Committee on European Affairs - 17 October 2018

Introduction

Good afternoon Chair and Members of the Joint Committee on European Affairs. It is a real pleasure for me to present for the first time in my capacity as the Irish Member of the European Court of Auditors it's Annual Report for 2017. Indeed, I would like to thank the Committee members for their best wishes conveyed to me when I was last here in January for the final stages of the nomination process.

Before I start with the presentation of the main findings of the Annual Report, I would like to introduce my 2 colleagues who are here with me today, Wolfgang Stolz, Head of my Office and Peter Borsos, my Assistant. I would also like to inform the Committee that I have been assigned to Chamber II in the Court, which is responsible for Economic, Social and Territorial Cohesion. My portfolio covers Chapter 6 of this annual report and concerns the annual Statement of Assurance audit of Cohesion policy, which along with natural resources (agriculture), is one of the major EU policy areas. However in terms of spending it is not the most significant for Ireland, representing only about 3% (€ 51 million) of Ireland's total EU expenditure in 2017 (was 6 % in 2016). In addition, I will have responsibility for some special reports in the near future including Child Poverty.

As Members know, the European Court of Auditors is the independent external auditor of the European Union. We produce a broadening range of products including the Annual Report and Special Reports, which we will discuss further but also opinions on legislative proposals, specific annual reports on agencies and joint undertakings, landscape reviews and rapid case reviews.

The Annual Report 2017

General

The Annual Report is our main product and requires around half of the Court's annual resources. It reflects the outcome of audit visits to Member States and the Commission. I am very happy to be here presenting it just two weeks after its publication on the 4th October.

The aim of our work is to provide an opinion on two questions: whether the accounts are accurate and reliable, and to what extent there is evidence of money being received or paid out in error (known as regularity and legality).

We have given a clean opinion of the EU's accounts since 2007 and in our 2017 annual report, we also conclude that the EU accounts present a true and fair view of the EU's financial position.

Revenue for the EU budget in 2017 totalled 139.7 billion euro and had an estimated level of error of 0%. This revenue was raised based on GNI calculation (56%), from VAT (12%), Traditional Own Resources (15%) and 17% from other sources.

In terms of spending for 2017, expenditure totalled 137.4 bn euro representing 270 euro for each EU citizen and is the equivalent of 2% of total government spending and 0.9% of EU Gross National Income.

Members can see that the audited population totalled 100.2 bn euro, €56.5 billion concerned Natural Resources of which Irish farmers and beneficiaries received over €1,5 billion euro from the EU. Competitiveness accounted for 14.9 bn euro and Cohesion only 8bn euro, which was abnormally low due to the low level of accepted expenditure in 2017.

Until last year, our opinion on the regularity and legality of spending had been adverse (meaning widespread problems) for every year since 1994. Now, for the second year in a row, we issue a qualified opinion on the regularity of the transactions underlying the accounts, meaning a significant part of the 2017 expenditure that we audited was not materially affected by error.

Moreover, the level of irregularities in EU spending continues to decrease. The estimated level of error in payments during 2017 was 2.4%, down from 3.1% in 2016 and 3.8% in 2015. At the same time, sufficient information was available to prevent – or detect and correct – a significant proportion of errors in, for example, rural development payments. If this information had been used by national authorities to correct errors, the estimated level of error would have been below the so called 2% materiality threshold for an even larger share of the EU budget.

Problems remain, in particular where payments from the EU budget are made to beneficiaries based on their declarations of costs previously incurred, such as in rural development and cohesion. Other activities funded in this way are research, training schemes and development aid projects.

In terms of Ireland there were no real problems detected for this period in terms of transactions tested. However, there are still a number of horizontal issues in the report, which have implications for Ireland, some of which may increase in importance given amongst others the ongoing MFF negotiations for post 2020 and Brexit.

In 2017 Ireland received €1,81 billion worth of EU funds and at the same time contributed €2,06 billion to the EU budget making it a net contributor with € 244 million which is 0.07% of Ireland's GNI. This is an accounting balance exercise and obviously does not take into account the numerous benefits associated with EU membership.

By the end of 2017, the overall average absorption rate (16 %) for the 2014-2020 MFF was even lower than in the corresponding year of the previous MFF (2010: 22%). Ireland is performing above average in absorbing ESI funds with 30% of cumulative payments of the planned ESI fund spent by the end of 2017 (3rd highest in EU after Finland and Austria). Nonetheless, the absorption rate in Ireland in 2017 is 6% points lower than at the same time (in 2010) in the previous MFF.

The EU budget continues to face significant pressure owing to the value of payments committed for future years. The overall financial exposure of the EU budget has also grown, with significant long-term liabilities, guarantees and legal obligations. The almost full use of the amount available for commitments, combined with the low level of payments, increased outstanding budgetary commitments to a new record of €267.3 billion.

From our testing of 703 transactions, we found 13 instances of suspected fraud, which the Court reported to the EU anti-fraud office OLAF.

Special Reports

These were the main messages regarding our 2017 Annual Report, but I would like to draw your attention to some of the topics already published or soon to be published in Special Reports of the Court. These reports do not concern legality and regularity but are related to performance audits and look at aspects of economy, efficiency and effectiveness of policy implementation. 28 such reports have been published in 2017 and the estimate for 2018 is 35. While Ireland is not always included as a sampled Member State, there are often lessons learned and best practices identified which are of a horizontal nature.

In 2017 and 2018 there have been three special reports in which Ireland was visited, namely Youth Unemployment, Broadband and public private Partnerships. In terms of Agriculture while Ireland not directly sampled there were some interesting reports published including Rural Development Programming, Greening, Basic Payment Scheme, Briefing Paper on the future of CAP and the Opinion on New System of Own Resources of the EU.

Upcoming reports relevant for Ireland include an Opinion on CAP Proposal. Other upcoming reports with a general public interest are; EU passenger rights and EU system of measuring vehicle emissions.

Many thanks for your attention and we look forward to answering any questions you may have.