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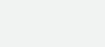
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## The ECA Annual Report: there is more to it than meets the eye

### EDITORIAL



Many people would think of an annual report as being an organisation's account of its activities throughout the preceding year, including key information on the organisation's financial performance. The annual reports published by the European Commission and the European Investment Bank are good examples of this. Through their annual reports, many organisations hold themselves accountable to the outside world. The same goes for most organisations in the private sector, and many countries require companies, particularly the larger ones, to prepare and release such an annual report. Once published, the report might attract some media interest, and prompt some shareholders' reactions, which may translate into changes in share prices on the stock market. More often than not, though, 'business as usual' soon resumes.

For several supreme audit institutions (SAIs), the situation is different: their annual report is often one of – if not the – core output of their organisations' audit activities. In this sense, it is not an account of their activities but the result of their activities. And used to hold others to account. This also applies to the ECA's Annual Report. It is the result of an enormous annual effort to provide, in accountancy terms, a 'true and fair' view of the financial management of EU funds. Furthermore, since the ECA's mandate for the Statement of Assurance – the audit opinion we issue – is not limited to the reliability of accounts but also considers transactions' compliance with legislation, our Annual Report differs from that of most other SAIs. Hence, there is a lot more to it than an initial reading of the 300-page 2016 Annual Report would suggest.

We have made the 2016 Annual Report the central theme of this edition of the ECA Journal, to give you a look behind the scenes at the making of this report. Without doing a disservice to the over 30 special reports and many other publications the ECA produces annually, I think it is fair to say that the production of the Annual Report has quite an impact on planning, work pace and even the organisational structure of the ECA. We zoom in on this, firstly with an interview with the ECA Member responsible for the Annual Report, Lazaros Lazarou, (see page 5) before turning the spotlight on several colleagues in the 'frontline' chambers which actually do the audit work on the ground (see page 14). And Europe would not be Europe were it not for another consideration: multilingualism. Here, too, there is more to the process than meets the eye: besides the Annual Report being available in 23 languages (see page 24), many auditees will communicate in their own language during the audit process itself, leading to a considerable amount of background translation work that is not visible to an outsider.

Unlike in the private sphere, in the EU context the ECA Annual Report is the stepping stone for the annual discharge procedure. As the 2016 EP discharge rapporteur Joachim Zeller underlines (see page 27), the ECA Annual Report forms the main basis for his discharge resolution and the ECA's findings provide the core material for the Commissioner hearings. Sometimes our Annual Report also leads to questions from Member State parliamentarians (see pages 37 and 43).

A large number of the ECA's recommendations find their way into the discharge resolution. That is why in this edition we try to give you an insight into the full cycle, looking not only at how the Annual Report comes about but also what is done with it. Both the European Parliament and Council work with it, addressing various questions mostly to the Commission, culminating in the EP's discharge resolution in April with many observations and remarks submitted to EU institutions. These institutions then follow up with responses, often delivered before the summer recess, and so just in time before the discharge process starts all over again... with the publication of the ECA's next Annual Report.

Gaston Moonen



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## The ECA Annual Report: striving to make it more interesting year on year

Interview of Lazaros S. Lazarou, ECA Member  
By Gaston Moonen, Directorate of the Presidency

### Annual Report with a historical dimension

On the day of the interview with Lazaros Lazarou, it was exactly two months ago that the ECA had published the 2016 Annual Report. So the whole 2016 exercise may already feel like a long time ago, even for Lazaros Lazarou, as the formally called Member for the Annual Report. With a smile, he explains that he does not suffer from such amnesia. He points out that the European Parliament's hearings of the Commission for the different policy headings have started and are ongoing. On top of that he says: 'The 2016 Annual Report is a historical report since it was quite a change from previous ARs. For the first time we gave a qualified opinion regarding compliance on the expenditure side. This drew a lot of attention when presented to the Budgetary Control Committee (CONT) at the end of September. We had an interesting discussion at that meeting, with challenging questions for the ECA. But it gave us the opportunity to deepen the discussion and explain how we arrived at the qualified opinion.' And this was not without effects according to Lazaros Lazarou: 'About a week later during the presentation at the plenary in Strasbourg, even MEPs that had initially been sceptical, including for example MEP Sarvamaa who had had some inquisitive questions before, all welcomed the 2016 Annual Report, our qualified opinion and the decisions we had taken to arrive at it. Overall they were very supportive of the ECA's work.'

When asked what would be his 'must read' recommendation for the 310 page 2016 Annual Report Lazaros Lazarou is quick to respond. 'A 'must read' is the Statement of Assurance itself and, in the 'Audit in Brief' - which summarises our 310 page Annual Report in 46 pages - I think the 'Overall results' pages are a 'must read'. Also thanks to the visuals it enables the reader to obtain a quick overview of the financial management of the EU. Anybody interested in a specific area would do best to read the chapter that is relevant; for example if you work in research then Chapter 5 would be a 'must read'."

When requested to identify three strong points of the 2016 Annual Report he has to reflect a bit longer: 'We are trying to make the report more interesting by providing representative and illustrative examples, using more

To know more about the internal and external dimensions of the Annual Report who better to interview than – looking also at the official description of his responsibilities – Mister Annual Report himself. Lazaros Lazarou looks back at what he finds already to be an 'historical' 2016 exercise and looks forward what there is - or might be - to come.

## The ECA Annual Report: striving to make it more interesting year on year *continued*

infographics, and paying particular attention to the use of plain language. These are strong points. As is the clear structure of the report, which helps the EP and the Council to use it during the discharge procedure. But there are also some other strong points which one might not immediately think of. For example, the fact that our audits are always conducted according to international audit standards, namely the INTOSAI and ISA standards. Another strength is the performance of our staff, working very professionally and taking full account of all information provided by our auditees, even if it sometimes comes very late in the process.'

### Knowing the tricks of the trade

Lazaros Lazarou is clearly at ease with his role, which he has now been doing for four years: 'I knew when I was asked to become Member for the Annual Report that it would be a demanding portfolio. And it has indeed been demanding. But I also enjoy it. Financial and compliance audit are my field of professional expertise, and were also very much so before I joined the ECA.' But he also considers the results of his work to be rewarding and is pleased to see that the improvements made are noted: 'It is widely acknowledged by our stakeholders that we have got better over the years at presenting our audit findings. This is an achievement of the ECA and of our staff: all Members and many staff members have contributed towards it; the Annual Report is truly the result of team work and is an ECA wide achievement.'

When speaking about the specific responsibilities of the Member for the Annual Report he refers to the mandate given by the ECA's College: 'I am primarily responsible for ensuring that the underlying work for the Statement of Assurance is consistent with and adheres to the ECA's methodology. Chamber V Financing and Administering the Union, is also the coordinating chamber where all the audit proposals for all the work on the different Annual Report chapters are discussed. In this chamber we analyse any issues that are relevant to our methodology and to the SoA audit work.' Lazaros Lazarou zooms in on two important moments in the making of the Annual Report: 'For the audit proposals on each policy area we provide guidance, based on strategic decisions by the College, on how Chambers should conduct their audit work for the Annual Report. Later on, each year, we issue, under my responsibility, the Annual Report instructions, focusing on the key elements that need to be reported in each Chapter. As the Member for the Annual Report, I also monitor the progress made in the auditing and reporting.' However, he underlines again the extent to which the Annual Report is a joint product of the Court as a whole: 'Producing the Annual Report ultimately involves all Members: it is adopted by the College, making all Members jointly and individually responsible. In my chamber all Members have a chapter to prepare, and in the other four audit chambers each Member is responsible for at least one chapter.'

Lazaros Lazarou also supports the ECA President when presenting the Annual Report at the European Parliament, both at committee level and in the plenary, and before the Council's ECOFIN. He adds: 'I exchange views with the European Parliament's Budgetary Control Committee and with the Commission on issues of common interest, including the way forward on gathering audit evidence for the Statement of Assurance work itself. With the ECA College having endorsed proposals to make more use of work by others where possible, it is now up to the Member for the Annual Report, Chamber V, its directorate, and also other chamber directorates, to implement the strategic decisions that have been taken. This means close cooperation with the Commission's services, including their Internal Audit Service, so that they can take the necessary steps for us to apply this modified approach.'



From left to right: Ingeborg Grässle, Chair of the Committee on Budgetary Control, MEP; Klaus-Heiner Lehne, ECA President; Lazaros S. Lazarou, ECA Member

## The ECA Annual Report: striving to make it more interesting year on year *continued*

In particular, this requires maximum alignment of their compliance work with ours, so that we – as the external auditor - can make more use of the compliance information produced by the Commission. Moving towards more methodological consistency is an important factor for successful implementation of the modified approach envisaged by the 2018-2020 ECA Strategy.'

### **Serving as guardian of consistency**

Methodological consistency is another important aspect at the ECA. So how does the ECA ensure in practice that inconsistencies in audit work are kept to a minimum and appear only where justified? Lazaros Lazarou responds vividly: 'We have a large number of checks and balances in place to ensure consistency. All findings for Statement of Assurance work have to be agreed by my chamber directorate. In case of a disagreement between auditors, the issue goes to the next hierarchical level, etc. If disagreement persists between directors then it will arrive on my desk and I will discuss it with the reporting Member for the chapter concerned. Ultimately such cases will be discussed by the College. Through this process consistency is achieved.' He laughs at my comment that he acts as the 'guardian of consistency.'

### **An annual routine translated into discharge questions**

Although it gives a qualified audit opinion for the first time, for many people the 2016 Annual Report will look very similar to previous reports. Does Lazaros Lazarou fear that the Annual Report and the subsequent discharge decision are becoming a mere annual routine? He clearly has strong views on this: 'It is inevitable that there will be some repetition year after year; you might be surprised, but this is even wanted. Comparability between years, analysing and presenting possible trends, is a key wish of our stakeholders, I particularly, when there are changes to our Annual Report. We, as any other external auditor, have a responsibility to deliver ex post opinions on the reliability of accounts – a repetitive outcome year in year out – and, in our case, also on legality and regularity. This is the nature of our work.' In his opinion there is only limited scope to make the Annual Report a lot more interesting and varied: 'Our subject is what it is.'

'We have to keep things in perspective, Lazaros Lazarou stresses. 'Our Annual Report with its Statement of Assurance is, in substance, not much different from the opinions issued by other statutory auditors, either private or public. We are required by the Treaty to give an opinion on the reliability of the accounts, and in addition an opinion on the legality and regularity of the underlying transactions. But even if we did not have a Treaty mandate to issue such opinions that would have been our responsibility as the external auditors of the EU anyway. The ECA made the right choice in having this Statement of Assurance in the Annual Report because this gives it high visibility.' In his view one should not underestimate the influence the Annual Report has on the discharge work of the European Parliament and the Council: 'Our Annual Report structure is the basis for their discussions. Many of our observations appear in the discharge documents of these two institutions.'

### **Adding value by reporting beyond compliance issues**

What sets our Annual Report apart from many other reports produced by private or public auditors is, according to the Member for the Annual Report, all the additional information provided on compliance issues: 'We give an insight into the different MFF headings, with detailed facts and figures on compliance, which makes the Annual Report a lot bulkier than other reports, but with a lot more information. If it were not for the compliance element, we would mainly have the Statement of Assurance itself, with at the most some brief clarifications.'

## The ECA Annual Report: striving to make it more interesting year on year *continued*

As last year, the Annual Report was published in late September, two months earlier than required by the Financial Regulation. Lazaros Lazarou explains that the audit opinion and the Annual Report itself are adopted by the ECA College just days after the Commission adopts its final annual accounts: 'The sooner the Commission publishes a single accountability report – including both final accounts and compliance information we can build on – the sooner we can adopt the Statement of Assurance and the Annual Report.'

When asked what difference the Annual Report makes to EU citizens the Member for the Annual Report does not think that citizens take, or even should take, a specific interest in the technical work of the ECA. 'But EU citizens can feel assured that there is a watchdog out there which keeps an eye on their financial interests. Knowing that somebody does such a job helps boost their trust, their confidence that our work helps to improve the functioning of the EU.' According to Lazaros Lazarou, the recommendations made by the ECA in the Annual Report contribute to such improvements: 'Thanks to our recommendations and our monitoring of their implementation, and thanks to the pressure the legislative authorities put on the Commission to improve things and implement ECA's recommendations, they certainly have an impact.'

Speaking of impact, there seem to be increasing calls from the EP for more information in the Annual Report on the impact and results of EU policies. Lazaros Lazarou indicates that the way in which performance issues are covered in our Annual Report is currently under consideration by the ECA Members: 'The College has recently asked my chamber and the ECA Member responsible for the Annual Report's performance chapter to consider how to further develop our reporting on performance. In my view reporting on performance should not be confined to special reports. Therefore we need to find ways to report on performance in the Annual Report too.' However, he is not in favour of devising a measurement on performance to give an annual performance opinion per policy area: 'Devising our own performance measurement rate would not be such a good idea. If the Commission does its part, we could move towards attesting of their performance assessment, like we aim to move towards an attestation engagement for compliance. Ideally, the Commission, as the manager of EU funds, should measure the performance of its policies and programmes based on indicators.' For Lazaros Lazarou the Annual Report is already 'evolving into a combination of reporting on financial, compliance and performance audit work' and in his view auditing the Commission's performance assessments would fit into this well.

### **ECA messages going beyond the discharge exercise**

To Lazaros Lazarou's mind, the relevance of the Annual Report is certainly not limited to the discharge process. 'Just as an example: Chapter 2 on budgetary management in this year's Annual Report discusses an important issue for the next multiannual financial framework – we show that the total amount of payments the EU committed itself to make for future budgets is higher than ever, at almost 239 billion euro: more than twice the EU annual budget. This restricts their ability to fill in the next multiannual financial framework; it actually ties our hands for the future.'

He has high hopes for the further development of the Annual Report: 'The Annual Report is here to stay, but it will certainly need to evolve. It should become even more visual and focus even more on performance; but it should always keep the Statement of Assurance on reliability and on legality and regularity at its core. As regards for the latter, it is up to us how we gather our audit evidence in the most appropriate way. And provided that the required conditions are met, we are keen to make more use of the work of others.'

# The ECA Annual Report 2016 in numbers

By Kathrin Bornemeier and Gaston Moonen, Directorate of the Presidency

Number crunching is something often affiliated with accountancy and audit. And the ECA's Annual Report is voluminous enough to suspect that it contains many numbers and other data. Kathrin Bornemeier and Gaston Moonen take a closer look and share some of their (visual) insights.<sup>1</sup>

## Numbers telling a story?

The ECA 2016 Annual Report is an impressive 300-page document. Taking a macro-view we try to show some main numerical features of the Annual Report(s), by analysing raw data such as number of pages, publication dates, number of graphs, number of Member States and third countries mentioned. Our audit findings lead to many recommendations for improvement, which can be related to compliance and performance issues. Making recommendations is one thing, more interesting is what is done with them. Therefore we also zoomed in on the numbers for implementation of ECA recommendations over the last three years.

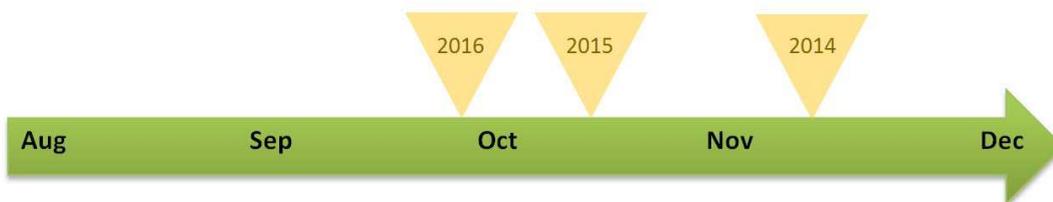
## Dates and data visualisation: earlier and with more graphs on same number of pages

Interestingly, the number of pages of the Annual Report has remained steadily around 313 over the last three years (2014: 315 pages, 2015: 314 pages, 2016: 310 pages). The publication date, however, has moved up significantly in the past three years (see **Figure 1**): the Annual Report concerning the financial year 2014 was published on 10 November 2014, with the following one published on 13 October 2016. Our last Annual Report concerning the financial year 2016 was published even earlier, namely on 28 September 2017: almost two months earlier than what is prescribed by the Financial Regulation.

Average number of pages in ARs 2014-2016:

**313**

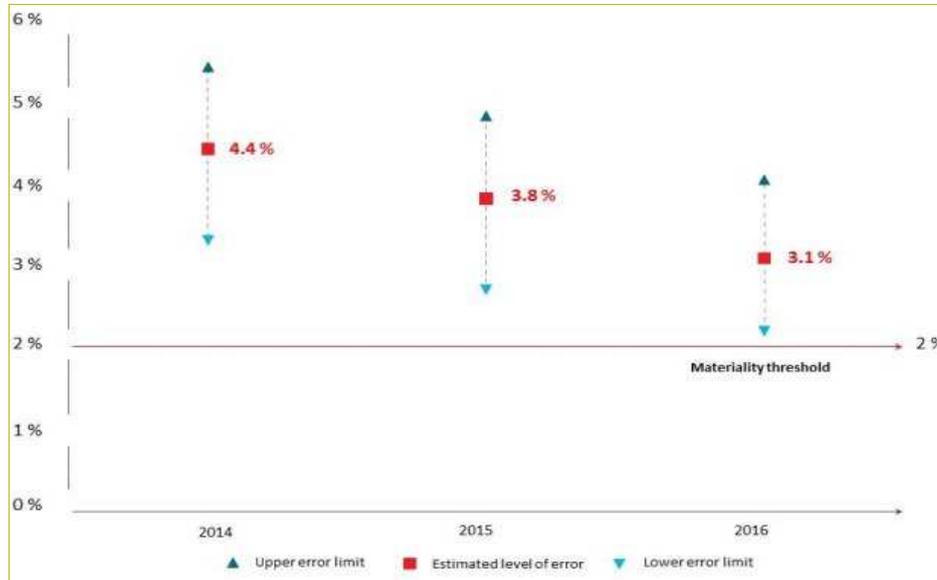
Figure 1: Publication dates of ECA Annual Reports concerning the financial years 2014 to 2016.



<sup>1</sup> We thank our colleagues Emanuele Fossati, Jesus Nieto Munoz and Zsolt Varga for their valuable advice and assistance.



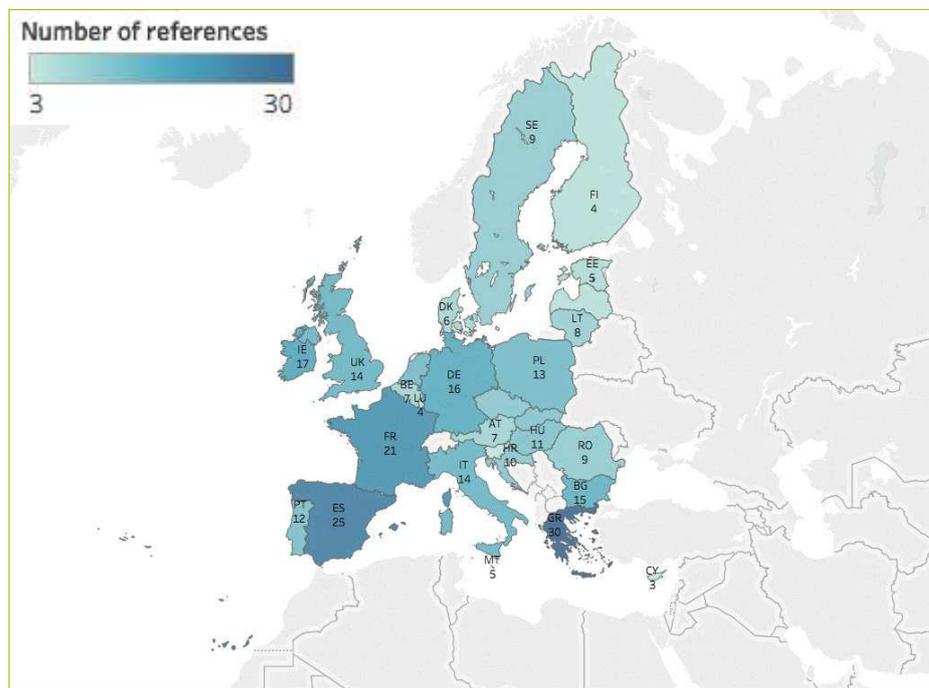
Figure 5: Estimated level of error for the EU budget as a whole (2014 to 2016).



**Downward trend**

One of the items mostly discussed by others and covered by media is the ECA's estimated level of error for the expenditure side of the EU budget. Therefore the ECA chose to show the tendency of the estimated level of error in the Annual Reports of recent years (see **Figure 5**). Over the past three years, this estimated level of error has declined significantly, namely from 4.4% in our Annual Report concerning the financial year 2014, to 3.8% the following year, and down to 3.1% in the latest Annual Report.

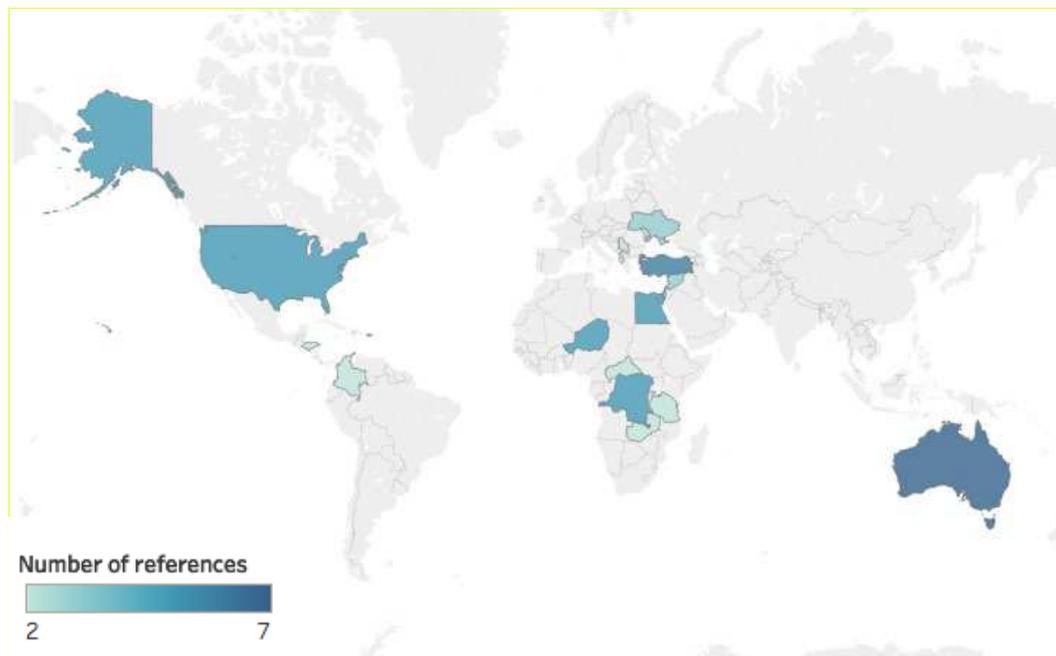
Figure 6: Number of mentions of EU member states in the Annual Report 2016.



**Many countries beyond Member States mentioned in the Annual Report**

The Annual Report provides a lot of information on audit findings, including examples of cases found to illustrate the audit observations and make it concrete. This often includes details on where the case was found and who was responsible. However, the cases presented do not provide a representative picture of where most errors were found. All Member States were mentioned in examples and tables in the Annual Report, albeit with varying frequency. In total 280 times a Member State was mentioned. Greece was mentioned most often, followed by Spain, France, Ireland, and Germany. Cyprus and Slovenia appear three times each (see **Figure 6**).

Figure 7: Third countries frequently mentioned in the Annual Report 2016.



Through funds coming from the general EU budget and the European Development Fund, the EU belongs to the biggest donors for development aid in the world. This might explain why in the 2016 Annual Report 40 third countries were mentioned once or more (see **Figure 7**). Australia (7 times) and Turkey (6 times) were mentioned most frequently, followed by the Democratic Republic of Congo, Egypt, Niger and the United States, which were each mentioned five times.

#### More and more recommendations accepted and implemented in the ARs 2014 to 2016

The number of recommendations made in the Annual Report concerning the financial year 2016 was 30, and therefore lower than in the previous two years. However, the share of accepted recommendations increased, from 72% in the Annual Report concerning the financial year 2014, to 83% in 2015, and finally to 90% in 2016 (see **Figure 8**).

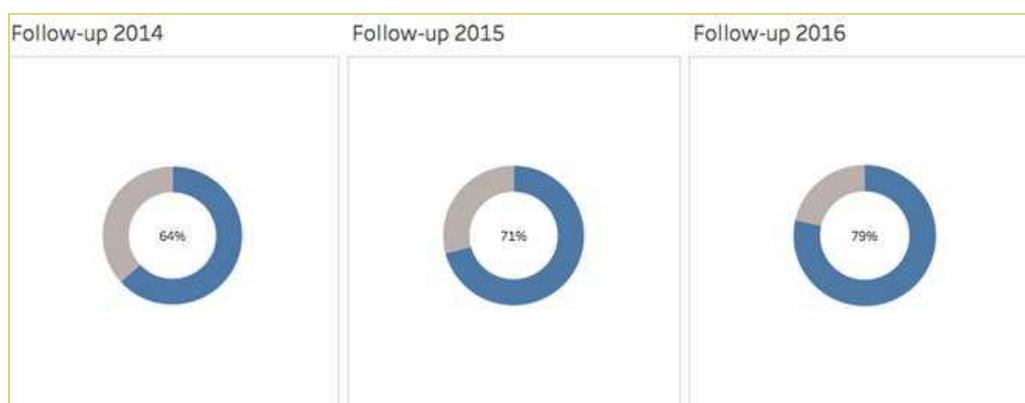
Figure 8: Recommendations accepted as a percentage of recommendations made in Annual Reports 2014-2016.



## The ECA Annual Report 2016 in numbers *continued*

Among recommendations from previous years that received an audit follow up on their implementation, the share of those implemented fully or in most respects also increased significantly – from 64% in the Annual Report 2014, to 71% in 2015 and 79% in the latest Annual Report (see **Figure 9**). Here a distinction can be made regarding recommendations addressing compliance issues and those addressing performance – in all three years none of the recommendations concerning performance (Chapter 3 of the Annual Report) that underwent a follow-up audit were implemented fully or in most respects.

Figure 9: Recommendations of previous years implemented fully or in most respects, for Annual Reports 2014-2016.



### To summarize: added value in looking at sheer data

The limited text and data mining we have done helps us already to identify possible hidden patterns and possible correlations. The data over the three last years indicate that more and more recommendations made in the Annual Reports have been accepted by the Commission. In addition, and perhaps even more important, an increasing share of the recommendations made in the Annual Reports over the past three years has been implemented fully or in most respects. At the same time, the ECA's estimated level of error has decreased from 4.4% in 2014 to 3.1% in 2016. Coincidence or a causal relationship?

# The making of... a look behind the scenes of the Annual Report

By Gaston Moonen, Directorate of the Presidency

The Annual Report 2016 presents conclusions, observations, data and examples of what ECA auditors found in relations to EU funds. To get a better idea about the effort going in to this annual exercise I spoke with principal managers Juan Ignacio Gonzalez Bastero, Ralph Otte, Michael Zenner and task leaders Joël Costantzer and Jarek Smigiel about all the work that is behind the Annual Report. It explains why this report is not written overnight.

## Planning, missions and transaction testing

For auditors numbers can tell a story. Perhaps for readers of the Journal too. So to start with a few numbers: the ECA Annual Report 2016 has in total 316 pages. Almost half of all the ECA auditors at some time – full time or for some time – work on it during the year. Let us for example zoom in on the audit work done in cohesion by Chamber II Investment for cohesion, growth and inclusion. Their audit findings are presented in Chapter 6 ‘Economic, social and territorial cohesion,’ which counts 39 pages, including graphs, tables, etc. In an expenditure area with almost 36 billion euro Juan Ignacio worked with a team of around 30 people – and in peak times even more – to audit financial management and control systems and an audit sample of almost 200 transactions related to payments done in 2016. This year they have found a total of 87 cases where EU or national rules had not been complied with, of which 25 were considered to have had a financial impact (i.e. ‘quantified’ errors). Overall his team has issued around 140 audit observations.

For Juan Ignacio and his team this work started already well before financial year 2016 was finished. Juan Ignacio explains: ‘Our audit year normally starts with the preparation of the audit proposal, based on the guidelines provided by Chamber V Financing and Administering the Union. This started in December 2015, then we did some further fine tuning based on the guidance from Chamber V. And then the adoption of the audit proposal for 2016 in April 2016. By then only a few people are involved. This changes substantially when the audit work is launched in May to prepare for the first audit missions in the Member States, which took place in June.’ As to the number of audit missions Juan Ignacio points out that most of the 200 transactions will require a mission on the spot. His team alone has carried out a total of 54 such visits all over Europe for the 2016 Annual Report. ‘We visited 14 of the 28 Member States. Some Member States are not covered every year simply because of low expenditure rates.’

Michael, who with his team of about 25 auditors was responsible for the assessment presented in 35 pages in chapter 7 regarding agricultural expenditure for the European Agricultural Guarantee Fund (EAGL), has similar figures: ‘For an expenditure level of almost 45 billion euro – which accounts for 77% of the 2016 expenditure in Natural resources presented in chapter 7 of the Annual Report – we examined 217 transactions. For this we carried out around 60 audit missions in 21 Member States, generally one week per mission. Usually an audit team consists of two auditors and in one week we audit three to four different beneficiaries. In addition we carried out around 10 one or two day visits at the Commission’s DG for Agriculture in Brussels.’ Starting

Luxembourg, 17 December 2016

**CH 408/15**

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NOTE

From: Mr Lazaros S. LAZAROU, Member of the Court  
To: Members of the CEAD Chamber

No of previous documents:  
Subject: Input for the 2016 specific assessment APMs

PREVIOUS READING(S):

		CHAMBER			COURT		
		First reading	Second reading	Third reading	First reading	Second reading	Third reading
Before adversarial procedure	Date						
	Ref.						
After adversarial procedure	Date						
	Ref.						

READING REQUESTED: 1<sup>st</sup> reading in CEAD Chamber

- Date and time: 5 January 2016 at 2:30 pm
- Room: K1/6.25

Visa of Reporting Member (or his/her delegate):  Lazaros S. LAZAROU

Visa of Dean of Chamber (or his/her delegate):

Visa of the Secretariat of the Court:

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## The making of... a look behind the scenes of the Annual Report *continued*

dates for audit proposals and the start of the audit work itself is for his field similar to what happens in auditing the cohesion expenditure.

Besides compliance work which underlies the Statement of Assurance on payments and revenue, the ECA also gives an opinion on the reliability of accounts. The team of Ralph and Jarek consists of about 10 auditors, plus at times support from the line chambers with audit expertise on policy areas like agriculture, cohesion, etc., entailing 4 to 6 additional auditors working on reliability issues for two to three months per year. Also the work on the reliability of accounts involves transaction testing. This work starts long before the accounts are closed. There are annually around 10 million transactions in the Commission accounts, of which the EU revenue transactions form only a very small part; almost all transactions relate to expenditure. Particular risk areas here are invoices and pre-financing. Audit visits are exclusively to Brussels, not to Member States. All the work for the Annual Report 2016 included about 120 missions to Brussels, mostly not more than two days per mission. As to the planning Jarek explains: 'Our audit is also a continuous process, several audit observations on reliability issues in our 2016 Annual Report, in chapter 1, will form the basis for our audit proposal for work to be done on financial year 2017, which we started a few months ago.'

Joël is the task leader for the chapter 3 of the Annual Report, called 'Getting results from the EU budget,' and which contains three parts covering more than 60 pages: a major subject – this year, a comparison of the Commission's approach on performance reporting with good practices; some common challenges identified in recent ECA special reports; and implementation levels of recommendations from ECA special reports. Joel explains: 'With a small team of three auditors we started our work for the first two parts of this chapter in September 2016. The work on the follow-up of recommendations, with contributions by teams from all the chambers, started in the spring. Our audit work for the major subject and the part on special reports is every year quite different, ranging in 2016 from survey results to reviewing our own reports to identify common threads. We only had a limited number of audit visits to Commission DGs and international organisations to gather comparative information.'

### **Audit work itself**

So far the numbers. But what about the work itself? This can be rather different per policy area audited. For agricultural expenditure Michael explains that paying agencies in Member States are visited where financial administration systems for payments to farmers are examined, or systems for land parcel registration are reviewed, often by running sampled transactions through them. 'This often includes on-the-spot visits to the farm receiving EU aid, verifying there the administrative proof of meeting the eligibility requirements, ranging from land eligibility to measuring fields, usually using geo-satellite equipment to do so.'

As to the reliability of accounts work Ralph explains: 'Our work can differ considerably per type of transaction. Checking a pre-financing payment of an operational programme of the DG for Regional Policy requires not only to know which pre-financing was in the pipeline but also what the status is

## The making of... a look behind the scenes of the Annual Report *continued*

of the project implementation. This to enable us to calculate the estimated amount of expenses not yet reported. Quite different from, for example, checking a salary payment in an EU institution.'

Juan Ignacio explains that in the cohesion area, like in most others, the different steps of the audit are set out in an audit programme: this goes from looking into the operational programme documents and also comprises to check how the EU-funded projects had been selected. Most of these steps require verification of extensive documentation. A lot of back and forth communication is already taking place before the Member State, relevant authorities and final beneficiary is visited. Upon return audit observations are drafted and often this requires a lot of analysis and review. Juan Ignacio adds: 'In our audit area the eligibility rules are mostly set at national level, relatively few rules are actually specified at EU level: for example VAT rules, rules on co-financing costs or deadlines. But most complex are the rules on public procurement and state aid, which help to ensure that the EU internal market can function well. Often an auditor will not find a black/white situation but needs to apply judgement, also since the eligibility rules are not always that clear. An advice from our ECA's Legal Service might then be needed, or we need to ask for more information from authorities in the Member State visited.'

For the performance work Joël highlights that for the 2016 performance chapter benchmarking exercise, he and his team consulted relevant international standards and carried out a survey on performance reporting by EU Member States, other countries and international organisations. He adds: 'We also reviewed publicly available performance information for a selection of 14 governments and international organisations and examined assessment reports issued by donor-country organisations.'

### **Heavy review process but intended**

Once an audit observation is drafted by the auditor then the internal review process kicks in. Perhaps cumbersome but also necessary, according to Juan Ignacio: 'As ECA our reputation, our credibility is dependent on the quality of our work, the robustness of our findings. So once the observation is drafted it will be discussed in a review meeting, with the auditor, the team leader, the first level validator, the principal manager, and representatives of the private office of the reporting Member and of Chamber V as coordinating chamber. In our work consistency of treatment of errors is very important and that there is solid information on which the observation is built.' He further explains that legal basis, treatment of similar cases in the past by the Commission, etc. is very important to ensure consistency: 'Most initial findings will hold but some observations will need to be modified (or even withdrawn), for example because of additional information received from the Member State or the legal interpretation to take account of evolving case law by the European Court of Justice or rulings by national courts.'

Michael also describes a heavy but functional review process to ensure that the ECA will hold ground when challenged by others, foremost the auditee. Ralph explains that in his team a first review will take place by

## The making of... a look behind the scenes of the Annual Report continued

the head of task and by him as principal manager. 'As a next step the audit observation will go the directorate and the private office of the reporting Member, in this case the Member for the Annual Report. Then, also taking into account materiality, it will become part of an audit observation letter.'

### Clearance process to verify the facts

Verifying with the auditee that you have assessed the case on the basis of complete, valid and up to date information is a crucial element in the ECA's audit process. This so-called clearance starts with sending out audit observations or clearance letters to the organisation subject to the audit, like in the research field, or the Member State authority in charge of the transaction. Michael gives some details: 'For EAGF we do not send individual clearance letters for each transaction audited. We send a first batch of clearance letters before Christmas covering all missions carried out until the end of October. And a second batch in February/March. For our audits for the 2016 Statement of Assurance we have sent more than 40 clearance letters covering in total 217 transactions.'

For the cohesion area Juan Ignacio explains that one clearance letter per operational programme is sent. 'So for 2016 we sent 54 letters to the Member State's managing authority, the national audit institution and the Commission. Internally draft observations are discussed in English, but when sent out to national authorities all clearing letters need to be translated. Then Member States have the possibility to reply, but often they do not reply within the deadline of 6 weeks. When we get the replies,- sometimes each having over 100 pages and mostly drafted in the official language of the Member State, we need support of translators to get things clear in a very short period of time. This because of the very tight deadlines for producing the chapter on cohesion. In practice we have to start drafting the general parts of the chapter before having received all the replies.' He also explains that some replies necessitate to organise a so-called trilateral meeting between the ECA audit team and representatives of the Commission and the Member State authorities. He continues: 'This normally takes place in June. For 2016 we had 8 trilateral meetings with 6 Member States. But such meetings only take place for the most complex and contentious cases. Besides that we might have meetings with DG Competition to clarify state aid issues, often leading to useful insights.'

For Ralph and Jarek the situation is slightly different: all the 13 accounting observation letters, as they call them, went to the Commission. For chapter 3 Joël recalls that draft chapter texts are cleared with the Commission, mainly the Secretariat General and DG Budget, at various stages of progress of the task.

### Report drafting

The drafting of the chapters often takes place soon after the so-called Annual Report instructions – horizontal guidelines on how to structure the report - are presented, which was in early 2017 for the

Luxembourg, 13 March 2017

**DEC 016/17 FINAL**

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 CH508999EN04-17AA-DEC016-17FIN-RA-Instructions-Appendix-ORAN.docx  
 CH508999EN04-17BB-DEC016-17FIN-RA-Instructions-Appendix-II-ORAN.docx  
 CH508999EN04-17CC-DEC016-17FIN-RA-Instructions-Appendix-III-ORAN.docx  
 CH508999EN04-17DD-DEC016-17FIN-RA-Instructions-Appendix-IV-ORAN.docx  
 CH508999EN04-17EE-DEC016-17FIN-RA-Instructions-Appendix-V-ORAN.docx  
 CH508999EN04-17FF-DEC016-17FIN-RA-Instructions-Appendix-VI-ORAN.docx

NOTE

From: Mr Lazaros S. Lazarou, Member  
 To: President and Members of the Court

No of previous documents: DEC 016/17  
 Subject: 2016 Annual report instructions on content and presentation

PREVIOUS READING(S):

	Date	CHAMBER			COURT		
		First reading	Second reading	Third reading	First reading	Second reading	Third reading
Before adversarial procedure	01.02.2017				09.03.2017		
	Ref. CH 072/17		CH 072/17/17 Rev. 1		DEC 016/17		
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	Ref.						

READING REQUESTED: Document adopted by the Court at its meeting of 9 March 2017

• Date and time:  
 • Room:

Visa of Reporting Member (or his/her delegate):   
 Lazaros S. Lazarou

Visa of Dean of Chamber (or his/her delegate):  
 Visa of the Secretariat of the Court:

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## The making of... a look behind the scenes of the Annual Report *continued*

2016 Annual Report. Often by March there is a clear idea on what to report in the chapter. Michael says: 'We decide on the order of findings and the structure of the chapter and I prepare a first draft. All auditors dealing with a specific country are regularly consulted on the draft as it evolves and invited to check whether the text correctly reflects the audit findings. They also provide a correspondence table which allows linking every mention of a Member State to the relevant observation in the clearing letter.' Juan Ignacio stresses that high quality requirements need to be met within short deadlines: 'Every chapter needs to pass an internal approval procedure, then the line Chamber, then Chamber V as coordinating chamber.'

Finally there are the so-called adversarial meetings with the Commission, mostly organised per DG or a few DGs in charge of a specific policy area. For the reliability of accounts part Jarek explains that the procedure is rather straightforward: 'We had a video meeting of half an hour, mostly serving as a mutual recognition of the correct understanding of what the ECA has written, what the Commission has replied, and what points we have to focus on for the future audits.' For Michael these meetings meant something different: 'At the adversarial stage we usually have cleared the facts with DG for Agriculture and the Member States. Our discussions then mostly are around the legal assessment of the facts and the question as to how to assess the observations, and whether or not there is a financial impact. It is not rare that discussions get stuck and positions cannot be reconciled. But sometimes the Commission is following up on an ECA observation and imposing financial corrections based on our observations which before were strongly contested during the adversarial meeting. This is for us as auditors a welcome acknowledgement of our work.'

Joël highlights that the adversarial procedure for chapter 3 got a lot of attention this year on the Commission side. 'This underlines for us the importance the Commission attaches to this chapter and how we assess the performance of the EU budget. It often is also a well-attended meeting because we cover many DGs in our chapter.'

### **Discharge discussions**

Being deeply involved in the audit and reporting on a specific policy area most of the colleagues indicate to be involved in the discharge discussions with the Council's Budget Committee, together with their director. Assistance is also provided for discussions in the European Parliament. Michael says: 'We usually hold a meeting with the discharge rapporteur, this year Joachim Zeller, and provide him with complementary information.' Joël explains: 'I participate in the discharge meetings, both in the Council Budget Committee and assist the rapporteur, ECA Member Jan Gregor, at the Parliament's Budgetary Control Committee meeting.'

### **Strong points**

The latter issue is very much appreciated to conclude the circle, for example by Michael: 'I have regularly attended presentations in

## The making of... a look behind the scenes of the Annual Report *continued*

Parliament and Council and saw that our stakeholders are very interested in and grateful for the information provided.' For Joël a highlight in the 2016 audit exercise was that a good result was achieved with limited resources: 'Very pleasant was the good cooperation of all involved in the chapter, including the cooperation with the ECA language service. Another highlight I found the willingness of governments and international organisations around the world to share their experiences.'

Strikingly Ralph and Juan Ignacio raise similar points here: the strong methodology on which the ECA can base its work, which is also good for comparability, not only in time but also with other organisations. As Ralph put it: 'For the reliability of accounts part such an opinion is required everywhere, public sector or private sector alike, provided that accruals accounting is used.' And Juan Ignacio underlines the good cooperation between the services in the house, including for translation issues. The two also agree on an issue that needs attention in the future: the strict deadlines. Ralph: 'The EU Financial Regulation sets very strict deadlines for the accounts and these deadlines are too late for the ECA. The accounts are received too late from the Commission which forces us to complete the audit in a limited period of time.' For Juan Ignacio further stretching the deadlines would be 'at the detriment of the quality of our work.'

Throughout the interviews a pride was present to work, together with their respective teams, for what was called the 'Premium product of the ECA.' Juan Ignacio said: 'From a distance, for the European citizen, it might not be an easy document to read. But it is a kind of warranty that somebody is looking at public money, their money. We should not expect that citizens read all our reports. Even for those colleagues who are directly working for the Annual Report: does anyone from their family read the report? Probably not. This does, however, not make it less important for the EU accountability process.' Striking is the remark coming from a specialist like Ralph: 'Our audit opinion does not read well, it is not common language. If the accounts are right why can't we say: Everything is fine. But unfortunately the international accounting rules – the IFAC and IPSAS standards – do not allow that. Therefore we are stuck with this jargon. But fortunately specialists know what we mean.'

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# Coordination and quality review for the Annual Report – truly team work

By Arjen Lok, Private Office of Lazaros Lazarou, ECA Member, and Nikolaos Kilonis, Directorate *Financing and administering the Union*

## Many elements to complete the cycle

The cycle of the ECA's Annual Report starts with the planning process, followed by the audit work and reporting of our findings (see **Figure 1**). The ECA's Annual Report is then adopted by the College of Members and published.

The report is the basis for the discharge process leading to a discharge report and resolution by the European Parliament that together with the lessons learned and follow-up activities is input for the next annual report(s).

The audit execution and drafting of the different chapters creating the ECA's Annual Report is quite an effort in which all Members of the ECA and many staff from across the Court are involved. Arjen Lok and Nikolaos Kilonis, who are closely involved in the coordination and review process to ensure that the different elements become a consistent and coherent annual report, brief us on what it takes to get there.

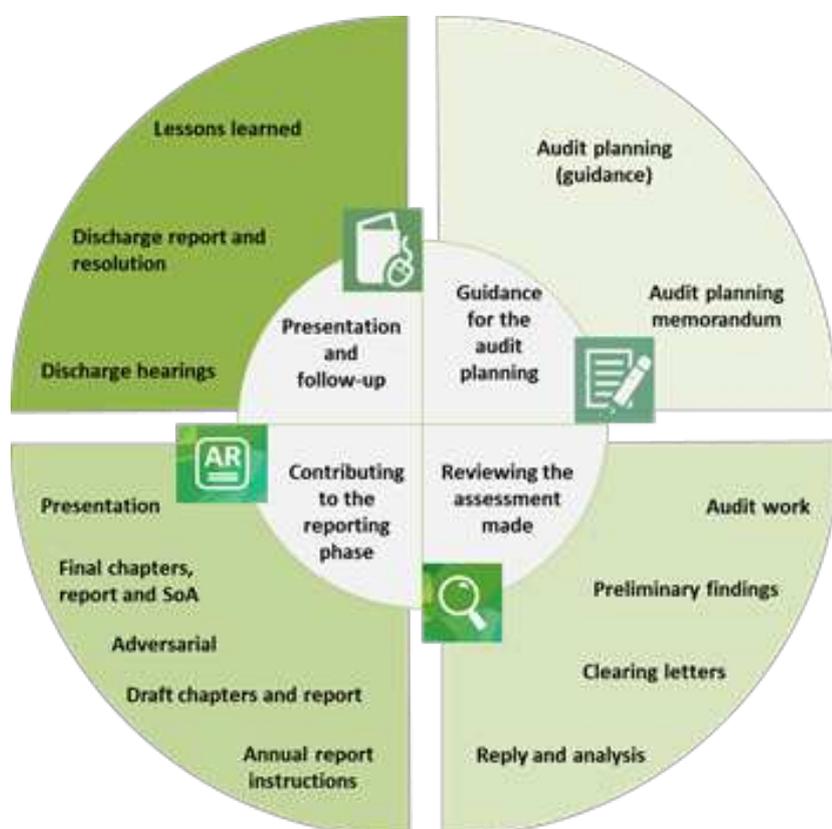


Figure 1 – ECA's annual report cycle

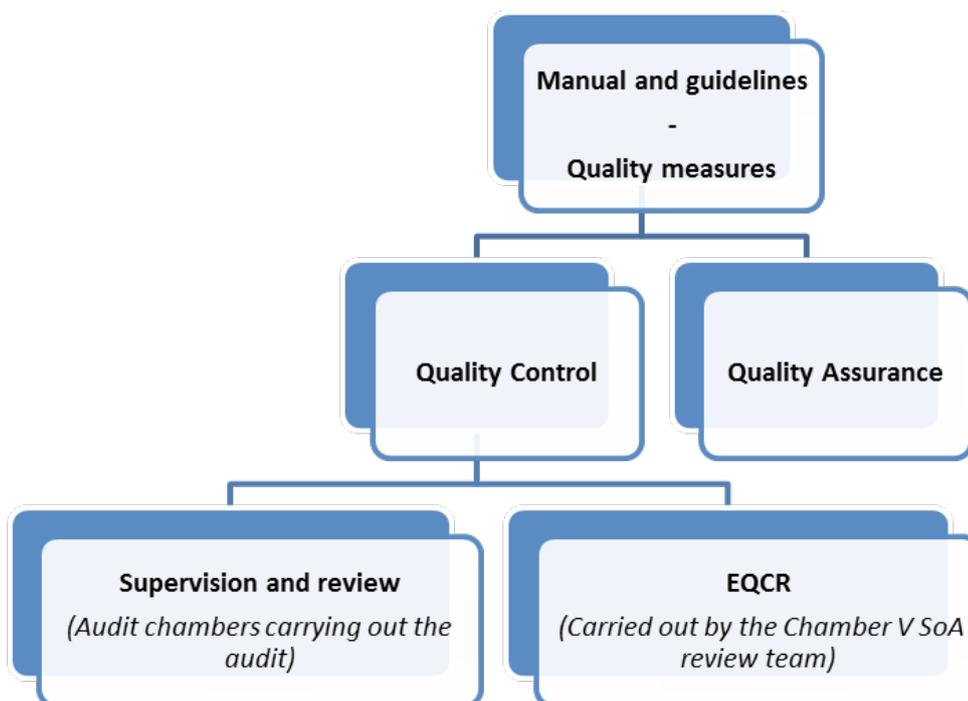
Source: authors

## Coordination and quality review for the Annual Report – truly team work *continued*

The Annual Report work is carried out by auditors in all ECA Chambers. The work needs to be of good quality and presented in a consistent and coherent way. For this the ECA created a coordination responsibility embedded in Audit Chamber V *Financing and administering the Union* and appointed the Member for the Annual Report to be responsible for ensuring the consistency and adherence to the ECA's methodology of the underlying audit work for the Statement of Assurance (SoA). The SoA review team, which is part of this Chamber, supports the Member for the Annual Report in his tasks. The team is involved in all elements of the cycle by for example providing guidance for the audit planning (green elements of the cycle), reviewing the assessments made (in the blue parts of the cycle) and contributing to the reporting phase (in the red parts of the cycle).

The ECA's Audit Quality Control Committee is responsible for development of audit methodology and as such drafts and issues audit manuals and guidelines, available via <https://www.eca.europa.eu/en/Pages/AuditMethodology.aspx>. It is also responsible for quality assurance; a procedure that takes place ex-post and it complements rather than substitutes the EQCR within the audit process. The day-to-day supervision and review is done by the head of tasks, principal managers and directors of the audit teams. The SoA review team provides the input for the Engagement Quality Control Review (EQCR) for the Annual Report (see **Figure 2**).

Figure 2 – the ECA's audit quality management framework



## Coordination and quality review for the Annual Report – truly team work *continued*

### Team players with different roles

The SoA review team and the audit teams are peers in the process, equals like the reporting Member and Member for the Annual Report, each having their own roles in the process (see **Figure 3**).

Figure 3 – Roles of different actors involved in the SoA work

	Audit team	Principal Manager	Reporting Member	SoA review team & AR Member (Chamber V)	Director audit chamber	Audit Chamber	AR coordination Chamber
<b>Audit Planning Memorandum</b>							
Drafting	x						
Supervision and review (within audit chamber)		x	x		x <sup>1</sup>		
EQCR review				x	x <sup>1</sup>		
Adoption						x	x
<b>Transaction testing, systems work, etc.</b>							
Audit work documented in ECA's electronic documentation system (ASSYST)	x						
Supervision and review (within audit chamber)	x	x	x				
EQCR				x			
Clearing letters sent to auditee based on documented audit work (ASSYST)	x	x	x		x		
Analysis of replies	x	x	x		x		
EQCR of analysis of replies				x			
<b>Specific Assessment</b>							
Drafting	x						
Supervision and review (within audit chamber)		x	x		x <sup>1</sup>		
EQCR review				x	x <sup>1</sup>		
Adversarial meeting between ECA and auditees	x	x	x	x			
Adoption						x	x

1) ECA VGAM foresees: "... The vertical audit chambers are responsible for carrying out an EQCR of draft APMs and draft audit reports. The EQCR process is not a replacement for supervision and review, but is a different process, with different objectives..."

Source: ECA – Audit Chamber V Financing and Administering the Union – document 'lessons learned from the (2014-) 2016 Statement of Assurance exercise – the reviewer's perspective'

In most cases the auditors and reviewers will find common ground quickly. Only in some cases, the quality control review finds that more reflection and discussion is needed and, if this process cannot be concluded by the hierarchical superiors, the reporting Member and Member for the Annual Report bring the discussion to the coordinating Chamber.

Getting the facts and assessments right provides the core basis for producing a good quality report. Presenting our findings, conclusions, recommendations and follow-up in a consistent manner requires further coordination. This starts with the so-called 'Annual Report instructions,' drafted by the SoA team, and presented by the Member for the Annual Report to the coordination *Chamber Financing and administering the Union* and the College that adopts them. The draft chapters receive reviewer's comments to ensure a balanced and consistent presentation of the observations and the coordinating Chamber discusses the findings,



Lazaros S. Lazarou, ECA Member for the Annual Report

## Coordination and quality review for the Annual Report – truly team work *continued*

conclusions and recommendations presented in each of the chapters before the final adoption by the College.

The President and Member for the Annual Report present the Annual Report to the European Parliament's Budgetary control committee (CONT) and the plenary. These presentations start the discharge process. Reporting Members present the chapters during discussions of the CONT committee in presence of the Commissioners responsible for these areas. Similarly the Annual Report is discussed in the Council's budget committee by ECA Directors in the presence of Commission representatives.

At the close of the process audit Chambers and the SoA team analyse the Parliament's discharge report and the Council's recommendations. Together with the experiences gathered this provides relevant input for improvements to the next annual report(s).

Overall, the Annual Report is a result of team work of the reporting Members, the Member for the Annual Report and their staff from all Audit Chambers. Together they deliver the quality ingredients needed for an auditor's opinion and report, applying the four eyes principle throughout the entire process.

# The Ins and Outs of Translating the Annual Report

By Derek Meijers, Translation, Language Services and Publication Directorate



From left to right: Nadia Sana, Derek Meijers, Magdalena Madej, Tomas Vrsovsky, Petra Prochazkova

Every year around the brink of spring our colleagues from the Translation, Language Services and Publication Directorate (TLSPD) anxiously await the new ECA Annual Report exercise. Not only is this the most important publication of the ECA as a whole, it's probably also the biggest project on each translation team's annual to-do list. And there is much more to it than translating alone. Our colleague Derek Meijers interviewed, Leena Valtari, Magdalena Madej, Nadia Sana, Petra Prochazkova and Tomas Vrsovsky, who give an interesting glimpse behind the scenes of a bustling directorate.

It can be quite challenging to deliver all translations of the Annual Report and all Specific Annual Reports – the reports the ECA provides on its annual audit of each EU agency - to the requesters on time. Especially if you consider the fact that most of the deadlines are scheduled around the summer break, a period in which many colleagues of the TLSPD enjoy some well-deserved holidays and most teams operate at less than full strength. But despite these restraints, in 2017 the TLSPD managed to plan, prepare, translate, revise, format and upload almost all documents on time.

## Translation process starts at Planning and with the TechPool

The translation process starts with the requesters, who send numerous documents to our Planning, where they are analysed and put into production. Then the Technical Pool (TechPool) takes over, as our colleagues **Leena Valtari** and **Magdalena Madej** explain:

*The Technical Pool has played an important role in the preparation of documents for translation, and performs a series of technical checks and changes, the removal of the layout for example, which are necessary to ensure the translation process runs smoothly and without hitches (we call this process "sanitization"). The TechPool checks consistency with the Publication guide's requirements, templates, styles and other formatting rules, and also makes sure that Translation Request Forms are complete, i.e. contain all the necessary secondary files and elements in an editable format. The TechPool never interferes with the content itself.*

*The most important element for good cooperation with requesters is that they **always** use **all** those "sanitized" files. This is particularly important for official documents with multiple versions, and the annual report. Fortunately, the various actors involved in the*

“ This year the TechPool noticed further significant improvements [...] We hope it will improve even more for next year's annual report.

## The Ins and Outs of Translating the Annual Report *continued*

*lifecycle of official documents have recently become more aware of the crucial role of cooperation. This year the TechPool noticed further significant improvements regarding the reuse of sanitized files. We hope it will improve even more for next year's Annual Report.*

### 23 language teams translating

As soon as the TechPool gives the green light, the 23 language teams start translating. Since 2017, they all use the same CAT-tool (software for computer-assisted translation) to translate, revise and store their translations (SDL Groupshare), which enables them to make optimal use of the available human resources, to consult previous years' translations and to deliver consistent translations throughout all the different versions of every individual document. And much faster than before, as **Petra Prochazkova** from the Czech language team illustrates:

*The translation of the Annual Report has changed substantially for us over the past years, shifting from Word-file based manual translation to a computer assisted process involving various file formats and tools in a shared automated environment and with pooled assistant support. The most important change this year was the introduction of Groupshare. In translating the Annual Report, which has multiple chapters, common terminology as well as a certain degree of standardised content, we could benefit from several features of this workflow management platform: more than one translator can work on a project at a time, translation memory content from Studio (the computer-aided translation tool) can be quickly retrieved and shared, and the translator and reviser collaborate within the same shared space.*

*The biggest challenge for us was to harmonise our team's workflow with that of our colleagues from the Linguistic and Administrative Pool (LAS Pool) – who format our translations, check the layout, hyperlinks, cross-references etc. and whose tasks need to be completed within the same deadline as translation, and we need to factor that in when we plan our own work to provide our output in advance. In the peak season with high workload and sometimes coinciding deadlines the timing was often tight and the pressure high for both sides.*

*Translators use the Collation Forum to ask questions about the content of a text. This central website is very practical, as everyone involved in the translation can consult these questions and the replies of the liaison officer from the audit Chamber, who is usually the author of the source text. What we found quite helpful in terms of translation of individual Annual Report chapters was when more than one liaison officer could participate in the Collation forum discussions. That way somebody is available for the consultation even in the absence of others, which is important especially in summer when in fact most chapters are being finalised and we needed to incorporate the responses in good time.*

*Hopefully with more adjustments towards greater simplification of some features and maybe even integration with some of the other tools used (eg. Collation Forum and Artemis – the ECA's Translation Management System, which is linked to the ECA's Data system, where the archives are stored), the new workflow system will be able to facilitate our work in the future even more.*

“ What we found quite helpful [...] was when more than one liaison officer could participate in the Collation forum discussions. That way somebody is available for the consultation even in the absence of others.

## The Ins and Outs of Translating the Annual Report *continued*

As mentioned before, the pools and the different language teams work closely together to get the job done. Since the dedicated assistants of the individual translation units were pooled following ECA's internal reform, the linguistic assistants from the LAS Pool now have to process translations in several different languages, not just their mother tongue. This makes their jobs more interesting, but also more demanding, as they have to format the documents of several teams on the same day, also taking into account the different linguistic checklists for each language. Our colleagues **Nadia Sana** and **Tomas Vrsovsky** elaborate:

*As soon as the translation teams 'drop' their translations through Groupshare, the assistants from the LAS Pool can begin to post-process the documents, which is the final part of the entire translation process. The post-processing comprises several steps, in which the assistants follow specific standard rules that apply to all languages (e.g. for LFN, Logos, footers...), but also check whether or not the translations are consistent with the linguistic checklists for each individual language, which define specific linguistic rules which must be followed when formatting. If necessary, they will ask the translation team to double-check the final product before it is uploaded into Artemis and made available to the requester.*

*This year, the final date for translation of the Annual Report chapters was brought forward and the chapters were longer, but thanks to good cooperation and good communication with all the actors involved in the translation process we were able to provide timely, good-quality and well-formatted translations.*

### **Team effort**

Recently, the Court's translation service faced several changes and worked hard to get ready for the 2017 Annual Report exercise. Although some problems had to be solved along the way, the Directorate managed to implement the reform successfully. As mentioned before, the most important factor here is team work. A successful production fully depends on the smooth collaboration and clear communication between planning, pools and language teams, but also on the cooperation with the technical troubleshooters from the Directorate of Information, Workplace and Innovation (DIWI) and the liaison officers in the audit chambers who are responsible for the content of the source texts.

Thanks to the commitment and effort of its staff and management the TLSPD now enjoys a streamlined organisation, unified workflow and practical IT-tools, which enable it to work much faster, more efficient and also more client oriented. And the combination of all these improvements resulted in the timely delivery of all 23 language versions of ECA's Annual Report to the EU's citizens. We are looking forward to next year's Annual Report!

“ **Cooperation and good communication with all the actors involved in the translation process is the key element.** ”

# Auditing results to provide guidance for EU efforts in the future

Interview with Joachim Zeller, MEP and rapporteur for the 2016 Discharge

By Gaston Moonen, Directorate of the Presidency



Who could be better placed to tell us what they do with our annual report at the European Parliament than the discharge rapporteur himself? MEP Joachim Zeller provides insights into his work, his relations with other standing committees, and what in his view are the essentials of the discharge procedure. And last but not least, the role the ECA's annual report plays in this procedure, which is one of the key prerogatives of a parliamentary assembly.

## More focus on performance

He speaks in measured tones but it is evident that Joachim Zeller has some very clear ideas about the EP's discharge and which direction discussions should take. He immediately spells out one of his main wishes: 'There should be more focus on performance. In the past the ECA tended to be more compliance-oriented, but it is now moving increasingly in the direction of performance.' For the 2016 discharge rapporteur the performance issues raised in the ECA special reports are very valuable: 'They really show how European money is working, what has been done and what is going on.' For Joachim Zeller the ECA's special reports should play a big part in the discussions on discharge, and should do so even more in the future. 'Error rates and whether, for example, structural funds money is used in accordance with the rules is all important but we should also look at what has been achieved with it. Often the press writes that 5% of EU taxpayers' money was wasted. But this is not necessarily the whole picture. Some of these projects did not comply with the rules, but they were still successful in terms of achieving the intended results. At the same time there may also be error-free projects which are completely useless.'

## Multiple roles providing multiple perspectives

Joachim Zeller is not new to this field: he is now, rather unexpectedly, discharge rapporteur for the second time, having done the job once already for the 2015 financial year. And for the 2014 exercise he was the shadow rapporteur for his party. Besides being a member of the Budgetary Control Committee he is also vice-chair for the Regional Development Committee, full member of the Development Committee and a substitute member for the Subcommittee on Human Rights. He explains the advantages of having these multiple perspectives: 'To be a member in these three specialised committees, all connected with expenditure, is very useful. As rapporteur for the discharge it is very useful to have direct discussions with and information from sector committees.' He also underlines that having all these functions can sometimes also cause difficulties: 'I sometimes obtain knowledge from my work in the Budgetary

Control Committee, often from ECA reports, which colleagues in the other committees do not have, such as information that provides insights into whether projects are useful or not.' He cites the example of information provided by the European External Action Service, at the request of the current chair of the Budgetary Control Committee, Ingeborg Grässle, on how EU projects are performing, even if this may sometimes lead to negative assessments. Joachim Zeller continues: 'A colleague in the Committee on Development once said that this was an attack on the development policy of the EU. But I do not believe it is; on the contrary, for us parliamentarians it is essential to learn what is going on on the ground and then to discuss how to improve it. For some colleagues it would have been fine if the Commission had limited itself to providing the 200 million euros, contracted it out to partners and then had done with it, not knowing whether the objectives for which we had been providing the EU funding in the first place had actually been achieved.'

Joachim Zeller feels at ease in his role as rapporteur for the discharge: 'It gives me the chance to discuss topics with many Commissioners and Directors-General, and it enables me to get information which normally I would not get or which would be much more difficult to get. It is encouraging work!' At the same time he finds that the discharge exercise is clearly underestimated within the European Parliament: 'We should do something to bring it more into the life of the whole EP. It cannot only be an issue for the Budgetary Control Committee. For the Parliament as a whole it should be an opportunity to connect intentions to achievements: is it moving in the right direction and have we used the right instruments to move it that way?' Joachim Zeller believes that for many MEPs the discharge exercise can deliver a lot of information. He underlines: 'Other standing committees often focus on protecting their policy area. But the idea is not to destroy their efforts; we want, together with them, to think about whether our strategy is the right way to achieve what we call European added value.'



### Performance information needed as input for future action

For the rapporteur the issue of additional European value is clearly linked to having a strategy for the future of the Union. He explains: 'What can be achieved with EU funds and what has been achieved with it are two sides of the same coin. At the beginning we have a multi-annual strategy. Whether this is a good idea or not, I do not know, but we have one. As district mayor in Berlin I had to follow the Lisbon Strategy regarding the implementation of European funds. Then, when I became MEP in 2009, still one of the last years of the Lisbon strategy, nobody was talking about it anymore. The President of the European Commission said that it had failed. There was no discussion of why, instead the Commission immediately drew up a new strategy, EU2020. And now nobody is talking about EU2020. But a thorough review of the results of these strategies could have provided the focal points for our common efforts to shape the future of the Union.'

As to these efforts, Joachim Zeller does not beat about the bush. In his view three points are essential: 'Since the EU only has very limited natural resources we need to focus on innovation to be able to compete on a global scale. So we need good brains. Secondly, we need inclusion so that nobody feels left out. Thirdly, we need sustainability to ensure our actions are also useful for the next generation. These three principles should guide our way of thinking towards a new strategy.'

### The organised absence of responsibility

For Joachim Zeller assessing performance introduces the aspect of accountability: 'Many people will try to avoid being held accountable for performance.' He recalls a book which was entitled 'The organised absence of responsibility' to describe the situation in East Germany during the communist era. He smiles, saying: 'I sometimes get a bit of this feeling in Europe. One of the problems might be that the EU does not have a clear government that can be held accountable. The Commission is a collection of officials. They have to think about what the Council or the EP wants to have and they come up with proposals on that basis. But in the end they are not really in charge, since quite often implementation takes place at a different level, not at Commission level.' He continues with an example: 'This is the case in shared management, where Member States often do not deliver the intended results, do not sanction irregularities, and are not willing to cooperate with the Commission to rectify shortcomings: that is, at least, what the Commissioner for Regional Policy, Corina Creţu, often implies in her responses.'

The rapporteur explains that it is quite a disappointment for him to see that the EU funds which are available are often not even used: 'In Romania there is such a need for additional funding for projects on the ground. At the same time the Romanian government still has a huge amount, around 30 billion euros, of unused cohesion funding still available. When visiting Romania I met people who were in a position to initiate useful projects with EU money at the level of the municipalities. But everything comes to a halt at national level, not only because of problems with administrative capacity, but also because of the political situation, the political divide in the country. If a mayor does not belong to the political party in power at national level, he will get nowhere with his project. This situation creates a substantial impediment to absorption and carrying out good-quality projects.'

### Organising the discharge process

Speaking about how the discharge discussions are organised, Joachim Zeller highlights the role played by the shadow rapporteurs who come from each political group: 'They are active in meetings and help to draft questions to be directed to the Commissioners. As rapporteur I collect these questions from all political groups and provide the Commissioners with a consolidated questionnaire. So at an early stage I am already cooperating with the shadow rapporteurs. This cooperation is important, since I will need to get a majority for my discharge report not only in the Budgetary Control Committee, but also in the plenary.' Joachim Zeller underlines that the ECA's annual report forms the main basis for his discharge resolution, and also, increasingly, the ECA's special reports because of their performance information: 'These findings provide the core of the material which triggers most questions. The follow-up results presented are also important. This is something we, as the parliament, cannot do on our own.' As to the hearings, he adds that both the Commissioners and Directors-General are keen to receive questions well in advance of the hearings and are clearly interested in a genuine exchange of views.

### Same procedure as last year, same outcome as every year?

To what extent do EU citizens see something of the EP's discharge of the EU budget? According to Joachim Zeller this is a difficult question: 'In almost all Member States the media will mostly report on items relating to the Council, when their own government and its ministers are active in Brussels. During recent years the situation has improved slightly, as it is now recognised that the EP is in a co-decision procedure with the Council and thereby involved in major decisions. But the discharge is done only by the EP and the focus of the media is mainly on irregularities and nothing else.' He goes on to explain that the discharge procedure is also not that easy to understand: 'That is why

the media often try to simplify the message. And only bad news is interesting news ... But there is also room for improvement within the EP. Both the discharge and the ECA's special reports should be more appreciated and also taken up systematically by other standing committees.' But how do we create more interest? The rapporteur believes that more information on performance issues will be key here: 'Both the ECA, but also the EP, can present bad and good examples. Quite often representatives of Member States' management authorities say that auditors only want to find where they failed and not what they have achieved. This can destroy trust and we need trustful cooperation.'

Does Joachim Zeller see any changes and improvements in the discharge process? Or is it merely a process that needs to be got out of the way before moving on to the next year? The rapporteur feels that in the past this sometimes may have been the case: 'Same procedure as last year, same outcome as every year. But I hope this is changing now as the focus shifts more and more towards performance. I believe the issue of performance also needs to be an essential issue in the upcoming multi-annual financial framework discussions.'

Joachim Zeller also welcomes the fresh approach to the ECA's Statement of Assurance, as announced by ECA President Klaus-Heiner Lehne, and in particular the ECA's intention to make better use of the audit work done by others: 'I hope that for both cohesion and agriculture, i.e. the major expenditure areas in the EU budget, the 2017 report will show some real changes in approach, content and key messages.' As to the EU's agricultural policy, Joachim Zeller takes a clear stance: 'We cannot continue to spend money on agriculture as we do now. A lot of EU funding for agriculture goes into the bank accounts of big industry, who do not really need it, certainly not if we consider their annual profits. In this respect we should not forget that about 80% of EU agricultural funds are going to 20% or less of the farmers. But this remains a sensitive topic of discussion with MEP colleagues in the EP Agricultural Committee.'

### **Clear and visible results needed for a sustainable European Union**

For Joachim Zeller, cohesion policy remains one of the spending priorities in the upcoming MFF to stimulate inclusiveness and solidarity for EU citizens. Issues related to development aid and migration form another important area. He adds: 'The EU certainly delivers its share here but how the money is spent often remains a black hole. Now questions are being raised. A lot of money has been spent in developing countries but why are so many people from these countries coming to Europe. Apparently they cannot survive in their own country, which raises questions about the effects of EU aid. That is why development policy must have more strings attached, be more conditional on results. A lot of money goes to budget support in these countries or to UN organisations in the hope that they are doing the right things.' The rapporteur cites the example of UNWRA, the UN Relief and Works Agency for Palestine Refugees: '70% of their budget comes from the EU. I have seen with my own eyes that UNWRA has refugees living in ruins on mountains of waste, a situation refugees have already been living in for years. When UNWRA was asked why they could not help to create jobs to improve the situation for these people, UNWRA replied that this was outside their mandate.'

Joachim Zeller is convinced that more focus should be put on performance in the discharge debate to bring to light more information on what has been achieved with EU funds. In his view discussing the results from the past is necessary to learn for the future: 'You cannot adopt policy plans without evaluating achievements after implementation if we want a learning and sustainable European Union. And last but not least, this should also entail the introduction of performance as a key condition for obtaining EU funds under the next multi-annual financial framework period.'

# Presenting the Annual Report to Parliament and Council

By Helena Piron Mäki-Korvela, Directorate of the Presidency

When published many ECA auditors are already working on the next Annual Report. But after publication our stakeholders will spend till April discussing it in the discharge procedure. Helena Piron Mäki-Korvela gives us a short overview on what happens in the European Parliament and Council.

## Discharge starts and ends in Parliament

The discharge procedure on the EU budget always starts with the publication and presentation of our Annual Report by our President to the European Parliament's Committee on Budgetary Control (CONT) at their meeting in September/October, followed by a presentation by the ECA President in a plenary meeting of the Parliament shortly after. It ends in April the following year with a debate at the European Parliament in plenary, followed by a vote on the detailed discharge reports and signing of the European Parliament President of the final adopted reports. This year the presentation to the CONT took place on 28 September, followed by a presentation to the Parliament's plenary meeting in Strasbourg on 4 October.

Throughout the procedure the CONT organises hearings with key Commissioners and Secretaries General of the EU institutions and heads of EU agencies and Joint Undertakings, based on detailed questionnaires. Particularly the CONT's designated discharge rapporteur – each year newly appointed and for the 2016 discharge exercise MEP Joachim Zeller – is active during these hearings. In addition, CONT also invites all other relevant European Parliament specialised committees to submit their opinion on the discharge reports relative to their area of competence. In this way for instance the AGRI Chair Siekierski, accompanied by the AGRI secretariat staff, also took part at the CONT hearing of Commissioner Hogan on agriculture at their meeting this November, preparing for the AGRI opinion that they are going to submit to CONT at the beginning of next year. These specific opinions by specialised committees, such as the Committee on Development aid, Environment, Regional Development or Transport, form an integral part of the discharge report as adopted each year. The representatives of various specialised committees also take the floor at the April plenary, bringing their concerns relative to the implementation of the EU budget to the general debate before the vote. In this way, the trend towards better performance of EU spending has also become a general concern at the European Parliament, and not just the concern of the lead committee CONT.

## Process in the Council

After the publication of the Annual Report the first presentation to the Council is usually done by the ECA President to the Member States' Ministers of Finance, assembled in the Economic and Financial Affairs Council (ECOFIN). ECA President Klaus-Heiner Lehne presented the 2016 Annual Report in the ECOFIN meeting of 7 November 2017. Members of the ECOFIN very much welcomed the report of the ECA and thanked the President and the staff of the ECA for their important



ECA President Klaus-Heiner Lehne, presenting the 2016 AR to the MEPs at the plenary session in Strasbourg on 4 October 2017

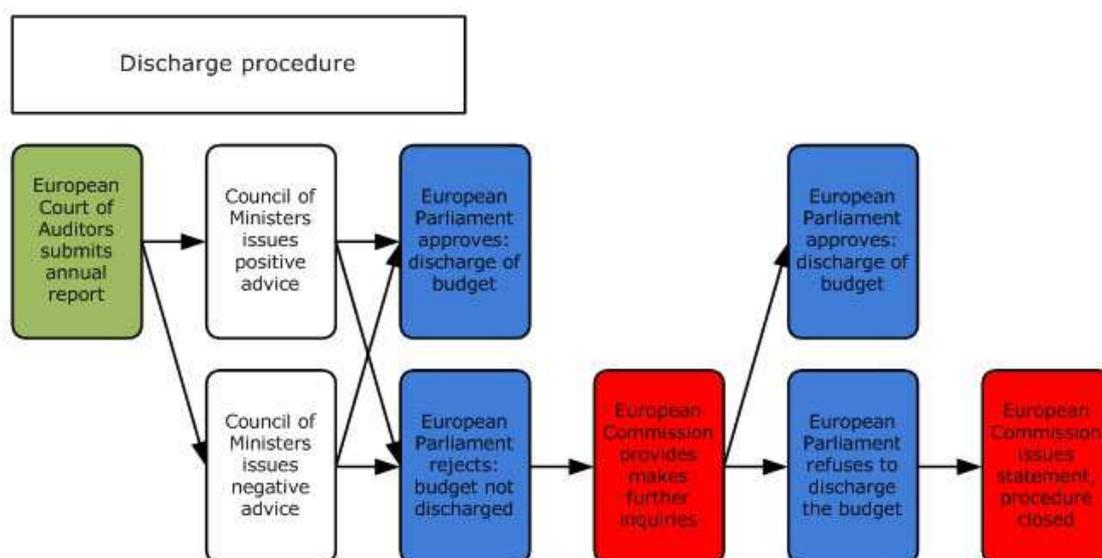
## Presenting the Annual Report to Parliament and Council *continued*

work. The hope was expressed that the positive developments in the Commission's financial management over the past year will prove to be sustainable.

A detailed discussion of the Annual Report takes place at working level: for the 2016 Discharge exercise Member States' representatives discuss in several meetings the different chapters. These meetings usually take place in January, in the presence of representatives of the Commission's DGs and of the ECA staff. Subsequently the Council drafts a report which is, after adoption in the 20 February 2018 meeting, sent in March as a non-binding advice to the European Parliament.

### Granting of discharge

The European Parliament takes note of the Council's advice when finalising its discharge resolution in which it will grant discharge or not to the Commission and other EU institutions and agencies.. In case the Parliament refuses discharge this means that the accounts of the institution or agency concerned are not cleared. The organisation involved must act on the recommendations of the European Parliament before seeking discharge again.



Over the years the Parliament has refused to grant discharge to various EU agencies and bodies. To the Commission the Parliament has refused twice, leading to postponement of the discharge: in 1984 for financial year 1982 and in 1998, for financial year 1996.

Once the discharge resolution for a financial year is adopted, till now most often with discharge granted to the European Commission, the EU institutions are requested to provide written replies to the questions put forward in the discharge resolution. Most of these questions are addressed to the Commission. Usually this process is finalised before the summer recess of the European Parliament. The new discharge process starts in practice with the publication of the ECA's Annual Report.

# Council Budget Committee discusses audit methodology and results with ECA auditors

By Andreas Bolkart, Directorate of the Presidency

In a one day seminar which took place on 23 November 2017, ECA auditors and the Member State representatives of the Council Budget Committee discussed the audit methodology and results of the Annual Report and the future Statement of Assurance approach.

## Plunging into the ECA's audit approach

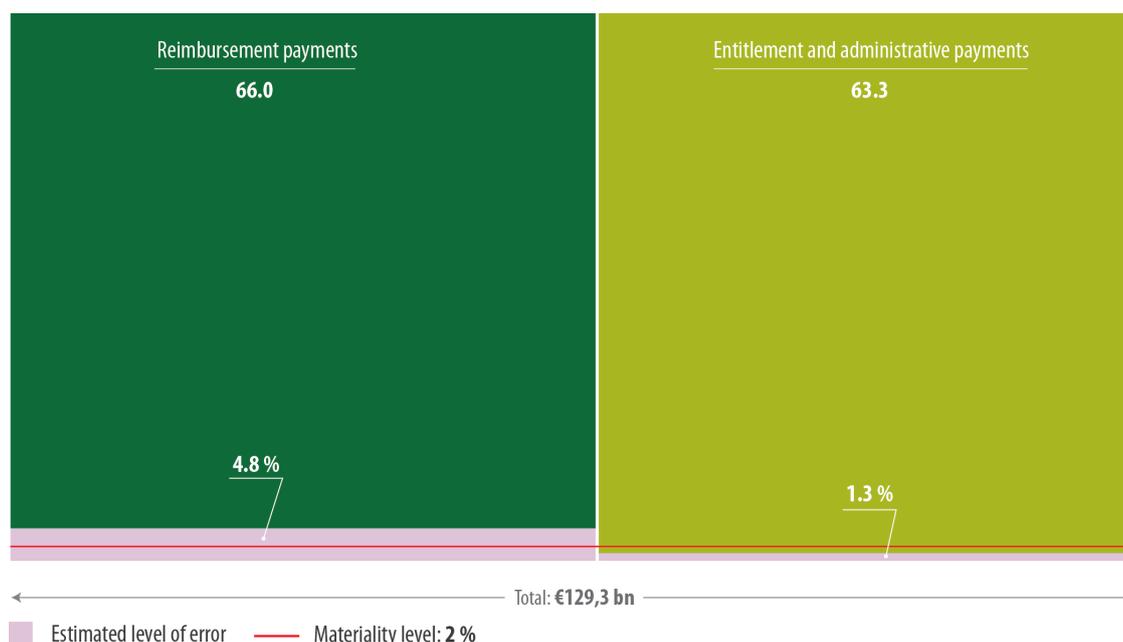
The seminar is an annual event that is used to provide a more in-depth view of ECA's audit methodology and approach. It is a good opportunity to deepen the discussions on these subjects, aside from the normally very busy schedules of formal Council Budget Committee meetings where ECA reports are presented and where the Council's part of the discharge is prepared.

The event was co-chaired by Daniela Vatrachki of the incoming Bulgarian Council presidency, and Mariusz Pomieski, Director at the ECA. The event was structured by a series of presentations by ECA auditors. To begin with Mariusz Pomieski and Paul Sime explained the methodological basics on the ECA's audit opinion. After that Judit Oroszki and Ilias Nikolakopoulos presented the legality and regularity audit approach using the information in the 2016 audit report.

## Evolution to a qualified opinion on payments

Concerning legality and regularity of payments, for the first time since we started to provide a statement of assurance in 1994, the ECA issued a qualified opinion and not an adverse one, because a significant part of the audited expenditure was not affected by a material level of error. Moreover, there has been a sustained improvement in the estimated level of error in the payments made from the EU budget over the last few years.

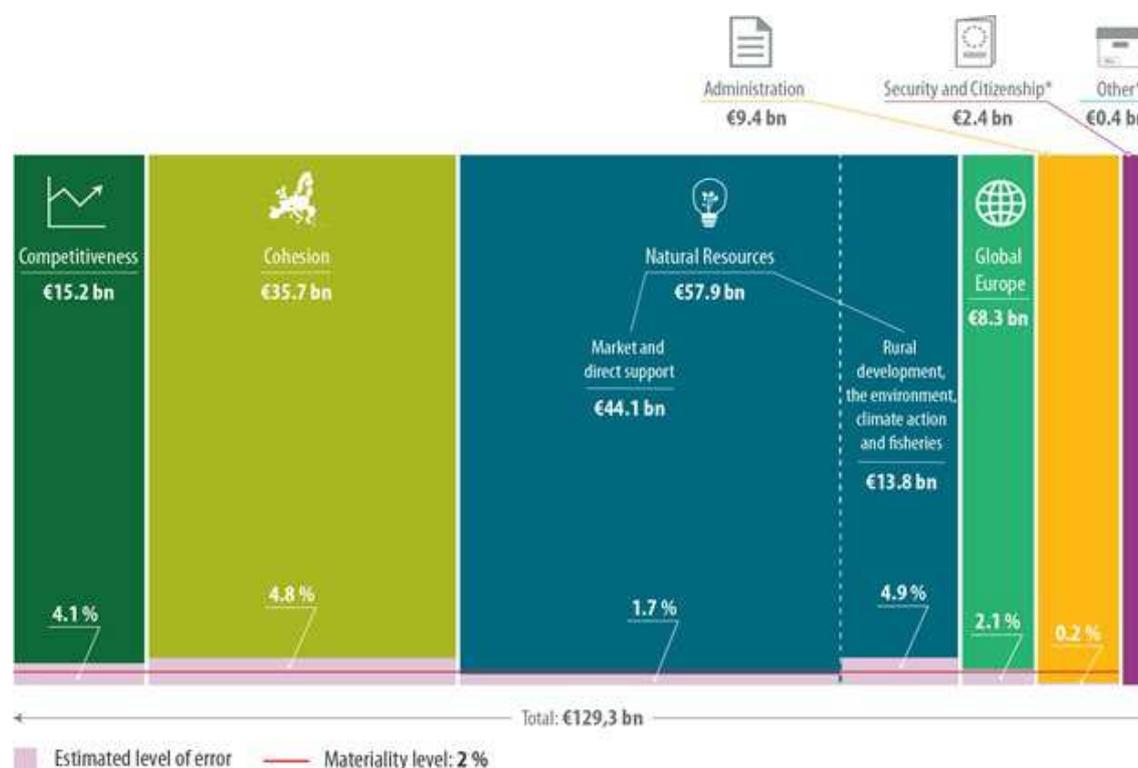
Figure 1: About half of audited 2016 expenditure is free from material error



## Council Budget Committee discusses audit methodology and results with ECA auditors *continued*

The Member State delegates and ECA auditors exchanged on a number of issues about the audit opinion on payments, such as the reasons for the improvements, the specific developments in the large spending areas cohesion and agriculture, the significance of the MFF spending cycle and likely future trends.

Figure 2: 2016 results of testing of EU spending areas

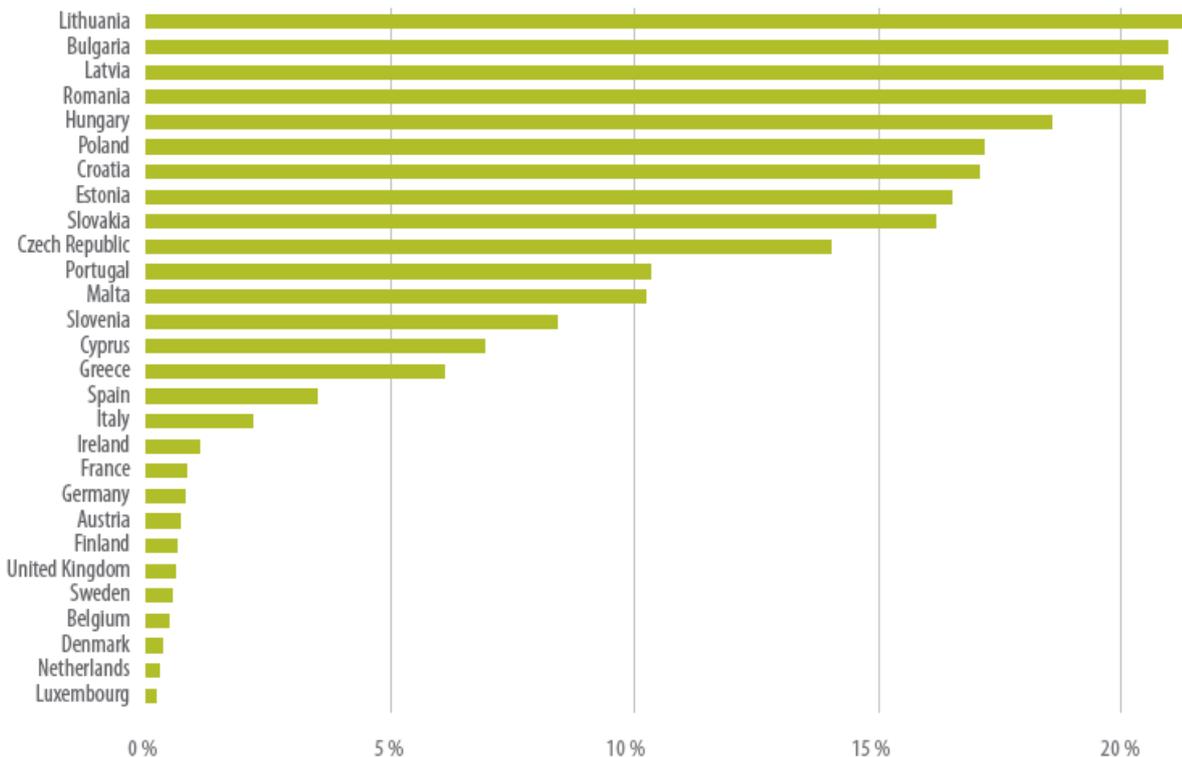


As in previous years, revenue for 2016, taken as a whole, was legal and regular and the ECA gives a clean opinion on the reliability of the 2016 accounts of the European Union. This was highlighted in a presentation by Jarek Smigiel, who zoomed in on 'key audit matters', a new concept in the standards on auditing which was introduced in the ECA's audit opinion on the reliability of the accounts.

The work done for the review of budgetary management was presented by James McQuade and Michael Tatianos. In this area the main issues of interest for Member State delegates was the absorption capacity of Member States, high outstanding commitments and the increasing role of financial instruments.

## Council Budget Committee discusses audit methodology and results with ECA auditors *continued*

Figure 3: Outstanding expenditure from ESI funds (as at end of 2016; % of 2016 general government expenditure)



### Measuring performance of EU expenditure

Joël Costantzer and Bernadett Soós-Petek, gave a presentation on measuring performance of EU expenditure. The Member States delegates showed great interest in this issue and in particular in the ECA's recommendation to simplify the Commission's performance indicator framework. The afternoon session started with presentations by Alberto Gasperoni and Bertrand Albugues on the ECA's work for auditing EU revenue and on administrative expenditure. In these areas the delegates were interested in the impact of GNI changes on EU revenue and the ECA's audit of the 5% staff reduction in EU institutions following the financial crisis.

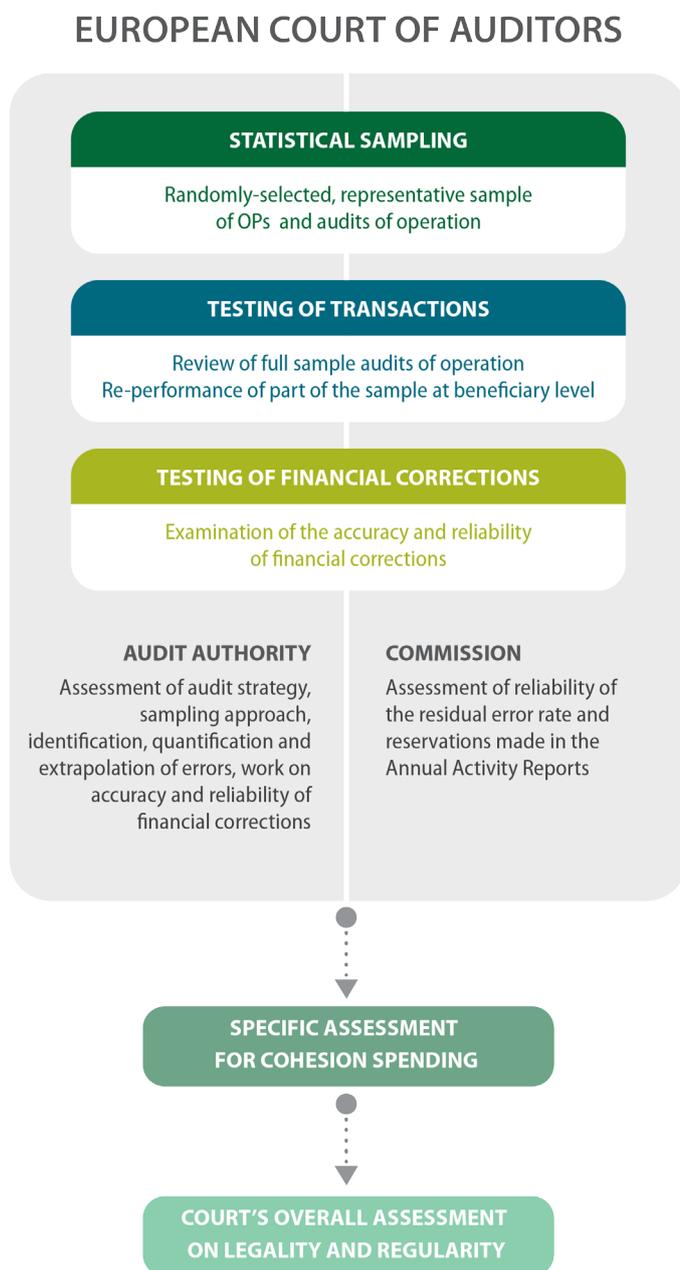
Furthermore Elisa Gómez explained how the ECA takes account of corrective action that the Commission implements following its own audits and controls as well as those of the ECA.

### Moving forward with a modified approach for compliance audit work

The final session of the seminar was used to discuss the upcoming changes to the ECA's audit approach. ECA Directors Martin Weber and Mariusz Pomieniski, gave an overview of the recent ECA decision to adapt its audit approach to the improved control systems and positive trends in the error rates. From the 2018 Statement of Assurance onwards, the ECA will, wherever the quality of control system allows that, rely to a larger extent on the results of upstream controls and checks.

## Council Budget Committee discusses audit methodology and results with ECA auditors *continued*

For the Cohesion area the approach could look like presented in **Figure 4** below.



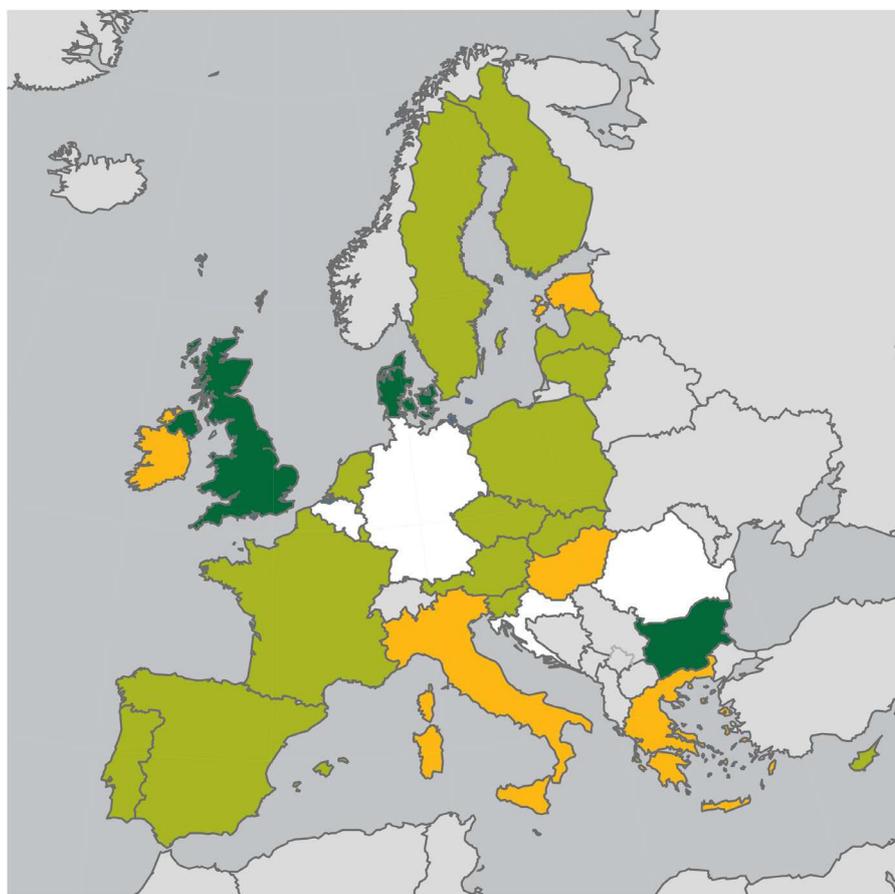
The Members States delegates were generally welcoming this move but were also very interested to hear how the sampling will work, how the approach will affect cross-sectional and historical comparison, and how the approach might impact the auditee's behaviour.

## Reaching out to ECA's national parliaments and Member State authorities

By Gaston Moonen, Directorate of the Presidency

Almost 80% of the EU budget is spent in shared management with the Member States, mostly in the areas of agriculture and cohesion. The ECA regularly finds both good practices but also weaknesses in management systems at Member States' level and errors which could have been prevented by Member States' authorities. The more important that Member States' authorities and national parliaments become aware of ECA observations and recommendations for improvement. To be successful in influencing decision-making on EU financial management and other administrative practices the ECA increasingly reaches out to national parliaments and government authorities.

It would go too far here to go into detail on the often tailor-made activities undertaken, mostly by the ECA Members and their private office staff, in the Member States. But the map below gives an overview of activities undertaken or foreseen in the near future to highlight the 2016 Annual Report findings. Often during the visits the ECA representatives also draw attention to recently published special reports, particularly when they concern the Member State visited.



■ National parliament
 ■ Government authorities/SAI
 ■ Both

Map: Meetings with national parliament and/or Member State authorities to present the 2016 Annual Report and other recent ECA publications

# Catching the attention of the media

By Mark Rogerson, Directorate of the Presidency

We put a lot of effort into disseminating our reports and reaching out to the media, but what are journalists looking for? Our Spokesperson, Mark Rogerson, explains.

## Arousing media interest

A key group to whom we send our Annual Report – and our special reports for that matter – is the press. Now, the press is not actually an audience in the strict sense of the word; they are one route to the ultimate audiences we do want to reach. Whether it's Members of the European Parliament, industry stakeholders, ordinary citizens in the Member States or even other members of the audit profession, we want them to read about our report in their favourite newspaper or journal or on their favourite news website. But therein lies the problem: we have to interest the press in the content of our reports if we are going to persuade them to write about us and what interests journalists most of the time is bad news, not good.

"EU finances in a complete mess" will catch the eye of a news editor more readily than "EU finances coming along quite nicely". Indeed, I have a personal theory that in some of the UK tabloid newsrooms they have the headline "Bumbling Brussels bureaucrats waste billions" permanently set up on their computers and are just waiting for a story to come along that they can run underneath it.

The conclusion from all this is absolutely **not** that we should accentuate the negative and pander to their desire for doom and gloom. But it does mean we have to accept that what they are looking for is a story, something new and interesting and different which they can use to fill a few column centimetres in what is an incredibly competitive news environment. If our reports tell a compelling story, they will attract the attention of reporters and correspondents who will write about them. Those stories will be appreciated by news editors who will run them, and ultimately they will be read by the people we want to see them. It is as simple, or as complicated, as that.

## How to provide a compelling story?

So what should that story be? First of all, it has to be rooted firmly in our audit findings. Although, with all due respect to our hard-working auditors, those findings by themselves are not necessarily the story. It's like when you go for a health check-up. They measure heart-rate and blood sugar and all sorts of other things and come up with various measurements in micrograms per millilitre or some equally esoteric formulation. But that alone does not tell you whether you are fit and well or ready to drop. You need the doctor to explain that you are all fine, or you need to exercise more or cut out the afternoon piece of cake. That is the story you are waiting to hear after your check-up and we tell the equivalent of that story each year with our Annual Report. We answer the question, how healthy are the EU's finances?

## Catching the attention of the media *continued*



Visit by Brussels Press at the ECA

Secondly, our story should – as much as possible – be about people rather than abstract concepts. Journalists like to write about people and the problems they face (or have overcome). And people like reading stories about other people. The more we can put a human face on the findings in our Annual Report and in our special reports – the more our stories will be compelling.

Thirdly, our story should be clear and concise. We talk a lot about clear writing at the ECA and I think our Executive Summaries, for example, and the Audit in Brief for the Annual Report have become much more readable in recent years. Journalists who want to write more than just a few hundred words on our reports will read the actual documents, not just the press release. The more they find clear and easy-to-understand language, the more they will use.

### **No magic but common sense**

There is no magic bullet which will ensure maximum media coverage for all our reports. Like everyone else, we are at the mercy of the news agenda – if another big story comes along on our day of publication we run the risk of being squeezed out. But if we tell a clear, compelling story with a strong degree of human interest, at least we stand a good chance.

# Reaching out to key stakeholders with our Stakeholder Management System

By Helena Piron Mäki-Korvela, Directorate of the Presidency

To better serve our stakeholders the ECA established a Stakeholder Management System in 2015. Helena Mäki-Korvela explains what it does and its first results.

## Targeted communication to stakeholders

The ECA keeps making special efforts to ensure that our Annual Report – and other ECA output - gets communicated in a targeted way to our key stakeholders and the media, immediately after their publication at our website. Since 2015 the Stakeholder Management System (SMS) - a IT communications tool developed in-house - has been used for this purpose, allowing sending communications simultaneously in 23 EU languages to large numbers of selected audiences based on various criteria instead of using simple mailing lists.

On the morning of the publication of our 2016 Annual Report on 28 September 2017, 6 670 persons out of the current 12 233 contacts contained in the SMS database received an electronic publication notice of our 2016 Annual Report, based on the press release and the quote from ECA President Lehne. They were selected because they had previously indicated a special interest in receiving publications such as our Annual Report. Among these were all the MEPs of the European Parliament, all Commissioners and their cabinets, all Ministers of Finance, Economy, Agriculture, Transport, Environment, Energy, Social Affairs and Employment, as well as the competent committee MPs of the national parliaments including those dealing with EU Affairs and Public Accounts in the EU Member States. Each one received this notice in their own language. We also made sure that the various levels of national and regional authorities responsible for managing EU agricultural and cohesion spending was informed of our detailed findings and recommendations. In addition, also a number of academics, non-governmental and international organisations were informed of our publication.

Our official publication notices are also communicated via the SMS system instead of the traditional sending of hard copies of reports in 23 EU languages enclosed with hand signed letters, as done previously. Thanks to the efficiency of the system we have been able to discontinue publishing our reports in paper format, with the exception of the EU Audit in Brief, the summary document of the Annual Report.



Cover page of the 2016 EU Audit in brief

## Feedback on targeted messaging very positive

For the ECA Communication and media relations service the SMS is an essential tool to reach out to media both in Brussels and in the Member States keeping them informed of our work and inviting them to our press briefings. Around one third of the recipients of our messages about the 2016 annual report were media representatives.

This targeted communication via SMS is also appreciated by our contacts in the other EU Institutions, such as the European Parliament. They are now better informed of our work thanks to the communications of our results in a digestible format in their own language and on real time. Sharing of our electronic communications with other potentially interested colleagues is now also easy. The same applies to the Member States' representatives of different levels, including national ministries and parliamentary committees.

## Sign up

You may be pleased to hear that anyone interested in receiving our communications notices of their choice of topics, language and publication type may register on the online form at our website: <https://www.eca.europa.eu/en/Pages/Publications.aspx>

# The 2016 ECA Annual Report in the media headlines

By Damijan Fišer Directorate of the Presidency

The Annual Report is the ECA's flagship publication. But it's not always the one with the highest media impact. The ECA press officer Damijan Fišer explains why, and looks at this year's main headlines.

## **ECA Annual Report – a wealth of information on EU finances**

The Annual Report continues to be the ECA's flagship product and is every year eagerly anticipated by the stakeholders and media. It is in fact the one report that we present on the same day of the publication to the European Parliament's Budgetary Control Committee and the press in Brussels. It contains over 300 pages on the EU's financial management and is a document of reference for everyone with a stake or interest in the EU's finances.

## **Behind the scenes – the making of**

Almost half of our auditors are somehow involved in making the Annual Report happen every year in autumn, so that the Parliament and Council can use it in good time as a major tool in their discharge process. Commencing their preparatory work the year before, our auditors check over 1000 EU budget payments – from the accounting entry down to the final recipient – mostly in the winter months, analyse their findings in the spring, clear the facts before the summer and agree their observations and recommendations, which just about makes for a full year's production cycle. This is before the publication and communications teams take over to whip their work into a reader-friendly shape.

## **Bad news sells better: headlining error rate and worrisome prospects.**

In journalists' minds, our annual report has become almost synonymous with the level of error or error rate and main headlines traditionally sport the error rate, which quite readily lends itself to a sensationalist title. This year it continued to fall and was below the materiality threshold for around half of EU spending, the reason why we gave a qualified opinion on payments rather than a negative, fail mark - for the first time! This is also reflected in the headline of our press release which says:

*EU accounts true and fair and share of irregular spending further reduced in 2016, say EU auditors*

Good news for the citizens, but not necessarily for the journalists. It is no news that bad news sells (more copies), so this may well be a reason for a somewhat lower level of media coverage of the 2016 Annual Report compared to previous years. At the same time, the media confusion between accounts and payments, misspending and waste (or worse, fraud) appears to have been cleared effectively owing to our ancillary communications such as the press release and FAQ sheet.

Main headlines this year featured the money misspent and the growing concern of record-high unpaid funds, but also the important improvement in the EU's finances.

Examples of some media headings



#### ECA reports: media coverage in perspective

Media presence is one of ECA's key performance indicators. We measured that this year the Annual Report gave rise to around 200 articles in 20 Member States. Most articles were written in Austria, followed by Romania, the UK and Netherlands, while Sweden, Lithuania, Bulgaria and Belgium were tied at 5<sup>th</sup> place. The media map was different last year, when Austria and the Netherlands were just below Top 5, and media coverage was spearheaded by Germany, followed by Spain, France and Poland.

# Enhancing the impact of our Annual Report

By Rimantas Šadžius, ECA Member



Rimantas Šadžius, ECA Member. meeting with Saulius Skvernelis, Prime Minister of the Republic of Lithuania

Rimantas Šadžius is the ECA Member responsible for Institutional Relations. The publication of the 2016 ECA Annual Report offers an excellent opportunity to bolster the ECA's institutional relations at different levels. In this article he highlights the kind of activities that can be (and have been) undertaken to increase the visibility of ECA products at Member State level.

## Early start

This year we presented our 2016 Annual Report on the implementation of the EU budget earlier than ever before. This not only allows the discharge procedure to start earlier; it also enables us to communicate the message of the 2016 Annual Report to the Member States earlier, generally before the national budgets are adopted. This was a good opportunity for us, as Members, to increase the visibility of the Court's work both at European and national level. Presenting the Annual Report – an opportunity to reach out to stakeholders in Member States.

My goal is to maximise the number and variety of stakeholders reached and raise their awareness of and interest in the 2016 Annual Report and indeed all the work we do. I believe that one of the key factors in reaching a wider range of stakeholders is to extend the presentation and adapt it to the specific needs of the audience. Moreover, awareness of the ECA's activities in the Member States could improve citizens' awareness of what works well and what does not work in EU spending and thereby help to renew trust in the EU institutions. I therefore went to the country I know best, Lithuania, as soon as possible after the presentation of the 2016 Annual Report to the European Parliament. My team and I left for Lithuania at the end of October 2017 in order to present the most topical ECA activities, publicise the audit results of the 2016 Annual Report and discuss the most recent special reports.

In order to promote the ECA in general, and the annual report more specifically, to policymakers, I had a number of meetings with high-ranking officials. Notably I met with and made presentations to the Prime Minister and Ministers for Energy and Agriculture, as well the Chairs of the Seimas (Parliamentary) committees on Economics and Budget and Finance. I also gave presentations at a joint meeting of the Seimas committees on European Affairs and Audit, and one at a meeting of the Seimas committee on Rural Affairs.

### **Bringing Brussels and Luxembourg to the national capitals**

My key message to the Lithuanian authorities and the wider public was that there are very relevant results from the ECA's work that are directly linked to what is happening in Lithuania. The ECA auditors' observations and conclusions regarding the areas audited could be transposed to create best practices to be followed in any Member State, including Lithuania. Some politicians were concerned to hear that the payments backlog from the EU budget was almost twice as large as the annual EU budget at the end of 2016. There were also discussions on the level of use of the European Structural and Investment funds in Lithuania and the high proportion of these funds in overall government spending, which was a lifesaver back in 2009 after the national finances were hit by the financial crisis. Concerns were raised regarding the upcoming discussions for the future Multiannual Financial Framework and future funding from the EU, especially with regard to the fact that Lithuania is very close to the 75 percent ceiling of EU average GDP per capita. In this context the discussion on the future of financial instruments as an alternative to decreasing subsidies was very much welcomed. Politicians dealing with agriculture were mostly concerned that there was no level playing field regarding direct payments across the Member States, stating their view that this puts Lithuanian farmers at a disadvantage in the single European market.



Rimantas Šadžius, ECA Member, presenting the 2016 Annual Report to Minister of Agriculture, Bronius Markauskas, and his team

### Work accomplished... and future approach

Specifically in the interests of audit and publicising our methods as well as our work, I made a presentation to the Auditor General, the Board and staff of the National Audit Office. The presentation of the Annual Report is always a good opportunity to present our audit programme and exchange best practices with our colleagues. One of my aims was to stimulate the auditors' interest and not only exchange ideas regarding professional topics, but also encourage discussion on how the ECA can increase awareness of its audit work and maximise added value. As well as presenting the results of the 2016 Annual Report, I also highlighted the ECA's enhanced communication efforts. The Lithuanian auditors showed great interest in the different ways in which we try to leverage ECA publications and the ways the ECA reaches out to different stakeholders.



Rimantas Šadžius, ECA Member, meeting with Arūnas Dulkys, Auditor General of the National Audit Office of the Republic of Lithuania

I also had the opportunity to address the public at large. Not only are the media important stakeholders, but through them we can reach out to citizens directly. I spoke on Lithuanian national radio and television, as well to the national newspaper 'Kauno diena'. I was also invited to give a lecture at the Kaunas University of Technology to students - mostly studying economics and auditing - from three different Lithuanian universities. This was an excellent opportunity, not only to engage with citizens, but also to reach out to academia, which is one of the ECA's goals in the 2018-2020 Strategy. I gave a short overview of the institutional framework of the Union and the position and role of the ECA. I briefly presented the results of the ECA's performance audits in several policy areas, in particular in the area of financial and economic governance, and highlighted the organisational set-up of the ECA and its audit priorities for 2018. I was pleasantly surprised by the keen interest of the audience and their thought-provoking questions on EU matters.

## Enhancing the impact of our Annual Report *continued*

This clearly confirmed my feeling that a tailored approach to the target audience is most important when reaching out to relevant stakeholders.



Rimantas Šadžius, ECA Member, giving an interview on National Radio and Television

### Meetings beyond Lithuania

In my capacity as Member responsible for the ECA's Institutional Relations, I have met various groups of stakeholders. With them I have explored ideas on how to increase the impact of and interest in the ECA's work and products. Meetings with the Ministers for Finance of Malta, Estonia, Bulgaria and Austria confirmed what we already know – we need to be closer to our stakeholders in the Member States, tailor our approach to the target audience to make it more relevant, time the publication of certain reports better and engage more with our stakeholders. Let's continue our joint efforts.

# 'Ipsa scientia potestas est' (Knowledge itself is power): the 2017 edition of the annual ECA Training Day

By Maryliz Thymaki, Directorate of Human Resources, Finance and General Services



The ECA Professional Training team with in the middle key speaker Alberto Cairo

Training for staff is a crucial element for an audit organisation like the ECA where staff is the institution's key asset. The annual Training Day the ECA organises is the annual highlight in the numerous training activities undertaken throughout the year. Maryliz Thymaki, closely involved in the preparation and execution of the 2017 edition, fills us in on aim, form and variety of the many activities undertaken.

## Sparkling learning as starting point

On Tuesday 21 November 2017, the European Court of Auditors celebrated its annual Training Day, or *Fête (Faites) de la Formation*. This is the fourth consecutive year in which we have held this full-day event, which promotes lifelong learning and is dedicated exclusively to training activities for ECA staff. A record number of 584 registrations were submitted, 392 staff members participated in the activities offered and the satisfaction rate was 81%. But what makes Training Day such a successful event? To answer this question, let us call to mind Alfred Mercier's words: "What we learn with pleasure, we never forget". This is exactly the spirit behind Training Day: it combines knowledge and fun, business and pleasure, training and playfulness, professionalism and camaraderie.

## Visual Trumpery: visual information as a tool for deception

This year's Training Day began with an address by the ECA President Klaus-Heiner Lehne. He emphasised the important role training – and hence also Training Day – plays not only in disseminating knowledge, but also in helping the institution move forward and adapt to the challenges that lie ahead. The floor was then given to Jesus Nieto, a senior auditor, who introduced special guest and key speaker Alberto Cairo, Knight Chair in Visual Journalism at the School of Communication of the University of Miami. Alberto Cairo gave a presentation entitled 'Visual Trumpery'; during which he explained how 'graphicacy' (proficiency in presenting visual information) is not simply a powerful communication skill, but also has the potential to mislead the audience. He also shared tips on minimising this risk when producing graphs and presented ways to better interpret visual data. These tips were welcomed by the ECA's Secretary-General, Eduardo Ruiz García, who also expressed his wish for the ECA to make more widespread use of graphs in our products.

In the afternoon, Alberto Cairo elaborated further on the theme of 'data visualisation' during two workshops for those who wanted to know more. He pinpointed the best ways to represent data and the circumstances in which interactive graphs should be used. He also shared techniques for transforming charts and maps into narrative pieces.

### **Heterogeneous training menu: from audit methodology to stress management**

Overall, 22 workshops (lasting either 90 or 180 minutes) took place in the afternoon, covering 16 different topics so as to enable everyone to find something to their liking: translation, management, administration, IT, and soft skills were just a few of the subjects covered. And of course, we could not hold a day dedicated to professional training at the European Court of Auditors without workshops dedicated to audit.

More specifically, following the success of last year's Audit Fair, Supreme Audit Institutions from six different Member States (Cyprus, Estonia, Finland, Latvia, the Netherlands and the United Kingdom) visited the ECA to give an overview of their audit methodologies in a specific area. The Audit Fair was organised as part of the ECA strategy, in which knowledge development, sharing and exchange are and continue to be pivotal. Presenters gave an overview of products of theirs that correspond to what we at the ECA call 'Rapid Case Reviews' (quick analyses of the facts surrounding concerns raised by the public, media, parliament, or other parties). Such products are usually rather recent, and the procedures for selecting, conducting and compiling these reviews are still not set in stone. The event therefore proved to be an invaluable experience for the external experts and the auditors present alike.

Other audit-related training opportunities included the ECAlab, which focused on exploring new information technologies for audit. These comprise big data analysis, visual data analysis, text mining and blockchain technology. During this session, participants even had the chance to experiment with the ECA's own cryptocurrency, created especially for our institution's 40th anniversary.

Staff who go on missions had the opportunity to familiarise themselves with the dangers and security issues people face on mission in countries that are high-risk (to varying degrees) and the best ways to tackle them. Representatives from the European External Action Service provided useful advice through an interactive presentation and replied to all the participants' questions and concerns.

Managers also had a wide range of training to choose from on this special day: issues addressed in their workshops included the characteristics of managers, ways they can better motivate their staff or how they themselves can become more efficient, the fears and challenges newly-appointed managers face, the unconscious bias sometimes present in specific situations and tips and tricks on how to eliminate them.

In addition to these training activities, which were about professional development, others emphasised the importance of striking a balance between our professional and private lives. These workshops analysed ways to prevent and detect burnout, how mindfulness can be used as a stress management tool and even how to better manage your physical energy at work by doing some simple exercises. Training courses were also offered on basic first aid, how to care for your eyes and how to reduce your carbon

footprint. Of course, the above description is not an exhaustive list of the training courses on offer that day – the ECA staff had many more to explore!

This year once again, there was also something for staff interested in obtaining more information about training opportunities, tools and services: the European School of Administration and the National Institute for the Development of Continuing Vocational Training presented their programmes at stands on the Court's premises and answered participants' questions.

### **Playful intermezzo: the ECACup performance**

There was also an unexpected treat for everyone during the lunch break: our *ECACup* performance! This was a fun team-building activity involving staff members of different ages, backgrounds and professions, who came together to play their cups in unison to the ECA's very own take on Anna Kendrick's famous song "Cups". Children got involved too, playing their cups on the floor around the European flag. The lyrics were adapted to the ECA's work and history by our own English language team. Our choir, together with the band, performed the song live whilst a group of around 40 people accompanied them with their cups, which were either blue or yellow (the colours of the European Union flag). *ECACup* was a major success and won compliments from people both inside and outside the institution. The fact that the performance crossed the generational divide, involving as it did staff of all ages (and children especially), was hailed by many as a strong and optimistic message for Europe's future despite the increasing challenges.



*ECACup* performance during the lunch break

### **Individual benefit to become an institutional benefit**

In conclusion, everybody who participated in this year's Training Day seemed to enjoy it and benefit from it. The record numbers in attendance this year certainly attest to this. Despite all the hard work that goes into the day, it has become a recurring event, one that is highly appreciated by ECA management and its staff, for obvious reasons. No-one can deny the general truth behind the Latin proverb 'Ipsas Scientia potestas est' (knowledge itself is power), but it is only when we read it together with a famous quote by Benjamin Franklin, "An investment in knowledge pays the best interest", that we can understand the true value of training.

# Language is all we have – some thoughts after the first ECA Clear Language Awards

By Dominiek Braet, Euroclear, content strategist, trainer



The ECA clear language events are here to stay - certainly now that awards have been introduced for several categories. This shows the ECA's commitment to getting the practice of writing in clear language into its DNA. The jury for the awards was made up of three external experts: Susana Muñoz (University of Luxembourg), Jan Inghelram (European Court of Justice) and Dominiek Braet (Euroclear, Brussels). Dominiek gives his views on the event, the jury's considerations and advice for further improvement.

Dominiek Braet

## Short phrase, key moment

"After all... language is all we have ..." Secretary-General Eduardo Ruiz García paused a little before he said these words at the end of the ECA Clear Language Event on 15 November 2017. This event also marked a new milestone for the ECA: the first ECA Clear Language Awards ceremony.

Language is all auditors have when, after in-depth scrutinising and audire (listening - Latin), they draft the report. And all the readers have are words, when reading and using the findings, conclusions and recommendations in our reports and other publications.

The phrase, the silence, the moment had something vulnerable about it, and strong - cathartic in a way. It literally felt like after all. After the progress made over the past four years of the ECA's clear language campaign, started by Alex Brenninkmeijer, ECA Member.



From left to right: first row - Susana Muñoz, University of Luxembourg; Maria Eulàlia Reverté i Casas, auditor; Alex Brenninkmeijer, ECA Member; Di Hai, auditor; Aleksandra Klis-Lemieszonek, auditor; Dominiek Braet, Euroclear Brussels; Jan Inghelram, Director, ECJ. Second row: Paul Stafford, Principal Manager; Kristina Maksinen, auditor; Michiel Sweerts, auditor; Mirko Iaconisi, auditor; Paul Sime, auditor; Fernando Pascual Gil, auditor

## Language is all we have – some thoughts after the first ECA Clear Language Awards *continued*

After dropping all the ballast, governese and other verbosity, what's really at stake? Trust. People living in the EU - I consciously avoid the term 'the EU citizen' here - must be able to trust the EU. Does the EU spend our money (not: 'its funding') wisely and correctly? The guardians of the EU's finances play a crucial role in answering this question. Still, an answer is only an answer if it reaches the audience, and if the audience understands it. Trust is built on awareness, perception and understanding. That's why clear language contributes so much to fostering trust, for all EU Institutions.

Significant progress has been made over the past four years since the ECA started its clear language campaign. Still, there are aspects which can be improved upon, and that's also what you can read in the ECA's strategy for 2018-2020: "Successfully addressing the challenges of the Union will require clear, reliable and accessible information for the EU citizen on what has been achieved with EU money and other interventions."

If the ECA succeeds in delivering upon its strategy with consistent use of plain language, showing empathy towards readers with specific products for specific audiences, the staff of the ECA will have generated a key momentum... for Europe.

### And the winners are ...

The 2016 award winners stand out as examples of good practice to follow by others in the following five categories: "Best Title", "Best Executive Summary", "Best Conclusions and Recommendations", "Best Visuals" and "Best single graph".

Award	Report title	Report number
Best Title	Rail freight transport in the EU: still not on the right track	SR 8/2016
Best Executive Summary	Combating Food Waste: an opportunity for the EU to improve the resource efficiency of the food supply chain	SR 34/2016
Best Conclusions and Recommendations	The EU Institutions can do more to facilitate access to their public procurement	SR 17/2016
Best Visuals	Governance at the European Commission – best practice?	SR 27/2016
Best single graph	Union Civil Protection Mechanism: the coordination of responses to disasters outside the EU has been broadly effective - Annex 1	SR 33/2016

The award-winning reports were those that received the highest total score in their category, as an aggregate of the Jury members' individual scores. The scorecards included criteria ranging from readability index figures to questions such as 'Is the report likely to have an impact on the reader?'

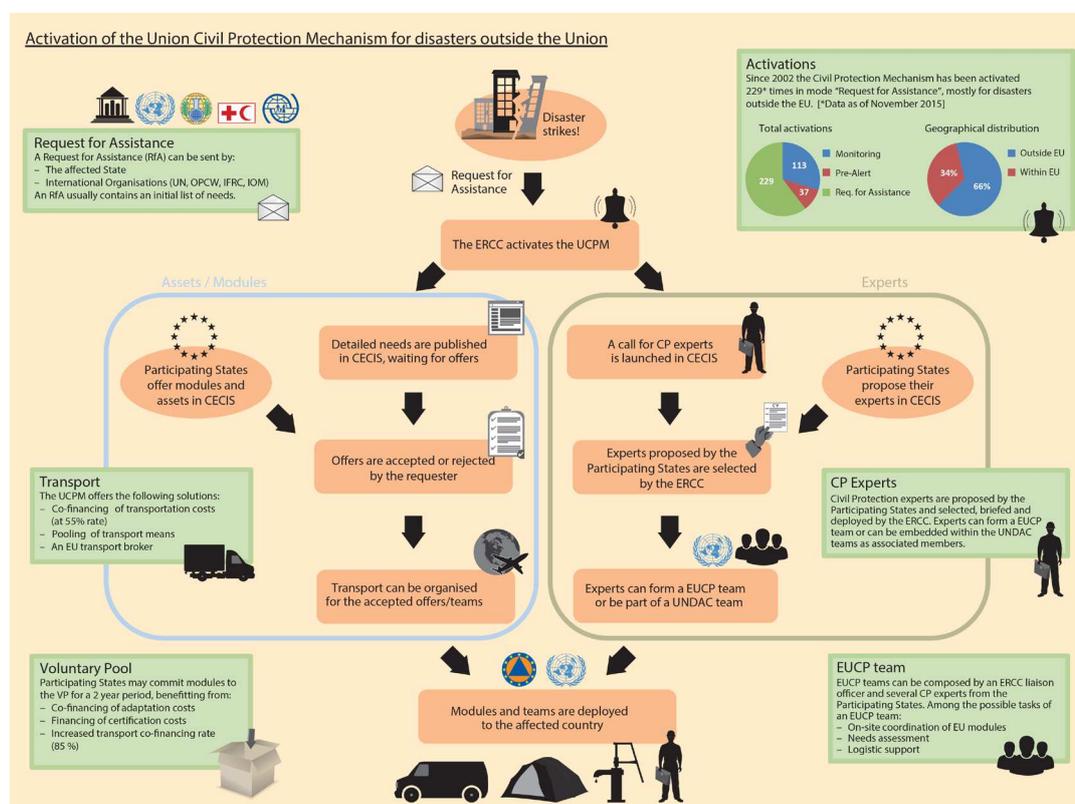
We, the jury, enjoyed reading a great deal of effective communication across all the award categories. We particularly appreciated -

- The clear and appealing titles, using wordplay ranging from in troubled waters (report on maritime transport in the EU – SR 23/2016) to still not on the right track in the award-winning title (on rail freight transport in the EU - SR 8/2016). The reader's brain starts visualising the issue while reading them, and that's a good thing. When kept short and crisp, such titles stimulate curiosity to find out more and start reading.
- The storytelling techniques, as applied in the Summary of the award-winning report on food waste (SR 34/2016) – a vast topic, very well summarised, with a logical build-up, including facts and findings that speak to the reader. The recommendations are crystal clear and kept to just three. They truly inspire us to starting acting upon them, and isn't that the goal of recommendations?

## Language is all we have – some thoughts after the first ECA Clear Language Awards *continued*

- The way in which the Conclusions and recommendations section in the award-winning report on access to public procurement (Special Report 17/2016) hits the nail from the start with 'better value for money' (goal and result of easy-to-access public procurement). The conclusion is short and clear: the institutions can do more. The recommendations are actionable, with suggested timing and an interesting call for a one-stop shop.

The variety of graphs and creative visualisation as explored in the award-winning report on Governance at the European Commission – best practice? (Special Report 27/2016) and, for its Annex 1 as the "Best single graph", the report on Union Civil Protection Mechanism: the coordination of responses to disasters outside the EU has been broadly effective. (Special Report 33/2016). Many audit topics relate to steps, workflows, processes. Flowcharts, grids and timelines can take readers a long way towards grasping how things work and what happens, and towards picturing (pun intended) what works, or not. ECA reports contain more and more visuals – a trend which should be pursued, with the help of graphic designers (see also 'Three recommendations for the ECA'). As a Jury, we wanted to recognise people's dedication and sense of initiative in presenting information visually. Graphs can bring out messages that would otherwise be buried in text. They can be a smart way to capture various layers of information - how about this example?



## Language is all we have – some thoughts after the first ECA Clear Language Awards *continued*

We congratulate all the people who worked on the reports that were nominated and won awards.

### Three recommendations for the ECA

Clearly, there is still room for improvement. Based on the review exercise:

When it comes to hitting the mark, hit it!	When the ECA needs to make a point, make it to-the-point. Verbosity tends to sneak into sentences when the content or context is somewhat sensitive - with the risk of burying the message.  In particular, recommendations that become long paragraphs suffer from this.
Cut out more words, split up more sentences	Overall, the average sentence length is often above 20 words. Readability index scores point to 'Complex' or 'Difficult' levels. There are ways to cut or split and increase readability. Use readability indexes to monitor readability.
Further professionalise graphic design and data visualisation	A good visual can be extremely useful in bringing clarity for readers. And it takes far less time for readers to process than the equivalent information written as full text. Yet creating good visuals is an art. Visuals, graphs, videos all deserve the added value designers can bring.

### Awards are a good idea

It usually takes several years for an organisation to change its tone of voice and adopt plain language.

Typically, when an organisation – public or private – starts an award competition, embracing 'the hidden obvious' becomes the new norm. Beyond the report-writing guides, which may have been around for years, at this point it is all about two key insights which need to be shared by staff at all levels:

1. we are communicators as much as professional experts (auditors, in the case of the ECA), – the products we deliver are communication, language;
2. we must write for the reader, and the reader prefers plain language, *irrespective* of his/her level of education and subject matter expertise – and the latter is key.

Moving towards plain language does not mean that *everybody* or all colleagues must share this belief, or apply all the report-writing guide rules from the outset, but it requires that the dynamics within the organisation shift.

## Language is all we have – some thoughts after the first ECA Clear Language Awards *continued*

Progress towards plain language writing should no longer depend on the perseverance of individuals – *intrapreneurs*, people or teams. That is very hard to achieve: often, people give their all for 'the cause' up to the verge of burn-out.

When reviewing the different 2016 ECA reports we as Jury members saw clearly that the authors had gone to different lengths in the application of clear language principles. With the introduction of the awards, there is something additional to live up to. And every person in the organisation becomes responsible for his or her use of plain language.

Clear language campaigns have been around in the EU institutions for several years. Still, many plain language advocates are convinced that only a Plain Language Act (as in the US, since 2010) will bring lasting change. This may well be true, as trust is key... and language is all we have.



Jan Inghelram, director European Court of Justice; Gaile Dagiliene, ECA director; Eduardo Ruiz García, ECA Secretary General; Alex Brenninkmeijer, ECA Member; Susana Munoz, fellow of the Robert Schuman Institute of European Affairs University of Luxembourg



## Regulatory Impact Analysis discussed at the ECA

By Stéphanie Girard, Private Office of Danièle Lamarque, ECA Member

An international symposium on Regulatory Impact Analysis (RIA) was organised on 23 and 24 November 2017, in collaboration with the journal *Politiques et management public*. It gathered around 100 participants consisting of academics, think tanks, research centers, international organisations, European, national and local institutions to discuss RIA. In his opening address, ECA President Klaus-Heiner Lehne referred to Voltaire who said: 'If you want good laws, burn those you have and make new ones.' He emphasised to be a proponent of evolution rather than revolution: 'If you want good laws, prepare them well, and then do not forget to evaluate them.'

### Why does regulatory impact analysis matter?

The most important 'raison d'être' of Regulatory Impact Analysis is linked to one of the core European values: democracy. Potential impacts of draft laws need to be assessed upstream to limit the risk that proposed laws are arbitrary. Citizens have to be given the trust that laws are made to their benefit. They are therefore an essential tool for good governance and public policy, as advocated by the OECD<sup>1</sup>. Several countries are already using RIAs (with different levels of success) as well as the European Commission, which considers RIAs as a key element of its 'Better Regulation' agenda. In that sense, RIAs could be considered as a tool to counter populism.

Regulatory Impact Analysis has established itself as a tool for improving legislation and streamlining public decision-making. These two goals have a striking resemblance with what public audit institutions try to achieve through their audits and recommendations. The more reason for Danièle Lamarque, ECA Member, to initiate a symposium on this topic at the ECA.

<sup>1</sup> See also OECD's "Recommendation of the Council on regulatory policy and governance"

### How to maximise the possible impact of RIAs

Regulatory Impact Analysis is not an end in itself but a tool and a process aiming at adopting good laws or regulations. During the symposium several examples were discussed on how RIAs have been developed in different environments and legal frameworks (national/European).

The presentations and discussions permitted to agree that a number of conditions need to be met to maximise the impact of RIAs: they should:

- be integrated at the early stages of policy processes;
- be proportional to the significance of the planned regulation;
- cover both quantitative and qualitative information to take account of economic, social and environmental potential impacts of the planned regulation;
- clearly state who is likely to benefit from the proposed regulation and who is likely to bear the costs;
- include an analysis of alternative policy options when possible as well as an assessment of those options; and
- engage different stakeholders into the debate and information should be provided on how their opinions were taken on board.

### Which conditions are required for RIAs to be successful?

During the debates the following key issues were identified to trigger improvement of the use made of RIAs:

- A genuine engagement of all stakeholders (political leaders, public officials, civil society etc.) in order to ensure the quality of RIAs and increase their use in the public debate;
- An assessment of the information needed to perform meaningful RIAs such as for example statistics and data;
- RIAs and their impact need to be more closely monitored and evaluated: instances responsible for this critical review need to be set up and their staff well trained.

At the end of the symposium Danièle Lamarque, ECA Member, made the following concluding remarks:

- We all agree that we should not try to define what RIAs should be. Instead, we recognise the diversity of RIAs used in different cultures and organizations;
- RIAs are being implemented everywhere as part of a dynamic ongoing process which is in development;
- The interaction between researchers and decision makers is necessary and brings added value;
- Finally, RIAs contributes to a basic right of citizens to understand the law that his/her representative is voting. If we are not capable explaining a law, why then is it needed?

## Regulatory Impact Analysis discussed at the ECA *continued*

### Additional information

The symposium has been organised around contributions received in response to an open call for papers. The selected contributions were presented during the symposium, followed by round table discussions.

All papers and presentations are published on a dedicated website which counted so far around 2000 visitors:

<https://www.eca.europa.eu/sites/regulatory-impact-analysis-conference/EN/Pages/Documentation.aspx>

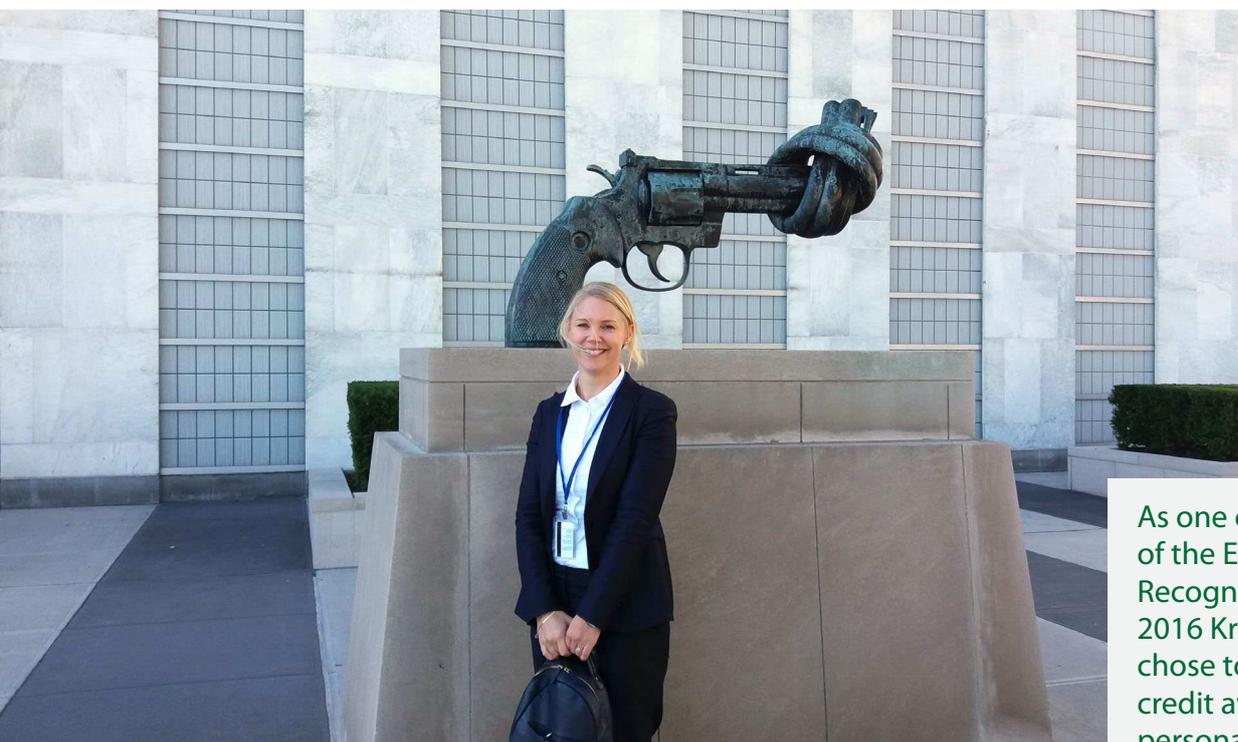
The symposium was also webstreamed and broadcasted in some universities across Europe. Recordings are available on the following address: <http://c.connectedviews.com/01/eca>



## Reaching out

### Visiting the United Nations in New York: exchanging food for thought

By Kristina Maksinen, Directorate External action, security and justice



Kristina Maksinen in front of the sculpture 'Non-Violence' at the UN in New York City

As one of the recipients of the ECA Performance Recognition Award in 2016 Kristina Maksinen chose to take the training credit awarded for personal and professional development in the form of a short placement at an international organisation. She went to the United Nations, sharing with us the rewarding knowledge exchange she experienced.

#### Mission: knowledge sharing

As a performance auditor in the Chamber *External action, security and justice* I am mainly involved in auditing development aid, humanitarian aid, Common Foreign and Security Policy and assistance to the EU neighbourhood. Against this background my wish was to broaden my knowledge of audit methodology while keeping a focus on EU external actions. What could be better than a study visit to the United Nations in New York?

When auditing external actions, the United Nations and its agencies are an important part of the audit landscape that we regularly encounter, being a key implementing partner for EU funding outside the Union. My visit to New York on 16-20 October 2017 had a very different purpose than the usual audit mission: it was to familiarise myself more closely with audit and evaluation procedures and methods at UN organisations and engage in an exchange of views on methodology. In addition, as part of the process, I had the opportunity to explore further the important relationship between the European Union and the United Nations, governed primarily by the Financial and Administrative Framework Agreement, the so-called FAFA. In that context, I attended the annual FAFA meeting in Rome last September, in part as preparation of my study visit.

## Visiting the United Nations in New York: exchanging food for thought *continued*

### Desired: roadmap to auditing in the UN

During my week in New York, I was hosted by the Office of Programme Planning, Budget and Accounts<sup>1</sup>, under the generous hospitality of the Assistant-Secretary General and UN Controller, Bettina Tucci Bartsiotas. With that as a starting point my visit covered meetings with a number of audit departments within the UN family: the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA). Meetings also took place with the UN Office of Internal Oversight Services (OIOS), where I had the chance to exchange ideas and further explore the work of the Internal Audit Department and the Inspection and Evaluation Department respectively.

I also met with representatives of the UN Board of Auditors, the UN's external audit body<sup>2</sup>. To close the circle, I was introduced to the work of the Independent Audit Advisory Committee, a body of independent members, assisting the General Assembly in fulfilling its oversight responsibilities by advising on the effectiveness, efficiency, and impact of the work of OIOS.

Beyond the UN my visit was supported by the EU Delegation to the UN who also shared their experiences on UN oversight from an EU perspective. This also led to a meeting with the United States Mission to the United Nations, which the EU Delegation kindly arranged. As part of the information sharing I was given the floor to present the ECA's audit approach with a focus on performance audit. I did this through the examples of two audits of the Chamber I work in; the recently published: 'Union Civil Protection Mechanism: the coordination of responses to disasters outside the Union has been broadly effective',<sup>3</sup> and the ongoing audit on EU Election Observation Missions<sup>4</sup> on which I shared methodology insights but not yet audit results.

All of these meetings opened for an exchange regarding the similarities and differences between our audit approaches. While UN bodies do carry out audits covering elements of performance, these are not necessarily separate performance audits similar to ours. While different in their context and purpose, I found the most striking similarities between our performance audit methodology and that of the OIOS Inspection and Evaluation Department which focuses on assessing the relevance, effectiveness, impact and efficiency of UN programmes.

### Food for thought: comparing performance

One of the questions put to me was whether the ECA uses standardised wordings in the title of performance audit reports and if those results are aggregated. While I explained that the choice of wording (*partially effective/broadly effective/on track*, etc.) is at the discretion of the Members and decided on a case-by-case basis, it did lead me to reflect on the potential benefits and disadvantages that may come with a standardised wording/

1 OPPBA falls under the UN Department of Management

2 The Board has a rotating governance of three members at a time over a period of six years with the Auditor Generals of Tanzania, India and Germany currently in charge.

3 Special Report 33/16: <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=40303>

4 Published on 13 December 2017 as Special Report 22/2017: "Election Observation Missions: efforts made to follow up recommendations but better monitoring needed"

## Visiting the United Nations in New York: exchanging food for thought *continued*

opinion measuring performance at the ECA. Would such an approach be feasible? And if so, how would this link to discussions on whether or not the ECA could provide an overall opinion on performance in a given policy area?

The UN structure is complex and I am still struggling to get my head around the very complicated UN organigram with its different bodies, their various interrelationships and, not least; the numerous abbreviations. Nevertheless, with the help of meetings with many inspiring men and women at the UN, I left with a much greater understanding of UN oversight. Following the visit, my hope is to make use of my newly acquired knowledge in upcoming audits and, where possible, also share my experience with colleagues in the context of the ECA's wider Knowledge Management framework.



United Nations (UN) building, New York City

## Reaching out

### The ECA at the UN Climate Change Conference COP 23 in Bonn

By Olivier Prigent, Directorate Sustainable use of natural resources, and Katharina Bryan, Private Office of Phil Wynn Owen, ECA Member



The 23rd United Nations Climate Change Conference, COP23<sup>1</sup>, took place in Bonn, Germany, between 6 and 17 November 2017. The ECA ran a side-event to present its audit work in the area of energy and climate change, focusing on its recent Landscape Review on EU Action on Energy and Climate Change. Olivier Prigent and Katharina Bryan report on this event.

#### Advancing the Paris Climate Change agreement

22 000 participants from more than 190 countries were debating climate change issues at the COP 23 between 6 and 17 November 2017. Attending this event was definitely a highlight for us this year. Our presentation was part of the numerous side-events which took place alongside the official negotiations. In Bonn, we were greeted by the words “Bula” – Hello in Fiji – painted on walls. Indeed, the COP 23 was held by the Fiji part of the Small Island Developing Countries, which face some of the most devastating consequences of climate change.

The objectives of COP 23 were to advance the implementation guidelines for the Paris agreement and prepare for more ambitious action. Under the Paris agreement, in force since November 2016, governments agreed to keep the rise in global average temperature this century to “well below” 2°C above pre-industrial levels, aiming to limit it to 1.5°C. Contributions submitted so far by the parties, will not be sufficient to achieve this target. In its Emissions Gap Report of 2016, the United Nations Environment Programme estimates that we are on track for global warming of up to 3.4°, based on current commitments.

<sup>1</sup> Conference of the Parties : The supreme decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC). All States that are parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote effective implementation. The EU and its Member States are both parties to the Convention, and take part in meetings of the COP.

### Main outcomes of the conference

In Bonn, a process was agreed to prepare the next round of submissions of contributions, starting at the beginning of 2018 approach to being inclusive, transparent and participatory discussions, this so-called Talanoa dialogue, will be structured around three questions – “Where are we? Where do we want to go? How do we get there?”.

Negotiations also centred on developing the Paris “rulebook” which should establish the more technical rules and processes needed to fulfil the Paris Agreement’s, for example how countries measure and report their greenhouse gases and monitor compliance. Already 180 pages have been written. The parties plan to finalise the negotiation on this rule book during COP24, which will be held from 3 to 14 December 2018 in Katowice, Poland.

Other outcomes of the COP included: an action plan on agriculture, which emits 20% of global greenhouse gases emissions and is particularly exposed to climate change consequences; a platform for local communities and indigenous populations, to enable these communities to exchange best practices; and a decision on oceans, which store 3 to 6 times more carbon than forests.

### ECA work in the area of energy and climate change

The ECA’s presentation was hosted in the European Commission’s pavilion. It was attended by around 30 interested participants, including academics and NGOs. ECA Member Phil Wynn Owen, reporting Member for the ECA Landscape Review on EU action on Energy and Climate Change, opened the presentation. In their presentation of the Landscape Review Olivier Prigent, Head of Task, and Katharina Bryan, co-author and attaché, gave examples of what Supreme Audit Institutions had found in energy and climate change and the seven main challenges in the area. Phil Wynn Owen presented other ECA work in the area of energy and climate change. The question and answer session, which was moderated by the ECA Spokesperson Mark Rogerson, showed considerable interest in the work of the ECA. During the discussion participants raised several issues which the ECA should consider addressing in its future work.

This is the second time that the ECA is present at the COP meetings. Already in 2012 at the Doha Climate Change Conference, ECA Member Kevin Cardiff presented the work done in relation to the EUROSAI (European Organisation of Supreme Audit Institutions) Working Group on Environmental Audit’s co-ordinated audit on adaptation to climate change.

The ECA Landscape Review on EU action on Energy and Climate Change, published on 19 September and already featured in the November 2017 edition of the ECA Journal, it provides an overview of EU action on energy and climate change; summarises key audit work from 269 audit reports by the European Court of Auditors and EU national audit institutions; and it identifies seven main challenges in order to inform both the legislative debate and future audit work.

For more information on the Landscape Review:

<http://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41824>

## Reaching out

### Deputy Comptroller General of Colombia visits the ECA

By Roberto Gabella Carena, Directorate of the Presidency

Outside Europe there is often interest in how public audit in the European Union and its Member States is organised. Roberto Gabella Carena reports on a visit from the Deputy Comptroller General of the Supreme Audit Institution of Colombia.



From left to right:  
Martin Weber, Gloria Alonso Másmela,  
Gerry Madden and Philippe Froidure

On 14 November 2017 Gloria Amparo Alonso Másmela, Vice Contralora General de la República de Colombia (Deputy Comptroller General of the Republic of Colombia) visited the ECA. She was received by Philippe Froidure, Director of Chamber External action, security and justice, Martin Weber, Director of the Presidency, and Gerry Madden, Head of the Private Office of Karel Pinxten, ECA Member.

Gloria Alonso Másmela came to visit the ECA to learn about the specific challenges of auditing EU funds, to share her experience from a Latin American institution which is making efforts to modernize and strengthen its capacities, and to discuss possible cooperation in the field of audit (such as exchanges of experiences, capacity building, etc.) between Colombia and the EU. She explained the situation in Colombia as a federal state with a significant degree of autonomy also for major municipalities and its consequences for the organisation of the work of the Office of the Comptroller General. Her office is embarking on a reform process to shift from mainly ex-ante controls to mostly ex-post controls and an increased focus on performance issues. There are also reflections on-going on how to better coordinate the work of the different actors in public audit in Colombia.

During the meeting the ECA representatives provided some background information on the ECA's cooperation with the Supreme Audit Institutions (SAIs) in the Member States, including the coordination and cooperation on audits; the activities of the Contact Committee of European union SAIs; the ECA's role in the field of fighting fraud and specific initiatives of the Organisation for Economic Cooperation and Development (OECD) to strengthen public governance.

**Special report**  
 N° 15/2017


Published on  
23 November 2017

## Ex ante conditionalities and performance reserve in Cohesion: innovative but not yet effective instruments

The legislative package for the 2014-2020 programme period introduced two instruments to make Cohesion spending more results oriented: ex-ante conditionalities and the performance reserve. While the former specifies certain conditions that must be fulfilled before the programme implementation, the latter requires most ESIF programmes to set aside 6 % of the total funding to each Member State which will be definitively allocated subject to the outcome of a performance review in 2019. In this report we examined whether these two instruments were effectively used to incentivise better Cohesion spending by Member States.

We found that the ex-ante conditionalities provided a consistent framework for assessing the Member States' readiness to implement EU funds. However, their assessment was a lengthy and time-consuming process and it remains uncertain to what extent they have and will effectively lead to changes on the ground. The maintenance of the ex-ante conditionalities depends on the commitment and ownership by the Member States. We also consider that the performance framework and reserve provide little incentive for a better result orientation of the OPs since they are mostly based on spending and outputs

[Click here for our full Special Report](#)

**Special report**  
 N° 16/2017


Published on  
14 November 2017

## Rural Development Programming: less complexity and more focus on results needed

The EU plans to spend on rural development policy nearly 100 billion euro for the period 2014-2020 through the European Agricultural Fund for Rural Development (EAFRD). An objective of the EU strategic framework for 2014-2020 was to focus more on results. However, efforts to achieve this faced the perennial problem of planning for a new programming period starting before relevant data are available as regards spending and results from the previous period.

We found that the approved RDPs are long and complex documents with shortcomings that limit the potential to enhance the focus on performance and results. Significant administrative effort on the part of national authorities was needed to meet the extensive content requirements. We also found that despite Commission's efforts, RDPs' implementation started late and the planned spending began more slowly than in the previous period.

[Click here for our full Special Report](#)

**Special report**  
 N° 17/2017


Published on  
16 November 2017

## The Commission's intervention in the Greek financial crisis

We examined the European Commission's management of the three Economic Adjustment Programmes for Greece, bearing in mind the institutional set-up of the different financial assistance instruments used. In relation to the ongoing programme, the audit focused only on the design aspects. Funding for the first programme (GLF), in 2010, was 110 billion euros; for the second (EFSF; 2012) it was 172.6 billion euros and for the third (ESM; 2015) it was 86 billion euros. As of mid-2017, Greece still requires external financial support and we found that the objectives of the programmes were met only to a limited extent.

[Click here for our full Special Report](#)

**Special report**  
 N° 18/2017


Published on  
30 November 2017

## Single European Sky: a changed culture but not a single sky

We reviewed selected key components of the Single European Sky (SES) initiative, which aims at improving the overall performance of Air Traffic Management (ATM). Overall, we conclude that the initiative addressed a clear need and has led to a greater culture of efficiency in ATM. However, European airspace management remains fragmented and the SES as a concept has not yet been achieved. Navigation charges have not been substantially reduced and ATM-related delays have started to increase again.

The SES's technological pillar, the SESAR project, promoted coordination and is gradually releasing technological improvements, but has fallen behind its initial schedule and has become significantly more costly than anticipated. In substance, the EU's intervention in SESAR has evolved from one with a target deadline for achievement to a more open-ended commitment.

[Click here for our full Special Report](#)

## EU agencies audit



Published on  
15 November 2017

## 2016 audit of EU agencies in brief

The European Court of Auditors is the EU's independent audit institution — guardians of the EU's finances. This publication provides a summary of the main findings and conclusions from the ECA's 2016 annual audits of the European agencies. It covers the reliability of the agencies' accounts, the regularity of income and spending and also some aspects of agencies' performance. The full texts of the reports are available on [www.eca.europa.eu](http://www.eca.europa.eu) and in the Official Journal of the European Union.

[Click here for our report](#)

## EU Joint Undertakings



Published on  
15 November 2017

## The EU's research Joint Undertakings: "Clean accounts, and transactions mostly compliant with the rules"

The European Court of Auditors has issued unqualified ("clean") audit opinions on the accounts of the European Union's eight Joint Undertakings in the area of research, and signed them off as reliable. The auditors have also issued clean audit opinions on the financial transactions for seven of the undertakings, which complied with the relevant rules, and a qualified opinion for one.

[Click here for our report](#)

## Audit Brief



Published on  
28 November 2017

## Audit brief: Passenger rights in the EU

The European Union (EU) is the only area in the world with a set of rules designed to ensure a minimum level of protection for passengers in the main modes of transport (air, rail, waterborne and bus/coach). Passenger rights are one of the flagship policies that the EU delivers directly to its citizens.

A number of problems have become apparent since the adoption of current legislation on passenger rights. There are inconsistencies, grey zones and gaps in legislation, passengers are insufficiently aware of their rights, and these rights may not be interpreted and enforced uniformly within the Union.

Our auditors will examine what action the Commission has taken to monitor and enforce the EU's passenger rights policy. We will also visit ten Member States (the Czech Republic, France, Finland, Greece, Germany, Ireland, Italy, the Netherlands, Poland and Spain) to meet officials and relevant stakeholders and assess implementation on the ground.

[Click here for audit brief](#)

## EDITION HIGHLIGHTS

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Cover:  
Presentation of the ECA Annual Report at the European Parliament on 28/9/2017:  
From left to right: Ingeborg Grässle, Chair of the Committee on Budgetary Control, MEP;  
Klaus-Heiner Lehne, ECA President; Lazaros S. Lazarou, ECA Member