



## Press Release

Luxembourg, 28 September 2017

### EU accounts true and fair and share of irregular spending further reduced in 2016, say EU auditors

There has been a sustained improvement in the estimated level of error in payments from the EU budget, according to the latest Annual Report from the European Court of Auditors. About half of EU spending audited in 2016 was below the 2% threshold for material level of error. As a result, the auditors have issued a qualified opinion on 2016 payments, rather than an adverse one. This is their first qualified opinion since they began to provide an annual statement of assurance in 1994. In addition, the auditors have given a clean opinion on the 2016 EU accounts' reliability, or "signed them off", as has been the case every year since 2007. Revenue in 2016 was free from material error.

The overall level of error for EU spending in 2016 was estimated at 3.1%, compared with 3.8% in 2015 and 4.4% in 2014.

"Entitlement payments", made for meeting specific conditions, account for about 49% of EU spending and showed levels of error below 2%. They include direct aid for farmers, grants to students and researchers, and staff costs. 'Natural Resources: Market and direct support' had an estimated level of error of 1.7 % and 'Administration', 0.2 %.

However, higher levels of error were found in "Reimbursement payments" made through refunds. For 'Economic, social and territorial cohesion', the estimated level of error was 4.8%; for 'Natural Resources: Rural development, the environment, climate action and fisheries', it was 4.9%.

*"This year's qualified opinion reflects an important improvement in EU finances," said Mr Klaus-Heiner Lehne, the President of the European Court of Auditors. "Going forward, we will take a fresh look at how we audit the EU budget. We will take greater account of internal controls at the European Commission and in the Member States, so we can better promote accountability and further improve the management of EU finances. We will also increase our focus on performance to ensure EU citizens get value for their money."*

Action by the Member States and the Commission reduced the overall estimated level of error by 1.2%. However, sufficient information was available to further prevent or detect and correct many errors. If this information had all been used correctly, say the auditors, the levels of error for 'Economic, social and territorial cohesion', 'Natural Resources' and 'Global Europe' would have been below the 2% threshold. *"This means there is no need for additional controls, but the existing controls must be enforced properly,"* said **President Lehne**.

*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](http://www.eca.europa.eu).*

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The auditors confirm that the European Commission's reporting on compliance with the rules is in line with their own results in most cases. But they recommend that the Commission should focus more on performance and simplify its measurement tools in line with international good practice.

Finally, the auditors warn that the total payments the EU is committed to making from future budgets ('outstanding commitments', known as the *reste à liquider* or *RAL*) were higher than ever in 2016, at €238.8 billion. Clearing this backlog and preventing a new one should be priorities for planning EU spending in the period starting in 2020, they say.

#### **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 €136.4 billion in 2016, or around €267 for every citizen. This amounts to around 1% of EU gross national income and represents approximately 2% of total public spending in EU Member States. In 2016, most money went to natural resources (€57.9 billion), cohesion (€35.7 billion) and growth and jobs (€15.2 billion).

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). 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.

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.

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

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 from the EU budget because it was not used in accordance with applicable rules. In 2016, the auditors found 11 instances of suspected fraud out of approximately 1,000 transactions audited (2015: 12). These cases were forwarded to EU anti-fraud office, OLAF.

The annual report on the EU budget, the annual report on the European Development Funds and the summary document "2016 EU audit in brief" can be found at:

<http://www.eca.europa.eu/en/Pages/AR2016.aspx>