that in future, we intend to provide assurance on the Commission’s management statement which itself draws on its own checks and those done at national level in case of shared management.

We are therefore advancing work with the Commission to establish the conditions necessary to progress towards attestation and I take this opportunity to thank Commissioner Oettinger for his support and look forward to taking it forward with his successor. I am convinced that “the path builds itself by walking” – that is by taking **concrete steps**, perhaps modest steps at first, to reach this common sense goal to be able to rely on work already done by others.

Distinguished Members, the individual chapters of our annual report, available in all EU languages, provide a more in-depth insight into our conclusions and recommendations for each MFF heading. I already had the opportunity two weeks ago to go into detail on each chapter before the Committee on Budgetary Control. As many of you were present, I will not go into detail here.

Ladies and gentlemen,

There is, however, one point that I once again cannot stress enough: we are at a **crossroads** – a fresh legislative term, one Member State in the process of withdrawing from the EU, and the other 27 Member States in the last stretch of the negotiations on the Multiannual Financial Framework for the years 2021-2027. Our audit work which I presented to you today shows that despite many problems remaining, the EU is consistent for the third year in a row in meeting **high** standards of accountability and transparency when spending public money. We expect the incoming Commission and the Member States to **sustain** this effort and **build on** it. And we count on you all here to ensure this is the case.

Thank you for your attention.