

EN

2014

activity report



EUROPEAN
COURT
OF AUDITORS

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**In memoriam of our colleague Henrik Otbo, Member of the ECA,
who passed away suddenly on 1 February 2015**

Henrik Otbo, from Denmark, was born in 1949. He was Auditor General of Denmark from 1995 to 2012. He became a Member of the European Court of Auditors on 1 March 2012 and was a Member of the CEAD Chamber 'Coordination, evaluation, assurance and development' primarily responsible for audit development and review.

His lifelong dedication to public audit, in particular his leading role in the creation of International Standards of Supreme Audit Institutions as Chairman of the Intosai's Professional Standards Committee, make Henrik Otbo's passing a tremendous loss for the ECA, his former colleagues of the Danish National Audit Office and the world of auditing.



Mission

The European Court of Auditors is the EU institution established by the Treaty to carry out the audit of EU finances. As the EU's external auditor, we contribute to improving EU financial management, promote accountability and transparency and act as the independent guardian of the financial interests of the citizens of the Union.

Vision

An independent and dynamic Court of Auditors, recognised for our integrity and impartiality, respected for our professionalism and for the quality and impact of our work and providing crucial support to our stakeholders in improving the management of EU finances.

Values

Independence, integrity and impartiality	Professionalism	Adding value	Excellence and efficiency
<p>Independence, integrity and impartiality of the institution, its Members and staff.</p> <p>Auditing impartially while taking into account the views of stakeholders, but not seeking instructions or succumbing to pressure from any outside source.</p>	<p>Maintaining an exemplary standard of professionalism in all aspects of its work.</p> <p>Being involved in EU and worldwide public audit development.</p>	<p>Producing relevant, timely, high-quality reports, based on sound findings and evidence, which address the concerns of stakeholders and provide strong and authoritative messages.</p> <p>Contributing to effective improvement of EU management and to enhanced accountability in the management of EU funds.</p>	<p>Valuing individuals, developing talents and rewarding performance.</p> <p>Using effective communication to promote team spirit.</p> <p>Maximising efficiency in all aspects of work.</p>

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Dear reader,

The year 2014 marked an important moment of change for the EU and its finances. The EU gave the European Central Bank the responsibility of supervising major banks in the euro area. It was the first year of a new multiannual financial framework governing the way the EU budget will be spent from 2014 to 2020. And there was a significant renewal of the membership of the European Parliament, the Council and the European Commission, as well as the European Court of Auditors (ECA), where we welcomed six new members.

In 2014 our institution produced a record number of 91 reports, opinions and other outputs. These are the results of our financial, compliance and performance audit work, including those relating to our new responsibilities in the area of financial and economic governance. They contain many important findings, conclusions and recommendations relevant to improving EU financial management and accountability over the 2014 to 2020 programming period. A number of their key messages can be found in this activity report.

Based on our audit experience, we also aim to provide our stakeholders with as much insight as possible on the major challenges the EU faces in funding and implementing its policies. To that end — and as a contribution to this moment of significant renewal — we produced a new type of product in 2014, known as 'landscape reviews'. One deals with EU accountability and audit gaps and the other gives a comprehensive overview of EU financial management challenges. In addition, in response to a request from the European Parliament, we published an overview of our financial and compliance audit results in agriculture and cohesion spending between 2009 and 2013.

We at the ECA are committed to working with our stakeholders to ensure they can make best use of the results of our work. Amongst other things, in 2014 the ECA appointed a Member for institutional relations and a spokesperson. We also organised a number of events to provide opportunities for engaging with high-level EU and national stakeholders. This report highlights a conference on EU accountability which brought together a good number of those who are responsible for managing and scrutinising EU funds, including MEPs, the European Commission, supreme audit institutions and academics. A keynote address was given by the Vice-President of the European Parliament and former Commissioner, Olli Rehn. We also highlight the visit of a delegation of ECA Members to Lithuania, which met members of the parliament, the government and the national audit office as well as the central bank of Lithuania.

President's foreword

Throughout the year, our 2013–17 strategy guided our work and the measures we took to reform our institution. During 2014, we shortened the average time needed to produce our special reports and reduced our staff numbers as required under an interinstitutional agreement. We also laid the groundwork for future gains in efficiency and effectiveness by setting up an internal reform project. This will oversee the implementation of recommendations from internal working groups, from the independent external peer review of our performance audit practice and from the report by the European Parliament on the future role of the ECA.

The ECA is established in Luxembourg, but our work takes our audit teams to wherever EU funds are spent in order to collect audit evidence. This activity report gives an overview of audit visits and the reports we produce. Our recent audit of EU support to the European airports infrastructure is featured. It provides a colourful example of our performance audit assessing the impact and added value of EU funding and what it takes for the ECA to fulfil its mission. It also testifies to the commitment and professionalism of the ECA's staff, on whose expertise and hard work our institution, and the citizens we serve, can always rely.



Vítor Manuel da Silva Caldeira
President

Our activities

- **Annual reports** on the EU budget and on the European Development Funds (EDFs) for the 2013 financial year.
- Fifty-one **specific annual reports** on the EU's agencies, decentralised bodies and joint undertakings for the 2013 financial year, with two summary reports.
- Twenty-four **special reports** on specific budgetary areas or management topics, ranging from European banking supervision to EU-funded airport infrastructures.
- Seven **opinions** and other outputs providing contributions on financial management issues, ranging from the reform of the EU's own resources to an analysis of potential savings of a single site of the European Parliament.
- Two **landscape reviews**, one on challenges to EU accountability and public audit, and the other on risks to EU financial management.
- Organisation of a **high-level conference** on EU accountability and public audit.
- Hosting the **Contact Committee** of the Heads of the Supreme Audit Institutions of the EU Member States, focusing on enhancing cooperation between national SAIs and the ECA.

Our management

- **Six new Members** — Alex Brenninkmeijer, Danièle Lamarque, Nikolaos Milionis, Phil Wynn Owen, Klaus-Heiner Lehne, Oskar Herics — joined the ECA in 2014. The college of Members re-elected Vítor Caldeira the ECA president for a third 3-year period and appointed Ville Itälä Member for institutional relations.
- The **2013–17 ECA strategy** was an impulse for change in the organisation: we set up an internal reform project aiming at streamlining our audit process and ensuring a more flexible organisation of our resources.
- Continued **improvement in administrative efficiency** based on the simplification of procedures and the redeployment of staff from support services to audit. We also implemented an equal opportunities plan.



ECA premises in Luxembourg.

Audit reports and other outputs

The European Court of Auditors has three main outputs:

- **annual reports**, mainly containing the results of financial and compliance audit work on the European Union budget and EDFs. In addition, specific annual reports are published separately on the EU's agencies, decentralised bodies and joint undertakings.
- **special reports**, published throughout the year, presenting the results of selected audits of specific budgetary areas or management topics. These are mainly performance audits.
- **opinions** on new or updated legislation with an impact on financial management and other review-based outputs either at the request of another institution or at the ECA's own initiative.

In 2014 the ECA produced its **highest ever output**, as well as delivering new products. The annual reports continue to provide a high level of analytical information, and a comprehensive presentation of the results of our annual financial and compliance audits. For 2014 we gave an increased focus on performance, providing the EU budgetary authority with further insight on the quality of EU budget implementation. As a complement to the annual reports we published for the first time a summary of our audit results in shared management agriculture and cohesion for 2009–13, thus providing a multiannual perspective. The other main development was a **new product** known as landscape reviews. These provide information and analysis of key issues based on our audit knowledge. We published two such reviews in 2014, one highlighting the main accountability and public audit challenges facing the EU, and another underlining the risks to the EU's financial management.

	2012	2013	2014
Annual reports on EU budget and EDFs	2	2	2
Specific annual reports on EU agencies and decentralised bodies	50	50	51
Special reports	25	19	24
Opinions and other outputs	10	6	14
Total	87	77	91

The full text of all audit reports, opinions and landscape reviews is available in 23 EU languages on our website (<http://eca.europa.eu>).

2014 audit visits

While the vast majority of audit work is undertaken at our premises in Luxembourg, our auditors also make visits to Member State authorities, other recipients of EU funds — including the headquarters of international organisations, such as the World Health Organisation in Switzerland — and the EU's agencies and bodies. The purpose of these visits is to obtain direct audit evidence from those involved in the processing, management and payment of EU funds, and from the final beneficiaries who receive them. Our audit teams generally comprise two or three auditors, and visits range in length from a few days to 2 weeks, depending on the type of audit and travelling distance. Our audit visits within the EU are often made in liaison with the supreme audit institutions of the Member States concerned.

The frequency and intensity of audit work in individual Member States and beneficiary countries depend on the type of audit and the results of sampling. The number and length of audit visits can therefore vary between countries and from year to year.

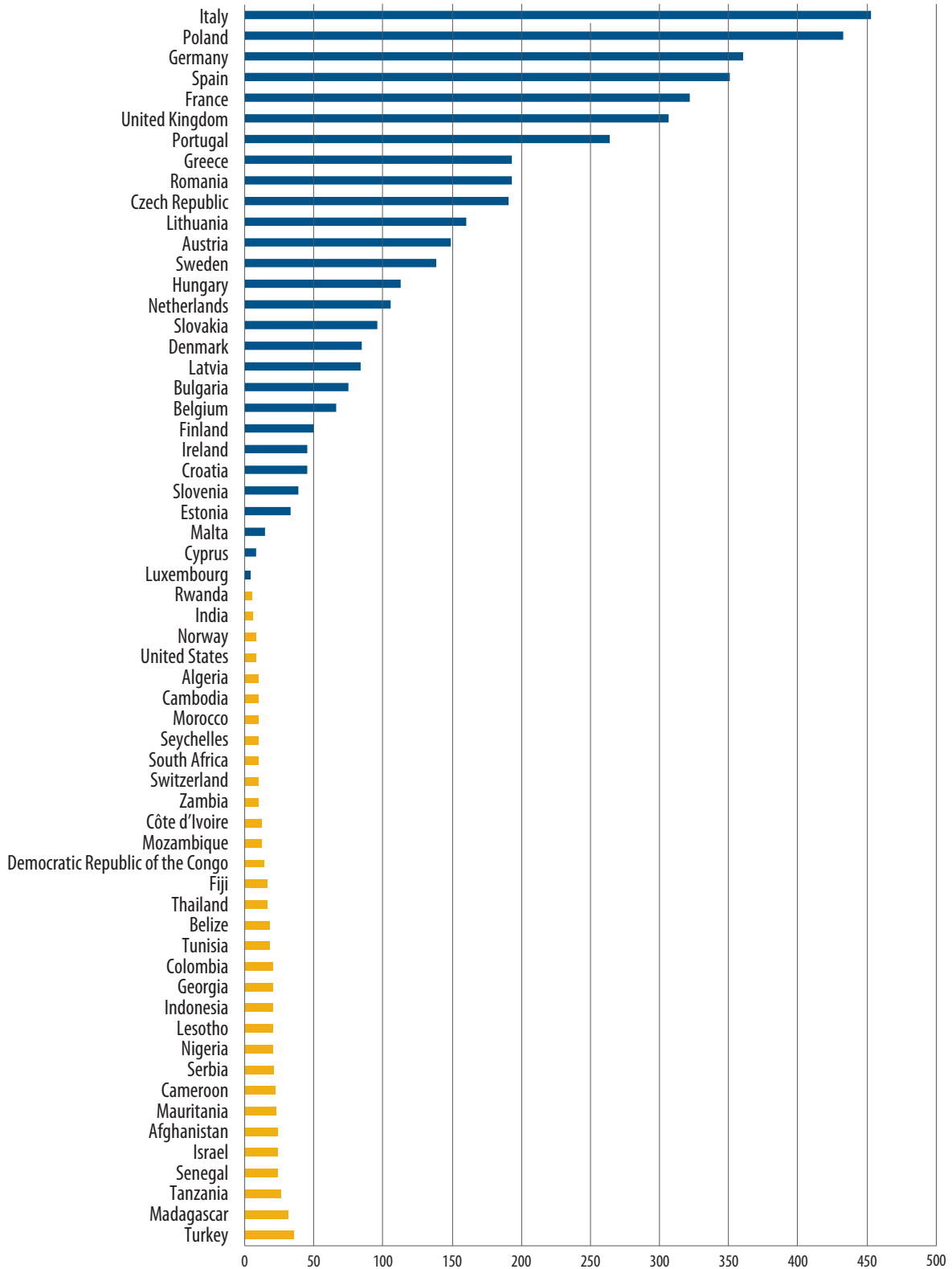
In 2014, the ECA's auditors spent 4 915 days auditing on the spot — in Member States and outside the EU — obtaining evidence for annual reports and selected audit tasks (special reports). In addition, a significant amount of time was spent at the EU institutions in Brussels and Luxembourg, as well as at decentralised agencies and bodies across the EU. In 2014 our auditors spent fewer days auditing on the spot in comparison with previous years. This reflects more efficient working practices and increased use of technology such as videoconferencing.



EU auditors checking maritime freight transport facilities.

EU auditors spent
4 915 days
auditing on the spot

2014 on-the-spot audit days



Annual report on the implementation of the 2013 EU budget

During 2014, the majority of our financial and compliance audit work was devoted to the implementation of the 2013 EU budget. The resulting **2013 annual report** was published on 5 November 2014 and presented to our stakeholders, such as the European Parliament and its Committee on Budgetary Control, the Council of the European Union (Economic and Financial Affairs Council), national parliaments and governments, as well as to the media.

The objective of the annual report is to provide findings and conclusions that help the European Parliament, the Council and citizens to assess the quality of EU financial management. We also give useful recommendations for improvement. Central to the 2013 annual report was the 20th annual statement of assurance (or 'DAS') on the reliability of the EU's accounts and the regularity of the transactions underlying them. This annual report provided an increased level of information on the performance of EU spending, as well as on the Commission's reporting on performance.

4.7 %
estimated error rate
in EU budget

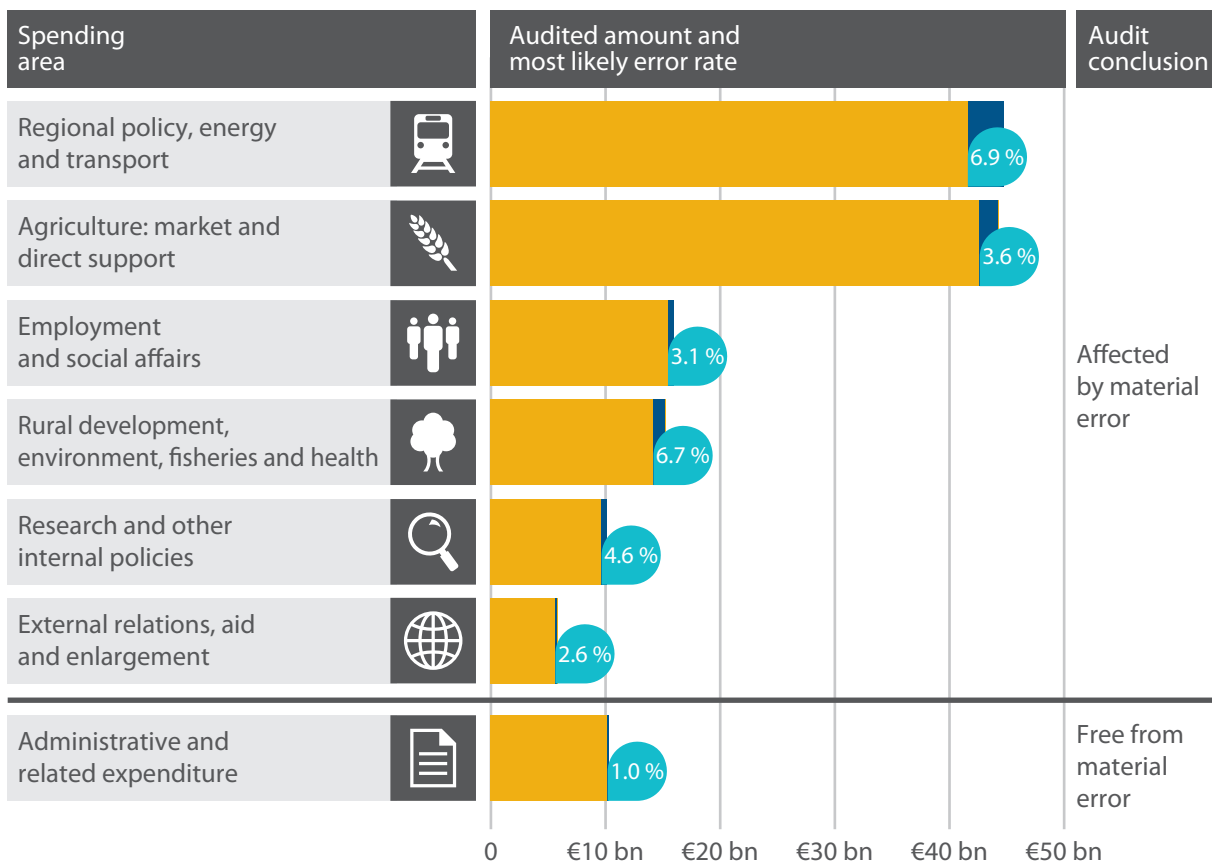


President Caldeira handing over the 2013 annual report to the President of the European Parliament, Martin Schulz.

The key messages of the 2013 annual report

- The ECA has given a clean opinion on the reliability of the 2013 accounts of the European Union. Revenue for 2013, taken as a whole, was legal and regular, as were commitments.
- Payments for 2013 were materially affected by error. The ECA therefore has given an adverse opinion on their legality and regularity. The estimated error rate, which measures the level of irregularity, for 2013 payments was 4.7 %, close to that of 2012 (4.8 %) and persistently above the materiality threshold of 2 %.
- The two most error-prone spending areas were regional policy, energy and transport, with a 6.9 % estimated error rate, and rural development, environment, fisheries and health, with 6.7 %. For shared management as a whole, the estimated error rate was 5.2 %.
- Overall, with significant variations between Member States, the supervisory and control systems examined were partially effective in ensuring the regularity of payments. As in 2012, for a large proportion of the transactions affected by error in the shared management areas, authorities in the Member States had sufficient information available to have detected and corrected the errors before claiming reimbursement from the Commission.
- Corrective and recovery action by the Member States authorities and the Commission had a positive impact on the estimated error rate. Without this action, the overall estimated error rate would have been 6.3 %.
- Spending of EU funds in the 2007–13 programming period was focused on absorption ('use it or lose it') and compliance rather than good performance. This lack of focus on performance is a fundamental flaw in the design of much of the EU budget.

2013 results of transaction testing for EU spending areas



% **Most likely error rate** (estimated error rate based on the quantifiable errors found in the statistical sample of transactions)

Table taken from 2013 EU audit in brief, available on our website (<http://eca.europa.eu>).



Agriculture and cohesion: overview of EU spending 2007–13

For the first time in 2014 the ECA published — in 23 EU languages — a background document alongside the annual reports in order to provide a multiannual perspective on our statement of assurance findings in the two major spending areas of agriculture and cohesion. It drew lessons learnt regarding EU financial management and control issues during the past spending period, summarised our audit results and identified challenges for the new 2014–20 spending period. It also addressed the European Parliament’s request for country-specific information in shared management.

Key messages

- Except for direct aid and market support for farmers in agriculture, the pressure to spend funds is a key component of risk for shared management expenditure.
- The main risks to regularity of agricultural spending are the ineligibility of land, animals or costs on which subsidy payments are based and of beneficiaries in receipt of subsidies, and the incorrect calculation of subsidies. Breaches of agri-environment requirements, of specific requirements for investment projects and of procurement rules are important factors increasing the risk for rural development spending.
- The biggest risk in cohesion spending relates to breaches of EU and/or national public procurement rules. The next biggest risk is that expenditure (or projects) is not eligible for EU subsidy.
- While there is significant scope to improve control systems, the key challenge is to take action to make programmes easier to manage. The ECA finds errors throughout all the EU Member States. Many errors have arisen because the overall management and control architecture is complex.
- Despite improvements in reporting on risk and on error by authorities in the Member States, the Commission continues to face significant challenges in ensuring that this information is reliable; and
- Changes to regulations for the new period may not have overall a significant impact on the level of risk.



Annual report on the European Development Funds for 2013

The EDFs are funded by EU Member States, but managed outside the framework of the EU budget and governed by their own financial regulations. The European Commission is responsible for the financial implementation of operations funded with resources from the EDFs.

The EDFs provide European Union assistance for development cooperation to the African, Caribbean and Pacific (ACP) states and overseas countries and territories (OCTs), based on the Cotonou Agreement of 2000. Spending is centred on the objective of reducing and eventually eradicating poverty, and is consistent with the objectives of sustainable development and the gradual integration of the ACP countries and OCTs into the world economy. It is based on the three complementary pillars of development cooperation, economic and trade cooperation and a political dimension.

The ECA's 2013 annual report on the EDFs was published, alongside that on the EU budget, on 5 November 2014. It contained the 20th statement of assurance on the EDFs.

The ECA found that the 2013 accounts fairly present the financial position of the EDFs, the results of their operations, their cash flows and the changes in net assets. The ECA estimated an error rate of 3.4% on EDF expenditure transactions for the 2013 financial year, an increase from 3.0% for 2012.



Specific annual reports for 2013

In 2014, the ECA prepared and published 51 specific annual reports for the 2013 financial year. They covered the 41 European decentralised and executive agencies and other bodies and the seven European research joint undertakings, as well as the European Central Bank, the European Schools and the communication infrastructure Sisnet.

We also published two summaries, providing an overview of the results of our annual audits for the 2013 financial year — one on the EU's agencies and other bodies, and another on the research joint undertakings. These two summary documents, facilitating analysis and comparison, were presented to the President of the European Parliament and the Parliament's Committee on Budgetary Control, the General Affairs Council and the Budget Committee of the Council. Together with the specific annual reports, they are available on our website (<http://eca.europa.eu>).

European agencies, bodies and joint undertakings are created by EU legislation to undertake specific tasks and are located throughout the European Union. They are active in many areas, such as safety, security, health, research, finance, migration and travel. Each one has its own mandate, administrative board, director, staff and budget. Whereas the financial risk related to the agencies, bodies and joint undertakings is relatively low compared to the total EU budget, the reputational risk for the Union is high: they are very visible in the Member States and have significant influence on policy-making, decision-making and programme implementation in areas of vital importance to European citizens.

51
specific annual reports
produced during
the year

Our activities

We gave the 41 agencies and other bodies unqualified opinions on the reliability of their 2013 accounts. The transactions underlying these accounts were legal and regular in all material respects for all but two agencies and other bodies: we issued qualified opinions for EIT (European Institute of Innovation and Technology) and Frontex (European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union). In addition, the seven joint undertakings produced reliable accounts for 2013, but for three of them we issued qualified opinions in respect of the legality and regularity of the transactions underlying their accounts. These were Artemis (Embedded Computing Systems), ENIAC (Nanoelectronics) and IMI (Innovative Medicines).

Regarding the European Schools, we were not able to conclude as to whether their consolidated annual accounts for 2013 were free from material misstatement because of their continuing accounting and control weaknesses.

We audited the European Central Bank's management of its carbon footprint and found that while the bank had taken steps to reduce the negative impact of its administrative operations on the environment, further efforts and actions are needed.



An EU agency: the Office for Harmonization in the Internal Market (OHIM), Alicante, Spain.

Special reports in 2014

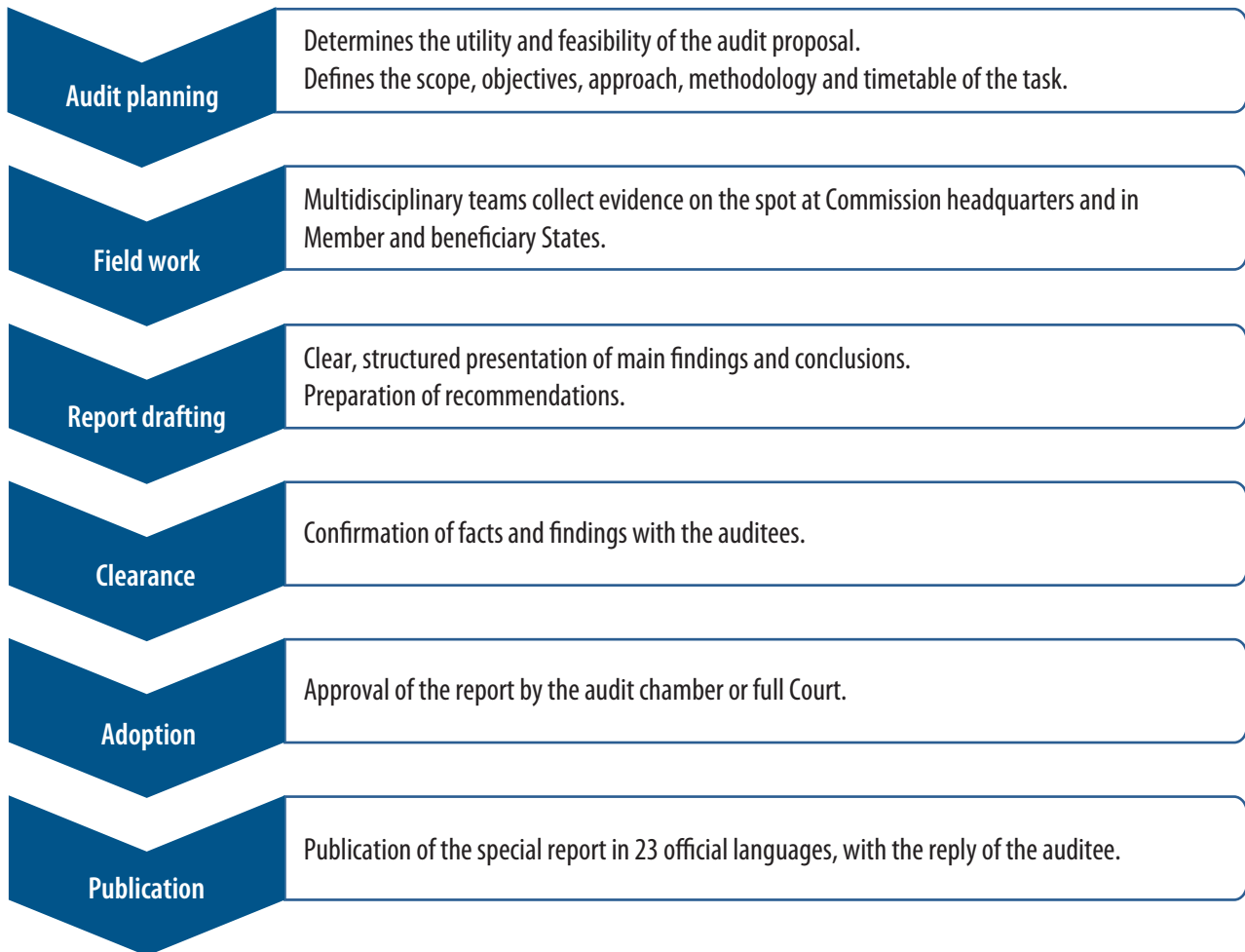
In addition to its annual reports and specific annual reports, the ECA publishes special reports throughout the year covering performance and compliance audits of specific budgetary areas or management topics of its choice. The ECA selects and designs these audit tasks to be of maximum impact, thereby making best use of its resources.

When selecting topics, the ECA considers the:

- risks of irregularity or poor performance in the spending or policy area;
- potential for the ECA to add value through audit; and
- political and public interest.

24
special reports
produced in 2014

The main steps in a selected performance or compliance audit task



Brief summaries of the 24 special reports produced by the ECA in 2014 are presented over the next few pages under the related headings of the multiannual financial framework for 2014–20, the multiannual budget of the EU.



Smart and inclusive growth

Smart and inclusive growth covers the following two areas.

Competitiveness for growth and jobs includes funding for research and innovation; education and training; trans-European networks in energy, transport and telecommunications; social policy; development of enterprises; etc. The EU expenditure earmarked for competitiveness for growth and jobs for 2014–20 — at current prices — amounts to €142 billion, or 13 % of the total EU budget.

Economic, social and territorial cohesion covers regional policy which aims at helping the least developed EU countries and regions to catch up with the rest, strengthening competitiveness of all regions and developing cooperation between them. The EU’s cohesion expenditure planned for 2014–20 — at current prices — is €367 billion, or 34 % of the total EU budget.

During 2014, the ECA produced the following special reports in this area.

- **Effectiveness of EU-supported public urban transport projects (1/2014)** — assessed the implementation and the effectiveness of public urban transport projects co-financed by EU structural funds to find whether they meet user needs and achieve their objectives.

The audit found that two thirds of urban transport projects co-financed by EU structural funds were underutilised. Weaknesses in project design and inadequate mobility policy were two of the main factors. This underperformance was generally not followed up by the promoters or the national authorities. In general, infrastructure and vehicles for most projects were implemented in accordance with project specifications. Significant delays and cost overruns were found but, once completed, almost all the projects audited met users’ needs.

European cities need to enhance mobility and to reduce congestion, accidents and pollution through local mobility policies. The EU allocated €10.7 billion to urban transport for the 2000–06 and 2007–13 periods. The projects co-financed help cities to implement urban transport such as metros, trams and buses.



Trams and buses are key methods of urban transport.

- Cohesion policy funds support to renewable energy generation — has it achieved good results? (6/2014)** — assessed the achievements of the two most important funding sources for promoting renewable energy — the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) — by examining whether funds had been allocated to well-prioritised, cost-effective and mature renewable energy generation projects with rational objectives and to what extent these funds had achieved good results in contributing to the EU 2020 target for energy from renewable sources.

The audit found that improvements are needed if EU funding is to make the maximum possible contribution to achieving the target. The audited projects delivered outputs as planned and most of them were sufficiently mature and ready for implementation when selected. There were no significant cost overruns or delays, and the renewable energy generation capacities were installed as planned and operational. But the energy production results were not always achieved or not properly measured. Overall value for money was limited because cost-effectiveness was not the guiding principle in planning and implementing the projects and the spending had only limited EU added value.

The Council of the European Union has set a binding EU target of 20 % in renewable energy in gross final energy consumption by 2020. Approximately €4.7 billion was allocated for renewable energy through the ERDF and CF in the 2007–13 period.



- Has the ERDF successfully supported the development of business incubators? (7/2014)** — assessed whether business incubation facilities co-financed by the ERDF had successfully supported high-potential start-up companies.

The audit found that the EU made a significant financial contribution to the creation of business incubator infrastructure, particularly in Member States in which this type of business support is relatively rare. But the performance of audited incubators was modest. The provision of incubation services was rather limited due to financial constraints and the low level of incubation activities. This was mainly because of a lack of management expertise in incubation practices and shortcomings in management systems.

Business incubators aim to support the successful establishment and further development of start-up enterprises. As a result, the provision of support to small and medium-sized enterprises (SMEs) has become an increasingly important political priority over the years. EU spending on this area amounted to €38 billion in the 2007–13 period.



ERDF co-financed 'Delta' building in the Wrocław Technology Park. Architect: Anna Kościuk.

- **Is the ERDF effective in funding projects that directly promote biodiversity under the EU biodiversity strategy to 2020? (12/2014)** — examined whether Member States took advantage of the available ERDF funding for directly promoting biodiversity, and assessed whether the co-financed projects were effective in halting biodiversity loss.

The audit found that the Member States' take-up of the ERDF financing for projects was less than for other areas of ERDF spending. If the ERDF is to continue to be helpful for delivering the EU strategy for halting biodiversity loss by 2020, the Commission should provide the Member States with more support for implementing specific protection and management plans for habitats and species. The co-financed projects were generally in line with national and EU biodiversity priorities. But the assessment of their effectiveness was undermined, as most Member States had neither results indicators nor monitoring systems to assess the development of habitats and species.

Protecting biodiversity is a key priority for the EU. Following the failure to achieve the previous target of halting biodiversity loss in Europe by 2010, the Council endorsed a new strategy up to 2020. €2.8 billion was allocated in the 2007–13 programming period to the direct promotion of biodiversity and nature protection under the ERDF.



- **Has ERDF support to SMEs in the area of e-commerce been effective? (20/2014)** — assessed whether the operational programmes were a good basis for efficiently supporting e-commerce measures for SMEs, whether the managing authorities selected and monitored e-commerce projects properly and whether the e-commerce projects co-financed by the ERDF were successfully implemented and provided measurable benefits.

The audit found that support from the ERDF to SMEs in the field of e-commerce — buying and selling goods on the Internet — contributed to an increased availability of business services online. But shortcomings in monitoring made it impossible to assess the extent to which the ERDF support contributed to the achievement of national and EU information technology goals. Weak selection procedures by Member States mean that many projects are unlikely to provide value for money. Managers of the programmes focused more on using the money (outputs) than on achieving results.

The Commission encourages e-commerce through its digital agenda for Europe. €3 billion of EU money was budgeted between 2007 and 2013 from the ERDF to help small businesses make better use of ICT.



ECA video of special report 20/2014, 'Has ERDF support to SMEs in the area of e-commerce been effective?' — EUauditorsECA on Youtube.

A performance audit in focus: EU-funded airport infrastructures: poor value for money (21/2014)



Closed part of over-dimensioned terminal at Fuerteventura airport

Air traffic in Europe has been on the rise for years and it is estimated that it will almost double by 2030. Although EU air transport policy has aimed at overcoming capacity problems by building additional infrastructure, making better use of existing facilities, optimising airport services and integrating other modes of transport, Europe will not be able to meet a large part of this demand due to a shortage of runway and ground infrastructure.

There are more than 500 commercial airports in Europe, directly and indirectly employing a million people and — together with airlines — contributing more than €140 billion to the European economy. Airport-related infrastructure projects are an important area of spending from the EU budget: the EU allocated some €4.5 billion to such projects over the 2000–13 programme periods, with more than €2.8 billion coming from cohesion policy funds.

The ECA undertook a performance audit of this support to examine whether there was a proven need for the investments, whether the constructions were completed on time and on budget and whether the new or upgraded infrastructure was fully used. We assessed whether the investments resulted in higher passenger numbers and improved customer service, and whether the funded airports were financially viable.

Our auditors carried out their work between May 2013 and October 2014, focusing on 20 EU-funded airports in Estonia, Greece, Italy, Poland and Spain. Between them they received more than €600 million of EU money from 2000 to 2013. The team reviewed the relevant legislation, air transport planning documents of the five Member States and publications of the main industry associations. Most importantly, they travelled to the 20 airports to assess and obtain direct evidence on the outputs, use, results and impacts of the EU funding and the financial situation of the airports.

We concluded that the EU-funded investments in airports had produced poor value for money. Too many airports, which were often in close proximity to each other, received funding for similar infrastructure and in many cases such infrastructure proved to be oversized. Only half of the audited airports succeeded in increasing their passenger numbers. Improvements in customer service or regional socioeconomic benefits, such as the creation of additional jobs, were either not measured or not supported by evidence.

We also found that seven of the airports were not financially self-sustainable and will struggle to remain in operation without more public money. For most of the airports audited, our team found lengthy delays in construction and in the delivery of infrastructure. Almost half of the airports experienced cost overruns, which meant that the Member States had to spend almost €100 million more from their national budgets than initially envisaged.

Funding was not well coordinated by the Member States, as most countries had no strategic long-term airport development plan. Moreover, the funding was insufficiently supervised by the Commission, which generally does not know which airports are receiving funding or what sums are involved. This situation prevents it from having a complete picture of all EU investments in airports and limits its possibilities for monitoring and ensuring that policies are properly designed and implemented.

Based on these findings, we recommended that starting with the 2014–20 programme period, the Commission should ensure that Member States only allocate EU funding to airport infrastructure in those airports which are financially viable and for which investment needs have been properly assessed and demonstrated. We also recommended that Member States have coherent regional, national and supranational plans for airport development to avoid overcapacity, duplication and uncoordinated investments in airport infrastructure.

The Commission responded with an assurance that lessons have been learned. As a result it has put into action a radically different approach in the relevant legislation for the 2014–20 programme period. The report was presented to the European Parliament, which fully endorsed the ECA's conclusions and recommendations.

The publication of the report was met with a high level of media interest. The media coverage was largest in Spain, but also included headlines in major international newspapers, television coverage and in social media.



From left to right: Afonso de Castro Malheiro, Jasmine Mitterbuchner, Patrick Weldon, Mircea Radulescu, Pietro Puricella, Joël Costantzer, George Pufan (ECA Member responsible for the report), Fernando Pascual Gil, Luc T'Joen, Tomasz Plebanowicz, Lorenzo Pirelli, Efstratios Varetidis, Jelena Magermane, Erki Must.



Sustainable growth: natural resources

The EU has extensive policy responsibility for agriculture and rural development, fisheries and the environment. Planned expenditure for 2014–20 — at current prices — is €420 billion, representing 39 % of the total EU budget.

Three quarters of the spending involves direct payments to farmers and support for agricultural markets through the European Agricultural Guarantee Fund (EAGF) — the ‘first pillar’ of the common agricultural policy (CAP). A further fifth of spending goes to EU support for rural development, which is financed from the European Agricultural Fund for Rural Development (EAFRD), the ‘second pillar’ of the CAP. Agriculture and rural development are under shared management by the Commission and Member States.

During 2014, the ECA produced the following special reports in this area.

- **Integration of EU water policy objectives with the CAP: a partial success (4/2014)** — assessed whether the objectives of EU water policy had been successfully integrated into the CAP.

The audit found that the EU has been only partially successful in integrating water policy goals into the CAP. There are weaknesses in the two integration instruments (cross-compliance and rural development) and delays and weaknesses in the implementation of the water framework directive. The CAP instruments have to date had a positive impact in supporting the policy objectives to improve water quantity and quality. However, these instruments are limited relative to the policy ambitions set for the CAP. For example, neither of these two instruments allows for the full implementation of the ‘polluter pays’ principle when spending CAP funds. Furthermore there is insufficient knowledge, at the level of the EU institutions and in the Member States, about the pressures placed on water by agricultural activities and how those pressures are evolving.

Protecting the quality of Europe’s water resources is a priority for the EU. Agriculture, as one of the main users and polluters of water, has a major role to play in sustainable management of this resource. The CAP represents just under 40 % of the EU budget (over €50 billion for 2014), and through it the EU seeks to influence agricultural practices affecting water.



- **Has the Commission effectively managed the integration of coupled support into the Single Payment Scheme? (8/2014)** — assessed how well the Commission managed the integration of EU support coupled to specific quantities of agricultural production (e.g. land cultivated or number of animals) into the Single Payment Scheme (SPS) after the 2008 health check of the CAP.

The audit found that the Commission, in the period 2010–12, did not adequately supervise Member States for the calculation of farmers' payment entitlements to EU farm support under the SPS. Although Member States had, for their most part, correctly used the reference data of farmers, there were significant weaknesses in the correct application of the calculation rules and principles. The Commission did not use its mandate to ensure that the criteria applied for the distribution of the available support were always consistent with EU principles, whether they followed the principles of sound financial management or potentially affected market conditions. The framework set up by the Commission did not sufficiently clarify which checks Member States have to carry out, while Member State control systems varied in quality.

The main objective of the SPS was to shift policy orientation from market support to decoupled income support to farmers, thus giving farmers the freedom to produce according to market demands and give them a more stable income. The SPS has so far been introduced in 18 Member States and accounts for 54 % of the entire EU budget for agriculture and rural development.

- **Is the EU investment and promotion support to the wine sector well managed and are its results on the competitiveness of EU wines demonstrated? (9/2014)** — assessed whether the investment and promotion measures were appropriately designed and examined the available monitoring and evaluation data to assess whether the Commission and the Member States achieved the expected results efficiently.

The audit found that the management of investment and promotion support to the wine sector was affected by design and implementation weaknesses and the impact on the competitiveness of EU wines was not always demonstrable. The specific investment measure for the wine sector is not justified, because support already exists under the EU rural development policy. The EU grants for the promotion of wines were often used for consolidating existing markets, rather than winning new markets or recovering old markets. The effects of the investment measure cannot be separated easily from rural development investments.

The EU is the world's biggest wine producer. EU support is intended to enhance competitiveness and better balance between supply and demand. Member States spent €522 million in EU funds under the promotion measure and €518 million under the investment measure between 2009 and 2013. For 2014–18, there has been a large increase in funds allocated to the Member States for this measure.



- **The effectiveness of European Fisheries Fund (EFF) support for aquaculture (10/2014)** — assessed whether measures to support aquaculture were well designed and implemented at EU and Member State levels, and whether the EFF delivered value for money and supported the sustainable development of aquaculture.

The audit found that measures to support aquaculture up to 2013 were not well designed and implemented at EU and Member State levels, and that the EFF failed to deliver value for money and effective support for the sustainable development of aquaculture. There was an inadequate framework to translate the EU's objectives for the sustainable development of aquaculture into reality and the results were insufficient. Measures in Member States to support the sustainable development of aquaculture were not well designed and implemented. Member States' national strategic plans and operational programmes were insufficiently clear and they lacked a coherent strategy for the sector. The targeting of EFF funding on aquaculture projects was often poor and the audit found that these projects usually failed to achieve the planned results or give good value for money.

Each year the EU produces about 1.3 million tonnes of fish from aquaculture, with a turnover of €4 billion. One of the aims of the CFP in the period up to 2013 was to encourage the sustainable development of aquaculture. By May 2013, the EFF had provided over €400 million to fund measures for productive investments, environmental and health measures in aquaculture.



- **Achieving economy: keeping the costs of EU-financed rural development project grants under control (22/2014)** — examined whether the approaches followed by the Commission and Member States were the most effective for keeping the costs of rural development grants under control.

The audit revealed that EU Member States could make significant savings in rural development project grants while ensuring better value for money. The auditors identified workable, cost-effective approaches for Member States to control the costs of rural development grants that could be more widely applied. Member States' control systems were geared towards checking the prices of the items or works in the grant applications, without paying equal attention to whether the items themselves were appropriate. Some types of price checks were time consuming or gave little assurance that the costs approved were reasonable. At the start of the programming period the Commission did not offer enough guidance or spread good practice. It did not ensure that Member States' systems were effective before approving large volumes of grants.

Around half of the €100 billion EU rural development expenditure programmed for 2007–13 was awarded in the form of grants towards the costs of investments and other projects undertaken by farmers, rural businesses, associations and local authorities.

- **Errors in rural development spending: what are the causes, and how are they being addressed? (23/2014)** — examined the compliance of rural development implementation with the applicable laws and regulations and identified the main causes of the high error rate for rural development.

The audit found that most of the errors in rural development policy are due to breaches of conditions set by Member States. Their control authorities could and should have detected and corrected most of the errors affecting investment measures in rural development. Their control systems are deficient because checks are not exhaustive and are based on insufficient information. The average error rate for rural development spending in the last 3 years was 8.2%. Investment measures accounted for two thirds of the error rate, and area-related aid accounted for the other third. Only 16% of the error rate resulted from non-compliance with direct provisions of EU regulations, while the largest proportion — 84% — was due to breaches of conditions set at Member State level.

The EU and Member States allocated more than €150 billion to rural development policy during the 2007–13 programming period, almost equally divided between investment measures and area-related aid. This spending is particularly prone to error.



- **Is EU support for preventing and restoring damage to forests caused by fire and natural disasters well managed? (24/2014)** — assessed whether EAFRD support (Measure 226) for restoring forestry potential and introducing preventive actions has been well managed and whether the Commission and the Member States can demonstrate that the support achieved its intended objectives in a cost-effective way.

The audit found that EU funding for preventing forest fires and restoring forests damaged by natural disasters and fire was not sufficiently well managed. The Commission and Member States cannot demonstrate that the intended results of the funding were achieved in a cost-effective way.

In the last 30 years, fires burned on average 480 000 hectares of forest area in the EU every year. Preventive actions accounted for more than 80% of the €1.5 billion of EU funding for the 2007–13 period.





Security and citizenship

This policy field was created to ensure the free movement of persons and to offer a high level of protection to citizens. It ranges from the management of the EU's external borders to judicial cooperation in civil and criminal matters, and includes asylum and immigration policies, police cooperation and the fight against crime. Spending for this area over the 2014–20 period — at current prices — should amount to €18 billion or below 2 % of the total budget.

During 2014, the ECA produced the following special reports in this area.

- **Lessons from the European Commission's development of the second generation Schengen information system (SIS II) (3/2014)** — examined why the Commission delivered SIS II over 6 years later than planned and at eight times the initial budget estimates. It examined whether there was a robust business case for SIS II throughout the project, which took into account major changes to the costs and expected benefits.

The audit found that the delays and overspending occurred because of weaknesses in the Commission's management. The initial deadline was unrealistic and the Commission was not able to manage the main development contract effectively before 2009. The initial estimates of the costs significantly underestimated the true scale of the investment necessary. The full cost of SIS II amounted to €189 million, compared to €23 million initially planned, plus an estimated €330 million for national systems. The Commission did not fully demonstrate that SIS II provided the best value for money for the organisation. It did however learn lessons during the first part of the project and has already applied some of them in preparing other large-scale IT projects.

The Schengen information system is used by border guards, police, customs, visa and judicial authorities throughout the Schengen area. It contains information (alerts) on persons who may have been involved in a serious crime or may not have the right to enter or stay in the EU. It also contains alerts on missing persons and lost or stolen property.

- **The External Borders Fund (EBF) has fostered financial solidarity but requires better measurement of results and needs to provide further EU added value (15/2014)** — assessed the EBF's effectiveness and EU added value and to what extent the objectives of its co-financed projects and programmes were achieved.

The audit found that the EBF has contributed to the management of the EU's external borders and fostered financial solidarity among Member States. But further EU added value was limited and the overall result could not be measured owing to weaknesses in monitoring by the responsible authorities and serious deficiencies by the Commission and the Member States in their evaluations. Member States' programmes were not embedded in national strategies for border control and visas and lacked SMART objectives and measurable indicators. Project selection procedures did not ensure that Member States' actual needs were met. Inadequate procurement procedures in Member States put sound financial management at risk. There were serious weaknesses in management of the fund in key Member States — Greece, Spain, Italy and, for the early funding years, Malta.

As the main EU financial instrument in support of external border management, the EBF delivered €1.9 billion over the 2007–13 period. Its overall aim was to help current and prospective Schengen states ensure uniform, effective and efficient controls at their common external borders.



Global Europe

The EU's activities in the field of external relations focus on enlargement, enhancing the stability, security and prosperity of its neighbourhood, working actively to support sustainable development at the international level and measures to promote global political governance and ensure strategic and civilian security.

The EU earmarked €66 billion — at current prices — for spending on these objectives for the 2014–20 period, representing 6% of the total budget. Most spending is managed directly by the Commission, either from its headquarters or through its delegations. Some aid is also jointly managed with international organisations.

During 2014, the ECA produced the following special reports in this area.

- **The establishment of the European External Action Service (EEAS) (11/2014)** — assessed if the establishment of the EEAS was adequately prepared, its resources were prioritised, organised and allocated efficiently and whether it has coordinated effectively with the Commission and the Member States.

The audit found that the EEAS should increase its efficiency and do more for the EU and its citizens. The establishment of the EEAS was rushed and inadequately prepared. Weaknesses in the prioritisation, organisation and allocation of resources reduced its efficiency. Coordination between the EEAS and the Commission was only partly effective, mainly due to ineffective cooperation mechanisms and a rigid financial and administrative framework of the delegations. Coordination with Member States can be developed further to exploit synergies such as information sharing or co-location, and consular services, including protection of EU citizens.

The EEAS is headquartered in Brussels and has a global network of 140 delegations. For 2014, the EEAS budget was €519 million, split between headquarters (41 %) and delegations (59 %).

- **EU support for rehabilitation following the earthquake in Haiti (13/2014)** — examined whether EU support for rehabilitation of the country was well designed and implemented and if the Commission properly linked the provision of relief with rehabilitation efforts and development aid.

The audit found that while EU support for rehabilitation after the 2010 earthquake in Haiti was well designed overall and addressed Haiti's major needs, the programmes were not implemented effectively enough and the link between relief, rehabilitation and development was insufficient. Most of the programmes examined delivered — or were likely to deliver — their planned outputs, although almost all experienced delays. While the Commission was well aware of the difficult context, it did not sufficiently manage some significant risks to the implementation and achievement of its programme objectives. Programmes were monitored but the Commission and the EEAS did not take timely action to strengthen the resources of the EU delegation in Haiti, which had insufficient capacity to perform on-the-spot visits.

In March 2010, 55 donors pledged \$5.4 billion of rehabilitation and development for the 2010–12 period and a further \$3.0 billion for 2013 and beyond. The EU was one of the main donors, making a single pledge of €1.2 billion.

- **The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies (16/2014)** — examined the set-up and management of the investment facilities and whether the use of blending yielded the intended benefits.

The audit gave a positive verdict on the set-up and general effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies, while pointing out a number of key issues which need to be urgently addressed. While the facilities were well set up, the potential benefits of blending were not fully realised due to Commission management shortcomings. For nearly half of the projects examined there was insufficient evidence to conclude that the grants were justified. In some cases the investments would likely have been made without the EU contribution. The Commission should ensure that grant allocation is based on a thorough, documented assessment of the added value in terms of achieving EU development, neighbourhood and enlargement objectives.

Since 2007 the Commission has created eight regional investment facilities. These combine grants funded by the EDFs and the EU general budget with loans, mainly from European development-finance institutions. Blending aims to address investment opportunities, usually major infrastructure projects, which could be viable but do not attract sufficient funding from market sources.

- **Can the EU's Centres of Excellence initiative contribute effectively to mitigating chemical, biological, radiological and nuclear (CBRN) risks from outside the EU? (17/2014)** — assessed whether the initiative was based on a sound analysis of the situation prior to 2010, whether the organisational set-up of the initiative was appropriate to meet identified challenges, and whether an appropriate management system was in place and operational.

The audit was generally positive about the contribution that the centres of excellence make to mitigate CBRN risks. The initiative is in line with the priorities established in the European security strategy and the EU strategy against the proliferation of weapons of mass destruction. It provides for the involvement of all stakeholders in the partner countries, enhancing sustainability of the actions taken. The organisational set-up is generally appropriate, but its complexity contributed to delays in getting projects up and running.

The Centres of Excellence initiative refers to the establishment of regional platforms in different regions of the world to tackle CBRN risks. It is the single biggest measure in the long-term component of the Instrument for Stability and was allocated €100 million for the 2010–13 period.



- **EuropeAid's evaluation and results-oriented monitoring (ROM) systems (18/2014)** — examined whether these systems are reliable, appropriately organised and resourced, ensure the provision of relevant and robust findings and ensure that maximum use is made of the findings.

The audit was critical of the reliability of these systems. The evaluation and ROM functions are well organised but more attention should be paid to the efficient use of resources. The systems do not provide enough information on the results achieved and fail to ensure maximum use of the findings. The evaluations of projects and programmes which are organised by Commission delegations and carried out in partner countries are unsatisfactorily managed: overall supervision is inadequate, the amount of resources used is unclear and access to the results is lacking.

Two of the key elements of the accountability framework operated by the European Commission's Directorate-General for Development and Cooperation — EuropeAid are its evaluation and ROM systems. The total annual cost of the systems is estimated at €34–€38 million. The annual spending on development which these systems cover is estimated to be some €8 billion.

- **EU pre-accession assistance to Serbia (19/2014)** — examined whether the Commission managed pre-accession support to Serbia during the 2007–13 period effectively and its support for the key area of governance.

The audit found that EU support of €1.2 billion over the 2007–13 period was globally effective in preparing Serbia for EU membership. The funding from the Instrument for Pre-Accession Assistance (IPA), along with other forms of support, helped Serbia to implement social and economic reforms and to improve its public finance management. Based on experience gained in other IPA beneficiary countries, the Commission is increasing its emphasis on governance issues when planning financial and non-financial assistance to Serbia. The Commission was effective in managing non-financial assistance to Serbia in the area of governance and the fight against corruption. The Commission was also effective in preparing Serbia for decentralised management of EU funds, but only in the limited sphere of the IPA management structures.

Governance, identified by the Commission as the most challenging area for Serbia, received a quarter of the IPA funding, which amounted to around €170 million per year between 2007 and 2013. The EU complements the IPA funding with some non-financial means to help Serbia prepare for EU membership.





Administration

The administrative expenditure of the EU’s institutions, agencies and other bodies covers staff costs, such as salaries and pensions, and spending on buildings, equipment, energy, communications and information technology. The spending earmarked for this area for 2014–20 — at current prices — amounts to €70 billion, 6 % of the total EU budget.

During 2014, the ECA produced the following special report in this area.

- **How do the EU institutions and bodies calculate, reduce and offset their greenhouse gas emissions? (14/2014)** — assessed whether the EU institutions and bodies had policies to reduce the impact of their administrative operations on the environment and if they were implemented effectively.

The audit called for the EU institutions and bodies to develop a common policy to reduce greenhouse gas emissions ('carbon footprint'). Progress in introducing the European eco-management and audit scheme is slow, with patchy information available on the actual amount of emissions. Only a few institutions and bodies use green procurement systematically.

While the EU institutions and bodies managed to reverse the trend of increasing greenhouse gas emissions caused by energy consumption in their buildings, the available data did not allow clear reduction trends for other emission sources such as duty travel to be identified. More than half of the audited EU institutions and bodies had not set any quantified targets for reducing their emissions.

The EU’s policy on the environment aims at a high level of protection. The Treaty on the Functioning of the European Union (TFEU) provides that environmental protection requirements must be integrated into the definition and implementation of the Union’s policies and activities in order to promote sustainable development.





Revenue/own resources

Own resources are the EU's revenue, which is used to finance its spending. There are three types of own resources: traditional own resources (customs duties on imports from outside the EU and sugar levies), own resources based on VAT and own resources based on GNI (the largest source of revenue of the EU budget).

During 2014, the ECA produced the following special report in this area.

- **Are preferential trade arrangements appropriately managed? (2/2014)** — assessed whether the Commission appropriately assessed the economic effects of preferential trade arrangements and if controls are effective in ensuring that imports cannot wrongly benefit from a preferential tariff, resulting in lost EU revenue.

The audit found that while the Commission has increased the quality of its impact assessments over time, it still does not sufficiently analyse the economic impact of preferential trade agreements. The EU loses revenue because of weak Member State customs controls that fail to prevent some imports from wrongly benefiting from preferential tariffs.

Through unilateral arrangements, the EU gives preference to developing countries for tariff-free access to the EU market, thereby contributing to poverty eradication and to promoting sustainable development. In 2011 the value of goods imported into the EU under PTAs amounted to more than €242 billion, representing 14 % of EU imports.





Financial and economic governance

The European Union's economic governance framework aims to prevent or detect and correct problematic economic trends such as excessive government deficits or public debt levels, which can hold back growth and put the sustainability of public finances at risk.

In 2014, the ECA produced its first special report in this area.

- **European banking supervision taking shape — EBA and its changing context (5/2014)** — assessed whether the Commission and the European Banking Authority (EBA) had satisfactorily carried out their responsibilities in setting up the new arrangements for the regulation and supervision system of the banking sector and examined how successfully they were functioning.

The audit found that the Commission's reform of banking sector legislation and the creation of the EBA were important first steps in response to the financial crisis. The EBA provided the elements of a new regulatory and supervisory system for the banking sector. Shortcomings were identified in cross-border banking supervision, the assessment of the resilience of EU banks and the promotion of consumer protection. The EBA had a limited legal mandate and staff to conduct the 2011 stress tests which were conducted without financial 'backstop' measures at EU level. Although stress tests were helpful in initiating the recapitalisation of a large number of banks, they revealed the limitations of such exercises when not combined with an assessment of the quality of the asset portfolio. Questions remain over its future role in the supervision of banks and the respective roles and responsibilities of the EBA and the ECB.

In the aftermath of the financial crisis, the Commission took steps to stabilise the banking sector by seeking to strengthen the regulatory framework and supervision of banks, in particular those operating across borders. As part of extensive proposals for regulatory changes, the EBA was set up in 2011. The EBA has a role in European banking regulation supervision and consumer protection.

All special reports are published in full in 23 EU languages on our website (<http://eca.europa.eu>) and through the EU bookshop (<http://bookshop.europa.eu>).



Opinions and other outputs in 2014

The ECA contributes to improving EU financial management through its opinions on proposals for new or revised legislation with financial impact. These opinions are requested by the other EU institutions, and used by the legislative authorities — the European Parliament and the Council — in their work. The ECA can also issue position papers and reviews on other issues at its own initiative. A **view on the Commission's report on anti-corruption measures** was issued at the ECA's own initiative, while an **analysis of potential savings to the EU budget if the European Parliament centralised its operations** responded to a request by the European Parliament.

In 2014, the ECA produced **seven opinions** covering a number of significant areas:

- on a proposal for amending the regulation on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters (1/2014);
- on a proposal for adjusting the remuneration and pension of the officials and other servants of the European Union and the correction coefficients applied thereto (2/2014);
- on a proposal for amending the financial regulation applicable to the 10th European Development Fund for the implementation of the Bridging Facility (3/2014);
- on a proposal for amending the financial regulation applicable to the budget of the European Schools (4/2014);
- on a proposal for amending regulation of the Office for Harmonization in the Internal Market (OHIM) laying down the financial provisions applicable to the OHIM (5/2014);
- on a proposal for amending the regulation concerning the European Anti-Fraud Office (OLAF) as regards the establishment of a controller of procedural guarantees (6/2014);
- on a proposal for amending the regulation on the system of the European Communities' own resources (7/2014).

7
opinions
produced in 2014

Landscape reviews

The year 2014 was a period of significant renewal for the European Union. Against this background of change, the ECA conceived and produced a new type of product: landscape reviews. Each review covers a broad theme, and is based around the ECA's output, accumulated knowledge and experience. They are intended to serve as a basis for consultation and dialogue with the ECA's stakeholders, and enable the ECA to make observations on important matters which might not ordinarily be subject to audit. The first landscape review, published in September 2014, addressed issues of EU accountability and public audit arrangements (see box), and it served as the chief reference for the EU accountability conference in October 2014 (see page 42). The second one, entitled 'Making the best use of the EU money: landscape review of risks to the financial management of the EU budget', was published in November 2014. It provided an overview of EU financial flows and gives a summary of issues to be addressed to ensure that, among other things, the EU taxpayer gets better value for money from the EU budget (see **box**).

The opinions and landscape reviews are published in full in 23 EU languages on our website (<http://eca.europa.eu>).

2
landscape reviews
produced in 2014

Gaps, overlaps and challenges: a landscape review of EU accountability and public audit arrangements

This landscape review aims to raise awareness of, and foster reflection on, a topic which is of real importance to the democratic legitimacy of the EU's institutional system.

It describes the essential features of an accountability framework, the role of public audit and the key elements for a strong accountability and audit chain, sets out six important areas that face accountability and public audit challenges at EU level and analyses the accountability and audit arrangements applying to the various new EU and intergovernmental instruments developed as a response to the financial crisis.

Our review concludes by setting out how to improve accountability and public audit at EU level, including:

- a more collaborative system of scrutiny for coordinated or intergovernmental instruments between EU and Member States;
- a more consistent and comprehensive set of arrangements across all EU policies, instruments and funds managed by EU institutions;
- better management and control systems for EU activities and funds as a prerequisite for transparency, good governance and accountability;
- a focus on measuring EU policy impact and results where the EU budget plays a small role but there is significant EU regulatory or legislative provision; and
- reducing costly audit overlaps for EU policies and funds by ensuring that auditors at each level can rely appropriately on the work of others.

Making the best of EU money: a landscape review of the risks to the financial management of the EU budget

This landscape review brings together the ECA's observations on all aspects of the management of the EU budget at a time when Member State governments and taxpayers want to see better value from the funds they contribute.

It draws upon 35 years' experience of auditing EU revenue and expenditure to provide an overview of EU financial management and summarises the issues to be addressed to ensure that the EU budget gives better value for money. This analysis is complemented by detailed fact sheets on the main characteristics and issues associated with the different revenue and spending areas, and sets out suggestions for improvement.

The review identifies a number of key matters which merit specific attention, including:

- o overly complex eligibility rules and other conditions for receiving EU support, making them difficult to understand, administer and check and leading to differing interpretations;
- o public procurement rules and procedures which are not always followed — either deliberately or because they are not well understood — leading to higher costs or delays in EU-funded projects;
- o insufficient capacity of Member State authorities to manage and spend EU funds, increasing the risk of error and poor-quality spending;
- o poor coordination between EU and national budgets, a lack of Member State funds available for co-financing and an emphasis on ensuring compliance with the rules rather than the results achieved; and
- o a large volume of commitments from the previous spending period still to be financed by the EU budget.

Accountability framework for EU's management and financial controls

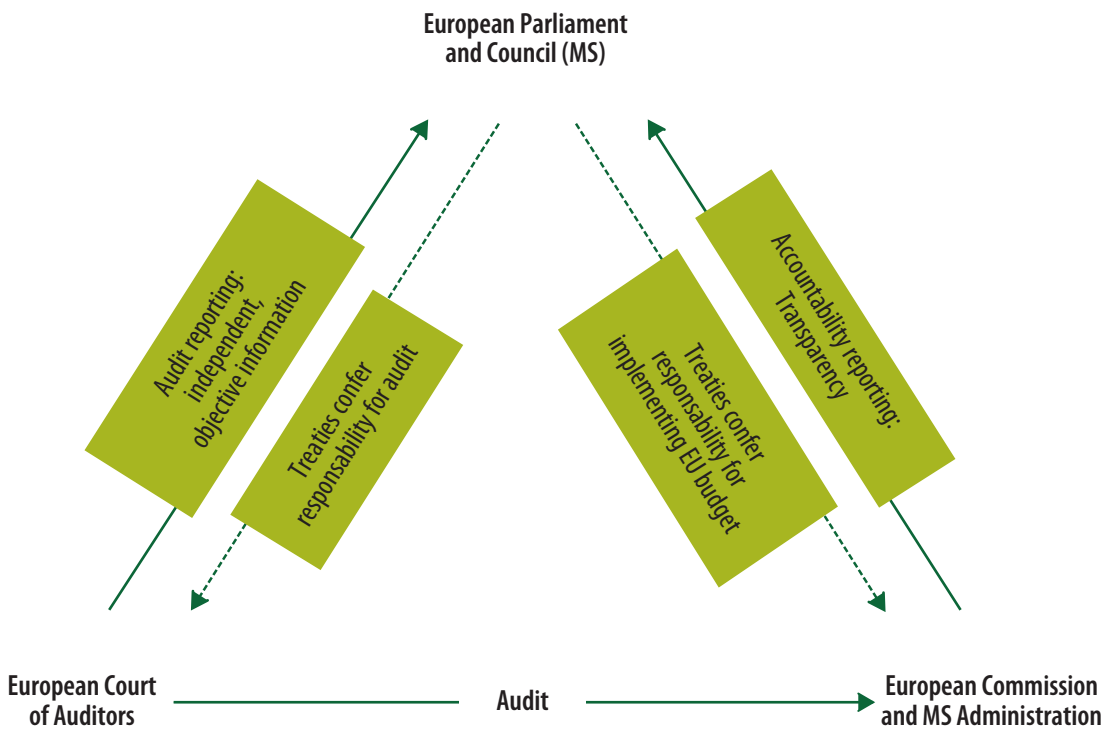


Diagram from the landscape review of EU accountability and public audit arrangements.

Relations with stakeholders

The value of the ECA's contribution to EU accountability depends, to a large extent, on the use made of our work and products by our main partners in the accountability process. Those partners are the political authorities responsible for public oversight of the use of EU funds (i.e. the European Parliament, the Council of the European Union and national parliaments). Our strategy for 2013–17 commits us to enhancing our arrangements for monitoring external development and managing relations with our partners.

The President and the Members of the ECA maintain regular **contacts with the committees of the European Parliament**, in particular the Committee for Budgetary Control (CONT). In 2014, President Caldeira participated in two CONT meetings, as well as in a number of European Parliament plenary sessions. This included presenting our annual work programme and annual reports. One of our strategic goal is to strengthen partnerships with our key stakeholders, such as with the various specialised committees of the European Parliament and the Council.

In April 2014, the ECA appointed Ville Itälä to the newly created position of Member responsible for institutional relations, which contributed to enhancing our institution's relations with other EU institutions at a strategic level, including increasing the opportunities for our work to have greater impact.

In 2014, other ECA Members appeared 64 times before the CONT Committee at 17 meetings on the subject of our annual and special reports. The resulting discussions led to reports being prepared by individual CONT members on our special reports, including a draft report on special reports in the context of the 2013 discharge procedure. The CONT started in 2014 to systematically invite the specialised committees to the presentation of our special reports at their meetings, helping to increase the impact of our work.



2014 saw the continuing tradition of a joint meeting between the members of CONT and the ECA, which took place in October at the ECA in Luxembourg.

In early 2014, the European Parliament adopted a **report on the future role of the European Court of Auditors**. The ECA welcomed the view expressed in the report that any reform should be seen in the wider context of the challenge of improving EU accountability. Our institution began addressing issues where we have the power to act. In particular in our work, our relations with stakeholders and our use of resources. The progress we achieved in addressing these issues was underlined in the peer review published in 2014 (see 'Significant events').

In many cases, we had a number of improvement initiatives already underway as part of the process for implementing the 2013–17 strategy, such as streamlining audit and reporting processes, as well as a more flexible organisation of resources. This has resulted in an increased number of reports produced during the year and in a reduced average time for their production. Further efficiency gains and effectiveness of its audit process are expected from the internal reform project set up in 2014.

In a resolution of November 2013, the European Parliament asked the ECA to provide a comprehensive analysis of the potential savings for the EU budget, including savings made through reduced loss of working time and greater efficiency, if Parliament had only one seat. The ECA issued the result of this work in July 2014, concluding that moving from Strasbourg to Brussels could generate significant savings and that moving from Luxembourg to Brussels could add marginally to those savings.

In 2014, the ECA continued **regular cooperation with the Council** in its many different configurations and activities. President Caldeira presented the annual reports to the Economic and Financial Affairs Council in December 2014, and the ECA was regularly called upon to present special reports to various Council committees and working groups.

Ensuring **effective relations with national parliaments** is another of our priorities. ECA Members often present our annual reports to national audiences. We keep national parliaments' European affairs and financial control committees regularly informed about our activities. Delegations from a number of national parliaments visited our institution during the year, including a delegation of the French Senate in July 2014. In addition, the ECA invited key stakeholders to its annual Members' seminar, held in December 2014, to present their views on EU accountability challenges.

The **ECA cooperates with the European Anti-Fraud Office (OLAF)** in fighting fraud against the EU budget. We forward to OLAF any suspicion of fraud, corruption or other illegal activity affecting the EU's financial interests which we identify in the course of our audit work or is communicated to us by third parties. During 2014, we communicated to OLAF 16 cases of suspected fraud, corruption or illegal activity detected during our audit work.



Nicole Bricq, Member of the Senate of France (centre), welcomed at the ECA by President Vítor Caldeira and ECA Member Danièle Lamarque.

Cooperation with other supreme audit institutions

The ECA cooperates with other supreme audit institutions (SAIs) mainly through:

- the Contact Committee of the SAIs of EU Member States;
- the Network of the SAIs of candidate and potential candidate countries to the EU; and
- international organisations of public audit institutions, notably the International Organisation of Supreme Audit Institutions (Intosai) and its European regional group (Eurosai).

The ECA reviewed and updated its strategy for international cooperation in September 2014 (see **box** below).



EUROSAI Congress, The Hague, June 2014.

The ECA's strategy for international cooperation

The ECA's cooperation strategy — in line with its overall strategy for 2013–17 — aims at maximising the institution's contribution to EU public accountability, notably by enhancing bi- and multilateral cooperation with relevant partners, such as national SAIs and international audit organisations. With our audit obligations extending to areas of European (e.g. financial governance) and worldwide (e.g. climate change) impact, our international cooperation activities become even more essential than in the past.

The priorities of the ECA's cooperation strategy are the following.

- The key focus will continue to be on cooperation at EU level through the Contact Committee and with EU Member State SAIs individually. This may include involvement in joint audit and accountability work relevant for the EU budget and other EU policy areas.
- In the context of EU enlargement, we will continue to support the SAIs of EU candidate and potential candidate countries in their capacity-building activities.
- Within international audit organisations such as Intosai, we will increase our involvement in cooperation activities related to professional standard setting, given its importance for capacity building and knowledge sharing within the public audit sector.

Through our cooperation strategy, together with other recent measures such as the newly introduced high-level conferences and meetings, we will contribute to raising awareness about EU financial management and accountability.

Contact Committee of the Supreme Audit Institutions of EU Member States

The EU Treaty requires the ECA and national audit bodies of the Member States to cooperate in a spirit of trust, while maintaining their independence. We actively cooperate with EU Member State SAIs through the Contact Committee framework, which includes an annual meeting and various working groups, networks and task forces set up to address specific issues of common interest.

In October 2013, the ECA took over the chair of the Contact Committee for a period of a year. In this capacity, we hosted the annual meeting of the Contact Committee which took place in October 2014. The main agenda themes were a seminar on enhancing cooperation, notably on issues related to the Europe 2020 strategy and the banking union, reporting on activities of the Contact Committee and its professional partners and EU-related audits by members of the Contact Committee.

We also cooperate with EU Member State SAIs on a bilateral basis. A good example of this is a cooperative project carried out between the ECA and the SAI of Poland — Najwyższa Izba Kontroli. This involved active participation of the latter's auditors in our audit work in Poland on animal disease eradication, control and monitoring. We are also cooperating with the SAIs of Poland and Portugal on the subject of Europe 2020 in the context of the performance chapter of our 2014 annual report.



Contact Committee meeting in Luxembourg, on 15-17 October 2014.

Our activities

Network of supreme audit institutions of candidate and potential candidate countries to the EU

The ECA cooperates with the SAIs of EU candidate and potential candidate countries, mainly through a Network¹ similar to the Contact Committee. Throughout 2014, we supported the Network in carrying out a parallel performance audit on energy efficiency, notably by providing experts on the subject matter and on the methodology of performance auditing.

International organisations of public audit institutions

We continued to play a full and active part in Intosai activities in 2014 and made important contributions to several of its committees and working groups:

- in Intosai's Goal 1 as a member of the Professional Standards Committee and of its financial, compliance and performance audit subcommittees;
- in Intosai's Goal 2 as a member of the Capacity Building Committee and its subcommittee on promoting best practices and quality assurance through voluntary peer reviews; and
- in Intosai's Goal 3 as a member of the Knowledge Sharing Committee and its working groups on environmental audit and on financial modernisation and regulatory reform.

We participated in the IX Eurosai Congress in June 2014, including organising and holding a workshop on 'Measuring your performance', and in the XLI and XLII Eurosai governing board meetings (having been a member of the governing board since 2011).

We continued our active involvement in Eurosai working bodies, notably the working groups on information technologies and on environmental audit, the monitoring committee for setting up and operating the electronic database on good practices on audit quality and the task force on audit and ethics. The ECA also became a member of the newly established working group on the audit of funds allocated to catastrophes and disasters.

In the framework of the joint conferences between Intosai's regional working groups, the ECA actively participated in the II Asosai²–Eurosai Joint Conference, which focused on the lessons learnt from the past experiences of adopting the ISSAIs³ and their future implications.

1 As at January 2015, the Network comprises six candidate countries (Albania, the former Yugoslav Republic of Macedonia, Iceland, Montenegro, Serbia and Turkey) and one potential candidate country (Bosnia and Herzegovina). Since November 2013 Kosovo* has participated in the Network as observer.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

2 Asian Organisation of Supreme Audit institutions.

3 International Standards of Supreme Audit Institutions.

Significant events

International peer review of the ECA

In 2013 the ECA invited the SAIs of France, Germany and Sweden to carry out a peer review of our performance audit practice. The peer review drew on the experience of all three partners and was a very useful exercise for both the ECA and the reviewers. The methodology was based on generally recognised criteria governing the work of SAIs, and took into account the guidance set out in international standards.

The peer review was published in 2014 on our website (<http://eca.europa.eu>). In it the peers concluded that since the last peer review of 2008, the ECA had made significant progress. We had analysed the challenges resulting from the EU's complex institutional framework and had taken a number of steps to further enhance the effectiveness and efficiency of our audits and the quality of our audit reports. The peers identified the need for us to streamline and speed up our decision making, and to improve the formulation of the recommendations we make in our audit reports.

International peer reviews are encouraged by international auditing standards. They provide an opportunity for supreme audit institutions to obtain a voluntary assessment based on international standards of how they discharge their functions. In 2014, the ECA led the peer review of the supreme audit institution of Lithuania, and was invited to review the Swiss Federal Audit Office, as well as to take part in peer reviews of the SAIs of Spain and Latvia.

High-level conference on improving EU accountability



From left to right: Jacques Sciberras, head of private office, ECA Member Kevin Cardiff, President Vítor Caldeira and EP Vice President Olli Rehn.

In October 2014, the ECA held a high-level conference, which brought together many of those concerned with ensuring that the European Union is accountable for public funds put at stake to meet EU objectives. The conference addressed the gaps, overlaps and challenges which exist at EU and Member State level, as identified in our landscape review of EU accountability and public audit arrangements (see page 35).

It provided a platform for a debate between the participants, including Members or representatives of the European Parliament, the European Commission, the ECA, the European Central Bank, the European Investment Bank, the European Stability Mechanism, national audit offices and academia, on how these arrangements should develop in response to developments in economic, budgetary and monetary integration. Discussions concentrated on accountability within the EU, in particular in relation to central banks and supervisors, crisis and post-crisis structures, the leveraging of EU funds with outside participation and strengthening the focus on the EU's performance.

The conference participants agreed that greater cooperation between governing authorities, parliaments and auditors at EU and national level is needed to provide the public with a better picture of how EU policies and programmes are performing.

Strengthening partnerships with national authorities in Lithuania

A high-level delegation from the ECA visited Lithuania in September to strengthen partnerships with their parliament, government, central bank and SAI, and to promote best use and scrutiny of EU spending in the country. The ECA and its partners in Lithuania exchanged views on the priorities for improving EU accountability, explored how best to work together to promote the added value of EU spending, and considered how to help policy makers and the parliament in Lithuania to make best use of the ECA's audit results.

During the visit, the ECA delegation took an active part in the Lithuanian Parliament's conference on 'Challenges in Accountability and Public Audit'. In addition, the delegation and its partners discussed issues connected with financial and economic governance and the benefits for Lithuania of entering the euro area on 1 January 2015.

Lithuania was the first in a series of visits to EU Member States, through which the ECA intends in the coming years to strengthen partnerships with national authorities responsible for the management and scrutiny of EU funds.



Meeting between ECA delegation and the National Audit Office of Lithuania.

The ECA College

The ECA College comprises one Member per Member State. Under the Treaty, ECA Members serve a term of 6 years, and their mandates can be renewed.

Members are assigned to one of five chambers. Chambers adopt audit reports and opinions and take decisions on broader strategic and administrative issues. Each Member also has responsibility for his or her own tasks, which are primarily audit related. The underlying audit work is carried out by the ECA's audit staff under the coordination of the Member responsible, who is assisted by a private office. He or she then presents the report to the chamber and/or full Court for adoption, and then to the European Parliament, Council and other relevant stakeholders, including the media.

In 2014, following nominations from their Member States, and after consultation with the European Parliament, the Council of the European Union appointed six new Members to the European Court of Auditors. Four of them — Alex Brenninkmeijer (Netherlands), Danièle Lamarque (France), Nikolaos Milionis (Greece) and Phil Wynn Owen (United Kingdom) — joined the ECA on 1 January, and a further two — Klaus-Heiner Lehne (Germany) and Oskar Herics (Austria) — joined on 1 March 2014.

On 23 January 2014 the 28 Members of the ECA re-elected Vítor Caldeira as its President for a third 3-year term. The president supervises the performance of the ECA's work and represents the institution in its external relations.



ECA Members at the end of 2014.



The 1000th meeting of the ECA Members on 27 October 2014.

EUROPEAN COURT OF AUDITORS
31 December 2014

President

Vitor Manuel
da SILVA CALDEIRA
Portugal



Chamber I — Preservation and management of natural resources

Dean



Rasa
BUDBERGYTĖ
Lithuania



Jan
KINŠT
Czech Republic



Kersti
KALJULAIID
Estonia



Augustyn
KUBIK
Poland



Kevin
CARDIFF
Ireland



Nikolaos
MILIONIS
Greece

Chamber II — Structural policies, transport and energy

Dean



Henri
GRETHEN
Luxembourg



Ladislav
BALKO
Slovakia



Iliana
IVANOVA
Bulgaria



George
PUFAN
Romania



Phil
WYNN OWEN
United Kingdom



Oskar
HERICS
Austria

Chamber III — External actions

Dean



Karel
PINXTEN
Belgium



Szabolcs
FAZAKAS
Hungary



Hans Gustaf
WESSBERG
Sweden



Danièle
LAMARQUE
France



Klaus-Heiner
LEHNE
Germany

Chamber IV — Revenue, research and internal policies, and European Union's institutions and bodies

Dean



Milan Martin
CVIKL
Slovenia



Louis
GALEA
Malta



Pietro
RUSSO
Italy



Baudilio TOMÉ
MUGURUZA
Spain



Neven
MATES
Croatia



Alex
BRENNINKMEIJER
Netherlands

CEAD Chamber — Coordination, evaluation, assurance and development

Dean



Igors
LUDBORŽS
Latvia



Lazaros S.
LAZAROU
Cyprus



Henrik
OTBO († 1/2/2015)
Denmark

MIR — Member for institutional relations



Ville
ITÄLÄ
Finland

ECA strategy for 2013–17: progress made

In 2014, the ECA was in the second year of implementing its strategy covering the 2013–17 period. The objective during the period is to maximise the value of our contribution to EU public accountability. To meet this objective, the main priorities are to:

- focus the ECA's products on improving EU accountability;
- work with others to leverage the ECA's contribution to EU accountability;
- develop the ECA further as a professional audit institution;
- make best use of the ECA's knowledge, skills and expertise;
- demonstrate the ECA's performance and accountability.

In 2014 the strategy helped start significant change in the way we are organised. Two internal strategy working groups on streamlining the audit process and on better defining roles and responsibilities presented their results. This coincided with the report by the European Parliament on the future of the ECA and the presentation of the results of the ECA's peer review.

The implementation of the various recommendations was consolidated into a major reform project that was started in late 2014 and will continue until mid 2016. The reform's aims are twofold. Firstly, to streamline the audit process. For special reports this should lead to shorter production times, and for the annual report it intends to bring greater focus and resource savings. The second aim is to transform the ECA into a task-based organisation. This will make our institution more able to direct resources to audits and reviews that add most value in serving the citizens of the EU.

Measuring the ECA's performance

Since 2008 the ECA has applied **key performance indicators (KPIs) to inform management** of progress towards achieving its goals, to support decision-making and to provide information on performance to our stakeholders. They reflect our priorities and demonstrate our performance and accountability as a professional audit institution.

The indicators aim to measure key elements of the quality and impact of our work, paying particular attention to the opinion of key stakeholders, and the efficiency and effectiveness of our use of resources. The KPIs have been updated for the 2013–17 strategic period.

Quality and impact of the ECA's work

The ECA assesses the quality and impact of its reports based on stakeholder appraisal, expert reviews and the follow up given to the recommendations for improving the EU financial management. In addition, the ECA measures its presence in the media.

Stakeholder appraisal

We invited our main stakeholders — the Committee of Budgetary Control and the Committee on Budgets of the European Parliament, Budget Committee of the Council, the main auditees in the Commission and European Agencies, and the heads of EU SAIs — to rate the **usefulness and impact** of the reports we published in 2014 on a five-point scale from very low to very high.

Stakeholder appraisal

Usefulness of reports



Likely impact of reports



0% 20% 40% 60% 80% 100%

Very high High Medium Low Very low

The responses show that 94% of the main stakeholders value the ECA's reports as being useful to their work (98% in 2013), and 91% consider them to have impact (94% in 2013).

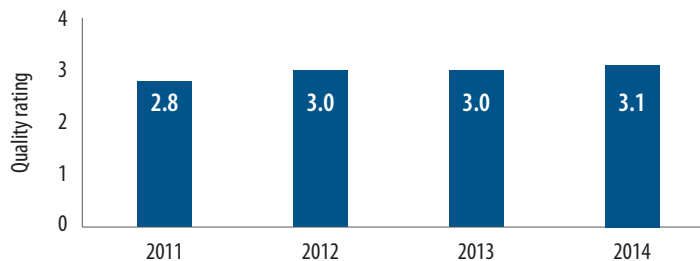
Our management

Expert reviews

Each year, **independent external experts** review the content and presentation of a sample of our reports as an assessment of quality. In 2014 the reviewers assessed eight special reports and the 2013 annual reports. They rated the quality of various aspects of the reports on a four point scale ranging from 'significantly impaired' (1) to 'high quality' (4).

The results have been very steady in recent years indicating the satisfactory quality of our reports.

Expert reviews of ECA's reports

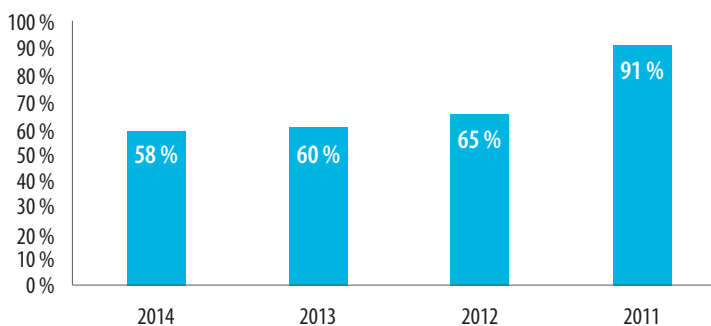


Follow-up of recommendations

A key way we contribute to improving EU financial management is through the recommendations we make in our audit reports. Some recommendations can be implemented quickly, whereas others take more time due to their complexity.

We systematically monitor the extent to which our **recommendations have been implemented** by our auditees. By the end of 2014, 69% out of nearly 600 recommendations issued in 2011–14 had been implemented. This represents an increase on the implementation rate of 60% in 2013, relating to the recommendations made in the 2010–13 period.

Implementation of the ECA recommendations by year of issuance



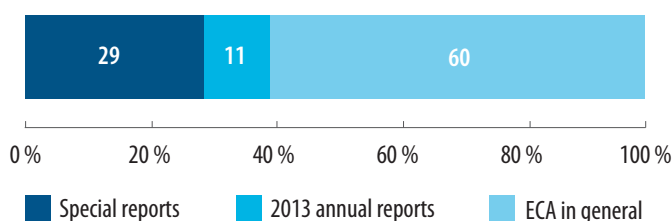
Our management

Presence in the media

The indicator on our presence in the media provides a reflection of our **media impact**. It relates to the strategic objective of raising awareness of our institution, our products and the audit findings and conclusions we provide.

In 2014 we identified over 5 100 articles online related to our special reports, the 2013 annual reports and the institution in general. Of these, 40% covered our audit reports while the rest make reference to our institution and its work in general.

Media reference topics



Over **800** articles published on ECA special report on airports

Efficient and effective use of resources

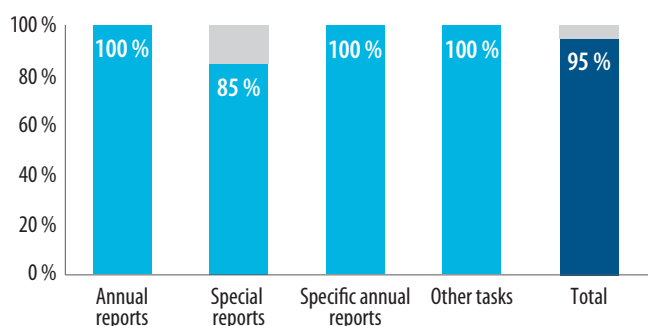
We assess the efficiency and effectiveness of the use of our resources in terms of our ability to implement our work programme, conduct timely audits and ensure the professional competence of our staff.

Implementation of work programme

We plan our audit and other tasks in our annual work programme, and monitor progress throughout the year.

In 2014, we implemented 95% of our work programme (90% in 2013). The annual reports and specific annual reports were implemented as planned, whereas 85% of the special reports were implemented as planned (70% in 2013). The performance audits not completed in 2014 have been carried over to 2015.

Implementation of the ECA's 2014 work programme



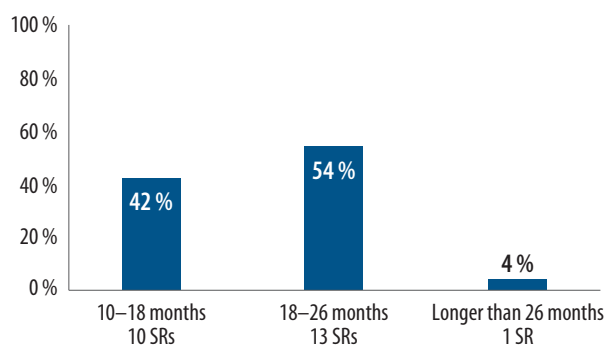
Our management

Production of special reports

To have impact, our special reports need to be timely. In recent years we have managed to shorten the production time of our audits. Our 2013–17 strategy seeks to improve the situation further and should have a measurable impact over the next few years.

In 2014 we produced 24 special reports, of which 42 % were completed within the target time frame of 18 months (37 % in 2013). The average production time for special reports produced in 2014 was 19 months (20 months in 2013).

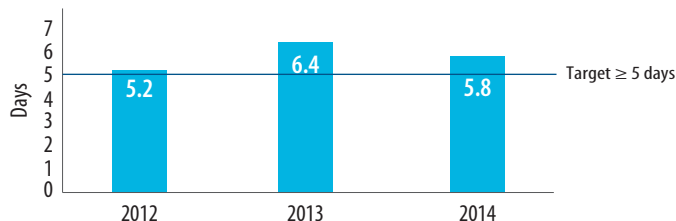
Duration of special reports produced in 2014



Professional training

Following guidelines published by International Federation of Accountants, the ECA aims to provide an average of 40 hours (5 days) of non-language professional training per auditor.

Professional training days per auditor per year



■ Average non-language professional training days per auditor

We again exceeded our target for professional training for audit staff, reflecting the importance we place on staff development.

When language training is taken into account, our auditors received on average 10 days of training in 2014.

Human resources

Staff allocation

Following the difficult situation of European public finances, the ECA continued to apply a reduction in staff of 1 % per year over a 5 year period (2013–17) as laid down in the interinstitutional agreement on budgetary discipline and sound financial management of December 2013.

As a result, in 2014 the staff allocation was reduced from 891 to 882 officials and temporary agents (excluding Members, contract agents, seconded national experts and trainees). 561 of these work in audit chambers, including 113 in private offices of the Members.

To contribute to the goal of making the best use of resources, all activities in 2014 continued to identify and introduce efficiency measures based on the simplification of procedures. The redeployment of staff from support services to audit continued in 2014. However, this was offset by the redeployment of certain support services from Members' private offices to an administrative pool, and moving communications and institutional relations staff to the Presidency.

Recruitment

The ECA's staff have a broad range of academic and professional backgrounds, and the quality of their work and their commitment is reflected in our institution's output. Our recruitment policy follows the general principles and employment conditions of the EU institutions, and our workforce comprises both permanent civil servants and staff on temporary contracts. Open competitions for posts at the ECA are organised by the European Personnel Selection Office (EPSO).

In 2014, an internal competition was organised for grade AST 1, and a selection procedure was carried out for a spokesperson. The ECA also provided 77 traineeships to university graduates for periods of 3 to 5 months during the year.

In 2014, the ECA recruited 78 employees: 31 officials, 29 temporary agents, 13 contract agents and 5 seconded national experts. The ECA was particularly successful in recruiting new staff to audit posts. The number of vacant posts has been close to 3 % since 2011 (27 posts at 31 December 2014).

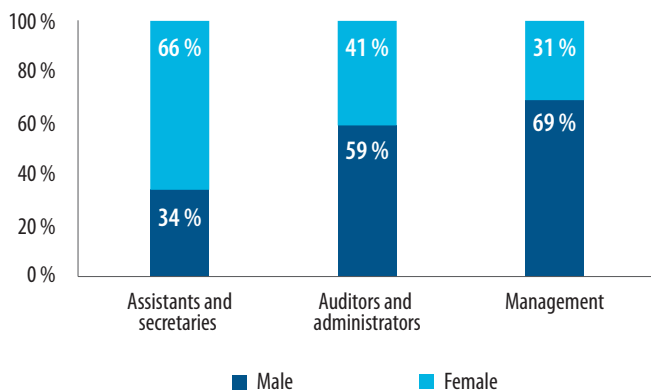
Distribution of ECA staff at 31 December 2014	2012	2013	2014
Audit	573	576	561
Translation	143	147	141
Administration	139	137	141
Presidency	32	31	39
Total	887	891	882

Gender balance

The ECA, like the other EU institutions, has a policy of equal opportunities in its human resources management and recruitment. We have reached equal proportions of men (50 %) and women (50 %) in our workforce, after a gradual increase over the years in the proportion of women.

The chart below shows the proportions of men and women by level of responsibility at 31 December 2014, which have remained stable over the last few years.

Gender balance by staff category in 2014



Supporting audit

Managers by nationality and gender as at 31 December 2014

Women	Men	Nationality ¹	Directors	Heads of Unit
	4	Belgian	1	3
1		Bulgarian		1
	1	Czech		1
1	1	Danish		2
3	4	German	1	6
	1	Estonian		1
	3	Irish	1	2
1	2	Greek	1	2
3	4	Spanish	1	6
	8	French	1	7
	1	Croatian		1
1	2	Italian		3
		Cypriot		
1		Latvian		1
1	1	Lithuanian	1	1
		Luxembourgish		
	1	Hungarian		1
1		Maltese		1
1	1	Dutch		2
	1	Austrian		1
	1	Polish		1
2	1	Portuguese		3
1		Romanian		1
1		Slovenian		1
	1	Slovakian		1
1		Finnish		1
1		Swedish		1
1	8	British	4	5
21	46	Total	11	56

¹ Presented in Member State protocol order.

Supporting audit

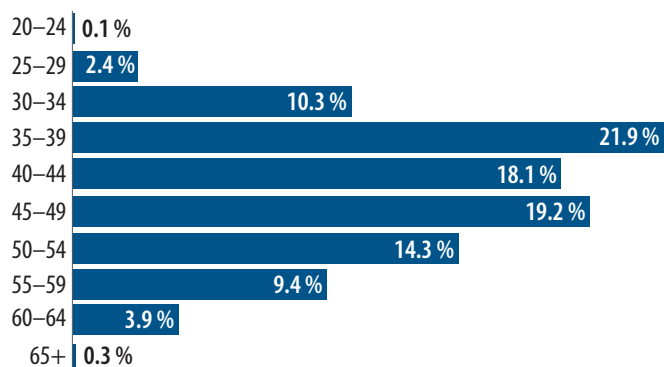
The ECA's equal opportunities action plan aims to achieve a balanced gender split at every level. After the latest recruitment campaigns, 48 % of all staff at AD 5 to AD 8 levels are female (up from 43 % in 2009).

Given the expected renewal of senior management within 5 to 10 years, the increasing share of women at AD levels are expected to contribute to a higher proportion of women at management levels in the future.

Age profile

The age profile of staff in active service at 31 December 2014 shows that 53 % of our staff are aged 44 or less.

Out of our 67 directors and heads of unit, 27 (40 %) are aged 55 or above. This will lead to a renewal of senior management over the next 5 to 10 years, as they retire.



Supporting audit

Support services

Professional training

In order to develop the ECA further as a professional audit institution and to make best use of our institution's knowledge, skills and expertise, our staff require continuous training to keep abreast of professional developments and to develop new skills. Furthermore, the particular nature of our audit environment creates a need for staff with good linguistic abilities.

In 2014, our staff — both auditors and non-auditors — received an average of 8 days of professional training. The share of language courses as a proportion of the training continues to decrease. In 2014 it represented 43 % of this total, compared with 46 % in 2013.

In order to make best use of available resources and technology, we started in 2014 to provide our staff with customised e-learning courses and training in the form of blended learning, in which participants follow a general theory electronic training before coming to the classroom. In addition, we continued to organise presentations by internal or external experts on developments in audit and other relevant areas, as part of our objective of internal knowledge-sharing and keeping our auditors at the forefront of developments in public sector auditing.

Translation

Translation is an audit support activity which enables the ECA to fulfil its mission and to meet our communication objectives of making our outputs available in the languages of the EU's citizens. In 2014, the total volume of translation work was 4 % higher than in 2013. Over 98 % of translations were completed on time.

Besides the usual translation work, the ECA's Translation Directorate further strengthened the involvement of translators in audit and core processes of our institution: translators provided linguistic support to 40 on-the-spot audit visits across the EU, as well as during the drafting stages of audit reports.

In 2014, the Translation Directorate focused on quality assurance. To this effect, it adopted its first translation quality assurance manual and developed a client feedback system. Finally, with the aim of making our services more efficient, we reviewed and optimised the translation workflow and started — together with the Directorate for Information Technology — its automation.

Information technology

In 2014, in addition to the successful adaptation of the relevant information systems to the new staff regulation provisions, our Directorate for Information Technology:

- consolidated its investment in knowledge management: successive versions of its audit support tool (Assyst2) have been released enabling the 2014 statement of assurance work to be run under this new system; our website (<http://eca.europa.eu>) can now be used on mobile devices such as smart phones and a new intranet was successfully launched with a greater focus on knowledge sharing and dissemination;
- carried out new projects to foster the effectiveness and efficiency of the ECA: the audit management system (AMS) is fully operational for planning audits and for time reporting; the MT@EC machine translation tool of the European Commission has been made available to all staff as part of the internal toolbox; a new version of the system for officially registering documents at the ECA (Adonis 2) has been implemented; first steps towards a paperless Court meetings have been tested; and the mobility of auditors has been reinforced through new mobile devices (e.g. portable scanners, double partition laptops, etc.).

All developments and deliveries have been achieved while ensuring security of operations and business continuity — for example, by running in 2014 a full disaster recovery test after the move to the K3 building and also by modernising key IT elements (e.g. by launching the migration of the ECA e-mail system).

Administration and facilities

The Finance and Support Directorate's mission is to provide adequate resources, services and facilities to enable the ECA to accomplish its mission and achieve its strategic objectives; and to ensure that the necessary financing, internal controls and accounting mechanisms are in place to support all of the ECA's activities. In 2014, the directorate continued to focus on further improving efficiency and economy in its activities.

We are developing an environmental management system for our institution in line with the principles of the Eco-Management and Audit Scheme (EMAS), with the objective of obtaining certification by the end of 2016.

During 2014 we accomplished several actions delivering tangible results and demonstrating our commitment to the environment, including:

- adopting an environmental policy;
- conducting an environmental analysis and legal compliance audit;
- increasing the number of environmental staff-awareness campaigns from four in 2013 to eight in 2014;
- obtaining the Breeam (the world's leading design and assessment method for sustainable buildings) environmental certification for the K3 building and maintaining its certification label for exemplary waste management; and
- promoting sustainable transport among staff by opening a new bicycle room with showers and changing areas for cyclists, installing a recharging station for electric cars and setting aside prime parking spaces for carpooling.

Supporting audit

Financial information

The ECA is financed by the general budget of the European Union. Our budget represents around 0.093 % of total EU spending and 1.58 % of total administrative spending. In 2014 the overall rate of implementation for the budget was 98.8 %, compared to 92 % in 2013.

The improvement in the execution rate is mainly due to a better estimation and programming of the expenditure on Title 1, with an average implementation rate of 98.8 %. The average implementation rate for Title 2 was 98.4 %.

Implementation of the 2014 budget

2014 FINANCIAL YEAR	Final appropriations ¹	Commitments	% use (commit. appro.)	Payments
Title 1: People working with the institution				
				€000s
10 — Members of the institution	15 190	14 554	96 %	14 420
12 — Officials and temporary staff	93 180	92 774	99 %	92 745
14 — Other staff and external services	4 191	4 113	98 %	4 071
162 — Missions	3 350	3 119	93 %	2 641
161 + 163 + 165 — Other expenditure relating to persons working for the institution	2 629	2 592	98 %	1 957
Subtotal Title 1	118 540	117 152	99 %	115 834
Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure				
20 — Immovable property	2 564	2 541	99 %	1 830
210 — IT & T	7 199	7 199	100 %	3 581
212 + 214 + 216 — Movable property and associated costs	1 543	1 541	99 %	686
23 — Current administrative expenditure	552	532	96 %	450
25 — Meetings, conferences	703	649	92 %	466
27 — Information and publishing	2 397	2 264	94 %	1 316
Subtotal Title 2	14 958	14 726	98 %	8 329
Total Court of Auditors	133 498	131 878	99 %	124 163

¹ Budget as initially adopted and transfers of appropriations made during the year.

Budget for 2015

The 2015 budget represents a decrease of 0.4 % on that for 2014.

Budget for 2015

BUDGET ¹	2015 (€000s)	2014 (€000s)
Title 1: People working with the institution		
10 — Members of the institution ²	10 291	15 175
12 — Officials and temporary staff	97 420	93 180
14 — Other staff and external services	4 301	4 096
162 — Missions	3 700	3 700
161 + 163 + 165 — Other expenditure relating to persons working for the institution	2 669	2 612
Subtotal Title 1	118 381	118 763
Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure		
20 — Immovable property	3 080	3 350
210 — IT&T	7 152	7 110
212 + 214 + 216 — Movable property and associated costs	785	808
23 — Current administrative expenditure	426	438
25 — Meetings, conferences	717	768
27 — Information and publishing	2 365	2 261
Subtotal Title 2	14 525	14 735
Total Court of Auditors	132 906	133 498

1 The table indicates the budget as initially adopted.

2 Following the Commission's proposal to include the expenditure related to the pensions of Members of all the EU institutions in the Commission's section of the budget, which already covers the pension expenditure for the staff of all institutions, the expenditure related to the pensions of the ECA Members was shifted to the Commission section in the 2015 adopted budget.

Audit and accountability

Internal audit of the ECA

The internal auditor advises the ECA on dealing with risks by issuing opinions on the quality of management and control systems, and by issuing recommendations with the objective of improving the implementation of operations and to promote sound financial management. Additionally, the internal auditor provides support for the work of the external auditors, whose mandate is to certify the accounts of the institution. The internal auditor reported to the ECA the results of the audits carried out during 2014, the findings, the recommendations made and the actions taken on those recommendations. The ECA also reports to the European Parliament and the Council every year on the results of the internal audit.

In October 2014, our internal audit service obtained the certificate of conformity with the Institute of Internal Auditors' (IIA) definition of internal auditing, code of ethics and standards. This certification was a result of extensive quality assessment of our internal audit service, carried out by an external assessor — Deloitte Sàrl — at the request of our internal auditor and our audit committee and in order to comply with the IIA standards for the professional practice of internal auditing.

External audit of the ECA

The annual accounts of the ECA are audited by an independent external auditor. This is an important element of the ECA applying the same principles of transparency and accountability to itself as it does to its auditees.

The report of the external auditor — PricewaterhouseCoopers Sàrl — on the ECA's accounts for the 2013 financial year was published in 18 September 2014.

Opinions of the external auditor — 2013 financial year

Regarding the financial statements:

'In our opinion, the financial statements give a true and fair view of the financial position of the European Court of Auditors as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with provisions of Council Regulation (EU, Euratom) No 966/2012 of 25 October 2012 on the financial regulation applicable to the general budget of the Union and with Commission delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of the financial regulation.'

Regarding the use of resources and the control of procedures:

'Based on our work described in this report, nothing has come to our attention that causes us to believe that in all material respects and based on the criteria described above:

- the resources assigned to the ECA have not been used for their intended purposes;
- the control procedures in place do not provide the necessary guarantees to ensure the compliance of financial operations with the applicable rules and regulations.'

Declaration by the authorising officer by delegation

60

I, the undersigned Secretary-General of the European Court of Auditors, in my capacity as authorising officer by delegation, hereby:

- declare that the information contained in this report is true and accurate; and
- state that I have reasonable assurance that:
 - the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management; and
 - the control procedures in place provide the necessary guarantees concerning the legality and regularity of the transactions underlying the accounts and ensure an adequate treatment of allegations of fraud, or suspected fraud; and
 - the costs and benefits of controls are adequate.

This assurance is based on my judgement and on the information at my disposal, such as the reports and declarations of the authorising officers by subdelegation, the reports of the internal auditor and the reports of the external auditor for previous financial years.

I confirm that I am not aware of anything not reported here which could be detrimental to the interests of the institution.

Done at Luxembourg, 26 February 2015



Eduardo Ruiz García
Secretary-General



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