



EUROPEAN  
COURT  
OF AUDITORS

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## Speech

Luxembourg, 26 October 2016

### Speech by Klaus-Heiner Lehne, President of the European Court of Auditors (ECA)

Presentation of the ECA's 2015 annual report  
European Parliament – plenary session

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President Schulz,

Honourable Members of the Parliament,

Commission Vice-President Georgieva,

It is a great honour for me to present the European Court of Auditors' 2015 Annual Report to you this year – my first year as President of the Court, and indeed my first month in the job.

Events since the end of 2015 are shaking the foundations of the European Union, and as a result we have entered a period of introspection. The question on everyone's mind is: why are so many citizens turning their back on the European project? I believe part of the answer to that question is that we – the European institutions – have, to a degree, lost the trust of our citizens. In the months and years to come, a major challenge for the EU will be to regain that trust. And I believe the European Court of Auditors will have an important role to play in that process.

It is clear that there should be reform. But whatever shape that reform may take, it must be built on solid financial foundations. Whether the EU has 28 members or 27, sound financial governance will remain just as important. In the view of the Court, four elements are particularly important.

Firstly, the EU must keep good accounts. People cannot even begin to trust us if they do not believe we are looking after their money properly and keeping a good account of how we are doing that.

The EU accounts for 2015 present a true and fair view. But the amounts of money to be paid in the current and future years remain at a very high level. And 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 medium-term payment forecast made by the Commission 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 still suffers from too many mistakes where it is spent, mostly in the Member States. For 2015 payments, the estimated level of error is 3.8 %. This is broadly similar to recent years, but still above our materiality threshold of 2 %.

Although steps have been taken by the Commission to improve its assessment of risk and the impact of corrective actions, there is still 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, rather than having to go to the time, trouble and expense of clawing it back after mistakes have been found.

There is also scope to reduce errors by improving the design of spending schemes. People cannot trust a system they do not understand.

My predecessor talked of the need for a "wholly new approach". It is too soon to tell yet when or whether that will become a reality. But we have already seen the mid-term review of the current spending plans.

We welcome the focus on results called for again by the European Commission. But what we still miss is the dimension of value for money – and that brings me to the third element of sound financial governance.

Our citizens want and need to see the EU securing value for money. They need to feel that they are getting a better deal than their own authorities could have managed by themselves.

But did EU projects deliver value for money in 2015? Were their objectives realistic from the outset? Were the costs involved reasonable? Was the programme or project more or less expensive than it would have been if it had been administered at a different level of government?

These are questions to which there cannot be a simple answer until the right reporting arrangements are in place. There need to be real incentives to achieve value for money, rather than just hitting spending targets and avoiding breaking the rules.

Because even if all the money is accounted for and all the rules are followed, this does not guarantee that EU funded projects will deliver value for money.

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

They need to see results and have a clear idea of the resources spent on achieving them. That relationship – the value delivered by spending the money – needs to be made much clearer.

Trust also requires transparency and assurance, and these represent the fourth element of good financial governance.

The increasing use of financial instruments, 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.

As for 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 these recommendations by the Commission.

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

To sum up, 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.