



Press Release

Luxembourg, 8 October 2019

EU sustains improvements in financial management for third year in a row, say Auditors

In its 2018 annual report, published today, the European Court of Auditors (ECA) has concluded that the EU accounts present a “true and fair view” of the EU’s financial position. For the third year in a row, the auditors have issued a qualified opinion on the regularity of the financial transactions underlying the accounts. This reflects the fact that a significant part of the EU’s 2018 expenditure was not materially affected by errors and that such errors are no longer pervasive across spending areas. At the same time, challenges remain in high-risk spending areas such as rural development and cohesion, say the auditors.

“Thanks to improvements in its financial management, the EU now meets high standards of accountability and transparency when spending public money. We expect the incoming Commission and the Member States to sustain this effort,” said ECA President Klaus-Heiner Lehne. “The start of a new legislative term and of a new financial programming period create a window of opportunity. Policymakers should grasp it to focus EU policies and spending on delivering results and added value.”

The overall level of irregularities in EU spending has remained stable within the range observed during the two previous years. The auditors estimate a 2.6 % error in 2018 expenditure (2.4 % in 2017 and 3.1 % in 2016). Errors were found mainly in high-risk spending areas, such as in rural development and cohesion, where payments from the EU budget are made to reimburse beneficiaries for the costs they have incurred. These spending areas are subject to complex rules and eligibility criteria, which may lead to errors.

With a renewed leadership in the EU institutions and following the European Parliament elections this year, the EU is at an important crossroads and must seize the momentum to deliver results, say the auditors. The EU’s budget accounts for no more than 1 % of gross national income of all Member States, so it is vital that its spending should not only comply with the rules but also deliver results.

The auditors also highlight challenges to EU budgetary and financial management that are of particular relevance for the new long-term budget cycle. The Member States’ absorption of structural and investment funds, which account for almost half of the current multiannual

The purpose of this press release is to give the main messages of the annual report adopted by the European Court of Auditors. The full report is on eca.europa.eu.

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financial framework (MFF), remains low despite increased momentum and significantly higher claims in 2018. The Commission needs to take measures to avoid undue pressure on payment needs at the start of the new MFF (2021-2027), which could be caused by delayed claims from the current one. Furthermore, the increase in guarantees supported by the EU budget (€92.8 billion at the end of 2018) adds to the budget's exposure to risk, which the Commission will have to address under the new MFF.

Notes to editors

In 2018, EU spending totalled €156.7 billion, the equivalent of 2.2 % of the general government spending of Member States taken as a whole and 1.0 % of EU gross national income. In 2018, 'Natural resources' made up the largest share of funds audited (48 %), while the share of 'Cohesion' spending was 20 % and competitiveness represented 15 %. Like last year, the auditors examined 'Cohesion' based on the work of other auditors in the Member States and the Commission's supervision.

Each year, the auditors audit EU revenue and expenditure, examining whether the annual accounts are reliable and whether income and expenditure transactions comply with the applicable rules at EU and Member State level.

The EU's accounts are prepared applying accounting rules based on international public sector accounting standards, and present the Union's financial position at the end of, and financial performance over, the 2018 financial year. The EU's financial position includes the assets and liabilities of its consolidated entities at year-end, both short-term and long-term.

A 'clean' opinion means the figures present a true and fair view, and follow the rules of financial reporting. A 'qualified' opinion means that the auditors cannot give a clean opinion, but the problems identified are not pervasive. An 'adverse' opinion indicates widespread problems.

In order to reach this audit opinion, they test samples of transactions to provide statistically-based estimates of the extent to which revenue and the different spending areas are affected by error. They measure the estimated level of error against a materiality threshold of 2 %, above which revenue or spending is considered to be irregular. The estimated level of error is not a measure of fraud, inefficiency or waste: it is an estimate of the money that should not have been paid out because it was not used fully in accordance with EU and national rules.

The European Court of Auditors (ECA) is the independent external auditor of the European Union. Its audit reports and opinions are an essential element of the EU accountability chain. They are used to hold to account those responsible for implementing EU policies and programmes: the Commission, other EU institutions and bodies, and administrations in Member States. The ECA warns of risks, provides assurance, indicates shortcomings and good practice, and offers guidance to EU policymakers and legislators on how to improve the management of EU policies and programmes.

The annual report on the EU budget, the annual report on the European Development Funds and the summary document "2018 EU audit in brief" can be found at: eca.europa.eu.