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EUROPEAN COURT OF AUDITORS

PRESS RELEASE
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EU accounts signed off, but errors persist in all main spending areas, say EU Auditors

The annual report on the EU budget for 2012 financial year was published today by the European Court of Auditors (ECA). As independent auditor, the ECA has signed off the 2012 accounts of the European Union, as it has done each year since the 2007 financial year. But in most spending areas of the EU budget the report finds that the legislation in force is still not fully complied with.

The ECA calls for a rethink of EU spending rules and recommends simplifying the legislative framework. The 2014–2020 programming period looks likely to remain expenditure oriented - designed for getting the EU budget allocated and spent - rather than focusing on the value it is intended to bring.

"Europe's citizens have a right to know what their money is being spent on and whether it is being used properly," said ECA President Vítor Caldeira, *"They also have a right to know whether it is delivering value, particularly at a time when there is such pressure on public finances."*

Looking at the EU budget as a whole, the ECA's estimate of the error rate for spending is 4.8 % for the 2012 financial year (3.9% in 2011). All operational spending areas were affected by material error in 2012. The estimate of the error rate is **not a measure of fraud or waste**. It is an estimate of the money that should <u>not</u> have been paid out because it was **not used in accordance with the legislation concerned**. Typical errors include payments for beneficiaries or projects that were ineligible or for purchases of services, goods or investments without proper application of public purchasing rules.

In 2012 the EU spent €138.6 billion, of which approximately 80% is jointly managed by the Commission and the Member States. The ECA was **critical of Member States'** authorities where they had had **sufficient information** available **to have detected and corrected errors** before claiming reimbursement from the EU budget. The rules for the current 2007-2013 spending period provide **limited incentives for Member States** to use financial management systems more effectively. For example, in cohesion spending erroneous claims can just be withdrawn and replaced without losing money from the EU budget.

The ECA's audit findings and opinions address how to improve EU financial management. The ECA therefore recommends that they should be fully taken into account when completing the rules governing the management and control for the 2014-2020 financial framework.

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

Notes to Editors:

The European Court of Auditors (ECA) is the independent audit institution of the European Union. The ECA's audit reports and opinions are an essential element of the EU accountability chain. Its output is used to hold to account – notably within the annual discharge procedure – those responsible for managing the EU budget. This is mainly the Commission, but also concerns the other EU institutions and bodies. Member States also play a major role in shared management.

The ECA tests samples of transactions to provide statistically-based estimates of the extent to which revenue, spending as a whole, as well as the different spending areas (groups of policy areas) are affected by error.
In the ECA's opinion, the consolidated accounts of the European Union **present fairly**, in all material respects**, the financial position of the Union** as at 31 December 2012, the results of its operations, its cash flows and the changes in net assets for the year then ended.

EU revenue underlying the 2012 accounts is **legal and regular** in all material respects. **Commitments** underlying the 2012 accounts are **legal and regular** in all material respects.

Supervisory and control systems examined are **partially effective** in ensuring the legality and regularity of payments underlying the accounts. All policy groups covering operational expenditure are materially affected by error. The ECA's estimate for **the most likely error rate** for expensed payments underlying the accounts is **4.8%.**

For these reasons it is the ECA's opinion that payments underlying the accounts for the year ended 31 December 2012 are **materially affected by error**.

The estimated **error rate for spending from the EU budget as a whole increased again in 2012, from 3.9 % to 4.8 %.** A part of that increase (0.3 percentage points) is due to a change in the ECA's sampling approach. The estimated **error rate has increased every year since 2009**, after having fallen in the three previous years.

Rural development, environment, fisheries and health remains the **most error prone spending area** with an estimated error rate of 7.9 %, followed by *regional policy, energy and transport* with an estimated error rate of 6.8 %.

The **increases in the estimated error rate were greatest for the spending areas** *employment and social affairs, agriculture: market and direct support and regional policy, energy and transport*.

For the majority of transactions affected by error in the shared management areas (e.g. agriculture and cohesion), the **Member States authorities had sufficient information available** to have detected and corrected the errors.

The substantial gap between appropriations for commitment and payment, coupled with a large amount of underspending at the start of the current programming period, has caused a build-up of the equivalent of 2 years and 3 months' worth of unused commitments (€217 billion at the end of 2012). This leads to **pressure on the budget for payments**. To resolve that situation, it is essential that the Commission plans its payment requirements for the medium and long-term.

For many areas of the EU budget the legislative framework is complex and there is insufficient **focus on performance**. The proposals on agriculture and cohesion for the 2014–2020 programming period remain fundamentally input-based (expenditure oriented) and therefore still focused on compliance with the rules rather than performance.

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Links to the text of the Annual Report, the 2012 Audit in Brief, YouTube interviews, stock shots and other press material may be found here: http://www.eca.europa.eu/en/Pages/AR_2012.aspx