



European Court of Auditors signs off the EU accounts and records another year of continued progress on compliance

Brussels, 13 October 2016

Questions and answers on the 2015 annual report of the European Court of Auditors

1. What is the European Court of Auditors' annual report?

The European Court of Auditors (ECA) is the independent external auditor of the European Union. Every year, it examines the accounts of all EU institutions/bodies and provides an annual statement of assurance on the reliability of the accounts (are the books in order?) and the legality and regularity of the underlying transactions (were all payments made in line with the rules?).

The ECA publishes (usually in October or November) its statement of assurance and the related observations in its annual report. The European Parliament takes the report into consideration when deciding whether to give its final approval on how the budget for a specific year has been implemented – a process known as 'discharge'.

The ECA also frequently adopts special reports on particular topics, focussing on performance issues, for example assessing whether the spending met with EU policy objectives.

2. What is meant by "error"? Is it the same as fraud, or waste?

As the ECA points out itself, the "level or error" 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. Such irregularities are often of an administrative nature; for example, when documents are missing or claiming reimbursement for items which are ineligible. Such errors do not usually undermine the end result of a project.

Fraud is something completely different- it is an intentional deception and a criminal offence. The Commission has zero tolerance for fraud and is consistently fighting against it. The Commission and the ECA report any suspicions of fraud with EU money to the European Anti-fraud Office (OLAF). The ECA refers only very few cases per year, out of more than a thousand it looks at annually, to OLAF on suspicions of fraud.

3. What is the "estimated level of error"?

Throughout the year, the ECA looks at projects and other activities paid for by the EU budget. It identifies payments which were not made in line with the relevant rules and classifies these errors as either quantifiable (i.e. with a potential financial impact) or not. The impact of the quantifiable errors is then extrapolated to determine the "estimated level of error" for a number of spending areas, as well as for the EU budget as a whole.

The level of error estimated by the European Court of Auditors varies between spending areas. For the financial year 2015 the estimated level of error was 3.8% for the EU budget as a whole. This is 0.6 % points less than for 2014, which confirms a downward trend. Revenue was completely free from error.

The Commission and the national authorities are following up on actual errors detected by the Court - money must not go missing.

4. What does the Commission do to avoid errors?

The various measures to improve the management of EU funds include:

- 1. First, EU-funded projects must be of added value to society. This is why we have set up a reinforced performance framework focussing on the results.** At the start of its mandate, the Commission launched the '[EU budget focussed on results](#)' initiative to make sure that EU resources are used effectively for the direct benefit of the citizens.
- 2. Second, while focussing on results the Commission remains committed to simplifying existing rules. Simpler rules reduce the risk of errors.** In 2015, it launched a simplification initiative to make it easier for beneficiaries to access and use EU funds, including the establishment of a [High Level Group on Simplification](#) for the beneficiaries of the European Structural and Investment (ESI) [Funds](#). In September 2016, the Commission presented its

proposal for a mid-term review of the 2014-2020 Multiannual Financial Framework (MFF), accompanied by an ambitious proposal to simplify (general and sectorial) financial rules.

3. **Third, EU spending by Member States is better controlled.** Member States manage 80% of the EU budget, according to the shared management system. The Commission has developed incentives to encourage every Member State to further improve its management and control systems. The goal is to help them all detect, report and correct irregularities before the EU performs its audits.
4. **Fourth, rigorous financial corrections and recoveries are rigorously implemented.** The Commission's position is clear: when an error is found, the money must be recovered. Between 2009 and 2015, the average amount of financial corrections and recoveries was €3 billion or 2.2% of the average amount of payments made from the EU budget. In 2015, implemented financial corrections amounted to €3.9 billion, which is equivalent to 2.7% of payments made.

5. What about the use of financial instruments? Aren't there risks involved when using them?

Financial instruments are important tools to get as much as possible out of the EU budget and to attract private money to invest in the real economy.

We should not be afraid of new ways of working that could directly benefit EU citizens. Of course, as with every innovation, we need to ensure the appropriate level and quality of controls. We shall continue to work with the ECA and the Parliament to make sure that this is the case.

In parallel, we are helping Member States to make the most out of these opportunities. For example, we have made the rules clearer and stricter for ESI Funds investments through financial instruments in 2014-2020, while promoting the combination of ESI Funds with the European Fund for Strategic Investments (EFSI), in line with objectives of the Investment Plan.

6. What is the discharge procedure, who grants the discharge and on what criteria?

The discharge is the final approval of the implementation of the budget for a specific year. It is granted by the European Parliament on a recommendation from the Council. Before taking its decision the Parliament examines the accounts and in particular the Annual Management and Performance report prepared by the Commission along with the European Court of Auditors' annual report on how the budget has been spent, as well as relevant special reports from ECA.

The Commission also provides information on its preventive and corrective actions to protect the EU budget and a report on its follow-up of requests made by the European Parliament and Council in the previous year's discharge.

The discharge is one of the means available to the European Parliament and the Council to hold the Commission accountable for the implementation of the EU budget.

More information:

- [Press release: European Court of Auditors signs off the EU accounts for 9th year in a row](#)
- [Integrated Financial Reporting Package](#)
- [Mid-term review/revision of the multiannual financial framework 2014-2020](#)
- [EU Budget Focused on Results Conference](#)
- [EU Results](#)

MEMO/16/3344

Press contacts:

[Alexander WINTERSTEIN](#) (+32 2 299 32 65)

[Sophie DUPIN DE SAINT-CYR](#) (+32 2 295 61 69)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)