

EN

2018

Activity Report



EUROPEAN
COURT
OF AUDITORS

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The College of Members of the European Court of Auditors as at 1 May 2018.

Contents

President's foreword	5
2018 at a glance	6
Our activities	7
Strategy	7
In focus – communicating our products	8
Auditing	10
Work planning	12
Fieldwork	13
Publications	17
Significant events	37
Relations with institutional stakeholders	41
Cooperation with supreme audit institutions (SAIs)	44
Our management	46
The College of Members	46
Audit chambers and committees	49
Measuring performance	50
Our staff	58
Staff allocation	58
Recruitment	58
Age profile	59
Gender balance	60

Audit support	62
Professional training	62
Translation	63
Information technology, workplace and innovation	64
Buildings	65
Reinforcing the ECA's security	67
Environmental management	67
Our accountability	68
Financial information	68
Internal and external audit	70
Declaration by the authorising officer by delegation	73
Annex – publications in 2018: special reports, annual reports, opinions and review-based products	74

European Court of Auditors

Who we are

The European Court of Auditors (ECA) is the European Union's external auditor.

Established in 1977, the ECA is one of the EU's seven institutions.

We are based in Luxembourg and employ around 900 audit, support and administrative staff of all EU nationalities.

Our College is composed of one Member from each EU Member State.

What we do

Our auditors check that the EU keeps good accounts, correctly applies its financial rules, and that its policies and programmes achieve their intended objectives and deliver value for money.

Through our work, we contribute to improving the EU's financial management and promote accountability and transparency. We warn of risks, provide assurance, indicate shortcomings and successes and offer guidance to EU policymakers and legislators.

We present our observations and recommendations to the European Parliament, the Council of the EU, and national governments and parliaments, as well as the general public.

President's foreword



Dear reader,

Our strategy for 2018-2020 is aimed at fostering trust in the European Union among its citizens through independent audit. We are focusing further on assessing performance in EU action, communicating our messages clearly to our audiences and increasing the value of our work for stakeholders.

This activity report gives an overview of our work during 2018, a year in which we published a record number of special reports, reviews and opinions. In addition, it provides information on our staff, management and finances.

Our reports provide an impartial assessment of EU policies and programmes, and of the quality of the financial management of EU funds throughout the Union and beyond. We check whether the EU's spending complies with the rules and whether its policies and programmes provide value for money.

We look forward to working with the incoming European Parliament and Commission to further improve the Union's financial management and make sure the EU delivers.

Looking ahead, this report shows our determination to continue changing our organisation in order to "future-proof" it and remain at the forefront of developments in public-sector auditing.

A handwritten signature in black ink, appearing to read 'K-H Lehne'.

Klaus-Heiner Lehne
President

2018 at a glance



44 Record number of publications:
35 Special reports
9 Review-based publications

Annual report on EU budget with:



Clean opinion on EU accounts



Qualified opinion on payments

Record number of Opinions:

10, mostly on 2021-2027 MFF



Record number of publications presented to EU legislators



43

European Parliament



44

Council

Impact of our work:



Most of our recommendations implemented



Stakeholders consider our work useful and impactful



High media coverage: + 17 000 online articles



Social media posts displayed 11 million times



Organised Global Audit Leadership Forum

Took part in some 45 international activities

4 new ECA Members

5 renewed ECA Members



834

staff from all Member States



50 : 50
STAFF GENDER BALANCE

Our activities

Strategy



*Making progress in meeting
our strategic objectives*

The year 2018 is the first of our current strategy, which covers the period up to 2020. During these 3 years, we are pursuing the following strategic goals:

- improve the added value of the Statement of Assurance in the context of today's EU financial management;
- increase the focus on the performance aspects of EU action; and
- get clear messages across to our audiences.

We have also agreed to better gear our organisation towards our products.

To put our strategy into practice, we have agreed an action plan to cover these goals and help us to remain at the forefront of developments in public-sector auditing. All of these actions were ongoing at the end of 2018. At the same time, we have already commissioned an independent peer review on the implementation of our strategy, which is due to be completed in late 2019 – see the chapter on *Our accountability* for more information.

In focus – communicating our products



*Get clear messages
across to our audiences*

Communication is key in achieving our strategic goal of getting clear messages across to our audiences: the EU and Member State political authorities responsible for scrutinising and managing EU policies and programmes, our fellow supreme public auditors, businesses and industry organisations, academics and, last but not least, the general public—our principal stakeholder.

In 2018, we witnessed a strong increase in media interest in our work. Coverage was particularly high for our special reports, which were also increasingly discussed in both national media and EU-focused outlets—for more information, see the chapter on *Media presence*.

New and improved communication products

Audit previews



*A peek at
ongoing audit work*

In the second half of 2017, we started a pilot project providing the public with information on an upcoming or recently started audit task.

In 2018, we issued 12 audit previews (previously called background papers), designed to be a source of information for those interested in the policy or programmes being audited. The information is based on preparatory work undertaken before the start of an ongoing audit task.

Audit previews contributed to our stable and balanced publication output throughout the year: in 2018, for the first time, there was no month without an ECA publication. We will continue to publish these communication products in 2019.

Journal



A window into our institution

While our audit reports present our findings and recommendations for improvements in EU financial management, our journal centres on how we do our work and on the people who produce our reports in different areas.

We have recently given the journal a makeover and consolidated the selection of topics for it. Each issue now features a different overarching theme.



In 2018, our journal zoomed in on themes including EU pre-accession aid, the financing and audit of the Parliament, EU financial and economic governance, and on our special reports, work programme, international cooperation and foresight activities to “future-proof” our institution.

Downloads

2018

16 357

2017

9 314

Auditing



*Increasing focus
on performance*

We carry out different types of audits across the different areas of the EU budget:

- **performance audits** on the effectiveness, efficiency and economy of EU policies and programmes – these value-for-money audits focus on specific management or budgetary topics. We select and design these audit tasks by considering the risks to performance or compliance and the level of income or spending involved as well as political and public interest;
- **financial and compliance audits** on the reliability of annual accounts and the legality and regularity of underlying monetary transactions – most notably the Statement of Assurance, as well as assessments of whether the systems in specific budgetary areas comply with the rules. We apply a random sampling approach so that every euro spent has the same chance of being audited.

Our audits focus on topics reflecting the issues the EU is facing, such as the sustainable and environmentally-friendly use of natural resources, growth and inclusion, the challenges of migration and global development, the single market and the banking union, and ensuring that the European Union is accountable and efficient.

Based on the evidence we collect in performing our audit work, our reports provide clear conclusions on the extent to which the EU has met its policy objectives and on the state of its budgetary accounting and financial management. This helps us to give practical and cost-effective recommendations.

We carry out our audits in line with the internationally accepted public-sector auditing standards. In our audit work, we take the following steps:



Work planning



*Audit priorities
address EU's key concerns*

Our Members agree our work programmes on an annual basis.

In January 2018, President Lehne presented our 2018 work programme to the European Parliament's Conference of Committee Chairs and invited all European Parliament committees to suggest potential audit topics for our 2019 work programme, as part of the annual consultation process with stakeholders.



In October 2018, we published our work programme for 2019, the first one under the new strategy, in which we set out our audit priorities and gave details of the 36 reports and review-based products we intend to publish throughout this year. These tasks covered, at least in part, 29 of the 69 suggestions (42%) made by the Parliament (2017: 32 %).

Our audits will continue to address key concerns such as the sustainable use of natural resources, growth and inclusion, migration, security and global development, the single market, and EU accountability and efficiency, in order to establish whether the EU is delivering what it has promised.

Fieldwork



*3 761 days auditing
in the EU and beyond*

We do most of our audit work on our premises in Luxembourg.



At the same time, our auditors also make a large number of visits to the European Commission – our main auditee – and other EU institutions, agencies and bodies or EU delegations, national, regional and local authorities in the Member States, and international organisations that handle EU funds.



We also check recipients of EU funds on the spot, both within the Union and beyond its borders. Through these checks, we follow the audit trail and obtain direct audit evidence from those involved in managing EU policies and programmes and collecting or paying out EU funds, as well as from the beneficiaries who receive them.

The frequency and intensity of our audit work in individual Member States and beneficiary countries depends on the type of audits we carry out. In 2018, our auditors spent 3 761 days (2017: 3 670 days) auditing on the spot – both in Member States and outside the EU.

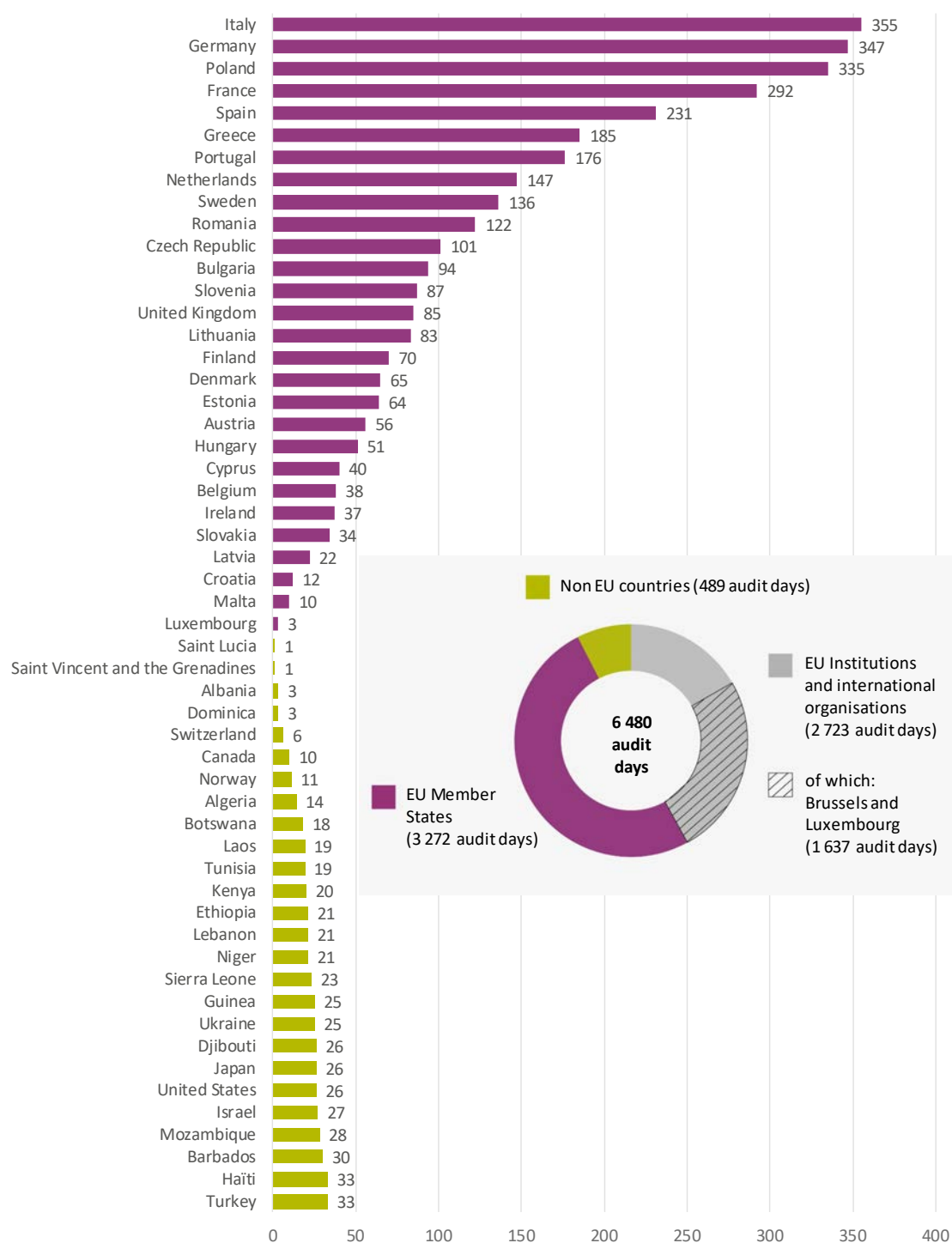


Our audit teams generally comprise two or three auditors, while our audit visits range in length from a few days to a couple of weeks. Our on-the-spot checks within the EU are often conducted in liaison with the supreme audit institutions of the Member States concerned.



In addition, our auditors spent 2 723 days (2017: 2 300 days) at the EU institutions in Brussels and Luxembourg, as well as at decentralised agencies and bodies across the EU, international organisations such as the United Nations or OECD, and private audit firms. We increasingly make use of videoconferencing and other information technology such as secure data and document-sharing to obtain and validate our audit evidence.

Days of audit visits in 2018 in Member States and non-EU countries



Note: Totals may vary due to the effects of rounding.

Fighting fraud against the EU budget



Nine cases of suspected fraud

We cooperate closely 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.

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. During 2018, we communicated to OLAF nine such cases of suspected fraud (2017: 13 cases) that we had identified during our audit work.

We provide additional information on the nature of suspected fraud cases transferred to OLAF, and on the recoveries recommended by OLAF for those cases, in our annual reports on the EU budget.

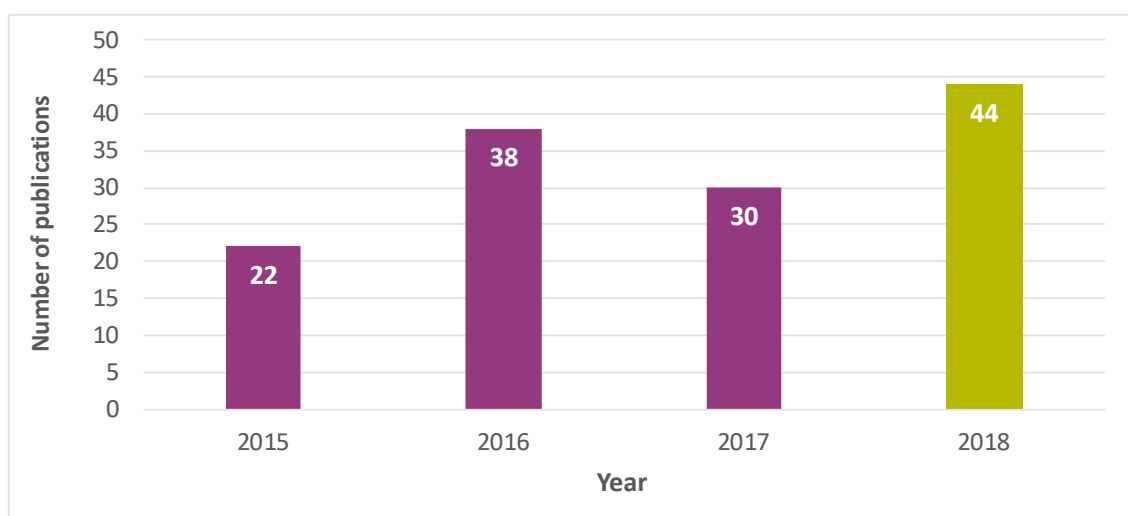
Publications



*A record number
of publications in 2018*

Our audit reports, reviews and opinions are an essential element of the EU's accountability chain. They help the European Parliament and the Council of the EU to monitor and scrutinise the achievement of the EU's policy objectives and to hold to account – particularly in the context of 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. National, regional and local authorities in the Member States also play a major role in areas under shared management, such as Agriculture and Cohesion, on which the bulk of the EU budget is spent.

Number of special reports and review-based publications (2015 to 2018)



Our portfolio of publications comprises:

Special and annual reports:

- **special reports**, presenting the results of selected audits on specific policy or spending areas, or on budgetary or management issues;
- **annual reports**, mainly containing the results of financial and compliance audit work on the European Union budget and the European Development Funds, but also budgetary management and performance aspects;
- **specific annual reports**, published separately on the EU's agencies, decentralised bodies and joint undertakings.

Opinions and review-based publications:

- **opinions** on new or updated laws with a significant impact on financial management — either mandatory under the Treaty on the Functioning of the EU (TFEU), at the request of another institution or on our own initiative;
- **briefing papers**: documents describing and analysing policy or management, focusing on specific topics;
- **landscape reviews**: similar to briefing papers, but focused on complex, large-scale policy areas or management issues, often from a cross-cutting perspective;
- **rapid case reviews**: establishing facts surrounding very focused specific issues or problems and, if necessary, including an analysis to help understand those facts.

Finally, our audit previews present background information on a forthcoming or ongoing audit task – read more in the chapter on *Communicating our products*.

All our publications are available on our website (eca.europa.eu) and are listed at the end of this report.

6

ANNUAL
REPORTS

Annual reports:

- EU budget
- European Development Funds
- 41 EU agencies and bodies
- 8 research joint undertakings
- European Schools
- Contingent liabilities of SRB, Commission and Council

2018 ECA
Publications

35

SPECIAL
REPORTSFull list on [page 21](#)

Opinions:

- EU funding and rule of law
- European Monetary Fund
- European Development Fund
- Protection of whistleblowers
- Reform of own resources
- Reform of Cohesion rules
- Reform of common agricultural policy
- OLAF and new EPPO
- Anti-fraud programme
- New development aid instrument



Briefing papers:

- Future of EU finances
- Future of the CAP
- Simplifying research programmes
- Integration of migrants
- Simplifying Cohesion policy
- New multiannual financial framework

Landscape reviews:

- Putting EU law into practice
- Mobility and transport

Rapid case review:

- VAT reimbursement in Cohesion



NEW

Audit previews:

- Animal welfare
- Food safety
- Wind and solar power
- Organic food
- Supervision of the EU insurance sector
- Turkey refugee facility
- Cross-border healthcare
- Public consultations
- Desertification
- E-commerce
- Aid for most deprived
- Competition rules

10

OPINIONS

9

REVIEW-BASED
PRODUCTS

12

AUDIT PREVIEWS
(previously called
Background papers)

Special reports



Special reports focus on assessing performance in EU action

In line with our 2018-2020 strategy, we have been increasing our focus on assessing performance in EU action to ensure EU citizens get value for their money. In 2018, we published 35 special reports (2017: 28 special reports) across the different areas of EU spending, addressing the challenges the EU is facing, including in relation to air pollution, high-speed rail, the refugee facility in Turkey, banking supervision and the financing of NGOs.



In these special reports, we examine whether the objectives of selected EU policies and programmes have been met, whether results have been achieved effectively and efficiently and whether the EU funding has added value – i.e. whether it has delivered more than could be achieved with actions at national level alone. We also make recommendations, identifying ways to save money, work better, avoid waste or achieve expected policy objectives more cost-efficiently. We will highlight two of our 2018 special reports here: one on high-speed rail in the EU and the other on the facility for refugees in Turkey.

We strive to produce our special reports within 13 months in line with the EU's financial regulation.




Special report in focus

A European high-speed rail network: not a reality but an ineffective patchwork

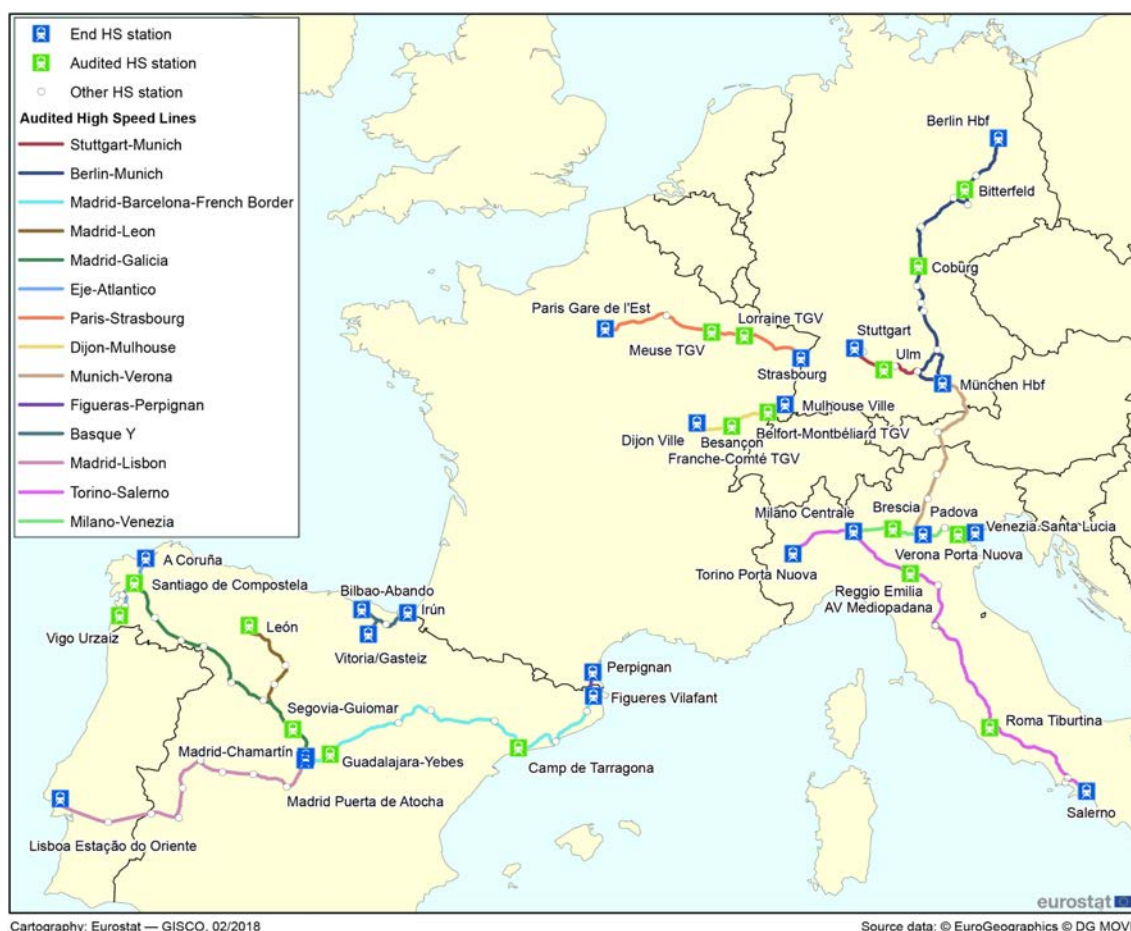


High-speed rail provides numerous benefits for passengers. It is a comfortable, safe, flexible and environmentally sustainable means of transport. Moreover, improving connections between regions across the EU makes them more competitive and contributes to European integration by bringing people closer together.

We approached our audit from a passenger's point of view, analysing the different connections, travel times and prices for business and leisure passengers. We also examined whether the EU co-financed investments in high-speed lines were cost-efficient and effective, and well thought-out and planned.

Auditors visited	Period covered: 2000 to 2017	
	10 high-speed rail lines	4 cross-border connections
	30 projects	Over 5 000 km of lines

We concluded that the European high-speed rail network remains an ineffective patchwork of poorly connected national lines. A realistic long-term plan to connect the different parts of the EU's existing network is lacking, building high-speed lines crossing national borders is not a priority for national governments, and the European Commission has no power to force them to do so. In such a situation, the added value of the EU co-financing provided for high-speed rail lines is low. But there is also good news: the number of passengers using high-speed rail in Europe is growing steadily, from roughly 15 billion passenger-kilometres in 1990 to more than 124 billion in 2016.



Reaching out, we presented the report to the European Parliament's committees on Transport and Budgetary Control, as well as to the Council of the EU. Both institutions welcomed the report and endorsed our conclusions. We also presented it to a number of national administrations and SAIs, as well as to researchers, industry stakeholders and the press.

The report received considerable press coverage across the EU, particularly in Spain, Germany and EU-focused and financial media, as well as high interest on social media.

ES - El cinco días: *Los auditores de la UE critican la incoherencia de los trazados del AVE*

DE - Die Zeit: *Bahnlinien: Ausbau schneller Zugstrecken in EU zu teuer und zu langsam*

IT - La Repubblica: *Alta velocità nell'Ue, la Corte dei Conti europea bocchia la rete*


UK - Financial Times: *Bloc criticised over high-speed rail strategy*

Special report in focus

The Facility for Refugees in Turkey: helpful support, but improvements needed to deliver more value for money



Turkey hosts the largest refugee population in the world: nearly 4 million people. This includes about 3.5 million Syrians, most of whom are living outside refugee camps. The facility for refugees in Turkey supports humanitarian and non-humanitarian assistance for the refugees and their host community, with total financing of €6 billion from the EU and its Member States. The political agreement also commits Turkey to put an end to irregular migration from Turkey to the EU.

Auditors visited	Period covered: January 2016 to March 2018		
	10 humanitarian projects covering basic needs, protection, health and education	33 % of contracted humanitarian assistance (€458 million)	Implementing partners, e.g. United Nations agencies, international NGOs

We concluded that the facility had provided a swift response to the crisis. The humanitarian projects helped refugees to address their basic needs but did not always deliver the expected value for money or achieve the facility's objective of coordinating support effectively. All the humanitarian projects audited provided helpful support to the refugees. For example, the Emergency Social Safety Net project provided cash-based assistance to 1.3 million refugees. However, half of them have not yet achieved the outcomes expected, i.e. a lasting, beneficial effect which can be sustained without further financial support, and nine of the ten projects had to be extended.

The challenging operating environment was the main factor hindering the timely implementation of some projects by NGOs. While the Commission had put in place appropriate measures to monitor the projects, the Turkish authorities' refusal to grant access to beneficiary data for the two cash-assistance projects in our sample – worth a total of €1.1 billion – prevented the Commission and our auditors from tracking project beneficiaries from registration to payment.



We presented the report at a joint meeting of the European Parliament's committees on Development and Foreign Affairs and Budgetary Control and subsequently to the Committee on Civil Liberties, Justice and Home Affairs. It was also presented to the Council's working party on enlargement and countries negotiating accession to the EU, as well as to the press.

The report received significant media interest, particularly in Germany, but also in Denmark, Austria and the Benelux and Mediterranean countries, as well as in EU-focused media.

DE - Der Spiegel: *Rechnungshof kritisiert Mängel bei EU-Flüchtlingshilfe*

FR - EurActiv: *La Cour des comptes plutôt satisfaite de l'aide aux réfugiés en Turquie*

ES - Euronews: *Turquía debe rendir cuentas por la gestión de los refugiados*

UK - EU Observer: *EU unable to fully trace €1 bn spent on refugees in Turkey*

Annual reports

Annual report on 2017 EU budget



*Accounts signed off,
clean opinion on revenue,
qualified opinion on expenditure*

Every year, we audit EU budget revenue and expenditure, examining whether the annual accounts are reliable and whether income and spending transactions at EU and Member State level comply with the financial rules. In addition, we specifically assess each major area of the EU budget, based on the headings of the 2014-2020 multiannual financial framework (MFF), and provide information on budgetary and financial management and on performance aspects. We also analyse why errors have occurred, make recommendations for improvement and examine whether and how our previous recommendations have been put into practice.

For our latest annual report on the EU budget, regarding the 2017 financial year, our auditors sampled and tested some 700 payments to beneficiaries across all spending areas, worth a total of around €100 billion. This means we assessed around 700 different cases where EU money had been used to provide support for key infrastructure projects, SMEs, research organisations, farmers, students in EU Member States or beneficiaries in non-EU countries.



Key information

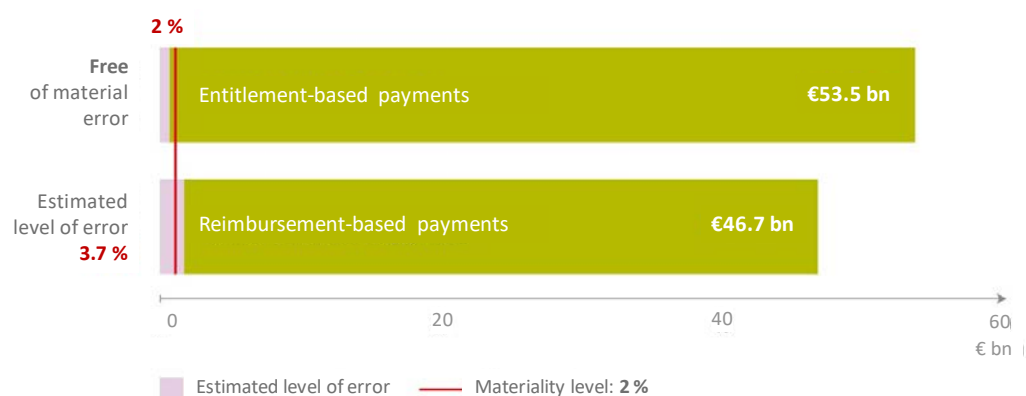
2017 EU spending	€137.4 billion
Audited amount	€100.2 billion (703 payment transactions)
Accounts	True and fair – signed off as reliable
Revenue	Legal and regular – clean opinion
Expenditure	Legal and regular, except for cost reimbursements – qualified opinion (rather than adverse opinion)



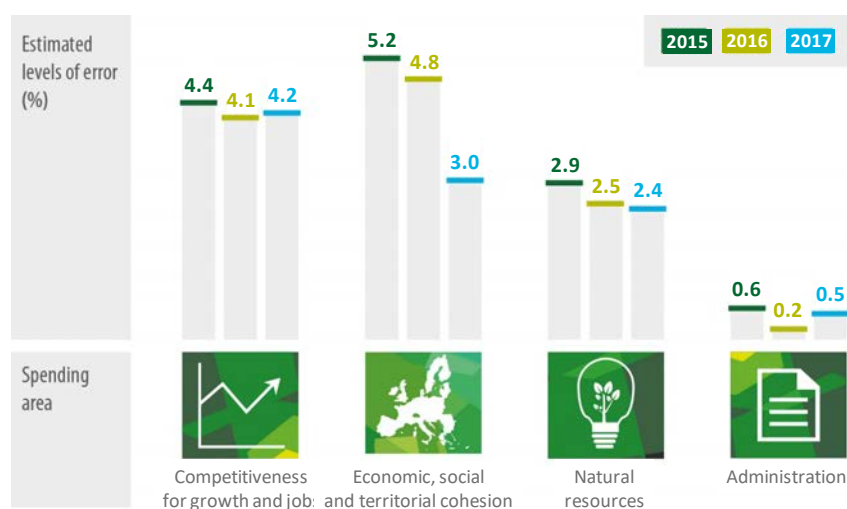
The downward trend in estimated levels of error continues

This extensive work forms the basis for our Statement of Assurance, which we are required to provide to the European Parliament and the Council in accordance with our mandate under the Treaty on the Functioning of the European Union (TFEU). As in previous years, we provided a “clean opinion” on the accounts and on the EU’s revenue. Moreover, for the second year in a row, we were able to issue a “qualified opinion” (rather than an “adverse opinion”) on the EU’s expenditure.

A significant part of the 2017 expenditure that was audited was not materially affected by error. Moreover, the estimated level of error in payments made in 2017 was 2.4 %, down from 3.1 % in 2016 and 3.8 % in 2015.



Estimated levels of error for main EU spending areas (2015 to 2017)



Marking the start of the Parliament's discharge procedure

The publication of our annual report also marks the start of the Parliament's discharge procedure, during which the EU's co-legislator and budgetary authority decides – upon a recommendation from the Council – whether the Commission and other bodies have satisfactorily managed the EU budget, and if so, grants them a “discharge”.

We presented our annual report to the Parliament's Committee on Budgetary Control (CONT) on 4 October, the day it was published, and subsequently also to the Parliament's plenary session, the Council (Economic and Financial Affairs) and 14 Member States' parliaments and national authorities.



ECA President Lehne and Member Lazaros S. Lazarou presenting our annual report at the European Parliament plenary session, November 2018, Strasbourg.



*New approach towards
attestation engagement*

As set out in our 2018-2020 strategy, we took our first steps towards modifying our audit approach for the Statement of Assurance (SoA) audit. For Cohesion spending, we assessed the 2014-2020 control assurance framework and the reliability of the regularity information produced by the Commission. This represented a first step towards the potential organisation of the SoA as an attestation engagement.

The overall aim of the modified approach and the move towards an attestation engagement is to take greater account of the different layers of internal controls at the European Commission and in Member State authorities managing EU spending. It thus helps to make clearer where shortcomings remain, both at the European Commission and in the Member States, so that we can help promote accountability and further improve the management of EU finances. We will apply this approach only where the necessary conditions for doing so set out in the international audit standards are met.

Annual report on the European Development Funds




Adverse opinion on payments



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

Key information on our audit opinion on the EDFs is presented below.

 Key information	
2017 EDF budget	€4.3 billion
Audited amount	€3.5 billion
Accounts	True and fair – signed off as reliable
Revenue	Legal and regular – clean opinion
Expenditure	Affected by material level of error – adverse opinion

Specific annual reports

Agencies and other bodies



*Clean opinion for all but one
of the EU agencies*

The EU agencies are located across Europe and employ some 11 000 staff. Their total 2017 budget, excluding the Single Resolution Board (SRB), amounted to €3.5 billion, which is equivalent to about 2.7 % of the total EU budget. The SRB's 2017 budget was €6.6 billion, funded through contributions from credit institutions.



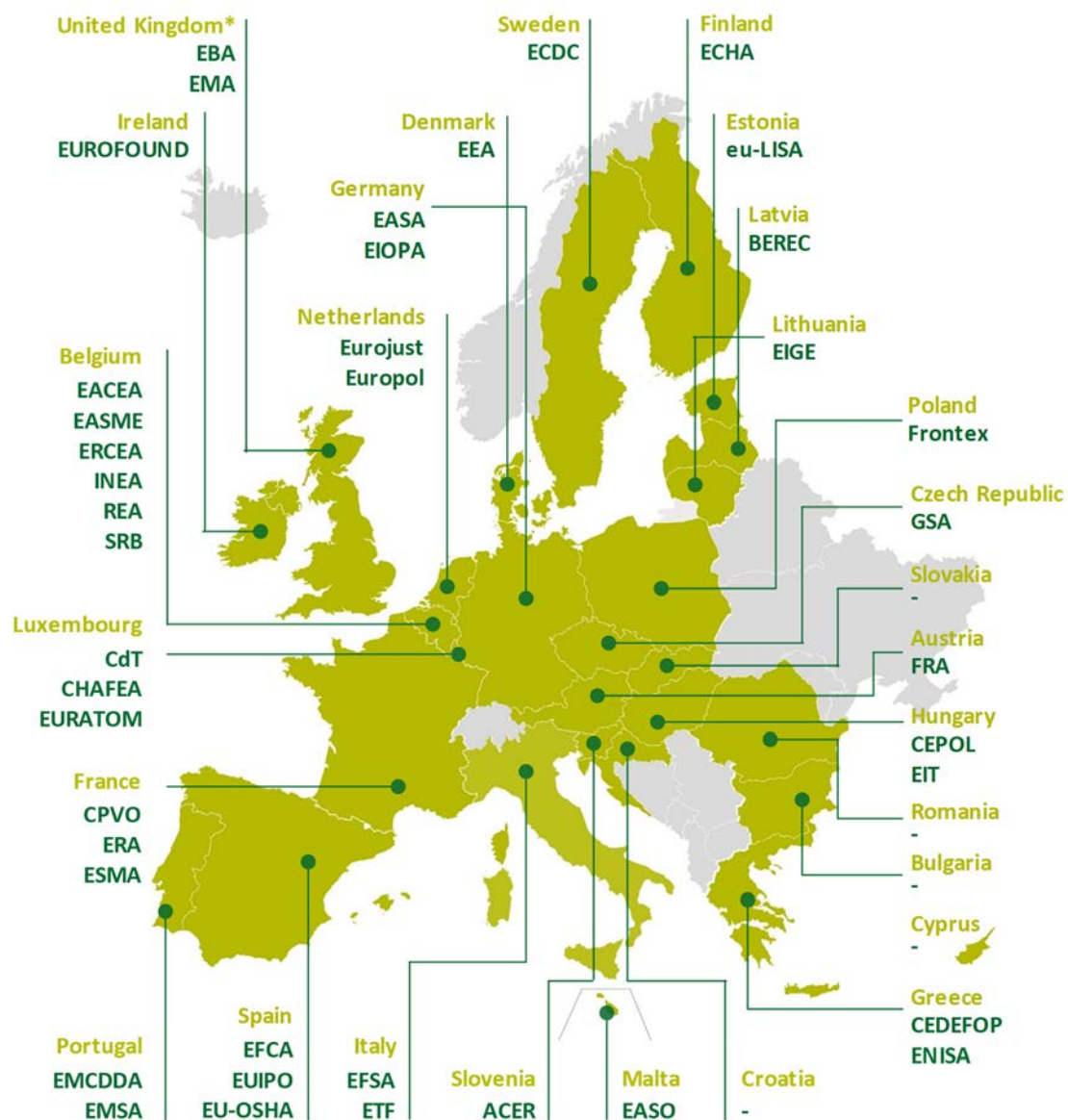
European Medicines Agency (EMA)
in London, moving to Amsterdam.



*New approach:
single report on 41 EU agencies*

In 2018, we decided to present our financial audit results for EU agencies in a more user-friendly format. While still providing an individual Statement of Assurance for each agency, we issued a single annual report covering all of them, including a summary document entitled “Audit of EU agencies in brief”. In addition, as we do every year, we published our annual reports on European Schools and on the contingent liabilities of the SRB, the Commission and the Council.

Agencies' locations across Member State



* Following the United Kingdom's decision to withdraw from the EU, the Council decided to relocate the EMA and the EBA to Amsterdam and Paris respectively in 2019.

Main conclusions

Overall, our audit of the agencies for the year ended 31 December 2017 confirmed the positive results reported in previous years. We gave:

- clean (unqualified) audit opinions on the reliability of all agencies' accounts;
- clean (unqualified) audit opinions on the legality and regularity of the revenue underlying the accounts of all agencies;
- clean (unqualified) audit opinions on the legality and regularity of the payments underlying the accounts of all agencies, except for an adverse audit opinion for the European Asylum Support Office, where a number of issues were identified.

Joint undertakings



*Clean opinion for all but one
of the EU research joint undertakings*

Joint undertakings (JU) are the EU's public-private partnerships with industry, research groups and Member States, and play an important role in implementing specific aspects of EU research policy. The European Commission is the public member of the joint undertakings and represents the EU. The private members include various partners from industry and research. One of the joint undertakings' main objectives is to leverage contributions from members from private industry and the research sector; this is where their added-value lies.

Main conclusions

- We signed off the 2017 accounts of all the EU's joint undertakings as reliable.
- We issued clean opinions on the revenue and payment transactions for seven JUs, and a qualified opinion on JU Electronic Components and Systems for European Leadership, as the auditors found issues that in some cases prevented the effective functioning of internal control.

Opinions

Another way in which we contribute to improving EU financial governance is by publishing opinions on the Commission's proposals for new or revised legislation. When these imply a significant financial impact, our opinions are required by EU law. They are used principally by the legislative authorities – the European Parliament and the Council – in their work. Other institutions can also ask us to issue opinions on specific issues, or we can produce them on our own initiative.

In 2018, we published a record number of ten opinions on various areas of EU governance. These mainly concerned the Commission's legislative proposals for the new MFF, such as the common agricultural policy (CAP) reform, but also the effectiveness of the European Anti-Fraud Office (OLAF) and its cooperation with the future European Public Prosecutor Office (EPPO), the linking of EU funding to rule of law, and the protection of whistle-blowers.

In focus: opinion on CAP reform



*A greener, rigorously performance-based
and more accountable CAP needed*

When the European Commission published its legislative proposal for the new CAP after 2020, it stressed that environment and climate objectives would be a high priority.

In our opinion on the CAP reform, however, we noted that many of the proposed policy options were similar to the current CAP. In particular, the largest share of the budget will continue to be for direct payments to farmers, based on the number of hectares of land they own or use. We also found that this instrument was neither the most efficient way of supporting viable income nor appropriate for addressing many environmental concerns. We also considered that the Commission's estimate of the CAP's contribution to EU climate change objectives appeared unrealistic and recommended greener, rigorously performance-based and more accountable plans for the next CAP.

As we do for our reports, we presented the opinion to the European Parliament's committees, notably on Agriculture and Budgetary control, the Council, industry stakeholders from the fields of environment and agriculture, and the press.



Review-based publications: landscape reviews, briefing papers and rapid case reviews



*Analytical reviews of public information
and our own work*

Landscape reviews

In 2018, we produced two landscape reviews. In the first, which was on putting EU law into practice, we argued for strengthening the Commission's oversight of Member States' application of EU law. The other was on mobility and transport, which we acknowledged as a cornerstone of European integration. However, we expressed concern that investment was lagging behind, given that reduced investment in transport infrastructure holds back the modernisation of the EU's transport network.

Briefing papers

In 2018, we issued six briefing papers: five on the Commission's proposals for the future MFF and one on the integration of migrants in the EU. Our MFF-related remarks focused in particular on the proposed process of setting spending priorities for the EU, the flexibility of the EU budget, performance orientation and administrative simplification, as well as accountability and audit arrangements.

We welcomed the Commission's efforts to modernise the EU budget for the post-2020 period, but we also highlighted several potential risks, identified a number of weaknesses and proposed specific improvements. We argued that parliamentary oversight should be based on robust accountability arrangements and that the ECA should, as a general rule, be appointed as the external auditor for all bodies set up by the EU.

Rapid case reviews

In 2018, we issued one rapid case review on Cohesion, in which we observed that value-added tax (VAT) reimbursement is prone to error and does not always represent the best use of EU funds. We considered that public bodies should no longer be reimbursed for the VAT related to EU co-financed expenditure in the post-2020 period.

Significant events

During 2018, we organised and participated in a number of events to disseminate our views on how to promote accountability and transparency and improve the EU's financial management.

Conference on financial instruments

In January 2018, together with the Ministry of Finance of Lithuania, we held a joint high-level conference on the use of financial instruments in Vilnius. This conference provided a platform for exchanges of views and ideas between high-level experts from the EU and Lithuanian institutions, practitioners and other public and private stakeholders.

Symposium on public funding of parliaments

In March 2018, we hosted at our premises a two-day international symposium on the public funding of parliaments in Europe, with the aim of discussing their autonomy and studying the budgetary systems of European states.

Global Audit Leadership Forum (GALF)

In April 2018, we hosted the fifth GALF meeting, bringing together the heads and delegates of some twenty SAIs from around the world. The discussions focused on the practice and limitations of performance audits in a political context, and the challenges and opportunities of communicating audit findings in a digital world.



The fifth GALF meeting brought together the heads of over 20 international SAIs at the ECA, April 2018.

Europe Day – EU open days

In May 2018, we took part in the Europe Day events in Brussels, Strasbourg and Luxembourg. Our auditors informed visitors to our information stands about our role and work and provided a first-hand account of how we carry out our audits. We will continue to organise ECA open days and take part in public events to reach out to citizens.

Symposium on good public administration

In September 2018, we participated in a symposium on the UN's Sustainable Development Goals and public governance entitled *Good Public Administration and Benefits for Citizens – The Role of Parliamentary Control Bodies*, which was organised by the Austrian Court of Audit, Intosai's Secretariat and the Austrian Ombudsman.

Conference on application of EU law

In September 2018, we hosted a conference on the application of EU law, discussing the need for transparency, accountability and audit, following our landscape review on putting EU law into practice. This event took place at the Committee of the Regions in Brussels.

Conference on e-commerce and taxation

In October 2018, we hosted a conference on e-commerce and taxation challenges in the digital age. The speakers and panellists discussed the risks of the current taxation model for VAT on e-commerce and suggested alternative taxation models using modern technology such as blockchain.

Conference of European Insurance and Occupational Pensions Authority (EIOPA)

In November 2018, we took part in the EIOPA's 8th annual conference in Frankfurt. The conference brought together over 400 people from the financial services industry, academia, consumer organisations, the media, international organisations, EU bodies and national authorities. We presented our work on auditing the supervision and financial stability in the European insurance sector, the topic of our 2018 special report on the EIOPA.

COP24

In December 2018, we took part in the United Nations climate conference (COP24) in Katowice. We presented our work on auditing air quality and its impact on climate change and vice versa, as well as discussing the challenges of desertification and land-degradation in the EU – both topics were addressed in special reports we had published in 2018.



ECA Member Janusz Wojciechowski presenting our special report on air quality, December 2018, Katowice.

Back to School

Throughout the year, our staff took part in the Back to School programme run by the EU institutions. Seventeen of our employees visited their secondary schools in seven Member States and informed the students about the EU, the role of our institution and the possibilities for studying in the EU and working in the EU institutions.

Relations with institutional stakeholders



*Impact of our work depends
on the use made of it
by our institutional stakeholders*

We work closely with the European Parliament, the Council of the European Union and national parliaments, as the impact of our work depends largely on the use they make of our audit results and recommendations.

European Parliament



*Record number of reports discussed
at Parliament committees*

ECA Members and audit teams are regularly invited to present our findings and recommendations to the Parliament's Committee on Budgetary Control, as well as other Parliament committees and bodies. During 2018, we presented to the Parliament 33 special reports, four opinions and six review-based publications. Altogether, we participated in 74 meetings with the Committee on Budgetary Control (2017: 60) and 38 meetings with 13 other Parliament committees and working bodies, as well as with a parliamentary group.

The joint annual meeting between the ECA and the Parliament's Committee on Budgetary Control took place in February 2018. In April 2018, President Lehne participated in the Parliament's plenary debate on the 2016 discharge. In October 2018, he presented our 2017 annual report to the Committee on Budgetary Control and to the Parliament's plenary session.

Council



*First time presenting
a special report to ECOFIN*

During 2018, we participated in 21 meetings with the Budget Committee, our main interlocutor at the Council. In addition, there were 44 presentations to other relevant Council preparatory bodies (2017: 27). Altogether, we presented 37 special reports, four opinions and three review-based publications to the Council during the year (2017: 27).

In January 2018 – during the Bulgarian presidency of the Council – President Lehne met with Bulgaria’s Deputy Minister of Finance to discuss relevant audit findings in light of the 2016 discharge procedure.

In March 2018, President Lehne and Neven Mates, the ECA Member responsible for our special report on the Macroeconomic Imbalance Procedure, presented the report to the EU Ministers of Finance at the ECOFIN meeting. This was the first time a special report had been presented to the ECOFIN Council of EU Finance Ministers.

President Lehne also presented our 2017 annual report at the ECOFIN meeting in November, during the Austrian presidency of the Council. Prior to the meeting, he met with the Federal Minister of Finance of Austria, in his capacity as chair of ECOFIN, and with the Minister of Public Finance of Romania – the Member State holding the Council presidency in early 2019 – to discuss our 2017 annual report and its corresponding discharge procedure, and to inform them about other relevant ECA work.

Member State governments and parliaments



*ECA President visited five Member States,
for meetings with high-level
government representatives*

During the year, President Lehne visited a number of EU Member States – Austria, Bulgaria, the Czech Republic, Ireland and Romania, where he met with high-level government representatives. These visits were sometimes combined with a participation in an official state event or high-level conference.

In addition, our Members presented our 2017 annual report to national parliaments and/or other national authorities in 14 Member States. Moreover, we made additional efforts to present some of our special reports to the relevant parliamentary committees in national parliaments. Delegations of national parliament representatives also occasionally pay visits to our institution, and we continue to look into ways of further enhancing our cooperation with national parliaments.



ECA President Lehne and Member George Pufan meeting
President of Romania Klaus Iohannis, October 2018, Bucharest.

Cooperation with supreme audit institutions (SAIs)

SAIs of the EU Member States



Active cooperation with EU SAIs: a joint call to address deficiencies in the accountability, and audit arrangements for EU banking supervision

Our cooperation with the EU SAIs mainly takes place within the framework of the Contact Committee of the heads of EU SAIs. In October 2018, we actively participated in the annual Contact Committee meeting, which was hosted and chaired by the SAI of Croatia. The main discussions focused on interaction with citizens and the opening up of SAIs.



ECA President Klaus-Heiner Lehne addressing the heads of the EU SAIs at the annual Contact Committee meeting in Dubrovnik, Croatia, October 2018.

In November 2018, together with the heads of the 28 EU SAIs, we called on national governments and parliaments, as well as the European Parliament, the Council and the Commission, to address deficiencies in the accountability and audit arrangements for EU banking supervision.

In addition, we contributed to and participated in the activities of several working bodies of the Contact Committee, such as the Working Group on Activities on Value-Added Tax, the Network on Fiscal Policy Audit, the Network on Europe 2020 Strategy Audit and the Task Force on the European Banking Union, as well as other activities in the fields of public-sector financial reporting and public-procurement audit.

We also coordinated the production of the first Contact Committee Audit Compendium (*Youth unemployment and the integration of young people into the labour market*), based on audit reports produced by 14 EU SAIs between 2013 and 2017. The compendium is a new type of publication meant to enhance the communication of relevant audit messages to Contact Committee stakeholders and the broader public.

Intosai/Eurosai

During 2018, we continued our active involvement in and contribution to the activities of the International Organisation of Supreme Audit Institutions (Intosai), most notably as Vice-Chair of the Professional Standards Committee (since December 2016) and as a member of its subcommittees on financial audit and accounting, compliance audit and performance audit. We also actively participated in the activities of other Intosai working bodies, notably the Intosai Subcommittee on Peer Reviews, the Working Group on Environmental Auditing, the Working Group on Financial Modernization and Regulatory Reform and the Task force on Intosai Auditor Professionalisation.

We were also actively involved in the activities of the European Organisation of Supreme Audit Institutions (Eurosai), the European Regional Group of INTOSAI, notably in the Working Group on Environmental Auditing, the Working Group on Information Technologies and the Task Force on Audit & Ethics, as well as in several workshops and seminars.

SAls of EU candidate countries and potential candidates

We also support the SAls of EU candidate countries and potential candidates (Albania, Bosnia and Herzegovina, Kosovo¹, Montenegro, North Macedonia, Serbia and Turkey), mainly through a network similar to the Contact Committee and through our support for activities coordinated by the OECD. Throughout 2018, seven auditors from the network's SAls took part in our internship programme. We also contributed actively to the meetings and activities of this network, dealing with topics such as financial audit and IT audit.

¹ 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.

Our management

The College of Members

Our Members serve a renewable term of 6 years. They perform their duties in complete independence and in the general interest of the EU. Upon taking office, they swear an oath to that effect before the European Court of Justice.

The College comprises one Member from every Member State. The Council of the EU appoints each Member after consultation with the European Parliament, following nomination by their respective national government. The ECA has no role in the process of nominating or appointing Members.

In 2018, the Council appointed four new ECA Members:

- Eva Lindström (Sweden), Tony Murphy (Ireland) and Hannu Takkula (Finland) as from 1 March 2018, and Annemie Turtelboom (Belgium) as from 1 May 2018.

The Council also renewed the terms of office of five incumbent Members:

- Pietro Russo (Italy), Baudilio Tomé Muguruza (Spain), Bettina Jakobsen (Denmark) and João Figueiredo (Portugal), until 29 February 2024, and Iliana Ivanova (Bulgaria) until 31 December 2024.

The College of ECA Member met 18 times in 2018 (2017: 21 times).



Meeting of the College of ECA Members, 28 February 2019, Luxembourg.

President

The Members elect a President from among themselves for a renewable period of 3 years. He or she then assumes the role of first among equals (*primus inter pares*). The President is in charge of the institution's corporate strategy, planning and performance management, communication and media relations, legal matters and internal audit. He also represents the institution in its external relations. Klaus-Heiner Lehne was elected President in September 2016.



ECA President Klaus-Heiner Lehne addressing the annual meeting of the College of ECA Members and the College of Commissioners, February 2018, Luxembourg.

President and Members

President



Klaus-Heiner LEHNE
Germany

Chamber I

Sustainable use of
natural resources



Nikolaos MILIONIS
Greece



Phil WYNN OWEN
United Kingdom



Janusz WOJCIECHOWSKI
Poland



Sarno JEREB
Slovenia



João FIGUEIREDO
Portugal

Chamber II

Investment for
cohesion, growth
and inclusion



Iliana IVANOVA
Bulgaria



Henri GRETHEN
Luxembourg



Ladislav BALKO
Slovakia



George PUFAN
Romania



Oskar HERICS
Austria



Tony MURPHY
Ireland

Chamber III

External action,
security and
justice



Bettina JAKOBSEN
Denmark



Baudilio TOMÉ MUGURUZA
Spain



Leo BRINCAT
Malta



Juhan PARTS
Estonia



Hannu TAKKULA
Finland

Chamber IV

Regulation of
markets and
competitive
economy



Neven MATES
Croatia



Alex BRENNINKMEIJER
Netherlands



Mihails KOZLOVS
Latvia



Rimantas ŠADZIUS
Lithuania



Ildikó GÁLL-PELCZ
Hungary

Chamber V

Financing and
administering
the Union



Lazaros S. LAZAROU
Cyprus



Pietro RUSSO
Italy



Jan GREGOR
Czech Republic



Eva LINDSTRÖM
Sweden



Annemie TURTELBOOM
Belgium

Member for Audit Quality Control



Danièle LAMARQUE
France

Audit chambers and committees

Members are assigned to one of our five audit chambers, where most of our audit reports, reviews and opinions are prepared and adopted. Each chamber has an EU policy-based theme to guide its work. They are headed by a Dean, who is elected from and by the Members of that chamber. Each Member is responsible for his or her own audit tasks and assisted by a private office. The audit work is carried out by professional auditors working for the audit chamber directorates.

As of December 2018, the Deans of our five audit chambers were Nikolaos Milionis, Iliana Ivanova, Bettina Jakobsen, Neven Mates and Lazaros S. Lazarou. Danièle Lamarque chaired our Audit Quality Control Committee, Oscar Herics headed our Ethics Committee and Samo Jereb our Audit Committee, while Rimantas Šadžius was the Member for institutional relations.

Decisions on broader strategic and administrative issues are taken by the administrative committee and, where appropriate, by the College of Members, both of which are chaired by the President.

The ECA has ten directorates across its areas of work: five are attached to audit chambers, one to audit quality control, one to the President and three to the Secretary-General.

Secretary-General and Directors



**Peter
WELCH**
Director
CHAMBER 1



**Gerhard
ROSS**
Director
CHAMBER 2



**Martin
WEBER**
Director
PRESIDENCY



**Gailė
DAGILIENĖ**
Director
Translation, Language
Services and Publication



**Philippe
FROIDURE**
Director
CHAMBER 3



**Zacharias
KOLIAS**
Director
Human Resources, Finance
and General Services



**Eduardo
RUIZ GARCÍA**
Secretary-General



**Ioanna
METAXOPOULOU**
Director
CHAMBER 4



**Geoffrey
SIMPSON**
Director
Audit Quality
Control Committee



**Magdalena
CORDERO VALDAIDA**
Director
Information, Workplace and
Innovation



**Mariusz
POMIŃSKI**
Director
CHAMBER 5

Measuring performance



*First year of reporting
on new KPIs
related to 2018-2020 strategy*

Since 2008, we have applied key performance indicators (KPIs) to inform our management about progress made towards achieving our goals, support decision-making and provide our stakeholders with information on our performance. While setting out the ECA's 2018-2020 strategy, we also updated our set of KPIs for the period. Hence, 2018 is the first year that we can report on these indicators.

The set of five KPIs provides a broad overview of how we are performing as an organisation as regards the dissemination, impact and perception of our work.

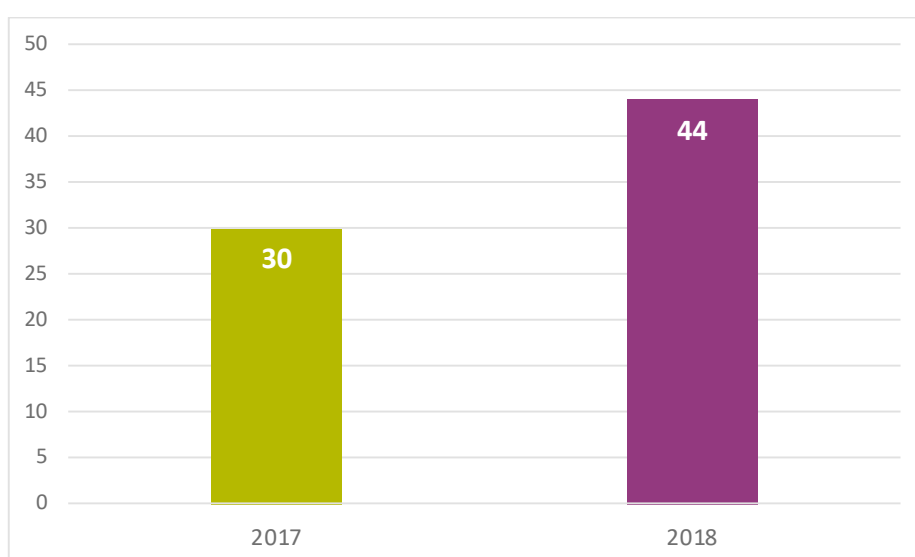
- **KPI 1** – Implementation of our recommendations
- **KPI 2** – Stakeholders' feedback on our work
- **KPI 3** – Our appearances in the European Parliament, Council and national parliaments
- **KPI 4** – Number of special reports (and similar products) published
- **KPI 5** – Our presence in the media

Number of special reports and similar products published

We monitor the number and timing of reports published throughout the year. This gives an indication of the accuracy of our planning.

In 2018, we published 44 reports (35 special reports, six briefing papers, two landscape reviews and one rapid case review), compared with the 47 reports planned for the year. We issued 10 opinions in addition to the selected audits planned in our work programme.

Special reports and similar products

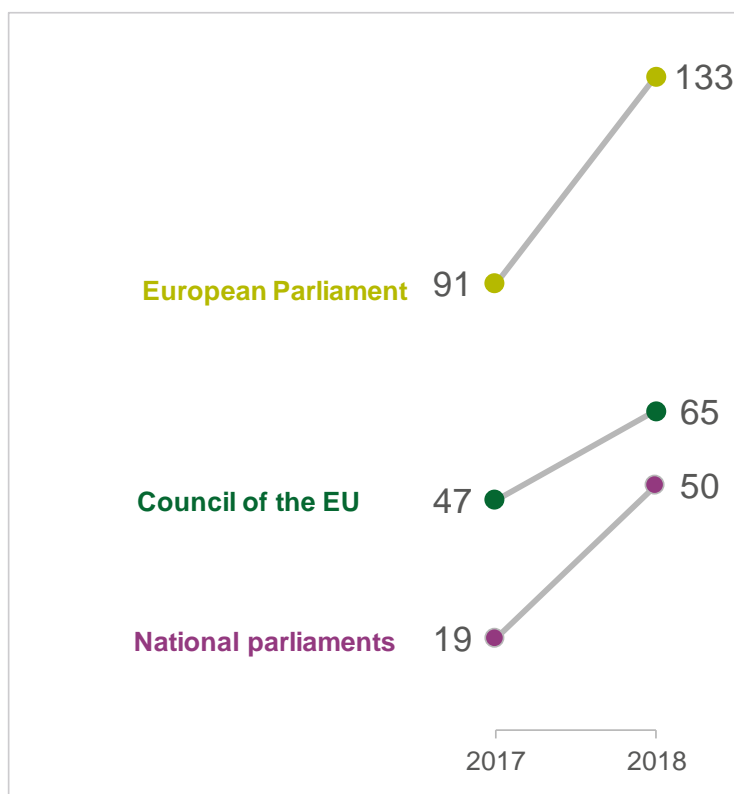


Appearances in the European Parliament, Council of the EU and national parliaments

Most of our audit reports are presented to the relevant European Parliament committee and the Council of the European Union. In addition, most Members of the ECA present our annual reports to the Parliament of their Member State.

In 2018, ECA representatives appeared 133 times in the European Parliament (2017: 91), 65 times in the Council (2017: 47) and 50 times in national parliaments (2017: 19). This is a significant increase compared to 2017.

ECA appearances in 2018: EP, Council and national parliaments



Media presence



Coverage in online and social media nearly tripled

In 2018, we increased our contact with the press and non-institutional stakeholders, as well as boosting our activity on social media. We

- issued 76 press releases in 23 EU languages (2017: 57); and
- held 20 press briefings in Brussels (2017: 16), including sector and country press briefings for the annual report.

We also hosted field visits for journalists based in Brussels and in the Member States and provided several briefings on selected reports for industry stakeholders, NGOs and think-tanks.



Press field visit by journalists from the Member States, November 2018, Luxembourg.

We monitor the media coverage of our work and institution, which can vary significantly depending on the subject and the complexity of a report. At the same time, we also need to recognise that external factors may strongly influence media interest in our publications. For instance, if the publication date of our report coincides with a significant event or policy development, this can greatly increase public interest in the topic.

Overall media coverage, including social media, has nearly tripled from around 15 500 online articles and social media mentions in 2017 to more than 44 000 in 2018. In 2018, social media posts from the official ECA accounts about our publications were displayed around 11 million times, which is nearly 18 times more than in 2017.



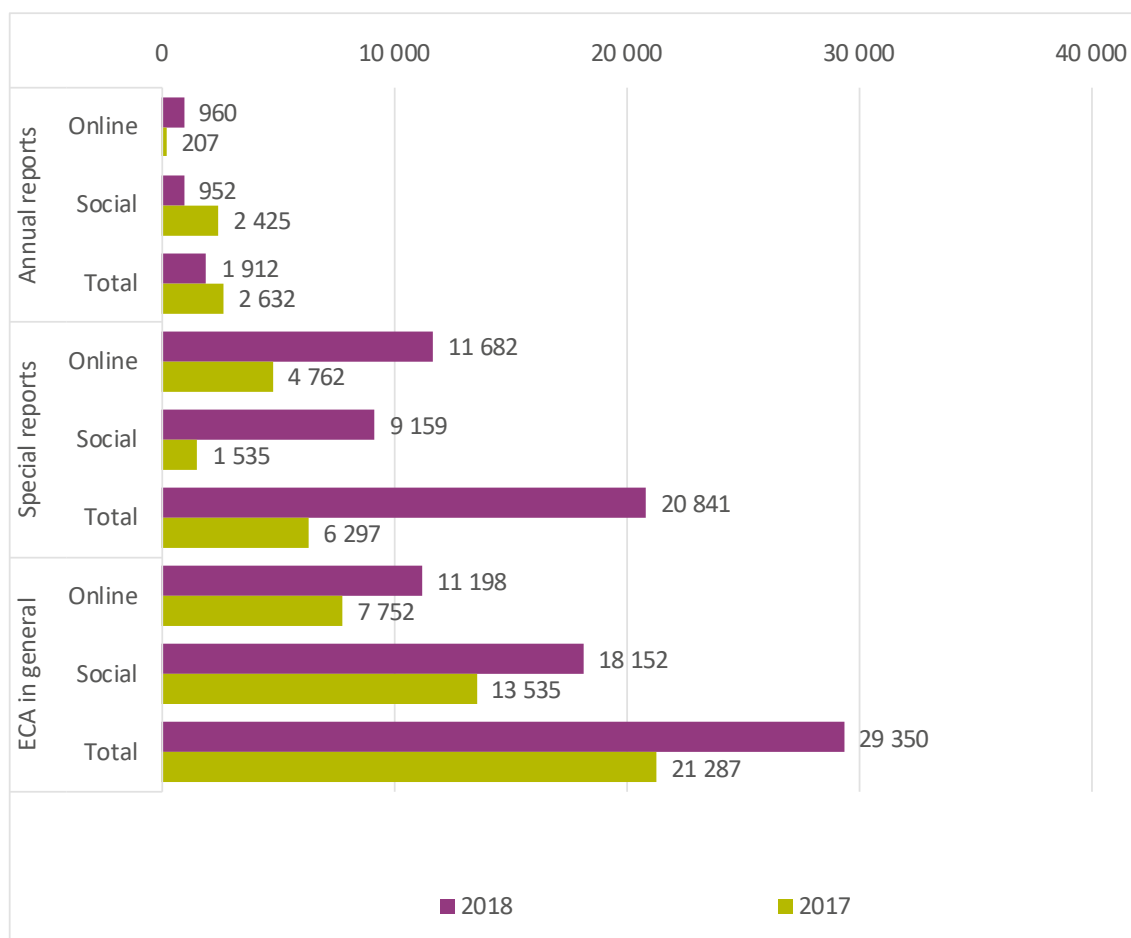
*Special reports are
clearly our flagship product
in terms of media coverage*

In terms of communication and media coverage, special reports are now clearly our flagship product: 12 out of our top 15 publications in 2018 were special reports.

In 2018, there were more than 11 000 online articles about our special reports, more than double the number in 2017. This compares to 1 500 online articles in 2013, when we started monitoring media coverage.

At the same time, there was also an increase of 60 % in the average media coverage per special report compared to 2017. This means that our media coverage was boosted not only by the larger number of reports, but also by increased interest in our publications.






Media coverage: annual reports, special reports and ECA in general



**Peak impact: special report
on the European high-speed rail network
– over 4 400 online articles and social media posts**

Our reports with the most media coverage in 2018 were the special reports on the European high-speed rail network, on the operational efficiency of the European Central Bank's crisis management for banks and on the facility for refugees in Turkey.

We have five social media accounts:

	2018 followers	Increase on 2017	Total impressions*
	7 674	31 %	3 419 137
	10 080	23 %	256 268
	4 800	83 %	9 590 234
	869	27 %	117 800
	1 134	149 %	N/A

* Number of times our posts have been displayed.

Throughout the year, we have seen an exponential increase in our exposure and engagement on social media – especially on Facebook, Twitter and LinkedIn – which have become an indispensable part of our communication work and allow us to interact directly with citizens. We have increased the number of followers and the number of times our posts have been displayed (i.e. our “impressions”).

Impact and perception of our work

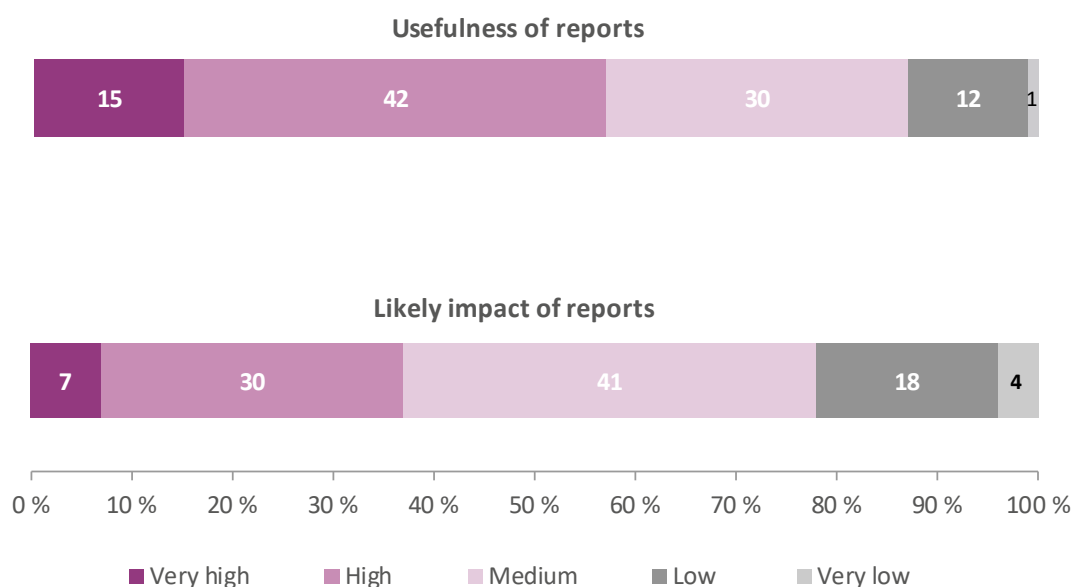


*Our reports are considered
useful and impactful*

We assess the impact and perception of our work based on stakeholder appraisal and the follow-up given to our recommendations for improving EU financial management.

At the beginning of 2018, we started asking stakeholders (from the European Parliament, Council and Commission, EU agencies, Member States' permanent representations, Member States' agencies and SAIs, NGOs, academia, media and other parties) to give their feedback on the usefulness and likely impact of our reports. We do this for a selected number of special reports and reviews, as well as for the annual report, through anonymised electronic surveys sent to all those who have previously received a copy of these reports. The survey also lets stakeholders give qualitative feedback on reports and make general suggestions for the ECA's work.

Overall, 87 % of respondents considered our reports useful for their work and 78 % found them to have impact.



Follow-up of our recommendations



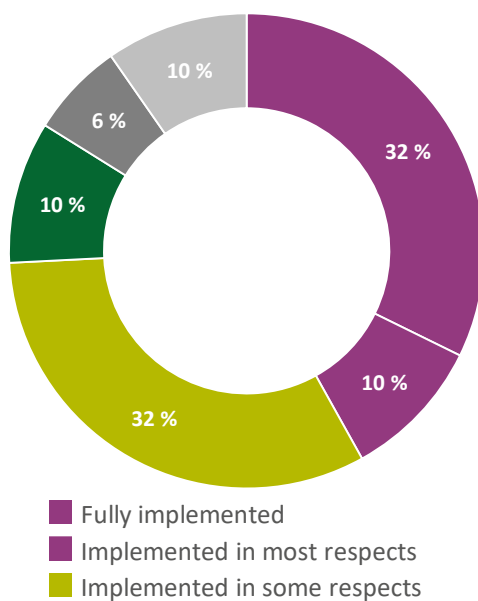
*Most of our recommendations
have been implemented*

In 2018, we started basing this indicator on a follow-up exercise carried out by our auditors, instead of on the European Commission's management representation. For 2018, we analysed the recommendations made in our 2014 annual report and special reports.

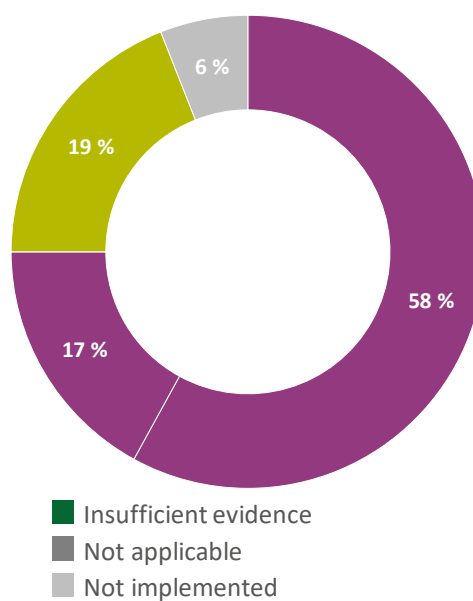
This analysis shows that 74 % of the recommendations we made in our 2014 annual report and 94 % of the recommendations in our 2014 special reports had been implemented either in full, in most respects or in some respects.

Implementation of the ECA's recommendations, by year issued

Implementation of our 2014
Annual Report recommendations



Implementation of our 2014
performance audit
recommendations

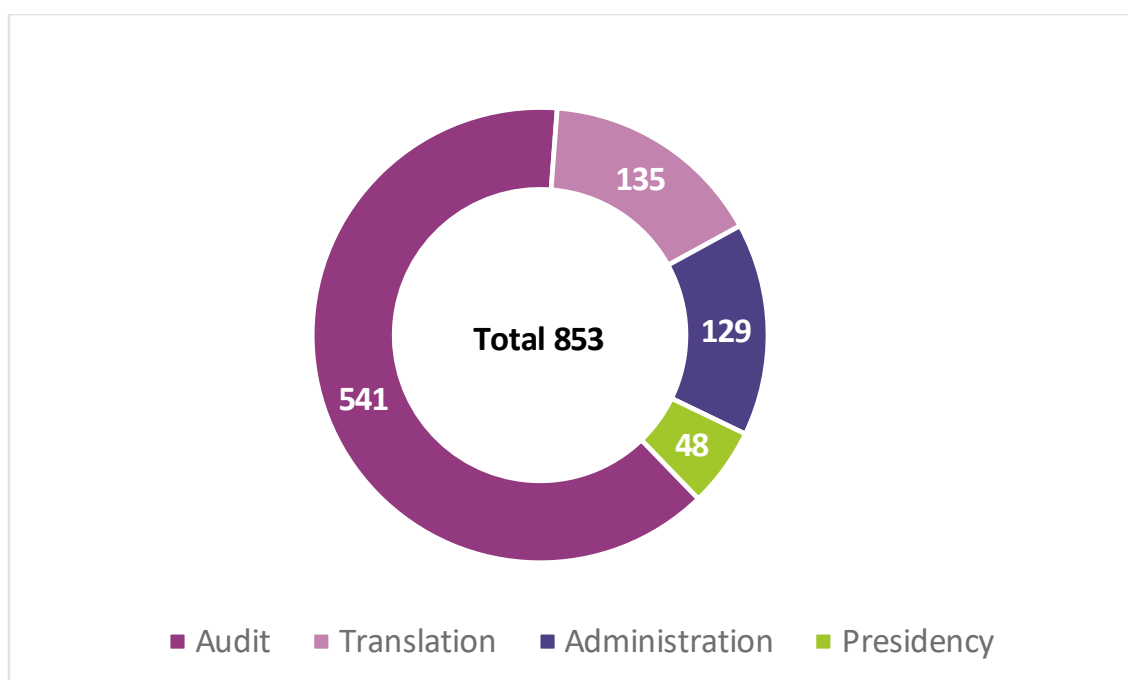


Our staff

Staff allocation

At the end of 2018, there were 834 officials and temporary staff members working at our institution. The ECA's establishment plan contained 853 permanent and temporary posts, of which 541 were in audit chambers, including 112 in Members' private offices.

ECA staff: posts in audit, translation, administration and presidency



In addition, we had 76 contract staff and 15 seconded national experts at year end.

Recruitment

Our staff have a broad range of academic and professional backgrounds. In our recruitment policy, we follow the general principles and employment conditions of the EU institutions and promote equal opportunities at all levels.

In 2018, we recruited 79 employees: 15 officials, 32 temporary staff, 22 contract staff and 10 seconded national experts.

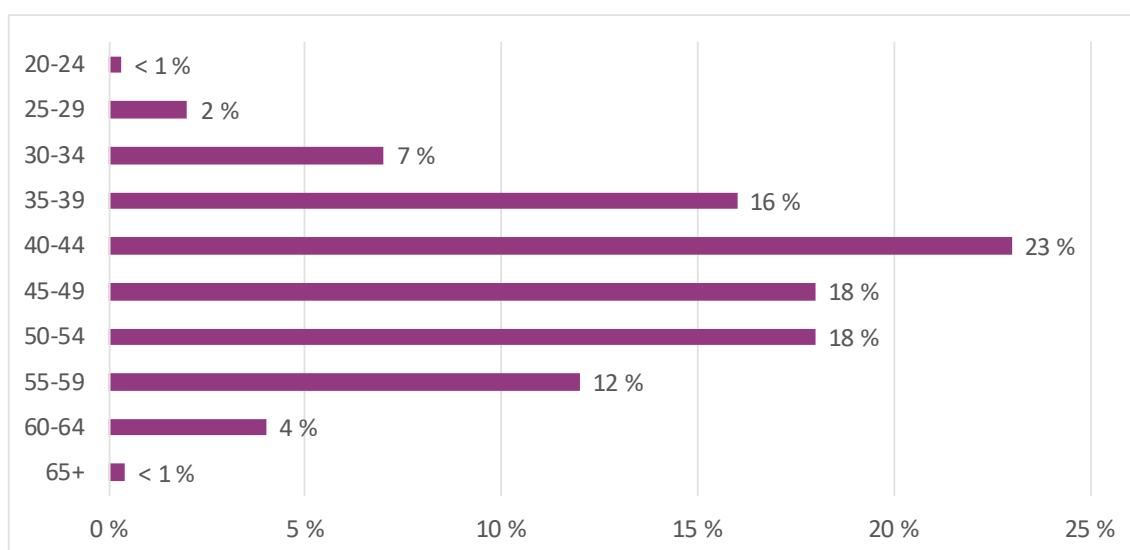
We also provided 60 internships to university graduates for periods of three to five months.

Age profile

The age profile of staff in active service as at 31 December 2018 shows that almost half of our staff are aged 44 or under.

Thirty of our 64 directors and principal managers (47 %) are aged 55 or over. This will lead to a renewal of senior management over the next 5 to 10 years as they retire.

Age profile

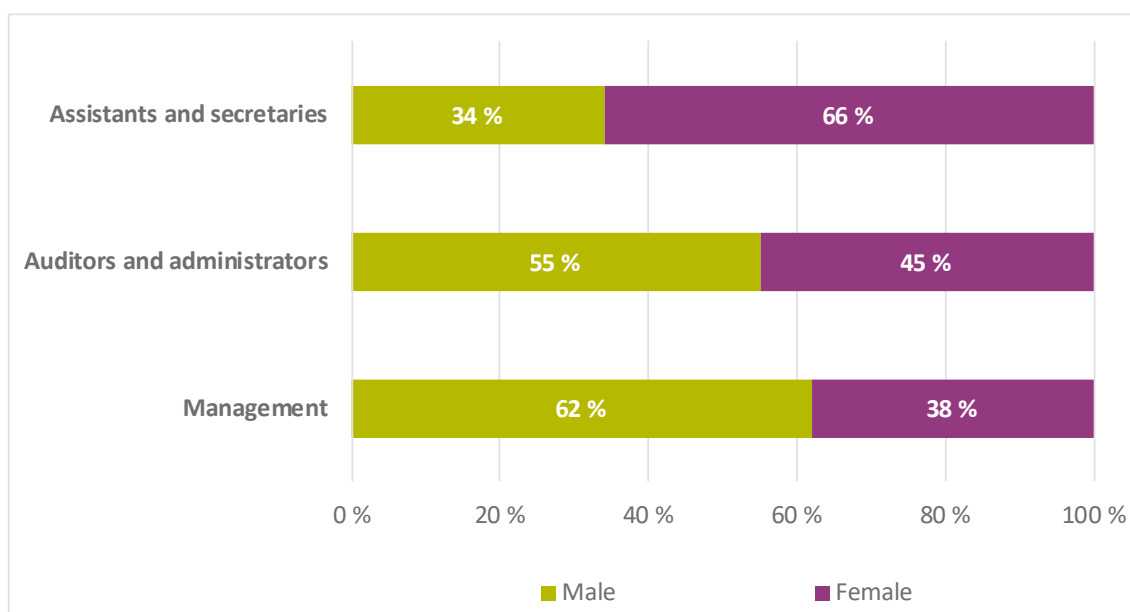


Note: Details may not sum to totals due to rounding.

Gender balance

We provide equal career opportunities to our staff, irrespective of gender. Overall, we have achieved equal proportions of women and men in our workforce, and 45 % of our auditors and administrators are female.

Gender balance by level of responsibility



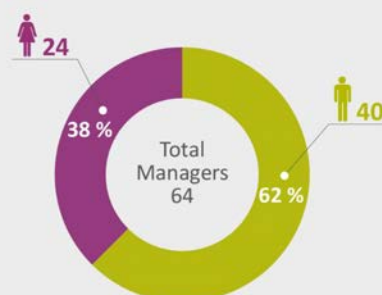
We remain committed to improving our gender balance at all management levels. For example, in recent years, we have increased the share of women in management positions in our audit chambers, from 7 % at the end of 2015 to nearly 24 % at the end of 2018.

Our equal opportunities policy for the 2018-2020 period also addresses the issues of age and disability.

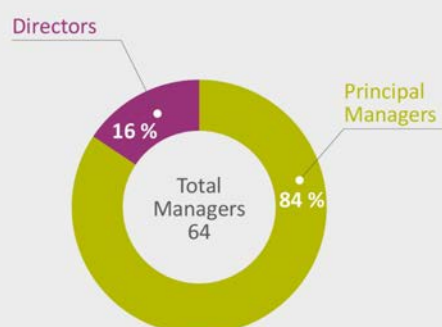
Managers by nationality and gender

Nationality*	Directors	Principal Managers
Belgian	♂	♀♂♂
Bulgarian		♀
Czech		♂
Danish		♂
German	♂	♀♀♀♂♂♂♂
Estonian		♂
Irish		♂♂
Greek	♀♂	♀♂
Spanish	♀	♀♂♂♂♂♂
French		♂♂♂♂♂
Croatian		♂
Italian		♀♂♂
Cypriot		
Latvian		♀
Lithuanian	♀	♂
Luxembourgish		
Hungarian		♀
Maltese		♀
Dutch		♀♂
Austrian	♂	♀
Polish	♂	♀♂
Portuguese		♀♂♂
Romanian		♀
Slovenian		♀
Slovakian		♂
Finnish		♀
Swedish		♀
British	♂♂	♂♂♂♂

Gender distribution of managers



Proportion of directors and principal managers



* Presented in Member State protocol order.

Audit support

Professional training



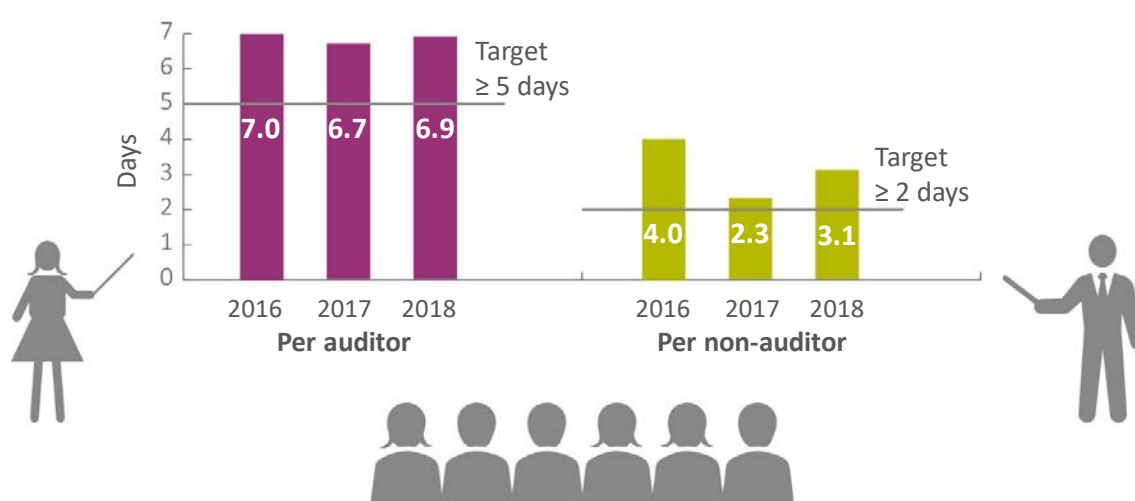
Without training, our staff and our institution cannot be future-proof

We aim to provide our auditors with an annual average of 40 hours (5 days) of professional training per year, in accordance with the recommendations issued by the International Federation of Accountants. In 2018, we once again exceeded this target, with 6.9 days of professional training per auditor.

We also continued to extend the range of training we offer to audit and non-audit staff and to support auditors in obtaining different certifications. We carried on our successful series of presentations by internal or external experts on developments in the field of audit or on subjects related to the work of our auditors.

We continued our performance recognition awards scheme for non-managerial staff, allowing them to attend specific external training.

Average professional training days per year





Fruitfully cooperating with academia

We signed a partnership agreement with the College of Europe (Bruges, Belgium), providing for cooperation in several areas, including training, traineeship and report drafting. We also concluded cooperation agreements with the European Institute of Public Administration and other organisations, enabling our staff to attend training organised by these bodies.

We continued and further developed our cooperation with the University of Lorraine: we once again ran the postgraduate university diploma in “Audit of public organisations and policies” and the master’s degree programme in “Management of public organisations”, and we designed a new postgraduate programme on “Fundamentals of statistics applied to audit”.

Finally, auditors from other SAIs attended our internal training courses, and some of them shared their experience in illustrating reports at the annual ECA Training Day, which was attended by more than 450 participants.



Offering interactive e-courses to the public

We opened our e-learning course on performance audit to the public, holding two interactive sessions for more than 150 participants from all over the world.

Translation

In 2018, our *Translation, Language Services and Publication Directorate* translated and revised over 251 000 pages, an increase of over 18 % on 2017. This increase also led to a higher rate of outsourcing. All our translation teams now use harmonised working methods.

Translators increasingly participated in our audit activities, providing linguistic support during audit visits and drafting support for most reports. This also created further synergies with our auditors.

The publication team has now been fully incorporated into the directorate. As a result, the ECA’s entire report production chain, from linguistic review to translation and to publication, is integrated into a single, streamlined workflow.

Information technology, workplace and innovation

Our *Directorate of Information, Workplace and Innovation* helps our staff to make effective and efficient use of information technologies, promoting innovation and knowledge management. It is also in charge of managing our buildings.

Information management

We launched the tECAway initiative, a network access solution for traveling staff. It allows them to access ECA digital resources and services from any device, anywhere and at any time.

We created a new harmonised document management system and introduced multifunctional devices for printing, photocopying and scanning. We expect these to bring benefits in terms of both information security and paper consumption.

We adopted a new cyber-security governance model and are currently implementing the cyber-security plan.

All IT projects and deliveries were carried out with due regard for business continuity, ensuring full availability of critical systems.

Innovation

We set up the *ECA/lab*, an inter-disciplinary innovation laboratory focusing on the digital transformation of audit using data and technology. The lab is experimenting with the use of technologies such as artificial intelligence, natural language processing and text mining on actual audit tasks. Several tasks and publications have already benefited from this support.

We also ran a pilot project on using blockchain technologies to notarise audit evidence and publications. The resulting prototype, the “ECA registry”, has been selected by the European Blockchain Partnership –set up by EU Member States and the Commission–to be part of the European Blockchain Services Infrastructure, the development of which will start in 2019.

Knowledge management

In July 2018, together with the University of Pisa and the Association of Chartered Certified Accountants (ACCA), we held our first annual summer school in public audit, aiming to examine emerging global issues relevant to the profession. The summer school focused on data analytics for audit and attracted 45 participants from other SAIs, EU institutions and universities.

We also held a conference on blockchain to explore the opportunities it offers and its practical applications for EU expenditure control. The conference was aimed mainly at participants from other EU institutions.

Buildings

We currently own three buildings (“K1”, “K2” and “K3”), which operate as a single, integrated technical entity. We also rent office spaces for our disaster recovery centre in Luxembourg.

K1

The K1 building, opened in 1988, contains offices for up to 310 staff members and meeting rooms. The basement levels contain the car parks, technical facilities, storage areas, the library and the main archive room, while the top floor is used entirely for technical facilities.

K1 was modernised in 2008 to bring it into conformity with national health, safety and environmental requirements. Wherever possible, the technology in K1 was adapted to make it compatible with that used in K2 and K3.

K2

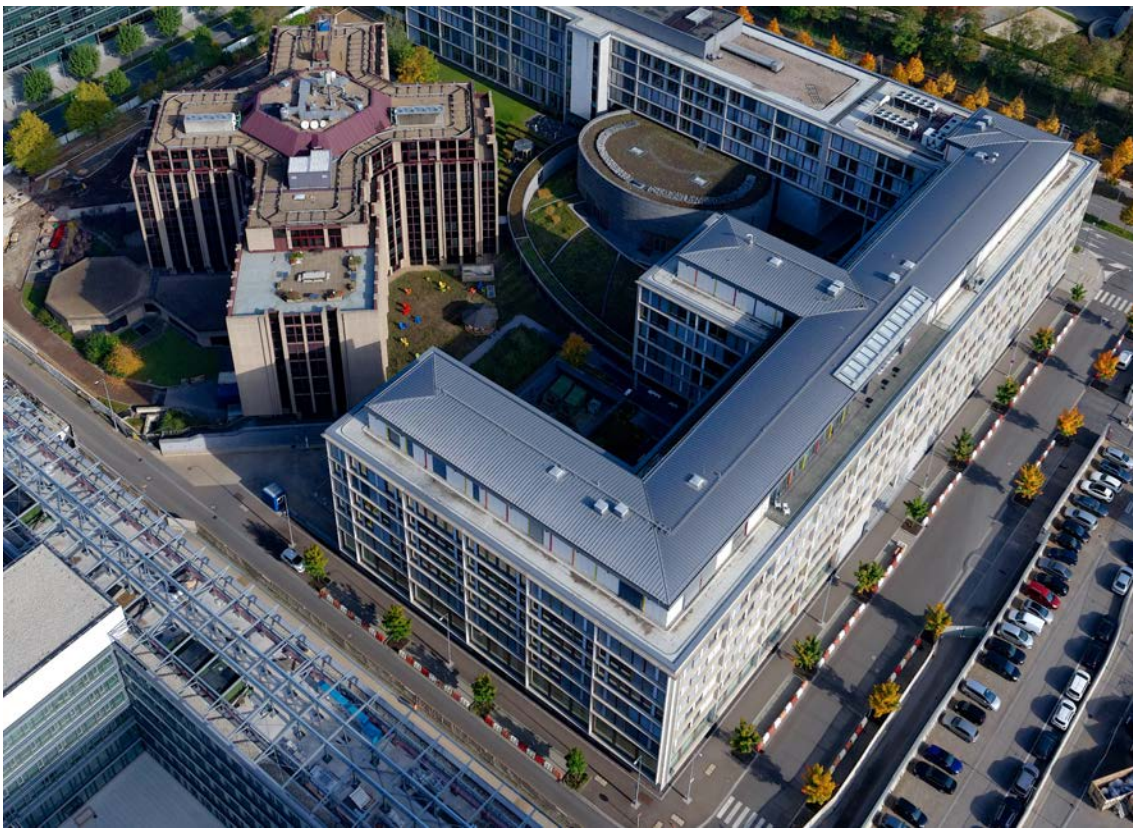
The K2 building opened in 2003. The basement levels contain the car parks, technical facilities and storage, as well as the fitness centre. The top floor is used entirely for technical facilities. The remaining floors are used for offices for up to 241 staff members, meeting rooms, a conference room with interpreting booths, videoconferencing rooms, a cafeteria and basic kitchen areas.

We plan to modernise the K2 building, optimising the organisation its workspaces and upgrading some technical installations. A detailed study for this project will take place in 2019, with work expected to start by the end of the year.

As agreed by the European Parliament and the Council in March 2014, we will cover the cost of this upgrade from the remaining budget from the K3 construction project, completed a few years ago.

K3

The K3 building opened in 2012. The basement levels contain car parks, technical facilities and storage, unloading bays, waste-storage facilities, the print shop, kitchens and archives. The ground floor comprises the canteen, cafeteria and training rooms. There are also offices for 503 staff members, meeting rooms and an IT room. The sixth floor comprises reception rooms, a kitchen and technical facilities. The K3 building has a rating of “very good” according to BREEAM, the world’s leading method of evaluating and certifying the sustainability of buildings.



The ECA’s premises on the Kirchberg plateau in Luxembourg.

Reinforcing the ECA's security

During 2018, a project to reinforce the peripheral security of our institution and protect our staff was completed. A modern security control centre and an external accreditation centre and access control for staff and visitors came into operation in September 2018.



The ECA's principal building "K1" and the new security centre on rue Alcide De Gasperi, Luxembourg.

Environmental management

As an EU institution, we have a duty to apply the principle of sound environmental management in all our activities. We are therefore committed to continuously reducing our environmental impact.

The ECA is proud of its Eco-Management and Audit Scheme (EMAS) certification. We now successfully operate an EMAS-compliant environmental management system and we fully comply with the ISO 14001:2015 certification requirements.

We aim to keep systematically cutting our CO₂ emissions, and we regularly analyse the greenhouse gas emissions generated by our activities. Our total greenhouse gas output in 2017 was 10 451 tonnes of carbon dioxide equivalent (tCO₂e), down 3 % on 2016 figures. For 2018, we analysed our carbon footprint for the fourth consecutive year, and the results will be available on our website in the second half of 2019.

Our accountability

Financial information

Our institution is financed by the general budget of the European Union as administrative expenditure.

In 2018, our budget amounted to around €146 million. This represents less than 0.1 % of total EU spending or around 1.5 % of the EU's total administrative spending. The proportion of the 2018 budget used was 96 %.

Implementation of the 2018 budget

2018 FINANCIAL YEAR	Final appropriations	Commitments	% use	Payments
Title 1: People working with the institution	(thousand euros)			
10 - Members of the institution	12 265	11 245	92 %	11 186
12 - Officials and temporary staff	105 044	102 543	98 %	102 528
14 - Other staff and external services	6 335	5 914	93 %	5 825
162 - Travel	3 450	3 050	88 %	2 537
161 + 163 + 165 - Other expenditure relating to persons working for the institution	2 990	2 883	96 %	2 221
Subtotal Title 1	130 084	125 635	97 %	124 297
Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure				
20 - Immovable property	2 956	2 945	99 %	1 822
210 - IT&T	8 708	8 707	99 %	4 714
212 + 214 + 216 - Movable property and associated costs	1 129	1 066	94 %	749
23 - Current administrative expenditure	557	353	63 %	241
25 - Meetings, conferences	708	581	82 %	332
27 - Information and publishing	1 874	1 197	64 %	922
Subtotal Title 2	15 932	14 849	93 %	8 780
Total Court of Auditors	146 016	140 484	96 %	133 077

Budget for 2019

The 2019 budget represents an increase of 0.6 % on the 2018 budget.

BUDGET	2019	2018
Title 1: People working with the institution	(thousand euros)	
10 - Members of the institution	11 474	12 515
12 - Officials and temporary staff	107 666	106 600
14 - Other staff and external services	6 381	5 745
162 - Travel	3 450	3 450
161 + 163 + 165 - Other expenditure relating to persons working for the institution	3 098	2 990
Subtotal Title 1	132 069	131 300
Title 2: Buildings, movable property, equipment and miscellaneous operating expenditure		
20 - Immovable property	2 984	2 930
210 - IT&T	7 605	7 492
212 + 214 + 216 - Movable property and associated costs	998	1 157
23 - Current administrative expenditure	548	555
25 - Meetings, conferences	700	706
27 - Information and publishing	1 986	1 876
Subtotal Title 2	14 821	14 716
Total Court of Auditors	146 890	146 016

Internal and external audit

Internal audit

Our Internal Audit Service (IAS) advises our institution on how to manage risks. It provides independent, objective assurance and consulting services designed to add value to and improve the operations of our institution. The IAS reports to the Internal Audit Committee, composed of three of our Members and an external expert. The committee regularly monitors the progress of the various tasks set out in the IAS's annual work programme and ensures its independence.

In 2018, the IAS audited our institution's cyber-security systems and the construction works related to its perimeter security. It also reviewed the implementation of our risk management policy and the annual declarations provided by the authorising officers. In addition, it monitored the implementation of its previous recommendations, ensuring that the agreed action plans had been implemented.

In 2018, the IAS's audits did not reveal any shortcomings that, by their nature or magnitude, would seriously call into question the overall reliability of the internal control systems put in place by the authorising officer to ensure the legality and regularity of the ECA's financial operations.

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

External audit

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. Our external auditor – PricewaterhouseCoopers Sàrl – published its report on our accounts for the 2017 financial year on 17 May 2018.

Our external auditor's opinions — 2017 financial year

Regarding our financial statements:

"In our opinion, the financial statements give a true and fair view of the financial position of the European Court of Auditors- ECA as at 31 December 2017, and of the result of its operations, its cash flows and the changes in net assets for the year then ended in accordance with the Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1) and its subsequent amendments hereinafter referred to as 'the Financial Regulation'; and Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 (OJ L 362, 31.12.2012, p. 1) laying down detailed rules of application of this Financial Regulation and its subsequent amendments."

Regarding our use of resources and control 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 Court 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."*

Discharge

Like all other EU institutions, we are subject to the discharge process. In April 2018, the European Parliament granted our Secretary-General discharge in respect of the implementation of our budget for the 2016 financial year. As we do every year, we have carefully analysed all issues raised during the discharge exercise regarding our audit and management responsibilities, taken appropriate action and provided detailed reporting on our follow-up actions to the European Parliament.

On 26 March 2019, the European Parliament granted our Secretary-General discharge for 2017. This means that our accounts for 2017 were cleared (i.e. closed and approved).

Peer reviews

Peer reviews involve an independent and transparent assessment of a particular SAI's capabilities by other SAIs. Each SAI involved in the peer review continues to respect the other SAIs' independence while it is conducted.

In 2018, we invited the SAIs of Estonia (lead SAI), Denmark, the Netherlands and the United States of America to assess whether we are on track towards achieving our strategic goals halfway through the 2018-2020 period, and whether the actions we have taken so far to implement the strategy are likely to achieve the desired effects. The peer review report is due to be published in 2019.

At the same time, we started work in preparation for the peer review of the SAI of Lithuania, in cooperation with the SAIs of Poland and the United Kingdom. The main objective of this peer review will be to assess whether the audit approach of the SAI of Lithuania complies with international standards.

During the year, we also commissioned an external and independent assessment of our ethical framework. The review is being carried out by the Supreme Audit Office of Poland and State Audit Office of Croatia. The report is expected in 2019.

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 proportionate.

This assurance is based on my judgment 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, 28 March 2019



Eduardo Ruiz García
Secretary-General

Annex – publications in 2018: special reports, annual reports, opinions and review-based products

Special reports

- Special report 01/2018: Joint Assistance to Support Projects in European Regions (JASPERS) – time for better targeting
- Special report 02/2018: The operational efficiency of the ECB’s crisis management for banks
- Special report 03/2018: Audit of the Macroeconomic Imbalance Procedure (MIP)
- Special report 04/2018: EU Assistance to Myanmar/Burma
- Special report 05/2018: Renewable energy for sustainable rural development: significant potential synergies, but mostly unrealised
- Special report 06/2018: Free Movement of Workers – the fundamental freedom ensured but better targeting of EU funds would aid worker mobility
- Special report 07/2018: EU pre-accession assistance to Turkey: Only limited results so far
- Special report 08/2018: EU support for productive investments in businesses – greater focus on durability needed
- Special report 09/2018: Public Private Partnerships in the EU: Widespread shortcomings and limited benefits
- Special report 10/2018: Basic Payment Scheme for farmers – operationally on track, but limited impact on simplification, targeting and the convergence of aid levels
- Special report 11/2018: New options for financing rural development projects: Simpler but not focused on results
- Special report 12/2018: Broadband in the EU Member States: despite progress, not all the Europe 2020 targets will be met
- Special report 13/2018: Tackling radicalisation that leads to terrorism: the Commission addressed the needs of Member States, but with some shortfalls in coordination and evaluation

- Special report 14/2018: The EU Chemical, Biological, Radiological and Nuclear Centres of Excellence: more progress needed
- Special report 15/2018: Strengthening the capacity of the internal security forces in Niger and Mali: only limited and slow progress
- Special report 16/2018: Ex-post review of EU legislation: a well-established system, but incomplete
- Special report 17/2018: Commission's and Member States' actions in the last years of the 2007-2013 programmes tackled low absorption but had insufficient focus on results
- Special report 18/2018: Is the main objective of the preventive arm of the Stability and Growth Pact delivered?
- Special report 19/2018: A European high-speed rail network: not a reality but an ineffective patchwork
- Special report 20/2018: The African Peace and Security Architecture: need to refocus EU support
- Special report 21/2018: Selection and monitoring for ERDF and ESF projects in the 2014-2020 period are still mainly outputs-oriented
- Special report 22/2018: Mobility under Erasmus+: Millions of participants and multi-faceted European Added Value, however performance measurement needs to be further improved
- Special report 23/2018: Air pollution: Our health still insufficiently protected
- Special report 24/2018: Demonstrating carbon capture and storage and innovative renewables at commercial scale in the EU: intended progress not achieved in the past decade
- Special report 25/2018: Floods Directive: progress in assessing risks, while planning and implementation need to improve
- Special report 26/2018: A series of delays in Customs IT systems: what went wrong?
- Special report 27/2018: The Facility for Refugees in Turkey: helpful support, but improvements needed to deliver more value for money
- Special report 28/2018: The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist
- Special report 29/2018: EIOPA made an important contribution to supervision and stability in the insurance sector, but significant challenges remain

- Special report 30/2018: EU passenger rights are comprehensive but passengers still need to fight for them
- Special report 31/2018: Animal welfare in the EU: closing the gap between ambitious goals and practical implementation
- Special report 32/2018: European Union Emergency Trust Fund for Africa: Flexible but lacking focus
- Special report 33/2018: Combating desertification in the EU: a growing threat in need of more action
- Special report 34/2018: Office accommodation of EU institutions –Some good management practices but also various weaknesses
- Special report 35/2018: Transparency of EU funds implemented by NGOs: more effort needed

Annual and specific annual reports

- Annual report on the implementation of the budget concerning the financial year 2017
- Annual report on the activities funded by the 8th, 9th, 10th and 11th European Development Funds (EDFs) concerning the financial year 2017
- Annual report on 41 EU agencies for the financial year 2017
- Summary of results from the ECA's 2017 annual audit of the eight European research joint undertakings
- Report on the annual accounts of the European Schools for the financial year 2017
- Report on any contingent liabilities arising as a result of the performance by the Single Resolution Board, the Council and the Commission of their tasks under the Regulation 806/2014 for financial year 2017

Opinions

- Opinion No 1/2018 concerning the proposal of 2 May 2018 for a regulation of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States
- Opinion No 2/2018: The audit and accountability considerations concerning the proposal of 6 December 2017 for the establishment of a European Monetary Fund within the Union legal framework

- Opinion No 3/2018 concerning the proposal for a Council Regulation on the financial regulation applicable to the 11th European Development Fund
- Opinion No 4/2018 concerning the proposal for a Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law
- Opinion No 5/2018 on the Commission's proposal on the new system of Own Resources of the European Union
- Opinion No 6/2018 concerning the proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument
- Opinion No 7/2018 concerning Commission proposals for regulations relating to the Common Agricultural Policy for the post-2020 period
- Opinion No 8/2018 on the Commission's proposal of 23 May 2018 on amending OLAF Regulation 883/2013 as regards cooperation with the European Public Prosecutor's Office and the effectiveness of OLAF investigations
- Opinion No 9/2018 concerning the proposal for a Regulation of the European Parliament and of the Council establishing the EU Anti-Fraud Programme
- Opinion No 10/2018 concerning the proposal for a Regulation of the European Parliament and of the Council establishing the Neighbourhood, Development and International Cooperation Instrument

Review-based products

- Briefing Paper: Future of EU finances: reforming how the EU budget operates
- Briefing paper: Future of the CAP
- Briefing paper: A contribution to simplification of EU research programme beyond Horizon 2020
- Briefing paper: The integration of migrants from outside the EU
- Briefing Paper: Simplification in post-2020 delivery of Cohesion Policy
- Briefing paper: The Commission's proposal for the 2021-2027 Multiannual Financial Framework
- Landscape Review: Putting EU law into practice: The European Commission's oversight responsibilities under Article 17(1) of the Treaty on European Union

- Landscape review: Towards a successful transport sector in the EU: challenges to be addressed
- Rapid case review: VAT reimbursement in Cohesion – an error-prone and sub-optimal use of EU funds

Audit previews

- Animal welfare in the EU
- Food safety in the EU
- Electricity production from wind and solar photovoltaic power in the EU
- Organic food in the EU
- European Insurance and Occupational Pensions Authority's (EIOPA) contribution to the supervision of and financial stability in the EU's insurance sector
- Facility for Refugees in Turkey
- Cross-border healthcare in the EU
- Consulting the public when preparing EU law
- Desertification in the EU
- Collection of VAT and customs duties on cross-border e-commerce
- Fund for European Aid to the Most Deprived
- Enforcement of EU competition policy

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