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Speech

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

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President,

Ministers,

I am very pleased to present the work of the European Court of Auditors to you today. This is my first ECOFIN meeting since being elected President of the Court, and I would like to take the opportunity to look forwards as well as backwards – to consider how EU financial governance should evolve in the coming years as well as considering the immediate past.

I believe that we – the European institutions – have, to a degree, lost the trust of our citizens. It is their money that we are all spending, and it will be a major challenge for the EU to regain their trust. It is clear that reform is necessary, and that it must be built on solid financial foundations. To me, that means four things: the EU must keep good accounts; it must make sure its financial rules are correctly applied; it must deliver value for money; and it must provide transparency and assurance.

People cannot even begin to trust us if they do not believe we are looking after their money properly and can clearly account for how we are doing that.

Our Annual Report for 2015 concludes that the EU accounts present a true and fair view. But more can be done. For example, the Commission has not produced a cash-flow forecast covering the next seven to ten years. Such a forecast would contribute to rebuilding trust. The Commission's medium-term payment forecast, though, is one step in the right direction.

Secondly, the EU must make sure its financial rules are correctly applied.

The money going into and out of the current EU budget is accurately recorded, but there are still too many mistakes where it is spent. In our Annual Report, the estimated level of error is 3.8 %, broadly similar to recent years, but still higher than we would like. The errors happen mostly in the Member States. For example, our special report this year on State aid in cohesion spending found that Member States are detecting infringements at only one fifth the rate of our own checks and those of the Commission.

Steps have been taken by the Commission to improve its assessment of risk and the impact of its corrective actions. But again there is scope for improvement. It would be much better for the European taxpayer if the Commission and the Member States spent more of the money properly in the first place.

Our special report on maritime transport in the EU found much ineffective and unsustainable investment in seaports. We identified a high risk of around 400 million euros being wasted. Road and

rail connections to port hinterlands were often found to be missing or inadequate, meaning that further public funding will be needed to make the initial investments work. The recommendations in our reports are designed to improve investments such as these in the future. And those improvements should reassure our citizens.

There is also scope to reduce errors by improving the design of spending schemes. This is particularly true in the agricultural sector, as several of our special reports have noted. People cannot trust a system they do not understand. And that brings me to the third element I mentioned – sound financial governance.

Our citizens want and need to see the EU securing value for money. Because even ensuring that all the money is accounted for, and all the rules are followed, cannot guarantee that EU-funded projects will deliver value for money. And citizens need to feel that they are getting a better deal for their money.

If people cannot tell whether the system is working for them, we cannot expect them to trust it.

Finally, trust requires transparency and assurance. The Commission needs to report to the Parliament and to the general public on the right things, and what is reported needs to be properly checked and independently audited.

However, the increasing use of financial instruments, which are not directly funded by the EU budget or audited by us, poses higher risks for transparency, accountability and the coordination of EU policies and operations. Our special report on financial instruments, on which you are adopting your conclusions today, found that these instruments have not always functioned as effectively as they should. There are clear implications here for the EFSI – the European Fund for Strategic Investments. And that is a subject to which we will be returning shortly: our Opinion on extending the duration of the EFSI and on the technical enhancements to it will be published before the end of this month. Next year, we will be publishing special reports on small business guarantees and on public-private partnerships managed under the EFSI.

On the matter of assurance, our audits not only provide independent assurance, they also include recommendations on improving the EU's financial governance. There is a high level of acceptance and implementation of our recommendations on the part of the Commission.

But despite a reasonable overall level of awareness of our recommendations in the Member States, there is a good deal of variation in the level of formal follow-up. As a result, we see only moderate evidence of changes in national policy and practice.

We would like to work more closely with you to improve that situation. EU financial governance needs to improve. If we are to create an EU financial system fit for regaining our citizens' trust, the EU has to

make the right reforms and make them soon. And that needs to happen not just here in Brussels but throughout the Union.

Thank you very much, and now I am happy to take your questions.