

Audit Compendium

Response to COVID-19

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EN

The Contact Committee of the European Union's supreme audit institutions offers a forum for discussing and addressing EU public audit issues. By increasing dialogue and cooperation among its members, the committee helps to make the external audit of EU policies and programmes more effective. It also helps to enhance accountability, improve the EU's financial management and consolidate good governance, for the benefit of all EU citizens.

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Foreword

2020 was a highly unusual year, to say the least. The global COVID-19 pandemic brought an unprecedented health and economic crisis. Among its many impacts, the crisis has considerably affected the work of supreme audit institutions (SAIs) around the world, and the Contact Committee's member SAIs have been no exception. EU SAIs reacted quickly to the crisis and decided to allocate substantial resources – both immediately and in the years ahead – to assessing and auditing the response to COVID- 19. This Audit Compendium gives an overview of relevant SAI publications issued in 2020 and thus reflects the EU SAIs' immediate response to the crisis.

The Compendium is also the result of the first *EU Network Audit*, a new form of audit cooperation among EU SAIs that focuses on strategically selected policy areas, or on exceptional events which are having or are highly likely to have a significant impact on our societies.

The traditional type of international audit cooperation is parallel audit, which requires neatly aligned audit approaches. The great advantage of the *EU Network Audit* is that it allows for more flexible coordination among participants, meaning in turn that they can focus better on specific (national) situations and needs. Given the disruption it has caused and its foreseeable mid- to long-term impact on the EU and its Member States, the pandemic is an obvious theme for this new type of cooperation.

In my view, this pilot benefited a great deal from the wider promotion of professional exchanges on the new challenges posed by the pandemic. For instance, at the initiative of the SAIs of Finland and the United Kingdom, the EUROSAI Project Group on COVID- 19¹ has developed numerous activities to promote information sharing and mutual support on relevant audit ideas, approaches and experiences.

The Compendium starts with a general introduction to the pandemic and a summary of its effects on the EU Member States, including the responses it triggered. This is followed by an overview of the audit work carried out and reported in 2020 by eleven EU SAIs in five priority areas: public health, digitalisation, the socio-economic response, public finances and the associated risks, and the general response at different levels of government.

¹ [EUROSAI Project Group on Auditing the Response to the COVID-19 Pandemic](#)

We hope that our work and dedication to improving public performance and accountability across the EU can help to improve the delivery of public services for the benefit of all EU citizens.



Klaus-Heiner Lehne

President of the European Court of Auditors
Chair of the Contact Committee

Executive summary

I The COVID-19 pandemic is one of the most disruptive health crises the world has ever seen, since it has had a major impact on society, economies and individuals everywhere. Any assessment of its impact on the EU and Member States can only be – at best – rather tentative at this stage, but some aspects already stand out very clearly:

- o the multidimensional nature of the crisis;
- o its substantial and disruptive impact on the EU as a whole;
- o its asymmetric impact on different Member States, but also regionally and even locally, be it timely, quantitatively or qualitatively.

II In most areas severely affected by the pandemic, the EU has only limited power to act. This is partly because competence for public health is not exclusive to the EU, and partly because there was little preparedness or initial consensus among Member States on a common response. Given the initial asymmetry of the crisis and the lack of a coordinated EU approach, national and regional governments acted independently when putting in place prevention and containment measures, when procuring personal protective equipment or when setting up recovery packages and job retention schemes to mitigate the socio-economic consequences.

III Nevertheless, after a difficult start the EU and Member States seem to have improved their coordination by acting more complementarily to mitigate the effects of the crisis. The best proof of this was the agreement on the *NextGenerationEU* recovery instrument, the largest and most prominent ever, with which the EU ventured into uncharted territory to tackle the challenges and long-term consequences of the pandemic.

IV This Compendium shows that the SAIs of the Member States and the ECA reacted quickly to the current crisis and have now undertaken many audit and monitoring activities. In addition to those 48 completed in 2020, more than 200 other audit activities are still ongoing or planned, and will be finalised in 2021 or 2022.

V The Compendium contains summaries of 17 reports published in 2020 by eleven EU SAIs², grouped by five priority areas: public health, digitalisation, socio-economic response, public finances and the associated risks, and the general response at different levels of government.

² SAIs of Belgium, Cyprus, Germany, Latvia, Lithuania, Netherlands, Portugal, Romania, Slovakia, Sweden, and the ECA.

Introduction

1 The COVID-19 pandemic is one of the most disruptive health crises the world has ever seen, since it has had a major impact on society, economies and individuals everywhere. It is a threat to EU citizens' lives, and it has also increased the burden on our public health systems and led to a sudden reversal in growth. Economic activity decelerated sharply by mid-2020, bringing a surge in unemployment. In line with the initial priorities set by the European Council, the measures taken by the EU to alleviate the impact of COVID-19 have focused on limiting the spread of the virus, ensuring supplies of medical equipment, helping researchers to find a vaccine quickly, and helping Member States to cope with the social and economic difficulties they have been experiencing³.

2 Because, among other factors, the virus spread to different countries at different rates, it had an asymmetrical impact within the EU. This, combined with the lack of a coordinated EU approach at the onset of the pandemic, meant that national governments adopted a wide range of different measures and approaches to keep the virus in check, safeguard public health systems and protect inhabitants. The reaction included border closures, full and partial lockdowns, and strict hygiene and safety measures. On the socio-economic front, massive fiscal support was made available to protect businesses, households and individuals at risk.

3 At the same time, Member States introduced measures to strengthen local and regional finances and relaxed fiscal rules. As far as they were able, national governments also announced investment recovery packages that, taken together, are already worth far more than those adopted in the financial crisis of 2008⁴. These public investments are intended to mitigate the negative effects of lockdowns and to provide a rapid economic stimulus to maintain and, in some policy areas, even improve the pre-crisis situation. Most recovery spending prioritises public health, digitalisation, social protection and – sometimes indiscriminately, sometimes to facilitate the green transition – the broader economy.

³ European Council, *Conclusions by the President of the European Council following the video conference on COVID-19*, 10.3.2020.

⁴ European Commission, *Questions and answers: Communication on fiscal policy response to coronavirus pandemic*, 3.3.2021.

4 The purpose of this overview is not to describe all aspects of the genesis and spread of the coronavirus, or to comprehensively address its impact on the EU and the Member States, including their response⁵, but rather to provide an understanding of the general context and the conditions in which the SAIs have carried out their work. *PART I – Impact of COVID-19 on the EU and Member States* therefore focuses on the impact in selected areas across the EU and the action taken, mainly at EU level, to address health, socio-economic and fiscal challenges. In addition, knowing that almost any impact assessment can at best be rather tentative for the time being, we have created a series of snapshots to illustrate the multidimensional nature of the crisis, but also its substantial, if asymmetric impact on the EU and its Member States. As national measures are largely different from one Member State to another, and since the quality and quantity of the available data do not permit a meaningful comparison, we highlight just a few national measures in areas which have been the subject of audits by individual SAIs.

5 In 2020, eleven EU SAIs⁶ published 48 reports on a broad range of measures taken at national and supranational level in response to COVID-19. *PART II – Overview of the SAIs' work* contains summaries of 17 of those reports, grouped by five priority areas. Each summary gives context and reasons for the audit activity, as well as some principal findings and conclusions. To keep the Compendium to a manageable length, each SAI contributed details of just one report per priority area and not more than three in all. The *Annex – Full list of COVID-related publications by EU SAIs in 2020* provides a full list of all relevant SAI publications in 2020.

6 This Compendium, shows that the SAIs of the Member States and the ECA reacted quickly to the current crisis. They have run many highly relevant audit and monitoring activities since the pandemic hit the continent. In addition to those completed in 2020, more than 200 other audit activities are still ongoing or planned, and will be finalised during 2021 or 2022.

⁵ Since the Audit Compendium is a digital publication and the topic is constantly evolving, for further reading we offer links to the most relevant online sources which we consulted while drafting this edition. It is likely that the information behind those links will be regularly updated.

⁶ The SAIs of Belgium, Cyprus, Germany, Latvia, Lithuania, Netherlands, Portugal, Romania, Slovakia, Sweden and the ECA.

PART I – Impact of COVID-19 on the EU and Member States

Three waves shaking up virtually all aspects of daily life

7 At the end of 2019, the local health authorities in Wuhan (China) reported a cluster of cases of pneumonia. Scientists identified the cause to be a novel coronavirus, which they officially named “severe acute respiratory syndrome coronavirus 2” (SARS-CoV-2). To avoid confusion with the original SARS virus, which first spread through China and four other countries in 2003, the World Health Organisation (WHO) announced the name of the new disease as “COVID-19”. As the virus spreads easily from person to person, it moved rapidly across the world. On 30 January 2020, the WHO declared the outbreak a “Public Health Emergency of International Concern”, subsequently recognising it as a pandemic on 11 March. Scientists generally agree that COVID-19 is both more readily transmissible and deadlier than, for example, other SARS viruses or seasonal flu⁷.

8 Between March 2020 and April 2021, the pandemic hit in three waves, causing more than 30 million cases and 712 000 deaths in the EU alone⁸ (see [Snapshot 1: Impact on public health](#)). In April 2020, at the peak of the first wave, Member States in western Europe were most affected. However, the second and third waves (November 2020 and January 2021) had a greater impact on central and eastern European countries, which had largely been spared during the first wave and were now confronted with an escalating infection rate⁹.

Click on the link for further information on global developments in relation to COVID-19.

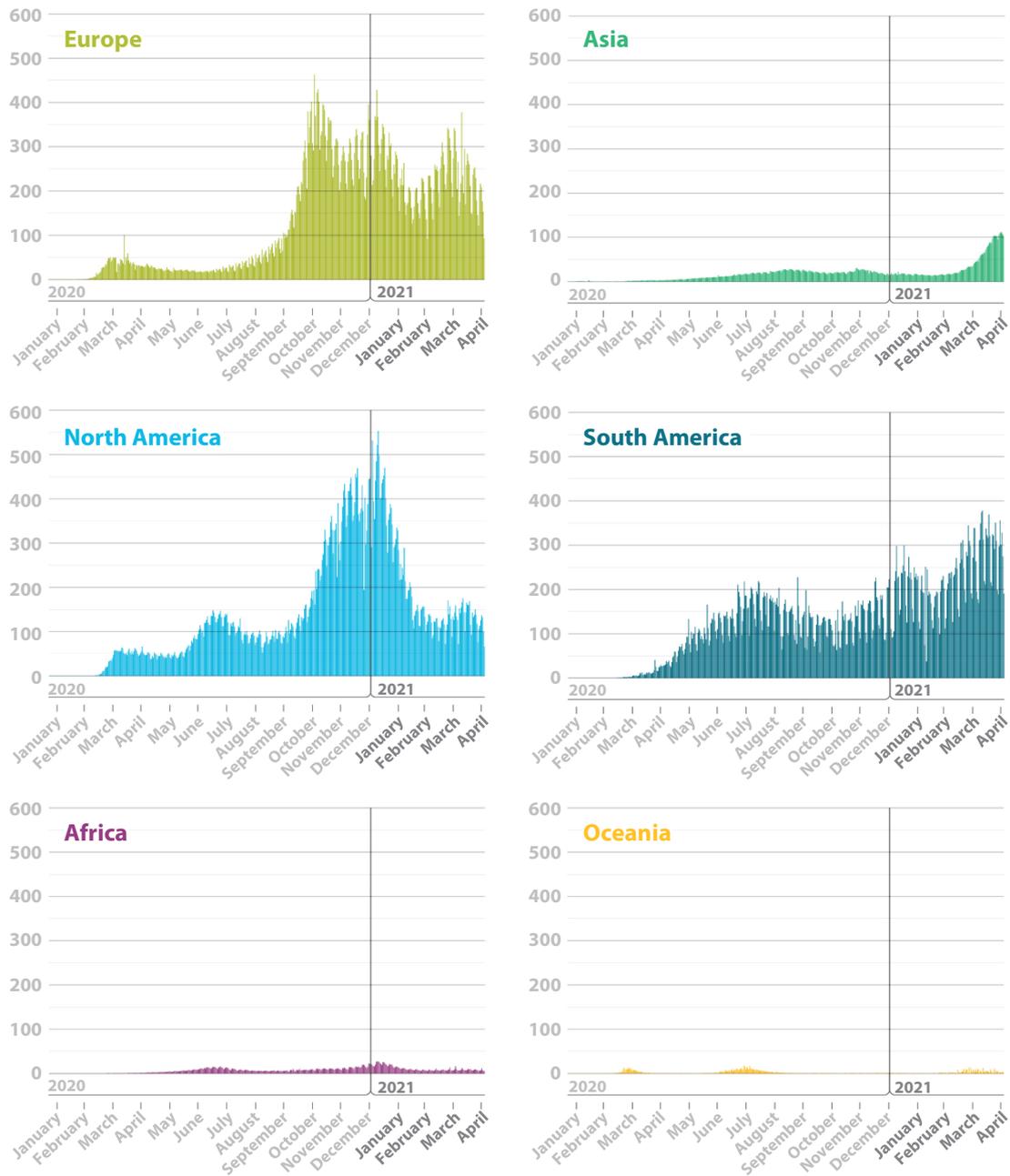
⁷ WHO, *Coronavirus disease (COVID-19): Similarities and differences with influenza*, 17.3.2020.

⁸ ECDC, *COVID-19 situation update for the EU/EEA*, 26.5.2021.

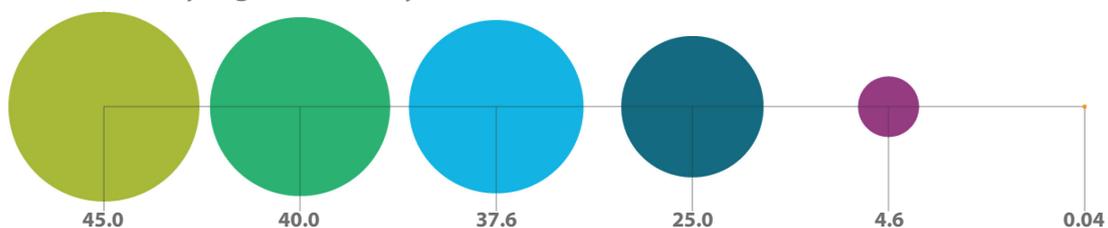
⁹ LSE, *Incorporating complexity into policy learning: The case of Covid-19 in Europe*, 22.2.2021.

PART I – Impact of COVID-19 on the EU and Member States

Figure 1 – COVID-19 cases per region



Total cases by region on 2 May 2021 (in millions)



Source: ECA, based on data from *Our World in Data*.

Into the first wave of a multidimensional crisis

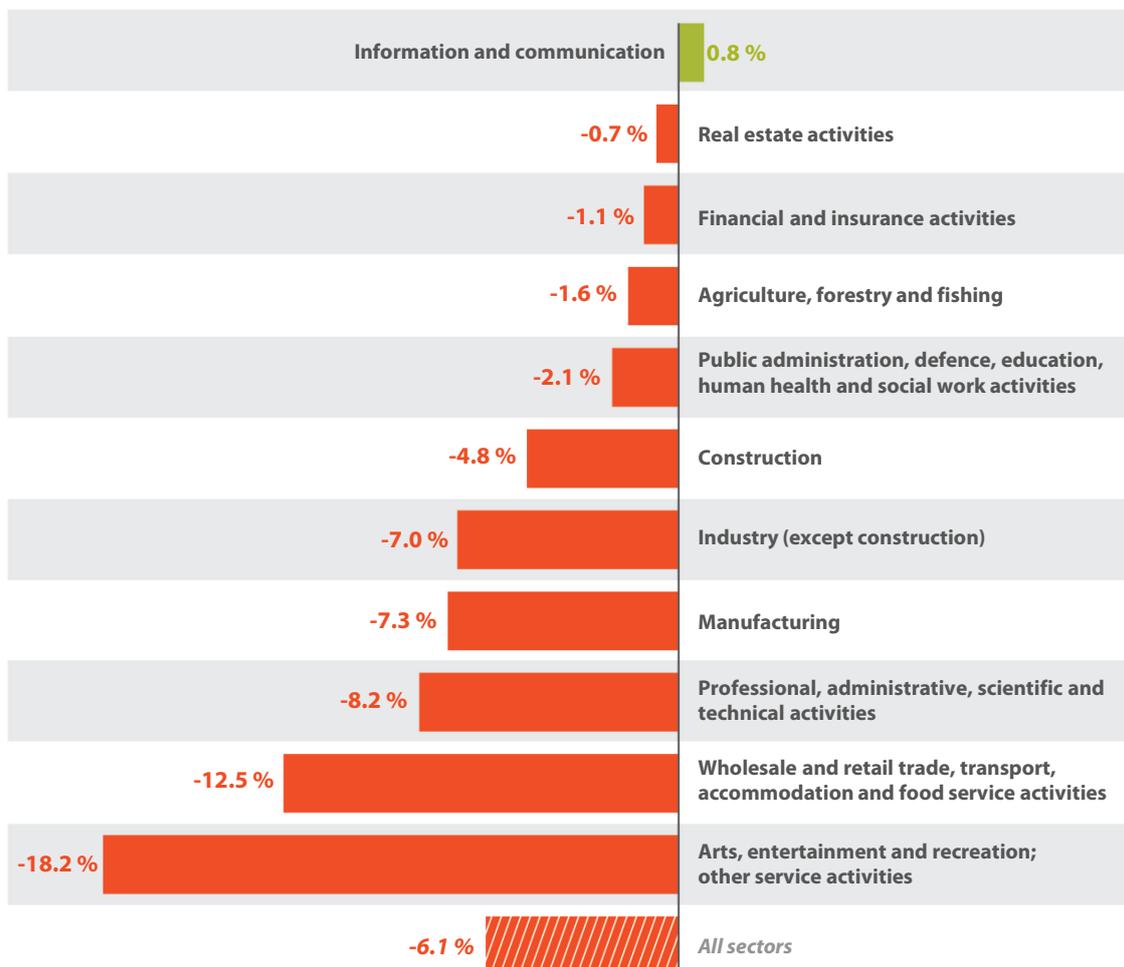
9 What had started as a health crisis quickly developed into a socio-economic crisis, triggered by efforts to contain the spread and save lives. In response to the first wave, and in the absence of a coordinated EU approach, Member State governments and authorities took immediate unilateral action, e.g. by independently closing national borders or procuring protective and medical equipment for the exclusive use of their populations. To further curb the spread, various prevention and containment measures were put in place, such as social distancing, the mandatory use of protective face masks, and ubiquitous hand sanitisers. Lockdowns – ranging from selective measures to fully-fledged shutdowns – had a massive impact on personal and economic activity. However, there were considerable differences between Member States, and even between regions, in terms of the stringency and extent of all these measures.

10 In the first half of 2020, virtually all economic sectors were affected (see [Figure 2](#)), as businesses and factories, restaurants and bars, theatres and sports facilities were ordered to close. The service sector, in particular transport, retail, trade, leisure and hospitality (see [Box 1](#)), suffered major financial losses. EU-27 GDP fell by 11.2 %¹⁰, marking the most serious economic crisis since World War II (see [Snapshot 2: Impact on the economy](#)).

Click on the link for further information on the impact of COVID-19 on EU industries.

¹⁰ Eurostat, [Euroindicators 53/2021](#), 30.4.2021.

Figure 2 – Gross value added volume changes, 2019-2020



Source: ECA, based on Eurostat data.

11 Lockdowns, quarantines and self-imposed isolation led to a sea-change in the labour market. Wherever and whenever possible, teleworking became the rule. Where this was not an option, it became necessary to impose temporary absences, lay-offs or reduced working hours. The first half of 2020 saw the largest quarter-on-quarter fall this century in the EU employment rate, from 73 % (Q1) to 72 % (Q2)¹¹, equating to more than a million additional Europeans without jobs. More than 19 million were temporarily laid off, and total actual hours worked decreased by 15 % on average¹². Unemployment levels rose more slowly and less markedly, however, reflecting the

¹¹ Eurostat, *News release 150/2020*, 8.10.2020.

¹² Eurostat, *Hours of work in detail – quarterly statistics*, data extracted in April 2021.

high take-up rate of job retention schemes and a greater number of workers leaving the labour market¹³ (see also [Snapshot 3: Impact on the labour market](#)).

Click on the link for further information on [employment and social developments](#).

12 All this upheaval had a substantial impact on pay, as it meant income losses in all Member States of between 1 % and 12 %¹⁴ of total earnings per worker. However, there was also significant socio-economic variation, as low-income groups such as young and temporary workers were affected the most. Numerous wage compensation and job retention schemes (e.g. SURE, see paragraph [36](#) and [Figure 8](#)) mitigated the worst effects on households by helping to reduce overall income losses.

Click on the link for further information on [income losses](#).

Box 1

COVID-19 and the tourism sector, 2020

The United Nations World Tourism Organisation (UNWTO) regularly publishes the World Tourism Barometer. According to the March 2021 update, international tourist arrivals fell by 73 % (over 900 million fewer tourists) in 2020 alone¹⁵, significantly impacting the revenue of hotels and restaurants, tour operators, travel agencies, cruises and airlines, and directly imperilling more than 174 million jobs¹⁶ – including over 10 million in the EU¹⁷. According to the OECD, Greece, Portugal, Austria, Spain and Italy, which are particularly dependent on tourism at various levels, were most likely to lose a substantial portion of their GDP, with damaging economic and social consequences¹⁸.

¹³ ECB, [The impact of the COVID-19 pandemic on the euro area labour market](#), 7.1.2021.

¹⁴ Based on year-on-year change, 2019-2020. Eurostat, [Impact of COVID-19 on employment income – advanced estimates](#), data extracted in October 2020.

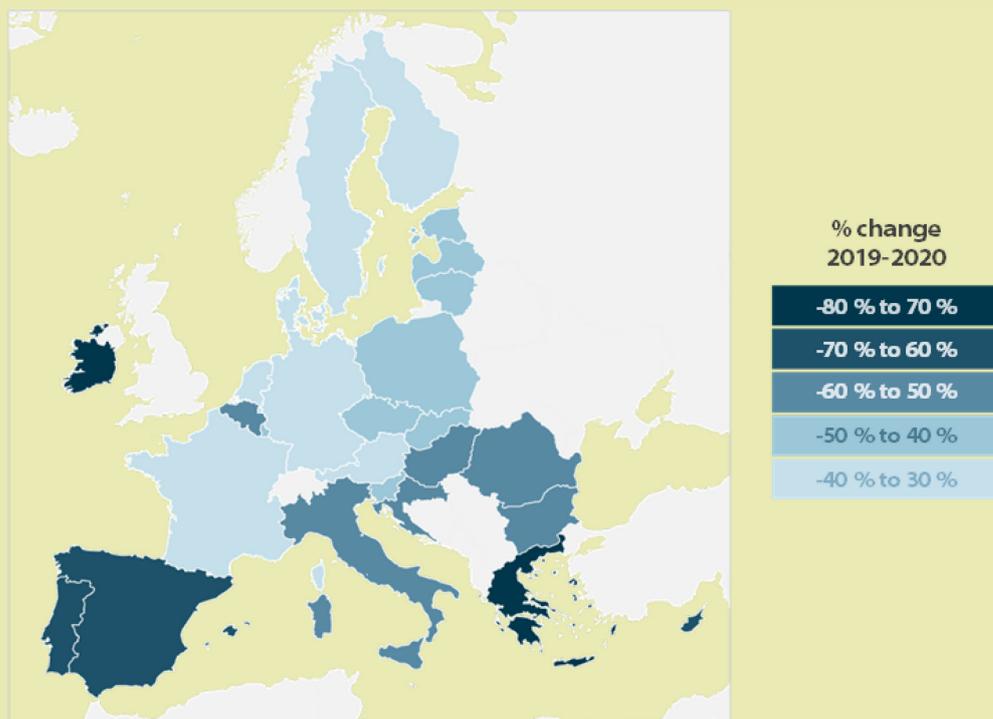
¹⁵ UNWTO, [Impact assessment of the COVID-19 outbreak on international tourism](#).

¹⁶ WTTC, [“174m Travel & Tourism jobs could be lost due to COVID-19 and travel restrictions”, says WTTC](#), 29.10.2020.

¹⁷ European Commission, [Tourism and employment: how the severity of future coronavirus waves could impact jobs](#), 26.8.2020.

¹⁸ European Parliament, [Parliamentary questions](#), 15.4.2020.

Figure 3 – Change in expected value of tourism, 2019-2020



Source: ECA, based on the [Commission's Winter Forecast \(2021\)](#).

In its extended scenarios for 2021-2024, the UNWTO projects “a rebound in international tourism by the second half of 2021. Nonetheless, a return to 2019 levels in terms of international arrivals could take 2½ to 4 years”.¹⁹

From the summer of hope to the second wave

13 Against this backdrop, the positive results of lockdown measures, combined with hopes for a vaccine and the summer weather, encouraged expectations that the pandemic might soon be over. In June 2020, the EU and Member States started progressively to relax their social and economic restrictions. Sinking numbers of COVID-19 cases and deaths, a strong rebound in EU-27 GDP (up by 11.5 %²⁰ between the second and third quarters of 2020) and rising employment levels seemed to confirm the belief that a turning point had been reached. Things slowly returned to what could be termed “normality with constraints”. On condition they put in place

¹⁹ Ibidem (16).

²⁰ Eurostat, [News release 178/2020](#), 8.12.2020.

certain health and safety restrictions, bars and restaurants re-opened, social and cultural events were allowed, and even travel became possible again.

14 The optimism of the summer months ended abruptly in the autumn when the second wave, largely driven by a more infectious and deadlier variant first spotted in the United Kingdom, quashed the high hopes of people and politicians alike. As scientists had warned, infection and death rates surged to unprecedented levels. Most Member States reinstated lockdown measures and restored travel bans, although in most cases these were less severe and often imposed somewhat hesitantly, as people were exhausted and more reluctant to support and comply with the rules and restrictions put in place.

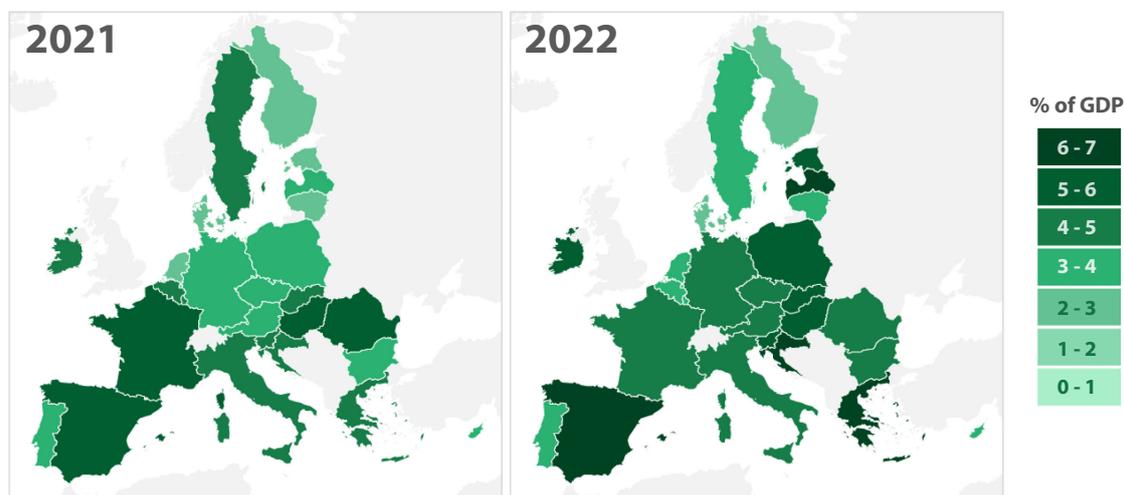
15 Overall, after relatively stable growth of 1.6 % in 2019²¹, EU-27 GDP decreased by 6.2 % in 2020, with Member States experiencing variable – but in all cases substantial – losses in GDP. Projections for the next two years continue to show significant variation between countries. While EU-27 GDP is expected to grow again by 4.2 % in 2021 and 4.4 % in 2022, the economic recovery is set to be uneven: some Member States may manage to return to pre-crisis levels by the end of 2021, but others will have difficulty doing so before the end of 2022²² (see [Figure 4](#)). This may be explained by structural differences in national economies (e.g. the degree of dependence on tourism), the diversity of strategies for combating the pandemic, and the pre-crisis financial situation, which limited the scale of support in certain countries.

Click on the link for further information on the Commission's [Spring 2021 Economic Forecast](#).

²¹ Eurostat, [News release 30/2021](#), 9.3.2021.

²² European Commission, [Winter 2021 Economic Forecast](#).

Figure 4 – GDP growth forecasts in the EU, 2021-2022



Source: ECA, based on the *Commission's Spring Forecast (2021)*.

16 In parallel, in 2020, “the aggregate debt-to-GDP ratios of the EU and the euro area rose by over 13 pps, reaching around 92 % and 100 % respectively. [...] In 2021, debt-to-GDP ratios are projected to rise further, reaching a new peak of around 95 % and 102 % in the EU and the euro area respectively, before decreasing slightly in 2022²³” according to the Commission’s spring 2021 forecasts. This can largely be attributed to falling tax revenues because of the decline in economic activity and the implementation of discretionary measures, e.g. tax relief, rate cuts and exceptional spending to support employment or the health sector. Over the next two years, at least one third of Member States can expect their debt-to-GDP ratio to diminish, but others will remain well above a ratio of 100 % throughout 2022²⁴ (see also *Snapshot 5: Impact on public finances*).

From vaccine hopes to the third wave

17 On 21 December 2020, the first COVID-19 vaccine was granted EU market authorisation, followed by three further candidate vaccines (see paragraph 28). What seemed to be a promising start to 2021 did not pass the reality test. The rollout of the

²³ European Commission, *Spring 2021 Economic Forecast*.

²⁴ European Commission, *Autumn 2020 Economic Forecast*.

vaccination strategy fell short of aspirations²⁵ due to shortages of supply, delivery and coordination failures and excessive red tape, all of which slowed down the inoculation process and allowed infections to spiral out of control. To make matters worse, new, more infectious variants, such as the Beta (“South African”) and Gamma (“Brazilian”) mutations²⁶, started circulating in Europe and culminated in the third wave.

Lockdowns had to be extended or reinstated and restrictions tightened again. At the same time, civil and political protests against the strict prevention and containment measures were on the rise, sometimes combined with mass demonstrations.

18 For the time being, all that can be said with any certainty is that the COVID-19 pandemic is a multidimensional and asymmetric crisis that has affected nearly all areas of public and private life, whether public health, economic activity, the labour market, education or public finances. The timing, extent and exact nature of its impact, and of the response thereto, have varied greatly across the EU, but also nationally, regionally and sometimes even locally. Some Member States and regions are currently more affected than others, but experience has shown that this can all change within a couple of weeks. Some are still hamstrung by structural pre-crisis deficits that limit their capacity to cope with the demands of the situation and then embark on projects shaping their futures. It is already clear that COVID-19 will have long-lasting consequences on the way we live and work in the future, including the need for more and better cooperation, as viruses do not care about national borders.

²⁵ The EU’s initial goal was to vaccinate at least 70 % of the adult population by early summer 2021.

²⁶ ECDC, *Infographic: Mutation of SARS-CoV-2 – current variants of concern*, 19.4.2021.

Impact on selected policy areas in snapshots

19 As almost any assessment of the impact of COVID-19 on the EU and the Member States can at best be rather tentative, at this stage, and since it is always difficult to determine the appropriate cut-off point, we prefer to let the figures at a certain point in time and across selected policy areas speak for themselves. In addition to the information above, presented in chronological order, we have created a series of snapshots to provide an aggregated perspective on the EU and its Member States in 2020. The snapshots do not presume, to give a full picture of each policy area, but seek to illustrate the following aspects of the crisis:

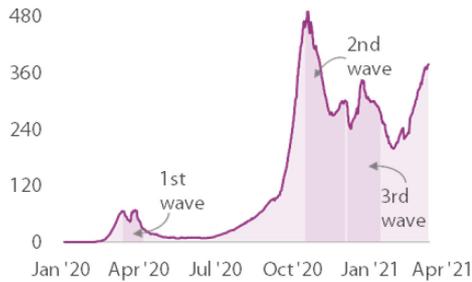
- (a) its multidimensional nature, not being limited to the area of public health;
- (b) its substantial and disruptive impact on the EU as a whole; and
- (c) its asymmetric impact on Member States, be it timely, quantitatively or qualitatively.

PART I – Impact of COVID-19 on the EU and Member States

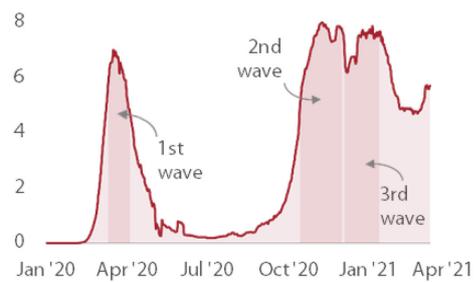
Snapshot 1: Impact on public health

Overall impact on the EU

Cases per million inhabitants



Deaths per million inhabitants



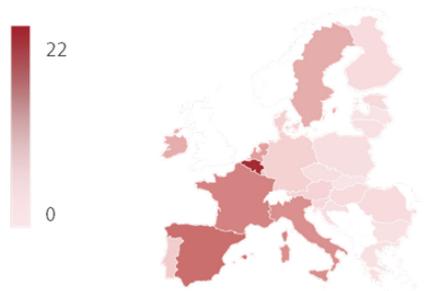
Asymmetric impact on the Member States

Cases per million inhabitants

First wave



Deaths per million inhabitants



Second wave



Third wave



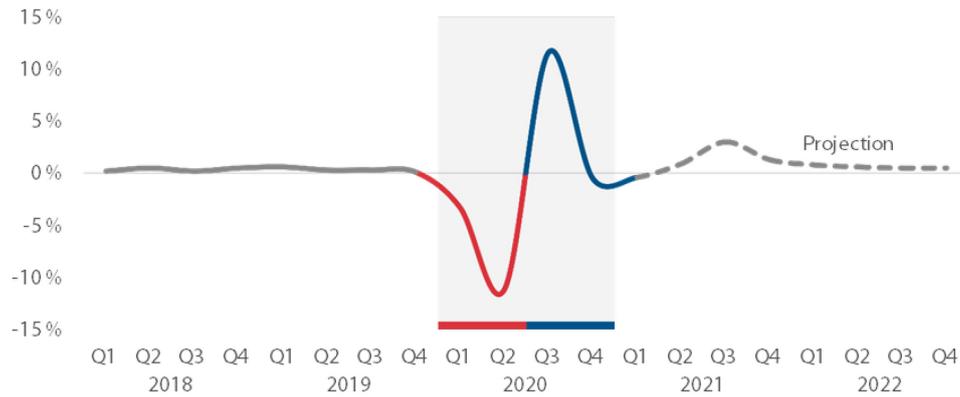
Source: ECA, based on data from *Our World in Data*.

PART I – Impact of COVID-19 on the EU and Member States

Snapshot 2: Impact on the economy

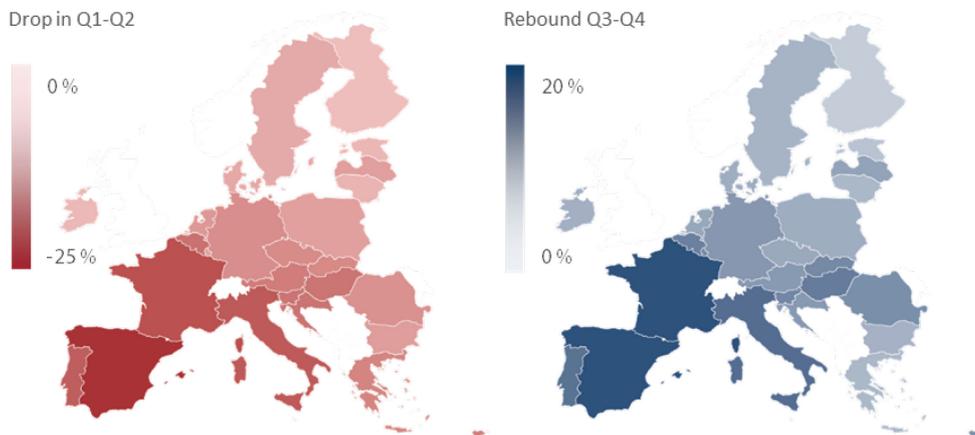
Overall impact on the EU

Real GDP growth EU 2018-2020, forecasts to 2022 (quarter-on-quarter changes)



Asymmetric impact on the Member States

GDP performance in 2020 (quarter-on-quarter changes)



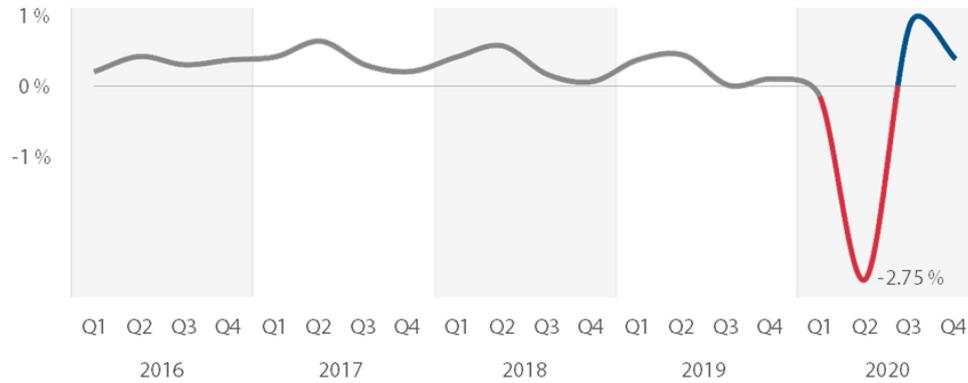
Source: ECA, based on data from Eurostat and the *Commission's Spring Forecast (2021)*.

PART I – Impact of COVID-19 on the EU and Member States

Snapshot 3: Impact on the labour market

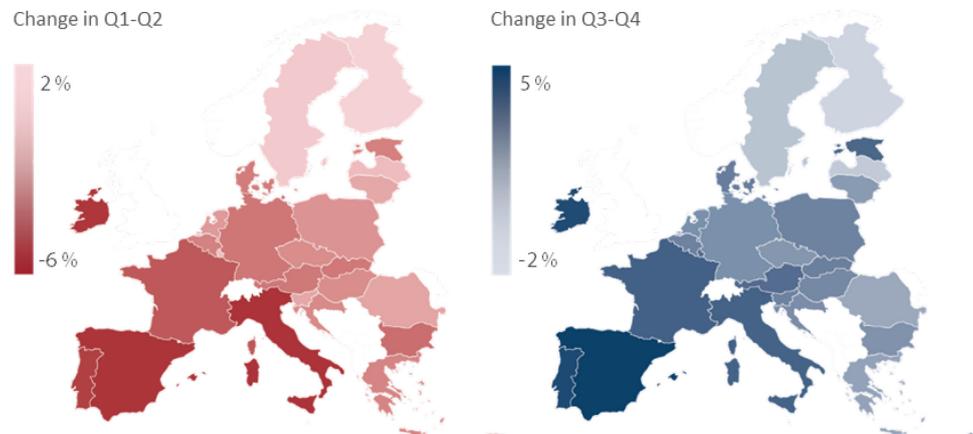
Overall impact on the EU

Evolution of employment growth in the EU 2016-2020 (quarter-on-quarter changes)



Asymmetric impact on the Member States

Employment rate in 2020 (quarter-on-quarter changes)



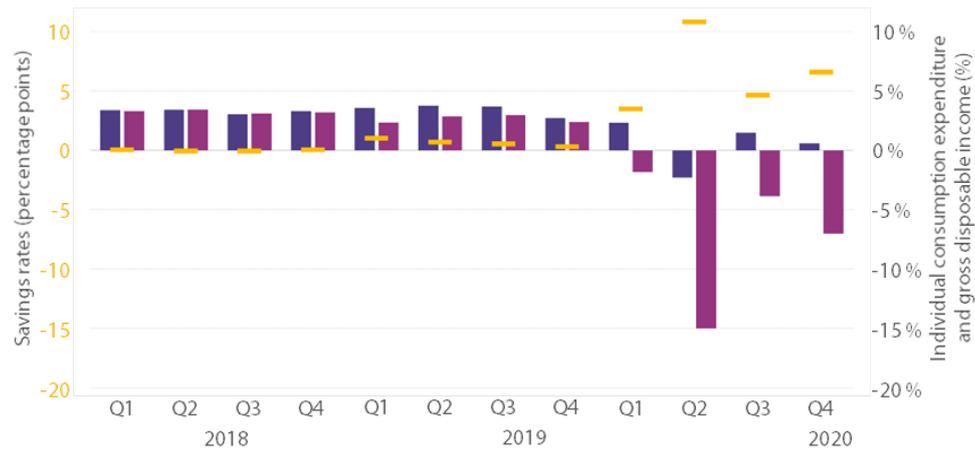
Source: ECA, based on data from Eurostat.

PART I – Impact of COVID-19 on the EU and Member States

Snapshot 4: Impact on households and individuals

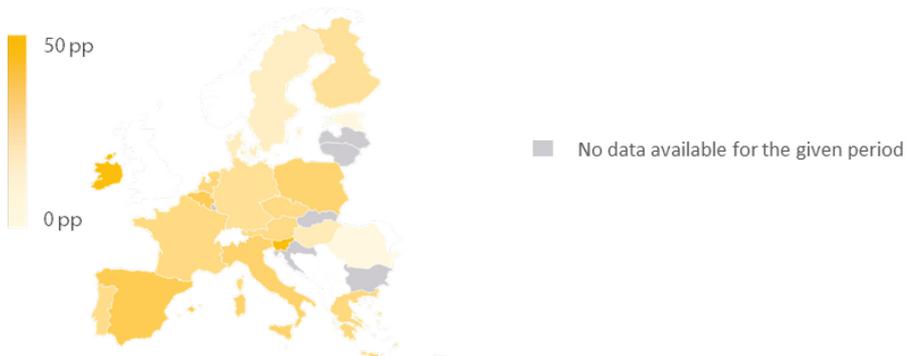
Overall impact on the EU

Savings rate (in pp) soar as the gap between individual consumption expenditure and gross disposable income increases 2018-2020 (year-over-year changes)

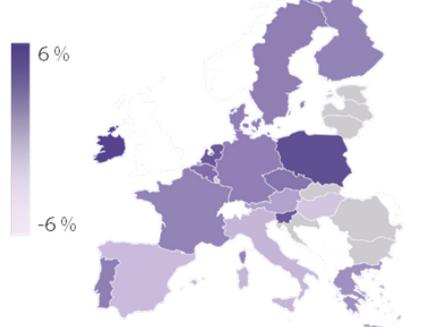


Asymmetric impact on the Member States

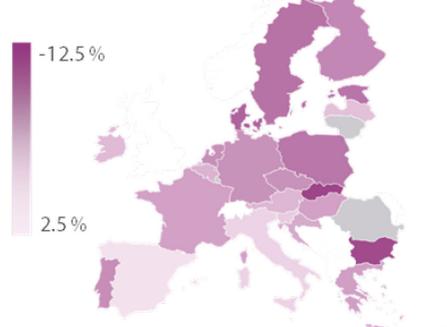
Savings rate in 2020 (in pp)
(compared to 2019)



Gross disposable income in 2020
(compared to 2019)



Individual consumption expenditure in 2020
(compared to 2019)



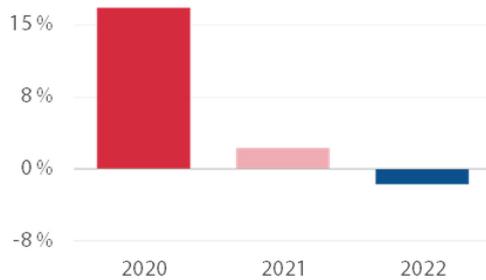
Source: ECA, based on data from Eurostat.

PART I – Impact of COVID-19 on the EU and Member States

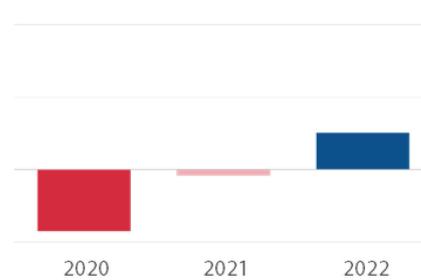
Snapshot 5: Impact on public finances

Overall impact on the EU

Government debt change 2020-2022



Budget balance change 2020-2022

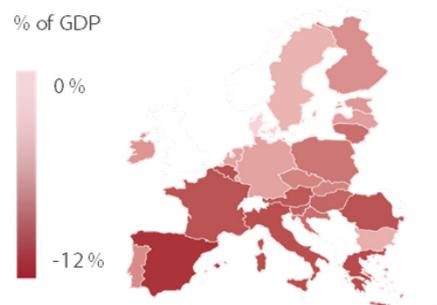


Asymmetric impact on the Member States

Government debt 2020

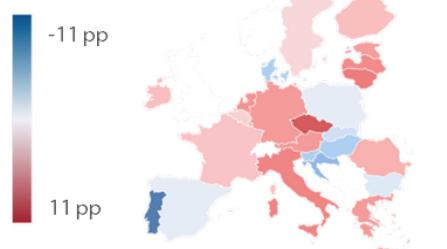


Budget balance 2020



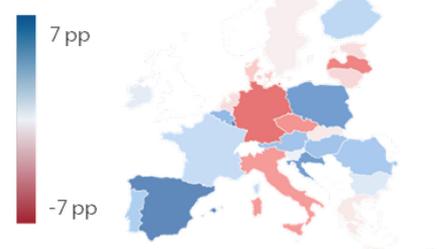
Government debt forecast 2021-2022

Change 2020-2021 (in pp)

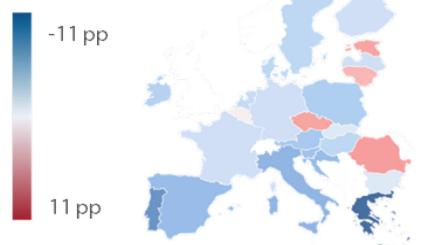


Budget balance forecast 2021-2022

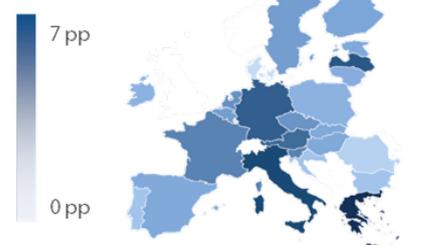
Change 2020-2021 (in pp)



Change 2021-2022 (in pp)



Change 2021-2022 (in pp)



Source: ECA, based on data from Eurostat and the *Commission's Spring Forecast (2021)*.

Shaping the response to COVID-19

20 In most areas which have been severely affected by the pandemic, or where specific intervention is or should be part of an effective response, the EU has limited power to act. This is partly because those areas do not fall within the EU’s exclusive field of competence, and partly because – competence being shared with the Member States – there was little preparedness before the crisis and, when it broke, little initial consensus on common actions and instruments. Nevertheless, after a difficult start the EU now appears to have resolved the issues of coordination, support and complementary action. As well as better mitigating the effects of the crisis, it has strengthened Member States’ capacity to tackle the most pressing issues in the areas of public health, socio-economic and fiscal policy.

Public health

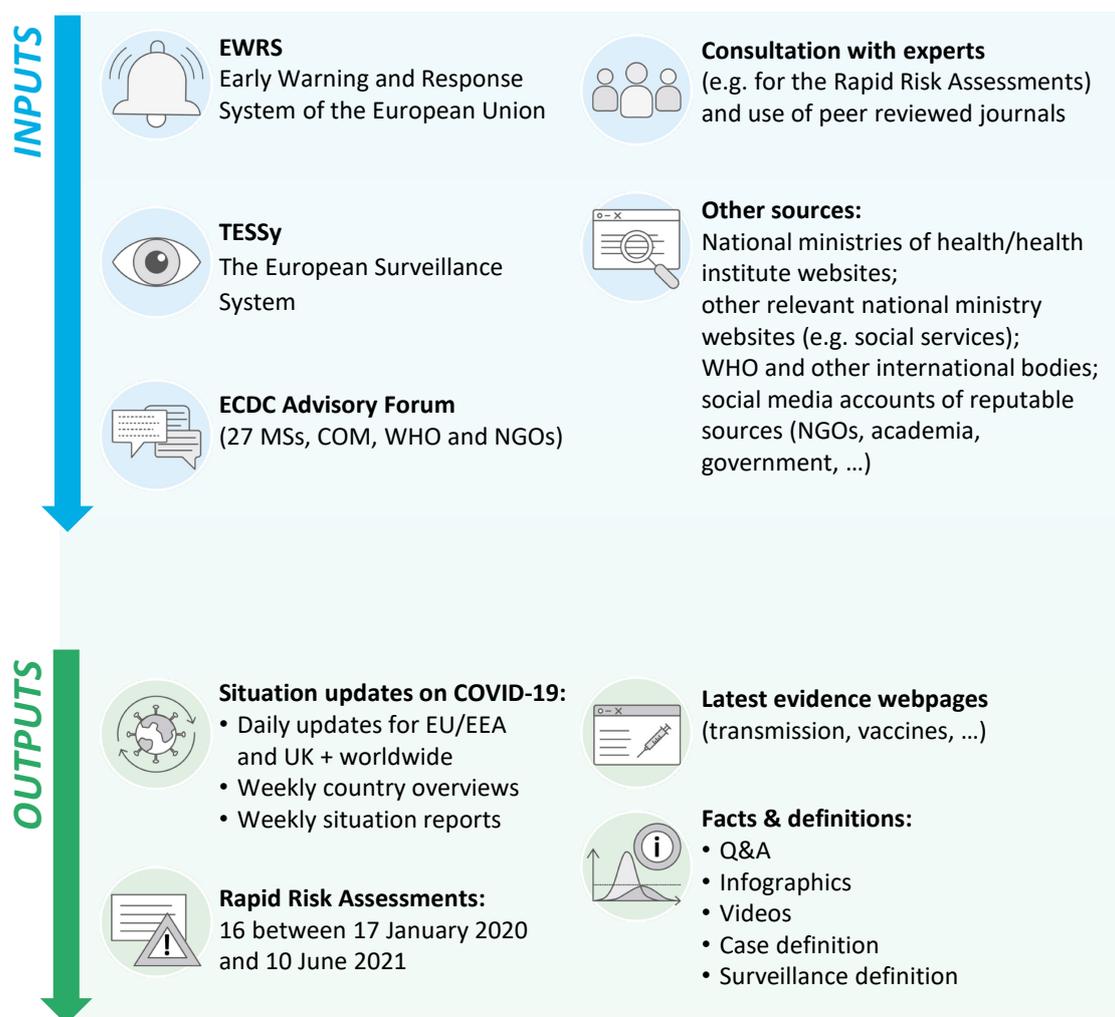
21 Public health is an exclusive competence of the Member States. However, the EU can support and complement Member States’ public health policies²⁷ by, for example, coordinating cooperation in situations of cross-border threats and natural disasters. The EU is also in charge of epidemiological surveillance, monitoring, early warning mechanism (mainly through the European Centre for Disease Prevention and Control (ECDC), see also [Figure 5](#)) and measures to combat serious cross-border health threats (including preparedness and response planning)²⁸.

Click on the link for further information on [public health](#).

²⁷ Pertinent action “shall be directed towards improving public health, preventing physical and mental illness and diseases, and obviating sources of danger to physical and mental health” (Article 168 TFEU), which also includes fighting major health scourges.

²⁸ European Commission, [Decision No 1082/2013/EU](#) of the European Parliament and of the Council of 22 October 2013 on serious cross-border threats to health.

Figure 5 – ECDC’s work on COVID-19



Source: ECA, based on ECDC data.

Procurement and supply of medical equipment

22 In March 2020, the Commission created a strategic medical stockpile and distribution mechanism (known as rescEU²⁹), under which the EU and the Member States work closely together (see also [Box 2](#)). Member States host and procure essential medical equipment on behalf of the EU. Using a budget of €380 million, the

²⁹ The rescEU programme is part of the EU Civil Protection Mechanism, which aims to strengthen disaster protection and the management of emerging risks. It also establishes a new European reserve of resources (including firefighting planes, helicopters, medical equipment, etc.) which can be mobilised in an emergency.

Commission funds up to 100 % of the development and deployment of rescEU and manages the distribution of medical equipment such as ventilators, personal protective equipment (PPE), vaccines, treatments and laboratory supplies.

Click on the link for further information on [rescEU](#).

Box 2

Working together against COVID-19 (as of January 2021)

“Many EU countries went above and beyond their commitments under EU programmes. When Italy was badly hit by the initial outbreak of the virus, for example, many countries sent support. Austria donated medical masks and ventilators, Denmark provided field hospital equipment, Czechia sent protective suits and Germany sent 5 tonnes of medical supplies. France exported more than two million facemasks to other member states. Hungary, Austria and Netherlands sent 150 ventilators to Czechia.

A total of 620 000 FFP2 and FFP3 protective facemasks and 50 000 body protection items were distributed from the rescEU medical reserves up to December 2020. In addition, 30 ventilators are on a six-month loan to Czechia. The rescEU reserves help improve preparedness in the EU. They are constantly replenished and deliveries happen regularly based on the requests of the countries most in need.

When Belgium experienced a surge of severe COVID-19 cases in October 2020, its health care system entered crisis mode. Neighbouring country Germany welcomed Belgian patients in its hospitals where more intensive care beds were available. In the first wave, Germany took in more than 230 critical patients from Italy, France and Netherlands. Austria and Luxembourg also welcomed patients from France and Italy.”

Source: Council, [5 ways the EU and member states work together against COVID-19](#), 18.1.2021.

23 In April 2020³⁰, the Council activated the Emergency Support Instrument (ESI)³¹. This is a tool which enables the EU, through emergency support from the general budget, to help Member States address the human and economic consequences of a crisis. Support may include central procurement, the coordination and transport of necessary medical equipment, assistance with the recruitment of additional healthcare personnel and the provision of financial assistance. Both the ESI and the rescEU common stockpiles are funded by €3 billion from the EU budget, with a further €3 billion from Member States.

Click on the link for further information on the [ESI](#).

24 Starting in April 2020, the Commission has launched several joint public procurement procedures involving up to 25 Member States. This arrangement allows Member States to place orders for PPE (coveralls, gloves, goggles, face-shields and masks), ventilators, laboratory equipment (kits, reagents, swabs and lab consumables), treatments (remdesivir) and intensive care medicines (analgesics, antibiotics, muscle relaxers, anaesthetics, etc.).

Click on the link for further information on [joint procurements](#).

Supporting research for treatment, diagnostics and vaccines

25 Since March 2020, the EU has invested over €660 million in coronavirus research projects through the Horizon 2020 research and innovation programme. Grants have been made available for projects dealing with – among other things – diagnostics, treatments, vaccines, epidemiology, manufacturing, and medical and digital technologies.

26 In July 2020, the Commission and the European Investment Bank (EIB) provided CureVac, a German biotech company, with €75 million in Horizon 2020 financing for vaccine development and the expansion of manufacturing. The EIB has also concluded a financing agreement with BioNTech SE, another German company, to develop its

³⁰ European Commission, [COM/2020/175 final](#), 2.4.2020.

³¹ Council, [Regulation \(EU\) 2016/369](#) of 15 March 2016 on the provision of emergency support within the Union, 16.3.2016.

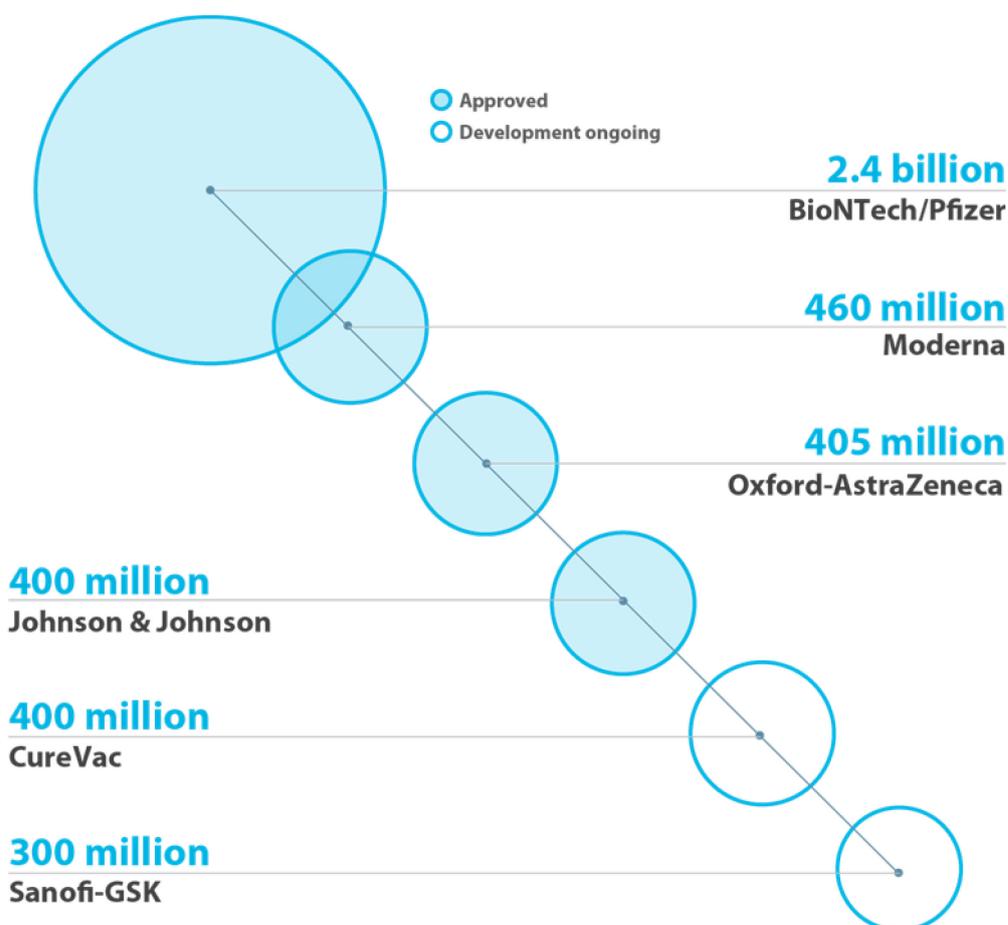
€100 million vaccine programme (supported by loan guarantees from the Horizon 2020 programme).

Click on the link for further information on [Horizon 2020 projects](#).

27 In June 2020, the Commission presented the *EU Strategy on COVID-19 Vaccines* to accelerate vaccine development, manufacturing and deployment. Since then, it has signed agreements with six pharmaceutical companies (see [Figure 6](#)), allowing Member States to purchase vaccines as soon as they are granted EU market authorisation, following a recommendation by the European Medicines Agency (EMA, see [Box 3](#)).

Click on the link for further information on the [EU Vaccines Strategy](#).

Figure 6 – Vaccine doses secured by the Commission (May 2021)



Source: ECA, based on data from the Commission.

28 So far, the Commission has granted conditional marketing authorisations for the following vaccines:

- (a) BioNtech and Pfizer (21 December 2020);
- (b) Moderna (6 January 2021);
- (c) Oxford-AstraZeneca (29 January 2021);
- (d) Johnson & Johnson (11 March 2021).

Box 3

European Medicines Agency

The EMA is based in Amsterdam and was established by Regulation (EEC) No 2309/93, which was later replaced by Regulation (EC) No 726/2004. It operates through a pan-EU network and coordinates the scientific resources made available by national authorities to ensure the evaluation and supervision of medicinal products for human or veterinary use.

The EMA plays a key role in the COVID-19 vaccination campaign, as its scientific committees' comprehensive and independent evaluations of new medicines are the basis on which the Commission grants market authorisation in the EU³².

Economy and public finances

29 The EU's economic competence largely varies by policy field. The European Semester is the framework for the EU's coordination of economic policy in all Member States (including specific rules on fiscal surveillance). It was established in response to weaknesses in the EU's economic governance, mainly as revealed during the financial and economic crisis of 2008, and is meant to prevent the build-up of imbalances and ensure convergence and stability in the EU. The procedure is led by the Commission and the Council. However, it is the Member States that ultimately take economic and

³² EMA, *Authorisation of medicines*.

fiscal policy decisions within the limits of the commonly agreed rules (e.g. compliance with the Maastricht criteria).

30 At the same time, the Commission has a decisive role to play when it comes to national state aid schemes, as it verifies Member States' compliance with the EU rules preventing unfair competition and may block excessive financial support for the corporate sector. Under certain conditions, however, the Commission may suspend the general rules and consent to the exceptional provision of state aid (see paragraph **32**).

31 The Council and the Commission also manage financial assistance for Member States that are experiencing severe economic or financial disturbance (through the European Financial Stabilisation Mechanism and the balance of payments facility). So far, the EU budget has not been designed to mitigate large-scale economic shocks in the short term, as it is limited by the spending ceilings of successive multiannual financial frameworks and various programme spending rules. In this respect, the establishment of the *NextGenerationEU* (NGEU) recovery instrument represents a paradigm shift, since it allows the EU, for the first time, to finance its spending by taking on debts (see also paragraph **39**).

Temporary waiver of EU state aid rules

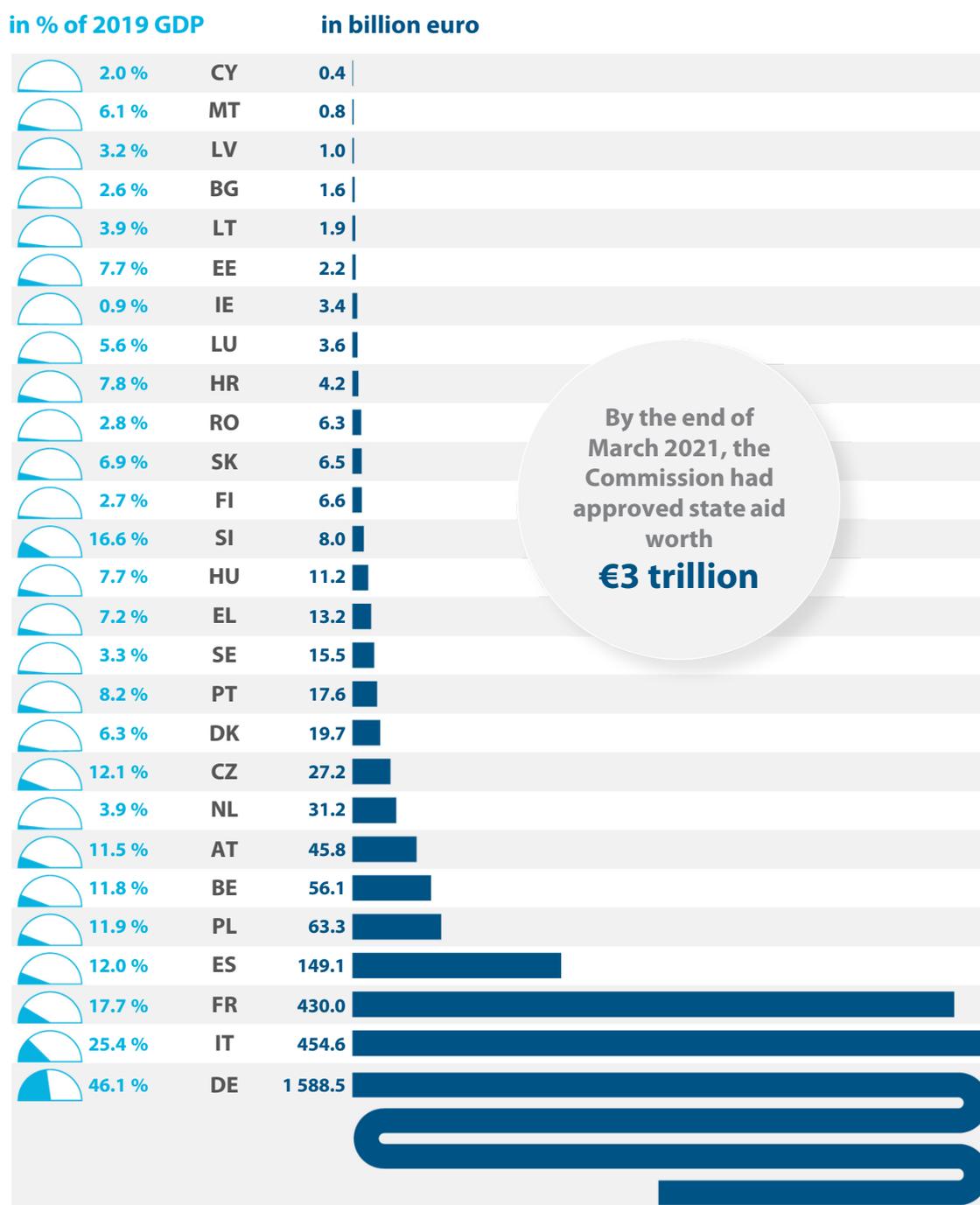
32 On 19 March 2020, the Commission adopted a new *temporary framework* for state aid measures that allowed Member States to grant public support to companies and firms affected by the crisis. As of March 2021, it had taken more than 470 decisions approving approximately 580³³ national measures notified by all Member States in the context of the pandemic. To date, the Commission has amended the *temporary framework* four times with a view to – among other things – increasing the scope of public support (e.g. for research), protecting jobs and the economy, and favouring recapitalisation. By the end of March 2021, the Commission had approved state aid worth €3 trillion (see **Figure 7**), roughly the equivalent of 22 % of EU-27 GDP in 2019³⁴.

Click on the link for further information on [state aid](#).

³³ European Commission, *Competition State aid Brief 1/2021*, March 2021.

³⁴ Own calculations based on Eurostat data.

Figure 7 – State aid authorised by the Commission, 2020



Source: ECA, based on data from the Commission (*Competition State aid brief 1/2021*).

Flexibility under the EU's fiscal rules

33 On 23 March 2020, the Commission and the Council activated the 'general escape' clause of the Stability and Growth Pact³⁵, allowing Member States to deviate temporarily from the European fiscal rules governing their budgets, and to take all measures they deem necessary to tackle the crisis without compromising fiscal sustainability. This enabled national governments, among other things, to boost healthcare funding and economic spending, and to retain jobs and employment during the crisis.

Click on the link for further information on [the Stability and Growth Pact](#).

Economic support for Member States

34 On 26 March 2020, the European Parliament and the Council adopted the *Coronavirus Response Investment Initiative* (CRII), thus freeing up €37 billion from the *European Structural and Investment Funds* (ESIFs) to support the labour market, SMEs, healthcare and other key sectors. Additionally, the *EU Solidarity Fund* provided an extra €800 million in financial assistance to the worst affected countries.

35 The CRII entered into force on 1 April 2020, and was followed later in the month by CRII+, a complementary package of simplified temporary measures which allow greater flexibility in the use of uncommitted ESIF funding, such as:

- (a) more options for the transfer of commitments between different cohesion policy funds³⁶, categories of region and funding objectives;
- (b) the possibility of fully financing cohesion spending on COVID-19 programmes from the EU budget during the accounting year from 1 July 2020 to 30 June 2021.

Click on the link for further information on [CRII and CRII+](#).

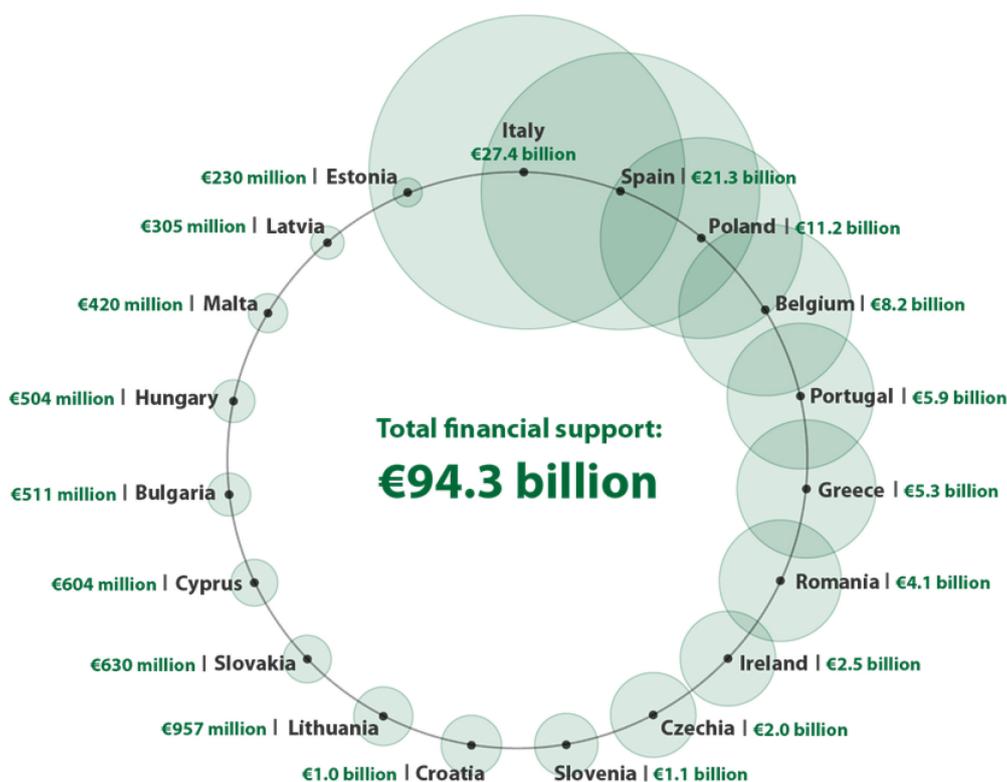
³⁵ "The SGP is a set of rules to ensure that Member States pursue sound public finances and coordinate their fiscal policies" (European Commission, [Stability and Growth Pact](#)).

³⁶ European Regional Development Fund, European Social Fund and Cohesion Fund.

36 On 9 April 2020, the Eurogroup³⁷ proposed three emergency safety nets to support jobs and employment, businesses and public finances. The package, worth €540 billion, was endorsed on 23 April by the Council, which called for it to be operational by 1 June 2020:

- (a) the *pandemic crisis support* from the European Stability Mechanism – €240 billion for the Member States hit hardest by the COVID-19 crisis;
- (b) the EIB’s *Pan-European Guarantee Fund* – €200 billion to help businesses, especially SMEs, facing liquidity shortages;
- (c) the *SURE instrument* (support to mitigate unemployment risks in an emergency) – €100 billion to help finance short-time work schemes and similar measures (see *Figure 8*).

Figure 8 – SURE, total allocations per Member State



Source: ECA, based on data from the Commission.

³⁷ The ministers of economic affairs and finance of the euro area Member States.

37 Based on the Commission’s proposals, the Council approved a total of €94.3 billion in financial support for 19 Member States via SURE. As of May 2021, €89.6 billion of this amount had been disbursed.

Click on the link for further information on [SURE](#).

Action by the European Central Bank

38 On 18 March 2020, the ECB launched its *Pandemic Emergency Purchase Programme* (PEPP). This is a tool that increases public and private sector liquidity through targeted longer-term refinancing operations. It enables Member States to help companies and households cope with the immediate effects of the crisis by facilitating government borrowing on more favourable terms. The PEPP started off with an initial budget of €750 billion, with a further allocation of €600 billion on 4 June and €500 billion on 10 December, making a total of €1 850 billion.

Click on the link for further information on the [PEPP](#).

Recovery Plan for Europe

39 On 27 May 2020, the Commission proposed the NGEU, the new €750 billion recovery instrument, together with a reinforced long-term EU budget for 2021-2027. On 21 July, the Council endorsed the Commission’s proposal with several important amendments. This new temporary instrument targets the immediate socio-economic damage caused by the pandemic and seeks to build a greener, more digital and more resilient Europe. Funding is allocated to seven individual programmes (see [Figure 9](#)), of which the *Recovery and Resilience Facility* (RRF) and *Recovery Assistance for Cohesion and the Territories of Europe* (REACT-EU) are the most prominent³⁸:

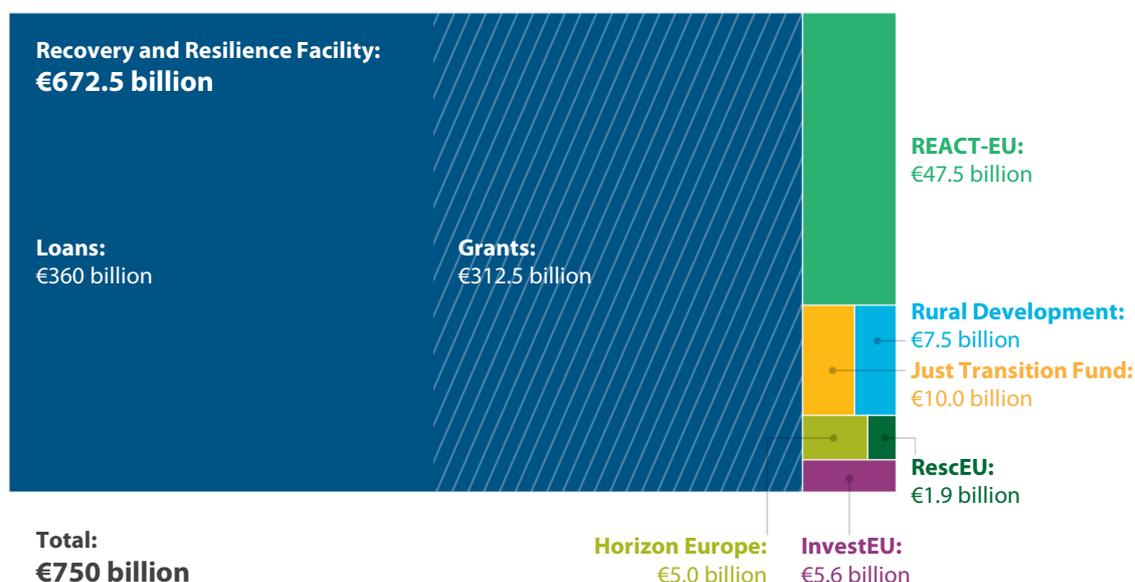
- (a) The RRF, the centrepiece of the NGEU, supports Member State investments for a quick recovery. Its budget of €672.5 billion is distributed through grants (€312.5 billion) and loans (€360 billion).

³⁸ Except for the RRF and REACT-EU, all other NGEU funding takes the form of “top-ups” to 2021-2027 MFF programmes and must be spent in line with the sector-specific rules.

- (b) REACT-EU (€47.5 billion) builds on the CRII and CRII+ initiatives to support jobs and employment, SMEs, public health systems, and the transition to a greener and digital economy. Funding is available³⁹ in virtually all sectors.

Click on the link for further information on [the Recovery Plan for Europe](#).

Figure 9 – NGEU, total allocations per programme



Source: EU Council.

Other areas

Public security and civil protection

40 In the areas of public security and civil protection, it is the Member States' prerogative to impose confinement and lockdown measures, such as the closure of borders, shops and businesses or other rules restricting free movement. The EU, represented by the Commission, has been able to do little more than offer coordination and issue guidelines on limiting damage to the integrity of the internal market, in particular the free movement of goods and people. In this regard, the Commission can check whether the measures are justified, i.e. suitable, necessary and proportionate to their objectives.

³⁹ Through the European Regional Development Fund, the European Social Fund and the European Fund for Aid to the Most Deprived.

41 As early as the end of January 2020⁴⁰, the Commission took action via the *EU Civil Protection Mechanism* to repatriate EU citizens stranded around the world. It also helped Member States to coordinate their assistance and repatriation operations. To date, Member States have brought more than half a million people home from all over the world, including 90 000 with assistance from the Civil Protection Mechanism.

Click on the link for further information on the [EU Civil Protection Mechanism](#).

42 On 13 October 2020, the Member States agreed to the *Council Recommendation on a coordinated approach to the restriction of free movement*⁴¹ in response to the pandemic. The recommendation set out four key areas in which Member States were to coordinate their efforts:

- (a) a common colour-coded mapping system;
- (b) common criteria for Member States when deciding whether to introduce travel restrictions;
- (c) a common framework for COVID-19 travel measures (testing and self-quarantine);
- (d) the provision of clear and timely information to the public.

The Commission has issued a variety of guidelines and advice, for example on border management or guaranteeing the free movement of workers (particularly in the healthcare and food sectors). It has also launched the *Re-Open EU platform*, which provides travellers with epidemiological data and information on current safety and travel restrictions.

Click on the link for further information on the [common coronavirus response](#).

⁴⁰ European Commission, *Coronavirus: EU Civil Protection Mechanism activated for the repatriation of EU citizens*, 28.1.2020.

⁴¹ European Commission, *COM (2020) 499 final*, 4.9.2020.

PART II – Overview of the SAIs' work

43 The ECA and other EU SAIs reacted rapidly to the unprecedented crisis by setting up many audit and monitoring activities. In 2020, the SAIs of Belgium, Cyprus, Germany, Latvia, Lithuania, Netherlands, Portugal, Romania, Slovakia, Sweden and the ECA published 48 reports on several policy areas (see [Annex – Full list of COVID-related publications by EU SAIs in 2020](#)). This section provides an overview of 17 of those reports covering five priority areas for recovery spending. To keep the Compendium to a reasonable length, each SAI contributed details of just one report per priority area⁴² and not more than three in total. Each contribution gives context and reasons for the audit activity, and summarises the main findings and conclusions.

Table – 17 SAI contributions in five priority areas

| | Belgium | Cyprus | Germany | Latvia | Lithuania | Netherlands | Portugal | Romania | Slovakia | Sweden | EU (ECA) |
|---|---------|--------|---------|--------|-----------|-------------|----------|---------|----------|--------|----------|
| Public health | | | | | | | | | | | |
| National healthcare system | | | | | | ✓ | | | | | |
| Statutory health insurance | | | ✓ | | | | | | | | |
| Public procurement | ✓ | ✓ | | | | | | | | | |
| Inventory of medical equipment | | | | | | | | ✓ | | | |
| Public information | | | | ✓ | | | | | | | |
| Digitalisation | | | | | | | | | | | |
| Education system | | | | ✓ | | | | | | | |
| Government administration | | | | | | ✓ | | | | | |
| Socio-economic response | | | | | | | | | | | |
| Businesses | | | | | | ✓ | | | | | |
| Furlough schemes | | | | ✓ | | | | | | | |
| Crisis and emergency management | | | | | ✓ | | | | | | |
| The EU's economic response | | | | | | | | | | | ✓ |
| Public finances and associated risks | | | | | | | | | | | |
| Public finances and related risks | | | | | | ✓ | | | | ✓ | |
| Budget implementation | | | | | | | ✓ | | | | |
| General response at different levels of government | | | | | | | | | | | |
| All levels of government | | | | | | | | ✓ | | | |
| Local government | | | | | | ✓ | | | | | |

⁴² Except the SAI of Latvia, whose audit resulted, for internal reasons, in two reports.

Priority area: Public health

44 Member States are primarily responsible for public health policy and for decisions on the implementation and funding of the response to the pandemic. To prevent the spread of the virus, protect their populations and reduce the strain on their public health systems, particularly with regard to hospitals and their intake capacity, Member States have put in place a wide range of measures which, while broadly similar, differ significantly in extent and duration across the EU.

45 The most typical measures include social distancing, the use of protective gear (such as facemasks), contact tracing systems, testing and vaccination campaigns, and temporary hospitals to cope with sudden increases in COVID-19 patient numbers. At the same time, to control infection rates Member States have periodically imposed restrictions and lockdowns, closing schools, kindergartens and non-essential businesses, and sometimes even industry production. Nearly all Member States have introduced “stay-at-home” policies, with exceptions only for the most essential needs, and have launched campaigns in traditional and social media to inform the public how to minimise the risk of infection, but also to fight disinformation and fake news. Most funding has been allocated to the healthcare sector, the research and development of vaccines and the procurement of medical equipment.

46 The SAIs of Belgium, Cyprus, Germany, Latvia, Portugal and Slovakia have therefore focused some of their audit activities on public health and related measures as one of the priorities of the pandemic response. The SAI of Germany has examined the impact of COVID-19 on statutory health insurance and the federal budget, Belgium, Cyprus and Slovakia have looked at public procurement processes and procedures, and the SAI of Latvia has assessed the COVID-related use of public funds for media support.

National healthcare system



Portugal

Tribunal de Contas
COVID-19 – Impact on the activity of the national healthcare system and access to healthcare

| Published | Type of audit | Period covered | Link |
|------------|---------------|----------------|--------------------|
| 15.10.2020 | Overview | March-July | PT |

What we assessed and why

The need to respond to the COVID-19 pandemic led most countries and healthcare providers to adopt measures that limited elective care. In Portugal, the Order of the Minister for Health of 15 March 2020 suspended non-urgent elective activity.

What we found

The activity of national healthcare providers from March to May 2020 was thus lower than for the same months in 2019. The activities most affected were elective surgeries (down 58 %, 93 300 surgeries), emergency hospital care (down 44 %, 683 389 visits) and initial outpatient medical appointments (down 40 %, 364 535 appointments).

The use of remote consultations played an important part in reducing face-to-face appointments in primary healthcare (remote or unspecified consultations rose by 83 % to 65 % of total appointments). Conversely, the use of remote consultation in hospital care remained minimal.

The numbers of new patients referred from primary care units for an outpatient appointment and for surgery fell substantially. The number of appointment requests up to May 2020 was only 67 % of the figure for the same period in 2019, while the equivalent percentage for surgery referrals was 42 %.

Even so, the median waiting time for patients on waiting lists worsened between 31 December 2019 and 31 May 2020. The median waiting time for an outpatient appointment rose from 100 to 171 days, and approximately 69 % of those on the waiting list on 31 May 2020 waited longer than the maximum guaranteed waiting

time. The median waiting time for surgery rose from 106 to 147 days, and around 43 % of patients on the waiting list on 31 May 2020 had, at that time, already exceeded the maximum guaranteed waiting time.

Compliance with maximum guaranteed waiting times was down for surgeries performed in May 2020, although it was relatively close to the figures recorded in previous years. Compliance with maximum guaranteed waiting times improved for the most urgent surgeries (priorities 3 and 4, cancer and other diseases), reflecting the focus on these patients compared to less urgent cases. Order 5314/2020 of the Minister for Health of 2 May 2020 governed the resumption of non-urgent activity by the national healthcare system. This Order lays down measures that could potentially improve the effectiveness and efficiency of resource allocation, although there are risks regarding implementation.

In June 2020, the results of resumed activities were mixed. While levels of elective surgeries and outpatient appointments at some hospital units partially recovered, results were below 2019 levels for most units.

What we concluded

Additional clinical care will be needed to provide the treatment that was not possible due to the COVID-19 pandemic. Consequently, there is a risk that the national healthcare system could lack the capacity to cope with this additional demand without significantly increasing waiting times.

This could justify the extraordinary creation of specific incentives in national healthcare funding, in addition to the existing mechanisms employed by the Ministry and without excluding further measures, as has already occurred with the increase in incentives for additional service provision in the national healthcare system.

Following the general lockdown due to the state of emergency, it may be useful to identify best practices regarding reorganizing services in the national healthcare system, and review and adjust contingency plans. The aim would be to identify and evaluate the trade-off between resource allocation for the treatment of COVID-19 patients and the diagnosis and treatment of other diseases, including non-urgent care.

The challenges of service level regulation and appropriate resource allocation still remain, and will continue for the near future. The elective care that could not be given will need to be provided and the national healthcare system must be prepared to combat a possible second wave of the pandemic.

Statutory health insurance



Germany
Bundesrechnungshof

Advisory report on the impact of the COVID-19 pandemic on the statutory health insurance scheme, addressed to the Budget Committee of the German Parliament

| Published | Type of audit | Period covered | Link |
|------------|--|----------------|--------------------|
| 13.11.2020 | Compliance audit/ performance audit | March-October | DE |

What we assessed and why

In March 2020, after Parliament had declared a national epidemic, the Federal Government took steps to mitigate the impact of the COVID-19 pandemic and avoid strain on the healthcare system. These steps imposed a burden on the federal budget and the funds of the statutory health insurance schemes that form the key pillar supporting the overall stability of the German healthcare system. The health insurers receive financial resources from a Health Fund managed by a federal authority. This Fund is fed by contributions and an annual federal grant of €14.5 billion. In 2020, after a rise in spending during the pandemic, the federal grant was increased by €3.5 billion, to be supplemented by €5 billion in 2021. The Health Fund is legally required to hold a liquidity reserve, currently 20 % of average monthly expenditure. Germany also has private health insurance companies; a small part of the population is only enrolled in such schemes. Private health insurers receive no public grants. We audited the impact the pandemic had on the Health Fund, its liquidity reserve and the statutory health insurers. We reported our findings, in respect of the annual federal grant and its impact on the federal budget, to the parliamentary Budget Committee. The report covers the situation up to October 2020.

What we found

The steps taken to contain the pandemic in Germany led to considerable restrictions on public life and an economic slump, which also had an impact on the statutory health insurers' level of contributions. The panel of experts responsible for annual estimates of health insurers' revenues forecast only a small increase in contributions to €221.4 billion for the entire year 2020. This was €4.2 billion less than projected before the pandemic. In the second quarter of 2020, the health insurers' expenditure on services declined considerably in some areas, mainly dental services, physiotherapy, speech therapy, early detection, preventive and rehabilitation measures, and hospital treatment. Hospitals kept capacities free for COVID-19 cases from mid-March and postponed elective surgery and treatments. However, the savings were eaten up by extra expenditure, especially on PPE and increased nursing care. When service provision had stabilised from July 2020, the Federal Ministry of Health estimated expenditure would reach €257.8 billion in 2020, 4.3 % more than in 2019.

To make up for declining revenues, the Health Fund had to make compensatory payments from its liquidity reserve. The compensation payments for hospitals were reimbursed from the federal budget and have totalled €8.9 billion so far. Other compensation payments and expenditure on more than 12 000 additional intensive care beds with ventilation facilities have so far amounted to about €1.8 billion. In addition, hospitals received €93 million for bonuses to nursing staff particularly impacted by the pandemic. Expenses for laboratory diagnostics rose as a result of testing for the coronavirus after contact with infected persons or after returning from risk areas abroad. So far, €104 million has been made available from the Health Fund for this purpose.

At the beginning of 2020, the liquidity reserve of the Health Fund stood at €10.2 billion; at the end of the financial year on 15 January 2021 the reserve totalled €6.4 billion. For 15 January 2022, a further decline in the liquidity reserve to €5.2 billion has been projected.

What we concluded

The impact of the COVID-19 pandemic will continue to materialise in 2021. A pandemic-related federal budget grant of €5 billion will be provided to reduce the burden on health insurers' members in 2021. In addition, health insurers are to transfer reserves of €8 billion to the Health Fund. We acknowledged this one-time intervention in assets was based on statutory law, and in any case these reserves were mainly fed by allocations from the Health Fund. In this way, the financial situation of the statutory health insurers had been stabilised for the time being. However, the

liquidity reserves held by statutory health insurers were nearly exhausted. The liquidity reserve would no longer significantly exceed the statutory minimum level. In 2021, other pandemic-related increases in spending may put compliance with the minimum reserve levels for 2022 at risk. Since, at this moment, the further course of the pandemic cannot be forecast, the financial impact on the health insurers remains uncertain. We urged the Federal Ministry of Health to carefully monitor action and to take the appropriate steps to stabilise the health care system.

Public procurement



Belgium
Rekenhof

Government contract for COVID-19 contact tracing

| Published | Type of audit | Period covered | Link |
|------------|------------------|----------------|--------------------|
| 25.11.2020 | Compliance audit | April-August | NL |

What we assessed and why

We examined a major government contract that forms part of measures to manage the COVID-19 crisis: the contract for contact tracing. The investigation looked only at the awarding of the contract by the Flemish government's Agency for Care and Health. It did not cover the overall decision-making process for contact tracing, the efficiency and effectiveness of the way it was approached and put into operation, or the way contact tracing was organised.

What we found

The contact-tracing contract was awarded via a negotiated procedure without prior publication, used in extremely urgent circumstances. Even for such procedures, the contracting authority must consult several contractors where possible. Although six companies were contacted, the Agency for Care and Health received only one offer.

We could not establish with certainty whether the companies contacted had received equal treatment and whether the principle of transparency had been adhered to. Indeed, some elements of the award procedure could not be fully explained. We are also uncertain as to the duration, nature and content of the Agency's contact with companies in the context of this contract.

There were also some administrative and legal shortcomings and oversights in the award procedure. Some of these were probably due to the award procedure having to be initiated and completed so quickly. As a result, the Agency for Care and Health was unable to prepare the contract thoroughly or in sufficient detail, and the period for reviewing the offer and negotiating was limited. These circumstances undoubtedly had

an unfavourable or negative impact on pricing, quality and certainty in relation to the offer.

The lack of alternative negotiating partners, combined with the urgency of getting the contract up and running, weakened the negotiating position of the Agency for Care and Health. The Agency was also unable to perform price comparison to check that the price was in line with market rates.

The Flemish government made the decision to award the contact-tracing contract on 5 May 2020. As soon as 16 July 2020, an amendment was signed with additions and changes to the contract for an amount of over €1.57 million (including VAT). However, some elements of this amendment seem – at least in part – to have been included in the initial contract or offer.

In these circumstances, thorough monitoring of the implementation phase by the Agency for Care and Health is absolutely essential. However, the Agency did not act upon several useful, concrete suggestions made by the Inspectorate of Finance to help better manage uncertainties, risks and side-effects during the implementation phase and monitor the contract more closely.

The Agency for Care and Health pointed out that the service provider would invoice based on services actually delivered, making it possible to monitor invoicing more closely. The obligation for the service provider to submit a quarterly activity and financial report would allow for additional monitoring and control.

What we concluded

Due to the contract having to be awarded so quickly, its preparation was not without flaws. The lack of multiple offers, combined with the extreme urgency of the contract, also weakened the negotiating position of the Agency for Care and Health. We therefore recommend that the Agency closely monitors the implementation phase of the contract on an ongoing basis.



Cyprus

Ελεγκτική Υπηρεσία της Δημοκρατίας

Audit of tenders related to the COVID-19 pandemic

| Published | Type of audit | Period covered | Link |
|------------|------------------|----------------|--------------------|
| 13.10.2020 | Compliance audit | April-June | EL |

What we assessed and why

The audit covered three subjects:

- (a) procurement of COVID-19 molecular testing services during the pandemic, for which the Ministry of Health's Purchasing and Procurement Directorate (PPD), the contracting authority, had conducted 16 tenders/programmes under the negotiated procedure by the time of the audit, because of the urgent need;
- (b) procurement of nine million protective single-use masks by the PPD at a cost of €4.68 million, plus VAT, in two tenders;
- (c) implementation of the project to set up a new Intensive Care Unit (ICU).

What we found

- (a) The main issue arising from the audit concerns the cost of the molecular tests and the significant variations observed over time: over a period of two months the cost fell by 55 %, from a high of €110 to a low of €50 per test, followed by a reduction to €40-€43 per test. It is also noteworthy that the reduction was observed in the costs submitted by a private laboratory that was responsible for 69 % of all tests, most of which were entrusted to it at the high cost.

We found that the contracting authority had largely followed and applied the procedures provided for in the public procurement legislation applicable in exceptional circumstances. However, there were two cases of direct award of contracts to a company in which a former Minister had an interest. One general observation was that, contrary to the relevant legislation, the current Minister did not confine himself to approving the molecular tests, but actually issued instructions beforehand and determined almost all aspects of the procedure he was later asked to apply and approve.

- (b) Procurement procedures were not fully respected in the purchase of masks, and neither were the principles of transparency, the equal treatment of all economic operators, or the development of healthy competition, which are at the heart of European and Cypriot public procurement legislation. This is substantiated by, inter alia, the poor definition of needs and the restrictions imposed, and the ex-post acceptance of a tender submitted by an economic operator outside the procedure. We also view the absence of an objective cost assessment in both procedures as a serious weakness.
- (c) The State Health Services Organisation appointed a specific architect to prepare the study for and supervise the construction of the new ICU in the absence of a tendering procedure. It also designated a specific contractor to carry out the construction in a manner that failed to ensure even a modicum of competition, despite seeking proposals from three contracting companies. The tender was awarded to the contractor originally designated because the other two companies had been invited to take part at the last minute, and so did not submit a bid. The entire tendering procedure essentially gave a false impression of supposed competition. Furthermore, the contracting company in question has a special relationship with a high-ranking member of the Organisation that selected it. Lastly, an essential clause in the tender conditions providing for the imposition of a very substantial penalty in the event of delayed project implementation was removed following the submission of bids and prior to contract signature.

What we concluded

We fully comprehend the particular pandemic-induced circumstances in which the tender procedures under review were conducted. However, the public procurement legislation lays down procedures for awarding contracts, even in emergencies, that allow contracting authorities to conduct a negotiated procedure, which is more flexible than the procedures followed under normal circumstances, takes less time, and upholds the basic principles of public procurement.

We consider that the above principles were not respected, while the way the matter was handled precluded adequate control over the procedure, because of the limited information available. We would emphasise that the particular circumstances of the tendering procedure in question do not remove the obligation to follow regular procedures in order to comply with the principles of transparency and equal treatment of all economic operators, principles comprising the essence of European and Cypriot public procurement legislation. The relevant public procurement legislation must

always be applied strictly, as it provides contracting authorities with options and appropriate tools, irrespective of the prevailing conditions. Even in pandemic conditions, as over the period in question, it is essential to safeguard public health, on the one hand, and transparency and equal treatment, on the other, thereby safeguarding the public interest.

Inventory of medical equipment



Slovakia

Najvyšší kontrolný úrad Slovenskej republiky

Management of state material reserves in emergency situations

| Published | Type of audit | Period covered | Link |
|-----------|-------------------|-----------------|--------------------|
| 21.9.2020 | Performance audit | June –September | SK |

What we assessed and why

The audit objective was to assess whether the Slovak Republic's Administration of State Material Reserves' (ASMR) competences and processes were appropriate and effective, and to assess the ASMR's readiness and verify its actions in the event of an emergency (pandemic).

Given the lack of medical products in Slovakia during the first wave of COVID-19, we expected the ASMR's competences and processes to be inappropriate and ineffective and that it was not prepared for the COVID-19 pandemic.

What we found

We highlighted how unprepared the state's institutions were. The crisis management authorities failed to fulfil their obligations and did not submit requests for emergency medical stocks to the ASMR. The items to be provided by the ASMR are determined by the government. However, medical supplies were not part of the ASMR's portfolio until a government decision of 27 February 2020. The state was therefore not in a position to provide the necessary supplies to hospitals, care homes for the elderly or frontline workers. Two expert advisory commissions – the government's Pandemic Commission and the National Anti-epidemic Commission – had key roles to play in the exceptional epidemic situation. We found their role was formal and the Anti-epidemic Commission, chaired by the country's Chief Sanitary Inspector, had not met once since 2019. On the other hand, the Permanent Crisis Staff, a body lacking legal competence and authority, had actively entered into the management process. There is no written evidence from the meetings of the Permanent Crisis Staff regarding their conclusions, for example on prioritising the distribution of emergency stocks. The

state's main coordinating body in times of emergency is the Central Crisis Staff and the Slovak government is the supreme authority with the right and the duty to take decisions.

We also drew attention to the ASMR's lack of preparedness for the next wave of the pandemic. Preparations were made without a comprehensive assessment of the effectiveness and efficiency of the measures taken in the first wave. As a result, it seemed, in mid-September 2020 the ASMR's stores were only 16 % stocked with medical equipment. This posed a risk to the capacity for rapid reaction to a rapid increase in COVID-positive patients. The ASMR did not have reserves for 60 days, as required by the government resolution, but only 10. Of 14 types of medical equipment, only two were ready in sufficient quantities, but stocks of surgical masks and COVID-19 tests were larger than required. No sacks for hazardous bio-waste were available, and requests for single-use coats, gloves and protective shields could hardly be met (10 %). The ASMR management's approach to requests for medical equipment was case-by-case and it had no mechanism for objective assessment or prioritisation. During 2020 the ASMR allocated medical material worth nearly €40 million, of which almost three quarters was for the health sector. It responded most quickly to a request by the Slovak Government Office – the items were ready within 2 days, but took more than one month to respond to a request from the Ministry of Justice.

The ASMR is an executive component of the state crisis management system. Ministries and public authorities must submit requests concerning the creation of emergency stocks and the composition of materials to the ASMR. The health department did not comply with this obligation until the end of February 2021, and requested the ASMR to provide medical equipment for 30 days for public health authorities and hospitals' infectious disease clinics. Our report points out the risk of a lack of personal responsibility for inaction, i.e. of non-compliance by state institutions. During the state of emergency, the ASMR provided the supplies that should have been provided by various central state authorities.

We also pointed out the ASMR's insufficient use of IT systems, in particular between its headquarters and branches, which contributed to the lack of a real-time overview of inventory in warehouses in several parts of Slovakia.

What we concluded

We found that, at the time of the emergency, the ASMR’s competences and processes were inappropriate and ineffective, and highlighted its unpreparedness for the COVID-19 pandemic. We issued recommendations to remedy the shortcomings identified – both of a systemic and procedural nature.

We recommended that the National Council of the Slovak Republic should require the Ministry of the Interior to perform an in-depth analysis of state management processes in times of extraordinary situations or emergencies and, based on experience with the COVID-19 pandemic, to consider changing the legislation to lay down new rules for the state’s crisis management process.

Public information



Latvijas Republikas
Valsts kontrole

Latvia

Valsts kontrole

- (1) Allocation and use of the funds from the state budget programme “Contingency Funds” for media support to mitigate the consequences of the COVID-19 crisis
(2) Use of funds allocated to electronic mass media in relation to the COVID-19 crisis

| Published | Type of audit | Period covered | Links |
|----------------|-----------------|----------------|---|
| (1) 22.12.2020 | Financial audit | April-July | LV EN Summary |
| (2) 22.12.2020 | Financial audit | March-July | LV EN Summary |

What we assessed and why

Support for the media sector in mitigating the effects of the COVID-19 crisis is essential, both to strengthen core media activities and preserve the diversity of the media environment, and to successfully overcome the crisis in society.

In spring 2020 the Cabinet of Ministers (Cabinet) granted additional funding from the “Contingency Funds” programme to help the media overcome the pandemic and its consequences, with the following goals:

- o for the Society Integration Foundation (SIF) – €1 040 928 to safeguard the operation of the Media Support Fund and ensure comprehensive public information and opinions on mitigating the crisis, to strengthen the media and guarantee objective information in the printed press and on commercial internet news portals, and to provide support for the delivery costs of press subscriptions (“Latvijas Pasts” joint-stock company) and the broadcasting costs of electronic mass media;
- o for the National Electronic Mass Media Council (NEMMC) – €1 259 261, comprising:
 - €259 261 to ensure maximum awareness among the Latvian population and the effective provision of public information, and education on COVID-19;

- €1 000 000 to provide comprehensive public information and opinions on coping with the crisis and strengthen commercial electronic mass media (EMM).

We assessed the situation and drew up two interim audit reports summarising:

- (1) information on the SIF in relation to the validity of requests for and the actual use of the additional funds allocated to mitigate the effects of COVID-19;
- (2) our verification procedures in respect of the financing required for the NEMMC to ensure the two funded activities were carried out.

What we found

- (1) We examined the validity and actual use of the funds allocated to the SIF for media support to mitigate the COVID-19 consequences.

We found that, through tendering, funding was paid to ensure business continuity and strengthen the capacity of commercial printed and digital media, as well as to generate comprehensive public information and opinions on the management of the crisis. However, we also found that the pertinent regulations did not establish eligibility criteria for media to receive this particular state aid.

Although the SIF tender regulations stipulated that funding would be made available as a matter of priority to media that could prove a 30 % fall in revenue compared with the same month in 2019, the evaluation criteria in fact allowed funding for media with any fall in revenue, regardless of the amount.

- (2) The bulk of funding (€1 075 000) from the NEMMC allocation went, under a public procurement procedure for public services, to commercial EMM. Funding was also granted to the state limited liability companies “Latvijas Radio” (€25 674) and “Latvijas Televīzija” (€158 587).

We found that the amount of €1 075 000, to ensure comprehensive information provided by commercial EMM, had not been substantiated by means of clear calculations, but had been prepared on the basis of the views and estimates expressed by representatives of the Ministry of Culture and of the industry, and on the basis of past experience. It could be concluded that the Ministry of Culture, in cooperation with the NEMMC, had prepared a request for €1 000 000 in state funding to establish its support system for media during the crisis, and that a call for tenders was then organised to fund commercial EMM (€1 075 000). When assessing the bids, the NEMMC did not check whether the tenderers' statements

contained true information on the reduction of their advertising revenue by at least 30 %.

However, the request for funds for “Latvijas Radio” and “Latvijas Televīzija” had been properly substantiated; funds had been requested to mitigate the consequences of the crisis, and a detailed calculation of the requested funds had been prepared.

What we concluded

The implementation of our recommendations will ensure control over the use of state budget funds and grants and the conduct of NEMMC tenders. We proposed that the Cabinet define a common approach and criteria for the allocation of funds for further media support from the “Contingency Funds” programme to mitigate the consequences of the crisis, and that the administration of EMM funding be entrusted to a single body.

Priority area: Digitalisation

47 The pandemic forced both individuals and society to quickly find and adapt to new ways of interacting, studying, learning and working. Given the generalisation of “stay-at-home” policies, the impact would have been even greater in the absence of IT solutions. Both the public and private sectors switched to digital mode in the space of a few weeks. IT tools and technologies requiring powerful and secure digital infrastructure and personal skills have provided new solutions, but have also challenged people of all ages.

48 The crisis has demonstrated the importance of digital technology, highlighting opportunities, risks and bottlenecks. It has accelerated not only the use of digital tools, but also the overall process of digitalisation. Digital government, e-commerce and online retail, teleworking, remote education and e-healthcare have become the new normal. Platforms, messenger services and video-conferencing are used to maintain social contacts. In the context of the pandemic, big data and artificial intelligence are contributing to the search for vaccines, infection tracking and the interpretation of infection patterns.

49 The SAIs of Latvia and Netherlands have looked into the development and impact of digital solutions: the first in the field of education, and the second in the context of remote working in the institutions of central government.

Education system



Latvijas Republikas
Valsts kontrole

Latvia

Valsts kontrole

Distance learning in an emergency situation

| Published | Type of audit | Period covered | Links |
|-----------|-----------------|----------------|---|
| 30.9.2020 | Financial audit | March-June | LV EN Summary |

What we assessed and why

Following the WHO announcement declaring COVID-19 a pandemic, the Cabinet of Ministers (Cabinet) declared a state of emergency on 12 March 2020 and suspended classroom teaching in all educational establishments until the situation was resolved. Teaching was to be carried out remotely, except central state exams. Initially declared until 14 April 2020, the state of emergency was extended twice – until 12 May and then until 9 June 2020.

Between 12 March and 20 June 2020, the Cabinet allocated additional financial resources of €568 368 to the Ministry of Education and Science (Ministry), from the “Contingency Funds” programme, to fund distance learning facilities during the emergency:

- €203 160 for the purchase of smart devices (phones and tablets) for the distance learning needs of pupils in primary and secondary schools;
- €365 208 for the production and distribution of audio-visual content for distance learning on free-to-air television channels, and for the development of an internet platform and digital solutions.

In parallel, the Cabinet authorised the Ministry, during the emergency, to suspend application of the Public Procurement Law in the case of goods and services needed for distance learning, with procurement to be based on rapid action and the immediate conclusion of contracts.

Our interim report summarises the findings of our checks at the Ministry in relation to the validity of requests for and the actual use of the additional funds:

- (1) for the purchase of smart devices;
- (2) for the creation of audio-visual content for the distance learning project "*Tava klase*" ("Your class").

What we found

(1) Purchase of smart devices

In March 2020, the Ministry organised a survey to assess the feasibility of implementing distance learning and obtain information on the actual situation regarding access to computers, smart devices and the internet for primary and secondary pupils. The survey found that more than 5 000 pupils did not have access to a computer or a smartphone with an internet connection. The Ministry therefore approached telecommunication companies for supplies of the necessary equipment.

The Ministry spent €436 732 to purchase smart devices with an internet connection for distance learning (including €203 160 from the contingency funds).

To ensure that the Ministry had used these funds economically and efficiently, we surveyed municipalities to find out whether they had distributed the Ministry's smart devices to pupils, and what they did with the devices after the emergency.

Survey results:

- Most of the 5 266 smart devices (total value €557 731) had been handed on to pupils. However, at least 295 (value €28 665) had not been distributed, but remained at the disposal of individual municipalities, because the Ministry had not verified whether their needs were still as initially indicated.
- Several municipalities had not received enough smart devices so had purchased them from their own funds (at least 139 devices).
- In addition, the municipalities had handed out at least 2 015 computers and tablets from educational institutions, and at least 144 donated to them.
- The Ministry had given no instructions for the use of smart devices after the emergency, so municipalities acted in different ways: devices were either returned to educational institutions for further use or left with the pupils.

(2) Implementation of the “Your class” project:

According to the Ministry, the emergency created an urgent need for original educational resources for both pupils and teachers in various subjects, using distance learning and high-quality interdisciplinary links, while ensuring that materials were as widely accessible as possible.

Audio-visual content was produced and distributed on free-to-air television channels, and an internet platform and digital solutions were developed. An additional amount of €365 208 had been allocated from the state budget. Accordingly, “Your class” lessons were broadcast on the RE:TV channel and Sportacentrs.com from 6 April to 29 May 2020, and a web site www.tavaklase.lv was created.

What we concluded

As a result of the audit, we concluded that the distance learning process was generally organised according to the circumstances prevailing under the emergency situation and that the Ministry had provided the necessary goods and services to overcome the COVID-19 crisis and to address its consequences. At the same time, we drew attention to possible ways of further improving the management of this process.

Government administration



**Algemene
Rekenkamer**

Netherlands

Algemene Rekenkamer

Focus on digital homeworking

| Published | Type of audit | Period covered | Links |
|-----------|---------------------|----------------|---------------------------------------|
| 2.11.2020 | Focus investigation | July-October | NL EN |

What we assessed and why

COVID-19 forced schools, universities, restaurants and offices to close their doors in March 2020. Where possible, working from home suddenly became the norm. Almost all of the 175 000 or so civil servants working for the ministries and High Councils of State had to work from home as far as possible, often very successfully. With trains empty, roads deserted, work continued from home. Civil servants collaborated and communicated by telephone, conventional network drives and e-mail, and increasingly via video-meetings, messaging apps and online collaborative platforms. Of course, collaborative ICT tools were nothing new, but now they were suddenly being used *en masse* for all kinds of new purposes. This raised many questions for users: Are video calls via Zoom secure? What information can I share in an app? How can I use my personal laptop securely for work? We identified risks in the use of collaborative ICT in central government. As a first step in investigating these risks, we set about finding out what ICT tools were used, how they were used and how their use was regulated.

What we found

We observed that the COVID-19 crisis had led to a rapid increase in teleworking in central government. This demanded enormous flexibility from ICT staff and support services. We paid tribute to the way ministries, the central government's chief information officer, individual civil servants and service providers, such as the ICT Shared Services Centre, had responded to the COVID-19 crisis.

We conducted a survey to obtain information on the ICT applications civil servants use when working from home. We found that communication on which collaborative ICT tools can be used needed to be clearer and easier to understand. A fifth of

respondents said they were not aware of agreements on the use of collaborative ICT tools; 22 % were not satisfied with communication on these agreements. The greatest uncertainty concerned the use of messaging apps, such as WhatsApp and online collaboration platforms such as Microsoft Teams, SharePoint and Dropbox.

7 % of respondents who use WhatsApp and 16 % of respondents who use private email had also shared confidential information without permission. One reason for this was that civil servants sometimes did not know which applications they were allowed to use. For example, the central government's intranet states that WhatsApp may be used for work under certain conditions. However, several ministries explicitly forbid the use of this messaging app.

Dissatisfaction with the capabilities offered by the available ICT tools is one of the main reasons for going against these agreements by using apps that are not recommended. Ministers, state secretaries and senior civil servants also do not always use the prescribed and available secure ICT tools, even though their use of ICT tools sets an example for the rest of the organisation. Ministers, state secretaries and senior civil servants sometimes prefer popular messaging apps, such as WhatsApp, less secure tablets and smartphones because they are more convenient, faster and more user-friendly than highly secure tools.

Our investigation revealed an example of this. In spring 2020, one of the ministries set up an ultra-secure environment for video-meetings at the request of the central government's chief information officer. This environment was provided for confidential communication between ministers and state secretaries, but it was not used.

What we concluded

Our investigation shows that central government has to take steps to make its use of messaging apps and mobile phones more secure. We see their use as the biggest risk to information security and privacy. If the recommended ICT tools are not used, or are used incorrectly, information can fall into the wrong hands.

Some civil servants in central government see the need for clearer communication on the secure use of collaborative ICT tools, such as messaging apps and online meeting services. Some civil servants use WhatsApp and private email to share confidential work-related information, thus failing to comply with their organisations' security guidelines.

These observations led to a follow-up investigation in our 2020 annual financial audit on information security in central government. We looked specifically at central government's risk and incident management in relation to WhatsApp and the various video conferencing tools in use. We have published the results in May 2021.

Priority area: Socio-economic response

50 The socio-economic response also lies mainly within the remit of Member States, which explains differences in the severity of the measures taken. Each Member State's response depended, firstly, on its economic and financial situation at the onset of the pandemic, as well as its preparedness during the initial wave of infections. Secondly, not all Member States were hit simultaneously and with the same intensity, which led to a certain hesitancy in decision-making about the nature of lockdown and protective measures and the need for economic stimulus and resilience packages.

51 Today, after more than a year, all Member States have taken steps, in one way or another, to counteract the negative impact of lockdown measures, which have caused many businesses to close, some permanently, and substantially reduced demand in many sectors. The increased risk of layoffs and dismissals has raised fears of rising unemployment and social distortion, as well as the need for higher public spending. National governments have set up furlough (job retention) schemes to ease the financial burden on employers, safeguard employment and limit the social fallout of the crisis. They have used a range of tools to provide immediate liquidity to affected businesses (in particular SMEs), helping them to stay afloat and preserve employment, thus avoiding additional hardship for households and individuals already coping with a very difficult situation.

52 The SAIs of Latvia, Lithuania, and Netherlands and the ECA have all assessed the socio-economic response at national or EU level. Latvia and Netherlands have audited support for employees and businesses, Lithuania and the ECA have reviewed the overall economic response within their respective remits.

Businesses



**Algemene
Rekenkamer**

Netherlands
Algemene Rekenkamer

Individual support to companies during the COVID crisis

| Published | Type of audit | Period covered | Links |
|------------|-------------------|----------------|---|
| 12.11.2020 | Performance audit | March-August | NL EN Summary |

What we assessed and why

We published the findings of our audit in two parts, the first part on 26 June 2020 as a letter to parliament: “Support for big companies – learning from the past”. This letter collected 16 lessons that successive governments had learned, sometimes the hard way, from state support measures over the past 40 years. These ranged from state support for the former RSV shipbuilding group in the 1970s and for aircraft manufacturer Fokker in the 1990s to the recent support for banks during the credit crisis.

In the second part of the project, published on 12 November 2020 as a report, we examined whether the same 16 lessons had been applied in state support measures for companies such as KLM, IHC and HEMA during the current COVID crisis. We examined government decision-making procedures for four companies that had received tailored state support during the COVID crisis and three companies whose applications had been rejected. Had lessons been learned, or did some pitfalls prove difficult to avoid?

What we found

We found that the government had applied many of the lessons learned from the past. We found that ministers had generally considered applications carefully to see if they were sufficiently substantiated and explored alternatives where necessary. Before entering into a state support plan, they had also first assessed what support was available from other stakeholders to save (or “bail in”) the company. Thus, for example, government decided HEMA was capable of surviving without support. NS (the national rail operator) and the ground handlers at Schiphol airport were referred

to more general COVID support schemes. Ministers had generally also consulted the European Commission promptly to determine the compatibility of the proposed support with the internal market. However, the audit also revealed that things had not always gone well in all cases. For instance, the government had shown its hand too early in announcing publicly that it intended to give KLM support in the region of €2-4 billion. This early announcement gave away the advantage in support negotiations to banks with a stake in KLM, which would have suffered considerable losses if the airline had gone bankrupt. As it happened, the state ended up bearing 93 % of the risk from the support measure. We therefore concluded that the “bail-in” principle had had only limited success with KLM. This is reminiscent of the bailouts for Fokker and NedCar in the 1990s, where public interest in saving the companies had sometimes given private parties leverage to force the government to provide support.

We also found there was a risk of conflicts of interest: in the case of support for KLM, the government had sought advice from ABN AMRO while the bank was also part of the consortium with which it had to negotiate participation in the support operation.

State support for shipbuilder IHC was intended to prevent the government from having to pay out €395 million on export credit insurance already provided in the event of the company going bankrupt. IHC was saved from bankruptcy, thanks in part to additional credit insurance. The government considered €700 million to be the acceptable level of risk to the state from this support measure. However, we found that the maximum risk to the state from supporting IHC would be as high as €895 million. In gambling terms, such a strategy is called “doubling down”. The government had not fully informed parliament about this risk. Also, for certain aspects of the support scheme parliament should, by law, have been informed earlier, so as not to be presented with a *fait accompli*.

On 1 May 2020, the government published a new assessment framework for deciding on individual support applications. We consider that, subject to a number of adjustments, the new assessment framework provides a roadmap for dealing with individual support applications in a proper and structured manner.

What we concluded

We concluded that the government had learned many – but not all – lessons from the past. We recommended adding to the assessment framework on a number of points. This assessment framework should also be formalised.

Furlough schemes



Latvijas Republikas
Valsts kontrole

Latvia
Valsts kontrole

Use of funding allocated to the Ministry of Finance for the payment of downtime benefit

| Published | Type of audit | Period covered | Links |
|------------|-----------------|----------------|---|
| 26.11.2020 | Financial audit | March-August | LV EN Summary |

What we assessed and why

In March 2020 the Cabinet of Ministers (Cabinet) allocated additional financial resources not exceeding €101.8 million from the state “Contingency Funds” programme to the Ministry of Finance to cover the disbursement of downtime benefit to employees of companies whose financial standing deteriorated significantly due to the spread of COVID-19, and to self-employed persons in a similar situation.

Downtime benefit is one of the support mechanisms for preventing and overcoming the consequences of COVID-19 set out in the law “On measures for the prevention and suppression of threat to the state and its consequences due to the spread of COVID-19”, which was already in force in March 2020. Its essence is compensation for employees in sectors affected by the crisis when the employer can offer no work, and for self-employed persons whose economic activity has been affected by the crisis. The amount of downtime benefit is up to 75 % of average remuneration in the previous six months, but not more than €700 per calendar month.

Our interim report summarises information on the checks carried out at the Ministry of Finance and its subordinated institution – the State Revenue Service (SRS) – on the actual use of the additional funds allocated to mitigating the consequences of COVID-19 through the payment of downtime benefit. We also assessed the criteria for granting the benefit and the arrangements for administering it.

What we found

A total of €54 076 431 was allocated to the SRS for downtime benefit payments, and €53 784 481 (53 % of the total budget envelope) was used. Benefit of €51 446 671 was paid to 52 867 employees, and €2 337 810 to 2 381 self-employed persons (by 14 August 2020). Actual payments were significantly lower than the amount originally allocated (reserved) by the Cabinet, although the initial calculations covered fewer sectors and, therefore, a narrower range of beneficiaries. The benefit was also intended for a shorter period. The calculations were based on payment of the benefit for two months, but in fact it was paid for almost four months.

When verifying whether the SRS had granted and paid the downtime benefit in accordance with the intended purpose for grants of downtime benefit and with the requirements laid down in the legislation, we did not identify significant non-compliance. However, we found weaknesses in the legal framework and its implementation:

- In principle, amendments to the Cabinet's regulations providing for downtime benefit were made with the aim of broadening the range of beneficiaries. However, a result of one amendment, including a new group of downtime benefit recipients, led to others being excluded from the range of potential recipients.
- In a number of cases, unequal conditions were created between different target groups for the granting of downtime benefit:
 - Among self-employed persons, the situation was more favourable for payers of micro-enterprise tax, as no criterion was set for assessing the amount of micro-enterprise tax declared, although payers of micro-enterprise tax do not pay other taxes. However, for other self-employed persons, a minimum amount of compulsory state social insurance contributions paid in the last two quarters of 2019 was set.
 - When paying equivalent amounts of tax, employees working for a single employer affected by the crisis were in a more favourable situation than those working part-time for several such employers, as the latter qualified for downtime benefit on the basis of their average gross wage from only one employer.

What we concluded

As a result of the audit, we proposed that the Cabinet ensure equal conditions apply to all potential beneficiaries affected by the crisis. When introducing new forms of support and extending the range of beneficiaries, certain groups of persons who qualified for aid before the change must not be excluded; and there must be equal opportunities to qualify for aid within the specific support target group.

The following changes were made after the audit, in the current exceptional situation: employees may receive downtime benefit based on the average gross wage they received from multiple employers affected by the crisis; no minimum amount of compulsory state social security contributions is required to receive downtime benefit; the amount of downtime benefit is determined in proportion to the period of downtime.

Crisis and emergency management



AUKŠČIAUSIOJI
AUDITO INSTITUCIJA

Lithuania

Valstybės kontrolė

COVID-19 crisis and emergency management

| Published | Type of audit | Period covered | Links |
|------------|---------------|------------------|---|
| 30.11.2020 | Assessment | February-October | LT EN Summary |

What we assessed and why

In order to mitigate the socio-economic consequences of COVID-19, crosscutting measures and actions are needed in the form of swift political decisions and adjustments to legislation, additional economic and financial measures to minimise the negative impacts on the economy, and well-targeted solutions for societal needs. The extent of the government's response and its timely implementation has a decisive impact on how the negative consequences of COVID-19 on public health, population income, corporate liquidity, etc., will be minimised, and how significantly public revenue and expenditure will change.

Our report summarises information on the actions and measures taken by the Government of the Republic of Lithuania to manage the emergency, mitigate the consequences of COVID-19 and promote the economy and recovery. It also provides an overview of how the allocated funds have been used.

What we found

Taking into account the negative impact of the situation on the social environment and the economy and in order to manage the spread of the COVID-19 disease, from March to June 2020 the Government of the Republic of Lithuania adopted related sets of measures:

- o A plan for measures to boost the economy and reduce the consequences of the spread of the coronavirus (COVID-19) in order to: secure resources for the effective functioning of health and public protection systems; contribute to the maintenance of the jobs and income levels of the population; help businesses

maintain liquidity; foster the economy and guarantee the liquidity of the Public Treasury. €6.2 billion was allocated to the plan and the measures needing direct financing (investments, loans, compensations, subsidies, disbursements), amounting to €4.9 billion, of which 40.1 % had been used by the end of September 2020.

- The Future Economy DNA Plan, the aim of which was to achieve rapid and effective investment in Lithuania's economic recovery and growth in order to make the economy sustainable and innovative and generate high added value. €5.8 billion was allocated to the plan, focusing on five priority areas: human capital, the digital economy and business, innovation and research, economic infrastructure, climate change and energy. By the end of October 2020, 13.5 % of the funds allocated to the plan had been invested.
- A COVID-19 management strategy that was intended to manage the spread of the COVID-19 disease in the short term and to prepare adequately for possible new waves of the virus in the future. 126 actions, which were not linked to funds, were planned for the implementation of the strategy. In October 2020, 28 % of the strategy's actions were affected by delays.

What we concluded

When analysing the implementation of the measures adopted by the Government of the Republic of Lithuania, we saw that the risks to the transformation of Lithuania's economy into an innovative economy with high added value, to achieve the objective of the Future Economy DNA Plan, were due to the lack of time spent on consideration and evaluation of projects, the lack of information on their economic feasibility, and the lack of a detailed cost-benefit analysis.

The coronavirus pandemic had had a negative impact on public finances, the economy and the labour market: public debt had increased, gross domestic product had fallen; there was lower-than-expected public revenue, higher expenditure, higher unemployment, etc. Nevertheless, the economic development of Lithuania had been better than expected in the first half of 2020. This had also been partly influenced by the economic stimulus measures and support measures for the population and business taken by the Government.

We believe that the data compiled in the evaluation report will become a source of aggregated information on the actions of the Government of the Republic of Lithuania and provide an additional opportunity for the institutions involved in the management

of the emergency situation to address its negative effects, to plan and take decisions that address best the needs of the areas most affected by the consequences of the pandemic.

The EU's economic response



EUROPEAN
COURT
OF AUDITORS

European Union
European Court of Auditors

Review No 06/2020: Risks, challenges and opportunities in the EU's economic policy response to the COVID-19 crisis

| Published | Type of audit | Period covered | Links |
|-----------|---------------|----------------|---------------------------------------|
| 9.12.2020 | Review | March-August | Official EU languages |

What we assessed and why

The COVID-19 pandemic has forced EU Member States to shut down a substantial part of their economies. In May 2020, it was estimated that EU real GDP would contract by 7.4 % in 2020. In order to flatten the curve of the pandemic and to limit and counter the economic damage, the EU and its Member States implemented a variety of measures. Although the EU has a leading coordinating role in enabling measures targeted at economic damage control and recovery, such measures are decided and mainly implemented at national level.

As a basis for informed decisions on implementing new and adjusting existing measures, it is essential to understand how the EU as a whole reacted to the ongoing pandemic. To this end, the review provides an independent overview of the relevant economic actions taken nationally (until July 2020) and at EU level (until October 2020). We first collected and systematically analysed all publicly available information and data, and then assessed the various measures launched at EU level and in the Member States, identifying possible risks, challenges and opportunities for future EU economic policy coordination.

What we found

Governments adopted a wide range of discretionary fiscal measures accounting for about €3.5 trillion, generally in line with the EU's crisis policy guidelines, i.e. job retention schemes and state aid to provide liquidity support to businesses. The composition and the relative size of national packages varied significantly between

Member States. While they have effectively mitigated unemployment risks during lockdowns, they will considerably raise public debt levels.

The EU's response consisted of measures in support of national efforts to manage the crisis:

- rapid monetary intervention by the European Central Bank, accompanied by:
 - use of the flexibility available in EU fiscal and state aid rules;
 - ad-hoc economic policy guidelines;
 - redirection of the EU budget towards crisis response measures;
- the creation of safety nets to provide targeted lending support:
 - to governments through the Commission (SURE and the European Stability Mechanism);
 - to businesses through the European Investment Bank;
- the development of larger support instruments, of which the NGEU⁴³ (worth €750 billion) is the largest and most important. Its centrepiece is the Recovery and Resilience Facility, aimed at addressing economic divergence risks and anchoring the recovery to the EU's green and digital strategies.

What we concluded

The set of measures at Member State and EU levels creates risks and challenges for the coordination and implementation of EU economic policy, and for the sound financial management of EU funds:

- Member States' fiscal packages trigger new challenges for the EU authorities responsible for surveillance of fiscal positions, the internal market, labour markets and the financial sector.
- There is a risk of a further widening of the economic gap between Member States, as their crisis-response capacity has differed widely, depending on their pre-existing economic conditions.

⁴³ Not yet operational at the time the review was completed.

- The effectiveness of the newly proposed recovery facility risks being impaired if:
 - its financial structure and the monitoring and accountability framework are not adequate;
 - recovery plans are not properly coordinated and do not focus on growth enhancing reforms and investments;
 - implementation is not timely and/or absorption levels are low.
- The Commission will face the challenge of managing the financial risk of large- scale EU transactions on capital markets.
- The EU's economic response to the COVID-19 crisis also presents opportunities:
 - The implementation of the financial response to the economic crisis is ongoing but may mean a strengthened role for the EU institutions in managing the EU's economic recovery.
 - The creation of new temporary funds such as SURE and the NGEU presents an opportunity to reflect on permanent improvements to the EU's budgetary capacity to react to major economic shocks and mitigate the ensuing economic divergence among Member States.
 - Additional funding also provides a significant opportunity to promote EU priorities such as sustainable development and digitalisation, provided actions are carefully designed and thoroughly monitored under the European Semester.

Priority area: Public finances and the associated risks

53 As early as mid-2020, Member States had already adopted almost 1 250 fiscal measures to counter the pandemic's economic and health impacts, at a value of €3.5 trillion (27 % of EU-27 GDP estimates for 2020)⁴⁴. The billions of euros mobilised in the first wave already exceeded the total value of all recovery packages adopted in 2008-2009⁴⁵.

54 Member States' fiscal policies have focused on mitigating the short-term impact of lockdowns and falling demand on incomes and employment, and on the use of resilience and recovery measures. In general, they consist of:

- automatic stabilisers, such as standard tax adjustments and unemployment schemes;
- discretionary budgetary stimulus measures, such as tax relief or rate cuts, and exceptional spending in areas such as employment support and the health sector;
- non-budgetary measures to guarantee business liquidity (state loans, loan guarantees, tax deferrals, etc.), which do not have a direct fiscal cost.

55 The SAIs of Netherlands, Portugal, and Sweden have assessed the impact, risks and fiscal implications of the financial measures taken in response to COVID-19 on and for public finances and the implementation of national budgets.

⁴⁴ ECA, *Review No 06/2020: Risks, challenges and opportunities in the EU's economic policy response to the COVID-19 crisis*, 9.12.2020.

⁴⁵ European Commission, *Questions and answers: Communication on fiscal policy response to coronavirus pandemic*, 3.3.2021.

Public finances and related risks



**Algemene
Rekenkamer**

Netherlands
Algemene Rekenkamer

The COVID crisis: the risks of sureties and loans to public finances

| Published | Type of audit | Period covered | Links |
|------------|--------------------------------|----------------|---|
| 25.11.2020 | Financial/ compliance audit | March-August | NL EN Summary |

What we assessed and why

The Dutch government established various schemes between March and August 2020 to avoid economic fallout from measures to prevent the spread of COVID-19.

On top of several billion euros in extra expenditure and lost income, the government also provided guarantees, extended existing guarantee schemes and granted loans. Although guarantee schemes do not immediately result in expenditure, they do entail the risk of (considerable) expenditure if called upon.

The government has therefore already laid down strict rules governing the establishment of guarantee schemes and the provision of loans.

We investigated which guarantees and loans the government had provided between March and the end of August 2020 and whether it had followed the rules.

We also investigated whether and how parliament had been informed about these guarantees and loans and whether parliament's budgetary rules had been complied with.

What we found

Between March and the end of August 2020, the government established or extended 14 guarantee schemes. This increased the total amount of outstanding Dutch government guarantees by €60.9 billion. The government expects this to lead to €2.6 billion in additional expenditure. In addition, the government issued eight loans totalling €1.8 billion in the same period.

The guarantees and loans issued by the government between March and the end of August therefore increased the amount of public money at risk by €62.7 billion. This raised the total amount of public money at risk to a level almost equal to the record high seen during the credit crisis (€245.5 billion).

Our investigation also showed that the government had not consistently applied its own rules for establishing or extending guarantee schemes and loans. For instance, the compulsory assessment framework had not been used for every new or extended scheme. In those schemes where they had been used, the degree of thoroughness in completing assessment frameworks varied. Also, not all completed assessment frameworks had been sent to parliament in time, as is mandatory. As a result, parliament was unable to familiarise itself with the content of the amended budget laws before approving them.

Finally, our investigation shows that for six of the 22 schemes created or extended, the government had not informed parliament of their entry into operation before it had a chance to discuss the amended budget law. Under the Dutch Government Accounts Act, a minister must notify parliament in writing about the introduction of a scheme if, in the national interest, it needs to be introduced before parliament has a chance to discuss and approve the bill amending the budget.

What we concluded

We concluded that the government had not consistently applied its own policy and rules for establishing or extending guarantee schemes and loans. We also concluded that parliament had not always been duly notified in good time, and in a few cases had thus violated the Dutch Government Accounts Act.

We recommended that the Minister of Finance should review the rules governing the establishment or extension of guarantee schemes and the granting of loans in terms of their use in crisis situations. We also recommended that the Minister of Finance do more to ensure that parliament is notified properly in good time. We also recommended better informing parliament about the risks of the schemes, expected losses and the level of reserves available for this purpose. Finally, we recommended evaluating the schemes introduced specifically to combat the economic consequences of the COVID-19 crisis as soon as possible, focusing in particular on their effectiveness.



Sweden
Riksrevisionen

RIKSREVISIONEN

The fiscal policy framework – application by the government in 2020

| Published | Type of audit | Period covered | Links |
|------------|-------------------|-----------------|---|
| 17.12.2020 | Performance audit | April-September | SV EN Summary |

What we assessed and why

To counteract the deep economic downturn due to the coronavirus pandemic, the Swedish government decided on a series of support measures in the spring and summer of 2020. It was estimated that these measures would weaken public finances by about 2 % of GDP. The 2021 Budget Bill proposed further measures totalling SEK 108 billion (2.1 % of GDP) in order to restart the economy.

Whilst an expansionary fiscal policy is clearly necessary to stabilise the economy in times of crisis, it is equally important to maintain sound public finances in the long term. We have therefore audited the government's fiscal policy in relation to the Swedish fiscal policy framework, the purpose of which is to ensure a long-term sustainable and transparent fiscal policy.

The framework contains several budget policy goals as well as principles for transparent reporting, and was adopted by the Riksdag, the Swedish Parliament. The framework has been in place since the beginning of the 2000s and has been refined over the years, partly as a result of our recurring audits on the subject.

What we found

The audit demonstrated that the government's crisis measures led to large deficits, and that the surplus target for general government net lending would not be achieved. Temporary deviations from the target level are permitted for stabilisation policy reasons, as the surplus target applies over a business cycle. The government had not, however, presented its mandatory plan for how the surplus target could be achieved in the medium term.

Another of the budget policy goals is the central government expenditure ceiling, whose level the government had raised substantially for 2020 and the following years.

The audit showed that the government had valid motives for raising the expenditure ceiling for 2020, as the pandemic radically changed conditions for fiscal policy. But the substantially raised levels for 2021 and 2022 had no basis in or correlation with the government's macroeconomic forecasts. Instead, they were motivated by a need for extremely large safety margins.

The proposed expenditure ceiling level for 2023 is back to normal levels in relation to the size of the Swedish economy. This limits the scope for permanent spending increases during the crisis, implying that the extreme margins of the preceding years can only be used for temporary measures. Against this background, we found that the scope of temporary and permanent measures on the expenditure side was unclear in the Budget Bill.

What we concluded

We concluded that fiscal policy had been mainly designed and reported in accordance with the fiscal policy framework. The fiscal policy framework provided the government with support for temporary deviations from the surplus target for stabilisation policy reasons. But there were also deviations from the framework: by refraining from reporting on how the return to the surplus target was to come about, the government was not complying with the Budget Act. We considered that the uncertain situation did not constitute a reason not to comply with the provisions of the Budget Act. On the contrary, it is precisely in sudden downturns that deviations from the target level can be expected to occur.

We also concluded that the government had raised the expenditure ceilings for 2021 and 2022 in a way that was not supported by the framework and that risked leading to less effective spending priorities. The levels were so high that the function of the ceiling as an instrument to support the surplus target was put at risk. A more appropriate alternative would have been increases only to cover the need that followed from the stabilisation policy that the government was actually pursuing, plus a margin for unusually large macroeconomic uncertainty. If fiscal policy conditions changed dramatically again, there was always an opportunity for the government to return to the Riksdag with proposals for new expenditure ceiling levels.

We also recommended that the scope of temporary and permanent measures on the expenditure side of the budget should be made clear at the latest in the upcoming 2021 Spring Fiscal Policy Bill.

Risks in budget implementation



TRIBUNAL DE
CONTAS

Portugal

Tribunal de Contas

Risks in using public resources in emergency management (COVID-19)

| Published | Type of audit | Period covered | Link |
|-----------|---------------|---------------------------------|--------------------|
| 1.6.2020 | Analysis | Since the start of the pandemic | PT |

What we assessed and why

With this document, we sought to draw attention, at a very early stage of the pandemic, to a number of risks which are relevant to the financial management during emergencies and which must not be overlooked in the health, economic, social and financial crisis caused by COVID- 19.

What we found

We identified risks relating not only to crisis and emergency-measure management, emergency and public aid, weakening of controls and integrity, public procurement and information systems, but also relating to fiscal transparency (as regards measuring the costs and impacts of emergency measures), and to accounting statements.

The aspects addressed took account of the usual characteristics of emergency situations, international recommendations, exceptional legislation already issued, and the results of audits and other controls already carried out in comparable circumstances.

What we concluded

We alerted all bodies managing public money to the need to be aware of these risks, and to consider taking measures to mitigate them, particularly as regards the clarity and coherence of legislation and regulations, issuing guidelines for the harmonised implementation of the measures, establishing monitoring mechanisms, defining and coordinating responsibilities, and preventing the duplication of support.

Emphasis was also placed on the importance of properly configuring the information systems for implementing support, strengthening IT security systems, valuing and safeguarding the integrity of all staff involved in emergency response actions, and guaranteeing the transparency and publicising of procedures and actions, particularly when support and public contracts or grants are involved.

We drew attention to the need for all procedures and decisions to be documented and substantiated, and for basic checks to be maintained, thus ensuring the separation of duties, cross-checks, confirmation of deliveries, stock checks and physical checks, and replacing ex-ante checks with checks during or after procedures.

We stressed that the reporting of and responsibility and accountability for the resources used involves keeping a detailed record of all actions to implement COVID- 19 measures, all related expenditure as well as reduced fiscal income, for the purpose of measuring their effects, within a framework that allows the impact on public finances and the sustainability of the measures to be assessed.

We analysed each of these risk areas, cited findings from previous audits, and made more detailed recommendations for each of the areas concerned.

Priority area: General response at different levels of government

56 The extent and multidimensionality of the crisis have obliged governments at all levels (national and subnational) to operate in a context of uncertainty while facing difficult trade-offs between health, economic and social imperatives. The urgency of decision-making on prevention and containment measures has inevitably increased the risks to the economy, efficiency and effectiveness of government action, and of breaches to previous rules and procedures.

57 The SAI of Romania has audited the management of public resources at all levels of government, and the SAI of Portugal has looked into the local impacts of COVID-19 measures.

All levels of government



Romania

Curtea de Conturi a României

Management of public resources during the state of emergency

| Published | Type of audit | Period covered | Link |
|-----------|------------------|----------------|--------------------|
| 11.8.2020 | Compliance audit | March-June | RO |

What we assessed and why

The COVID-19 global pandemic threw the world into crisis. Romania was no exception, and sought to manage the situation using its own resources and experience.

In view of the way the epidemiological situation was evolving, in March 2020 the President of Romania issued two *Decrees imposing and extending the state of emergency* across the entire country. Both decrees established new duties and tasks for certain public authorities and institutions, leading to the commitment of additional expenditure from public funds to prevent and combat COVID-19 through budget corrections.

In this context, the Romanian Parliament decided that, no later than 60 days after the end of the state of emergency, we should audit the management of public resources during that period and present a report with findings, conclusions and proposals.

What we found

The Parliament's decision meant that we had to adjust our annual work programme. In accordance with the calendar of audit engagements which the Plenum adopted for the period from May to July 2020, 949 compliance audits were included in the programme and carried out. Of these, 284 engagements took place at central government level, and 665 at the level of local government.

The audited entities were selected on the basis of the amounts that were allocated from central and local budgets to manage the state of emergency. They included

authorities that received money and made important purchases, but also those that were assigned additional responsibilities and duties.

The special report resulting from these engagements consists of two main sections: local government and central government.

In each section, the report presents the authorities' duties and tasks in relation to preventing and combating the pandemic, as well as findings regarding the management of resources used for that purpose, grouped by areas such as the health system, economic support, employment and social protection, and general measures to limit and control the spread of the COVID-19 pandemic.

During the period covered by the report, Romania accepted a reduction in budget revenue through a series of fiscal measures and a decline in revenue-generating economic activity. Economic intervention took the form of mobilising public resources to shore up productive activity, and committing exceptional expenditure to fight the pandemic and cushion the economic shock.

The scale of the audited expenditure varied depending on the area, the main cost categories being:

- legal commitments assigned to public procurement during the state of emergency – approx. €209.6 million;
- medical assistance/emergency medical stocks – approx. €54.43 million;
- employment and social protection/costs incurred by the introduction of the quarantine – approx. €754.12 million;
- local government costs – reimbursement of quarantine spending – approx. €26.67 million.

The audits revealed some irregularities, most of them in the application of legislation during the state of emergency. Thus:

- There was occasional non-compliance with the principles governing the award of public procurement contracts (non-discrimination and equal treatment of economic operators, transparency in the award of contracts, etc.).
- No operational or system procedures were developed or implemented for dealing with emergencies.

- Specific legislation was not rigorously enforced, especially with regard to wage rights.
- In some cases, the legal requirements were not observed when purchasing medicines, medical supplies and equipment, either because of market shortages or because of inflated market prices, leading to procurement at values above what was estimated.
- No reserves were set up for the special situations provided for in subsidiary legislation, so these were smaller than legally required, etc.
- Urgent medical stocks were not built up within the initial procurement deadlines.

What we concluded

We highlighted that, in general, the public funds used in prevention and control of the COVID-19 pandemic were managed in line with the purpose, objectives and responsibilities set out in the emergency legislation.

Public authorities generally discharged the duties they were entrusted with to meet the ongoing challenge of taking exceptional measures in an emergency situation, while under obligation to respect the legal framework regulating their activity. There were no serious errors, though some problems were resolved “on the fly”.

For the future, some thought is given to the development of crisis response methods, such as:

- drawing up/expanding a national action plan clearly regulating the activities and procedural steps to be followed in emergency situations;
- drawing up/amending/extending legislation on public procurement in emergency situations;
- establishing emergency action and funding procedures to streamline communication;
- devising and implementing schemes to motivate staff directly involved in essential activities during a state of emergency/alert.

Local government



Portugal
Tribunal de Contas

Impact of the COVID-19 measures adopted by local government bodies in mainland Portugal

| Published | Type of audit | Period covered | Link |
|------------|---------------|-----------------|--------------------|
| 18.12.2020 | Overview | March-September | PT |

What we assessed and why

COVID-19 had a profound economic, social and financial effect on Portuguese society and on local government bodies, particularly the municipalities, which played an important role in mitigating the effects of the crisis as they are on the front line in terms of intervention and have extensive socio-economic competence.

It was important to understand the context of municipal intervention, the financial resources involved and how these were used. We sought to:

- analyse the exceptional temporary legislative measures aimed at empowering municipalities to address the socio-economic effects of the pandemic, identifying the types of measures used to respond to the needs of both the population in general and the local bodies that provide social and economic support;
- quantify the expenditure involved in the municipal effort, analysing its distribution across the Portuguese mainland territory and determining the relationship between expenditure and case prevalence;
- check how the measures are reflected by public procurement, analysing the contracts related to combating the effects of the pandemic.

What we found

In order to foster and guarantee local authority response capacity in the context of the pandemic, exceptional temporary financial measures were approved. These included the advancement of municipal revenues, flexibility in the municipal credit and debt system, the adoption of measures to assist vulnerable people, social support and exemptions.

Municipalities with higher levels of debt and those subject to financial adjustment plans were allowed to suspend compliance with contractual provisions limiting their possibility of offering tax benefits and tax exemptions, defining prices in the sanitation, water and waste sectors, and setting new prices and charges. Being able to offer these benefits again to citizens has a strong social impact.

The municipalities implemented different measures and plans, which meant both an increase in expenditure, for example with support to families and companies or the free distribution of goods or provision of services, and a reduction in revenue, through granting exemptions and reducing charges and prices.

Most municipalities announce their measures on their websites, but few show implementation data. Many chose to increase municipal emergency funds to address the social impact of the pandemic or even to create funds earmarked specifically for the effects of COVID-19.

To illustrate the variety of purposes and beneficiaries, here are some of the most common measures:

- distribution of personal protective equipment;
- granting of exemptions and reductions in rent for residential or commercial spaces managed by the municipalities;
- exemptions from and reductions in water, sanitation and waste tariffs;
- assignment or loan of computers and computer equipment to students;
- distribution of meals and food to students and people in need;
- provision or financing of tests to COVID-19;
- financial and logistical support to privately-run social welfare organisations;
- psychological support lines;
- support for the purchase of medicines;
- awareness campaigns;
- support for local businesses and restaurants; and
- support for the use of public transport.

What we concluded

We concluded that local authorities played a very important part in implementing measures to mitigate the effects of the pandemic, providing a multi-pronged approach benefiting families, companies and organisations.

According to the partial data available, expenditure was more than €166 million between March and the end of September 2020. Costs included the purchase of goods and services (notably personal protective equipment), current transfers (for support to families and non-profit organisations), staffing costs and the purchase of capital goods. During this period, local government bodies concluded 5 529 contracts for the purchase of goods and services related to the pandemic (€83.2 million).

The contracts for the purchase of goods mainly concern medical equipment and apparatus (e.g. ventilators, COVID-19 tests and disinfectants), safety and protective equipment (e.g. masks, visors, gloves), computers and computer equipment (for teleworking and remote learning), food products and cleaning, disinfectant and hygiene materials. Services include testing, monitoring, cleaning and disinfection, meal provision, accommodation and rental of computer equipment.

Annex – Full list of COVID-related publications by EU SAIs in 2020

Belgium

Volume III of the Social Security Book 2020: Impact of the COVID-19 health crisis on social security revenue and expenditure, Budget analysis, published on 16.9.2020

FR

NL

177th General Report – Part III: General Account of the General Administration of the Federal State, Budget Analysis, published on 28.10.2020

FR

NL

Annex 2 of the comments on the second adjusted draft budget of the Flemish government for the year 2020 and on the budget of the Flemish government for the year 2021, Budget Analysis, published on 20.11.2020

NL

Government contract for COVID-19 contact tracing, Compliance audit, published on 25.11.2020

NL

Cyprus

Audit of tenders related to the COVID-19 Pandemic, Compliance audit, published on 13.10.2020

EL

Germany

Fact sheets on the 2020 supplementary budget addressed to the Budget Committee of the German Parliament, Performance/Compliance audit, published on 27.3.2020

DE

Annex – Full list of COVID-related publications of EU SAIs in 2020

92

Special purpose report on the public hearing of the Budget Committee of the German Parliament deliberating the second 2020 supplementary budget, Performance/Compliance audit, published on 29.6.2020

DE

[EN Summary](#)

Advisory report on capital grants given to Deutsche Bahn (“Need for better governance of the proposed COVID-19 grants for Deutsche Bahn”): addressed to the Budget Committee of the German Parliament, Performance/Compliance audit, published on 5.10.2020

DE

Advisory report on the impact of the COVID-19 pandemic on the statutory health insurance scheme, addressed to the Budget Committee of the German Parliament, Performance/Compliance audit, published on 13.11.2020

DE

Advisory report on furlough money: Government to mitigate the risk of fraud. Report addressed to the Budget Committee of the German Parliament, Performance/Compliance audit, published on 11.11.2020

DE

[EN Summary](#)

Advisory report on COVID-19 related funding needs of Deutsche Bahn group and headroom for federal governance addressed to the Budget Committee of the German Parliament, Performance/Compliance audit, published on 24.11.2020

DE

Latvia

The COVID-19 crisis and the competent authorities’ announcements concerning procurement with the aim of restricting the COVID-19 outbreak and concerning deviations in the compliance assessment of goods, Situation Analysis Report, published on 20.7.2020

LV

Annex – Full list of COVID-related publications of EU SAIs in 2020

93

Delivery process of personal protective equipment (protective face masks and respirators) in the health sector, Financial/compliance audit, published on 20.7.2020

[LV](#) [EN Summary](#)

The procurement system established by the Ministry of Defence and the procurements made during the emergency to limit the spread of COVID-19, Financial/compliance audit, published on 17.8.2020

[LV](#) [EN Summary](#)

The use of additional funding allocated to the Ministry of the Interior for the purchase of personal protective equipment and disinfectants, Financial/compliance audit, published on 2.9.2020

[LV](#) [EN Summary](#)

The use of funding allocated to the Ministry of Justice for transfer to the Latvian Council of Sworn Notaries, Financial/compliance audit, published on 11.9.2020

[LV](#)

The use of funding allocated to the Ministry of Justice for the payment of crisis benefits to the clergy and ministries of religious unions (churches), Financial/compliance audit, published on 29.9.2020

[LV](#)

Distance learning in an emergency situation, Financial/compliance audit, published on 30.9.2020

[LV](#) [EN Summary](#)

The use of the additional funding for bonuses for home affairs officials directly involved in curbing the spread of COVID-19, Financial/compliance audit, published on 14.10.2020

[LV](#) [EN Summary](#)

Annex – Full list of COVID-related publications of EU SAIs in 2020

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The use of funding allocated to the Ministry of Welfare for the payment of the allowances to the idle time benefit for each dependent child and the idle time aid benefit and the supplement to the payment thereof, Financial/compliance audit, published on 26.11.2020

[LV](#)

The use of funding allocated to the Ministry of Welfare for the continuation of the payment of parental benefit, one-time bonus to the state family benefit for the payment of a disabled child and for the increase of the amount of childcare benefit, Financial/compliance audit, published on 26.11.2020

[LV](#)

[EN Summary](#)

Use of funding allocated to the Ministry of Finance for the payment of downtime benefit, Financial/compliance audit, published on 26.11.2020

[LV](#)

[EN Summary](#)

The use of funding allocated to the Ministry of Justice for bonuses to the employees of the Prison Administration who have been directly involved in curbing COVID-19, Financial/compliance audit, published on 14.12.2020

[LV](#)

[EN Summary](#)

Allocation and use of the funds from the state budget programme “Contingency Funds” for media support to mitigate the consequences of the COVID-19 crisis, Financial/compliance audit, published on 22.12.2020

[LV](#)

[EN Summary](#)

Has the funding from the state budget program “Contingency Funds” for repair works in hospitals been requested for unforeseen and unplanned needs in the annual budget?, Financial/compliance audit, published on 22.12.2020

[LV](#)

Use of funds allocated to electronic mass media in relation to the COVID-19 crisis, Financial/compliance audit, 22.12.2020

[LV](#)

[EN Summary](#)

Annex – Full list of COVID-related publications of EU SAIs in 2020

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Lithuania

Social Integration of Persons with Disabilities, Performance Audit, published on 7.9.2020

[LT](#) [EN Summary](#)

Do the Changes in Education Determine Pupils' Better Learning Achievements? Performance audit, published on 14.9.2020

[LT](#) [EN Summary](#)

COVID-19 crisis and emergency management, Assessment, published on 30.11.2020

[LT](#) [EN Summary](#)

Management of Road Infrastructure, Performance Audit, published on 1.12.2020

[LT](#) [EN Summary](#)

Netherlands

Corona testing: what happened in the spring?, Focus investigation, published on 23.9.2020

[NL](#) [EN Summary](#)

Risk of abuse and improper use of NOW job retention scheme, Focus investigation, published on 23.9.2020

[NL](#)

Focus on digital teleworking, Focus investigation, published on 2.11.2020

[NL](#) [EN](#)

Individual support to companies during the COVID crisis, Performance audit, published on 12.11.2020

[NL](#) [EN Summary](#)

The COVID crisis: the risks of sureties and loans to public finances, Financial/compliance audit, published on 25.11.2020

[NL](#) [EN Summary](#)

Annex – Full list of COVID-related publications of EU SAIs in 2020

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Portugal

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PT

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Opinion 6/2020 concerning the proposal for a regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, Opinion, published on 9.9.2020

Official EU languages

Review No 06/2020: Risks, challenges and opportunities in the EU's economic policy response to the COVID-19 crisis, Review, published on 9.12.2020

Official EU languages

Abbreviations

ASMR: Administration of State Material Reserves (Slovakia)

CRII: Coronavirus Response Investment Initiative

ECDC: European Centre for Disease Prevention and Control

EIB: European Investment Bank

EMA: European Medicines Agency

EMM: Electronic mass media

ESI: Emergency Support Instrument

ESIFs: European Structural and Investment Funds

EUROSAI: European Organisation of Supreme Audit Institutions

GDP: Gross domestic product

ICT: Information and communications technology

ICU: Intensive care unit

MFF: Multiannual financial framework

NEMMC: National Electronic Mass Media Council (Latvia)

NGEU: Next Generation EU

OECD: Organisation for Economic Cooperation and Development

PEPP: Pandemic Emergency Purchase Programme

PPD: Purchasing and Procurement Directorate (Cyprus)

PPE: Personal protective equipment

REACT-EU: Recovery Assistance for Cohesion and the Territories of Europe

RRF: Recovery and Resilience Facility

SAI: Supreme audit institutions

SARS: Severe acute respiratory syndrome

SEK: Swedish Krona

SIF: Society Integration Foundation (Latvia)

SME: Small or medium-sized enterprise

SRS: State Revenue Service (Latvia)

SURE: Support to mitigate Unemployment Risks in an Emergency

TFEU: Treaty on the Functioning of the European Union

UNWTO: United Nations World Tourism Organisation

VAT: Value added tax

WHO: World Health Organisation

Glossary

Automatic stabiliser: A component of fiscal policy that offsets fluctuations in economic activity without direct intervention by policymakers.

Cohesion policy: The EU policy which aims to reduce economic and social disparities between regions and Member States by promoting job creation, business competitiveness, economic growth, sustainable development, and cross-border and interregional cooperation.

Digitalisation: The shift towards incorporating and using digital technology and digitised information to make processes and tasks simpler, faster, more efficient and/or more economic.

Disinformation: The communication of false or misleading information for the purpose of deceit.

e-healthcare: Application of information and communications technologies across the whole range of functions that affect the health sector.

European Semester: Annual cycle which provides a framework for coordinating the economic policies of EU Member States and monitoring progress.

European Structural and Investment Funds: The five main EU funds which together support economic development across the EU: the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development, and the European Maritime and Fisheries Fund.

Financial assistance: EU financial support provided to Member States in financial distress to restore them to macroeconomic or financial health and ensure they are able to meet their public-sector or balance-of-payments obligations.

Furlough scheme: A temporary initiative that allows employers to access financial support for wages paid to employees during a period where specific circumstances, such as a pandemic or crisis, prevent them from working.

Horizon 2020: The EU's research and innovation programme for the 2014-2020 period.

Lockdown: Restriction on the movement of people within a given space (at home, or within a city, region or country) to prevent or slow down the spread of an infectious agent during a pandemic.

Multiannual financial framework: The EU's spending plan setting priorities (based on policy objectives) and ceilings, generally for seven years. It provides the structure within which annual EU budgets are set, limiting spending for each category of expenditure. The current MFF covers 2021-2027.

Pandemic: Outbreak of an infectious disease across the world or over a very wide area.

Personal protective equipment (PPE): Items such as facemasks, gloves and eye protection that are designed to protect the wearer against health or safety risks.

Social distancing: A set of measures to minimise the spread of an infectious disease by reducing contact with others as much as possible.

State aid: Direct or indirect government support for a business or an organisation, putting it at an advantage over its competitors.

Tax deferral: Authorised delay in the payment of a tax liability until a future moment in time.

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