



EUROPEAN  
COURT  
OF AUDITORS

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# Speech

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

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The spoken version shall take precedence.

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President,

Ministers,

Ladies and Gentlemen,

As President of the European Court of Auditors, I want to thank you for taking the time to consider our annual report for the 2017 financial year, in which we present our assessment of the state of the European Union's financial management in 2017. In this case, "we" means Mr Lazaros Lazarou, the Member of the Court of Auditors responsible for the annual report, together with the Members responsible for each individual chapter.

For 2017, as in previous years, we conclude that the EU's accounts present a true and fair view of its financial position. Most importantly, as we did for the first time last year, we issue a qualified – but still positive – opinion on the regularity of the payments underlying the 2017 accounts.

In other words, a significant part of the 2017 expenditure which we examined was not materially affected by error, and by this I am referring to expenditure based on entitlements – that is to say, programmes where beneficiaries receive payments if they meet certain conditions. These entitlement-based payments represented more than half of all spending from the EU budget in 2017.

Moreover, the level of irregularities in EU spending has continued to decrease. The estimated level of error in payments during 2017 was 2.4%, down from 3.1% in 2016 and 3.8% in 2015. This illustrates that the EU's financial management is definitely heading in the right direction. This is thanks to the sustained efforts made by the Commission and the Member States working together.

Having said this, I must also say that sufficient information is often available to prevent – or detect and correct – a significant proportion of the errors which we found. If the Commission and national authorities had used this information, an even larger share of the EU budget would have come under our, and the Commission's own, materiality threshold.

Ladies and Gentlemen,

The time has come to go further. Management and control systems have improved, and we now have an opportunity to use those improvements in our audits.

Consequently, for 2017, we piloted a modified approach in the area of Cohesion. The essential change was that we reviewed and re-performed the checks and controls previously carried out by those responsible for spending. With this new approach – checking the checks, if you will – we want to provide you with better geographical and fund-specific insight across the EU, in a cost-effective manner.

We will expand this project in the coming years to other spending areas, whenever the necessary conditions for doing so are met.

We will also be carrying out an increasing number of performance audits in the coming months and years. These are audits in which we examine the performance achieved in the implementation of EU projects. It is important for us at the Court of Auditors to ensure that, whatever political decisions are made, citizens from Bucharest, to Helsinki, to Lisbon can see with their own eyes that EU funds have been spent not only correctly, but also wisely.

The many discussions which I have held in national capitals have consistently pointed the Court in that direction.

Ladies and Gentlemen,

The Court has shown that several Member States struggle to make good use of the resources from the European Structural and Investment Funds. In this respect, we welcome the fact that the Commission has proposed a number of measures for the next financial period which should contribute to the better absorption of Cohesion funds.

At the same time, the EU budget continues to face significant pressure owing to the value of payments committed for future years. The *reste à liquider* is set to rise even higher by the end of 2020. In our view, this growing pile of outstanding commitments must be a priority for the next multiannual financial framework.

Ladies and Gentlemen,

The total EU budget is no more than about 1 % of the gross national income of the entire EU. At the same time, expectations are rising, and the challenges which the Union faces are also growing. It is therefore more important than ever that the resources in the EU budget are used effectively. With our performance audits, we at the European Court of Auditors aim to contribute to that. Our focus is on the added value of action at EU level. Every euro spent at EU level should add value which would not have been achieved if spending had taken place at regional or national level.

I want to ask you to support us in this endeavour by making us aware of any ideas or proposals you might have in respect of our future work. In recent months, we have published audit reports and analyses on various highly topical issues such as the preventive components of the Stability and Growth Pact, the assessment of value-added tax on cross-border e-commerce, and the integration of refugees. In the next few months, we will be issuing opinions on topics such as the EFSI, venture capital, the European Semester process, and Europe-wide stress testing for banks. However, we are always open to new ideas, and we would be very pleased to receive further suggestions from you, either joint proposals made through the Council or individual ones made by national capitals.

I want to close with a word of thanks to the Austrian Council presidency, which was always very obliging in its cooperation and interactions with the Court of Auditors, which added up to a mutually beneficial relationship. I hope to continue such excellent cooperation with the Romanian council presidency next year.

I am at your disposal for any questions you might have.

Thank you.