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2012 ANNUAL WORK PROGRAMME OF THE EUROPEAN COURT OF AUDITORS

Speech by **Vítor CALDEIRA**, President of the European Court of Auditors
Budgetary Control Committee of the European Parliament

29 February 2012 Brussels, Belgium



Vítor Caldeira, President of the European Court of Auditors

Mr Chairman, Honourable members of the Committee, Ladies and gentlemen,

Allow me to start by congratulating you, Mr Theurer, on becoming the Chair of the Committee. It is an honour for me to present the Court's 2012 Annual Work Programme to you today.

I think we are all very conscious of the daunting challenges facing Europe and its public finances at the present time. More than ever citizens and taxpayers expect effective accountability for every euro of EU funds raised and spent.

As the external audit institution of the EU, the Court promotes accountability by auditing and reporting publicly on the use of EU funds and the results achieved. The Court's 2012 work programme sets out the annual reports, special reports and opinions that the Court expects to produce during the year and the audit work it plans to carry out.

Annual reports

During 2012, the Court will publish 51 annual reports on the 2011 financial year. That figure includes the annual reports on the implementation of the EU budget and the European Development Funds as well as the specific annual reports on agencies, joint undertakings and other EU bodies.

A significant proportion of the Court's resources and efforts are devoted to meeting its annual reporting obligations and the tight timetable of the Financial Regulation.

Each annual report contains a statement of assurance - or 'DAS' - on the reliability of the accounts and the legality and regularity of the transactions that underlie them. The Court's audit evidence is based on assessing systems and testing transactions directly. Where it can, the Court takes account of the results of the work of other auditors and management representations.

As you know, the Court's annual report on the EU budget is the major item in the work programme. In the annual report on the 2011 budget the Court intends to produce more information on EU expenditure under shared management. "Agriculture and natural resources" will be split into two specific assessments; one on "Agriculture: Market and Direct Support" the other on "Rural Development, Environment, Fisheries and Health". Similarly, there will be two specific assessments covering Cohesion policy, Energy and Transport; one on "Regional Policy, Energy and Transport", and the other on Employment and Social Affairs".

But to ensure comparability year-on-year, Chapter 1 of the report will present the results of transaction testing for 2011 on the same basis as and alongside the results from 2010.

The Court also intends to develop further its reporting on performance issues in the annual report. In particular, we will take account of the views expressed on chapter 8 of the 2010 Annual Report during the discharge procedure as well as the features of the first evaluation report to be presented by the Commission to the discharge authorities as required by Article 318 of the Treaty.

Special reports

In addition to annual reports, the Court publishes special reports. They present the results of the Court's performance and compliance audits on specific management or budgetary topics.

Unlike annual reports, special reports cover topics selected by the Court. They often cover a number of financial years and they do not have statutory deadlines for their publication.

The Court's work programme sets out the selected audit tasks and preliminary studies on which the Court will work in 2012. They have been selected on the basis of the risk of irregularity or poor performance, the potential for improvement, and public interest. In this way, the Court aims to reflect the primary concerns of its stakeholders and the main financial management challenges facing the European Union.

The priorities the Court has identified for 2012 include the pressing concerns linked to the financial crisis and achieving growth & employment. They also include the long-term challenges on the environment, climate change, sustainable development and the "greening of policy". And they recognise the important role the EU plays as a global partner for development.

In total, the Court plans to publish 22 special reports in 2012 - exceeding the target of 12 to 15 reports per year that we set for the 2009 to 2012 period. Already this year we have published reports on nuclear decommissioning and EU assistance to Croatia. Further reports will cover a variety of topics that fall within the different headings of the current financial framework headings.

For example, as regards Growth and Employment, the Court is carrying out audits on the Member States' management and control systems and the Closure of 2000-2006 Structural Funds programmes as well as on Financial Engineering, Seaports and Ageing workers.

As regards the Preservation and Management of Natural Resources, the Court is covering topics such as the modernisation of agricultural holdings, the Single Area Payment Scheme, and organic products. In other areas, the Court aims to issue reports on topics that range from EU assistance to the African road network to the effectiveness of EUROSTAT in improving the process for producing EU statistics. The Court also plans to carry out a number of preliminary studies, including on balance of payments assistance and the Commission's management of the financial crisis.

A key way in which the Court's special reports add value is by making recommendations that, if implemented, would contribute to improving financial management. In 2012, the Court will publish a dedicated **follow-up report** to provide greater focus on the action taken to address the recommendations of previous special reports.

Opinions

Taken together the Court's audits and reports provide it with a wealth of experience and a stock of results that it can draw on to inform the EU policy making process.

For example in 2011, the Court published a **position paper** on the implications for public accountability and public audit in the EU of measures taken in response to the financial and economic crisis. And we also published an **opinion** on the Commission's green paper on the modernisation of public procurement policy.

In 2012, a priority will be to provide opinions and observations on the new sectoral regulations. An opinion has already been published on the proposals covering the structural and cohesion funds. And opinions on the legislative proposals relating to common agricultural policy and the own resources of the European Union are being prepared.

Further developing the Court

In 2012, the Court will also be looking to prepare for the future and develop itself further as an institution.

As you know, the Court is committed to upholding high standards of ethics and transparency. We strengthened our governance framework in 2011 by producing new ethical guidelines for all Members and staff of the Court. And this month, the Court adopted a specific code of conduct for its Members. Amongst other things, the code requires declarations of interests by the Court's Members to be published on our website.

As regards our audit methodology, we have been updating our manuals and procedures to reflect new international standards. We are also arranging a new peer review to be focused on performance auditing. The Court is currently in the process of identifying potential peers available in 2012 - a task that is proving more difficult than anticipated due to the growing use of peer review by other Supreme Audit Institutions.

Finally, during 2012, the Court intends to publish its strategy for 2013 to 2017. As you know, we have been consulting our main stakeholders, such as this Committee, about their needs and expectations of the Court in order to help identify the key challenges the Court must address. Like other European institutions, it is clear that the Court will be expected to find new ways to do more with less. The Court will, therefore, be setting objectives and developing initiatives this year to improve further its added value and efficiency over the period of its next strategy.

The views of this Committee are an essential input to the Court's strategy setting process. And I would like to thank the Committee for the views that have already been expressed, in particular during the semi-annual meetings between the Court and the Committee as well as at the meeting held in Strasbourg in November last year prior to my presentation to the Plenary of the Court's 2010 Annual Report.

Mr Chairman, Honourable members of the Committee,

The European Parliament and the Court of Auditors have a mutual obligation to ensure accountability to citizens for the use of EU funds. It is a challenging goal we must work together to achieve. The Court looks forward to making its contribution this year by delivering the 2012 annual work programme that I have presented to you today.

Thank you for your kind attention.

NEW COMPOSITION OF THE ECA AS FROM 12 MARCH 2012



From left to right: Mr Pietro RUSSO, Italy, Mr Henrik OTBO, Denmark, Mr Vítor CALDEIRA, President of the Court, Mr Ville ITÄLÄ, Finland, Mr Kevin CARDIFF, Ireland and Mr Baudilio TOMÉ MUGURUZA, Spain

Following the taking of office of five new Members, the Court decided on the following distribution between Members:

PRESIDENT

- Vítor Manuel da Silva Caldeira

CHAMBER I

PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES

- Ioannis Sarmas
- Jan Kinšt
- Michel Cretin
- Augustyn Kubik
- Rasa Budbergytė
- Kevin Cardiff

CHAMBER II

STRUCTURAL POLICIES, TRANSPORT AND ENERGY

- Harald Noack
- Ovidiu Ispir
- Henri Grethen
- Lazaros Lazarou
- Harald Wögerbauer
- Ville Itälä

CHAMBER III

EXTERNAL ACTIONS

- Karel Pinxten
- David Bostock
- Szabolcs Fazakas
- Gijs de Vries
- Hans G. Wessberg

CHAMBER IV

REVENUE, RESEARCH AND INTERNAL POLICIES, AND INSTITUTIONS AND BODIES OF THE EUROPEAN UNION

- Nadejda Sandolova
- Louis Galea
- Ladislav Balko
- Milan Martin Cvikl
- Pietro Russo
- Baudilio Tomé Muguruza

CEAD CHAMBER

COORDINATION, EVALUATION, ASSURANCE AND DEVELOPMENT

- Igors Ludboržs
- Kersti Kaljulaid
- Henrik Otbo

MANY MEMBER STATES WOULD WELCOME THE ECA COMING FORWARD

Interview with **Mr Henrik OTBO**, new Member of the Court from Denmark

By Rosmarie Carotti



Interview with Mr Henrik Otbo, new Member of the Court from Denmark

R.C.: Let me welcome you as the new Member from Denmark. Between 1984-1988, you served in the European Court of Auditors in the Cabinet of Mr Brixtofte. Today you come to the ECA as President of the National Audit Office of Denmark.

Henrik Otbo: I am not the first former President of a National Audit Office who was nominated for the ECA. I remember, Mrs Hedda von Wedel, from Germany, and Mr Jørgen Mohr from Denmark. Today I share this experience with Mrs Rasa Budgergytė from Lithuania.

R. C.: What made you accept this nomination?

Henrik Otbo: I have always had the desire to come back to the ECA, so I am very pleased and very proud to be here. It is an excellent opportunity for me to have new challenges. I am very much looking forward to work for and support the ECA in its continuing development.

R. C.: When did your government nominate you?

Henrik Otbo: I have known for some time, but the government was not involved. In Denmark it is up to Parliament, to the political parties, you could say. The leading parties in government also supported my nomination, but it was not a government decision.

In Denmark one says that the Auditor General, the Audit Office, work on behalf of the government. We report to the public accounts committee in Parliament. Following that line of thinking, in Denmark, it is Parliament which puts forward the name of a new candidate. They all agreed and supported me in my wish to come here.

R. C.: You also have a lot of experience in working with INTOSAI. How do you intend to continue this cooperation?

Henrik Otbo: Six or eight years ago, INTOSAI decided on a strategic plan. Following that strategic plan, since 2004, INTOSAI became much more efficient. I chaired, on behalf of Denmark, the professional standards committee. The task was to produce a full comprehensive set of auditing standards differing in a number of aspects from the private sector standards. For the first time ever, decided upon in the Congress of INCOSAI, in South Africa in 2010, the Supreme Audit Institutions (SAIs) throughout the world, including the ECA, today have access to full public sector auditing standards. That is a huge step forward.

I will make it my business in the ECA to see that the Court considers how to use these standards. An example could be how the DAS methodology goes together with the INTOSAI standards. More important than specifically applying these standards now is to understand why we do it slightly differently.

The ISSAIS, are the INCOSAI or INTOSAI public sector standards accepted by all audit offices throughout the world. They are not compulsory, but it is important that all supreme audit offices, including the ECA, consider how to use them.

With great pleasure, I have seen that World Bank, UN and other representatives have acknowledged the huge step forward made with the INTOSAI standards. But the work has not yet been finalised. It is a living thing.

R. C.: You mentioned the DAS. What is your opinion on it? What are the strengths and weaknesses of the DAS?

Henrik Otbo: No matter if it is the DAS or other products the Court or other institutions develop, we need to continue the development. We also have to modernize and develop our DAS methodology.

It is difficult to bring a revolution to the DAS in a short span of years. I'll be working on setting some development targets for two to five years and see the amount of resources needed. I just arrived two weeks ago, and I will need to work with my colleagues. But I do not think we will have to fight for a consensus to develop things, and we will convince staff of the rationale of this development in the delivering part.

I see many good signs of development in the Court. The chapter on performance in the annual report is highly appreciated by the Supreme Audit Institutions in the Member States and by the European Parliament. It is a good sign to develop further.

Internally, the Chambers introduced some years ago are also a good thing. 27 Members are too many people to discuss reporting in detail. Seen from the outside, the Court has been in a consistent and positive process of development. We just need to continue.

R. C.: If you had to be critical instead, where would you see room for action?

Henrik Otbo: I think the Court should open more up to national audit institutions in the Union. Many of them would like the ECA to come forward, to take the lead.

As I see, the strategic considerations in the Court are touching on this subject. Take for instance the economic and financial crisis in Europe. Many initiatives are similar or much alike in the Member States. We should do some audit together and put issues like bank packages and support schemes before Parliament. The Court can and should play a bigger role in this area.

R. C.: There is really an evolution. Recently, the ECA got the right to nominate a member of the Board of Audit of the European Stability Mechanism and one could also consider checking the quality of data submitted for statistics.

Henrik Otbo: Also that. The Contact Committee meeting here in Luxembourg in October, touched upon these issues and so the direction is there, the willingness

is there, but I think that it should materialize in more work. And I also see Parliament asking for that. There are a lot of good opportunities we should explore to a greater extent.

R. C.: This requires relying on the work of others, i.e. "single audit".

Henrik Otbo: Of course, we should rely on the work done by other colleagues. It is impossible for the ECA to duplicate. We have to rely, not blindfolded, of course. I am convinced that we can rely in quite many programmes, and support schemes in Member States.

I welcome the development in the financial regulation where the Member States are being asked to be more accountable, to come up with Member States' declarations signed by Ministers of Finance. This is a good opportunity for Member States' Audit Offices to audit more specifically the EU accounts. That would facilitate and support the work of the Court.

I think that in all countries you rely upon work of other auditors. In auditing companies throughout Europe, you work together with other auditors, but as I said, if you rely on other auditors' work, you must have the right to go through their working papers.

National Parliaments, European Parliament want us to work together more. It might not be possible to do it the same way in all Member States, but I do not see that as a problem, I see it as a challenge.

We should look around for the good opportunities to be explored and many Member States would welcome the ECA coming forward and say what can be done.

R. C.: Public opinion calls more than ever for the ECA to take a stand.

Henrik Otbo: I think that the Court has produced many impressive opinions which have influenced the development in a good way, enhancing accountability, improving controls and audit arrangements over the years.

On the opinion side, the ECA is playing quite an impressive role and should continue doing that. When I talk about improvement, it is about reporting and cooperation with Member States.

NEW CRISIS MECHANISMS SHOULD ALSO INCLUDE PUBLIC AUDIT AND THE ECA SHOULD HAVE A ROLE TO PLAY

Interview with **Mr Ville ITÄLÄ**, new Member of the Court from Finland

By Rosmarie Carotti



Interview with Mr Ville Itälä, new Member of the Court from Finland

R. C.: Sir, you have great professional experience in politics and auditing. You have audited the accounts of the Bank of Finland, you have been Minister of Interior and you have been in the Budget Control Committee of the European Parliament. What made you accept this nomination to the ECA?

Ville Itälä: In the Budget Control Committee of the European Parliament I became familiar with the work of the European Court of Auditors. I consider its work very important. It is important for Europe to know how EU money is used, especially in the present crisis.

For me this nomination is a personal fulfilment and my government was ready to put me up as candidate.

R. C.: Do you see ways of improving the role of the ECA?

Ville Itälä: The President of the ECA will soon present a new strategy with some new ideas on the basis of the final report of the Reflection Group. I am sure there will be ideas that deserve broad support. One of them is that some of our reports should be sort of “flash reports” and would not take so long and would thus be more up-to-date and accurate. Important findings would be presented quickly. This is important because people sometimes expect us to react fast.

It is also important that the other institutions pay great attention to our recommendations and take our findings into account. To reach a common goal, not only what we say is important, but also how we say it - so that people

really understand what we mean. President Caldeira, I think, has good ideas.

R. C.: There are many other new and recent developments, like the decision that the ECA the right to nominate a member to the Board of Audit of the future European Stability Mechanism.

Ville Itälä: This certainly expands our tasks for the new instruments considerably. We need appropriate public audit, because real public money is involved and the European taxpayer also wants proper public supervision and accountability.

I think there are a lot of tasks we can do if the right agreements can be reached. I believe we have the skills needed, but of course we have to make sure that we also have enough resources. At the same time, there is a pressure to reduce these resources. We must find a balance there.

R. C.: Are you referring to reducing the number of the Members of the ECA?

Ville Itälä: No, I was actually referring to the pressure to reduce the number of posts. One only needs to look at the proposals for a new staff regulation or for the budget 2013. It is evident that such a pressure exists.

When it comes to the number of Members, my preference is to maintain one Member per country. But I am also willing to discuss a different organisation of the institution, although it would raise many questions: how

to deal fairly with all Member States and how to arrange a rotation. There are many aspects to be considered.

R. C.: As you come from Finland, it would be interesting to hear how your country reads the financial crisis we are living in. You were there when Finland underwent an economic crisis at the beginning of this century and you followed closely the government's strategy to overcome it.

Ville Itälä: In fact I joined the Finnish government at the end of the crisis, but there was still a lot to do to reach stability and growth. It was hard, in a way, but then there was common agreement on the target to save Finland through austerity measures and budget cuts. But this was not the only point; more important was to find a way to foster growth and to invest in innovation.

We learned our lesson to not create excessive debt, and now Finland is in quite a good position. But, of course we are part of the euro zone and the global situation is not so easy.

R. C.: How do you rate the EU's strategy to overcome the present financial crisis?

Ville Itälä: The EU has taken a lot of good decisions for the future, but nobody has the definitive answer on how to solve the crisis. So far, the Euro has survived but from time to time we still hear new bad news. This crisis has been so enormous and complicated that nobody had a clear picture how to solve it. In the case of Finland in 1990s, the strategy was clear but even then the hard political decisions were really painful to take. A united Europe, the EU with its huge internal market and the euro are such values that we have to take good care that they remain. But there are no easy solutions for that. We have managed to stop the spread of the crisis, and now someone has to supervise better than in the past. This crisis is not yet over. And Europe definitively cannot afford to have a new crisis. I think that the ECA can have a role to play in better accountability, supervision and monitoring of the new "post-crisis" architecture.

R. C.: How can the ECA get the right powers for such supervision or control, now that "shared responsibility" between the EU and Member States is anchored in the Treaty?

Ville Itälä: Of course, Member States should do their own work and the Council and the Commission should not decide on behalf of the Member States, but we should learn our lesson in Europe, too. We really need some tools so that we can supervise the Member States, for example how they establish their budget every year, in order to

avoid the excessive deficits which can lead to serious economic crisis.

There is already a decision taken by the EU for the future. We have the Six Pack, the European Semester, the European Stability Mechanism and the new Treaty. There are provisions allowing the Commission to collect information and supervise budget proposals, budgetary balance and debt of Member States. If this is not enough, new decisions will need to be made.

The decision attributes this role of supervision to the Commission, but it is my conviction that more powers could also be given to the ECA, particularly as far as new financial instruments are concerned. Our mission is to be the independent guardian of the financial interests of the EU citizens and I would like to take those words seriously.

R. C.: What is your opinion on "single audit" which seems a contradiction in this context?

Ville Itälä: In terms of auditing EU funds, I think it is a good target. The Commission and the Member States have their responsibilities and the Court has its own Treaty mandate. As far as I know, we are quite far from achieving single audit. There are big differences between Member States. To get all Member States and the Commission to apply compatible and coherent practices and to build the chain of confidence will take some time. We are not there yet.

R. C.: To finish on a personal note, what did you want to become as a young man? What is your strength today?

Ville Itälä: I studied law and wanted to become the Mayor of my home city. By the way, just now my home city is looking for a new Mayor, but I will not apply. I am happy that I am here.

I understand that the Court is a collegial body and that I am one Member amongst peers. I have always been a team player and we should always try to achieve a consensus because when the Court is united and speaks with one voice, we are stronger.

As a person, I consider myself a quite easy going, simple guy. I have wife and children and I hope my family will join me in Luxembourg in June. They are now living in Brussels where I was as a Member of the European Parliament. The start is always difficult, because of the many practical things to do. But I am really happy and looking forward to continuing my work here.

Interview with **Dr Tuomas PÖYSTI**, Auditor General of Finland

By Rosmarie Carotti



Dr. Tuomas Pöysti,
Auditor General of Finland

R. C. : Mr Ala-Nissalä invited you to this seminar to give a presentation on the challenges arising from the current financial crisis. You are the Chair of the EU SAIs Network on Fiscal Policy Audit, but today you are here as Auditor General of Finland.

Dr. Tuomas Pöysti: There has always been very good collaboration and cooperation between the European Court of Auditors and the National Audit Office of Finland and, of course, the Member of the ECA from Finland, who has a specific role to facilitate this cooperation. All of us in the National Audit Office of Finland, feel that just as his predecessor, Mr Salmi, he has done a great job in this respect.

Secondly, Mr Ala-Nissalä has a keen interest in the financial crisis and public finances, both because of his background and his role as Member of the ECA. This is an area in which we have had quite a lot of professional reflections together.

R. C.: What is your personal experience with this subject; is the Finnish Audit Office particularly active in this field?

Dr. Tuomas Pöysti: We have auditing of public finances and auditing of fiscal policy as one of our core audit products. We do financial, compliance and performance audit and fiscal policy audit. This is our fourth key area which emerges from the fact that we strongly believe that there must be comprehensive public audit and accountability. In the past, there has been a certain caveat to public audit and accountability concerning preparation, management and decision making within public finances as a whole. We as auditors have been focusing more on sectoral policies than on a global view.

If you have a look at the auditing standards in the private sector, the auditors are also there to ensure a global view and global good governance across the organisation. That is why in Finland, but not only in Finland, particularly in Sweden and recently in France, the Audit Office / Court of Auditors has come to the same conclusion and started a horizontal approach and taken a global view.

Despite few resources in Finland, we are pretty advanced. As a regular audit product, we give a special report to the plenary of Parliament on fiscal policy audit every year.

R. C.: Is this a separate document? When was it issued the first time?

Dr. Tuomas Pöysti: Yes, this report is a separate section in the general auditor's report on the audit of the government financial statements and government's annual report. It was first issued in 2008. We started to prepare it in 2007, but in 2008 we were able to introduce it.

In addition to this report issued once a year, we present a global report on the compliance with the fiscal policy rules and effectiveness of the government's fiscal policies at the end of each Parliamentary mandate. This report is supposed to add to the general debate on public finances at the end of the mandate when preparing for new elections.

There also are international recommendations. The International Monetary Fund and OECD have both recommended that there should be an independent professional external assessment of budgetary situation and fiscal policies, completely independent from the government. We, as the National Audit Office, have taken up this role in Finland. At the end of the 2007-2010 mandate, at the beginning of 2011, we issued the first fiscal policy report to the Finnish Parliament for that mandate.

R. C.: How can this influence the work of the ECA? Have you come with the aim to suggest something to us? But we are in a different position.

Mr Pöysti: That is true. You are in a different position. I am not here to suggest that the ECA should do the same thing, because obviously its role is different and it should be doing things differently. But the ECA certainly has its role in this area of public finances, as well. We speak, for example, about the quality of European statistics. In the long run, I would like to see a change in the Treaty which would empower the ECA to audit these statistics and the primary controls ensuring the quality of statistics. In the short run, the Commission is the auditee of the ECA, but even though it is mainly linked to the management and the implementation of the EU budget, the ECA itself has been developing a performance audit approach. Recently, for example, the ECA has had a look at how the Commission is handling State aid cases, where the direct budgetary impact on the EU budget is quite small, but it was still considered that the ECA could do such an audit.

Now, there is the possibility of doing similar work in relation to how the Commission has been handling the financial crisis. It is one of the possibilities the Court has to do such types of reports.

R. C.: Not everybody is in favour of that kind of role.

Dr. Tuomas Pöysti: Of course. Not everybody in my institution was in favour either when I became Auditor General and started to develop this audit of public finances. There were critics inside the institutions. And the critics help us to find a good and well-defined focus.

Let me also say that we have had regular contacts with Gene L. Dodaro, the Comptroller General of the United States of America. He was fairly interested in the idea that there could be something like a parallel or joint audit by the European Supreme Audit Institutions and the United States Government Accountability Office on the regulatory agencies of financial markets or implementation of the Basel III framework on capital requirements of financial institutions. The GAO is, at the moment, doing a performance audit on the US' systemic risk posed by default. They have been seeking comparative information from us.

Because these three new regulatory bodies are the auditees of the ECA, I see for it the possibility to do eventually a kind of performance audit in the future, in addition to the financial and compliance audit of finances which is in the Statutes.

R. C: Allow me to mention the issue of the rating agencies and the new responsibilities for the Court in the new permanent Financial Stability Mechanism.

Dr. Tuomas Pöysti: Let me explain. Public audit, particularly fiscal policy audit is not substituting what the credit rating agencies are doing. In fact - quite the contrary. The credit rating agencies increasingly demand of the public sector the same that they demand from their clients in the private sector, namely an auditors' certificate on how the finances are, how the risk management is. There is, in fact, an increased demand in that direction in the public sector as well. It is not competing with the rating agencies.

“THE FUTURE CHALLENGES TO THE PUBLIC AUDIT AND TO THE COURT”

Seminar organised by **Mr ALA-NISSILÄ**, Member of the Court and Dean of Chamber I, together with the Professional Training unit on 28 February 2012. Guest speaker was Dr Tuomas Pöysti, Auditor-General from Finland

By Rosmarie Carotti



Dr Tuomas Pöysti, Auditor General of Finland, Mr Vítor Caldeira, President and Mrs Tytti Yli-Viikari, Deputy Auditor General

The seminar discussed the challenges to the Public Audit and to the Court from two perspectives:

What are the challenges resulting from the current financial crisis? Presentation by the Auditor-General of the National Audit Office of Finland and Chairman of the SAIs' Fiscal Policy Network, Mr Tuomas Pöysti.

Reflections on challenges for the Court in the field of agriculture and reflections on challenges for the Court in the light of financial crisis. Presentation by the Dean of Chamber I, Mr Olavi Ala-Nissilä.

President Caldeira and many Members and staff of the ECA attended the session keen to hear in particular about the audit of fiscal policy in the EU.

What is fiscal policy?

Fiscal policy is the use of government expenditure and revenue collection, and more specifically taxation, to influence the economy.

For Dr. Tuomas Pöysti, Auditor General of Finland, the current crisis could well be called Fiscal Crisis. What had started off as a financial crisis had in fact developed into a sovereign debt crisis and finally become a fiscal crisis.

Financial crises are costly to the taxpayers. According to data provided by the Commission (EU 2009), net direct

fiscal outlays to rehabilitate the banking system amount at approximately 13% of the GDP.

Fiscal costs of the 2007-2008 financial crisis support measures account for approximately 5% of GDP.

Public debt to GDP ratio grew from 59.0% (2007) to 83.3% (2012) in the European Union and in the Euro Area from 66.3% to 88.7%.

The EU and the internal market face a threat to their very existence. Financial crises are likely to occur at regular intervals and between 1970 -2010 globally there were approximately 130 systemic risks banking crisis episodes, but systems need to be put in place to prevent these crises now that we have some knowledge about the mechanisms which trigger them.

In all Member States semi-public financial institutions exist which have been taking quite heavy risks. This is an issue which needs to be addressed.

Europe will have to face management of European debt problems and fiscal sustainability problems for the next thirty years. The lack of growth creates a continued macro-economic instability in the EU. Supreme Audit Institutions will have to work on the reliability and quality of core financial and performance data of the governance. Examples of dysfunctional institutions, need to be fought.

The European Union is not yet very advanced as stability union.

The role of the European Central Bank as lender of last resort, the future of the European Financial Stability Facility and other extra-institutional arrangements are somewhat open. Also the exit of the support mechanism will need to be audited. And the specific role of the Euro Group will have to be discussed as it is neither audited by the Supreme Audit Institutions of the Member States nor by the ECA. A non controversial way to overcome this problem needs to be found. Supreme Audit Institutions need to be aware of the existence of grey areas of accountability.

Dr. Tuomas Pöysti strongly advocates an audit on regulatory systems. He quotes discussions in the context of INTOSAI Financial Crises Task Force with Mr Gene L. Dodaro, Comptroller General of the US, who acknowledges SAIs encounter problems in the implementation of the agreed legislation. In this context, a future step for the European SAIs could be a joint or coordinated audit of the implementation of the Basel III framework and the audit of the reliability of the stress tests for banks as part of the performance audit of the financial market supervisory authorities.

Taking the floor, Mr Ala-Nissilä, Dean of Chamber I in the ECA summed up the Court's more recent work in the field of Agriculture. To give more visibility and precise identification of problematic areas of the budget, the Court has for example decided to have two samples in the Natural Resources policy group: Pillar I and Pillar II.

Many previous recommendations of the ECA have been taken up in the proposals for the new EU legislation in agricultural policy. Chamber I has already approved an opinion on the subject and the adoption is now pending by the Court. Another challenge for the Court will be developing towards a "single audit" approach.

Concerning the challenges for the Court in the light of the financial crisis, Mr Ala-Nissilä recalled article 30 of the Treaty of the European Stability Mechanism which states that one Member of the Board of Auditors shall be nominated by the European Court of Auditors.

He also quoted the Court's Position Paper: "Within its mandate the Court will carry out audits in relation to new supervisory authorities, assistance mechanisms with EU budget guarantee and – to the extent possible – the Commission's activities in the European Semester..."

What is new with the European Semester?

Both economic policy (including structural issues) and fiscal policy issues will be discussed and coordinated at the EU level. The Commission will carry out analysis of Member States' national reform programmes and stability convergence programmes.

In March a Treaty on Stability, Coordination and Governance in the EMU will be signed. Although not an EU law, as only 25 Member States agreed, the Commission will report whether the 0.5 % structural deficit rule has been transposed into national law. If the Commission's conclusion is negative, the matter will be brought to the Court of Justice by one or more Contracting Parties.

All this shows that the Commission will have a bigger/stronger role in the surveillance of the Member States economic and budgetary policies.

As an external auditor of the Commission, a bigger/stronger role for the ECA is also needed.

Finally, Mr Ala-Nissilä wanted to raise the issue of good public governance. He stressed that good public governance is a pre-condition for growth and job creation. Austerity, growth or financial stability does not help, if the foundation (i.e. public governance) is not sound. All this means is that the public control and public audit will become even more important in the future.

This was one of Mr Ala-Nissilä's final official duties as Member of the ECA as his mandate expired on March 1, 2012.

PRESENTATION OF THE COURT'S ANNUAL REPORT IN POLAND

By the Private Office of Mr Kubik, Member of the Court



Mr Augustyn Kubik, Member of the Court and Mr Mariusz Pomienski, Head of Private Office

On 26 and 31 January 2012 Mr Augustyn Kubik, Member of the Court, presented the 2010 Annual Report to the Polish Parliament. The presentation had to be postponed from November/December 2011 due to the parliamentary elections in Poland.

Two presentation sessions were held - for the lower and the upper chamber of the parliament (*Sejm* and *Senat*). The participants were interested in various aspects of the Annual Report, including the errors found in different policy areas and the DAS methodology used by the Court. The Members of the Polish Parliament congratulated the Court on the professional work done and expressed their wish to be informed on the results of the Court's special audits, too.

Similar presentations of the 2010 Annual Report were made in November and December 2011 to Poland's Supreme Audit Institution and to government ministries involved in spending the EU funds. During the same period a press briefing was organised for the journalists from the Polish media.

PRESENTATION IN BULGARIA OF THE 2010 ANNUAL REPORT OF THE ECA

By Eva Boncheva, Private Office of Mrs Sandolova



Professor Valeriy Dimitrov, President of the Bulgarian National Audit Office, Tzvetan Tzvetkov, Vice-President and Directors from the Bulgarian National Audit Office, Mrs Nadejda Sandolova, Member of the Court and Christina Valtchanova, Head of Cabinet

In February Mrs Nadejda Sandolova, Member of the European Court of Auditors, presented in Bulgaria the Court's Annual Report for the financial year 2010. The hearing was attended by Members of the Budget and Finance Committee of the National Assembly of the Republic of Bulgaria, the Committee on European Affairs and Oversight of European Funds. The Minister in charge of EU funds management was also invited, together with the Executive Director of the Public Procurement Agency, the Director of the Public Financial Inspection Agency and representatives of the Audit of European Funds Executive Agency and of the State Fund Agriculture.

In her presentation Mrs Sandolova emphasised the execution of the EU budget for the financial year 2010, while drawing attention to EU fund absorption by policy areas in Bulgaria and to the results of operations' audits.

The presentation received extensive media coverage in the Bulgarian national media and was widely discussed by the various stakeholders. One of the main questions was related to improving the work processes and to reduce the error rate in procurement procedures in Bulgaria was raised by the *Public Procurement Agency*. Mrs Sandolova underlined the necessity to apply more precisely the relevant EU public procurement regulations when organizing the procurement procedures for the award of public contracts. The quality of the documentation in this area, and the systems for its archiving over the years, should also be improved, since this documentation is all that remains as audit trail, to be used in the assessment of the application of European rules and regulations.

The Committee on European Affairs and Oversight of European Funds enquired whether, and to what extent, the new procedures concerning funding in the area of agriculture and environmental protection could be simplified. Mrs Sandolova reminded the audience that through its opinions and recommendations the European Court of Auditors has regularly supported the processes of procedural simplification. However, she did not miss the opportunity to explain that any simplification must be applied with great care, to avoid the possibility of an increase in the risk of errors arising from its application.



Valeriy Dimitrov, President of the National Audit Office of the Republic of Bulgaria and Mrs Nadejda Sandolova, Member of the European Court of Auditors



Mrs Menda Stoyanova, Chairperson of the Budget and Finance Committee of the National Assembly of the Republic of Bulgaria, Mrs Nadejda Sandolova, Member of the European Court of Auditors

Furthermore, the representatives of the media raised the question whether Bulgaria is subject to regular annual checks in the area of agriculture. At this point, Mrs Sandolova clarified the fact that audit checks are carried out based on the principle of sampling that predetermines the inclusion of more than half of the Member States within the audit scope every year. She also added that, in 2010, a follow-up audit focusing on the implementation of the recommendations in the annual reports for 2008 and 2009, was carried out in Bulgaria.

The presentation of the Annual Report before the National Audit Office of the Republic of Bulgaria put the emphasis on more specific questions concerning the methodology for the formulation of audit opinions, sampling, as well as the audit planning and reporting processes. Professor Valeriy Dimitrov, President of the Bulgarian National Audit Office showed a great interest in the possibilities for future cooperation and enhanced dialogue between the European Court of Auditors and the national SAI's in general, and the Bulgarian SAI in particular. The discussion revealed the fact that the European Court of Auditors is actively looking for ways of utilising the work and experience of national audit offices in order to increase the control efficiency throughout the European Union.

PRESENTATION OF THE COURT'S ANNUAL REPORT 2010 MADE IN ROMANIA BY Mr OVIDIU ISPIR

By Marilena Demian, Attaché
Patrick Weldon, Head of Private Office



In the last week of this February, Mr. Ispir presented the Court's 2010 Annual Report in Romania. The timing of this presentation allowed expanding its coverage from the mere content of the Report to the subsequent steps of the discharge procedure. Indeed, at the time of the presentation, the hearing of European Commissioners by the Committee on Budgetary Control (CONT) of the European Parliament had taken place and the European Council had voted in relation to the 2010 discharge. This allowed Mr. Ispir to include elements related to the discharge procedure and better depict the Court's role in the process of public accountability for the implementation of the EU budget.

At the time of the visit, there was higher than usual interest in the area of EU funding caused by the recent decision of DG Employment, Social Affairs and Inclusion to interrupt the payment deadline for one Operational Programme in Romania. This was due mainly to significant deficiencies in management systems detected by the Romanian Audit Authority and reported to the Commission.

The first of the presentations was the event organised by the recently created (autumn 2011) Romanian Ministry of European Affairs. The Minister of this newly created department is the former European Commissioner Leonard Orban. Mr. Orban and his officials welcomed the presentation of the Annual Report, which took place in conjunction with the opening of an Information Centre for Structural Instruments – a new innovation which has attracted much interest.

This double event was very successful, with a large and appreciative audience of over 80 guests from national

and regional development agencies, managing and control institutions for EU funds, and representatives of various public and private agencies bodies dealing with Structural Funds. In addition there were in the region of 30 members of the press corps, reflecting a high level of media interest.

The next day, a similar presentation took place at the headquarters of the Romanian Court of Auditors, in the presence of the Court's College, preceded by a meeting between Mr. Ispir and its President Mr. Nicolae Vacaroiu and the two Vice-presidents, Mrs. Doina Dascalu and Mr. Mircea Popescu. The members of the College showed a high level of interest in the workings of our Court, demonstrated by a lively question and answer session following the presentation.

The next presentation on the agenda was for the management of the Romanian Audit Authority, a body that functions within the Romanian Court of Auditors and performs the audit and certification functions for EU structural and agricultural funds granted to Romania. That day the central and regional managers of the Audit Authority were meeting to discuss the further enhancement of the administrative capacity of this body. Mr. Ispir's presentation on the role and functions of the ECA and its relations with the audited bodies in the Member States was therefore very well timed.

The Audit Authority audience has perhaps a closer knowledge of the Court's audit work as it was audited by the Court as part of its systems audit and often observes the audits of transactions checked by the Court on the spot. The management of the Audit Authority, Mr. Aron



Ioan Popa (President) and Gheorghe Oana and Ioan Anton (Vice-presidents), themselves members of the Romanian Court of Auditors, warmly welcomed the presentation and expressed an interest in additional contact with the ECA.

Finally, the now traditional presentation of the 2010 Report was made to Budget and Finance Committees of the Senate and of the Chamber of Deputies, in the Palace of the Parliament in Bucharest, in the presence of several members of the Romanian Court of Auditors.

Besides the main messages of the report, Mr. Ispir focused on the new features introduced by the 2010 report: changes in the policy clusters, the inclusion of the estimated error limits, the overall opinion on the budget, the new Chapter 8 related to performance. He also provided an overview of the structure of the 2011 Annual Report, with the main policy areas cohesion and agriculture being further split to better reflect the specificity of EU expenditure dedicated to these areas.

Romania and the way it is reflected in the Court's reports (recent Special Reports included) constituted another topical issue. Mr. Ispir emphasised that in 2010, Romania was again a net recipient of EU Funds, as it has been since joining the EU. He explained that the Court does not audit particular Member States, but transactions recorded in the EU budget according to various policy areas. As the recipient of important EU funds, the payments made to Romania are quite often part of the samples drawn by the Court. The Court's audit of systems could also include management and control systems developed in Romania for EU transactions. Furthermore, the Court's performance audits can cover projects implemented in Romania. This tendency is likely to be even more significant in future, in line with the ever increasing absorption of funds granted to Romania.

In conclusion, Mr Ispir mentioned that in times of financial crisis, the correct implementation of EU funds can be the key for continuous development of countries like Romania, and therefore all efforts should be made to ensure that the absorption rate increases whilst ensuring that spending is in keeping with the rules. This is where the role of the national authorities needs to be more focused than ever as the Commission can be expected to intensify its own audits in Member States and will most likely use to the maximum extent its powers related to the suspension and interruptions of payments, as well as financial corrections, where relevant.

The fact that the audit findings of the Romanian Audit Authority determined the interruption of payments decided by the Commission in this February for the Romanian Operational Programme for Human Resources Development was emphasised by Mr. Ispir as a sign that the Romanian authorities treat their role with the utmost seriousness and thereby hopefully preventing the future occurrence of such events payment interruptions.

Mr. Ispir gave several interviews to media representatives such as the weekly business magazine "Capital" which had an extended interview with him. Reporters from Romanian national television and various radio stations also addressed their questions to him with. Several national daily papers published articles highlighting the most important points covered by Mr. Ispir's presentation.

This was the most rewarding series of presentations of the Court's report given by Mr Ispir in Romania, building as it did on previous visits and the developing interest on EU matters that is now to be found. This augurs well for future contact, cooperation and our presentation of future reports.

CHAMBER IV SEMINAR : ON ITS WAY TO BEING AN ANNUAL ATTRACTION

By Alan Findlay, Head of Private Office of Dr Igtors Ludboržs



The Chamber IV seminar, now already something of an annual event, took place in February and was centred this year around the themes of the “New Financial Perspective 2014 – 2020” and the “Court’s Strategy”. In his capacity as Dean, the seminar was moderated by Dr Igtors Ludboržs.

The proposal of the Commission on the Multi-annual Financial Framework for the period 2014 to 2020 was adopted by the College of the Commission on 29 June 2011 and is likely to be the basis for the European Union’s political priorities for the next years. The new Multi-annual Financial Framework proposes a number of changes in most of the major policy areas and it is likely that such changes will have an impact on the way these policies are managed and implemented either by the European Commission or by the Member States and on how these are audited.

The Chamber was delighted to welcome as guest speaker Mrs Maria Troch from DG Budget who provided valuable insight into the Multi-annual Financial Framework and placed the Commission’s proposals, especially those involving major policy areas into the wider context of an evolving Europe. Of particular interest were her insights on the negotiation procedure and the negotiation partners which highlighted the political side of the proposed Financial Framework.

Mr Zacharias Koliass, Head of Unit for Research, focussed on the Horizon 2020 Proposal and mapped out a possible transition from the Seventh Framework Programme to Horizon 2020. Whilst it seems that Horizon 2020 will take over many elements of the existing Framework Programme functioning there will nevertheless be

significant elements of simplification in its structure, its funding rules and the revised control strategy.

The Chamber also heard from Mr Paul Stafford, Head of Unit for Revenue, on the Commission’s proposal for financing the EU budget and in particular the proposals for Own Resources for the period 2014 – 2020. Colleagues found particularly interesting the explanations on the background to the proposed Financial Transaction Tax.

Mr Stafford highlighted also very clearly the details of the reform of the correction mechanisms as well as the complexities involved with the calculations and the underlying data.

Changing topic and in his own inimitable style, Dr Louis Galea, Member of the Court led the Chamber through the Court’s strategy from the point of view of the five key themes proposed by the Court’s Strategy Reflection Group including their possible implications for Chamber IV. In this respect the participants will not forget in a hurry the use made by Dr Galea of the hypothesis from the Red Queen in Lewis Carroll’s novella “Through the Looking-Glass and what Alice found there”;

“ ... it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that! ”.

EU SEMINAR EU AUDIT IN ACTION - Copenhagen on 2-3 February

By Jan Huth und Bogna Kuczynska



A Contact Committee's Working Group on National SAIs Reports on EU Financial Management (WG) chaired by the Dutch SAI, was set up in 2003. In 2009, the WG discussed its medium-term objectives at the annual meeting in Budapest. At the meeting in Stockholm in 2010 it was decided to create a network for exchange of information. The Dutch SAI agreed to be the temporary chair. Rather than holding regular 'routine' meetings, it was proposed to organise workshops on concrete themes.

The EU Seminar "EU Audit in Action", which was hosted by the Danish SAI (Rigsrevisionen) and held in Copenhagen on 2-3 February 2012, was the first of such workshops with the main theme being "Risk assessment in agriculture" and brought together 39 participants representing 18 SAIs. Other themes dealt with were: "EU reporting at national level via consolidated EU financial statements", "CAP 2020 reform" and "Recent developments in EU Financial Management".

In his welcome speech to the participants Mr Henrik Otbo, Denmark's Auditor General, stressed the importance of optimising the cooperation between the SAIs, particularly in the light of recent developments on EU level like the currently established financial crisis mechanisms EFSF or ESM, and wished this event every success.

Two presentations set out issues for consideration in relation to consolidated EU financial statements. Firstly, Mr Erik Hammer from the Danish Ministry of Finance presented the process of preparing the EU consolidated financial statements in Denmark and the inherent problems to group and categorise the related revenue and expenditure correctly and consistently in the national budgetary accounts. Secondly, Mr Goran Arnell of the Swedish SAI continued with the challenges as regards the Swedish National Declaration concerning EU funds covering the organisation and structure of the system forming the basis of the declaration, as well as aims and main characteristics of the declaration.

The main theme "Risk assessment in agriculture" was kick-started with the presentation by the Court's representatives. The first part covered the Court's DAS audit strategy and design and was followed by a risk assessment of each of the two pillars in the Common Agricultural Policy (CAP). Subsequently, three workshops dealing with the EAGF, EAFRD and cross-compliance followed. The workshops were led by the Dutch and Danish colleagues according to the following agenda : i) identifying specific risks related to each topic, and ii) devising audit strategies/ideas addressing the risks identified. The question of costs of control versus benefits they bring was discussed extensively.

The level of detail during all these discussions was not always the same as some participants had a lot of detailed knowledge in the field of agriculture whereas others were more generalist auditors. But it became clear from the interventions of the SAIs attending the workshop, that the audit approaches applied are quite diverse. They ranged from the Court's Audit Risk Model for the DAS based on a combination of an assessment of supervisory and control systems and transaction testing down to the level of the final recipient to extensive reliance on the work of other auditors. Furthermore, some SAIs focus more on performance-oriented audits than on compliance audits.

Due to those circumstances it was not possible to establish an exhaustive catalogue of risks related to the CAP and to identify common audit strategies to be used by all participants. Examples of subjects discussed and identified are given below.

The cross-cutting issues raised were mainly the complexity of regulations, differences in the systems set-up at national levels, and the number of actors involved (both at control, management and beneficiary level) in the process which all impact the assessment of inherent and control risk.

As far as the specific inherent risk in both EAGF and EAFRD is concerned, the main factors identified relate to the number of aid and control schemes, the diversity of the measures and the qualification of final recipients as farmers. Where investment and infrastructure measures in Rural Development or intervention measures in agricultural markets are involved, the applicability of public procurement legislation is an additional risk element.

In the area of cross-compliance, again, the very complex nature of the obligations requires a high level of specific knowledge on technical level and adequate organisation on the control side, which is not always the case.

Main control risks in the area of Agriculture are related to organisation of on-the-spot inspections (e.g. insufficient sampling, quality of checks, timing of controls), implementation and control of cross-compliance (e.g. insufficient national GAECs for grassland and poor pasture, incomplete standards for maintenance of land taken out of agricultural production), to the administrative procedures and controls (LPIS not correctly updated after on-the-spot checks, incorrect treatment of claim modifications, over- and underdeclaration penalties incorrectly applied), as well as unreliable statistics.

As regards the conclusions and the outcome of the workshops, all participants stressed the importance of further cooperation and exchange of experiences both among the SAIs and with the European institutions (European Commission and the Court).

The seminar continued on Friday morning with a speech of Bruno Chauvin, Head of the Financial Audit cell in the European Commission (DG AGRI) about the CAP 2013 to 2020, the legislative proposals for the reform and their implementation. A lively discussion about the implications, especially simplification versus increase of the inherent and control risk followed.

Finally, a presentation by Jan van den Bos of the Dutch SAI highlighted recent developments in EU financial management. The scope included conclusions of the discharge procedure 2009, the Court's DAS 2010 exercise and a summary of conclusions in various areas, the state of play as regards the legislative procedure of the new Financial Regulation, a summary of Commission proposals as concerns the Multiannual Financial Framework, the current financial and debt crisis, in particular in respect of the financial instruments devised as a response to the crisis, and recent developments in SAI cooperation.

This first meeting of the WG in its new shape was a good initiative by the Danish SAI and very interesting overall. The workshop element gave all participants the possibility for active involvement. The choice of themes was good ranging from more general and very actual ones to agriculture in general as well as specific issues like cross-compliance.

PRESENTATION OF SPECIAL REPORT 16/2011

Press conference 08/02/2012 on Special Report 16/2011:
EU financial assistance for the decommissioning of nuclear plants in Bulgaria,
Lithuania and Slovakia

By Erika Söveges, Private Office of Dr. Szabolcs Fazakas



From left to right: Mr József Veress, Mr Gabriele Cipriani, Mr Szabolcs Fazakas, Member of the Court, Mr Ossi Louko and Mr Jorge Guevara Lopez

On 8 February 2012 Mr. Szabolcs Fazakas, Member of the Court, together with Mr. Gabriele Cipriani Director of Chamber 2, Mr. Ossi Louko Head of Unit, Mr. Jorge Guevara Lopez team leader and his Head of Private Office, Mr. József Veress, presented to the press the Court's Special Report 16/2011 on "EU financial assistance for the decommissioning of nuclear plants in Bulgaria, Lithuania and Slovakia."

Many journalists from several European and national news agencies attended the press conference. The participants showed keen interest in this technical, but very "topical" subject matter. Lots of questions were asked not only about the Court's findings and the audit work carried out, but also on nuclear safety and nuclear decommissioning issues in general.

The press conference was followed by more than 350 persons on EBS (Europe by Satellite). It had a broad coverage in the media of many countries, such as: Austria, Bulgaria, Germany, Greece, Hungary, Italy, Lithuania, Latvia, Poland, Portugal, Slovakia, Spain, Romania, United Kingdom, and surprisingly even in countries outside the EU, like Oman. Permanent delegations of the Member States concerned by the audit were also represented.

During his presentation, after explaining the background of the three nuclear decommissioning programmes, Mr Fazakas emphasised the main conclusions and recommendations of the Court's report.

The Chernobyl accident in 1986 and its cross-border impact highlighted the global importance of nuclear safety. This event generated broad concerns as regards the operation of the "non-upgradeable" (also called "Chernobyl-type") nuclear reactors in Central and Eastern Europe. For this reason, with a view to increasing nuclear safety, the international community (and the European Union in particular) decided, from the early 1990s, to provide various forms of financial assistance for decommissioning of such reactors.

The decommissioning of nuclear installations and the management of their waste is a technically complex procedure. It starts with the final shutdown of a nuclear plant with the purpose of releasing the facilities from regulatory control and lifting the radiological protection restrictions required during its operation. Decommissioning continues until the site has been fully restored and all radioactive waste and spent fuel securely managed. Therefore, the process extends over a very long period of time. In case of “early closure”, the final shutdown of a nuclear power plant before its initially foreseen lifetime (which is usually 30-40 years and up to 60 years for the newest installations), there is a need to address the consequences of the lost energy production capacity and to safeguard the security of energy supply.

Three “accession countries”, Bulgaria, Lithuania and Slovakia committed themselves in the framework of their EU accession negotiations to the “early closure” and subsequent decommissioning of eight non-upgradeable reactors. The EU recognised that these commitments represented an exceptional economic, financial and social burden, which could not be fully covered by the three countries concerned. Therefore, as an act of solidarity, it decided to provide financial assistance to these countries, in order to support their efforts to decommission the closed nuclear plants and to mitigate the consequences of their closure.

Because of the importance of nuclear safety matters and the significant amounts of EU financial assistance (2.85 billion euro from 1999 to 2013), the Court decided to undertake an audit on the implementation of the three decommissioning programmes in Bulgaria, Lithuania and Slovakia. The main objective of the audit was to assess the effectiveness of these programmes in contributing towards the decommissioning of the nuclear reactors and addressing the consequences of their early closure.

The Court concluded that the EU financial assistance has helped Bulgaria, Lithuania and Slovakia to meet their commitments towards the closure of eight nuclear reactors. The reactors were closed, major preparatory works have been implemented and dismantling works have started. However, after more than 10 years of EU assistance, the progress has been slow, as many projects still involve preparatory activities. As a result of a relatively loose policy framework, the programmes do not benefit from comprehensive needs assessments, prioritisation and setting of specific objectives to be achieved. While some milestones have been achieved in decommissioning, the main process is still ahead. Although the overall cost for the completion of the programmes is unidentified, according to the estimates of the Member States a significant funding shortfall is expected (about 2.5 billion euro).

As a result of the audit, the Court issued a series of recommendations which identified the areas requiring particular consideration. According to these recommendations the Commission should put in place the conditions for an effective, efficient and economic use of EU funds; it should establish a detailed needs-assessment, showing the progress of the programmes so far, the activities still to be performed and an overall financing plan identifying the funding sources.

Mr. Fazakas finished his presentation by underlying that the three Member states fulfilled their commitments as they closed the reactors concerned. He highlighted the fact that should the EU decide to provide further financial assistance for nuclear decommissioning in the next Multiannual Financial Framework, the support should be made conditional upon an *ex ante* evaluation of the EU added value, identifying the specific activities to be financed through the EU budget and taking account of other funding facilities, such as Structural Funds.

On a final note, Mr. Fazakas acknowledged the valuable insights from Mr Harald Noack, Dean of Chamber 2, who handed him over this challenging audit task in June 2010. His inputs and precious advises have been very much appreciated. At last, but not least Mr. Fazakas also thanked the audit team for the great work they have done.

SUMMARY REPORT ON THE DTR CONFERENCE "AUTOMATED SOLUTIONS IN TRANSLATION: PAVING THE WAY"

By Thomas Everett & Fiona Urquhart, Translation service



This all-day conference, jointly organised by the ECA Translation Directorate and the Commission's DG Translation, was held on Friday 27 January 2012 in K2. The delegates were managers, translators, translation support staff, auditors and others from all the EU institutions, other EU bodies and international organisations as varied as the International Telecommunication Union and the African Development Bank. The conference was chaired by Ms Falk-Petersen, the Court's Director of Translation, and the introductory address was given by Mr Ruiz García, Secretary General of the Court of auditors, who said that holding the conference demonstrated that the science-fiction of machine translation (MT) was becoming reality.

There were four keynote speakers. The first two, representing the world of commercial translation, focused on the changes MT was bringing to the global process of translation. Participants were first encouraged by Mr Renato Beninatto, CMO of Moravia Worldwide, to challenge received ideas and accepted dogmas. Owing to the content explosion, MT was the only way forward. The watchwords for the near future of translation included "disintermediation", "post-editing" and "crowdsourcing", as full use was made of the vast panoply of resources available on the web. Simultaneously, MT would allow efficiency and output to soar. Beninatto's points were then underscored by Dr Fred Hollowood, Director for Research at SES Symantec, who gave practical examples from his long experience in the field and said that MT had become at least twice as efficient as human translation. After presenting a detailed expert analysis of the composition of MT systems and the projects run by his organisation, Hollowood said that the future lay in narrow-domain translation initiatives, of which he described some leading examples.

The third and fourth speakers both discussed past and present experiences of MT at the Commission. Ms Margot Fröhlinger, Director of Intellectual Property in DG Internal Market, looked at MT as a vector for multilingualism in specific policy areas and a tool for improving the EU's efficiency and communication with the European public, thus enhancing information exchange and participative democracy. Finally, Mr Josep Bonet, Head of the IT Unit in DG Translation, enthusiastically presented the "new reality" of the Commission's new tool MT@EC, which was designed to meet the Commission's and, later, the other institutions' translation needs. The aim of this very interesting and important development was to increase productivity and consistency across as many language pairs as possible. The new system should be operational at the Commission in mid-2012 and at the other EU institutions one year later.

In concluding the conference, Ms Falk-Petersen welcomed the inexorable progress towards effective automated translation. For her, the key interest of MT was to provide a rapid, low-cost and high-volume response to tasks where the highest quality was not essential, thus freeing up the



translation service so that it could usefully devote its time and energy to more important products, for which human translators would remain indispensable. She closed by expressing the willingness of DTR to continue operating with DGT as a partner in the MT@EC project, as well as with all the other institutions and organisations that were represented at the conference.

The conference delivered fascinating insights into a field which is very much part of the near future of translators everywhere. As described, the MT@EC project promises to deliver impressive solutions as part of the translation workflow and toolbox. The conference itself was characterised by the high standard of the speakers, the delegates' openness to and understanding of the topic, and by a good deal of constructive argument, both through the Q&A sessions and, informally, during the timetabled breaks.

More information on MT@EC can be found on the following link:

http://ec.europa.eu/isa/actions/02-interoperability-architecture/2-8action_en.htm

The detailed report on the conference can be found on the following link:

http://ecanet.eca.eu/ecanet_doc/Translation/Products/P_Translation_About/P_Translation_About_News/MT_Conference_Report.pdf

FINANCE ET FICTION DANS LA ZONE EURO

Par Rosmarie Carotti

Cette table ronde, organisée par l'Institut Pierre Werner et le département d'études germaniques de l'Université du Luxembourg avec le soutien de la représentation de la Commission européenne au Luxembourg, a donné le coup d'envoi d'un congrès scientifique sur le thème «Économie – Langage – Facticité – Les dimensions culturelles du marché».

Elle a réuni MM. Jürgen Wertheimer, professeur à l'université de Tübingen, Paul Jorion, chercheur en sciences sociales et chroniqueur, Klemens Kindermann, directeur du département «économie et société» de la Deutschlandfunk, Jean-Jacques Rommes, directeur de l'Association des Banques et Banquiers du Luxembourg, ainsi que Joachim Starbatty, économiste, et Roman Luckscheiter, modérateur.



Quiconque aurait cru qu'il n'y avait plus rien à dire sur le thème de la crise économique se serait détrompé lors de la table ronde consacrée aux relations entre l'économie financière, la culture et la politique. L'originalité de l'approche est apparue dès le discours introductif prononcé par l'ambassadeur de la République fédérale d'Allemagne et par M. Georg Mein, professeur à l'Université du Luxembourg, qui ont tous les deux mis l'accent sur l'importance du langage dans la transmission de messages et de contenus.

Un vocabulaire irresponsable, qui crée un certain climat, une escalade verbale irresponsable, est indigne de pays européens voisins et alliés. Alors que l'intérêt pour l'avenir de l'Europe régresse et que la justice sociale, qui fut l'un des grands idéaux de l'Union européenne, s'efface devant la relation précaire entre la démocratie et le capitalisme, la sémantique du langage revêt une importance toute particulière.

Les mots peuvent être ambigus et sont employés dans des contextes différents. C'est le cas, par exemple, du mot «crédit» qui, à l'origine, dans le mécanisme de stabilité, désignait des garanties, c'est-à-dire des montants fictifs, mais qui s'applique aujourd'hui, dans le mécanisme de stabilité permanent, à des capitaux parfaitement concrets.

Où est la réalité, où est la fiction? Existe-t-il vraiment une identité européenne ou n'est-elle que fiction? On peut défendre la thèse selon laquelle depuis que le pacte de stabilité a été instauré par

le traité de Maastricht, l'espace européen est parsemé de fictions – fiction destinée à tranquilliser, manœuvre de diversion, instrument de spéculation.

Les critiques prétendent que l'esprit européen a disparu. L'union monétaire aurait été conçue dans une perspective différente, non pas en tant que réalité économique, mais en tant que réalité politique. La disparité croissante des coûts salariaux et les différences de compétitivité en auraient fait une union de transfert. Un marché dépourvu de responsabilité ne peut pas fonctionner car, en fin de compte, les États sont responsables à titre individuel. L'aide de l'Europe ne serait en fait qu'une manifestation de solidarité avec les banques et, lorsque nous affirmons avoir fait gagner du temps à la Grèce, il s'agirait encore d'une fiction. D'ailleurs, y aurait-il eu une crise s'il n'y avait pas eu l'euro?

Pour leur part, les banques n'auraient fait que ce pour quoi elles existent: travailler dans leur propre intérêt. Et puisque nul, hormis quelques initiés, n'est capable d'appréhender la crise dans sa globalité, il faut recourir à des modèles, que les médias essaient ensuite de véhiculer de manière attractive.

Toujours selon ces critiques, l'argent serait une fiction qui n'opérerait qu'à condition d'être entretenue. Bilans et banques se confondraient et elles entretiennent cette fiction. L'euro est un modèle compliqué car politique, et il existe des vérités mathématiques qui échappent au contrôle des modèles politiques.

Comment naît une phrase? Même les linguistes ne savent pas comment opère cette fiction. Pourtant, dans le domaine de la finance, nous avons permis la création de tout un langage sans en comprendre le fonctionnement. Il nous faut maintenant revenir en arrière.

Les Bourses se sont dénaturées. Le système est à repenser. Les places financières ne sont pas un marché tout-puissant, mais le point de rencontre de quelques joueurs qui cherchent à réaliser des gains. Il est indispensable de revenir à des structures étroitement contrôlées et de se doter d'une plate-forme permettant de démanteler les mécanismes irrationnels. «Fiction» n'est pas synonyme de démesure et de déraison. Un système qui mise sur la spéculation, sur la pauvreté appelle un contrôle.

Les médias aussi sont fautifs, non seulement de s'être parfois laissé aveugler, mais surtout d'avoir contribué au maintien de la fiction en créant de toutes pièces des analogies censées décrire la réalité complexe de la crise de l'euro.

Nous avons cultivé une science qui se suffisait à elle-même. Il est grand temps de revenir en arrière pour nous rapprocher de la réalité, de prendre exemple sur la philosophie des lumières et de nous opposer désormais à toute minimisation du danger inhérent aux structures en place.

Par rapport à la crise de 1929, la situation actuelle est encore aggravée par des facteurs tels que la problématique de l'environnement et la complexité du système financier. Nous nous sommes laissé dépasser par les instruments financiers que nous avons nous-mêmes créés, jusqu'à ne plus pouvoir évaluer les risques pour l'avenir.

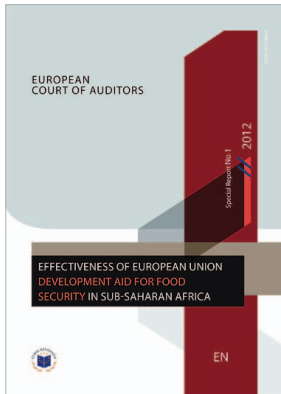
L'euro a été le catalyseur de la crise, laquelle s'avère être une crise de confiance. C'est cette confiance que nous devons maintenant restaurer. Le secteur financier est totalement discrédité. Le surendettement faramineux, les inégalités dans le monde, tout cela se retrouve dans les bilans des banques.

La question n'est pas de savoir si les dettes pharaoniques de tous les États seront remboursées un jour, mais s'il sera possible d'en assurer le service malgré la perte de confiance.

Un langage commun s'impose.

SPECIAL REPORT N°1/2012

EFFECTIVENESS OF EUROPEAN UNION DEVELOPMENT AID FOR FOOD SECURITY IN SUB-SAHARAN AFRICA



Food insecurity is a persistent problem in sub-Saharan Africa where 30% of the population suffer from hunger and nearly half of the children under the age of five are underweight. The Court examined whether European Union (EU) development aid for food security in sub-Saharan Africa is effective, i.e. whether it addresses the countries' needs and priorities and the EU interventions achieve their objectives. The audit focused on EU direct development support for the three dimensions of food security, i.e. food availability, access to food and food utilisation or nutrition.

The Court concludes that EU development aid for food security in sub-Saharan Africa is mostly effective, highly relevant to countries' needs and priorities, and makes an important contribution to achieving food security. However, there is scope for significant improvement in several areas, such as better assessing the potential scope for support in chronic food insecure countries, giving adequate priority to nutrition and improving the sustainability of the interventions.

SPECIAL REPORT N°2/2012

FINANCIAL INSTRUMENTS FOR SMEs CO-FINANCED BY THE EUROPEAN REGIONAL DEVELOPMENT FUND



Small and medium-sized enterprises are the backbone of the EU's economy, generating employment, innovation and wealth. The Court audited the performance of the Cohesion policy's financial instruments facilitating their access to finance. The Court found that the effectiveness and efficiency of these instruments were hampered by important shortcomings, mainly due to the inappropriateness of the current Structural Funds Regulations, insufficient quality of needs assessments and widespread delays in their implementation. Finally, the ability to leverage in private investments was poor as compared with other EU programmes for SMEs.

IN APRIL 2012 THE COURT SAYS :

HELLO TO

SITKO Joanna

GOODBYE TO

RETHORE	Evelyne
MARTINEZ RODRIGUEZ	Maria Belen
LEPROUX	Pierre
KROIHER	Erik Sydney
CISAR	Vladimir
KIHK	Maie
CHARTAMPILA	Styliani
NIEDZIELSKA	Justyna
FERRARIS	Andrea
BERTAGLIA	Marco

DÉCÈS

Nous avons le regret d'annoncer le décès de M. Karl WITTE, survenu le 31.12.2011

Nous avons le regret d'annoncer le décès de M. Giovanni GOLETTI, survenu le 16.11.2011

CODE OF CONDUCT FOR THE MEMBERS OF THE COURT

On 8 February 2012, the European Court of Auditors adopted a revised Code of Conduct for its Members, as a complement to the institution's Ethical Guidelines, and to bring the Court in line with best international practices.

THE EUROPEAN COURT OF AUDITORS,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 285 and 286 thereof,

Having regard to the Rules of Procedure of the Court of Auditors and to the Rules for Implementing the Rules of Procedure, adopted on 11 March 2010,

Whereas the Members of the Court are required, in the Union's general interest, to be completely independent in the performance of their duties, neither to seek nor to take instructions from any government or from any other body, and to refrain from any action incompatible with their duties;

Whereas, when entering upon their duties the Members of the Court give a solemn undertaking that, both during and after their term of office, they will respect the obligations arising therefrom;

Whereas the discretionary and decision making powers which Members of the Court enjoy, by the very nature of their duties, shall be accompanied with guarantees that they will be properly exercised;

Whereas the Court has adopted, at its meeting of 20 October 2011, Ethical Guidelines applying to the Members and staff of the Court, based on the principles laid out in the Code of Ethics of the International Organization of Supreme Audit Institutions (ISSAI 30);

Whereas, as regards the Members of the Court, it is appropriate to complement those Ethical Guidelines by provisions specifying the particular obligations deriving from the Treaty on the Functioning of the European Union,

Whereas certain obligations on the Members of the Court should also apply to former Members in order to be fully effective,

Has decided to adopt the following Code of Conduct for the Members of the Court:

Article 1 **Independence**

1. The Members of the Court shall conduct themselves in accordance with the Treaties and the law deriving there from. Their relations with organisations or interest groups shall be compatible with the need to preserve their independence.
2. Respect of the principle of independence is incompatible with applying for, receiving or accepting from any source external to the Court any benefit, reward or remuneration which may be linked in any way with the duties of a Member of the Court.

Article 2 **Impartiality**

1. Members shall avoid any situation liable to give rise to a conflict of interest. They shall not deal with matters in which they have any personal interest, in particular a family or financial interest, which could impair their impartiality. If Members are confronted with a situation that may give rise to a conflict of interest, they shall inform the President of the Court. The matter shall be submitted to the Court, which shall take any measure it considers appropriate.

2. Members of the Court shall declare any financial interests and assets which might create a conflict of interest in the performance of their duties, whether in the form of individual holdings in company capital, in particular shares, or other forms of holding such as convertible bonds or investment certificates. Units in unit trusts, which do not constitute a direct interest in company capital, do not have to be declared. Any property owned either directly or through a real estate company must be declared, with the exception of homes reserved for the exclusive use of the owner or their family.

3. Members shall also declare, in order to obviate any potential risk of conflict of interests, any professional activity of their spouses/partners.

4. On taking office Members shall submit to the President of the Court the declaration provided for in the above paragraphs having regard to the form contained in the Annex. With due regard to the principle of protection of personal data, the declaration shall be published on the website of the Court. The declaration must be revised in the event of significant changes, and a new declaration shall be submitted. It must also be completed when a Member leaves office.

5. Members are responsible for their own declarations. The President of the Court shall examine the declaration and take account of it when proposing the assignment of the Member to a Chamber of the Court, in order to avoid any possible conflict of interest. The declaration of interests made by the President shall be examined by the Member next in order of precedence to the President under Article 5 of the Rules of Procedure.

6. Members shall inform the President of any decoration, prize or honour bestowed on them.

Article 3 **Integrity**

1. Members shall not accept gifts of a value greater than EUR 150. If, by virtue of diplomatic custom, they receive gifts of a value greater than that amount they shall hand them over to the Secretary-General. In case of doubt, they shall declare to the Secretary-General any gift received in the performance of their duties, asking for an assessment of its value. The Secretariat of the Court shall keep a register of gifts with a value of more than EUR 150, which shall be publicly available if requested.

2. Members may not accept payment for any form of outside activities or publications made during their term of office. Should a payment be made, it shall be donated to a charity of their choice. The Secretary-General shall be fully informed.

Article 4 **Commitment**

1. Members of the Court shall devote themselves to the fulfilment of their mandate. They may not exercise any political office.

2. Members shall not engage in any outside professional activity or any other outside activity that is incompatible with the performance of their duties.

3. Under the conditions laid down in Article 5 of the Rules for Implementing the Rules of Procedure of the Court, Members may hold honorary, unremunerated offices in foundations or similar organisations in a political, cultural, artistic or charitable sphere or in educational establishments. "Honorary office" means an office in which the holder does not exercise any executive power in the management of the organisation in question. "Foundation or similar organisation" means any non-profit organisation or association engaged in activities in the public interest in the aforementioned areas. Members shall avoid any conflict of interest that could arise from those posts, in particular whenever the body in question receives any kind of financing from the EU Budget.

4. Unpaid courses given from time to time in the interests of European integration and conferences, lectures and other similar activities on areas of European interest are the only other outside activities that are permitted.

5. The Committee responsible for evaluating the outside activities of the Members of the Court examines Members' outside activities in this connection, in accordance with the criteria and procedures laid down in Articles 5 and 6 of the Rules for Implementing the Rules of Procedure of the Court.

6. Members shall include their outside activities, with the exception of activities mentioned in paragraph 4, in the declaration of interests referred to in Article 2.

Article 5 **Collegiality**

1. Members shall under all circumstances respect the collegiate nature of the Court's organisation and adhere to decisions adopted by the Court. However, Members may have recourse to the judicial instruments provided for under European Union law if they consider that those decisions have caused them harm.

2. Without prejudice to the President's responsibility for external relations, Members shall have authority outside the Court to communicate and comment upon any reports, opinions or information which the Court has decided to make public.

3. Members shall refrain from making any comment outside the Court that could damage the Court's reputation or be interpreted as a statement of the Court's position on matters that do not fall within its institutional remit or on which the Court has not taken a position. Members shall refrain from making in public any comment that might involve the Court in any controversy, even after they have ceased to hold office.

Article 6 **Confidentiality**

1. Members shall undertake to respect the confidential nature of the Court's work. They shall not divulge confidential information to unauthorised persons. In accordance with Article 339 of the Treaty on the Functioning of the European Union, this duty continues to apply after Members have ceased to hold office.

2. Members shall not use for private purposes, either for themselves or on behalf of others, any confidential information to which they have access.

Article 7 **Responsibility**

1. Members of the Court shall be mindful of the importance of their duties and responsibilities, shall take into account the public character of their duties and shall conduct themselves in a way that maintains and promotes the public's trust in the Court.

2. Accordingly, they shall use the resources placed at their disposal in full compliance with the general and specific rules laid down to that effect, and in particular the Court decisions concerning the procedure for recruiting staff to Members' private offices, representation and reception expenses and the use of the Court's official vehicles.

3. Members of the Court shall choose the members of their private offices with due respect to the above-mentioned rules and on the basis of objective criteria, taking into account the demanding

nature of the function, the professional profiles required and the Members' need to establish a relationship based on mutual trust between themselves and the members of their private offices. Spouses, partners and family members shall not be part of the private offices of Members of the Court.

4. Without prejudice to the relevant provisions of the Treaty on the Functioning of the European Union, in particular the Protocol on Privileges and Immunities, and the texts relevant to their application, the Members of the Court shall cooperate fully with the European Anti-Fraud Office in the context of enquiries undertaken by the latter with regard to the fight against fraud, corruption or any other illegal activity which might be prejudicial to the financial interests of the Union.

Article 8

Obligations of Members after ceasing to hold office

1. Whenever former Members of the Court intend to engage in an occupation during the three years after they have ceased to hold office, they shall inform the President of the Court without delay, if possible with at least four weeks notice.

2. If the President considers that the intended occupation might give rise to a conflict of interest, he shall seek the opinion of the Court. Where the former Member intends to engage in a public office, a conflict of interest is, in principle, not to be expected.

3. If the Court considers that the intended occupation gives rise to a conflict of interest, the President shall immediately inform the former Member, who shall refrain from engaging in that occupation.

4. If a former Member engages in an occupation notwithstanding the negative opinion of the Court, Article 6(6) and (7) of the Rules for Implementing the Rules of Procedure of the Court shall apply mutatis mutandis.

Article 9

Application and interpretation of the Code

The President and Members of the Court shall ensure that this Code of Conduct is observed and that it is applied in good faith and with due consideration to the principle of proportionality. The President and Members of the Court may seek the advice of the committee referred to in Article 4(5) on any ethical question concerning the interpretation of this Code of Conduct.

Article 10

Entry into force

This Code of Conduct cancels and replaces the Code of Conduct of 16 December 2004; it shall enter into force with immediate effect.

Luxembourg, 8 February 2012.

For the Court of Auditors,

Vitor CALDEIRA
President

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