EN

2015

activity report

CURIA RATIONUM

EUROPEAN
COURT
OF AUDITORS

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European Court of Auditors

GUARDIANS OF THE EU FINANCES

European Court of Auditors

Who we are

The European Court of Auditors is the independent external auditor of the European Union, based in Luxembourg. Our institution has 28 Members, one from every Member State of the EU. We employ around 900 professional and administrative staff of all EU nationalities. Since our creation in 1977, we have focused our work on improving the way the EU's finances are managed and accounted for.

What we do

We check that EU funds are correctly accounted for, raised and spent in accordance with the relevant rules and regulations and that they have achieved value for money. We warn of risks, provide assurance and offer guidance to EU policymakers on how to improve the management of public finances, and we ensure that EU citizens know how their money is being spent. Through our audit and other work, we contribute to strengthening the democratic legitimacy and sustainability of the European Union.

The ECA's premises in Luxembourg.

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President's foreword

Dear reader,

Our 2015 activity report covers a year in which the European Union once again faced major challenges and saw significant developments in its governance, policies and financial management, including the establishment of the European Fund for Strategic Investments (EFSI) and the Single Resolution Mechanism for banks in the euro area. These and other developments resulted in new audit responsibilities for our institution.

In 2015, we continued to audit the activities of the EU institutions and other bodies, as well as all EU funds received by the Member States, non-EU countries, international organisations and other parties. In line with our treaty obligations, we produced annual reports on the EU budget and the European Development Funds (EDFs), as well as specific annual reports on the accounts of over 50 EU agencies and other bodies. We also produced 25 special reports on a range of topics, the results of which you will find summarised in this document. We highlight two of them: one is on the emissions trading scheme, which illustrates how our work goes beyond purely financial issues; the other — in a new series of special reports on financial and economic governance — is on financial assistance to countries in difficulties. In addition, we issued eight opinions during the year on new or revised EU legislation with significant financial impact, including an opinion on the regulation establishing the EFSI.

For our work to make a difference, it is also essential that we communicate the insights we gain to our stakeholders at EU and national level. During the year we further enhanced our cooperation with the European Parliament and the Council of the European Union — our key partners in ensuring EU accountability. We presented the results of our audits to an increasing number of their specialised committees and took their concerns into account when planning our future audit work. Moreover, our Members undertook high-level visits to Member States in order to strengthen partnerships with national authorities, parliaments and audit institutions. In 2015, we organised two notable conferences: one in Brussels on EU energy security; and the other in Luxembourg on the future of development aid in the context of the adoption of the new UN sustainable development goals.

We also prepared a significant internal reform to make our institution better able to respond to a constantly evolving European Union. This report highlights some of the important changes we have made in how we manage our relations with stakeholders, our audits and our resources. It also sets out key information about our staff management, finances and performance over the past year, as well as the results of our internal and external audits during the year and the most recent annual discharge procedure.

I hope this report provides you with a useful and interesting account of the activities we undertook in 2015 to fulfil our mission to improve the financial management of the EU, promote accountability and transparency and protect the financial interests of EU citizens.

Vítor Manuel da Silva Caldeira
President

2015 at a glance

Our activities

- **Annual reports** on the EU budget and on the EDFs for the 2014 financial year, mainly comprising the statement-of-assurance opinions and results.

- **Fifty-two specific annual reports** setting out our financial audit opinions on each of the EU's various agencies and bodies located across the Union, with two summary reports.

- **Twenty-five special reports** on specific management topics and budgetary areas such as the emissions trading scheme, youth employment programmes and assistance during the financial crisis.

- **Eight opinions** on new or updated EU laws and other decisions with financial management implications, ranging from the proposed regulation on the European Fund for Strategic Investments to the amended regulation on the Single Resolution Board.

- **Meetings, seminars and conferences with our stakeholders, including two high-level conferences on EU accountability**, one on the security of energy supply and the other on the future of development aid.

Our management

- We undertook **an internal reform**, aimed at streamlining our auditing and reporting processes and achieving greater flexibility in managing our resources.

- We made significant progress in integrating **information systems** for audit management and documentation, as well as focusing on making audit-related information accessible from mobile devices.

- We welcomed a **new Member** of our institution, Bettina Jakobsen from Denmark.

- We continued implementing our **equal opportunities policy** in recruitment and human resources management.

The ECA's premises in Luxembourg.

Our activities

Auditing

Our audit reports and opinions are an essential element of the EU's accountability chain, as they are used to hold to account — particularly within the annual discharge procedure — those responsible for managing the EU budget. This is mainly the European Commission, but also the other EU institutions and bodies. Member States also play a major role in areas under shared management, such as agriculture and cohesion spending.

We have three main outputs:

- **Annual reports**, mainly containing the results of financial and compliance audit work on the European Union budget and EDFs, but also budgetary management and performance aspects. In addition, **specific annual reports** are published separately on the EU's agencies, decentralised bodies and joint undertakings.
- **Special reports**, presenting the results of selected performance and compliance audits of specific spending or policy areas, or budgetary or management issues.
- **Opinions** on new or updated legislation with an impact on financial management and other review-based outputs, either at the request of another institution or on our own initiative.

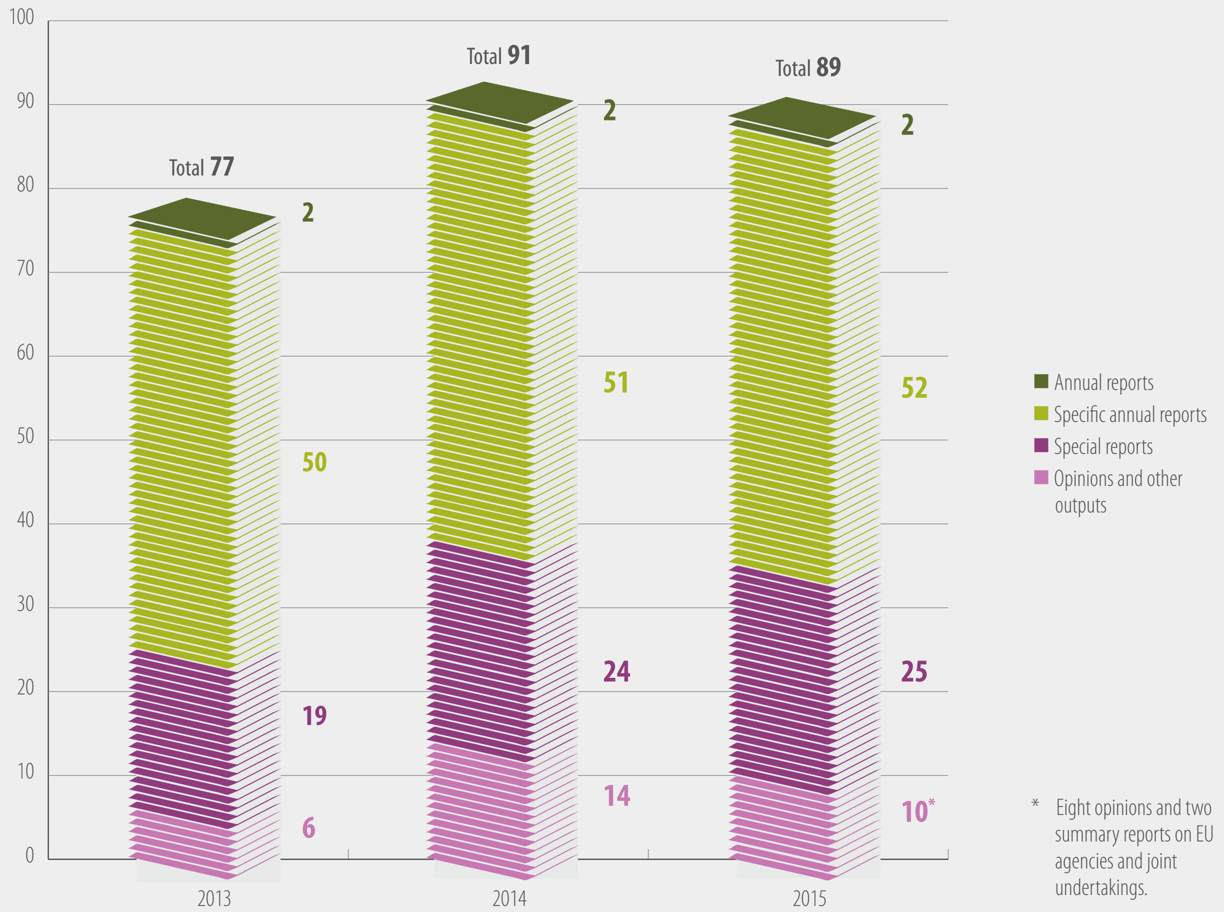
We aim to manage our resources in a way that ensures an appropriate balance between our various activities while achieving robust results and coverage across the different areas of the EU budget. In 2015, we devoted a significant proportion of our resources to preparing the annual statements of assurance, which we presented in our annual reports. The work done in relation to the statement of assurance covers the two aspects on which the Treaty on the Functioning of the European Union requires us to provide an annual opinion: the reliability of the accounts and the legality and regularity of the transactions underlying them. Where possible, we take account of the results of the work of other auditors — see the section on auditing EU agencies (p. 14) — as well as the management representations in the form of the annual activity reports of the Commission's directors-general.

In addition to audits required by legislation, we select specific spending or policy areas based on criteria such as the risk of irregularity or poor performance, potential for improvement and public interest. We select these topics in complete independence, while taking into account the views of our stakeholders. In 2015 we produced 25 special reports mostly as a result of our performance audit work. Their summaries are presented in this report (pp. 15-33), based around the headings of the multiannual financial framework (MFF), the EU's 7-year budget for 2014-2020.

We are also called upon to provide opinions on new or updated legislation with a financial impact. In 2015, we produced eight opinions on proposals for new or amended rules and regulations (p. 34). We highlight our opinion on the EFSI in order to illustrate both the topic and the impact of our opinions.

All our audit reports and opinions are available on our website (eca.europa.eu).

Audit reports and opinions 2013-2015



* Eight opinions and two summary reports on EU agencies and joint undertakings.

Audit visits in 2015

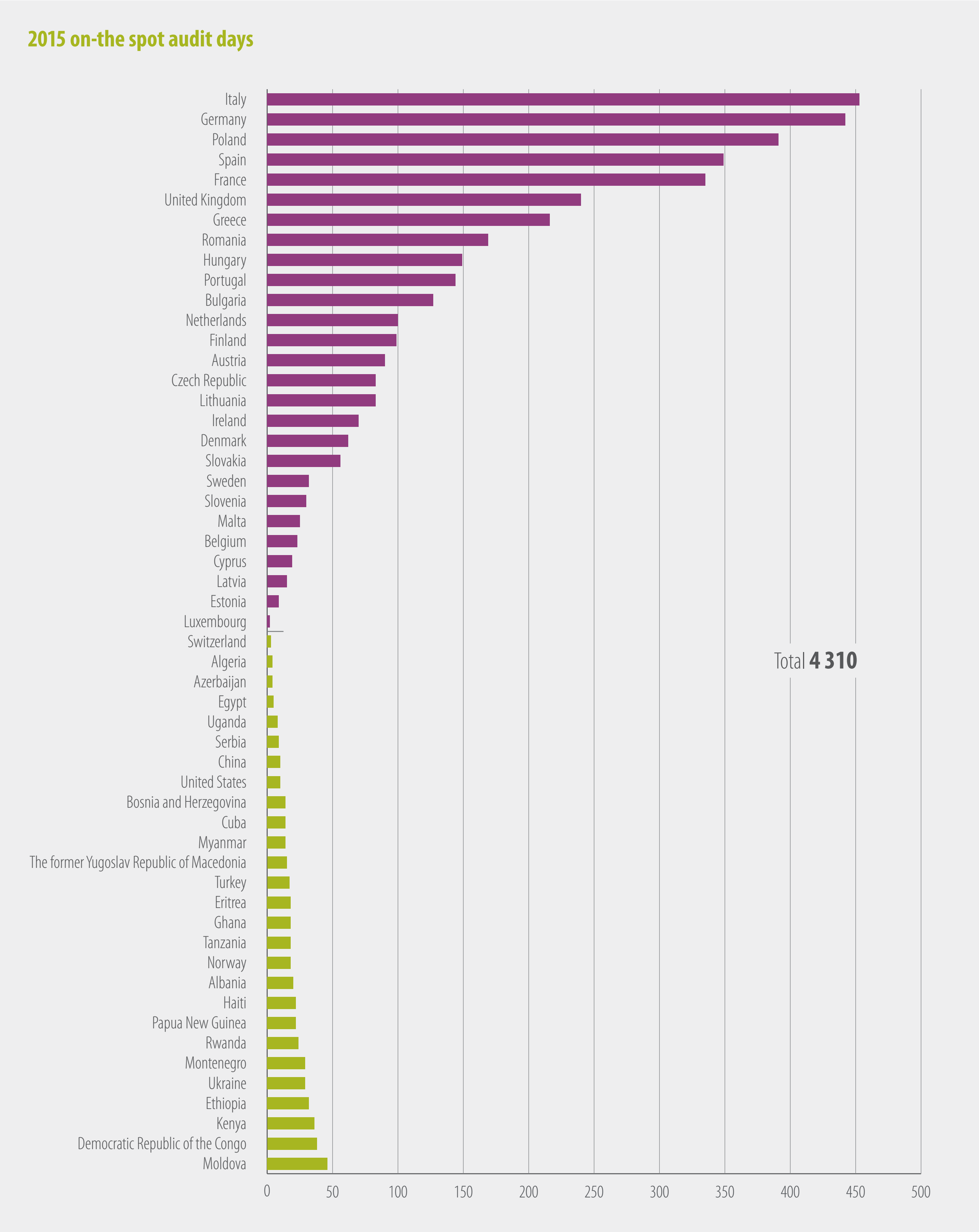
While the vast majority of audit work was undertaken at our premises in Luxembourg, our auditors also made visits to Member State authorities, other recipients of EU funds in the EU and beyond its borders — including organisations involved in processing EU funds, such as the European Investment Bank's regional offices in Kenya and Uganda — and the other EU's institutions, agencies and bodies. Through these visits, we obtained direct audit evidence from those involved in the processing, management, collection and payment of EU funds, and from the final beneficiaries who received them.

Our audit teams generally comprise two or three auditors, while our audit visits range in length from a few days to a couple of weeks. The frequency and intensity of audit work in individual Member States and beneficiary countries depend on the type of audit and, as appropriate, the samples of transactions we draw. The number of audit visits can therefore vary between countries and from year to year. Our audit visits within the EU are often made in liaison with the Supreme Audit Institutions (SAIs) of the Member States concerned.

In 2015, our auditors spent 4 310 days auditing on the spot — in Member States and outside the EU — obtaining evidence for annual reports and selected audit tasks (special reports). In addition, a significant amount of time was spent at the EU institutions in Brussels and Luxembourg, as well as at decentralised agencies and bodies across the EU. Our auditors spent fewer days auditing on the spot than in 2014. This reflects more efficient working practices and the increased use of technology such as secure data and document sharing, as well as videoconferencing.

Detecting fraud

Although our audits are not designed to specifically search for fraud, we detect a number of cases in which we suspect that irregular or fraudulent activity may have taken place. Our institution cooperates with the European Anti-Fraud Office (OLAF) in fighting fraud against the EU budget. We forward to OLAF any suspicion of fraud, corruption or other illegal activity affecting the EU's financial interests that we identify in the course of our audit work. These cases are then followed-up by OLAF, which decides on any resulting investigation and cooperates as necessary with Member State authorities. During 2015, we communicated to OLAF 27 such cases of suspected fraud (16 in 2014) that we had identified during our statement-of-assurance work for the 2014 and 2015 financial years and within our other audit tasks.


2015 on-the spot audit days
Italy
Germany
Poland
Spain
France
United Kingdom
Greece
Romania
Hungary
Portugal
Bulgaria
Netherlands
Finland
Austria
Czech Republic
Lithuania
Ireland
Denmark
Slovakia
Sweden
Slovenia
Malta
Belgium
Cyprus
Latvia
Estonia
Luxembourg
Switzerland
Algeria
Azerbaijan
Egypt
Uganda
Serbia
China
United States
Bosnia and Herzegovina
Cuba
Myanmar
The former Yugoslav Republic of Macedonia
Turkey
Eritrea
Ghana
Tanzania
Norway
Albania
Haiti
Papua New Guinea
Rwanda
Montenegro
Ukraine
Ethiopia
Kenya
Democratic Republic of the Congo
Moldova
Total 4 310
0
50
100
150
200
250
300
350
400
450
500

2014 annual reports

In 2015, the majority of our financial and compliance audit work was devoted to examining the implementation of the 2014 EU budget, including testing some 1 200 transactions across all spending areas. The resulting 2014 annual report was published on 10 November 2015 and was presented extensively to our stakeholders, such as the European Parliament and its Committee on Budgetary Control, the Council of the European Union (Economic and Financial Affairs), national parliaments and governments, as well as to the media.

The main objective of our annual report is to provide findings and conclusions that help the European Parliament, the Council and citizens assess the quality of EU financial management. In the 2014 annual report, we provided assurance on how EU funds had been used during the year and highlighted where they were most at risk of being spent irregularly. We also analysed why errors occurred and provided useful and cost-effective recommendations for improvement.

EU spending in 2014 amounted to

€142.5 billion

= close to €300 for every citizen

We updated the structure of our annual report for 2014 in order to increase its usefulness to our readers. The chapters now reflect the headings of the 2014-2020 multiannual financial framework. At the heart of the report remained the statement of assurance, in which we gave our opinion on the extent to which the EU's annual accounts were reliable and income and spending transactions complied with the rules. In addition, we specifically assessed each major area of EU activity and provided an increased level of information on budgetary and financial management. We also included information on the performance of the EU budget and on the Commission's reporting on performance, particularly as regards progress towards achieving the objectives of the Europe 2020 strategy.

ECA President Vítor Caldeira presenting the 2014 annual report to the European Parliament.

Key messages of the 2014 annual report

> The ECA calls for new approach to EU investment and spending

- **EU's 2014 accounts** were signed off as **reliable**.
- **Revenue** for 2014 was **legal and regular.**
- **Payments** for 2014 were **materially affected by error.**

Conclusions and recommendations

- The EU accounts for 2014 were correctly prepared in accordance with international standards and presented a **true and fair view**. We were therefore able, once again, to give a clean opinion on their reliability. However, we gave an adverse opinion on the regularity of payments.

- The **estimated level of error**, which measures the level of irregularity, for 2014 payments is 4.4 %, close to that of 2013 (4.5 %) and persistently above the materiality threshold of 2 %.

- We found **the same estimated level of error** (4.6 %) under shared management with the Member States and for expenditure managed directly by the Commission. The highest levels of error were found in spending under 'economic, social and territorial cohesion' (5.7 %) and for 'competitiveness for growth and jobs' (5.6 %). Administrative expenditure had the lowest estimated level of error (0.5 %).

- There is a clear relationship between expenditure types and levels of error. Our estimated level of error for **cost reimbursement schemes** (5.5 %), where the EU reimburses eligible costs for eligible activities on the basis of cost declarations made by beneficiaries, is double that for entitlement programmes (2.7 %), where payments are made on meeting conditions rather than reimbursing costs.

- **Corrective action** by authorities in the Member States and by the Commission had a positive impact on the estimated level of error. Without this action our overall estimated level of error would have been 5.5 %. There is further scope for the Commission to improve its assessment of risk and the impact of corrective actions.

- If the Commission, authorities in the Member States or independent auditors had made use of all information available to them, they could have **prevented, or detected and corrected**, a significant proportion of the errors before these were made.

- **Amounts to be paid in the current and future years** remain at a very high level. It is essential for the Commission to take measures to deal with this persistent problem. For some Member States, the backlog of unused funds represents a significant share of overall government spending.

- The periods of the 10-year **Europe 2020** strategy and the EU's 7-year budgetary cycles (2007-2013 and 2014-2020) are not aligned. Member States give inadequate attention to Europe 2020 achievements in partnership agreements and programmes. Both issues limit the Commission's ability to monitor and report on **performance and the contribution of the EU budget** to Europe 2020.

- The upcoming mid-term review of the 2014-2020 multiannual financial framework is a key point in the management of EU spending. It is important that the Commission **analyses the areas of persistently high levels of error** as soon as possible and assesses opportunities for reducing this while strengthening the focus on performance in spending.

2014 results of transaction testing for EU spending areas

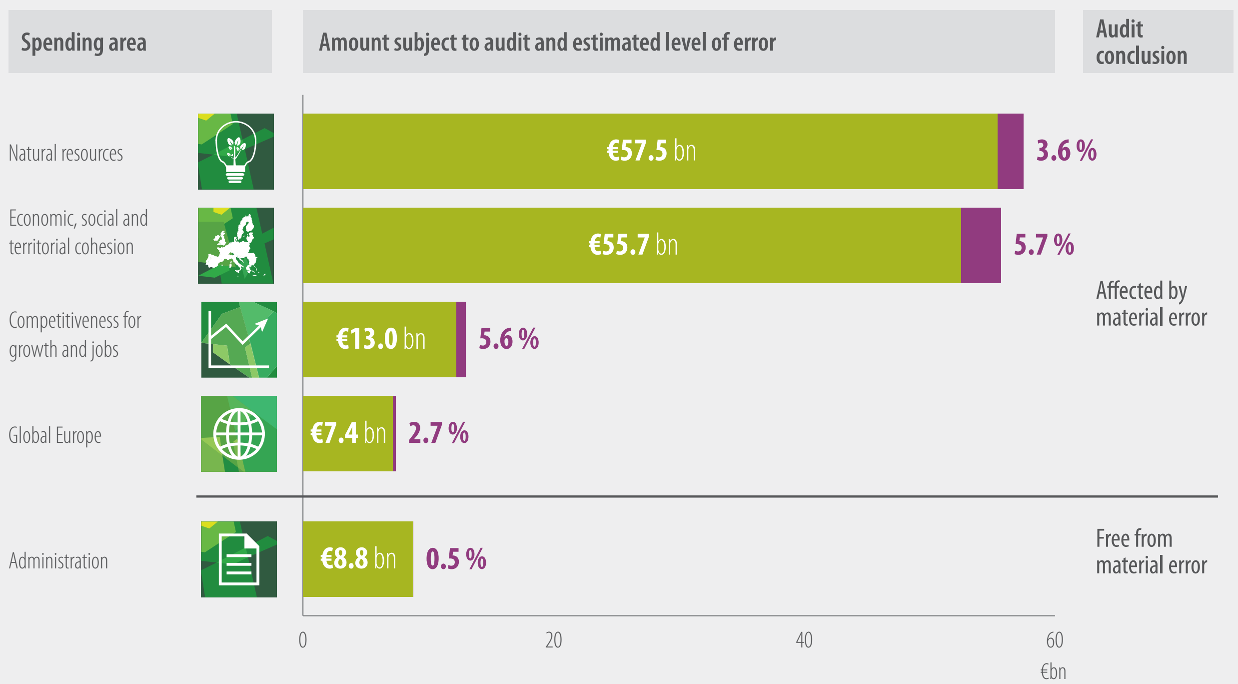


Table is taken from 2014 EU audit in brief, available on our website eca.europa.eu/en/euauditinbrief-2014

Annual report on the European Development Funds for 2014

- Revenue was free from error
- Payments were affected by material error

The EDFs provide European Union assistance for development cooperation to the African, Caribbean and Pacific (ACP) states and overseas countries and territories. They are funded by the Member States and managed outside the framework of the EU budget by the European Commission and, for some assistance, by the European Investment Bank.

We found the EDFs' 2014 accounts to be reliable. Their revenue was not affected by material error, unlike their payments, which were affected by an estimated 3.8 % error rate. As in previous years, we found weaknesses in the *ex ante* checks. Errors relating to non-compliance with procurement rules and the absence of supporting documents to justify expenditure were the cause of nearly two thirds of the estimated level of error.

Our annual report on the EDFs is published alongside our annual report on the EU budget and is available on our website (eca.europa.eu).

EDFs 2014 budget =
€3.1 billion

Specific annual reports for 2014

The budgets of all EU agencies, bodies and joint undertakings in 2014 totalled around €4 billion = around 3 % of the 2014 EU budget.

EU agencies, other bodies and joint undertakings (JUs) perform specific tasks on behalf of the EU and are located throughout the Union. They are active in many areas, such as safety, security, health, research, finance, migration and transportation. Each one has its own mandate, administrative board, director, staff and budget.

In 2015, we produced 52 specific annual reports for the 2014 financial year. They covered the EU's 41 decentralised and executive agencies and other bodies, the eight European research JUs, the European Schools, the Galileo JU in liquidation and Sisnet communication infrastructure. In addition, we published two summaries providing an overview of the results of our audits in this area — one on the EU agencies and other bodies, and the other on the joint undertakings. These reports were presented to the President of the European Parliament and to the Parliament's Committee on Budgetary Control, the General Affairs Council and the Budget Committee of the Council.

2014 was the first year in which the annual accounts of each of the 33 decentralised agencies and other bodies of the EU were subject to an independent audit by a private audit firm. In forming our own opinions on these accounts, we considered this audit work and the action taken by the auditees in response to the auditor's findings. The annual accounts of the remaining agencies and joint undertakings were audited wholly by us.

We found that all agencies and other bodies and joint undertakings produced reliable accounts for 2014. Their transactions were legal and regular, with the exception of Artemis (embedded computing systems), ENIAC (nanoelectronics) and ECSEL (electric components and systems). Insufficient assurance from the *ex post* audit strategies of Artemis and ENIAC led to a qualification of their opinion, as well as that of ECSEL. In general, the agencies have further improved their procedures by taking corrective action in response to our comments from previous years. Our specific annual reports, together with the two summaries of the results of our 2014 audits of the agencies and other bodies and joint undertakings, are available on our website (eca.europa.eu).

52 specific annual reports
on EU agencies, other bodies and joint undertakings located across the EU

Europol headquarters, The Hague, Netherlands.

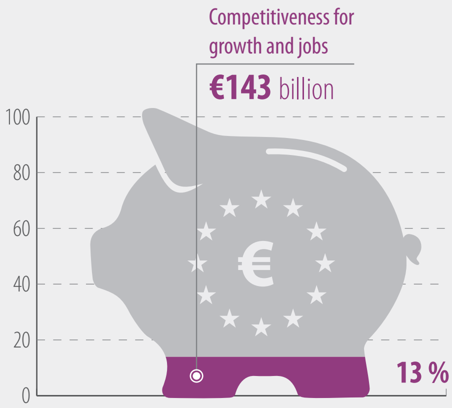
Special reports produced in 2015

In addition to our annual reports and specific annual reports, we publish special reports throughout the year covering performance and compliance audits of specific budgetary areas or management topics of our choice. We select and design these audit tasks to be of maximum impact, thereby making best use of our resources. Our performance audits often cover a number of financial years and their complex subject matter means they can take more than a year to complete.

In 2015, our special reports focused on topics relating to the overall EU objectives of achieving added value and growth, as well as the EU's response to global challenges, including the sustainability of public finances, the environment and climate change.

Brief summaries of all 25 special reports we produced in 2015 are presented under the corresponding multiannual financial framework heading.

The main steps in a selected performance or compliance audit task



Smart and inclusive growth

Smart and inclusive growth represents the biggest portion of spending from the EU budget and covers two areas: **competitiveness for growth and jobs; and economic, social and territorial cohesion**.

Competitiveness for growth and jobs covers funding for trans-European networks in energy, transport and telecommunications, development of enterprises, research and innovation, education and training, social policy, etc. The planned expenditure in this area for 2014-2020 represents 13 % of the total EU budget for the whole programming period, or €143 billion. The budget for 2015 was €15.7 billion.

- **Inland Waterway Transport in Europe: No significant improvements in modal share and navigability conditions since 2001 (1/2015)** - assessed whether projects co-funded by the EU budget contributed effectively to increasing the modal share of inland waterway freight transport and improving navigability and whether EU inland waterway transport strategies were coherent and based on relevant and comprehensive analyses.

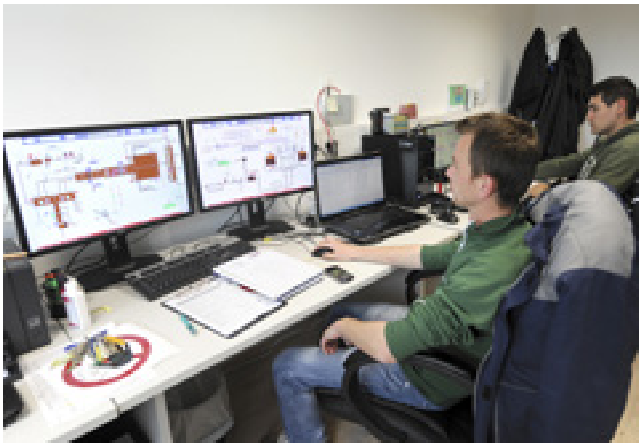
  The audit found that only slow progress had been made as a result of a failure to eliminate bottlenecks. Projects co-funded by the EU had not been implemented effectively, while inland waterway transport had made no gains as an alternative to road transport and navigability has not improved. Member States had paid little attention to inland waterways, in spite of the Commission making them a priority. There was no coherent overall strategy between Member States connected by main water corridors and EU strategies gave insufficient attention to river maintenance and political and environmental considerations. Member States should prioritise inland waterway projects with the greatest and most immediate benefits and the Commission should focus funding on projects with advanced plans to eliminate bottlenecks.

EU inland waterway transport projects received €1.3 billion in funding in the 2007-2013 period under the Trans-European Transport Instrument, the European Regional Development Fund (ERDF) and the Cohesion Fund (CF).

- **Is EU financial support adequately addressing the needs of micro-entrepreneurs? (8/2015)** - assessed whether the needs of micro-entrepreneurs were being addressed through the European Social Fund (ESF) and the European Progress Microfinance Facility.

The audit found weaknesses in the programming and design of ESF financial support and a lack of sufficient, reliable monitoring of performance. Neither the Commission nor the Member States had comparative information on the administrative cost for each Member State and for each funding mechanism. These issues may have a negative impact on the effectiveness of EU financial support for micro-entrepreneurs. Member States should perform needs assessments when designing funding instruments and preparing operational programmes which include EU financial support to micro-entrepreneurs. The Commission should make Member States' use of ESF financial instruments conditional on robust risk management systems being in place.

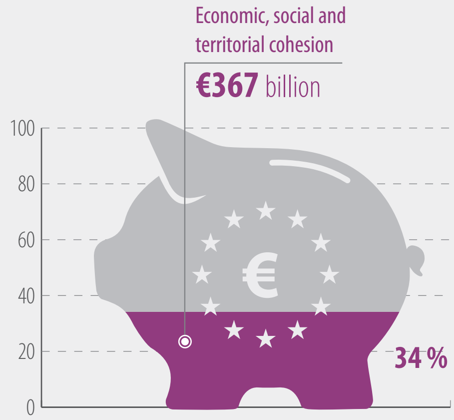
Microfinance is usually for amounts below €25 000, and often of less than €10 000. Total demand for these levels of finance in the EU Member States is estimated to be above €12 billion. Examples mentioned in the report include €5 000 to expand a city kiosk and €9 500 to help establish a children's playground and a clothing store.



- **Improving the security of energy supply by developing the internal energy market: more efforts needed (16/2015)** - asked whether implementation of internal energy market policy measures and EU spending on energy infrastructure have provided security of energy supply benefits effectively.

The audit found that energy infrastructure in Europe is generally not yet designed for fully integrated markets, and therefore does not currently provide effective security of energy supply. Financial support from the EU budget in the field of energy infrastructure has made only a limited contribution to the internal energy market and security of energy supply. The European Commission should identify energy infrastructure in the EU that is not in active use and work with the Member States to take down barriers to its use for the internal energy market. In addition, the Commission should consider new ways for energy in one Member State to be available to customers in another.

The internal energy market should allow the free flow and trade of gas and electricity across the EU. The EU budget provided €3.7 billion of financing for energy infrastructure between 2007 and 2013, with a further €7.4 billion expected between 2014 and 2020. But the report points out that the EU's objective of completing the internal energy market by 2014 was not met.



Smart and inclusive growth

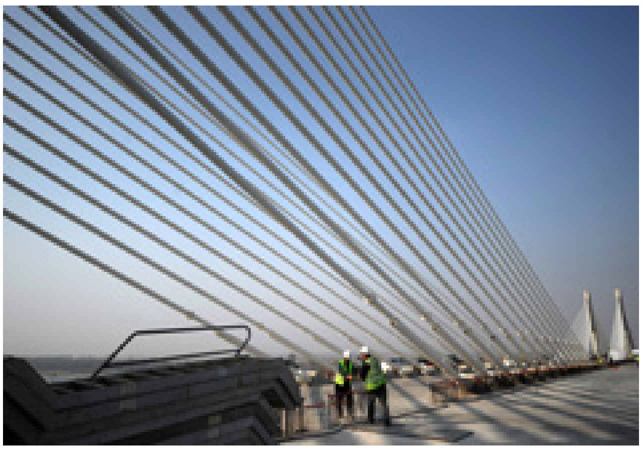
Economic, social and territorial cohesion includes regional policy which aims at helping the least developed EU countries and regions to catch up with the rest, strengthening all regions' competitiveness and developing cooperation between them.

The cohesion expenditure planned for 2014-2020 represents 34 % of the EU budget for the whole programming period, or €367 billion. The budget for 2015 was €51.1 billion.

- **Efforts to address problems with public procurement in EU cohesion expenditure should be intensified (10/2015)** - examined whether the Commission and Member States are taking appropriate and effective action to address the problem of public procurement errors in the cohesion area.

  The audit found that widespread problems persist in the way public authorities across the EU contract out work. Even though the Commission and the Member States have started to address the problem, there is still a long way to go. Serious errors resulted in a lack of fair competition and contracts being awarded to those who were not the best bidders. Systematic analysis is very limited and there is a lack of sufficiently detailed, robust and coherent data on the nature and extent of the errors. If the situation has not improved by the end of 2016, the audit recommended that 2014-2020 payments to the Member States concerned should be suspended.

  Between 2007 and 2013, €349 billion was earmarked for spending in the area of regional policy through the ERDF, the CF and the ESF. A significant part of this money is spent through public procurement. Errors were detected in around 40 % of projects in which public procurement was audited in the ECA's annual reports over the years 2009-2013.



- **EU funding of Urban Waste Water Treatment plants in the Danube river basin: further efforts needed in helping Member States to achieve EU waste water policy objectives (2/2015)** - assessed the effectiveness of the ERDF and the CF in helping Member States in the Danube river basin to achieve EU waste water policy objectives.

  The audit found that while EU spending played a key role in helping the Czech Republic, Hungary, Romania and Slovakia achieve progress, all countries incurred delays in complying with the rules and in taking up the EU money available. Although their plants generally treated the waste water adequately, their handling of sewage sludge and rain overflows was sometimes weak. A third of the plants were oversized and potentially unsustainable. The countries took up the available EU funds slowly, thus risking losing EU funding or creating a need for additional money from their national coffers. The Commission should enhance reporting requirements and Member States should put in place legal provisions to ensure prompt connection to the public sewage network. The Commission and Member States should set criteria for all types of use of sludge and ensure robust monitoring of pollutants.

  The Danube river basin is Europe's largest. The EU contributed €7.9 billion for waste water treatment projects in the four audited Member States over the 2000-2006 and 2007-2013 programme periods.

- **Water quality in the Danube river basin: progress in implementing the water framework directive but still some way to go (23/2015)** - assessed whether the implementation of the water framework directive by the Czech Republic, Hungary, Romania and Slovakia led to an improvement in the surface water quality of the Danube river basin.

  The audit found there had been little improvement since 2004. It highlighted 'lack of ambition' in the countries' plans as the main reason for the limited progress. The audit pointed to an absence of targeted measures for water bodies of unsatisfactory quality. There were also shortcomings in monitoring systems resulting in a lack of data both on the type and sources of pollution which caused water bodies to fail. In addition, Member States exempted a significant number of water bodies from important deadlines without sufficient justification. The recommendations included improving pollution monitoring and diagnosis systems, stronger criteria for inspections and looking at charges or taxation to deter emissions.

  Between 2007 and 2013, the ERDF and the CF provided €6.35 billion to Member States in the Danube basin for waste water treatment. Over the same period, the European Agricultural Fund for Rural Development (EAFRD) provided €6.39 billion to compensate farmers taking agri-environmental measures.

- **EU Youth Guarantee: first steps taken but implementation risks ahead (3/2015)** - assessed whether the Commission provided appropriate support to Member States in setting up the Youth Guarantee scheme and reviewed possible implementation risks.

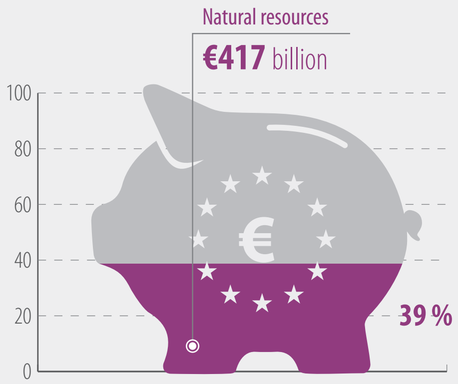
  The audit identified three risks to the successful implementation of the Youth Guarantee initiative: adequacy of total funding, the definition of a 'good-quality offer' and the way the Commission monitors and reports on results. The Commission did provide timely and appropriate support to the Member States in setting up their Youth Guarantee schemes. But it did not carry out an impact assessment specifying expected costs and benefits, despite this being a standard procedure. Although the Commission had asked Member States to provide cost estimates when submitting their Youth Guarantee implementation plans, some responses lacked relevant information, while none provided estimated costs for the structural reforms required.

  The Youth Guarantee scheme was established in June 2013 in response to the worsening situation for young unemployed people, which was exacerbated by the economic and financial crisis. From 2014 to 2020, the scheme will be partly financed to a total of €12.7 billion from the EU budget through the ESF and a dedicated Youth Employment initiative.

- **Commission's support of youth action teams: redirection of ESF funding achieved, but insufficient focus on results (17/2015)** - assessed whether the redirection of ESF funding benefited from proposals developed in 2012 by the youth action teams on how to achieve faster and more effective results for young unemployed people through ESF spending.

  The audit found that the youth action teams set up by the Commission did succeed in redirecting money towards support for young people, but they made only limited proposals. The Commission provided advice to the Member States, but its support was limited by the level and quality of information available to it. While the initiative led to the reprogramming and reallocation of ESFs, the Commission's assessment of operational programme amendments focused mainly on their impact on the budget. Expectations for such initiatives need to be better managed where there is a potential gap between what is promised and what can realistically be delivered by the Commission.

  The Commission set up youth action teams in 2012, as part of its youth opportunities initiative. The teams brought together national and Commission experts in the eight Member States with the highest levels of youth unemployment. The initiative concerned almost €10 billion of ESFs still available in the Member States concerned.



Sustainable growth: natural resources

This budgetary heading covers the EU's common agricultural and fisheries policies, rural development and environmental measures. Three quarters of the spending involves direct spending to farmers and support for agricultural markets. A further fifth goes for rural development.

The planned expenditure for 2014-2020 represents almost 39 % of the total EU budget for the whole programming period, which is €417 billion. The budget for 2015 was €56 billion.

- **Technical assistance: what contribution has it made to agriculture and rural development? (4/2015)** - examined the use of technical assistance funds in agriculture and rural development during the 2007-2013 programming period. It focused on the regularity, effectiveness and efficiency of funding at the Commission and in the Member States.

The audit found that neither the European Commission nor the Member States were able to demonstrate how well the use of technical assistance in agriculture and rural development policy had contributed to budgetary efficiency and to the objectives of the common agricultural policy. Rural networks, which aim to increase cooperation, knowledge sharing and innovation in the agricultural sector, are a very suitable vehicle for technical assistance. But in most cases resources intended for capacity building had been used to shore up general administrative budgets. The Commission should clarify the scope and application of technical assistance from Member States in the area of rural development and monitor implementation closely.

For the 2007-2013 period, the Member States planned to use €1.5 billion of technical assistance funding from the EU budget, up to a ceiling of 4 % of the national rural development envelope. For the 2014-2020 period, that figure has increased to around €1.9 billion.

- **Are financial instruments a successful and promising tool in the rural development area? (5/2015)** - focused on whether financial instruments (loan and guarantee funds) implemented under EU rural development policy had been well designed and managed in the 2007-2013 programming period.

  The audit found that the instruments had so far been unsuccessful. This was mainly because they were overcapitalised and did not fulfil their potential in terms of the desired leverage and revolving effects. No clear case was made for setting up financial instruments in the 2007-2013 programming period. There was no reliable quantifiable information to justify the types of financial instrument established, determine demand for financial instruments in the field of agriculture and show that the amount of capital earmarked for the fund was appropriate. Better incentives should be given for Member States to set up financial instruments for rural development and stimulate demand from farmers or other beneficiaries, and appropriate standards and targets for leverage and revolving effects should be set for 2014-2020.

  The EU and the Member States had invested around €700 million in rural development guarantee and loan funds by the end of 2013. For the 2014-2020 period, the Commission wants Member States to commit themselves to at least a twofold increase in their use.

Performance audit in focus: The integrity and implementation of the EU ETS (6/2015)

The European Union emissions trading scheme (EU ETS) is somewhat different from other policies and programmes we audit in that it does not receive significant funding from the EU budget. On the other hand, it does have a very strong impact on the policy implementation across the EU and on the quality of life of citizens. Introduced in 2005, the EU ETS is often cited as the reference model for emerging climate change policy and emissions trading schemes elsewhere in the world. So one would expect there to be a good framework involving market regulation and oversight, legal certainty and systems for dealing with fundamental information. Furthermore the 'nuts and bolts' of the implementation systems should be sufficiently tight.

In late 2013, our auditors set out to examine the framework for protecting the integrity of the EU ETS and the systems for actually implementing the scheme in the Commission and the Member States up to phase II (end 2012). This was prompted by the risks in creating a functioning market to achieve the EU's climate change policy, and the difficulties in controlling such an intangible activity ('how to measure hot air?').

Our auditors assessed whether the EU ETS was managed adequately. Not only did they carry out desk reviews and interviews with the officials involved in managing the EU ETS at the European Commission in Brussels, but they also went to five Member States — Germany, France, Italy, Poland and the United Kingdom — to visit the relevant authorities. In addition, they reviewed the documents for two others — Greece and Spain — and consulted experts in the field. They also obtained evidence by testing the data from the documents at national authorities, which related to 150 installations selected from these seven countries, and an analysis of data from the EU's transaction log.

They could not visit the actual installations as these do not get EU money to operate the scheme, so our institution does not have audit access rights.

The evidence our auditors obtained pointed to a lack of oversight of the emissions market and also of cooperation between regulators. By way of illustrating our specific findings, our auditors found that the actual legal definition of allowances should be better clarified and that procedures to open ETS accounts on the EU registry and to monitor transactions were inadequate to provide sufficient controls against abuse. This was a 'catch-22' situation — Member States could not monitor cross-border transactions effectively because they did not have direct access to the central database, but the Commission could not monitor them either because it had no regulatory basis to do so. Our auditors also found that the systems for monitoring and reporting emissions were not harmonised and showed control weaknesses, as well as inadequate guidance by the Commission and reporting by both Commission and the Member States.

As a result of our findings, we concluded that the framework for protecting market integrity was not sufficiently robust and that there were significant implementation weaknesses in the previous phase, some of which also require further action in the current phase. Despite the above problems, our report makes clear that this innovative scheme has been continually improved. The debate and reforms about the ETS, which were ongoing at the time when the report was published, focus on its effectiveness and on how to deal with the surplus. This audit did not address these issues. But with this report we show that attention also has to be given to basic questions of market integrity and implementation, so that the EU can be confident that this flagship policy is better equipped to deliver on emission reductions and low carbon technologies.

We made a number of practical recommendations to both the Commission and Member State authorities, which can help them improve market integrity and implementation of the system, making it a stronger tool for achieving climate change targets by 2020 and beyond. In response to our report, the Commission agreed that any significant remaining issues in emission market regulation and oversight should be addressed in order to improve market integrity where necessary, with reassurance that many improvements are already in place for phase III (2013-2020) and specifically address our observations.

The report generated significant interest from the media and was presented at a press briefing to EU-accredited journalists in Brussels. The media in the EU and across the world reported that the EU ETS requires more oversight to improve the carbon market and more protection from market abuse, including risks of VAT-fraud which were still ongoing. As is the case for all our special reports, the Member responsible for the report, Kevin Cardiff, presented it to the European Parliament's Committee on Budgetary Control, and also to the environment committees of the Parliament and the Council, in order to share insights which can be used in future decisions on the relevant rules and regulations. The Parliament and the Council welcomed our observations and recommendations and will consider any future proposals for possible improvements to the integrity and implementation of the scheme.

Audit team (left to right): Stefan Den Engelsen, Emese Fésűs, Kevin Cardiff, Colm Friel.

- **Are the Fisheries Partnership Agreements well managed by the Commission? (11/2015)** - evaluated whether the agreements are well managed. The audit assessed the negotiation and the implementation of the agreements, the Commission's monitoring of catches and the selection and control of the actions funded.

  The audit found that although the agreements were generally well managed, the tonnage negotiated was often higher than the catches reported from previous periods. This leads to regular underuse. Because the EU pays in full regardless of the amount of fishing actually done, the real cost paid was frequently higher than the price negotiated.

  There was also a lack of reliable, consistent and complete data on actual fish catches made by the EU fleet. The Commission should consider previous levels of use when negotiating new arrangements, link payments more closely to actual catches and ensure that the new catch database is fully used by flag Member States and provides reliable catch data which can be monitored and kept up to date.

  The agreements are supposed to ensure the sustainability of the fisheries concerned by allowing the EU vessels to fish only the surplus resources of partner countries. But the audit doubted that the so-called surplus can be calculated in a reliable manner, due to the lack of reliable information.

- **The EU priority of promoting a knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures (12/2015)** - focused on whether there are management and control systems in place to deliver rural development knowledge-transfer and advisory measures effectively.

  The audit found that EU-funded vocational training and advice programmes in rural areas cost too much to run, often duplicate existing programmes and favour established training providers. The audit identified poor management procedures by the Member States and insufficient supervision by the Commission. Member States relied too much on trainers' proposals and considered any type of training as 'good' and eligible for public funding. A lack of fair and transparent selection meant long-standing and well-established providers were recurrently selected and received most of the funding. Member States should select training activities that respond to skills needs identified through a recurrent analysis, and should avoid the risk of the selection process becoming provider driven.

  The EU supports rural training and advice projects through the EAFRD. For the 2007-2013 period, €1.3 billion was set aside for these activities. Member States' co-financing brought total public support to €2.2 billion. For 2014-2020, the amount may exceed €4 billion.

- **The cost-effectiveness of EU Rural Development support for non-productive investments in agriculture (20/2015)** - focused on the cost-effectiveness of non-productive investments (NPIs) in contributing to the EAFRD objective of sustainable use of agricultural land in the 2007-2013 programming period.

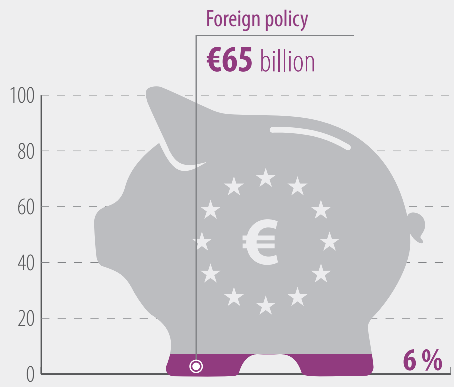
  The audit concluded that NPI support did contribute to the achievement of the objectives, but not in a way that was cost-effective. This was because the costs of 75 % of the projects visited were unreasonably high. Even though many of these projects had obvious remunerative characteristics, they were fully funded with public money. The auditors visited four Member States which between them spent 80 % of the total EU budget for NPIs — Portugal, Denmark, the United Kingdom (England) and Italy (Puglia). Only five of the 28 audited projects proved to be cost-effective. The report warns that the issue may not be confined to the sample, since the problems stemmed from weaknesses in Member States' management and control systems.

  NPIs are investments which do not generate significant return, income or revenue, or increase significantly the value of the beneficiary's holding, but have a positive environmental impact.

- **EU support for rural infrastructure: potential to achieve significantly greater value for money (25/2015)** - examined whether the European Commission and the Member States had achieved value for money with funding through rural development programmes for infrastructure such as roads, water supply schemes, schools and other facilities.

  Although some of the infrastructure projects have made a positive contribution to the rural areas, the audit found that the Member States and the Commission, acting through shared management, had achieved only limited value for money. Far more could be achieved with the funds available. Member States did not always clearly justify the need for using EU rural development funds and focused on avoiding double funding rather than on achieving effective coordination with other funds. The risk that projects would have gone ahead anyway without EU money was not effectively managed, although some good practices were identified. Since 2012, the Commission has adopted a more proactive and coordinated approach, according to the audit. If implemented properly, this should lead to better financial management in the 2014-2020 period.

  Between 2007 and 2013, €13 billion of EU funds was allocated to rural infrastructure through rural development programmes. National spending brought the total to almost €19 billion.



Global Europe

Global Europe covers the EU's external relations (the 'foreign policy'), including enlargement issues and the EU's development assistance and humanitarian aid.

The EU earmarked 6 % of the total budget, or €65 billion, for spending on these objectives in the 2014-2020 programming period. The budget for 2015 was €7.5 billion. Additional funding is provided by the EDFs, which is not part of the EU budget and therefore does not fall under the multiannual financial framework.

- **The EU police mission in Afghanistan (EUPOL): mixed results (7/2015)** - assessed whether EUPOL was well planned and coordinated, whether it had received adequate operational support and guidance, whether it contributed to the progress of the Afghan national police and whether the phasing-out of EUPOL was adequately prepared.

The audit found that EUPOL had partly achieved its aim of helping to establish a sustainable and effective Afghan-owned civilian police. In the absence of a trained, fully functioning Afghan police force, and with high illiteracy rates and widespread corruption in the Afghan police and justice systems, EUPOL managed to contribute to a reform of the Ministry of the Interior and the professionalisation of the country's police. However, the continuing systemic weaknesses in the country's justice and police put at risk the legacy of the results achieved by EUPOL, as well as of the Afghan policing sector in general, after the phasing-out of the mission by the end of 2016.

The total cost of EUPOL for the period from May 2007 to December 2014 was close to €400 million, with security-related costs accounting for almost one third. As at the end of 2014, the EU had deployed a total of 32 common security and defence policy missions, of which 16 had been completed and wound up and 16 were still ongoing.

- **EU support for the fight against torture and the abolition of the death penalty (9/2015)** - assessed the effectiveness of the European Instrument for Democracy and Human Rights' promotion of the prevention of torture, the rehabilitation of victims of torture and the abolition of the death penalty.

The audit found that projects receiving EU support are having an impact, but too often they are not well targeted and have limited scope because funding is thinly spread. While funding was generally well allocated, the Commission did not take sufficient account of the human rights priorities for each country. Projects were often not well coordinated with other EU actions, such as development support and political dialogue. Projects were generally implemented by motivated organisations with good expertise, but their selection lacked rigour. The audit's recommendations covered the targeting of financial resources, better coordination with other EU efforts, selection and improvement of project proposals, performance measurement and the self-sustainability of beneficiary organisations.

The European Union works through diplomatic channels and provides grants to NGOs through the European Instrument for Democracy and Human Rights. Between 2007 and 2013, there were some 180 grants totalling over €100 million aimed at fighting torture and abolishing the death penalty.

- **EU support to timber-producing countries under the FLEGT action plan (13/2015)** - examined whether support provided by the Commission under the EU Forest Law Enforcement, Governance and Trade (FLEGT) action plan to address illegal logging was well managed.

The audit found that while the action plan was a welcome initiative, the results overall were meagre. Assistance was not granted to timber-producing countries in accordance with clear criteria, and the impact of the aid was diluted because of the large number of countries competing for assistance. The degree of progress in the countries concerned varied considerably. The lack of adequate planning by the Commission, together with the lack of clear funding priorities towards timber-producing countries, were important factors contributing to this lack of progress. The audit recommended that the Commission should set out clear objectives and the means of achieving them. Four Member States still have to fully implement the EU timber regulation, which was introduced to prevent illegal timber entering the EU market.

Under the action plan, €300 million was allocated to 35 countries between 2003 and 2013. Two countries, Indonesia and Ghana, made good strides towards full licensing for their timber. But, in general, progress has been very slow and many countries have struggled to overcome the barriers to good governance. In the 12 years since the Commission introduced the action plan, no partner country has obtained fully approved licensing.

- **The ACP Investment Facility: does it provide added value? (14/2015)** - assessed whether the Investment Facility added value to the EU's development cooperation with ACP countries.

  The audit found that the facility does add value to EU development cooperation with ACP countries and fits in well with the EU's policy objectives. At the end of 2014, credit lines represented 28 % of the facility's portfolio, compared with 14 % at the end of 2010. The increased share reflects the ongoing importance of the long-term financing offered by the facility. The facility also had a positive catalytic effect in that it attracted additional funding. The audit did note that the contractual obligation to inform end beneficiaries about European Investment Bank/Investment Facility funding is not always followed and technical assistance does not always target small and medium-sized enterprises. Recommendations were made on how to address these issues.

  Set up in 2003, the ACP Investment Facility obtains its capital from the EDFs and is managed by the European Investment Bank. The facility has approved €5.7 billion worth of development projects over the last decade. It provides medium- to long-term financing and aims to deliver sustainable economic, social and environmental benefits.

- **ACP–EU Energy Facility support for renewable energy in East Africa (15/2015)** - assessed whether the Commission successfully used the Energy Facility to increase access to renewable energy for the poor in East Africa.

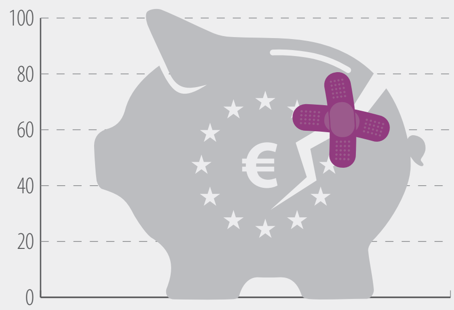
  The audit found that the facility achieved some notable successes but still needs better supervision. The Commission had made some good selections among the projects proposed, but failed to monitor progress closely enough. Reports submitted by the project managers were of uneven quality and the Commission did not attempt to enforce compliance with reporting obligations. When projects were known to encounter serious difficulties, Commission staff did not make sufficient use of on-site visits and monitoring reviews to complement the information provided by those responsible. The report made recommendations for selecting future projects more rigorously, strengthening their monitoring and increasing their sustainability.

  Between 2006 and 2013, the ACP–EU Energy Facility was allocated €475 million of EDFs, mostly for grants to projects in sub-Saharan Africa. By mid 2014, a total of €268 million had been granted, €106 million for projects in East Africa, which had by far the lowest rate of access to electricity in the region.

- **Review of the risks related to a results-oriented approach for EU development and cooperation action (21/2015)** - was conducted in the light of recent renewed interest in shifting the focus of EU development and cooperation policies from activities to results.

  The review identified nine key risk areas: inconsistent results-related terminology or failure to establish a clear logical chain between action, outputs, outcome and impact; increased complexity due to the integration of cross-cutting issues in EU programmes; lack of harmonisation between development partners' aid-delivery instruments, results frameworks and accountability structures; weaknesses in evaluation and results reporting; lack of consolidated reports on or an overview of results achieved by EU aid; lack of sufficient, relevant, reliable and up-to-date data; focusing on budgetary outturn as an objective; and changes in the context of actions.

The review showed that these risk areas had been correctly identified by the Commission in a wide range of documents. Nevertheless, further action remains to be taken in order to harness the full potential of the Commission's initiatives to improve EU development and cooperation results. In this context, the review formulated a number of recommendations that the Commission should take into account.



Financial and economic governance

The EU's economic governance framework aims to address problematic financial and economic trends, such as excessive government deficits or public debt levels, which can hold back growth and puts the sustainability of public finances at risk. It also includes the setting-up of the EU banking union.

Performance audit in focus: Financial assistance provided to countries in difficulties (18/2015)

Our institution has, in recent years, acquired new responsibilities in the area of EU financial and economic governance, and we have responded by building up the required internal expertise. This was our second special report published in this area, following the first on the European Banking Authority in 2014.

In 2008, Europe faced a financial crisis which turned into a sovereign debt crisis. The sovereign debt crisis was a consequence of various factors, including weak banking supervision, poor fiscal policies, and the difficulties experienced by large financial institutions, and the consequent bailout costs borne by the general public. The crisis swept across EU Member States in two waves, first affecting the non-euro area countries in 2008-2009 and later spreading to the euro area itself.

Our audit team examined the European Commission's management of financial assistance during the crisis provided under the balance-of-payments facility and the European Financial Stabilisation Mechanism, for which the Commission borrowed on the capital markets using the EU budget as guarantee. The audit encompassed the financial assistance paid to Hungary, Latvia, Romania, Ireland and Portugal, with an emphasis on the Commission's role in these programmes. Our auditors also examined the Commission's cooperation with its partners — the European Central Bank (ECB) in Frankfurt and the International Monetary Fund (IMF) in Washington. They collected audit evidence through detailed paper reviews and documentary analyses, as well as interviewing staff of the Commission, national authorities, ECB and IMF. They did not audit the partners, or the decisions taken at the EU's political level.

Our auditors found that the European Commission was not prepared for the first requests for financial assistance during the 2008 financial crisis because warning signs had passed unnoticed, which largely explains the significant initial weaknesses in its management processes. They identified four main areas of concern about the Commission's handling of the crisis: the different approaches used, limited quality control, weak monitoring and shortcomings in documentation. By way of illustrating these weaknesses, our auditors found several examples of countries not being treated in the same way in a comparable situation and that in some programmes, the conditions for assistance were less stringent, which made compliance easier. They also found that the Commission's teams insufficiently reviewed key documents, that the underlying calculations were not reviewed outside the team and that the work of the experts was not thoroughly scrutinised and the review process not well documented.

However, the auditors found that the Commission did succeed in taking on its new management duties in managing assistance programmes which brought about reform, despite its lack of experience, which, given the time constraints, was an achievement. Moreover, they found that, as the crisis unfolded, the Commission increasingly marshalled internal expertise and engaged with a wide range of stakeholders in the countries concerned, while later reforms also introduced better macroeconomic surveillance. The auditors also found a number of other positive outcomes, for example the programmes met their objectives, the revised deficit targets were mostly met, structural deficits improved and Member States complied with most conditions set in their programmes, albeit with some delays. Programmes were successful in prompting reforms and countries mostly continued with the reforms required by the programme conditions, while in four of the five countries the current account adjusted faster than expected.

Our auditors noted that a number of weaknesses identified still persist and that the Commission has to strengthen its procedures for the management of financial assistance. We have made a number of recommendations to the European Commission, which are aimed at ensuring more robust management of financial assistance in any future calls for assistance by Member States in difficulties. The report obtained wide coverage particularly in the European media, but also in the United States and Australia. As is the case for all our special reports, it will be presented to our stakeholders in the Parliament and the Council by our Member responsible for the report, Baudilio Tomé Muguruza.

Audit team (left to right): Didier Lebrun, Ignacio García de Parada, Kristian Sniter, Josef Jindra, Giuseppe Diana, Baudilio Tomé Muguruza, Adrian Savin, Daniela Hristova, Zacharias Kolias, Marco Fians, Daniel Costa de Magalhães.

- **EU supervision of credit rating agencies — well established but not yet fully effective (22/2015)** - examined whether the European Securities and Markets Authority (ESMA) has successfully established itself as the credit rating agencies watchdog for the EU. The 2008 financial crisis focused attention on the credit rating agencies and their impact on financial markets. At the time, the agencies were more or less unregulated in Europe. In 2011, the ESMA was created to register, monitor and supervise them.

  The audit concluded that while ESMA has laid down good foundations, its rules and guidelines are not yet complete and significant risks remain to be addressed in the future. The audit acknowledges that ESMA has managed to reduce the average duration of the registration process, but says the process remains complex. Although credit rating methodologies should be rigorous, systematic, continuous and subject to validation, ESMA's methods focus mainly on rigour. The current rules of the Eurosystem credit assessment framework do not guarantee that all ESMA-registered agencies are on an equal footing, which creates a two-tier market structure and puts small agencies in an unfavourable situation.

  The audit made a number of recommendations to ESMA concerning registration, traceability of the risk identification process, supervisory processes and its IT systems.

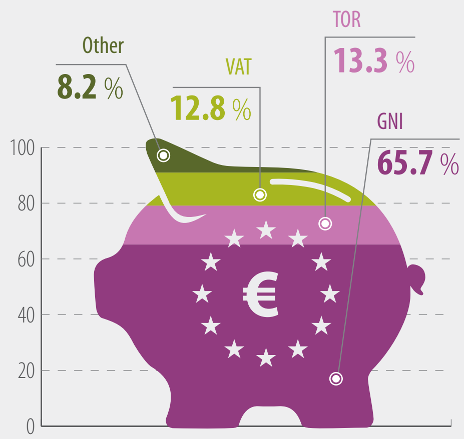
- **More attention to results needed to improve the delivery of technical assistance to Greece (19/2015)** - examined whether the Task Force for Greece fulfilled its mandate and whether the technical assistance provided for Greece made an effective contribution to the reform process. The task force was established by the Commission in 2011 to support Greece's economic adjustment with a broad range of technical assistance.

  The auditors examined whether it fulfilled its mandate and whether the assistance made an effective contribution to reform. They obtained evidence from the Commission, service providers, Greek government departments and other stakeholders.

  The audit found that technical assistance was delivered to the Greek authorities in accordance with the mandate, but it did not always advance the reforms sufficiently. The need for urgency meant that the task force was set up very rapidly, without a full analysis of other options or a dedicated budget. It had no single comprehensive strategic document for the delivery of assistance or for deciding priorities.

  The delivery of assistance was relevant and broadly in line with the programme requirements and the task force developed a flexible and diversified system for delivery, but there were weaknesses at project level.

Hellenic Parliament building, Athens, Greece.



Revenue

The EU budget is principally funded by revenue from three types of own resources. This includes resources based on gross national income (GNI), value added tax (VAT) and traditional own resources (TOR), in particular customs duties on imports to the EU and sugar levies. The EU also receives income tax from EU staff, contributions from non-EU countries to specific EU programmes and fines on companies that breach EU rules and regulations. EU spending must be completely covered by its revenue. For 2015 the revenue was €141.3 billion.

- **Tackling intra-Community VAT fraud: More action needed (24/2015)** - this audit sought to establish whether the EU is tackling intra-Community VAT fraud effectively. Every year, the European Union loses between €40 billion and €60 billion of its VAT revenues through the activities of organised crime. Because exports of goods and services from one EU Member State to another are exempt from VAT, criminals can fraudulently evade taxes in both countries. The result is lost revenue for the countries concerned as well as for the EU.

  Significant weaknesses were found, which indicated that the current system is not effective enough. The EU has a battery of tools to fight against intra-Community VAT fraud, but some need to be strengthened or more consistently applied. There are no effective cross-checks between customs and tax data in most of the Member States visited; VAT information is shared between Member States' tax authorities but there are problems with the accuracy, completeness and timeliness of data; and there is a lack of cooperation and overlapping competences of administrative, judicial and law enforcement authorities.

  Improving the system will require action by the Member States, the European Parliament and the European Commission.

Opinions in 2015

We also contribute to improving EU financial management through opinions on proposals for new or revised legislation with financial impact. These opinions are requested by the other EU institutions and used by the legislative authorities — the Parliament and the Council — in their work. We can also issue papers and reviews on other issues on our own initiative.

In 2015, we produced **eight opinions** covering a number of significant areas:

- Opinion No 1/2015 on a proposal for amending regulation on the financial rules applicable to the general budget of the Union;
- Opinion No 2/2015 on a proposal for an amended financial regulation of the Community Plant Variety Office;
- Opinion No 3/2015 on a proposal for the financial regulation of the Single Resolution Board;
- Opinion No 4/2015 on the proposal for a regulation on the European Fund for Strategic Investments (EFSI) (see box for further details);
- Opinion No 5/2015 on a proposal for an amended regulation of the budget committee of the Office for Harmonisation in the Internal Market;
- Opinion No 6/2015 on a proposal for an amended financial regulation of the Single Resolution Board;
- Opinion No 7/2015 on a proposal for amending regulation on the traditional, VAT and GNI-based own resources and measures to meet cash requirements;
- Opinion No 8/2015 on a proposal for amending the financial regulation applicable to the 11th EDF.

Highlighted opinion — EFSI

As a reaction to the decline in investment since 2007, in November 2014 the Commission launched an 'Investment Plan for Europe'. The intervention logic supporting the plan is that Europe has plenty of investment needs and economically viable projects in search of funding. The challenge is to put savings and financial liquidity to productive use in order to support sustainable jobs and growth in Europe. The plan should not weigh on national public finances or create new debt. The Commission expects, by the time the plan is implemented in full, to create 1 to 1.3 million new jobs over the coming 3 years, and that the EFSI will mobilise at least €315 billion of additional (mainly long-term) investment over the next 3 years (2015-2017).

Expectations from the Commission's initiative are high. Aiming to contribute to the success of this initiative, in our opinion we drew attention to issues regarding the governance and legislative framework, accountability and external audit arrangements, and financial liabilities for public finances. We pointed out that instruments where the EU collaborates with the private sector need to have an adequate level of transparency and accountability of public funds. The performance of such instruments must also be measured against the intended objectives of the financed activities. We stressed that the proposal was not clear on the arrangements between the Commission and the European Investment Bank. Our opinion has been taken into account by the legislator in Regulation (EU) 2015/1017 covering the EFSI.

Contributing to EU accountability through high-level events and conferences

We also raise awareness of the importance of sound financial management and control of EU finances through conferences on the topics where we have identified risks and where we can contribute to EU accountability through our audit expertise. In 2015, in line with our strategic objective to work with our partners in the EU accountability process, we organised two such conferences, as presented below.

During the year we also organised seminars at our premises with internal and external experts in order to share knowledge on the latest developments in EU policies and to inform our audit planning and work. For example, in October we organised a seminar devoted to the progress made on the reform of the common agricultural policy, which included participants from the Commission's Directorate-General for Agriculture and Rural Development.

ECA's conference on EU energy security

On 5 May 2015, we held a conference in Brussels on EU energy security, providing stakeholders from the EU institutions, Member States, the energy industry and academia with a neutral, independent platform to discuss the energy security challenges facing the EU.

Our President, Vítor Caldeira, opened the conference, and Vice-President of the Commission Maroš Šefčovič delivered the keynote speech. Our Members Szabolcs Fazakas and Phil Wynn Owen chaired the conference, which included panel discussions focused on two key areas: the obstacles to completing the internal energy market and Ukraine's key role in European energy supply as a major transit route.

Left to right: Szabolcs Fazakas, Maroš Šefčovič, Vítor Caldeira, Phil Wynn Owen.

We hosted the conference because the EU is facing a number of important, interrelated challenges in this area. They include developing an internal energy market to improve the competitiveness of the European economy, tackling climate change and improving the security of energy supply.

Our institution is also increasingly focusing its audit work on energy and climate issues. We have already produced special reports on topics such as the internal energy market and the security of energy supply, energy efficiency and renewable energy. In addition, we plan to produce further reports in this area, including on EU assistance to Ukraine, EU spending on climate action, as well as a landscape review of energy and climate issues in the EU.

We aim to add value to EU energy governance and, with this conference, signalled that we were also seeking to facilitate democratic debate on these issues.

ECA's conference on the future of development aid

On 20 and 21 October 2015 in Luxembourg — on the occasion of the European Year for Development, the adoption of the new worldwide sustainable development goals and the Luxembourg Presidency of the Council of the European Union — we hosted an international conference on European development aid after 2015.

Chaired by ECA Member Danièle Lamarque, the 2-day conference was introduced by our President, Vítor Caldeira, together with Luxembourg's Minister for Cooperation and Humanitarian Action, Romain Schneider, on behalf of the Council presidency, the Chair of the Parliament's Development Committee, Linda McAvan, the Commissioner for Development, Neven Mimica, and UN Under-Secretary-General Grete Faremo. The conference conclusions were presented by Marc Angel, President of the Foreign and European Affairs and Defence Committee in the Chamber of Deputies of Luxembourg.

The EU is the world's biggest aid donor and works in association with many public and private partners, including international organisations, foundations, NGOs and states. It is becoming increasingly important to ensure that aid is effective by paying close attention to the criteria for its allocation and evaluation. Our institution plays a significant role in that context.

The new UN sustainable development goals for 2015-2030 are more ambitious than the preceding millennium development goals and lead the stakeholders towards 'thinking and acting differently'. The participants agreed that development aid needs to be consistent with environmental, energy, migration and other policies and to absorb new stakeholders.

Moreover, development agencies need to adapt to the new conditions of increasingly diversifying financing and financing tools: innovative financial instruments help to increase leverage and bring financing closer to the market conditions, but also complicate financial decisions and the assessment of the added value of the aid.

The European Commission presented the orientation of a performance budget, the aim of which will be to define more clearly how EU funds are spent and what results are achieved. The joint interinstitutional working group set up for this purpose will include the ECA.

Relations with stakeholders

European Parliament and Council of the European Union

The value of our contribution to EU accountability depends, to a large extent, on the use made of our work and products by our main partners in the legislative and accountability process. Our partners are the political authorities responsible for publicly overseeing the use of EU funds: the European Parliament, the Council of the European Union and the national parliaments. Following our strategy for 2013-2017 we have paid particular attention to enhancing our working relations with the Parliament and the Council.

Our President and Members maintain regular contacts with the committees of the European Parliament, in particular the Committee on Budgetary Control (CONT), our principal partner. In 2015, President Vítor Caldeira participated in two CONT meetings in order to present our annual work programme and annual reports, as well as in two Parliament plenary sessions to present the annual reports and take part in the discharge debate. At the initiative of Ville Itälä, our Member for institutional relations, President Caldeira also presented our 2015 work programme to the Conference of Committee Chairs, consulting them on their priority areas with a view to planning our 2016 work programme. In October 2015, CONT paid a working visit to the ECA and continued the practice of annual bilateral meetings at our premises in Luxembourg, and our representatives took part in the visits to Member States and beneficiary countries organised by the CONT, i.e. to Greece and Serbia, respectively.

In 2015, our Members represented our institution at 29 meetings of the CONT on the subject of our annual and special reports. In addition, our Members presented nine special reports to relevant committees. We also arranged a joint meeting with Parliament's Agriculture and Environment committees in order to discuss points of common interest, and started to cooperate with the Parliament's research service in order to promote more efficient knowledge sharing between our audit chambers and the service.

We have also started to work more closely with the Council in order to develop and enhance relations between the two institutions, including with its presidencies. In November, President Caldeira met Pierre Gramegna, the Luxembourg Minister of Finance and Chair of the Economic and Financial Council (ECOFIN) during the Luxembourg Presidency of the Council, to discuss the follow-up of our 2014 annual report during the 2014 discharge. We presented our 2015 work programme and 15 special reports to different Council working-party formations. In addition, we presented the different chapters of our annual report to the Council budget committee as a basis for the discharge procedure.

Annual meeting between the ECA and the European Parliament's Committee on Budgetary Control.

Strengthening partnerships with national parliaments and authorities

During the year we closely cooperated with our stakeholders in Member States. We kept national parliaments systematically informed about our work. In addition, our President and Members presented our annual report to the national parliaments and authorities in the majority of the Member States. We also held meetings with representatives from national parliaments and authorities both at our premises and in Member States.

We continued the initiative to organise high-level visits to EU Member States, which started in 2014, with the intention of strengthening partnerships with national authorities responsible for the management and scrutiny of EU finances.

In April 2015, a high-level delegation from our institution visited Poland in order to promote the importance of public audit and accountability for EU funds, strengthen its visibility in that respect and open a dialogue with the relevant Polish authorities. This included meetings with President Bronisław Komorowski, the head of the Chancellery of the Prime Minister, both chambers of the parliament, governmental and local self-government bodies and, importantly, the Polish SAI. The discussions focused in particular on accountability and public control, and included references to our recent landscape review of EU accountability and public audit arrangements. Meetings organised with the Ministry of Finance, the Ministry of Infrastructure and Development and the Ministry of Agriculture and Rural Development provided the opportunity to discuss our landscape reviews, the results of our relevant audits and best practices. Our delegation visited two EU-funded projects, one managed by public authorities and one by a private beneficiary.

The high-level visit to Poland was complemented by visits to the Czech Republic (June 2015) and Bulgaria (November 2015). In the Czech Republic, our representatives met with President Miloš Zeman, the Prime Minister and representatives of the Parliament. They also participated in the common session of the Chamber of Deputies' committees on budgetary control and foreign affairs, in which a discussion was held on the results of the common agricultural policy and cohesion audits in the previous programming period that were relevant to the Czech Republic. During this visit, they contributed to the conference organised by the SAI of the Czech Republic on e-data and its significance for the future of audit. Within the framework of the visit to Bulgaria, our delegation held meetings with President Rosen Plevneliev, Prime Minister Boyko Borissov, Speaker Tsetska Tsacheva and other representatives of the parliament. They also participated in a conference on the role of external audit for the effective management of the public sector, which marked the 135th anniversary of the establishment of the SAI of Bulgaria and the 20th anniversary of its restoration.

From left to right: ECA President Vítor Caldeira, Polish SAI (NIK) President Krzysztof Kwiatkowski, Polish ECA Member Augustyn Kubik.

Cooperation with Supreme Audit Institutions

The ECA cooperates with other Supreme Audit Institutions (SAIs) mainly through:

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

Contact Committee of the Supreme Audit Institutions of EU Member States

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

In 2015, the Contact Committee met in Riga. The discussions dealt with the EFSI, the prevention of and fight against irregularities and fraud, and the 2014-2020 multiannual financial framework. Attention was also given to issues related to the Single Supervisory Mechanism (SSM). The Contact Committee adopted a statement on the accountability and audit arrangements of the SSM, addressed to national parliaments, governments and relevant EU institutions and bodies. Furthermore, the Contact Committee approved the proposals to carry out parallel audits concerning the introduction of the SSM, as well as the contribution of the Structural Funds to the Europe 2020 strategy and the underlying risks for the sustainability of public finances. In November 2015, the ECA hosted a kick-off meeting of the Working Group on Structural Funds VII, the aim of which was to agree on a work plan for a new multilateral parallel audit assessing the extent to which EU grants contribute effectively to the implementation of the Europe 2020 strategy in the areas of employment and education.

Network of Supreme Audit Institutions of Candidate and Potential Candidate Countries to the EU

We cooperate with the SAIs of EU candidate and potential candidate countries, mainly through a network[1] similar to the Contact Committee.

Throughout 2015, we continued to support the network in carrying out a parallel performance audit on energy efficiency. The final workshop of that project was held at the ECA's premises in Luxembourg in May 2015. The ECA is involved in the preparation of new projects, to start in 2016, which will focus on performance as well as financial auditing.

In May 2015, ECA representatives attended the event marking the 90th anniversary of the establishment of the SAI of Albania. At this occasion, President Caldeira met with the Albanian President, Bujar Nishani.

Eight auditors from the network of SAIs participated in our 2015 internship programme.

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

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

Multilateral (Intosai/Eurosai) and bilateral cooperation

In 2015, we continued our active involvement in, and contribution to, the activities of Intosai and Eurosai, particularly in their relevant working bodies.

In November, the ECA was appointed Vice-Chair of the Professional Standards Committee of Intosai with effect from its congress at the end of 2016 (Incosai), which reflects our ambition to further enhance our contribution to the public audit standard-setting process.

We also continued our active involvement in the Eurosai governing board and working bodies. We agreed to the request of its chair, the SAI of Ukraine, to take over the hosting of the first meeting of the Working Group on the Audit of Funds Allocated to Catastrophes and Disasters.

Our institution has also been an active member of the Eurosai Task Force on Audit and Ethics, aiming to promote ethical conduct and integrity, both in SAIs and in public organisations. The task force's main goal is to reinforce and frame the management of ethical conduct, with practical and feasible tools that aim to help the SAIs in their day-to-day work.

We attended the 5th Eurosai–Arabosai Joint Conference, which focused on the oversight of government bailout plans, and the 2nd Young Eurosai Conference, which gives young auditors the opportunity to discuss topical issues.

We also attended the SAIs' Global World Leadership Forum, the central theme of which was the role of public sector auditors in 2030.

Our institution enjoys good bilateral relations with fellow SAIs. The activities performed in 2015 included, for example, the participation of our delegation at an international seminar organised by the Polish SAI in Warsaw for auditors from Georgia, Moldova and Ukraine. They discussed with the SAIs of the Czech Republic, Estonia, Hungary, Latvia, Lithuania and Slovakia their experience in the development and capacity building on the road to EU membership, as well as delivered training on our compliance and performance audit methodology.

Cooperation with SAIs through international peer reviews

Peer-reviewing is a frequently applied method for promoting best practices and quality assurance. The Intosai Subcommittee on Peer Reviews is responsible for maintaining, updating and keeping the guideline of the International Standards of Supreme Audit Institutions (ISSAI 5600) relevant. In 2015, we contributed significantly to the revision of that guideline, which will be presented for adoption at the 2016 Incosai.

We have also taken a leading role in the international peer reviews of the SAIs of Latvia, Spain and Switzerland. The scope of the review of the Latvian SAI was very broad, covering financial, compliance and performance audit methodologies and practices, as well as the efficiency of the support functions. The review of the Spanish SAI, led by the SAI of Portugal, also covered many aspects of the functioning of the institution. In the case of the Swiss SAI, we acted as the sole reviewer. The review included an assessment of the relevance of its strategy, as well as their programming and quality control processes.

Our management

The ECA college

The ECA college comprises one Member per Member State, each of whom serves a term of 6 years. Members are appointed by the Council, after consultation with the European Parliament, following nomination by their respective Member States. The treaty requires them to perform their duties in complete independence and in the general interest of the European Union.

The Members elect the President from amongst themselves for a period of 3 years. The terms of the President and Members are renewable.

Most Members are assigned to one of the five chambers, where reports, opinions and positions are adopted and decisions on broader strategic and administrative issues are taken. Each Member is in charge of his or her own tasks, which are primarily audit related. The Member coordinates the corresponding audit teams and is assisted by his or her office staff. The reports, opinions or positions are presented to the chamber and/or the full college for adoption and then to the Parliament, the Council and other relevant stakeholders, including the media. In selected cases, and at the initiative of the Members, the report may be presented to the authorities of the Member States concerned. We have entrusted one Member, Ville Itälä, with the responsibility for institutional relations.

In 2015, following a nomination from her Member State and after consultation with the European Parliament, the Council of the European Union appointed Bettina Jakobsen (Denmark) a Member of the ECA. Her term of office runs from 1 September 2015 until 28 February 2018, i.e. for the remainder of the term of the previous Danish Member, Henrik Otbo, who passed away suddenly in February 2015.

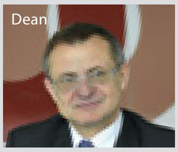
ECA college as at 31 December 2015.

European Court of Auditors: Organisation chart

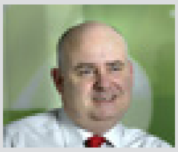
President

Vítor Manuel da SILVA CALDEIRA
Portugal

Chamber I
Preservation and management of natural resources



Augustyn KUBIK
Poland



Jan KINŠT
Czech Republic

Kersti KALJULAID
Estonia

Rasa BUDBERGYTĖ
Lithuania

Nikolaos MILIONIS
Greece

Bettina JAKOBSEN
Denmark

Chamber II
Structural policies, transport and energy

Henri GRETHEN
Luxembourg

Ladislav BALKO
Slovakia

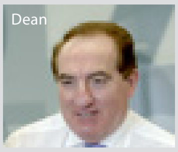
Iliana IVANOVA
Bulgaria

George PUFAN
Romania

Phil WYNN OWEN
United Kingdom

Oskar HERICS
Austria

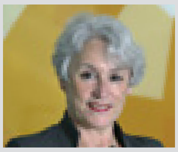
Chamber III
External actions



Karel PINXTEN
Belgium

Szabolcs FAZAKAS
Hungary

Hans Gustaf WESSBERG
Sweden

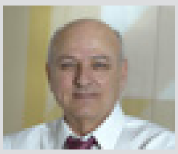


Danièle LAMARQUE
France

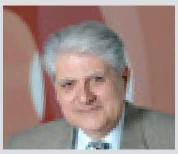
Klaus-Heiner LEHNE
Germany

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

Milan Martin CVIKL
Slovenia



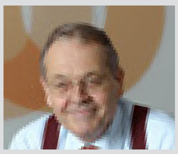
Louis GALEA
Malta



Pietro RUSSO
Italy

Baudilio TOMÉ MUGURUZA
Spain

Neven MATES
Croatia



Alex BRENNINKMEIJER
Netherlands

CEAD Chamber
Coordination, evaluation, assurance and development

Igors LUDBORŽS
Latvia

Lazaros S. LAZAROU
Cyprus

Kevin CARDIFF
Ireland

MIR
Member for institutional relations

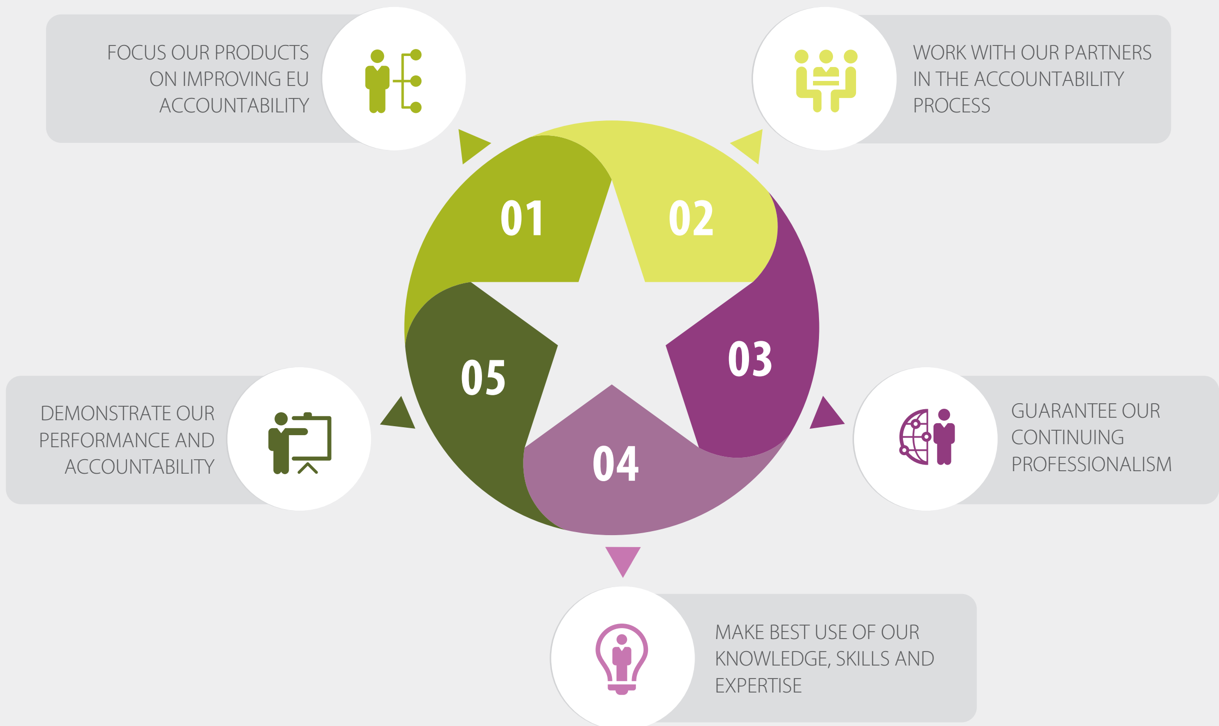
Ville ITÄLÄ
Finland

ECA strategy 2013-2017: continuous progress

The objective of our 5-year strategy is to maximise the value of our contribution to EU public accountability. Our main priorities to meet this objective are presented in the graphic below.

Many initiatives identified in the strategy have already been implemented. We have increased our range of outputs, intensified and extended our stakeholder relations, expedited our audit processes and improved how we measure our own performance. In 2015, we decided to reform the way we are organised. In this way, we will address the recommendation of the European Parliament on the future role of the ECA and from the **2014 international peer review** of our performance audit.

ECA's strategic priorities 2013-2017



Reform of the ECA

OBJECTIVE 1

FURTHER STREAMLINE OUR AUDIT PROCESSES

OBJECTIVE 2

INTRODUCE A TASK-BASED APPROACH TO OUR ORGANISATION

RATIONALE

- BE AGILE IN RESPONDING TO A RAPIDLY CHANGING ENVIRONMENT
- DIRECT RESOURCES FLEXIBLY TO PRIORITY AUDIT TASKS
- DELIVER TIMELY PRODUCTS
- BETTER COMMUNICATE OUR ROLE AND WORK

TIMELINE:

	2012	2013	2014	2015	2016
IMPULSE	Preparation of 2013-2017 strategy	Peer review by SAIs of Germany, France and Sweden	European Parliament report on the future of the ECA	Preparing for task-based organisation	Agile and responsive ECA
MEASURES	- 10 key actions	- Consultation - Court Decisions - General design		- Detailed design - Pilots - Implementation	- Takes effect: 1.1.2016 - Training and other measures

Be agile in responding to a rapidly changing environment

We have developed a new work programming process, which makes it possible to plan and schedule our work based on institution-wide priorities and a comprehensive risk review. We now systematically take into account stakeholder views when planning our work to ensure our reports are as relevant as possible. Supported by our Member responsible for institutional relations, our President and Members engage with EU stakeholders, including the committees of the European Parliament.

Direct resources flexibly to priority audit tasks

We have organised our staff in flexible teams around tasks rather than in units, so they can be directed more easily to priority tasks. This means that we now allocate 'the right person to the right job', and in doing so harness their skills and potential. The reform has also resulted in leaner management of our institution: heads of unit have become principal managers and they share management tasks under the leadership of their director, providing quality and supervision expertise. We are also reinforcing our expertise in audit areas and introducing knowledge sharing tools in order to further improve our knowledge-management processes.

Deliver timely products

We have streamlined our audit procedures and simplified task management so that we can deliver products in a timely manner. In recent years we have been steadily shortening the average time for producing our special reports and the reform will help us shorten it further. This is of particular importance with the entry into force of the new financial regulation.

Better communicate our role and work

We have redesigned our annual report to reflect the headings of the multi-annual financial framework, which makes it more usable and reader friendly. In the annual report we now provide multiannual reporting on biggest spending areas as well as on performance. We have also strengthened our communication and stakeholder-relations functions, including recruiting a spokesperson.

Measuring performance

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

The indicators aim to measure key elements of the quality and impact of our work, paying particular attention to the opinion of key stakeholders and the efficiency and effectiveness of the way we use our resources. The KPIs have been updated for the 2013-2017 strategic period.

Quality and impact of our work

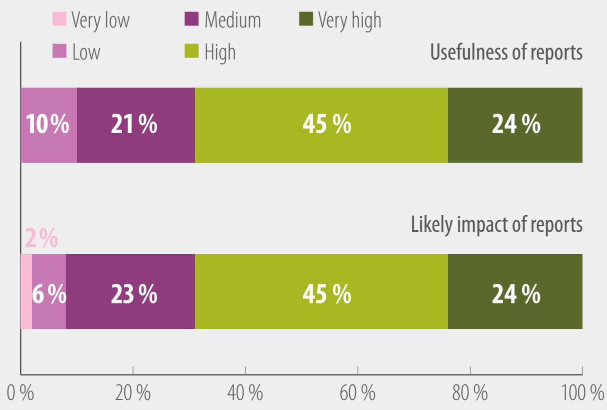
We assess the quality and impact of our reports based on stakeholder appraisal, expert reviews and the follow-up given to the recommendations for improving the EU's financial management. In addition, we measure our presence in the media.

Stakeholder appraisal

We invited our main stakeholders — the Committee on Budgetary Control and the Committee on Budgets of the European Parliament, the Budget Committee of the Council, the main auditees in the Commission and EU agencies and the heads of EU SAIs — to rate the **usefulness and impact** of the reports we published in 2015 on a five-point scale from 'very low' to 'very high'.

The responses show that **90 %** of our main stakeholders value our reports as being useful to their work (94 % in 2014), and **92 %** consider them to have impact (91 % in 2014).

Stakeholder appraisal

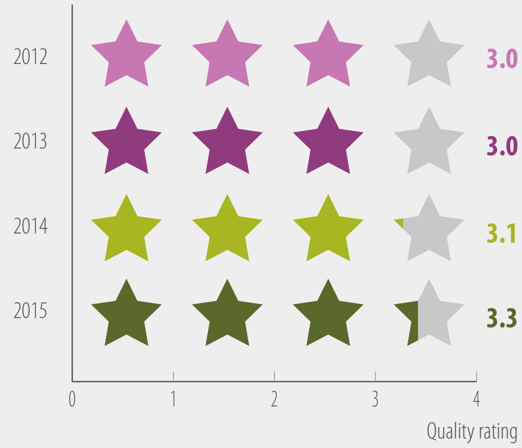


Expert reviews

Each year, independent external experts review the content and presentation of a sample of our reports as an assessment of quality. In 2015, the reviewers assessed four special reports and the 2014 annual reports. They rated the quality of various aspects of the reports on a four point scale ranging from 'significantly impaired' (1) to 'high quality' (4).

The expert's ratings for 2015 were the highest for the past 4 years for both types of reports, with an overall average of 3.3.

Expert reviews of ECA reports

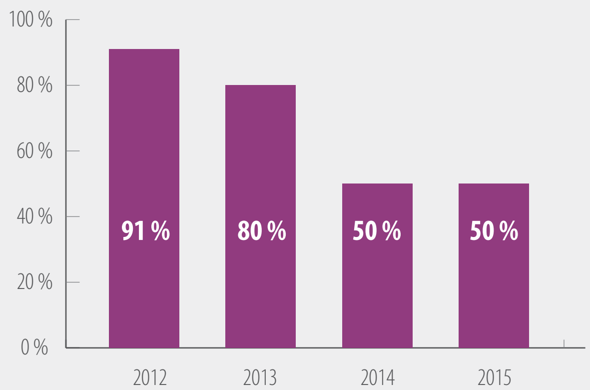


Follow-up of recommendations

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

We systematically monitor the extent to which **our recommendations have been implemented** by our auditees. By the end of 2015, 73 % of more than 600 recommendations issued in 2012–2015 had been implemented. This represents an increase on the implementation rate of 69 % in 2014, relating to the recommendations made in the 2011-2014 period.

Implementation of the ECA's recommendations by year of issuance

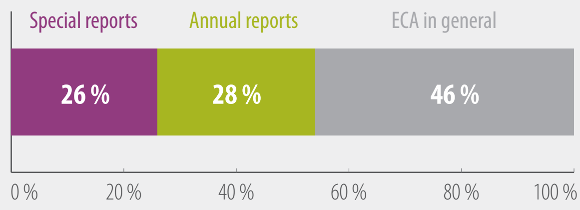


Presence in the media

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

In 2015, we identified around 3 400 online media articles related to our special reports, the annual reports and the institution in general. Of these, 54 % covered our audit reports while the rest make reference to our institution and our work in general. In 2015, our annual reports generated almost double the media coverage than in 2014. In contrast, media coverage of our special reports decreased compared with 2014, largely due to very high media interest in one particular report of that year (EU-funded airport infrastructures (21/2014), which received over 800 articles).

Media reference topics



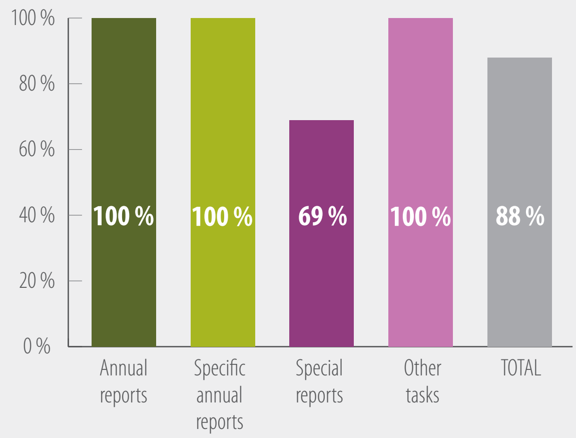
Efficient and effective use of resources

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

Implementation of the work programme

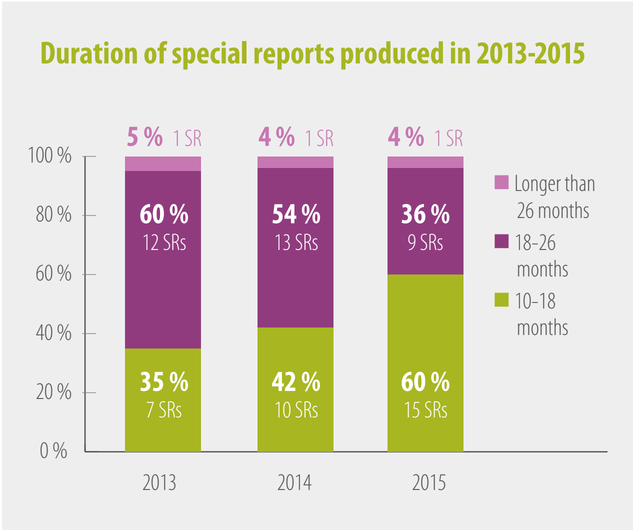
We plan our audit and other tasks in our annual work programme, and monitor progress throughout the year. In 2015, we implemented 88 % of our work programme. The annual reports and specific annual reports were implemented as planned, while 69 % of the special reports were implemented as planned compared with our very ambitious planning. The remainder, which were delayed due to the need to obtain more evidence or due to unexpected complexity, were carried over for completion in early 2016. These mainly concern new or innovative audits, which inherently can take more time to complete. The ECA's reform project, measured under 'other tasks', has progressed as planned.

Implementation of the ECA's 2015 work programme



Production of special reports

To have impact, our special reports need to be timely. In recent years we have managed to shorten the production time of our audits largely through initiatives arising from our 2013-2017 strategy. In 2015, we produced our 25 special reports in 17 months on average (19 months in 2014), the first time this has been within 18 months. We will continue to make efforts to further shorten the time to produce our special reports, particularly in response to the new principle introduced in the revised Financial Regulation.



Professional training

Following guidelines published by the International Federation of Accountants, we aim to provide an average of 40 hours (5 days) of professional training (excluding language courses) per auditor.

We again exceeded our target for professional training for audit staff, reflecting the importance we place on staff development. When language training is taken into account, our auditors received an average total of 9.4 days of training in 2015.

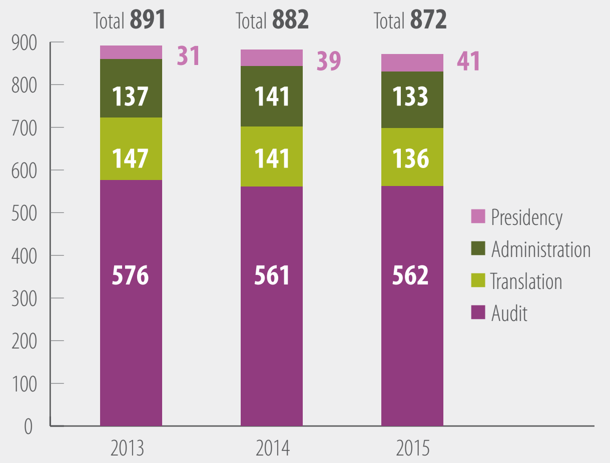
Human resources

Staff allocation

In 2015, we continued to apply the reduction in staff of 1 % per year over a 5-year period (2013-2017) as laid down in the interinstitutional agreement on budgetary discipline and sound financial management of December 2013.

As a result, in 2015, the staff allocation was reduced from 882 to 872 officials and temporary agents (excluding Members, contract agents, seconded national experts and trainees). Audit staff totalled 562, including 113 in the private offices of the Members.

Distribution of ECA staff as at 31 December 2015



Recruitment

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

In 2015, we recruited 63 employees: 30 officials, 17 temporary agents, 11 contract agents, 4 seconded national experts and 1 consultant. We provided 74 traineeships to university graduates for periods of 3 to 5 months. As at 31 December 2015 there were only 15 posts vacant at our institution (1.7 % of the total number of posts).

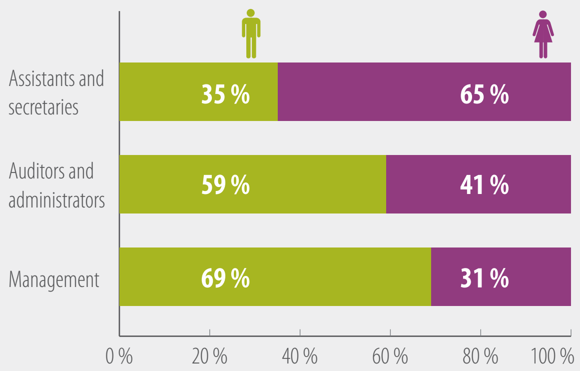
Gender balance

We have a policy of equal opportunities in our human resources management and recruitment. We have had an equal proportion of men and women in our workforce for a number of years.

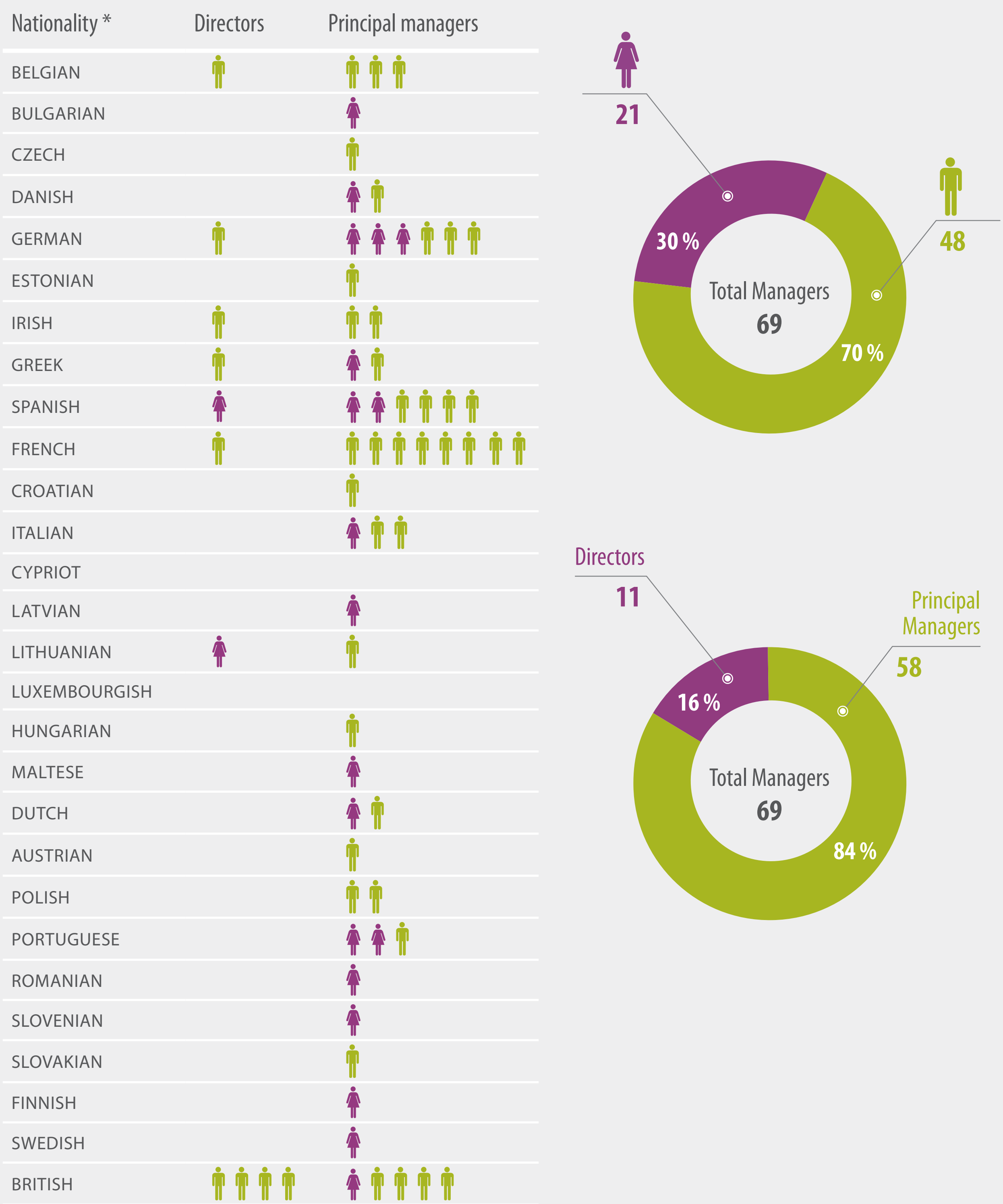
The chart shows the proportions of men and women by level of responsibility as at 31 December 2015, which have remained stable over the last few years.

Our equal opportunities action plan is aimed at achieving a balanced gender split at every level. After the latest recruitment campaigns, 50 % of all our staff at AD5-AD8 levels are female (up from 48 % in 2014). With the renewal of senior and middle management the increasing share of women at AD levels is expected to contribute to a higher proportion of women at management levels in the future.

Gender balance by level of responsibility



Managers by nationality and gender as at 31 December 2015

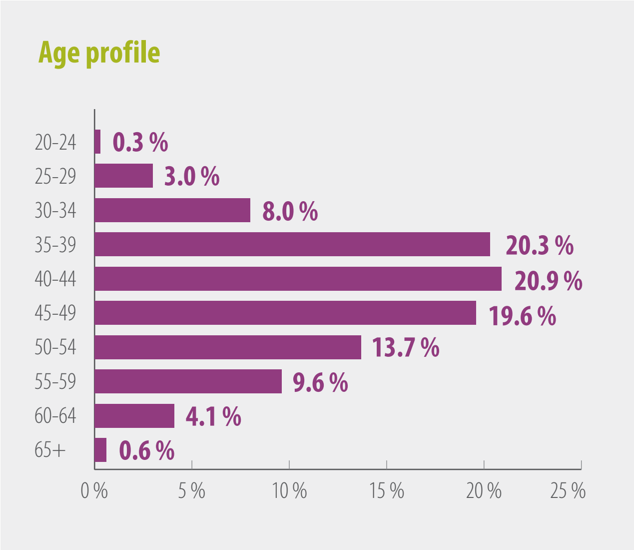


* Presented in Member State protocol order.

Age profile

The age profile of staff in active service as at 31 December 2015 shows that 52 % of our staff are aged 44 or under.

Out of our 69 directors and principal managers, 32 (46 %) are aged 55 or above. This will lead to a renewal of senior management over the next 5-10 years, as they retire.



Support services

Professional training

The audit profession requires continuous training to keep staff abreast of professional developments and to develop new skills. Furthermore, the particular nature of our audit environment creates a need for staff with good linguistic abilities.

In 2015, our staff each attended an average of 7.3 days of professional training. The share of language courses as a proportion of all training continues to decrease. In 2015, it represented 35 % of this total, compared with 43 % in 2014.

Our main activities relating to professional training concern the modernisation of our training programme and increased cooperation with learning resources inside and outside the framework of the EU institutions.

We embarked on cooperation with the University of Lorraine (Nancy, France) to organise a postgraduate university diploma in 'Audit of public organisations and policies' and a master's degree programme on 'Management of public organisations'.

We continued to develop our cooperation with the European Commission, which organises the language training for our staff, and with the European School of Administration, which helped to organise the soft-skills training and the 'ECA training day'. In addition, we continued to extend the range of courses we offer, with customised e-learning courses and training in the form of blended learning. We also continued our successful series of presentations by internal and external experts on developments in the field of audit or on subjects relating to the work of our auditors. Finally, we introduced a framework for 'performance recognition awards' to reward the performance of staff in non-management positions with specific training outside our institution.

Translation

Translation is an audit-support activity which enables our institution to fulfil its mission and to meet its communication objectives. In 2015, the total volume of translation work was the highest ever — close to 200 000 pages, an increase of almost 3 % compared with 2014. Around 99 % of translations were completed on time.

In addition to the usual translation work, our translators provided linguistic support to 26 on-the-spot audit visits across the EU, as well as interpretation services at internal events and meetings. Moreover, they provided support during the process of drafting preliminary observations and special reports, which strengthened their involvement in our institution's core audit process.

In 2015, as a result of the review of the translation workflow and in line with the reform of our institution, our Translation Directorate optimised its structure by pooling assistants. A major project undertaken by the directorate, GroupShare, will lead to substantial improvements by further streamlining the work of the assistants' pool, making room for efficiency gains and automation, as well as harmonising practices across the language teams.

Information technology

In 2015, our Directorate for Information and Technologies focused its efforts on adapting our administrative information systems to help successfully implement the reform of our institution, and on preparing for developments in the area of knowledge management, as support for the ECA's new organisational structure.

Furthermore, the full set of functionalities has been implemented for the statement-of-assurance and performance audits and their associated reports, in order to produce a full version of the audit documentation tool Assyst2, thereby completing this major project. Our new audit management system (AMS) started to be used, with more than 300 plans created in the system and 180 audit tasks declared and monitored using the tool.

Building upon the technical foundations of mobility implemented in previous years (making the Wi-Fi network available throughout our premises, equipping all our staff with laptops), the directorate now focuses on global mobility, which implies accessing any content from anywhere at any time and from any device. The project to develop a solution to ensure that staff can access our information from any device will contribute to our institution's business continuity and to gains in efficiency and effectiveness. All developments and deliveries of IT solutions have been completed while ensuring that operations and business continuity are secure, resulting in 99.82 % availability of critical systems.

Administration and facilities

The Finance and Support Directorate's mission is to provide adequate resources, services and facilities to enable our institution to accomplish its mission and achieve its strategic objectives. In addition, the directorate ensures that the necessary financing, internal controls and accounting mechanisms are in place to support all of our institution's activities. In 2015, the directorate continued to focus on further improving efficiency and economy in its activities.

Due to the exceptional situation following the November terrorist attacks in Paris and the subsequent emergency situation in Belgium, we strengthened our security measures and purchased the necessary security equipment by means of public procurement procedures. Information on our public procurement is available on our website (eca.europa.eu).

Buildings

The ECA currently owns three buildings (K1, K2 and K3) and rents small spaces for its IT disaster recovery centre, along with a meeting room. We also rent three offices in Brussels and an office in Strasbourg from the European Parliament.

In ensuring that our buildings policy is cost-effective, we consider three factors: owning versus renting, life-cycle costs and interinstitutional cooperation.

In developing and implementing our buildings policy, as in all of our operational areas, we seek to set and achieve the highest standards of transparency and accountability.

Eco-management and audit scheme

The eco-management and audit scheme (EMAS) is a management instrument developed by the European Commission for companies and other organisations to evaluate, report on, and improve their environmental performance.

We started developing an environmental management system[2] in 2014, in line with the principles of the EU EMAS standard as described in a regulation from 2009[3]. Our objective is to obtain EMAS certification by the end of 2016. In 2015, the EMAS project progressed according to the established plan.

2 The EMAS project at the ECA was launched in July 2013.

3 Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS).

Financial information

The ECA is financed by the general budget of the European Union. Our budget represents around 0.087 % of total EU spending and 1.51 % of total administrative spending. In 2015, the overall rate of implementation for the budget was 98.68 %.

Implementation of the 2015 budget

2015 FINANCIAL YEAR	Final appropriations	Commitments	% use (commit/appro)	Payments
Title 1: People working with the institution				(€000s)
10 — Members of the institution	10 171	10 054	99 %	9 978
12 — Officials and temporary staff	94 517	94 118	99 %	94 072
14 — Other staff and external services	4 651	4 559	98 %	4 502
162 — Missions	3 600	3 162	88 %	2 620
161 + 163 + 165 — Other expenditure relating to persons working for the institution	2 819	2 753	98 %	1 903
Subtotal Title 1	115 758	114 646	99 %	113 075
Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure				
20 — Immovable property	4 143	4 140	99 %	2 071
210 — IT & T	8 557	8 557	100 %	3 940
212 + 214 + 216 — Movable property and associated costs	1 110	1 081	97 %	768
23 — Current administrative expenditure	421	332	79 %	260
25 — Meetings, conferences	717	634	88 %	467
27 — Information and publishing	2 200	1 756	80 %	1 330
Subtotal Title 2	17 148	16 500	96 %	8 836
Total	132 906	131 146	98 %	121 911

Budget for 2016

The 2016 budget represents an increase of 1.94 % on that for 2015.

Budget for 2016

BUDGET	2016 (€000s)	2015 (€000s)
Title 1: People working with the institution		
10 — Members of the institution	10 885	10 291
12 — Officials and temporary staff	98 881	97 420
14 — Other staff and external services	4 876	4 301
162 — Missions	3 600	3 700
161 + 163 + 165 — Other expenditure relating to persons working for the institution	2 559	2 669
Subtotal Title 1	120 801	118 381
Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure		
20 — Immovable property	2 911	3 080
210 — IT & T	7 347	7 152
212 + 214 + 216 — Movable property and associated costs	882	785
23 — Current administrative expenditure	439	426
25 — Meetings, conferences	706	717
27 — Information and publishing	2 401	2 365
Subtotal Title 2	14 686	14 525
Total	135 487	132 906

Audit and accountability

Discharge

Like all other EU institutions, the ECA is subject to the discharge process. In April 2015, the European Parliament granted our secretary-general discharge in respect of the implementation of our budget for the 2013 financial year, meaning that our accounts for 2013 were closed and approved.

We have carefully analysed all issues raised during the discharge exercise regarding our audit and management responsibilities and taken appropriate action including through our reform. We have reported on our follow-up actions to the European Parliament.

Internal and external audit

Internal audit of the ECA

The Internal Audit Service advises our institution on how to manage risks by issuing opinions on the quality of management and internal control systems. In addition, the service issues recommendations aimed at improving the implementation of our operations and to promote sound financial management. The service also provides support for the work of the external auditors, whose mandate is to certify the accounts of our institution. Finally, the Internal Audit Service provides information on significant risk exposures and corporate governance issues.

The activity of the Internal Audit Service is monitored by an audit committee composed of three members of our institution and an external expert. The committee regularly monitors the progress of the various tasks set out in the internal audit work programme. The committee also ensures the independence of the Internal Audit Service.

In 2015, the Internal Audit Service produced specific reports on strategic issues such as the changes to our annual report, the mid-term review of the implementation of our 2013-2017 strategy and the follow-up of the implementation of the peer review and the European Parliament's recommendations. Additionally, taking into account the Internal Audit Service's 2014 recommendations to strengthen the internal control cycle, we updated our information security system and formalised the existing risk management framework and guidelines. The Internal Audit Service monitored the implementation of the new guidelines and ensured that its recommendations were taken into account.

We report to the Parliament and the Council every year on the results of the internal audit.

External audit of the ECA

Our annual accounts are audited by an independent external auditor. This is as an important aspect of our institution, applying the same principles of transparency and accountability to ourselves as we do to our auditees. The report of the external auditor — Pricewaterhouse-Coopers Sàrl — on our accounts for the 2014 financial year was published on 15 September 2015.

Opinions of the external auditor — 2014 financial year

Regarding the financial statements:

'In our opinion, the financial statements give a true and fair view of the financial position of the European Court of Auditors as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with provisions of Council Regulation (EU, Euratom) No 966/2012 of 25 October 2012 on the financial regulation applicable to the general budget of the Union and with Commission delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of the financial regulation.'

Regarding the use of resources and the control of procedures:

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

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

Declaration by the authorising officer by delegation

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

- declare that the information contained in this report is true and accurate; and

- state that I have reasonable assurance that:

  — the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management;

  — the control procedures in place provide the necessary guarantees concerning the legality and regularity of the transactions underlying the accounts and ensure an adequate treatment of allegations of fraud, or suspected fraud; and

  — the costs and benefits of controls are adequate.

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

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

Done at Luxembourg, 25 February 2016

Eduardo Ruiz García
Secretary-General

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