



## Press Release

Luxembourg, 13 October 2016

### **“EU needs to regain the trust of its citizens,” say EU Auditors**

Klaus-Heiner Lehne, the new President of the European Court of Auditors, has warned that the European institutions have, to a degree, lost the trust of EU citizens. Speaking at the presentation of the EU auditors’ 2015 annual report to the Budgetary Control Committee of the European Parliament, he said that, in the months and years to come, a major challenge for the EU would be to regain that trust. Mr Lehne told MEPs it was clear that there should be reform, but that whatever shape that reform took, it had to be built on solid financial foundations. That meant the EU had to keep good accounts; it had to make sure its financial rules were correctly applied; it had to deliver value for money, and it had to provide transparency and assurance.

*“People cannot even begin to trust the EU institutions if they do not believe we are looking after their money properly and keeping a good account of how we are doing that,” said Mr Lehne.*

This year, the EU auditors’ annual report shows that grant schemes based on reimbursing beneficiaries’ costs tend to have higher levels of error than entitlement schemes. It also draws attention to the risks to financial management associated with providing financial support through loans, guarantees and equity investments either directly or indirectly from the EU budget.

The auditors have signed off the European Union’s 2015 accounts, as they have done for every year since 2007. They also conclude that the collection of EU revenue was free from error. However, they estimate the level of error for expenditure at 3.8% (compared with 4.4% in 2014). This is not a measure of fraud, inefficiency or waste; it is an estimate of the money that should not have been paid out because it was not used fully in accordance with EU rules.

The auditors continue to find nearly the same estimated level of error under shared management with the Member States (4.0 %) as for expenditure managed directly by the Commission (3.9 %).

The report emphasises that a major influence on the level of spending errors is the difference between reimbursement schemes, where the EU refunds eligible costs on the basis of declarations made by beneficiaries, and entitlement schemes, where payments are made for meeting conditions. Reimbursement of costs is linked to a much higher level of error (5.2 %) than spending on an entitlement basis (1.9 %).

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Corrective action by authorities in the Member States and by the Commission did have a positive impact on the estimated level of error, say the auditors. But while steps have been taken by the Commission to improve its assessment of risk and of the impact of corrective actions, there is still scope for improvement. A significant number of errors could have been prevented, or detected and corrected before the related payments were made.

In addition, despite a reasonable overall level of awareness of the auditors' recommendations to the Member States, there is a wide variation in the level of formal follow-up. As a result, the auditors see only moderate evidence of changes in policy and practice at a national level.

#### **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. Its output is used to hold to account – particularly in the context of the annual discharge procedure – 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 80% of spending – principally agriculture and cohesion – this responsibility is shared with the Member States. The auditors test samples of transactions to provide statistically-based estimates of the extent to which revenue and the different spending areas (groups of policy areas) are affected by error.

EU budgetary spending totalled €145.2 billion in 2015, or around €285 for every citizen. This spending amounts to around 1% of EU gross national income and represents approximately 2% of total public spending in EU Member States.

The European Court of Auditors' full 2015 annual report can be found at:

[www.eca.europa.eu/en/Pages/AR2015.aspx](http://www.eca.europa.eu/en/Pages/AR2015.aspx)