EUROPEAN COURT OF AUDITORS

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Press Release

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EU should not make promises if it cannot deliver, warn Auditors

The EU should not generate expectations which cannot be achieved, the European Court of Auditors (ECA) has warned in its annual report on the EU budget, published today. In the Foreword to the report, the President of the ECA, Klaus-Heiner Lehne, points out that the total EU budget is no more than about 1% of the gross national income of the entire EU. For this reason, the EU has to be realistic about what it can do with the money entrusted to it, particularly as the Union approaches its next seven-year Budget cycle. "*The conclusion is straightforward*," **says Mr Lehne**, "*the EU should not make promises if it cannot deliver*".

In their 2017 annual report, the auditors conclude that the EU accounts present a true and fair view of the EU's financial position. For the second year in a row, they issue a qualified (rather than an adverse) opinion on the regularity of the transactions underlying the accounts. In other words, a significant part of the 2017 expenditure that was audited was not materially affected by error.

Moreover, the level of irregularities in EU spending continued to decrease, say the auditors. The estimated level of error in payments during 2017 was 2.4%, down from 3.1% in 2016 and 3.8% in 2015. At the same time, sufficient information was available to prevent – or detect and correct – a significant proportion of errors in, for example, rural development payments. If this information had been used by national authorities to correct errors, the estimated level of error would have been below the 2% threshold for an even larger share of the EU budget.

Problems remain, in particular where payments from the EU budget are made to beneficiaries based on their declarations of costs previously incurred, such as in rural development and cohesion. Other activities funded in this way are research, training schemes and development aid projects.

Using resources from European Structural and Investment funds is still challenging for Member States, and the EU budget continues to face significant pressure owing to the value of payments committed for future years. Measures to increase the flexibility of the budget were helpful, say the auditors, but may not be sufficient. The combination of high commitments and low payments

The purpose of this press release is to give the main messages of the annual report adopted by the European Court of Auditors.
The full report is on www.eca.europa.eu.

ECA Press

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increased outstanding budgetary commitments to a new high of €267.3 billion. This should be a priority for planning the next Multiannual Financial Framework, they say.

The 2017 annual report relates mainly to EU spending under the current Multiannual Financial Framework (2014-2020), but also to some previous years. Mr Lehne says this underscores how several years are usually needed from the time a political decision is taken until such time as funds are actually allocated on the ground. It also illustrates the importance of avoiding problems at the outset, because decisions on how the EU spends its money have implications for many years to come.

Notes to editors

The European Court of Auditors is the independent audit institution of the European Union. Its audit reports and opinions are an essential element of the EU accountability chain and are used to hold to account those responsible for managing the EU budget. This is primarily the responsibility of the European Commission, along with the other EU institutions and bodies. But for around two-thirds of spending – principally natural resources and cohesion – responsibility is shared with the Member States.

EU spending totalled €137.4 billion in 2017, or around €270 for every citizen. This amounts to around 0.9% of EU gross national income and represents approximately 2% of total public spending in EU Member States. In 2017, 'Natural resources' made up the largest share of funds audited (56%), while, in contrast to previous years, the share of 'Cohesion' spending was relatively small (8%) owing to the low level of accepted expenditure.

Each year, the auditors check the EU accounts and provide their opinion on two questions: whether the accounts are accurate and reliable, and to what extent there is evidence of money being received or paid out in error (known as regularity and legality).

The auditors have given a clean opinion of the EU's accounts since 2007. However, until last year, their opinion on the regularity and legality of spending had been adverse for every year since 1994.

A "clean" opinion means the figures present a true and fair view, and follow the rules of financial reporting. A "qualified" opinion means that the auditors cannot give a clean opinion, but the problems identified are not pervasive. An "adverse" opinion indicates widespread problems.

In order to reach this audit opinion, they test samples of transactions to provide statistically-based estimates of the extent to which revenue and the different spending areas are affected by error. They measure the estimated level of error against a materiality threshold of 2%, above which revenue or spending is considered to be irregular. The estimated level of error is not a measure of fraud, inefficiency or waste: it is an estimate of the money that should not have been paid out because it was not used fully in accordance with EU and national rules.

In 2017, the auditors found 13 instances of suspected fraud out of approximately 700 transactions audited (2016: 11). These cases were forwarded to the EU anti-fraud office, OLAF.

For 2017, the auditors piloted a new approach in the area of Cohesion, which makes it clearer where shortcomings persist, both at the European Commission and in the Member States. This helps to promote accountability and improve the management of EU finances further. They aim to expand the project next year to other spending areas.

The annual report on the EU budget, the annual report on the European Development Funds and the summary document "2017 EU audit in brief" can be found at:
http://www.eca.europa.eu/en/Pages/AR2017.aspx