



EUROPEAN
COURT
OF AUDITORS

Tony Murphy

Member

Dean Chamber V

Joint Committee on European Union Affairs- Wednesday 30th June 9:30

Intro

Good morning, I am very happy to be presenting to the committee the 2019 Annual Report of the Court of Auditors, as well as other recent relevant publications of the Court. Firstly, I would like to take this opportunity to thank the Joint Committee for their invitation. It is a pity that I cannot be there in person due to the current circumstances, and, I want to note that this year I am presenting exceptionally late. However, it is my pleasure to be here virtually.

When I previously presented to this committee, I was responsible for the annual Statement of Assurance audit of Cohesion policy, in Chamber II, which is one of the major EU policy areas along with natural resources (agriculture). Since that time, I have been appointed Dean of Chamber V and Member for the Annual Report. Chamber V deals primarily with Administration and Financing of the Union. In my role as the MAR, I am responsible the Annual Report of the Court, which is the core product of the Court.

As my time is brief, I will first speak about the 2019 key figures of the EU and findings of the Court's 2019 Annual Report, as well as illustrating how **Ireland** features in this respect.

I will then briefly touch on recently published Special Reports of the Court. In addition to these, I will provide you with a detailed glance on our published Opinion on the Brexit Adjustment Reserve, for which I was the responsible Reporting member.

Finally, at the Committee's request I will briefly discuss the NGEU funding, in relation to the ECA. Just to note also, I hope you find the information pack helpful, which provides more detailed information on the aforementioned topics.



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KEY FIGURES – THE EU BUDGET

Revenue for the EU budget in 2019 totalled 163.9 billion euro, of which Ireland paid in 2.3 billion. This revenue is composed of several sources, the majority being GNI based own resources.

Expenditure totalled 159.1 bn euro – To provide some context, this represents around 350 euro for each EU citizen. It is the equivalent of 1.0% (2018: 1.0%) of EU GNI.

IRELAND IN THE EU BUDGET

In 2019 Ireland received slightly less than €2,1 billion worth of EU funds, while it contributed €2,3 billion to the EU budget. This means Ireland it is a net contributor with € 229 million before adjusting for Commission administration.

2019 ECA Annual Report

I will now move on to the main findings of the Annual Report. First and foremost, we issue this report in line with our treaty obligations, which is to provide a statement of assurance, which includes opinions on the reliability of the EU accounts and the legality and regularity of the underlying revenue and expenditure.

Our Overall findings 2019:

EU accounts present a true and fair view. Revenue for 2019 was legal and regular. However, our opinion on expenditure is adverse. The estimated level of error in payments was above materiality of 2% at 2.7%. This is higher than in the previous two years.

In 2019 high-risk expenditure was affected by material error, additionally the share of high-risk expenditure increased from 51% last year to 53,1% , which means it now represents a substantial part of our audit population.

For these reasons, we considered the level of error to be pervasive, so consequently we issued an adverse opinion on EU expenditure.

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Annual Report: Performance

For the first time we published a separate report on the EU budget's performance in the form of a Pilot exercise with the aim of trying to produce comprehensive reporting on performance in the future.

We examined whether the Commission has a robust process for high-level yearly reporting on the performance of EU policies and spending programmes and on whether they achieve their objectives effectively, efficiently and economically.

We pointed to a number of problems: the quality of the Commission's performance assessments still varies across programmes, and setting robust and informative performance indicators remains a challenge.

Special Reports:

In addition to our work on the annual report, we also carry out audits on selected topics across the broad range of EU activities. These special reports present the results of selected performance and compliance audits of specific spending or policy areas.

In 2019 we published 25 Special reports, 26 in 2020, and 12 out of a possible 40 have been published this year. They cover a multitude of topics such as food safety policy, renewable energy, e-commerce, border controls, fiscal governance and child poverty, to name but a few.

Examples of how our reports can be used at national level include; Our report Combating Child Poverty, for which I was the responsible member was mentioned in Dáil Eireann during a Private Members business bill on Child Poverty. While our report on energy efficiency was widely publicised and considered in a call to review energy-efficiency grant schemes. Our most recent published reports that include Ireland (both published last week), relate to Climate and CAP and the second was on Dairy Market Disturbances and the support provided by the EU to farmers,



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where Ireland was in a sampled member States. Covid 19 related Passenger rights was just published yesterday – which may also be of interest.

Other upcoming reports that may be of interest include; Procurement of vaccines, fraud and the CAP and migrant return policy.

We also have an upcoming report on Interreg. [Ireland](#) was part of an extended desk review. This is due to be published tomorrow. Through this audit, we assessed whether the Commission and the Member States had addressed the challenges of the cross-border regions in the internal borders.

Moving on to the Brexit adjustment Reserve Opinion:

This year I was the responsible reporting member for the Court's Opinion concerning the proposal for establishing the Brexit Adjustment Reserve ("BAR"). Opinions set out the Court's judgement or standpoint on legislative proposals through detailed analysis and assessing the logic of the proposals.

As many of you already know – This 5 billion fund is a solidarity tool which is intended to support those Member States worst affected by the UK's withdrawal from the EU.

Many of our comments and concerns in the Opinion are related to the exceptional "Architecture and design of the BAR". While it meets the proposal's objective of providing flexibility to Member States and allows for a swift reaction to the exceptional situation, we raise concerns that the proposed timing and structure creates a lack of certainty.

We also highlight issues relating to audit and accountability, Eligibility period, Pre-financing calculation, Eligibility of expenditure, and the reporting and evaluation.



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NGEU:

To help rebuild Europe post-COVID-19 there is a total package of €2.018 trillion in current prices comprising the MFF and NextGenerationEU (NGEU), which is the largest stimulus package ever financed in Europe.

NextGeneration EU, as you are aware is a €800 billion temporary recovery instrument to help repair the immediate economic and social damage brought about by the coronavirus pandemic. The effective management of these funds is a challenge for all stakeholders.

The Recovery and Resilience Facility accounts for 90 % of the overall resources of the NGEU. The RRF introduces major changes compared to previous funding instruments as the related payments are based on the achievement of milestones and targets rather than on costs submitted.

The Court is still currently developing its audit strategy and approach for the NGEU. This initiative is particularly important for **Ireland** as we should receive approximately €915 million.

Conclusion:

As auditors, we spend for much of our time looking back, so I would like to close by looking forward. We are going through an unprecedented and difficult time and the EU is currently shaping its response to the current crisis. With the NGEU, as stated above, managing the EU's finances in a sound and effective manner will thus become even more important for all stakeholders including the ECA.

My hope is that later this year, I will be to present our Annual report in person rather than virtually, but for now I would like to thank you for your time.



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