



**SPEECH BY MR HUBERT WEBER,
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**PRESENTATION OF THE 2007 WORK PROGRAMME OF THE
EUROPEAN COURT OF AUDITORS TO THE COMMITTEE ON
BUDGETARY CONTROL OF THE EUROPEAN PARLIAMENT**

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The spoken text will prevail in the event of differences.

Mr Chairman, Members of the European Parliament,

I am pleased to be here today to present to you the **European Court of Auditors planned work for 2007**, further details of which are available on our website.

CHALLENGES FOR 2007

The financial management of EU funds is facing major challenges in 2007, including the start of a new financial framework period with changes in spending schemes, the start of the completion and closure of the current spending programmes, the introduction of new management and control measures at Member State level, the introduction of new sectoral regulations such as the single farm payment system, and the enlargement of the European Union to 27 Member States. Following the largely successful implementation of the accruals accounting system by the Commission in 2006, the remaining weaknesses must be addressed. Further progress towards the planned integrated internal control framework must also be made both by the Commission and Member States.

The European Court of Auditors has recently adapted its **organisational structure** in order to align with the new financial framework as well as to accommodate two new Members to the Court. In line with other EU institutions, the latest accession obliges the Court to publish its reports and opinions simultaneously in **22 official languages**, which is challenging in view of their timely publication. The Court has recently finalised its **manual for performance audits** and is implementing a **revised DAS approach** for the 2006 financial exercise. The latter was recently presented to you by my colleague Mr Bonnici and is based on an assurance model in which, firstly, the inherent risk of error is evaluated and the quality of internal control systems assessed and tested. The degree of confidence thus obtained is later used to decide the level of substantive testing to be carried out on the underlying transactions in each audited area.

Following the Court's **self-assessment exercise** carried out last year, we have started to implement an **action plan** addressing areas for improvement. Included in the individual actions are:

- to review the Court's governance structure and rules of procedure, both in the short and medium term;
- to redefine the Court's strategic objectives, including its vision and mission; review the Court's external communication policy, as well as its relations with external stakeholders;
- to revise the Court's audit policies, and the financial, compliance and performance audit methodology and guidelines; implement measures to improve the editing and user-friendliness of Court reports; improve the timeliness of reports and the quality of audit work and develop methodology for assessing the Court's output and its impact;
- to develop management accounting and reporting modules; simplify administrative procedures and processes; increase accountability; develop internal communication policy, and develop an overall IT strategy for the Court;
- to review the Court's human resources policies and develop an enhanced programme for the professional development of our staff.

The action plan is intended to impact on the Court's main task - the production of clear, timely and relevant reports on the financial management of the Union which take into account the needs of the key users of its reports.

In parallel, the Court is now in the process of preparing for the launch of a **peer review**, including defining the objective, scope and the selection of external experts. This committee will be kept informed of the progress of these Court initiatives.

Apart from being active in **enhancing cooperation with national audit offices** in Europe within the framework of the Contact Committee of the Supreme Audit Institutions, the Court also contributes actively to the work of EUROSAI and INTOSAI: the Court is represented in a number of working groups including EUROSAI training committee and the environmental audit working group as well as being a member of the INTOSAI subcommittees for financial audit guidelines, compliance audit and performance audit.

2006 OUTPUT

Before turning to the 2007 work programme, allow me to say a few words concerning the Court's output in 2006.

The Court is obliged under the Treaty to publish an Annual Report both on the implementation of the general budget of the Communities and the European Development Funds for each financial exercise. The Court's Statement of Assurance - its DAS opinion - is issued on the reliability of the consolidated Community accounts for the year and on the regularity and legality of the transactions underlying these accounts. Specific assessments are provided for each major area of Community activity. The **2005 Annual Report** was somewhat shorter than 2004, although further efforts are needed to improve further readability and user-friendliness.

In 2006 the Court issued **23 specific annual reports** on its financial audits of Community agencies and decentralised bodies.

Together, these annual financial and compliance audit tasks absorb a significant proportion of the Court's audit resources. The remainder of our resources are focused on carrying out selected performance audits - value **for money audits** - which evaluate the economy, efficiency and effectiveness of the management of EU funds for specific budgetary areas. In my opinion these tasks require even more emphasis.

The Court published **11 special reports** in the course of last year, with performance audit topics as varied as the EU support for fruit and vegetable producers; Trans-European Networks; Phare investment projects in Bulgaria and Romania, and the EU institutions' management of translation expenditure. These reports have had a number of readings at your Committee, which is very much appreciated by the Court. Last year we made a proposal for modifying the procedure for presenting special reports to this Committee to improve the timeliness of their release.

In 2006 the Court also issued eight **opinions** on various proposals for amendments to the legislation, including the 7th framework programme on research; the Community own resources system; the revised financial regulation and its implementing regulations, and the regulation on OLAF investigations.

WORK IN PROGRESS

Turning now to the topic of the day - work in progress at the Court and its **2007 work programme** - allow me first to make a few general remarks:

The Court selects its audit tasks while taking into account risk, materiality, coverage of the audit matter by previous audit reports, and topics of current interest and relevance to the discharge authority, the European Parliament.

I would also like to point out that, among the **Court's key priorities in 2007**, the **simplification of rules and regulations** governing EU funds is a cross-cutting issue to be taken into account in all our current audit work - both compliance and performance audits. Another such cross-cutting issue of major importance is the **audit of recoveries of the EU funds**, in particular in the framework of the DAS audit, including the link between the legality and regularity of the underlying transactions and the reliability of accounts and the correction of errors and recovery of overpaid amounts. The Court will further develop its examination of the **multiannual character of Community spending** and how it impacts on the Court's finding for the financial year. In addition, the **Lisbon strategy** is one of the EU's main political priorities to be taken into account in the audits of the Court, in particular in the field of investments in sustainable energy and human capital.

Relative to the **performance audit work** in the pipeline, I wish to outline:

1. the principal performance audit tasks nearing completion;
2. a number of on-going performance audit tasks likely to result in the publication of a special report in 2007/2008; as well as some of the new performance audit tasks introduced to the 2007 work programme.

1. Performance audit tasks nearing completion

I am pleased to inform you that around 20 Special Report projects are planned for 2007/2008 and a number of preliminary studies on new audit tasks will be launched this year. Our latest special report 11/2006 on the effectiveness of the application of the revised legal framework and the new computerised system for **Community transit** will be presented to you today by my colleague, Mr Ramallo Massanet.

In addition, the following performance audit tasks have recently been completed and their draft report is currently going through the pre-publication procedures and, subject to formal adoption by the Court, are likely to be published as special reports during the first half of this year:

- management of the **European Refugee Fund**, including its impact on national efforts in the area of asylum;
- evaluation of the progress made in implementing the 2000-2006 structural fund **mid-term processes**; and
- management of the **EU institutions' expenditure on buildings**, including the effectiveness of inter-institutional cooperation.

2. On-going and new performance audit tasks

I would now like to focus on some selected audit tasks for 2007 for each financial framework heading by outlining a number of audit tasks likely to be completed during 2007/2008, as well as some of the new audit tasks being launched:

The Court's audits in the field of management of natural resources will focus on Common Agricultural Policy reform, the functioning of key control systems and the follow-up of significant policies and schemes.

The Court has recently completed its audit work on the implementation of the **physical checks on export refund** consignments, including their impact on irregularities and fraud, and another on the Commission's **clearance of accounts procedures**.

An audit of the effectiveness of the **penalties and sanctions systems** in the area of the Common Agricultural Policy includes an assessment of the deterrent effect of sanctions and evaluates potential scope for simplification of the regulation. The Court is in the process of finalising audits on the aid granted for the cultivation of grapes intended for the production of **dried grapes**, and the effectiveness of the control and enforcement systems for the conservation of **fisheries resources** both by the Commission and the Member States.

Our audit on the **milk quotas in the EU10** aims to assess the impact of the quota system on the development of the budget expenditure, the producers and markets.

Related to Common Agricultural Policy reform, the Court is in the process of evaluating the **Single Payment Scheme entitlements** under the Integrated Administrative Control System - IACS - as a part of its systems evaluation and compliance audit work. The Court will start an audit task aimed at benchmarking and assessing **IACS costs of controls** carried out by paying agencies and borne by the Member States, including the aspect of cost-effectiveness. Another new audit task will assess the operation of the **olive oil cultivation Geographic Information System**, in terms of controlling the farmers' declarations and the compliance of the Member States' control systems of this aid.

Turning now towards the Court's current audit work in the area of cohesion, our audit on the management and evaluation of **major projects** funded by the Regional and Cohesion Funds will shortly be concluded. The Court's audit on **ISPA** - instrument for structural policies for pre-accession - is currently underway and seeks to evaluate the extent to which the spending contributed to the operational and overall structural policy objectives in the Czech Republic, Latvia, Poland and Romania. The ongoing audit of the management of the **European Union Solidarity Fund** aims to evaluate the efficiency and cost-effectiveness of the disaster aid projects implemented as well as the rapidity and flexibility of the actions and decisions taken by the Commission when facing natural disasters.

Among new selected performance tasks, an audit of structural policies spending on **waste water projects** will be started shortly.

The area of competitiveness includes the field of research. The Court has recently audited the Commission's system of evaluating **the impact of indirect actions under research and technical development framework** programmes, mainly under the fourth and fifth framework programmes. This links with our current audit on the **sixth framework programme instruments**, which assesses the effectiveness of selected instruments in providing relevant output for the achievement of the objectives of Community research. Our performance audit on the impact of the **Intelligent Energy for Europe** programmes is intended to contribute to the mid-term review of the next generation programmes.

In addition, among new audit tasks the Court will carry out an audit on the management of the **Galileo programme**.

Related to the field of the EU as a global partner, the Court is in the process of concluding a performance audit on the effectiveness of use of **technical assistance within capacity development projects**. Another of our performance audits deals with the effectiveness of current **TACIS** spending **in the area of justice and home affairs** for Belarus, Moldova and Ukraine - sharing a common border with the European Union and fragile political and economic environments. The Court will also carry out an audit of the EU **spending on CARDS justice and home affairs** in the Western Balkans. The effectiveness of these programmes including measures such as fight against crime, justice reform and integrated border management is exposed to high risk.

Among new selected audit tasks the Court will audit areas as varied as **Pre-accession aid to Turkey; Non-Governmental Organisations** and other non-state actors - a field of particular interest to this Committee, and actions financed by the EU and implemented by **United Nations' organisations**.

In respect of EU administrative expenditure, the Court will launch an audit on the efficiency and effectiveness of the management of the **European Personnel Selection Office**, EPSO, as well as on the value for money achieved with the **information technology expenditure** by EU institutions.

Last but not least, in the area of EU own resources the Court is analysing the strengths and weaknesses of the current VAT and GNI **own resource systems**, which should provide useful guidance for the future. Similarly, the Court's audit on administrative cooperation for the application of **VAT in the intra-community trade** is in the process of being finalised. In addition, in the field of traditional own resources the Court is currently examining the efficiency of the controls over **customs warehousing** and the performance of the **binding tariff information** system.

As can be seen from the aforementioned, the Court and its staff are in the process of carrying out a large number of audits - financial, compliance and performance - over a wide range of Community activities.

The Court's audit work contributes to improving financial management of EU funds both via the audits done at all levels of those administering EU policies and programmes and via the use of its audit reports during the discharge process by the European Parliament.

Throughout its life of almost 30 years, it has been the concern of the European Court of Auditors to promote transparency and accountability, through our audit reports, in the management of European Union funds for the benefit of its citizens.

Thank you very much for your kind attention.