

# European Court of Auditors Annual Report Q&A

## **Q1: Is it true that the EU hasn't had its accounts signed off for the last 20 years**

The ECA has signed off the 2014 accounts as complete and accurate, as it has done every year since the 2007 financial year.

Vitor Caldeira, President of the ECA said on 10 November 2015, "We have signed off a clean audit opinion on the reliability of 2014 EU accounts".

### **What did the ECA say?**

ECA publishes annual report on implementation of EU budget. It covers (1) Statement of Assurance (whether books well kept) and (2) EU expenditure (whether transactions made in accordance with rules). The ECA spot checks around 6% of EU transactions and from that makes an estimation as to errors in procedure across the whole budget.

In 2014 they estimate 4.4% of the EU spending included errors in procedure. These errors occur when beneficiaries do not comply with the rules when claiming EU funding. Examples of errors include:

- Agricultural payments made for a specific area grassland, where in fact a small part of the land was covered by bushes or trees
- Regional development funding used to finance public sector IT outsourcing which did not correctly follow public procurement rules.
- Researching funding for SMEs given to an SME which was wholly owned by a larger parent company and thus ineligible.

## **Q2: Does this error rate mean EU taxpayer money is wasted?**

These errors in procedure do not mean that failed projects or wasted funds; despite the error funds may well have been spent in line with the aim. Where the errors have a financial impact undue payments are clawed back from the project or country at fault.

## **Q3: Does this error rate mean EU spending is riddled with fraud?**

The 4.4% error rate does not include fraudulent payments. The error rate is an estimate of money that should not have been paid out because it was not used in accordance with applicable legislation. This is different to deliberate deception (fraud). Any suspected fraudulent activity is reported to OLAF and dealt with separately. Average rates of fraud are 0.2% of annual EU spending and much of the fraudulent spend is recovered by OLAF.

## **Q4: Where are these errors made?**

80% of EU funds are spent by agencies in member states. For example in the UK, agricultural and rural development funds are spent by DEFRA and the Rural Payments agency; regional development funding is administered by Local Enterprise Partnerships and County Councils.

The ECA stated "*Corrective action by authorities in the Member States and by the Commission had a positive impact on the estimated level of error. There is further scope for the Commission to improve its assessment of risk and the impact of corrective actions.*"

Richard Ashworth MEP has been at the forefront of calls for a performance based budget for the EU, and therefore he wholly agrees with the ECA assessment that "*EU policymakers need to develop a wholly new approach to the management of EU spending and investment for the future. The upcoming mid-term review of the EU's financial planning programme offers an opportunity to consider how best to both reduce errors and improve the overall performance of the EU budget.*"