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Speech

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Speech by Vítor Caldeira, President of the European Court of Auditors

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President Schulz,

Honourable Members of the European Parliament,

Commission Vice-President Georgieva,

It is an honour to present the Court's annual reports to this plenary session of the European Parliament.

This year, it comes at a particularly difficult time. On behalf of all of us at the Court, I would like to express our sincere condolences to the families of the victims of the recent terrorist atrocities in Paris. Those who attack European values are actually attacking our democracy. We must all stand firm against them.

Honourable members,

This is a time for European solidarity to defend the fundamental human values in our Treaty. And it is a time when the EU and Member States must also address other major challenges:

- generating jobs and growth;
- meeting energy needs while achieving climate goals; and
- managing asylum and migration flows.

In our view, the EU budget could be invested better and more quickly to meet the many challenges Europe faces. Taken together, our audit results over recent years point to a need for **a wholly new approach**:

- Decision-makers must align the budget better with the EU's long-term strategic priorities and make it more capable of responding in a crisis.
- Legislators need to ensure that spending schemes are clear about the results to be achieved and the risks it is acceptable to take.
- Financial managers have to ensure that the money spent complies with the rules and achieves the intended results.

Next year's mid-term review of the Multi-Annual Financial Framework provides a crucial opportunity to re-think our priorities and the design of some spending schemes. In the meantime, more must be done with the tools already in place.

Our report identifies long-standing financial management issues that need to be addressed. But before I go through them, I would like to be absolutely clear **that the 2014 EU accounts have been "signed off"**. They are reliable and we have issued a "clean" audit opinion to that effect.

That said, let me highlight four areas of EU financial management which require attention.

First, too much money is still not spent in accordance with the EU's financial rules. There is **a persistently high level of payment errors**. The overall estimated error rate for payments in 2014 was 4.4%, and has been stable for the last three years.

The Commission and Member States have made progress in recent years in preventing and correcting errors. But more errors could have been corrected if all the available information had been used.

Our analysis shows that there is also scope to design spending schemes that are less error prone, in particular by simplifying payment conditions and procedures.

Second, **the performance of the budget**, the EU must invest the budget better.

We found that the Multi-annual Financial Framework could be better aligned with the EU's strategy, both in terms of periods and priorities.

We also highlight the fact that high-level EU targets and political aims are not translated into clear operational objectives, which is fundamental for effective management and reporting on performance.

Third, the EU needs to deal with a number of **financial backlogs** that have built up, not least to free up funds so they can be used where they are most needed.

In particular, some Member States are struggling to absorb the EU funds they have been allocated and there continues to be a high level of unused funds in financial instruments.

Finally, EU financial management would strongly benefit from **improved transparency**. This is crucial to ensuring citizens' trust.

We have recommended the action the Commission should take to improve transparency about long-term cash flow needs, payment errors and corrections made as well as the results of expenditure under the EU budget.

But it is equally important to ensure transparency for EU policies not directly funded from the EU budget. New ways of funding EU policies should not put financial risks beyond public scrutiny and audit.

Honourable members,

To conclude, the EU must invest its money better. It must act to ensure:

- investments better match the Union's priorities;
- simpler rules are framed to achieve results; and
- financial resources are managed more efficiently.

Taken together, all of this would indeed represent a wholly new approach.

President Schulz, honourable members,

The Court of Auditors stands alongside the Parliament and the other European Institutions at this very difficult time.

Defending our democracy and ensuring the wellbeing of our citizens will place a great burden on our common resources.

Helping to ensure that those resources are used to their best effect will continue to be the principal task of the European Court of Auditors.

Thank you for your attention.