



EUROPEAN
COURT
OF AUDITORS

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Speech

Strasbourg, 24 October 2018

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

**Presentation of the European Court of Auditors' 2017 annual report
to the European Parliament plenary**

Strasbourg, 24 October 2018

Check against delivery.
The spoken version shall take precedence.

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President, Madam Chair, Madam Rapporteur, Honourable Members, Commissioner,

As a former Member, I know this is a busy time for the European Parliament. Not only is legislative output at its peak, but your institution is also, and rightly so, serving as a high-level forum to debate the future of Europe as the next European Parliament elections approach.

All the more reason for me, as President of the Court of Auditors, to thank you for setting aside the necessary time to debate our annual report.

We have put considerable effort into providing you with our assessment of the state of the EU's financial management in 2017. This will now trigger the start of the discharge procedure, the last one under this Parliament.

For 2017, as in previous years, we conclude that the EU's accounts present a true and fair view of its financial position. Like last year, we issue a qualified opinion, rather than an adverse 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 entitlements¹ – i.e. programmes where beneficiaries receive payments if they meet certain conditions. These entitlement-based payments represented more than half of all payments 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 – and credit must go to the Commission for its sustained efforts, together with the Member States.

Let me highlight as a positive example our conclusion that direct payments under the European Agricultural Guarantee Fund – which represents a very large part of that MFF heading – are free from material error.

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.

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, we want to provide you in the Parliament 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 to do so are met.

¹ Excluding some rural development schemes.

[Mr][Madam] President, I read the recently published *Parlamenteer 2018* survey with a great deal of interest. It certainly makes me optimistic for the future to see such solid support for EU membership and the euro. But it also shows wide discrepancies in support which we need to address.

Both annual and long-term EU budgets are by definition distributive tools, and deciding on them often entails political complications for Member States which feel they might have “lost out”. It is important for us at the Court of Auditors to ensure that, whatever political decisions are made, citizens from Bucarest, to Helsinki, to Lisbon can see with their own eyes, and therefore trust, that EU funds have been spent not only correctly, but also wisely.

We call this process “performance audit”, and I can tell you that you will be seeing an increasing number of these audits in the coming months and years. The many discussions which I hold in this House and in national capitals consistently point 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. In the coming days, we will be publishing our detailed opinion on the relevant legislation.

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.

So while it is important that the EU budget should be spent effectively, we also have to be realistic about what can be achieved with the money entrusted to us. The EU can only hope to win or retain the trust of its citizens if it fulfils the expectations which it generates.

Let us demonstrate to them that we can deliver what we promise, deliver it efficiently, and deliver it in a way which really makes a difference.

Thank you for your attention.