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1977 - 2017



EUROPEAN  
COURT  
OF AUDITORS

# JOURNAL

European Court of Auditors



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## The 40th anniversary of the ECA - a 'feel good' experience that matters



When you celebrate your anniversary, the chances are high that you feel good - and that your guests are positive about what you have done for them, or perhaps even to them, over the years. During the official ceremony to mark the ECA's 40th anniversary, there was clearly such a 'feel good factor' among many of the participants, both hosts and guests. We had assembled quite a crowd in Luxembourg, including the head of state and the prime minister of our host country, the highest representatives from the European Parliament, the Council and the Commission and many presidents of EU Supreme Audit Institutions (here for the EU Contact Committee meeting which took place during the same week). It was also a home-coming, since over 50 of the 99 Members the ECA has had since 1977 were present, leading to some warm encounters between them and current staff.

What also felt nice were the kind words spoken about the ECA's positive contribution to the European project by all the guest speakers. But past performance raises expectations for the future and this was clearly expressed by some of those who spoke: the ECA has a role to play in a democratic and transparent Europe, the more so in an EU where its citizens require clear performance and added value from EU actions and funds. So there was no time, after the praise, for big-headedness. On the contrary, if the ECA wants to be a "catalyst for the future", as President Kaljulaid of Estonia suggested, then we will need to be 'forward-looking, bold and not apologetic in our actions,' as set out by ECA President Klaus-Heiner Lehne.

Sharing the activities undertaken to mark our 40th anniversary is the central theme of this Journal. At the same time we look forward, with articles on the impact of audit recommendations, upcoming decisions on the future of the EU budget and the ECA conference organised in Brussels on our latest Landscape Review.

There was another personal 'feel good factor' for me, as an ECA staff member. During the reception after the ceremony, there was a clear feeling of pride among staff to be part of the world called ECA. Or, as one colleague put: 'Really nice to see that we get such speakers together here in Luxembourg to talk about our role in the past and for the future. It gives me the feeling that our work truly matters and it is very stimulating.' For me, this is the big plus of the way we marked our anniversary. In addition to the official ceremony there was (and still is) an exhibition on the ECA's history, a special publication looking at 40 years of public audit and the ECA anniversary Euro coin issued by the Banque Central du Luxembourg. It is important for us to feel good about belonging to an institution that matters. Let us hope this continues to be an important driver for staff and that EU citizens can continue to 'Count on us' in the future.

Gaston Moonen

# The European Court of Auditors: catalyst for good management and transparency



## Looking back at the official anniversary ceremony

By Gaston Moonen, Directorate of the Presidency Innovation

During the official ceremony to mark the ECA's 40 years of activities the speakers focused on what the ECA has achieved till now and particularly on what Europe needs for the upcoming years. And how the ECA can contribute to a Europe that citizens can believe in to improve their lives. Below an overview and details of the speeches given.



From left to right: Henri Grethen, ECA Member; Xavier Bettel, Prime Minister of Luxembourg; Kersti Kaljulaid, President of Estonia; Klaus-Heiner Lehne, ECA President; their Royal Highnesses, the Grand Duchess and Duke of Luxembourg; Antonio Tajani, President of the European Parliament; Jean-Claude Juncker, President of the European Commission; Karel Pinxten, ECA Member

### High level guests and speakers to celebrate 40 years of ECA

The ECA 40<sup>th</sup> anniversary was highlighted during an official ceremony organised in Luxembourg on 12 October 2017. The ceremony was attended by their Royal Highnesses the Grand Duke and Grand Duchess of Luxembourg, authorities of the Luxembourg government, representatives of EU institutions and Member States' permanent representations, ambassadors, former Members, heads of supreme audit institutions (SAIs) of EU member States and Candidates and many ECA staff members.

The ceremony was opened by ECA President Klaus-Heiner Lehne, followed by speeches of Kersti Kaljulaid, currently President of Estonia – the country holding the EU presidency – and before that ECA Member, Antonio Tajani, president of the European Parliament, and Jean-Claude Juncker, President of the European Commission. All speakers highlighted, from different perspectives, the situation of Europe now, different historical elements related to the creation and/or work of the



## ECA as a catalyst for good management, added value and transparency *continued*

ECA, how the ECA has contributed to improving financial management in the EU, including performance aspects, and challenges and aspirations the ECA faces for the future and how it can continue to be relevant for the EU and its citizens. The full text of the speech of Klaus-Heiner Lehne and highlights of the speeches of the three other speakers are presented below with hyperlinks to the full text of the speeches.



ECA 40th anniversary ceremony at the Hemicycle of *Luxembourg Congrès*

Intermezzo's in the programme were presented by the musical ensemble 'The Ni Ensemble', with five members playing trumpets, the horn, the trombone and the tuba, covering pieces like the Wilhelmus, anthem of the grand ducal house, and master pieces written by Ludwig van Beethoven, Antonio Vivaldi, Kerry Turner and Enrique Crespo. The ceremony was concluded with a reception with ample opportunities for informal exchanges. At the end of the evening all participants were offered the special publication '*European Court of Auditors: 1977-2017 – 40 years of public auditing*', which looks back at the history of the ECA through various archive documents and testimonies.



Special publication '*European Court of Auditors: 1977-2017 – 40 years of public auditing*'

## ECA as a catalyst for good management, added value and transparency *continued*

### Speech by Klaus-Heiner Lehne, President of the European Court of Auditors, on the occasion of the special event marking the ECA's 40th anniversary, Luxembourg, 12 October 2017



Klaus-Heiner Lehne,  
ECA President at the Hemicycle of  
Luxembourg Congrès

Royal Highnesses, Excellencies, Ladies and gentlemen, dear colleagues, dear friends,

It is a great pleasure to welcome you all here to Luxembourg on the occasion of the European Court of Auditors' 40th anniversary. And I am particularly pleased to personally welcome:

- their Royal Highnesses, the Duke and Grand Duchess of Luxembourg and the Prime Minister of Luxembourg, Xavier Bettel, along with other high-ranking Luxembourg representatives;
- the President of the European Parliament, Antonio Tajani, together with our key interlocutor in the Parliament, Inge Gräßle, the Chair of the Budgetary Control committee, and other representatives of the Parliament;
- our former colleague, the President of Estonia, Kersti Kaljulaid;
- the President of the European Commission, Jean-Claude Juncker, and Commissioner Oettinger.

Last but not least, I would like to welcome my predecessors, the former Presidents of the European Court of Auditors, Vitor Caldeira, Hubert Weber and André Middelhoek.

Public auditing and financial accountability are deeply rooted in the broader concept of **democratic accountability**. The creation of the Court through the Treaty of Brussels in the seventies shows this **convergence** between the requirement of independent external audit and the goal of full democratic accountability.

We would not be here today, were it not for a determined campaign for a European Audit Institution, in large part led by the European Parliament, in an alliance with the supreme audit institutions in the Member States. One particularly imposing parliamentary figure stands out from those early days, and it is Heinrich Aigner, to whom I would like to pay tribute tonight.

**Forty years ago**, in October 1977, the nine founding Members of the Court, having taken their oath of office before the Court of Justice, arrived at rue Aldringen. They had to start their work more or less from scratch and deal with numerous questions, ranging from audit work to the recruitment of staff. It was only later that the Court became a formal institution as we know it today. In the meantime, the Court of Auditors' next meeting will be its 1072nd!

## ECA as a catalyst for good management, added value and transparency

*continued*

I speak for all the Members of the Court when I say that I'm honoured that you all made it here to share this anniversary with us. This year has been a turning point for Europe. Rather than staring into the abyss, twenty seven European leaders gathered in Rome, reaffirming their common future. President Juncker, just one month ago, with Europe's economy finally bouncing back, you provided a roadmap for the months and years to come. It is a bold one. We need to be forward-looking and **bold, not apologetic** in our actions.

In particular, we need to be more **confident in our values and confident in our potential**. Debating what sort of Union we want to live in is good, and even essential. But perpetual self-doubt and even self-flagellation only add to the confusion felt by many citizens, and plays directly into the hands of populists. It is only with a **strong sense of purpose** that the EU and its Member States will be able to set the agenda worldwide, be it on trade, be it on climate change, be it on confronting terrorist threats and managing migration flows.

As President of the European Court of Auditors I can assure you that we are determined to **fully play our part** in such a reinvigorated European Union. We are determined to be an **independent voice**, capable of meting out praise where things work, but also to highlight uncomfortable truths where things are not working properly.

A former President of the European Court of Justice, Hans Kutscher, put it with an almost British sense of understatement when he swore in our first batch of Members in 1977: "it is no secret that the activity of those bodies responsible for the supervision of budgets is **not always a source of joy** for those involved". However, he argues rightly that such control must be "welcomed with gratitude". As Heinrich Aigner put it perfectly: the control exercised by the Court of Auditors should be "**not punitive but constructive**".

We are determined to ensure that every euro spent at EU level brings clear **added value**. And with a potentially shrinking budget, this will no doubt be a challenge in **all** spending areas. We must ensure that **all** EU spending is accountable and independently audited. I don't think that, in the long term, our citizens, businesses, and national authorities need additional budgets – the Chair of the European Parliament's Committee on Budgets has described this as a "Galaxy of Budgets". Rather, the citizens expect a single, flexible, transparent budget based on the **Community method**.

We must also be in position to make the **right product** available **at the right time**. In the last months we have taken decisive steps to make our Work Programme more strategic and to modernise our Annual Report.

I want us also to better **communicate** our work in the media and to make ourselves more understandable to citizens. Finally, we aim to **cooperate even more closely** with the national Supreme Audit Institutions, and with the European Parliament, the Council and the Commission.

Let me assure you that **the Court of Auditors is not an ivory tower** but an **open house**: Open to cooperate with you at all levels in keeping with our independence, open to understand differences and attempt to bridge them, open to learn from others and to innovate in our daily work.

I would like to thank Presidents Kaljulaid, Juncker and Tajani for their tributes and inspiration, and will finish with some **words of gratitude**. First, Your Royal Highness, to the Grand Duchy of Luxembourg and its government, for providing an exceptional setting for, and support to, our daily work, for which we are very grateful. Second, I would like to thank all our **colleagues from Supreme Audit Institutions** in the Member States – and I'm glad to see so many of you here -, and of course to the other **Institutions of the European Union** for the excellent relations we have. Last but not least, I want to pay a big tribute to all current and former **Members of the ECA** and all past and present **members of staff** for their contribution to the Court's work. You have invested your energy here over the past four decades; **you are**, so to speak, **the backbone** of this Institution. Thank you for your attention.



## ECA as a catalyst for good management, added value and transparency *continued*

### Fragments of the speech of Antonio Tajani, President of the European Parliament, at 40th anniversary ceremony of the ECA



[Full speech of Antonio Tajani](#)

Antonio Tajani, President of the European Parliament

C'est notre engagement envers la démocratie qui fonde nos valeurs communes. La démocratie nécessite que nous soyons responsables devant les citoyens, qui nous rappellent chaque jour la nécessité de dépenser notre argent avec sagesse et à bon escient. (...) C'est la Cour des comptes européenne qui garantit le bon emploi du moindre euro dépensé pour les activités de l'Union. C'est ce que nos citoyens attendent de nous.

Il est, à mon sens, de bon augure qu'à l'occasion du quarantième anniversaire de la Cour, vous ayez pour la toute première fois présenté une opinion avec réserve – et non une opinion défavorable – au sujet des comptes de 2016. (...) Cette opinion avec réserve est évidemment un signe positif pour la gestion financière du budget de l'Union. Elle démontre également le fruit de la volonté de contrôle constructif par la Cour des comptes. (...) Nous voulons que vous traquiez les irrégularités sans fléchir, mais aussi que vous assistiez les autorités en les aidant à améliorer leurs pratiques et en communiquant mieux au sujet de nos objectifs.

La Cour des comptes européenne est accoutumée à mesurer la valeur ajoutée de nos investissements. (...) Nous devons définir ce qui constitue une valeur ajoutée. Pour moi, le meilleur critère de mesure de la valeur ajoutée est le fait que les citoyens constatent que le budget européen apporte des améliorations dans leur existence, sur leur lieu de travail, dans leur région, dans leur rue, dans leur cadre de vie.

En effet, le travail de la Cour des comptes complète celui du Parlement européen. C'est le cas, systématiquement, dans le cadre de la procédure de décharge, en étroite collaboration avec la commission du contrôle budgétaire du Parlement...().()... la Cour des comptes continue de raffermir sa collaboration avec le Parlement, en particulier par le truchement de vos rapports spéciaux, qui sont du plus haut intérêt pour les commissions parlementaires. Le Parlement européen et ses commissions apprécient grandement ces rapports spéciaux, ... (...).

Je terminerai en remerciant tout particulièrement les membres de la Cour des comptes européenne qui sont parmi nous aujourd'hui et tous ceux qui l'ont servie dans le passé. Je tiens aussi à remercier tout le personnel de la Cour, qui a fait d'elle et qui fait d'elle encore ce qu'elle est aujourd'hui: une pièce essentielle du moteur qui permet à l'Union européenne d'accomplir sa mission au service des citoyens européens. () La Cour des comptes européenne et le Parlement européen sont deux institutions distinctes, qui sont pourtant très proches, car elles partagent un même objectif: défendre les intérêts des citoyens de l'Union. ()

## ECA as a catalyst for good management, added value and transparency *continued*

### Fragments of the speech of Kersti Kaljulaid, President of the Republic of Estonia, at the 40th anniversary ceremony of the ECA



[Full speech of Kersti Kaljulaid](#)

Kersti Kaljulaid,  
President of Estonia

In the name of the Estonian Council Presidency – congratulations for this important milestone, 40th anniversary of this institution! You have been a true thorn in the executive side of the EU and you can be truly proud of your achievements! May your teeth stay sharp, because the European taxpayer needs you. And may your tongue remain sharp as well, because the main tool of this institution is its leverage through public opinion.

But since 2008, when difficult adjustments in public spending in numerous Member States made it clear to wider public that budget deficit is not something you cannot feel or taste, quite to the contrary, it feels hairy and tastes bitter, wind has been in the sails of all public governance bodies. The Court has used this wind well. It has learnt to report more to wider public and less to specialists. It has developed its relations with its auditees to make sure methodological misunderstandings will not lead to unnecessary disputes over the facts, which could lessen the impact of its work. It uses digital environment to report and discuss its reports with stakeholders.

While the Union has searched, understandably, to find ways to make the ends meet when the discussion of rising the budget ceilings has not been possible, this Court has always stood for good governance. (...) ... this Court has always been present. It has sometimes been truly the only one which has warned – there is the day of institutional innovation, budgetary development easier done off-balance sheet, but there will also come the day of reckoning.

The Court has always been the smallest of the main EU institutions. (...) Its strive for excellency has obviously been motivated by the fact that you have to practice what you preach. I wish you the best of the future. And from a small MS currently carrying the Presidency responsibility, I would like to end with a notice that big changes often need a catalyst. Catalyst, as we all know from school chemistry, is a substance which starts an important change, without needing to be present in big quantities. May ECA remain this catalyst for good management and control of the EU budget and transparent public environments in the whole of our union!

## ECA as a catalyst for good management, added value and transparency *continued*

### Fragments of the speech of Jean-Claude Juncker, President of the European Commission, at the 40th anniversary ceremony of the ECA



[Full speech of Jean-Claude Juncker \(video starting at 44 minutes\)](#)

Jean-Claude Juncker,  
President of the European Commission

La Cour de Comptes vient de valider pour la dixième année consécutive les comptes de l'Union européenne et donc de la Commission. Et pour la première fois la Cour s'est exprimée, comment on doit le dire, sur un mode laudatif, ce qui lui arrive que très très rarement. C'est un vrai progrès. Non pas pour le chef de la Cour, mais un vrai progrès pour le Parlement dont je salue la Présidente de la Commission de l'exécution budgétaire. C'est un réel succès pour l'autorité budgétaire qui n'est pas moins exigeante que la Cour et pour la Commission parce que nous avons mieux fait que les années précédentes, parce que le volume des erreurs dont très régulièrement nous sommes accusés par la Cour qui attire notre attention sur nos méfaits, s'est réduit.

J'aime la Cour des Comptes bien que j'en étais victime. A vrai dire depuis 1984 lorsque, jeune ministre du budget, j'ai lu les rapports de la Cour. Il serait d'ailleurs indiqué que les gouvernements d'aujourd'hui fassent de même. Parce que 80% des dépenses de l'Union européenne ne sont pas des dépenses pour lesquelles la seule Commission, le seul Parlement sont responsables. 80% du budget trouvent à travers mille méandres de cheminements vers des Etats nationaux qui eux sont responsables pour la bonne exécution du budget.

Ich mag den Rechnungshof auch, weil die Lektüre seiner Berichte, vor allem seiner Sonderberichte und der übrigen Stellungnahmen, ist eine höchst aufschlussreiche Lektüre, die jedem in der Politik anzuraten ist. Diese Berichte tragen mit dazu bei, dass die Europäische Union verständlicher wird, weil, machen wir uns nichts vor, die wenigsten Menschen in Europa verstehen, wie Europa funktioniert, und haben fast schon vergessen, wieso Europa überhaupt existiert.

Wir werden jetzt, im März, Mai 2018 unsere Vorstellungen zur mehrjährigen Finanzplanung (MFF) vorlegen. Und da bin ich eigentlich mit dem Präsidenten des Europäischen Parlaments einer Auffassung, dass wir uns ein Budget an die Hand geben müssen, dass alle Ambitionen Europas reflektiert.



# Banque Central du Luxembourg issued a 40 euro cents collector coin to celebrate the ECA anniversary

By Werner Vlasselaer, Private Office of Jan Gregor, ECA Member

At the occasion of the 40th anniversary of the ECA the Banque Central du Luxembourg (BCL) issued a collector coin for the ECA. Werner Vlasselaer fills us in on the details related to this special coin.



Henri Grethen and Jan Gregor, ECA Members

## Launching a collector coin

As an issuing authority, the BCL is in charge of the production and distribution of banknotes and coins. In that capacity, it can, according to Regulation (EU) No 651/2012, issue commemorative coins (maximum two per year) and collector coins.

At the initiative of Jan Gregor and Henri Grethen, ECA Members, ECA President Klaus-Heiner Lehne suggested to the Governor of the BCL, Gaston Reinesch, to issue a coin to celebrate the 40 years of existence of the ECA. Collector coins have the status of legal tender only in the issuing Member State.

## 40 years symbolised in 40 cents

It is not the first time that the Luxemburgish National Bank issues a collector coin for the ECA. Some will remember that in 2007 a silver coin with a face value of 25 euro was issued to celebrate the 30<sup>th</sup> anniversary of the ECA. This time the face value of the coin amounts to the symbolic 40 eurocents. It is a bi-metal coin (silver and Nordic gold) carrying the ECA logo on one side and a portrait of HRH the Grand Duke of Luxembourg on the other. The coin has a diameter of 3,4 centimetres that weighs 15,84 grams. As only 1500 coins were produced, it is a real collector's item. The coins are used by ECA as an official gift and the ECA staff members were given the possibility to purchase the coin.

# Exhibition '40 years in pictures the European Court of Auditors 1977 - 2017'

By Gilberto Moggia, Directorate Information, Workplace and Innovation

## The European Court of Auditors 1977-2017



photographs of an almost empty Kirchberg plateau of the early seventies until the today's futuristic skyline of the "European Quarter". A quite emotional journey, as one visitor told us, not without a feeling of nostalgia for the old rural landscape.

### People, places and events

People, places and events: these are the three main ingredients we have let play to mirror the great variety and richness of 40 years of history.

For the ECA's 40th anniversary Gilberto Moggia, the ECA expert for knowledge management and archives, prepared over 40 posters showing in photographs the development of the ECA. He introduces us to this visual walk through ECA history.

### A photo exhibition to bring 40 years to life

There is nothing quite like pictures (old and new) to bring the ECA's 40 years to life. The very positive reactions of ECA colleagues and visitors after visiting our posters' exhibition<sup>1</sup> have confirmed this belief. The photographs we have selected for the posters showcase not only the official history of the ECA (Presidents and Members, buildings, high profile visitors, institutional stakeholders and partners) as one would expect, but also the day-to-day working life of the hundreds of staff members that have served our institution over the years. Last but not least, our host country, Luxembourg, is portrayed extensively as an essential part of our history.

The posters are displayed in the long corridor connecting the three buildings, called K1, K2 and K3, to each other. Coming from K3, in chronological order, one literally walks through our common history, starting with



André Middelhoek, former ECA Member and President, and his wife admiring the exhibition

<sup>1</sup> 'My thanks to my colleagues in my own Directorate, in logistics, translation and communication, and to colleague Alexandra-Elena Mazilu for her excellent visual design input:';

## Exhibition '40 years in pictures the European Court of Auditors 1977 - 2017' *continued*

A selection had to be made, based on selected topics, having considered the quality of pictures. To cover the main aspects of our institutional life, the photographs have been regrouped under the following categories:

- setting up the Court
- the Kirchberg area (where the ECA premises are located) over the years
- the ECA and the other Institutions
- our buildings
- visiting the ECA
- ECA staff
- day-to-day work at the ECA
- ECA auditors at work
- ECA present and future

The posters currently displayed at the ECA can also be visited virtually through:  
[40th Anniversary Facebook gallery](#)

### Sources

The pictures, preserved in the ECA's institutional archives, come from the following collections:

- EC audiovisual services
- ECA audiovisual gallery
- EP audiovisual services
- Photothèque de la Ville de Luxembourg



ECA staff visiting the exhibition: '40 years in pictures the European Court of Auditors 1977 - 2017'

### A call for "historic" photos

During the preparatory work for the exhibition, an impressive amount of material turned out to be available in the ECA archives, especially for the most recent years when the use of cameras has become very common. On the other hand, for the early 20 years of our history (1977-1997), only very few photographs could be found in our archives to witness of the day-to-day work at the ECA. May we ask, on this point, former Members, retired colleagues and partners to contact the ECA archives ([eca-archives@eca.europa.eu](mailto:eca-archives@eca.europa.eu)), should you have photographs of events, people, buildings, etc. related to the ECA activities, to make them available for our archives? We archivists would really appreciate if somebody could help us filling this gap.



# Wallpaper posters 'ECA Then and Now'

## Looking back at 40 years of changes in audit

By Gaston Moonen, Directorate of the Presidency

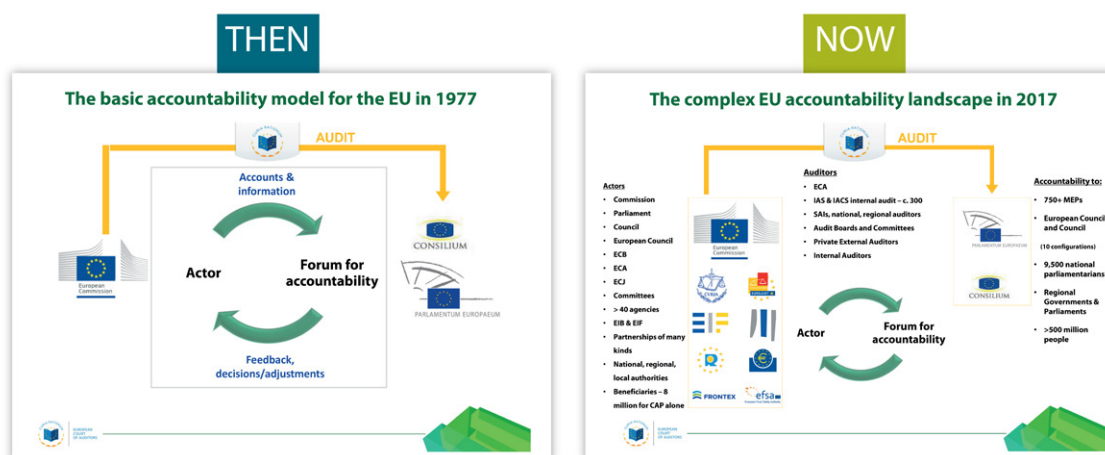
Visualising an audit is not easy. And visualising developments in audit is even more difficult. We developed posters aimed to do exactly that.

### A flavour of ECA developments

At the occasion of the 40<sup>th</sup> anniversary of the ECA we have tried to visualise some of the developments the ECA has made in relation to its audit work and how it is presented. The idea is to give a flavour of the developments the ECA has been through in its audit field and environment, audit approaches, audit products and how it communicates about them. To get an impression you will find below a selection of the posters displayed in the K2 building of the ECA.

We have chosen to let the primary sources speak for themselves by showing differences of audit-related products mostly produced in the early days of the ECA activities, i.e. the seventies, and documents/products of recent years<sup>1</sup>.

## Audit field and accountability



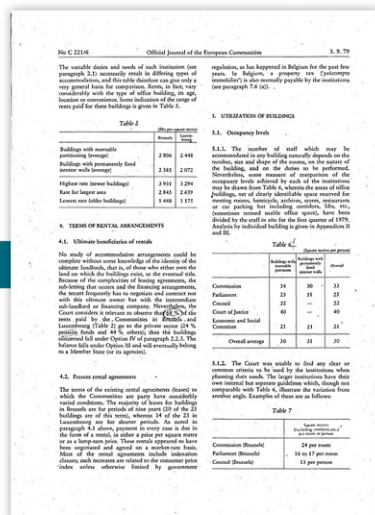
The two pictures show a simplified image of the situation between 1977 and 2017 and make clear what the changes in the audit field are and, related to that, which increase in accountability challenges developed between then and now. These two pictures were made by Jacques Sciberras, Head of Task for the landscape review 'Gaps, overlaps and challenges: a landscape review of EU accountability and public audit arrangements', which was published in 2014. I think the pictures are still as valid now as they were then.

<sup>1</sup> Many thanks to Martin Weber, Gilberto Moggia and intern David Hopfl for their input and to Alexandra-Elena Mazuli for her outstanding lay-out work.

# Presentation of audit findings in ECA reports

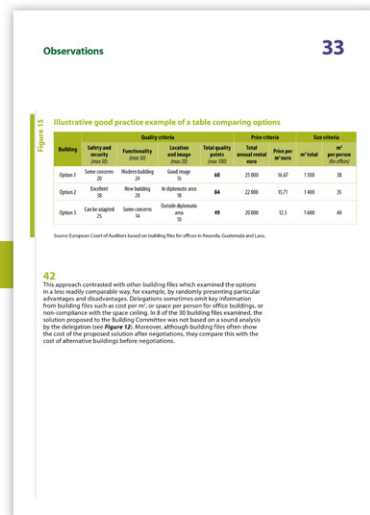


THEN



Page from an ECA Special Report on accommodation policies of the institutions of the European Communities, published in 1979

NOW



Page from ECA Special Report 7/16 on the European External Action Service's management of its buildings around the world, published in 2016

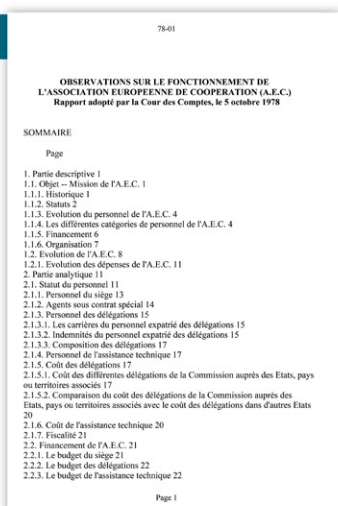
To show how the ECA products developed in presenting our findings we took one of the first special report of the ECA, a performance report, and compared it with a recent performance report on a similar topic. Note the presentational changes from two column text -which then was also the Official Journal publication format - with simple tables, to the current visually more attractive special report format. At the same time this table shows also another development, the presentation of good practice material. Good practice examples can have more impact than only presenting errors and weaknesses.

# Communication policy

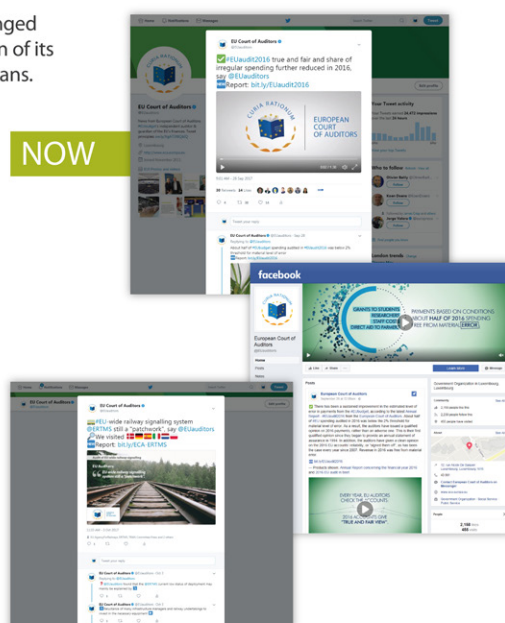


Throughout the years the ECA's communication policy changed from no communication policy at all beyond the publication of its reports, to issuing press releases and using social media means.

THEN

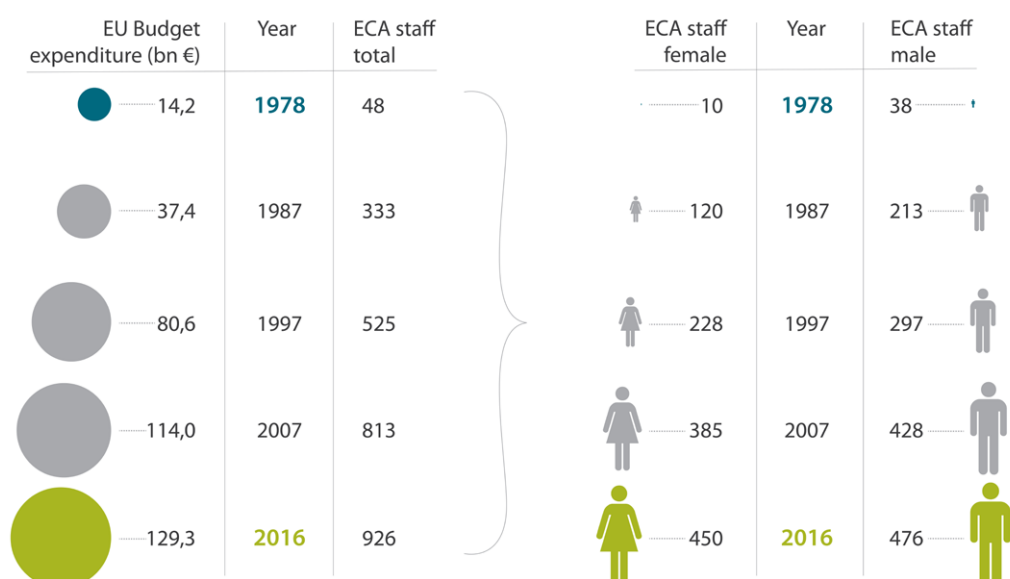


NOW



This was a relatively easy poster since the ECA went from basically no communication policy at all (at the most reactions of Members to questions from journalists after a presentation in the EP) to an elaborated and targeted communication policy with audit in brief documents, press releases, stakeholder meetings and of course using social media like Facebook, Twitter and LinkedIn.

## EU Budget and ECA staff



NB: The data for EU Budget expenditure is taken from the respective Annual Reports published by the ECA. The data of ECA staff are taken as of 1st of January of each year. It includes all staff and Members in active service. The comparison only reflects growing budget and staff increases. Not reflected are the ECA audit mandate changes, extending the ECA activities into new audit areas.

While showing staff increase is pretty straightforward we show two other developments: on the one hand the increase in EU budget expenditure. On the other hand the changing balance in female/male staff. This does not do full justice to other elements affecting the change in staff, like changes in audit mandate, geographical area to be covered or new types of audit to be done or intensified. The poster shows that staff numbers did not increase disproportionately to the increase of the total EU budget.

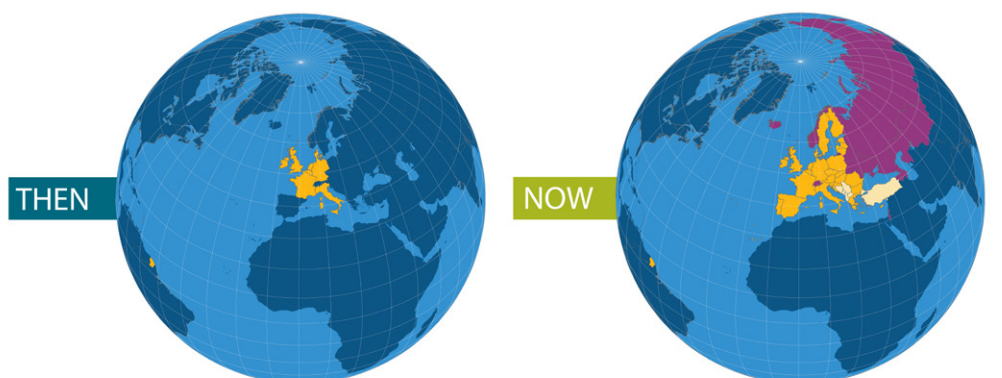
### ECA Statements of Assurance

With 23 Statements of Assurance (SoA) issued since 1994 it is an influential product regarding the ECA's reputation and impact. But how to show the developments here? Since the phrasing is crucial in an audit opinion we decided to show the change in wording for the two most well-known elements of the SoA, the ECA opinion on the reliability of accounts and the ECA opinion on compliance with EU law and regulations in the underlying expenditure transactions. For example for the latter the wording changed from *too many errors*, valid for the statements from 1994 till 2015, to *legal and regular, except for ...*, which pertains to a *material level of error but no pervasive*, the finding for 2016.



## Cooperation with Supreme Audit Institutions

Map of the European Communities in 1977 and current EU map



- ECA was an observer in INTOSAI (established in 1953)
- ECA was member of the Contact Committee of EU SAIs (established in 1960)

■ EU member states
 ■ Candidate countries
 ■ EUROSAI members

- ECA is a full member of INTOSAI, and active member in its Committees and Working Groups (notably vice-chair of the Professional Standards Committee)
- ECA is a member of EUROSAI (since its establishment in 1990)
- Every three years: ECA hosts annual meeting of the Contact Committee of EU SAIs. In addition, ECA involved in several cooperation projects (with Member State SAIs and SAIs of EU Candidate Countries and Potential Candidates)

With this topic we wanted to display not only the EU has grown from 9 Member States in 1977 to 28 in 2017 but also an extension of the cooperation and exchange work between SAIs: at EU Contact Committee level, with Candidate countries, with EUROSAI members. With INTOSAI being virtually 'global' we refrained from geographically displaying the increased INTOSAI cooperation, where the ECA went from an observer to a very active member nowadays.

You can see the whole set by clicking here: [Now and then posters pdf](#)

# Can SAIs contribute to restoring the trust of EU citizens?

## Annual meeting of the Contact Committee of EU SAIs in Luxembourg

By Radek Majer, Directorate of the Presidency



Coinciding with its 40th anniversary celebration, the ECA hosted the annual meeting of the Contact Committee of European Union SAIs on 12 and 13 October 2017. The main discussion addressed the possible role of SAIs in restoring the trust of EU citizens. Radek Majer reports on the main issues raised, followed by fragments of the presentations of the three key speakers.

Brigitte Christ, SAI of Switzerland; Jean Arthuis, MEP and Chair of the EP's Budget Committee; Klaus-Heiner Lehne, ECA President; Janos Bertok, OECD; Anton Colella, ICAS

### EU citizens seem to no longer trust national and EU institutions

According to the Eurobarometer survey of spring 2016, only a third of European citizens trust the European Union and even less trust their political institutions at national level. The EU and its Member States are facing ever greater challenges. Pressure on public finances, youth unemployment, lack of or insufficient economic growth, migration represent only some of the issues contributing to an apparent loss of trust of citizens.

Do SAIs have any role to play in this respect? And if so, what would be the preconditions for making a difference? These are questions we have been asking internally and proposed as lead discussion topic for the 2017 meeting of the Contact Committee.

### Nationalising success and europeanising failure – not the way forward

In his keynote speech Jean Arthuis, MEP and Chair of the EP's Budget Committee, welcomed the topic chosen for this meeting. He recalled the tendencies of some politicians across EU Member States to nationalise success and europeanise failure. The distrust is also reflected in the rising popularity of political parties and movements with populist tendencies and anti-European propaganda.

But not all politicians see it this way. Readers may remember the statement of President Emmanuel Macron: "Bruxelles, c'est nous, toujours". ECA President Klaus-Heiner Lehne recalled that Europe is at a turning point and expressed a positive vision of the future. It remains vital to work together and steer the European Union project to a safe harbour. For this to happen, Contact Committee members agreed that it is important for citizens to also regain trust in their national institutions.

### Members of the discussion panel

Jean Arthuis, European Parliament  
 Janos Bertok, OECD  
 Anton Colella, ICAS  
 Vítor Caldeira, SAI of Portugal  
 Tytti Yli-Viikari, SAI of Finland  
 Alex Brenninkmeijer, ECA  
 Kay Scheller, SAI of Germany  
 Arno Visser, SAI of the Netherlands  
 Didier Migaud, SAI of France  
 Gerhard Steger, IMF expert (video interview)  
 Event chaired by Klaus-Heiner Lehne,  
 ECA President  
 Discussion moderated by Brigitte Christ,  
 SAI of Switzerland

## Can SAIs contribute to restoring the trust of EU citizens? *continued*

### Positive audit findings should also be published

There is probably no doubt that external auditors should report on audit findings and stick to the facts. Participants agreed that this is sometimes limited to reporting on shortcomings. In this context, Arno Visser (SAI of the Netherlands) stated that SAIs should also acknowledge progress and good practice, if supported by evidence. He recalled a situation when auditors in his own institution suggested not publishing a report for lack of negative findings, which he refused. Balanced reporting, in his view, is the way forward to recreating trust.

Meeting participants considered that the lack of negative findings does not imply a wrongly chosen audit topic. In such a case, the public can rest assured that the policy and relevant spending is implemented in an efficient way, which contributes to building trust by itself. In this context, participants agreed that the core issue seems to be whether SAIs are able to “sell” good news in a way that moves people and attracts the attention of media.

### Deciding what to audit

Probably every Head of SAI will agree that it is not easy to decide what to audit regarding the effective and efficient use of resources. But next to making informed decisions based on risk assessment SAIs may also consider looking into issues that, as Gerhard Steger (IMF expert) put it, “move” the citizens. He acknowledged that addressing certain issues may require courage on the side of SAIs, as the choice may not be appreciated by the administration.

### If trust was absolute...

Anton Colella, CEO of the Institut of Chartered Accountants of Scotland (ICAS), delivered a motivating speech on the audit profession as a value-driven service to society. He considered that ‘If trust was absolute, there would be no need for auditors’. Until then, auditors should play a role in building trust of citizens in their institutions.

### Cookbook for SAIs: timeliness, clear language, innovative and tailored communication

Panellists and external speakers highlighted the importance of a proper timing of audit work, to allow for policymakers to take into account the auditors’ recommendations when defining or renewing policies. As Tytti Yli-Viikari (SAI of Finland) put it: ‘Audit reports should be served as a pizza. Good quality ingredients are key. But if not hot, nobody really wants it.’

Several participants indicated that clear language in audit reports is paramount to making a SAI’s message understood by the intended recipients. But apart from producing reports which avoid, as far as possible, the use of technical jargon, the way forward is to adapt reports to the specific audience. In a survey undertaken during the preparation of the meeting, some SAIs indicated that they are taking steps in this direction. The ECA has, for instance, recently introduced audit briefs, providing background information on preparatory work undertaken before the start of an audit. It also closely cooperates with European Parliament reporters responsible for ensuring follow-up to its reports in the European Parliament. Arno Visser stated that ‘it is not easy to identify the best way to present facts to intended groups of recipients. In some cases it may be a report, in other cases it could be a conference, a fact sheet, or even a tweet.’

The above-mentioned survey also confirmed that regular communication with the press and making use of the social media has basically become a standard for EU SAIs. To give an example, the UK National Audit Office has over 130 000 and the French Court of Accounts over 61 000 followers on Twitter. The number of followers of the ECA’s Twitter account is lower but is growing steadily. LinkedIn is often used both for presenting results and for recruitment purposes.

SAIs are also making an increasing use of video-streaming services to present their work. Didier Migaud (SAI of France) illustrated how efficient a SAI can be in presenting a 260 page-long audit report in a 100 second video. The ECA has also established a team for creating video reports to present results of audit work or announce upcoming events, such as high-level conferences or the presentation of the annual report.



## Can SAIs contribute to restoring the trust of EU citizens? *continued*

SAIs demonstrated their openness to modern technologies and innovative ways of communicating with citizens. Over the past year, the SAIs of the Czech Republic, France, and the Netherlands have organised hackathons for an interested public to work with open data and develop useful applications for the public service to work with. To give another example, the Czech SAI presented its Benchmarking Indicator Exchange Project, a recently established platform for SAIs to share indicators to facilitate international comparison and audit work.

The discussion did not aspire to adopt formal conclusions on the SAIs' role in this respect. However, some of the preconditions for SAIs to be able to pursue this task can be summarised as follows: (i) relevance of the chosen topics for the society, (ii) courage/preparedness of SAIs to choose topics and give recommendations which may not be appreciated by the administration, (iii) balanced/fair and tailored/innovative reporting, (iv) use of clear language for citizens to get a good understanding of the report without having specific knowledge of the audit topic, and (v) timely publication of reports for them to be taken into account when defining policies.

### Contact Committee reports on parallel audits

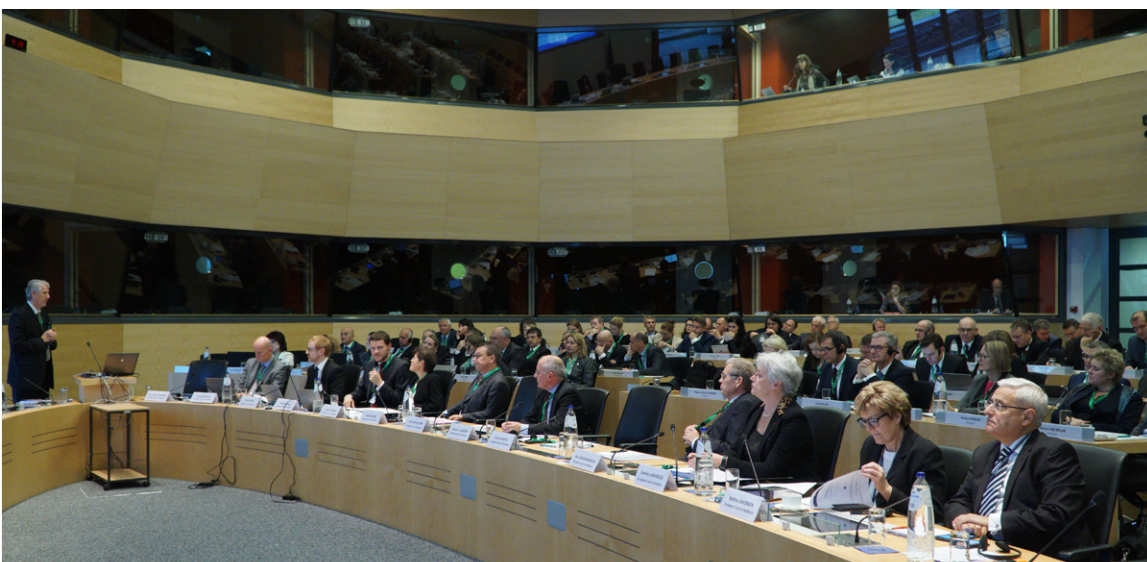
In the ensuing sessions, the Contact Committee took note of the work carried out by its working bodies and agreed on the next steps. The Working Group on Structural Funds, chaired by the SAI of Germany and the Netherlands, presented its report on the contribution of structural funds to the Europe 2020 Strategy in the areas of employment and/or education. The Network on Fiscal Policy Audit, under the leadership of the SAIs of Finland and Sweden, presented its audit on the underlying risks to sustainable public finances. Both reports are available on [www.contactcommittee.eu](http://www.contactcommittee.eu). Moreover, a report on a parallel audit on the banking supervision of less significant banking institutions – carried out under the leadership of the SAIs of Germany and the Netherlands – should be presented in the coming months. The next Contact Committee meeting will be held in Croatia.

### Meeting of SAIs of EU Candidate Countries and Potential Candidates

Heads of SAIs of EU Candidate Countries, Potential Candidates and the ECA met in Luxembourg on the eve of the Contact Committee meeting to take stock of recent activities and agree on a work plan for the years to come.

An important project discussed at the meeting was the parallel performance audit on public procurement, which has been led by the SAI of Sweden and supported by ECA experts, and is coming to its closure. The ECA will also assist in publishing the joint summary of the national audits.

All heads of SAIs of Candidate Countries and Potential Candidates participated in the Contact Committee meeting as active observers. This allowed for useful bilateral contacts with their EU counterparts, with whom they have undertaken or plan to undertake capacity building projects.



Contact Committee meeting,  
12-13 October 2017 at the ECA

**Fragments of the presentation *The EU we live in. And why some citizens seem to not trust their governments and institutions anymore?* of Jean Arthuis, MEP and President of the EP Budget Committee**

Le thème que vous avez choisi de traiter ( ) est d'une brûlante actualité. (...) L'euro-scepticisme est à l'œuvre, il s'exprime et se mesure lors des consultations électorales. Pour y faire face, l'Europe affiche sa pusillanimité et peine à sortir de son silence. (...) N'est-il pas temps, à l'heure de la mondialisation, d'admettre que l'Europe est bien notre nouvel espace de souveraineté et d'en tirer les conséquences? (...) La tyrannie du court terme prive l'Europe d'une expression audible. Et puisqu'elle ne parle pas aux Européens, il n'y a pas d'opinion publique européenne. Et pourtant les citoyens ressentent le besoin de biens publics dont certains ne peuvent désormais plus être assurés par les États nations. La liberté, la paix, la sécurité, la solidarité, le développement durable, sont autant de biens publics qui ne peuvent plus être assurés sans le concours de l'Europe. Pour l'immédiat, l'Union européenne tarde à se donner un cap. C'est dans ce contexte que nous sommes invités à préparer un nouveau cadre financier pluriannuel - post 2020 - sans accord préalable sur une vision et un projet politiques. Étonnante logique ! (...)

Et pour verrouiller le tout, les crédits sont corsetés dans un cadre financier de sept ans. Budget rigide, démuni face aux situations de crise. Sous la pression de l'urgence et de la nécessité, il faut improviser des satellites budgétaires (Mécanisme européen de stabilité financière, Trust-funds, fonds de garantie) dotés tout à la fois par le budget de l'UE et ceux des États membres, échappant à tout contrôle parlementaire et transgressant le principe d'unité budgétaire. En conséquence, nous mettons en scène une véritable galaxie budgétaire illisible par les citoyens européens. (...) Le budget n'est pas compréhensible pour le citoyen. Illustration d'une Europe qui ne leur parle pas. (...) Au surplus, l'Europe, faute de ressources propres, est déchirée par la tyrannie du « juste retour », les États « net receveurs » s'opposent aux « net contributeurs ». (...)

Au reste c'est votre vocation. Vous êtes donc appelés à jouer un rôle déterminant. (...) Dès lors, vous devez exiger de ceux qui exercent le pouvoir de présenter des budgets et des comptes lisibles et compréhensibles par les citoyens. Je vous invite en conséquence à vous ériger en défenseurs du principe d'unité budgétaire, et même d'universalité budgétaire. (...) Vous êtes les garants de la sincérité. Dit autrement, vous assurez la lucidité des gestionnaires publics et des citoyens. Certes la lucidité ne suffit pas. Sans le courage, elle ne sert à rien. (...)

Je vois, comme vous, que la meilleure régulation de la dépense publique c'est la transparence. (...) L'accès public aux données est désormais rendu possible par la digitalisation. Ce contrôle du détail, à la loupe, ouvert aux citoyens viendrait en complément de vos propres diligences, à tous égards irremplaçables car vous disposez, vous, de la longue vue. (...)

Ma première recommandation est un encouragement à refuser de certifier la sincérité de documents comptables et financiers incompréhensibles ou illisibles. (...) La seconde recommandation suggère qu'au-delà du respect de la règle, vous tentiez d'évaluer la performance et la valeur ajoutée des dépenses engagées par l'Union européenne. (...)

... vous avez compris que c'est grâce à vous que les citoyens européens retrouveront confiance en leurs gouvernants et, sans doute, en eux-mêmes. Votre vigilance est l'aiguillon de la bonne gouvernance.



Jean Arthuis

## Can SAIs contribute to restoring the trust of EU citizens? *continued*

### Fragments of the presentation **Can SAIs contribute to restoring the trust of EU citizens?** by Janos Bertok, Head of Public Sector Integrity Division, OECD

Since the financial crisis it is all about trust. (...) What are the levers to restore, maintain and foster trust? (...) Two thirds of the countries are experiencing low levels of trust, dealing with declining levels of trust. (...) An important element for undermining trust is when public funds is misused. Examples can be found in South-Korea and Brasil. For the latter the story started with the non-approval of the accounts by the Brasilian SAI. So this shows the role SAIs play in the application of rules. (...)

What we can do as government and institutions to regain trust. There are two important levers: competence and values. (...) Starting with competence: three key drivers: reliability, responsiveness and efficiency. But what does it mean? For reliability it means anticipating the challenges, for example of ageing, or migration. When there is a concrete challenge situation: how is this handled. How do you verify the impact of the action: this is a role of SAIs, to verify the effects of the responses. (...)

The second lever is values. A key driver here is integrity. Are SAIs verifying the integrity of the financial management. Are you actually verifying the integrity of the accounts and of the public administration? Public administration and big data. To re establish trust citizens make websites to track financial flows, etc. You can find such initiatives in Australia or Brasil, enabling f.e. following the use of a corporate credit card. (...)

Another lever is fairness. How do young people feel about public government? What is the impact and how it that measured. This is something for a finance ministry and a SAI: include specific key performance indicators in each part of the budget. For example: what is the information about gender balance. A traditional way of auditing can trigger big movements on gender issues. I am very interested to hear the views of SAIs on tools and practices in Europe to restore and regain trust.

### Fragments of the presentation **Trust in SAIs: audit as a value-driven service to society** by Anton Collela, CEO of Institute of Chartered Accountants Scotland

(...) We saw the 2015 report on confidence and governance, the Edelman report which was published this year. ( ) You know who they trust most according to the Edelman report? Not whiskey manufacturers. Accountants and auditors! (...) Society today is looking for people they can trust. We are in the business of trust. (...)

How do you know you are trusted? How do you know that the work you are doing generates trust among the people? (...) I would think that one of the KPIs I would ask from auditors general in their countries is, since we all know that the great political commentators, to ask the wise people in a country who are...the taxi drivers. (...) Today modern politics and democracy takes place...here. Look at the US, they do not need Congress, they just need mobile phones. We are seeing political policy in 400 characters, on a phone, by Twitter. The nature of government and public accountability and the business of trust is becoming far more public than ever before. (...)

Did you know that when you choose or accepted to become an auditor general or working as an auditor in the ECA, that you were taking on one of the most noble roles in Europe today. My institute, the Institute of Chartered Accountants of Scotland, is the oldest in the world. And the founders of this institute were very wise because they created a motto to serve the generations to come. It was two Latin words: Quaere Verum:( ) seek the truth. (...) Everybody who wants to become a member of my institute has to realise that they are taking on one of the most noble roles in society today. (...)

Audit and audience come from the same root. Who is your audience today? (...) Who do you serve? I would say: this is a community of truth that serves the truth. This is unpopular today: there are few people in our society today who stand by vocation to serve the truth.



Janos Bertok



Anton Collela



## Can SAIs contribute to restoring the trust of EU citizens? *continued*

(...) Do the people of the parliament or the elected center, are they proud of their auditor-general? They may not like you, but are they proud? The greatest indicator of our success is the respect that we gain from those we serve. (...)

When you join a profession you make a promise. What promise have you made and who have you made the promise to? Did you make the promise to parliament or to the people of your countries? And the promise, I believe, is to seek the truth, to find the truth, and to speak the truth. We heard the word earlier on, 'courage'. To be an auditor today you must have courage. If you do not have courage, go and find another job! Go serve in government, go and run another department. If you do not have courage, if you feel you do not have enough courage, you are sitting in the midst of a community of courage. And you should support one another and exemplify the 'courage' for each other.



Contact Committee meeting,  
12-13 October 2017 at the ECA

# Restoring trust of citizens: a topic SAIs clearly need to be engaged with

Interview with Brigitte Christ, Vice President (Stellvertretende Direktorin) of the Swiss Federal Audit Office

By Gaston Moonen, Directorate of the Presidency



Brigitte Christ

Through EUROSAI meetings and peer review contacts the ECA got to know Brigitte Christ. As moderator for the seminar of the EU Contact Committee (see previous pages) Brigitte used a stimulating and sometimes unorthodox approach, which was widely appreciated, to assure a powerful exchange of views. Also during the lively interview I had with her some days after the seminar, she did not shy away from clear and thought-provoking views.

## Trust as a key issue for the Swiss SAI

For Brigitte the topic of public trust in society is a familiar one and also very relevant for her SAI. Brigitte clarifies: 'Swiss citizens have a strong legal basis on rights for access to official information produced by the federal administration and as SAI we need to ask very day how we can support citizens in this right to transparency.' For her the question is not whether but more how the SAI can live up to this need for transparency. 'Sometimes there is also some inherent mistrust towards SAIs, based on 'they belong to government as well,' a feeling which should not be underestimated. But often SAIs have a solid level of trust.' In Switzerland the federal SAI is also the contact office for whistle blowers for the federal administration, so for people who have specific concerns. Reason the more for Brigitte to live up to expectations regarding transparency.

## Provoking questions meet openness and sharing experiences

From the seminar participants a lot of appreciation came back as feedback for the lively way Brigitte moderated the seminar. This also pertains to the provoking questions Brigitte raised to both speakers and participants, like where the SAIs were in times of declining levels of public trust, whether SAIs are really perceived as noble guardians of public interests, whether SAI reports are really used and understood, and whether auditor-generals actually experienced concrete situations requiring courage to stand up and bring things forward and into the public realm. When asked whether she got some replies to these questions Brigitte is very positive: 'I really appreciated the openness of the participants, sharing self-critical comments on their role and where they can improve. Several people indicated what national problems they face, including attempts to impede a SAI's independence, for example regarding audit planning, recruitment/appointment policy, or government pressure to influence how SAIs communicate to the outside.

Brigitte zooms in on another challenge raised at the seminar: 'For SAIs publishing recommendations is one thing, getting them implemented, thereby transferring ownership of them to the executive, is a lot more difficult.' Brigitte found the call for courage from Anton Colella to be a critical point and a notion that was shared among participants. She adds: 'Often enough there are situations that require a tough standing of SAI presidents and their staff.'

## Restoring trust of citizens: a topic SAIs clearly need to be engaged with *continued*

### Rebuilding trust: who is responsible for what

During the seminar there was a broad understanding that it is the ultimate task of the government to rebuild trust with citizens. Brigitte explains this further: 'Only if government is willing to move at all then SAIs can contribute. Regaining the trust of citizens in government operations and its ability to help people is not a battle SAIs can do alone. A SAI cannot do the work of government in this respect.' Whether a government is really active in rebuilding trust or not will certainly affect a SAI's work: 'If we claim to say our work is to equally work for the citizens to put their demands and their needs in the focus of our work - which was the broad understanding during the seminar - then SAIs have to reach out to address these concerns and not focus only on how SAIs themselves are trusted. If we say that SAIs work for the citizen we cannot blend out, then we need to push government if they are not willing to move into the right direction. This might sound over ambitious but we cannot avoid this if a SAI wants to be relevant and provide real added-value. It is not sufficient to audit whether things are done the right way, we have to challenge whether government is doing the right things as well.'

Is there a paradox for SAIs, meaning that the more effective SAIs may be in revealing weaknesses in government, the more they might undermine public trust in government? This is only one part of the story. For Brigitte the bottom line is that 'if citizens see that there are consequences, for persons and/or processes, related to our findings, so that there is a follow-up and a learning effect, it really works in rebuilding trust.' For Brigitte this means one can speak of a symbiosis of accountability on the one hand and a learning government on the other hand since you need to make responsibilities explicit and see progress. She laughs when adding: 'One should not underestimate the brains of citizens, most of them are smart enough!' She adds that this goes for many issues, including corruption, referring to points brought by Janos Bertok, one of the speakers: 'Essential is that something happens to address the roots for corruption, if nothing happens trust will not increase.'

### Healthy level of mistrust as part of the system

When asked what for her the most striking element of the seminar was Brigitte responds quickly: 'My personal highlight was: if we talk about trust, please do not understand this like your government will always act in your interest and be correct in everything. That is not trust. Trust, or actually a healthy level of mistrust, as was highlighted by one of the SAI presidents, is a key element of every democracy. It is not confined to trust in government but more about trust in the system of checks and balances.' And for Brigitte SAIs are part of this system: 'A healthy element of mistrust is actually a basic element of the system in which SAIs operate.'

Brigitte concludes with remarking how seriously impressed she was by the engagement of the participants: 'It was clear for me that this subject of trust and how SAIs can contribute to that got under their skins. The willingness to be so open and direct among each other was very refreshing. So 'chapeau' for the ECA to have chosen this topic and the excellent presenters - and having invited me to moderate this seminar.'



# Stakeholders discussing challenges ahead

## ECA conference on the Landscape Review EU Action on energy and Climate change

By Olivier Prigent, Directorate Sustainable use of natural resources, and Katharina Bryan, Private Office of Phil Wynn Owen, ECA Member



The ECA, in cooperation with the European Parliamentary Research Service, held a conference on 17 October. More than 110 persons attended the conference. Attendees ranged from the public sector - with representatives of Member States, EU institutions, Members of the European Parliament, ECA members and representatives of Supreme Audits Institutions - to the private sector, and to NGOs, think-tanks and academics. Olivier Prigent, Head of Task, and Katharina Bryan, co-author of the Landscape Review, report on this event.

The ECA Landscape Review on EU action on Energy and Climate Change, published on 19 September, provides an overview of EU action on energy and climate change; summarises key audit work from 269 audit reports by the European Court of Auditors and EU national audit institutions; and identifies seven main challenges in order to inform both the legislative debate and future audit work.

Organising a conference<sup>1</sup> to provide a platform for stakeholders to discuss the challenges ahead was an integral part of the work on the landscape review. Before the conference the Landscape Review had already been presented in two European Parliament Committees-- for Budgetary Control, and for Industry, Research and Energy - as well as in an enlarged Council Working Group, bringing together Energy, Climate and Environmental Member States representatives.

### Main challenges identified by the Landscape Review



Source: ECA

1. Many thanks go to conference manager Mush Chowdhury who, together with Gareth Roberts, worked tirelessly to make this event possible

In 2016, on average, the world was already 1.1°C warmer than in the pre-industrial period. This increase of temperature is linked to the increasing greenhouse gas concentrations in the atmosphere. Energy and climate change are closely interlinked. For example, in the EU, energy production, mainly from the transformation and combustion of fossil fuels, and energy use – by e.g. industry, households and transport – account for 79% of EU greenhouse gas emissions. As a result, effective action on energy production and its use is essential to tackle climate change.

The EU has set targets to reduce greenhouse gas emissions by 20% and 40% respectively for 2020 and 2030. By 2050, the EU intends to reduce EU greenhouse gas emissions by between 80% and 95% compared to 1990. All economic sectors will need to contribute. To achieve the 2030 targets, the European Environment Agency estimates that annual emission reduction efforts will need to increase by half in the next decade. Beyond 2030, the emission reduction rate will need to outpace historic levels by three to four times in order to achieve the 2050 objective.

But even if efforts to cut greenhouse gas emissions are successful, adaptation to a changing climate is necessary. Europe's climate will be significantly different from today even under the 2°C temperature increase envisaged by the 2015 Paris agreement. On top of higher temperatures, Europe could see, by the end of the century, rain and snow patterns increase by 25% in winter in certain regions and decrease by 50% in summer.

### The Conference

The conference was opened by ECA Member **Phil Wynn Owen**, *rapporteur for the Landscape Review*, and MEP **Jerzy Buzek**, Chair of Committee on Industry, Research and Energy. During the two following panel discussions, moderated by **Anthony Teasdale**, Director-General of the European Parliamentary Research Service, and by **Phil Wynn Owen**, speakers addressed various aspects of the seven main challenges identified in the Landscape Review. The speakers of the two panels are presented in the table below.

<b>Panel 1: Energy and climate change - Main challenges</b>	<b>Panel 2: Energy and climate change: Working together</b>
<p><b>Jos Delbeke</b>, Director-General, DG Climate Action, European Commission : Major challenges in the field of energy and climate change policy</p> <ul style="list-style-type: none"> <li>• <b>Hans Bruyninckx</b>, Executive Director, European Environment Agency: Knowledge for transitions in climate and energy policies</li> <li>• <b>Sabrina Schulz</b>, Head of Berlin Office, E3G: Ensuring a just transition for all Europeans</li> <li>• <b>Olivier Prigent</b>, Head of Task, European Court of Auditors: Presentation of ECA's Landscape Review: EU action on energy and climate change</li> <li>• <b>Katharina Bryan</b>, attachée, European Court of Auditors: Presentation of ECA's Landscape Review: EU action on energy and climate change</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Benedek Jávor</b>, MEP, Vice-Chair of the Committee on Environment, Public Health and Food Safety, European Parliament: Is the EU doing enough to stay below 1.5 degrees?</li> <li>• <b>Carmen Becerril Martínez</b>, Energy Industry Expert, Spain: The transformation of the energy sector. Towards a more efficient and sustainable model</li> <li>• <b>Nancy Saich</b>, EIB Chief Climate Change Expert: From Finance to Impacts: How EIB supports improved planning and investment for mitigation and adaptation</li> <li>• <b>Martijn Broekhof</b>, climate change and energy economist, who had assisted the ECA with the Review: The Paris Agreement as a governance experiment – implications for Europe</li> <li>• <b>Mechthild Wörsdörfer</b>, Director, Renewables, Research and Innovation, Energy Efficiency, DG Energy, European Commission: Facing challenges: the Clean Energy for all Europeans Package</li> </ul>

### Governance

In the energy domain, the EU and Member States have shared competences. But choices in one Member State can affect the situation in other Member States and the achievement of overall EU targets. In both energy and climate change, the EU and the Member States need to work together.

During the panel discussion, speakers underlined that effective governance systems are needed in the EU to manage and monitor energy and climate measures.

Public audits can also play an important role in ensuring public accountability on the achievement of commitments, and in maintaining citizens' trust.

### The energy transition

Profound changes are still needed in the electricity system to deal with challenges such as the variability of energy production from the growing intermittent renewable energy sources, storage and decentralised energy production. Energy infrastructure within and between Member States is not yet fully designed for integrated markets. Generation overcapacity creates little incentive to invest in new capacities and networks. Capacity payments are liable to distort competition if they are not designed properly.

Similarly, the transport sector will have to undergo changes in energy use, switching to less carbon-intensive transport modes and using alternative fuels, such as electricity.

Infrastructure investments will need to be based on a long-term understanding of their climate and other impacts. New or existing high-carbon assets may need to be shut down earlier than anticipated, thus requiring social adjustments. We need to prepare for these equitable transitions needed in many regions which may have to abandon energy generation from, for instance, coal or nuclear.

All contributors agreed on the need for action on energy and climate change. It was underlined that today's investment decisions will either open the pathway to achieve the 2050 objectives or will result in a lock-in effect not in line with the necessary scale of decarbonisation required. Some speakers said that the commitments made do not add up to the Paris pledge to keep the rise in global average temperature this century to 'well below' 2°C above pre-industrial levels, aiming to limit it to 1.5°C.

### Adaptation

Even if efforts to cut greenhouse gas emissions are successful and the global temperature rise remains below the Paris agreement of no more than 2°Celsius on a pre-industrial level, adaptation to a changing climate is necessary. The 2°C increase scenario is a global average: even if it is achieved, temperatures will increase by far more than 2°C in certain regions. For instance, in the summer, temperatures could increase by 3 to 4° in much of Spain. In addition, summer rainfall there could decrease by 50% or more<sup>2</sup>, risking desertification.

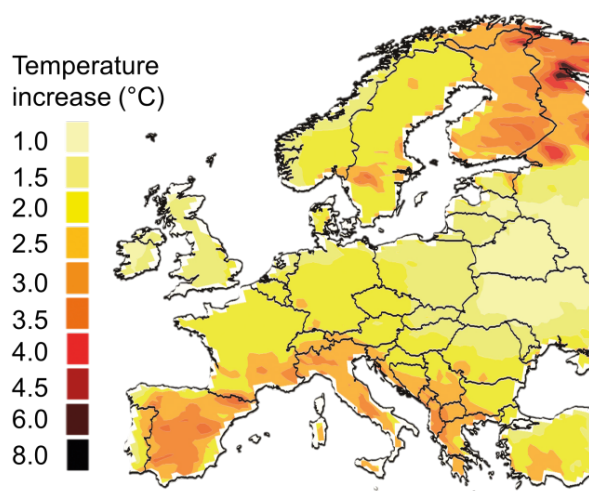
These temperatures might be much worse since many think the world is not on track for no more than 2° average. In its Emissions Gap Report of 2016, the United Nations Environment Programme estimates for global warming of up to 3.4°, based on their current commitments.

Models can be used to describe and forecast the impacts of climate change. This is an important but challenging task. It will be a great challenge for the EU and Member States to anticipate and plan adaptation, reducing the need to act in response to events, which would cost much more.

2. *Climate Impacts in Europe, the JRC PESETA II project, 2014. Data from Dosio and Paruolo 2011 and Dosio et al 2012.*



Summer temperature change, in °C, for 2071-2100, compared with 1961-1990 (2°C global increase scenario)



Source: Adapted from Climate Impacts in Europe

### Financing

According to the European Commission<sup>3</sup>, 1 115 billion euro will be needed annually in the period 2020 to 2030 to mitigate climate change in the EU. This funding will obviously have to come from both public and private sources. In addition, there will be the costs of adapting to climate change, which are difficult to predict.

The panel highlighted another challenge in financing: a 2016 ECA audit<sup>4</sup> found that nuclear decommissioning costs usually do not include costs of long-term storage of high-level nuclear waste; but, when such costs are added to the decommissioning cost, the final bill can double – making nuclear decommissioning and storage a pressing and costly challenge for the EU and its Member States.

### Innovation

Achieving longer term energy and climate targets will require new technologies to be developed. The power sector will also require better and more cost-efficient energy storage. Achieving significant emissions reductions in transport will require the development of alternative fuels.

But according to the French Court of Auditors<sup>5</sup>, there is no certainty that such future technological breakthroughs will be both technically possible and widely, economically accessible. Indeed, it often takes years for a new technology to become usable on an industrial scale. Thus, extensive progress in developing the technologies needed to reduce emissions between 2030 and 2050 will have to be made in the next decade.

3 Commission, *Impact assessment accompanying the document 'Proposal for a Directive of the European Parliament and of the Council amending Directive 2012/27/EU on Energy Efficiency'*, SWD(2016) 405 final/2 of 6.12.2016, Table 22 (Scenario EUCO30 – Source: Primes model)

4 *Special Report 32/2016: EU nuclear decommissioning assistance programmes in Lithuania, Bulgaria and Slovakia : some progress made since 2011, but critical challenges ahead*, ECA, 2016

5 *The implementation by France of the package energy-climate*, Cour des Comptes, France, 2014

### Evidence-based policy

Policy-making and policy implementation should be informed by the best available data, modelling and analysis. This is a challenge for energy and climate change topics because of their complexity, the relative novelty of some of the data, and the pace of change arising. Good data, analysis and models will be needed for the integrated national energy and climate plans that Member States would have to prepare in the framework of the proposed Regulation of the Governance of the Energy Union.

### EU Citizen

One speaker observed that each of us has to rethink about her or his habits of how we can contribute. There are many ways the EU citizen can facilitate the low-carbon transition. Therefore, the involvement of the citizen is essential for understanding, changing behaviours and paying for necessary transitions.

Overall, the conference provided a perfect opportunity to discuss among stakeholders, a place to network for our audit teams and to reflect on the ECA's work in the area.



From left to right:

Katharina Bryan, Attaché in Phil Wynn Owen's Private Office; Phil Wynn Owen, ECA Member ; Jerzy Buzek MEP, Chair of Committee of ITRE Committee, European Parliament; Anthony Teasdale, Director-General, European Parliamentary Research Service; Jos Delbeke Director-General DG Climate Action, European Commission; Sabrina Schulz; Head of Berlin Office, E3G; Hans Bruynickx, Executive Director, European Environmental Agency

For more information on the Landscape Review:  
Visit <http://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41824>

# Follow-up of audit recommendations: the ECA experience

By Nikolaos Milionis, ECA Member



Nikolaos Milionis, ECA Member (Middle)

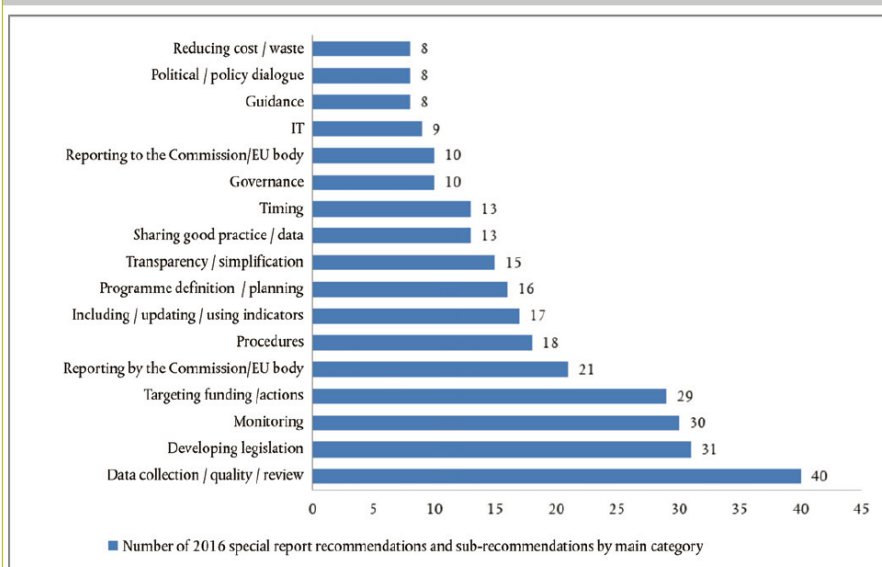
Following-up recommendations is an essential step concluding the audit cycle and serves two main purposes. Firstly such follow-up encourages the auditees to implement recommendations. Secondly it also provides useful feedback on the impact of the auditor's work. After presenting how the ECA deals with the follow-up of its recommendations, Nikolaos Milionis discusses in this article some main challenges the ECA is facing in this area.

This article is based on a speech Nikolaos Millionis gave on 4 October 2017 at the conference on "External audit, performance, risk management in International Organizations" organised at the French Cour des comptes, jointly with the International Board of Auditors for NATO and the University Paris 1 (Panthéon Sorbonne)<sup>1</sup>.

## ECA's current practice: assessment of follow-up given to our recommendations ECA recommendations made in Special Reports

Throughout the year, the ECA produces Special Reports, which are mainly performance audits on a specific EU policy. In 2016, 36 of them were issued including a total of 337 recommendations, more than ever before. These cover a wide range of topics in all budgetary areas.

Box 3.13 — Recommendations cover a wide range of topics



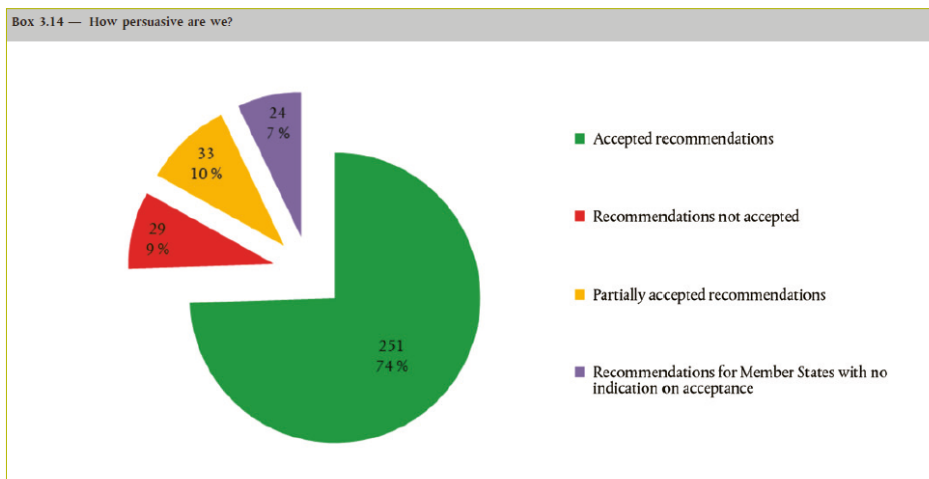
Source: ECA 2016 Annual Report

1. He expresses his gratitude to Kristian Sniter for his decisive contribution to the drafting of this article.



## Follow-up of audit recommendations: the ECA experience *continued*

Three quarters of the recommendations have been fully accepted by the auditee. Another 10% have been partially accepted. Only 9% have not been accepted.



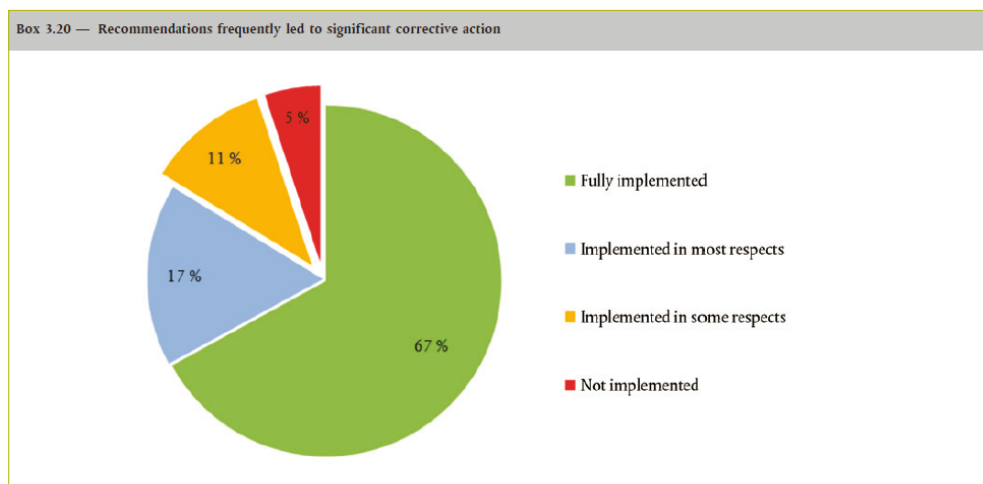
Source: ECA 2016 Annual Report

### Follow-up of ECA recommendations

The ECA deals with recommendations in a uniform way. The implementation of all recommendations is checked after a standard period of 3 years, leaving sufficient time for the auditee to take action. The follow-up of all recommendations is presented in the ECA's Annual Report together with the Commission's replies.

Our assessment of follow-up is presented using a grid with 4 levels. A recommendation will be classified as either 'Not implemented,' 'Implemented in some respects,' 'Implemented in most respects' or 'Fully implemented.' In some cases, a recommendation might also be considered as no longer relevant - for instance, due to legislative changes - or insufficient evidence might be available to assess the implementation.

In 2017, we followed up the 131 recommendations issued in the 13 Special Reports published at least 3 years before. About two thirds of the recommendations had been fully implemented. An additional 28% were partially implemented, leaving only 5% not implemented.



Source: ECA 2016 Annual Report

## Follow-up of audit recommendations: the ECA experience *continued*

There was even improvement on recommendations that the Commission had initially not accepted: 10 out of the 11 recommendations initially not accepted were subsequently implemented partially or in full.

### Three challenges

#### The quality challenge: the better the recommendation the better the follow-up

Drafting good recommendations is key to an effective implementation and follow-up. These are more likely to be accepted by the auditee and then later be implemented. Following up should be easier and less subjective if there is a mutual understanding on what is to be delivered and what benefits are to be expected. This is why the ECA's Audit Quality Committee has recently updated the internal guidance on "Writing audit recommendations"<sup>2</sup>.

The guidance first puts emphasis on the need for continuous dialogue with the auditee, with the aim of achieving, if possible, mutual understanding between auditors and auditee, as to the audit conclusions and recommendations. These discussions should form the basis of constructive interactions on the appropriateness and feasibility of the draft recommendations, and what the auditee's probable responses to them will be. This is part of what the ECA calls the 'no surprise approach' it adopts with the auditee.

In their replies to the report, auditees need to indicate clearly what specific measures their services intend to take in response to the recommendation. Where possible and appropriate, they should make reference to an action plan and indicate deadlines for the actions. In all cases they must clearly indicate if they accept or reject a recommendation and the reasons for the latter. If they partially accept a recommendation, they must indicate which part they do not accept and why.

Recommendations guide the actions needed to correct the problems identified in the report. But it is up to the auditee to decide what the detailed actions should be. The ECA's guidance earlier referred to defines a list of SMART quality criteria, which help in drawing up appropriate recommendations.

SMART stands for:

- **Specific:** describing what needs to be done —but without being overly prescriptive;
- **Measurable:** defining, at the recommendation drafting stage, the indicators or criteria to be used later for follow-up.
- **Achievable:** taking into account legal or technical constraints and cost-benefit considerations;
- **Relevant:** fully supported by the audit findings and correcting the underlying causes of the deficiency;
- **Time-bound:** setting out a realistic time period for their achievement.

#### The challenge of the extent of the follow-up: not limited to checking implementation

Regarding the follow-up of these SMART recommendations, ISSAI<sup>3</sup> standards give some indications on the purpose and scope of this exercise. ISSAI 300 specifies that 'Follow-up is not restricted to the implementation of recommendations but focuses on whether the audited entity has adequately **addressed the problems** and remedied the underlying situation **after a reasonable period of time**.'<sup>4</sup> ISSAI 3000 adds another dimension to the

2. Guidance – Writing audit recommendations – November 2016

3. ISSAI stands for International Standard of Supreme Audit Institutions

4. ISSAI 300 - Fundamental Principles of Performance Auditing - paragraph 42, bold added by the author

## Follow-up of audit recommendations: the ECA experience *continued*

follow-up of recommendation that I mentioned in my introduction. The standard states that 'Reliable information on the implementation status of recommendations, **the impact of audits and the relevant corrective actions taken**, can help **demonstrate the value and benefit of the SAI**.<sup>5</sup>' The follow-up process serves not only to assess the auditees' actions, but also the audit itself.

While the standards direct the auditor towards the most challenging issues, they are not too prescriptive on how to carry out the follow-up process. Much is left to the auditor's appreciation. ISSAI 300 does not require all recommendations to be followed up. Similarly, ISSAI 3000 leaves it up to the auditor to decide the depth of the follow-up carried out. It states that 'The auditor needs to decide which (if not all) recommendations are to be followed up and how follow-up will be undertaken (**by means of a new audit or a simplified procedure**)<sup>6</sup>.

The auditor is facing trade-offs and has to find the right balance. To be more representative and ensure that the auditee does not overlook some maybe less important recommendations, one might want to select most, if not all recommendations, for follow up. To be in a better position to assess the impact of the audit and demonstrate its added value, one might be inclined to carry out more in-depth audit procedures, for instance, in the form of a follow-up audit. However, an exhaustive and in-depth approach would be very costly. The auditor must therefore consider the costs of the different possible options and carefully assess their comparative benefits.

The ECA opted for a dual approach. On the one hand, it reports annually on all recommendations made three years ago, on the basis of a documentary review and interviews with Commission staff. On the other hand, it may decide to produce a new special report on the same (or a similar) topic. A new audit of the area is then carried out, including the follow-up of the previous recommendations. These audits contribute to demonstrating the added value of the previous audit and the effectiveness of the corrective actions taken by the auditee. Out of 24 Special Reports from 2014 that are currently being followed up, we will cover eight in the form of a new Special Report. The choice of the past audits that deserve to be fully followed up is made as part of the ECA's multi-annual programming process, during which the added value of each audit proposal, including new audits and follow-ups, is assessed.

For follow-up to be more effective, it should attract the stakeholders' attention. Members of Parliament, the media, NGOs or the general public should be provided with simple tools to keep track of the progress made in dealing with the key issues raised in the external auditor's reports.

The follow-up of recommendations holds a central place in the ECA's Annual Report, our most read and publicised product and is part of Chapter 3 on 'Getting results from the EU budget.' The Annual Report and its Statement of Assurance on the management of the EU budget is one of the main tools used by the Parliament to hold the Commission to account during the annual discharge procedure.

The French Cour des Comptes also reports on their follow-up in their annual report. The reader will appreciate the straightforward presentation of the results. The French Cour des Comptes presents its assessment either by noting progress ('La Cour constate des progrès'), insisting on the insufficiency of implementation ('La Cour insiste') or alerting on major deficiencies ('La Cour alerte').

Another way of attracting attention is also used by the United States General Accounting Office (GAO). It has recently made available an online database with all open recommendations (<https://www.gao.gov/recommendations>). It is searchable by topic or agency and gives updated information on the situation of recommendations. The stakeholders can thereby easily find whether the GAO has identified unresolved issues in their areas of interest.

5. ISSAI 3000 – Standard for Performance Auditing – paragraph 138, bold added by the author. SAI stands for Supreme Audit Institution

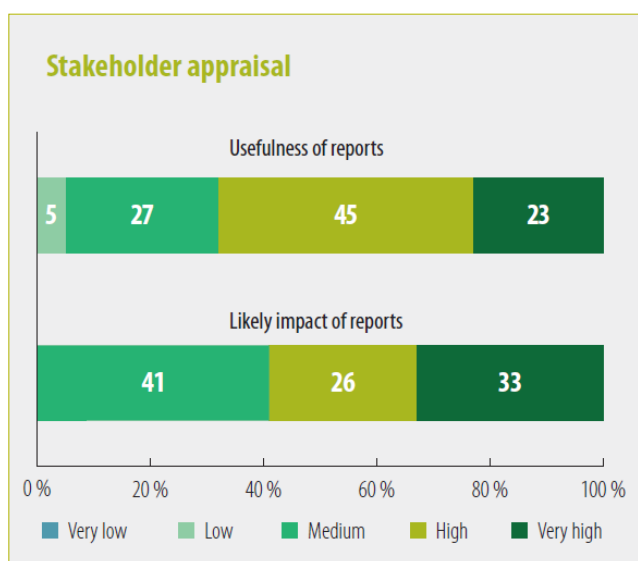
6. ISSAI 3000 – Standard for Performance Auditing – paragraph 141, bold added by the author



## Follow-up of audit recommendations: the ECA experience *continued*

The follow-up of recommendations is not only an indicator of the auditee's performance, but also an indicator of the auditor's own effectiveness. The ECA has defined the rate of implementation of its recommendations as one of its seven key performance indicators (KPI). The high rate of implementation provides evidence on the high quality of the recommendations made.

The ECA has not, however, defined a direct measure for the *impact* of its audits. This is captured through a survey of the stakeholders. The KPI shows that 'in 2016, similar to previous years, a large majority of the respondents rated the usefulness and impact of the reports to be 'high' or 'very high'.



Source: ECA 2016 Annual Report

Some SAIs have taken an extra step. The National Audit Office in the UK, for instance, has developed a direct measure of the impact of its audits, deriving from the follow-up. They currently have a target to deliver £10 worth of financial impacts for every £1 spent on running the Office.

This is an interesting way to demonstrate the added value of external audit. The ECA has no comparable indicator. Besides methodological issues, one reason might be that most of our performance audits currently focus on improving the effectiveness and efficiency of EU policies, rather than reducing their cost.

### **The challenge of dealing with the different layers of management: the case of shared management in the EU**

A third challenge for the auditors is to deal with the different layers of management and their respective responsibilities. Close to 75% of the EU budget is under shared management by the Commission and the Member States. Under the principle of subsidiarity, Member States generally specify the objectives, set the eligibility conditions, select the most appropriate projects, verify their implementation and make the payments. The Commission approves programming documents, runs audits and evaluations. However, under article 317 of the Treaty on the Functioning of the European Union (TFEU), the Commission holds the ultimate responsibility for the management of the EU budget. The Commission may apply financial corrections when Member States fail to implement the EU budget properly.

The issue of how to address the ECA's recommendations in this context of shared management is under internal debate. The current approach reflects the direct responsibilities of the Member States and the Commission. Recommendations related to the supported projects are mostly addressed to the Member States, as they are in charge

of the implementation. Recommendations to the Commission are generally on guidance and follow-up of more systemic issues through action plans, overall performance monitoring and evaluation, and audit.

Recommendations to Member States reflect the evidence gathered in audit visits to a sample of Member States. When recurrent deficiencies are detected, the ECA might issue a recommendation for them to take action. The expectation is on the Member States visited and where the weaknesses were identified. The recommendation also aims at triggering action in other Member States facing similar situations.

This approach has some drawbacks. It is unsure how serious the issue might be in those Member States or regions that were not directly audited. Also, as the final steps of the adversarial process are carried out only with the Commission, recommendations to Member States are left without an auditee's reply. It remains unclear if the recommendation is accepted and what corrective actions are intended.

As a result, the ECA is currently unable to include recommendations to the Member States in its formalised follow-up exercise. In 2016, this represented about 7% of the total number of our recommendations.

In the next Annual Report, the ECA plans to give more prominence to recommendations addressed to Member States during the year. This will enable them to react to these recommendations in their replies to the Annual Report<sup>7</sup>. The ECA will also review its internal guidelines for making recommendations to Member States.

The Commission has recently committed itself to reviewing significant issues with the Member States for specific cases in shared management where it had a supervisory role to play. An ECA/Commission joint working group is currently discussing a possible mechanism for reporting and verifying these results.

The ECA also plans to work with the Contact Committee of Supreme Audit Institutions of the EU and the Council to identify collaborative arrangements which might yield further useful information on Member States' implementation of recommendations.

## Conclusion

Auditors should continuously try to improve their working methods and their added value. The follow-up of recommendations is a key moment to reflect on how well we performed in the past years, how useful we were for our auditees and what impacts we had for the benefit of our wider stakeholders.

While we should check thoroughly that the auditees took action, we should at the same time keep our ears open to listen to their practical experience with the implementation of our recommendations. There are always lessons to be learnt by the one who listens.

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7. For the Member States' Replies to the ECA's 2015 Annual Report, see COM(2017) 120 final issued on 27 February 2017

# Future EU budget decision-making enters the crucial stage

By Mihails Kozlovs, ECA Member



Mihails Kozlovs, ECA Member

What will be the main questions surfacing during the upcoming negotiations for the EU's future multiannual budget? And to what extent will lessons be learnt from the past? With his experience in working for national government in Riga and Brussels, and building on the lessons learnt from ECA work and reports, including those developed under his leadership, Mihails Kozlovs looks into the issues that have to be addressed with ambition and courage by policy makers.

## Setting the scene for the future EU budget decisions

### EU at crossroads

The European Union (EU) is at crossroads, yet again. Various crises have been following one another. The number of challenges and priorities increase. The EU is not always ready and able to provide immediate and adequate solutions, for which it often gets heavily criticised. However, we should ask ourselves whether in the current globalised and highly competitive world there are any serious alternatives to pursuing and strengthening the European project. In fact, the choice of sustainable alternatives spanning the long term is very poor, if not non-existent. The strength of the EU lies in its internal harmony and unity vis-à-vis the external world.

The recent polls suggest that citizens support the EU project, but (too) many of them also would not mind holding a referendum on whether their Member States should stay in the EU. One way to interpret this somewhat paradoxical data is to suggest that citizens appreciate the strong need for united Europe but they are not satisfied with how the EU project is being managed. They rightly expect action.

### Compromises reflecting EU evolution

Although the EU budget is only a small part of the whole EU's universe and many of EU laws and principles have no direct bearing on EU budget expenditures - it plays an increasingly important role and often causes great tensions among the EU Member States and institutions. It is clear that the new financial framework should be capable of addressing the current challenges and providing a solid base at least for the medium term. Many would agree that this is not the case now. For example, A. Sapir noted already in 2003 that 'the EU budget is a historical relic. Expenditures, revenues and procedures are all inconsistent with the present and future state of EU integration'.

The EU financial framework is a complex system, based on many (historical and political) compromises, that in a way reflects the evolution of the EU, both in terms of membership and in terms of competences. More than 70 % of the EU budget is pre-allocated to priorities that do not necessarily reflect, in form or in substance, the current and future challenges.



Redeployment capacity is low. The budget is more reactive than proactive and, by the time when all requirements for disbursing are fulfilled by the management bodies and recipients, the priorities might have become outdated. Often the emerging needs define the budget, not (yet) a clear strategy. The length of the multiannual budget determines the need to spend on a certain program (i.e. spend it or lose it), not the program's effectiveness or comparative advantage. EU budget arrangements have become more complex. Although increasing complexity of the funding arrangements should not be considered a problem *per se*, it is a source of concern when accountability and transparency are put at risk.

There were serious attempts to address these problems, at least to some extent, by redefining /refocusing the objectives via the Lisbon strategy, the EU2020 initiative, identification of the 10 Commission priorities or by re-orientating/re-packaging the spending to new imminent needs like environment, climate, migration, and gender. Extended use of financial instruments is in its pilot stage with the objective to do more with less in times of scarce public resources. Simplification and performance orientation also mitigate the rigidities and inefficiencies of the EU budgetary system.

However, the citizens expect more from the EU. 'Money is a guarantee that we may have what we want in the future. Though we need nothing at the moment it insures the possibility of satisfying a new desire when it arises' – said Aristotle.

Even putting aside a fully legitimate question about the size of the EU budget, as it now operates close to spending limits, it would be imprudent to continue business as usual when designing and negotiating the post 2020 EU budget. Albert Einstein once remarked that 'insanity' is 'doing the same thing over and over again and expecting different results'.

The unfortunate process of Brexit gives an opportunity (or determines the necessity?) to review the fundamentals and principles of the EU budget. A chance to ask open questions like:

- what should be financed at the EU level?
- How did the existing policies perform over time and do they (still) bring EU added value?
- What kind of spending instruments are more suited to what circumstances and how to distribute the resources?
- What conditions should be attached to the EU spending and, even, what should be the size of the EU budget?

Indeed, the question of the past vs the future, e.g. whether after many years of rapid institutional and policy development and enlargements in the EU, it is acceptable that the budget fundamentals/principles essentially stay the same? This is a valid question more than ever. Undoubtedly, this debate should go in parallel with the wider deliberations on the future of the EU<sup>1</sup>.

## **ECA's contribution to the debate**

### **ECA briefing paper on the MFF mid-term review**

In its briefing paper (October 2016) on the mid-term review of the Multiannual Financial Framework (MFF)<sup>2</sup> the ECA responded to the Commission's proposal for the mid-term

1 European Commission's White paper on the Future of Europe: reflections and scenarios for 27 by 2025; published 01.03.2017.

2 Briefing paper on the mid-term review of the Multiannual Financial Framework (MFF) 2014-2020 "EU budget: time to reform?"; published 28.10.2016.

review of the EU financial framework. Importantly, we went further by calling upon the EU institutions, Member States and other stakeholders to launch as soon as possible a reflection on the extent to which the different EU policies should be financed from the EU budget. We also proposed to carry out a spending review assessing the extent to which the allocation of resources in the EU budget reflects the EU strategic priorities and opportunities to add value. The review would bring about a clear(er) picture of whether the existing policies achieved objectives and if they still have or they will have European added value in the modern Union. There might well be a case for lifting some Member States' level priorities to the EU level and lowering some of the current EU level priorities to the Member States' level. The reflection process has been ongoing, and the ECA has already become a partner in this exercise.

On 28 June 2017, the European Commission published its reflection paper on the Future of EU finances. Several dedicated events have been organised by the Commission and the European Parliament where I had a privilege to represent the ECA. On 13 September 2017, Commission President Juncker gave his State of the Union speech where the EU budget featured prominently. On 25 September 2017, the Commission organised a conference on "The Future of EU Finances", and featured ECA President Klaus-Heiner Lehne as a guest speaker. Our stakeholders recognise our contribution to the debate and value our knowledge and experience. It also proves that the timing of ECA products is crucial if we aim to be relevant.

The political process towards the next MFF involves the European Council orientations, hopefully, in mid-December this year. The Heads of EU states and governments should strive to identify the path for Europe in the years to come. They also should provide guidance on the EU public goods/ European added value and (ideally) find consensus on a set of policies to be financed from the EU budget. For example, a lot is being said about the need for more EU involvement in security, defence, cybersecurity and migration, but there is still little clarity on how deep the EU involvement and therefore the EU budget contribution for these policy areas should be. Input on these issues is needed by the Commission before it submits the new MFF proposal. Importantly, this debate should be open and frank without quick 'back-of-the-envelope' calculations of *juste retour*.

### **Input from the ECA Annual Report 2016 and beyond**

The Commission's legal proposals for the next MFF are expected in May 2018. The ECA will continue to play a role in the debate with our Annual report 2016 (AR 2016) and its Chapter 2 'Budgetary and financial management.' Many of the issues considered in this chapter have a bearing on future EU budgets. Next year the ECA will also publish a briefing paper on the future of the EU budget under the leadership of my colleague Jan Gregor. Many relevant special reports have been included in our recently published Annual Work Programme 2018. These ECA products should make criteria like economy, efficiency and effectiveness more prominent in the policy debate on the next multiannual financial framework.

### **Main take-aways from the debates so far**

#### **Timing and flexibility**

Timing is an important feature of good budgetary management. From this perspective it is certainly welcome that there is at least a declared shared ambition to agree upon the upcoming Commission's proposal for the new MFF within the current legislative term. The benefits of moving faster than in the past after the Commission will have submitted the proposal, are evident - the time gap between decision on the spending priorities for years to come and the start of real spending on the ground needs to be shorter. Assessment of spending would also be facilitated as currently it is difficult to appraise the design, operation and results of the 'old' programmes before the 'new' ones are adopted and

being implemented. Earlier decision-making would also allow better preparing for the new programming period and avoiding significant delays in implementation.

A later presentation of the Commission's proposal (May 2018 vs December 2017) gives some more time to assess spending under the current MFF 2014-2020 and allows seeing how it matches the updated EU priorities or where it brings the most added value. Clear strategic vision is key to be successful in achieving efficiency of the EU budget in the future. Currently, MFF 2014-2020 (technically) reflects the EU priorities at the time of adoption (in 2013), EU 2020 and the Commission's 10 priorities represent the medium term strategic objectives.

As our President underlined during the Conference on 25 September, the EU budget needs more flexibility and transparency. Pre-allocation (of more than 70% of the budget) surely creates a certain level of predictability but at the same time limits flexibility to make adjustments throughout the seven year MFF. Not only does it limit the ability of the EU to respond to (often urgent) evolving needs. It can also potentially have negative effects on performance through less competition, reliance on 'envelopes' and duration of the programs based on length of the planning period rather than on policy needs. Numerous special instruments and margins provide some flexibility, but they can be exhausted already by the middle of a seven year financing period.

### **New mechanisms to extend funding**

The EU budget has evolved greatly over the years. A number of new mechanisms for funding EU policies have been added, including outside the EU budget. As a result the EU financing system now represents a complex web of arrangements where it may prove to be too difficult to ensure proper accountability and transparency to EU's citizens. Already it is clear that our citizens do not really see the link between the EU level policies that are financed from the EU budget and benefits they bring to each and every individual. This link, however, needs to be clearly visible to 'legitimise' the EU level spending and regain citizens' support for the European project.

We touched upon the issue of complexity of the EU's budgetary system in our briefing paper, and continued the theme in our recent annual report. Unlike the European Parliament that legitimately approached the issues of complexity from the financial architecture point of view, we assumed that the structure of the budget is in essence a political decision. But the ECA emphasised that whatever the financial architecture chosen, accountability and transparency should be upheld.

It is important to keep in mind that with the introduction of new different funding mechanisms the financial exposure of the EU budget is also growing. These are our borrowing and lending activities, guarantees and long term obligations - possible EU payments that may occur in the future and that need to be closely monitored.

Financial instruments (FI) benefiting from the EU budget support have been increasing - more than tripling in 2014-2020, if compared to the previous programming period. They are probably a great example of how to do more with less, which is a much needed endeavour, especially if one assumes that the EU budget will not change in terms of size. Supposedly they will feature very prominently in the next multiannual budget. But there are caveats that should be considered and addressed. Most notably risk sharing arrangements among the EU budget, intermediaries and final beneficiaries need to be balanced. Also, as we noted in our special report 19/16 on Financial Instruments in 2016, many of them had difficulties attracting private capital and controlling costs, and sometimes the resources were just 'parked' to inflate the Member State's absorption numbers or avoid de-commitments. The quantity of FIs and their governance arrangements should be carefully analysed. It remains to be seen if with the amended legal base for the current programming period these problems will be addressed and to what extent.



A good case study is provided for in our upcoming special report on the SME Guarantee Facility. This facility has similar objectives to FIs under the shared management but it operates differently (under the management of the European Investment Fund). It will be very interesting to compare various financial instruments. In general, with limited resources it is very important that we compare the programs and, if needed, discontinue or adjust the ones which are performing worse.

European fund for strategic investment (EFSI) – a major new FI - will continue to grow. The EFSI governance structure is different from that of the other FIs under shared and central management, because more implementation powers are delegated to the conduit of the EU guarantee – the European Investment Bank. This means that public scrutiny for the EFSI may be more limited than for other instruments supported by the EU budget. It is too early at the moment to judge the effectiveness of this instrument in terms of filling the investment gap in the EU and its wider objectives of stimulating growth and jobs. However, in its special report the ECA will look whether EFSI in its current design is the optimal EU instrument to attract private capital, fund riskier and additional projects and collaborate with private investors. Given the growing significance of these kind of centralised and innovative instruments for the future EU budget, it is important to get it right from the start.

### Future of major 'traditional' policy areas

Major spending categories in the EU budget, like the Common Agricultural Policy (CAP) and Cohesion policy, have been at the spotlight at many recent discussions. As regards Cohesion policy, in the EU regions that benefited a lot from the Cohesion support there are no doubts that this policy -albeit somewhat streamlined- should remain important in the EU spending also post 2020. Some Member States and regions search for more European added value in cohesion spending and some will continue to prioritise their net balances<sup>3</sup>.

The ECA's recent audits on performance in Cohesion spending suggest several promising avenues. Some examples of these avenues are:

- Setting realistic and achievable objectives and targets for what can be achieved with EU funding alone;
- Having a comprehensive view of the total cost of a programme/policy at EU and Member States level when making a proposal;
- A move to a more results-based approach in allocating funds;
- Continued use of (considerably strengthened 'conditionalities' and better links to the European Semester.

What is being also underlined, and I fully subscribe to that, is that the Cohesion financing as a rule should not replace national public investment. The decision makers will have to look carefully at the substitution effect because it is not just about converging, e.g. removing economic, social and territorial disparities across the EU. It is also about doing it right for the sake of sustainability of investments and changes made, reforms carried out and about avoiding future dependency on this financing.

Another relevant issue is the cyclical nature of EU structural funding. We drew our stakeholders' attention to this in our briefing paper on the mid-term review of the MFF 2014-2020 and also in chapter 2 of our 2016 Annual Report. Size and timing of the receipts from the EU budget can have significant macro-economic effects such as on investment, growth, and jobs. Therefore size and timing of these receipts need to be sufficiently taken

<sup>3</sup> Many say the concept of net balances is outdated and, while I tend to agree, it is clear that it is still a guiding principle in the budgetary negotiations in the EU.

into account when planning future EU budget expenditure to avoid abrupt withdrawal of funding. Absorption difficulties is another problem we have spotted in our work that needs to be addressed.

The CAP is an area of extreme political sensitivity and, probably, the most supported policy in all Member States. Already a long time ago there were calls for reform. The ECA produced important contributions on various aspects of the CAP and its implementation. I am looking forward to the forthcoming briefing paper on the future of the CAP as is foreseen in the ECA's Annual Work Programme 2018.

Finally, the debate on the future of the EU budget is not a standalone item as it used to be in the past. In search of economy, effectiveness and efficiency as well as synergy, one should also closely follow the debate about the future of the Eurozone, the European Stability Mechanism and economic governance including the EU Semester.

#### **IV In conclusion**

Some people might ask: 'What is the ECA role in these political deliberations?' In my view it is clear that, throughout the years, the ECA has accumulated a wealth of knowledge about the EU budget and its implementation. The run-up towards the new MFF is the best moment to engage and to share this knowledge with the budgetary authority and broader stakeholders. Provision of objective evidence, both positive and sometimes critical, will be our contribution to a more agile, efficient and transparent future EU budget.

## Reaching out

### Commission Vice-President Jyrki Katainen visits the ECA

By Turo Hentilä, Private Office of Ville Itälä, ECA Member

Commission Vice-President Jyrki Katainen visited the Court on 20 October. During a working lunch he held discussions with Mr Itälä. He then gave a presentation to Finnish staff of the Court. For this presentation, the Finnish staff of the other EU Institutions based in Luxembourg was also invited.

After Mr Katainen's presentation, the audience actively commented the presentation and put forward several questions. They covered various current EU topics, such as Commission's latest reflections on the future of the EU, challenges and timetable for the new Multiannual Financial Framework, communication issues towards EU citizens and Brexit negotiations.



Ville Itälä, ECA Member and Jyrki Katainen, Commission Vice-President



Meeting between staff members of EU institutions and Commission Vice-President Jyrki Katainen



## Geert Bourgeois, Minister President of Flanders, visits the ECA

By Gerry Madden, Private Office of Karel Pinxten, ECA Member

Striving to better connect to its stakeholders, the ECA welcomed the visit of a delegation from the Flanders region in Belgium, headed by its Minister-President Geert Bourgeois. Gerry Madden updates us on the meeting hosted by Karel Pinxten last month.

### Providing background to the ECA's work

On 18 October 2017 Geert Bourgeois was warmly received at the ECA by Karel Pinxten, who welcomed the opportunity for an exchange of views with the representatives of a community, which was very familiar to him. Geert Bourgeois was accompanied by a high level delegation consisting of:

- Koen Verlaeckt, Secretary-General at Flanders Department of Foreign Affairs
- Julie Bynens, General Representative of the Government of Flanders to the EU
- Hendrik Theunissen, Deputy Head of Cabinet of the Minister-President

In addition to Karel Pinxten, the ECA was represented by Gerhard Ross, Director of Chamber II, Niels Brokopp, Principal Manager, and myself.

Karel Pinxten gave a comprehensive description of the ECA's organisation and work. He explained the Chamber system and how this had made decision making more streamlined. As the delegation had requested, he referred to the development of the Statement of Assurance (SoA) and to the 2016 SoA in particular. This represented, in his view, a significant departure from prior years as the opinion on "legality and regularity" was qualified rather than adverse. He stressed the nature of our audits and explained that we go "on the spot" to see for ourselves how the EU money is being spent. While the SoA audit is a global exercise as we audit how the entire EU budget is collected and spent, we also make certain references to countries in our report. Karel Pinxten cited the control weaknesses in Belgium, relating to the lack of thorough post clearance checks, as an example. Regarding performance audits, Karel Pinxten set out the criteria used for choosing the topics to be examined. He emphasised the significance of the "value added" consideration and the importance of the appropriate timing of our reports.

### Opportunities and difficulties in the Cohesion area

As the visiting party had expressed a particular interest in the audit of Cohesion Funds, Karel Pinxten gave the floor to Messrs Ross and Brokopp for their presentation. They explained in detail the workings of the Cohesion Fund. Gerhard Ross dealt with the issues of simplification and differentiation as they operate for the Fund and outlined the present challenges, together with those likely to arise in future years. Niels Brokopp explained "Single Audit" and the associated opportunities and difficulties.

A lively question and answer session took place towards the end of the meeting. In reply to a question from Geert Bourgeois, Gerhard Ross explained that the value added of Cohesion Funds was a key concern. When discussing the issue of simplification Niels Brokopp indicated that some countries/regions made life difficult for themselves by adding additional layers of requirements.

At the end of the meeting Geert Bourgeois expressed his great appreciation for the presentations which he found most interesting and informative. He thanked Karel Pinxten for organising the meeting and welcomed his invitation to return to the ECA in the near future.



Karel Pinxten, ECA Member and Geert Bourgeois, Minister-President of Flanders

## Representatives of the Managing Authority for the cross-border programme IPA ADRIATIC visit the ECA

By Chiara Cipriani and Benjamin Jakob, Private Office of Pietro Russo, ECA Member

Also outside the EU cross border cooperation is stimulated with EU funds. Chiara Cipriani and Benjamin Jakob share the highlights of a visit of the Managing Authority called 'IPA Adriatic', an important player for such cooperation in the Adriatic region.

### IPA ADRIATIC CBC programme covering 890 beneficiaries in over 80 projects

The Managing Authority for the cross-border programme 'IPA Adriatic', represented by Paola Di Salvatore and her team, have visited Luxembourg on 18 October 2017 to meet with the ECA and the European Court of Justice (CJEU). The aim of their visit to the ECA was to expound the status of implementation of the programme IPA Adriatic CBC and the legal, administrative and financial issues that have been identified in the eight countries participating in the programme (Albania, Bosnia-Herzegovina, Croatia, Greece, Italy, Montenegro, Slovenia and Serbia, four of which in pre-accession), and particularly the delicate relationship between the European standards already internalized and applied by EU Member States and the existing legislation in four pre-accession candidate countries which do not recognise EU Law as a legal basis.

The IPA Adriatic CBC programme was the first programme of European territorial cooperation to hold a technical meeting with the ECA. The Managing Authority presented the IPA Adriatic CBC programme's objectives and provided a detailed analysis of the critical points in the complex implementation of the programme, which covers more than 890 beneficiaries in over 80 projects with a budget of around 245 million EUR. The visitors from IPA Adriatic were welcomed by Pietro Russo, ECA Member, and technical matters were discussed with ECA colleagues Pietro Puricella, Alberto Gasperoni, Enrico Grassi, and Nicola Berloco.

Pietro Russo expressed his appreciation for the work carried out by the Managing Authority. He pointed out that, especially when it comes to young and fragile democracies, the role of the management and control systems of EU funds does not only concern technical accounting aspects as a result of work, but also to the correct use of the resources that come from the taxes paid by European citizens. Another important element in the meeting was the discussion of the results of Special Report 21/16 on the Western Balkans, which focuses on the implementation of the principles of the rule of law and administrative capacity, as well as the fight against corruption and organised crime. The delegation of IPA Adriatic perceived the findings and recommendations in this report as highly relevant in the framework of eight Member States participating in the IPA Adriatic CBC Programme.



### Meetings at the CJEU

During the subsequent meeting at the CJEU, Advocate-General Paolo Mengozzi stressed the importance of the homogeneous interpretation of EU law by the CJEU. This as a guarantee of democracy and legal certainty also for pre-accession candidate-countries, given the fact that the use of EU funds requires the application of EU law and the principles of protection of the EU budget. Similarly Ezio Perillo, Judge of the General Court of the CJEU, addressed the efforts made in the management of IPA Adriatic and stressed the risk of losing sight of the objectives of primary importance in the framework of European territorial cooperation.

'The opportunity was very impressive' Paola Di Salvatore stated after the meetings two meetings. 'We were able to explain the role that the IPA Adriatic Programme has been playing since 2013, in a framework of institutional cooperation, to tackle the key issues related to the proper use of European funds, and the necessary legislative and administrative harmonisation between Member States and pre-accession candidate-countries, whilst protecting the EU budget as a core principle of Territorial Cohesion Policy.'



Meeting with the IPA Adriatic Managing Authority

## Representatives of the Czech Ministry of Finance visit the ECA

By Werner Vlasselaer, Private Office of Jan Gregor, ECA Member

Getting into audit specifics: Werner Vlasselaer gives an update on recent exchanges with the Czech Ministry of Finance.



Meeting with representatives of the Czech Ministry of Finance

### Paying agency responsibilities

On 23 and 24 October 2017, Jan Gregor, ECA Member, welcomed a delegation from the Ministry of Finance of the Czech Republic. The delegation comprised members of the National Fund Department and Audit Authority. The National Funds department administers and manages cash flows from the EU and abroad provided to the Czech Republic by European structural and investment (ESI) funds, pre-accession instruments and other instruments. It serves as the Paying and Certifying Authority for ESI Funds and European Economic Area. It acts as the competent body responsible for the accreditation of the paying agency designated to implement measures of the common agricultural policy and for designating the certification body for the certification of the paying agency's accounts. The Audit Authority department is the auditor for EU funds provided to the Czech Republic under the Structural Funds, the Cohesion, and the European Fisheries Funds.

### ECA providing updates on performance and compliance audit developments

The program of the visit was tailored to the interest to both departments - ECA reporting on performance and future development of Statement Assurance approach. Presentations were provided by Marius Pomienski, director of Chamber V assisted by Tomasz Kokot and by auditors of Chamber I (Jindřich Doležal, Jan Kubát and Tomáš Krajtl) and Chamber II (Jiří Beneš, Milan Šmíd, Dana Šmíd Foltýnová and Radka Papoušková). The presentations were followed by lively exchanges of views in an open atmosphere with questions and insights exchanged.

When concluding the meeting on 24 October Jan Gregor underlined that hopefully the discussions held would help in identifying new areas of cooperation and contribute to successful implementation of the two key pillars of 2018-2020 ECA Strategy - Improve the added value of the Statement of Assurance in the context of today's EU financial management and Increased focus on the performance aspects of EU action.





## Publications in the previous month

### Special report N° 13/2017



Published on  
3 October 2017

### A single European rail traffic management system: will the political choice ever become reality?

We assessed whether the European Rail Traffic Management System (ERTMS) has been properly planned, deployed and managed. ERTMS is designed to replace the diverse railway signaling systems around Europe with a single system that enables trains to travel uninterrupted across different countries and facilitates rail competitiveness. We found that deployment so far is at a low level and represents a patchwork, despite the fact that the ERTMS concept to enhance interoperability is not generally questioned by the rail sector. Infrastructure managers and railway undertakings are reluctant to invest due to the expenses entailed and the lack of an individual business case (for example in the Member States with well performing national systems and significant remaining lifetime). EU funding can only cover a limited amount of the investments. We make a number of recommendations to the European Commission, the Member States and the European Union Agency for Railways to help improve the deployment and financing of the system.

[Click here for our full Special Report](#)

### Work Programme



Published on  
18 October 2017

### 2018 Work Programme

Our work programme for 2018 covers a broad range of issues, reflecting the challenges the EU is currently facing. It addresses key concerns such as the sustainable use of natural resources, growth and inclusion, migration and global development, the single market, and an accountable and efficient European Union.

[Click here for our work programme](#)



## Publications in the previous month

### Audit Brief



Published on  
19 October 2017

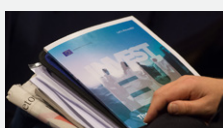
## EU Auditors publish briefing on Commission's fraud controls

The European Court of Auditors is currently conducting an audit of how the Commission manages the risk of fraud in EU spending. The audit will focus on fraud prevention and fraud response and will include contributions from NGOs, academics and prosecutors, as well as Europol and Eurojust.

In a 2015 Eurobarometer survey of perceptions of fraud and corruption affecting the EU budget, 71% of respondents thought that fraud occurred "rather frequently" and 60% felt that "corruption is significant in the EU institutions". This represents a significant increase compared with the 2008 flash Eurobarometer, when 54% thought fraud happened rather frequently and 44% felt that corruption occurred in EU institutions. Fraud is difficult to measure. It can only be established through a criminal court procedure. In 2016, the total value of fraud detected within the EU Budget was an estimated €391 million, according to figures drawn from the European Commission, the Member States and the candidate countries. However, due to several factors in the way the figures are collected and reported, this estimate may be too low.

[Click here for our Audit brief](#)

### Audit Brief



Published on  
26 October 2017

## The European Fund for Strategic Investments (EFSI)

The European Court of Auditors is currently examining whether the European Fund for Strategic Investments (EFSI) is on-track to reach its policy objective of supporting additional investment in Europe.

The Investment Plan for Europe (IPE), the first major initiative of the Juncker Commission, was announced in November 2014. In 2015 the European Fund for Strategic Investments (EFSI), the core pillar of the IPE, was set up jointly by the European Commission and the EIB Group (the European Investment Bank and the European Investment Fund) with the aim of mobilising up to 315 billion euro of additional investments between 2015 and 2018 and to increase access to finance for SMEs and mid-cap companies.

The audit aims to assess whether EFSI is effective in addressing the need to support investment in the EU. In particular, we will examine whether Commission decision-making was based on a clear rationale and sound evidence when designing the support provided under EFSI and the role of national promotional banks and institutions in allocating the financial support from the EIB Group. Our audit also seeks to assess the additionality and added value of EFSI operations.

[Click here for our Audit brief](#)

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Cover:  
ECA 40 years anniversary ceremony  
From left to right: Henri Grethen, ECA Member; Xavier Bettel, Prime Minister of Luxembourg; Kersti Kaljulaid, President of Estonia; Klaus-Heiner Lehne, ECA President; their Royal Highnesses, the Grand Duchess and Duke of Luxembourg; Antonio Tajani, President of the European Parliament; Jean-Claude Juncker, President of the European Commission; Karel Pinxten, ECA Member