



EUROPEAN
COURT
OF AUDITORS

JOURNAL

European Court of Auditors



N° **07-08**
July-August 2017

PRODUCTION

Rédacteur en chef / Editor in Chief:
Gaston Moonen

Tél. / tel.:
00352 4398 - 45716

E-mail :
antonius.moonen@eca.europa.eu

Mise en page, diffusion /
Layout, distribution :
Direction de la Présidence -
Directorate of the Presidency

Photos :
Reproduction interdite /
Reproduction prohibited
© ECA

Past editions of the Journal
can be found on ECA's website:
[http://eca.europa.eu/en/Pages/
Journal.aspx](http://eca.europa.eu/en/Pages/Journal.aspx)

© European Union, 2017
Reproduction autorisée à
condition de mentionner
la source/ Reproduction is
authorised provided the source is
acknowledged

The contents of the interviews
and the articles are the sole
responsibility of the interviewees
and authors and do not
necessarily reflect the opinion of
the European Court of Auditors

FOR MORE INFORMATION
AND PAPER COPIES :

European Court of Auditors
12, rue Alcide De Gasperi
1615 Luxembourg, LUXEMBOURG
eca-journal@eca.europa.eu

eca.europa.eu



@EUAuditors



EUAuditorsECA



| TABLE OF CONTENTS

- 04 | **Editorial**
- 05 | **ECA Award for Research into Public Sector Auditing 2016 : paying tribute to Henrik Otbo**
By Gaston Moonen
- 11 | **Interview with Mr Henrik Otbo, as published in the ECA Journal April 2012 edition**
By Rosmarie Carotti
- 14 | **The ‘improper payments’ approach of the United States**
By Andreas Bolkart, Directorate of the Presidency, ECA
- 17 | **Renforcer nos connaissances respectives: réunion d’échange entre la Cour des comptes européenne et la Cour des comptes française**
Par Stéphanie Girard, cabinet de Mme Danièle Lamarque
- 21 | **Reform and efficient use of the EU budget: a too difficult conversation?**
By Prof. Dr Alex Brenninkmeijer, ECA Member
- 25 | **ECA goes Brazil: ECA team co-chairs the INTOSAI Professional Standards Committee**
By the ECA PSC Secretariat Team
- 27 | **FOCUS**
Alexander Italianer meets ECA Members
Special reports Nos 9 & 10/2017
- 29 | **Looking for synergies with the European Parliamentary Research Service**
By Fabrice Mercade, Directorate of the Presidency
- 31 | **Going back to school: obtaining a Master’s at the University of Lorraine**
By Gaston Moonen



Accounting is often depicted as a boring occupation, providing information on past events when decisions for the future have already been taken. But not everybody holds this view, and it is not only the accountants themselves who disagree with it. In his book 'The Reckoning: Financial Accountability and the Making and Breaking of Nations' the historian Jacob Soll describes the ability to have proper accounts as a 'making or breaking' condition for a nation's rise to power...and ability to hold on to it. According to Mr Soll societies that managed to harness accounting as part of their general cultures flourished, those who did not languished.

How exciting, then, is accruals accounting? Many eyebrows become question marks on hearing those terms. Accruals accounting was clearly exciting enough to win the 2016 ECA Award for Research into Public Sector Auditing. This edition was issued in honour of the late Henrik Otbo, who died while serving as an ECA Member and who left an impressive legacy. The winner turned out to be Dr Andreas Glöckner. He pled to further harmonize public sector audits and wrote his PhD thesis to present a normative accounting model for public sector accruals accounting. This model aims at combining inter-generational fairness with financial sustainability - precisely the two aspects that politicians try to come to grips with nowadays and which were also touched upon from an auditor's perspective during the award ceremony by the two keynote speakers.

Inter-generational fairness and financial sustainability were also discussed during the symposium on the future of the European Union's finances, held in Speyer, Germany. In his contribution ECA Member Alex Brenninkmeijer urged Member States to focus their discussions for the next Multi-annual Financial Framework on what we wish to achieve with a common EU budget instead of mainly on what will be in it for them.

Common approaches in public sector audits across Europe were discussed during the meeting of the French Cour des Comptes with the ECA. Moreover, during last month an ECA delegation visited the US Government Accountability Office to see how they dealt with 'improper payments' in the United States .

Public sector audit, and learning as much as possible about it, is also the focal point of the interview with Anna Fiteni, a colleague and student in a Master's degree programme in Public Administration.

All in all, these activities illustrate that the ECA is not only looking at what happens in the past but also how public sector auditing can be relevant for the future and engaged to foster accountability and improvement.

Gaston Moonen

ECA Award for Research into Public Sector Auditing 2016 : paying tribute to Henrik Otbo

By Gaston Moonen

As the EU's external auditor the ECA tries to stimulate research into public sector auditing. For this purpose the ECA created the ECA Award, and its fourth edition was issued, in memory of the late Henrik Otbo (2049-2015), to Dr Andreas Glöckner for his thesis on accrual accounting in the public sector. The ceremony for the 2016 Award was held at the ECA on 31 May 2017, with presentations honouring Mr Otbo, insights in the selection and contents of the prize-winning research of Mr Glöckner, and keynote speeches presented by Mr Vitor Caldeira, President of the Portugese Tribunal de Contas and former ECA President, and Mr Alar Karis, Auditor General of Estonia.



From left to right: Prof- Dr. Josef, Bonnic; Alar Karis, Auditor General of Estonia; Bettina Jakobsen, ECA Member; Klaus-Heiner Lehne, ECA President; Vitor Caldeira, President of the Tribunal de Contas, Portugal; Dr Andreas Glöckner, Award winner 2016

Honouring Henrik Otbo

The award ceremony was organised around three parts and the first part zoomed in on the man the 2016 Award was dedicated to: Henrik Otbo, who served, among other things, as the Auditor General of Denmark for 16 years, subsequently becoming ECA Member in 2012. For more details on his career see the box with a short biography. In the presence of the Mr Otbo's family (his wife, his son and daughter-in-law) ECA President Lehne opened the ceremony, followed by a speech from Ms Bettina Jakobsen, ECA Member and colleague of Mr Otbo in the Danish National Audit Office for over 20 years.

In her speech Ms Jakobsen highlighted the importance of what seems to be a technical issue, accruals accounting, but is at the very heart of what auditing of spending in the public sector implies. Accrual accounting shows a much more accurate picture of financial performance than cash-based accounting and can lay a foundation from which efficiency gains are more easily measurable. She highlighted the importance Henrik Otbo attached to the introduction of accruals accounting in Denmark in 2003, halfway of his term as Auditor General. As he said it: '...we get, for the first time, real accounts that show what things actually costs. It can sometimes be difficult to understand how we could have been without for so many years.'

Ms Jakobsen also focused on his work as chairman of the INTOSAI Professional Standards Committee and how proud Henrik Otbo had been on the accomplishments of the EU, which he believed in and to be a big success, albeit with realism and with an eye where the EU can further improve. She and also several other speakers praised Henrik Otbo as an eminent public auditor, with profound professional competence and firm commitment, convincing auditees and stakeholders through solid evidence, analytical thinking and knowledge. But what was referred to most by them was his kindness and the consideration he showed to others, finding quality time for his family and always wanting to achieve the best for his staff and the public. As Ms Jakobsen put it: 'Everybody knew Henrik and he knew everybody. His legacy continues to live on'. Henrik Otbo's son, Thomas, also spoke to express the thanks and gratefulness that the ECA Award was made in memory of his father and congratulated the winner of the Award. Included in this Journal is a reprint of the interview made with Henrik Otbo when he started as new ECA Member, and which was published in the April 2012 edition of the Journal.

Choosing the Award winner: considerations of the Selection Panel

The Award Selection Panel's choice was introduced by Prof. Dr Bonnici, former ECA Member. He highlighted the importance of academic institutions for public institutions, indispensable as qualified observers and critical scrutinizers of the activities of institutions. According to Panel the thesis of Mr Glöckner, which is already available as a book, offers a comprehensive and innovative analysis aimed at proposing a conceptual foundation for public sector accruals accounting. His research is not only descriptive but contains a clear normative value. The stand-alone accounting model developed by Mr Glöckner could be applied in many public sector entities. The Panel appreciated the research also because of its potential role for the harmonization of public sector audit across Europe. The thesis is a timely and important study that meets all the Panel selection's criteria: originality, innovative nature, significance and overall quality.

Andreas Glöckner's thesis on public sector accrual accounting

After receiving the medal and the Award certificate Mr Glöckner elaborated on his thesis, underlining the need for trustworthy information for the legislator and discharge authorities, and their interest in good quality checks of accounting standards, also because it is in the public interest to avoid mistakes ex-ante instead of marking and correcting them ex-post. Therefore, in his view, auditing on the one hand and developing accounting standards on the other hand, are highly related.

The title of his thesis is, '*Conceptual foundations of public sector accrual accounting – Conflicts of interests, objectives and principles derived*' (in German: *Konzeptionelle Fundamente der Neuen Öffentlichen Rechnungslegung – Interessenkonflikte, Zweckkonzeption und daraus abgeleitete Prinzipien*). It has as main research question: what should public sector accounting look like at its best, given certain public sector premises. According to Mr Glöckner there is no single accounting theory considered to be fully compatible with all the information needs of the different public sector stakeholders. Often public sector accounting is an adaptation of private sector accounting. Therefore the focus of the thesis is on particular public sector premises and needs in accounting. The core idea was to develop a stand-alone accounting concept from scratch that could be applied in all kinds of public sector entities abroad and at all levels. Also the author admits: this is quite ambitious!

ECA Award for Research into Public Sector Auditing 2016 : paying tribute to Henrik Otbo *continued*

The thesis contains a deductive point of view, since its conceptional foundation is derived from specific conditions of the legal, social-economic and political environment of public sector entities. It has a strong comparative component with diverse reference models (like IFRS and IPSAS) and furthermore uses literature research to substantiate findings. Mr Glöckner indicated that the general wisdom that you can only understand the present and shape the future if you are familiar with the past, also applies to accounting. From his research he has tried to draw a contemporary conclusion in 20th century discussions on accounting theory that fits the public sector context in the EU.

Some of his key findings in the thesis are:

- the importance to have clear definitions and explanations;
- there are many more stakeholder groups than the potential users of accounting information;
- policy decision-makers should care about current and future generation interests to reconcile different interests of the stakeholder groups;
- the conceptional foundation he puts forward is based on two postulates of inter-generational fairness and financial sustainability;
- how to provide protection to current and future generation interests;
- the need for a principles-based approach to put the conceptional foundation he developed into practice, this also to obtain a general understanding how to solve accounting problems without knowing the specific rules in place, which is particularly relevant when there are regulatory gaps and the preparer of the accounts has no other guidelines. In this respect the principle-based approach can guide both the standard setters and the preparers of accounts;
- finally Mr Glöckner's thesis summarizes the specifics of public sector accounting he established when working doing his research.

Mr Glöckner expressed his hope that his thesis contributes to an open discussion on what public sector accounting should look like, also in the present IPSAS and EPSAS discussions on accounting standards, raising also some questions to what extent Member States can be convinced to go from IPSAS to EPSAS and was pleading to bring clarity on what the E of EPSAS can mean.



From left to right: Alar Karis, Auditor General of Estonia; Prof- Dr. Josef, Bonnic; Dr Andreas Glöckner, Award winner 2016; Bettina Jakobsen, ECA Member; Klaus-Heiner Lehne, ECA President

Current trends and perspectives in public sector auditing in Europe

In their key note addresses Mr Caldeira and Mr Karis present their perspectives on how the changing environment will require new ways of working in the public sector and also for public sector auditing. They underlined that if Supreme Audit Institutions (SAIs) wish to remain relevant they will have to address issues that matter regarding accountability, transparency and policy outcomes while using modern audit techniques and capabilities.

Mr Caldeira paid tribute to Mr Otbo's achievements, including the establishment of professional audit standards. Applying these standards in the EU and beyond is in his view a major challenge for auditors nowadays. With the global economy and the financial markets highly interconnected and a public sector facing ongoing spending constraints, public auditors will need the ability to identify what is changing and how to address risks and challenges brought by these changes. In his view important issues for auditors will be the following.

How to deal with big data, the massive amounts of data available through open sources and other sources? Analysing these data with modern high-powered analytics offers an opportunity to public sector auditors to remain relevant by performing as trusted sources of insight and information to their stakeholders, and more and more in 'near real time' ways than predominantly ex-post. However, this will require developing specific audit skills and capabilities;

How to tap into new ways of working in the public sector? In a period of financial constraints and lack of trusts of citizens new instruments for financing public policies and new ways for delivering public services emerged. Public sector reforms focusing on institutional arrangements - networks and partnerships, also caught under the name 'joined-up governance' - and administrative values (public service and social inclusion) emerged. These partnerships developed between different levels of government (think about EU and Member States), at Member State level (through devolution and empowerment of local authorities), between different state agencies or departments (sharing support services or pooling of resources) but also between public, private and voluntary bodies (to deliver public services or finance public infrastructures). These shifts were also triggered by a growing sensitivity towards issues like security and the threat of terrorism, climate change, migration and ageing populations. For many of these issues citizens will seek answers from the state rather than the markets and with concerns about equity rather than efficiency. In such a new environment of 'joined-up governance' public sector auditors are increasingly expected to assess the public sector ethical framework and the application of integrity policies. In this context Mr Caldeira spoke about two new e's, namely environment and equity, besides the three traditional ones.

Is public sector audit in Europe adding value, is it addressing what matters? With this question Mr Caldeira asked attention for the strategic outlook of SAIs on:

- a) how to audit complex cross-border and cross-cutting issues (like climate change, migration and security);
- b) how to sustain their own legitimacy when trust in public institutions is going declining, and
- c) what their role can be to restore public trust in the public sector.

Moreover, EU public sector auditors need to anticipate the impact of other particular developments, of which Mr Caldeira highlighted four: global instability; climate change; demography; and Brexit. In his view regaining citizens' trust was probably the major challenge to be faced, identifying accountability, transparency and trust as the 'golden triangle' to foster the impact of public sector audit work.

Mr Caldeira concluded saying that in order to remain relevant in a fast changing environment, public sector auditors need to facilitate accountability and ensure transparency by: a) performing as trusted sources of insight and expertise; b) supporting parliament's oversight function; c) providing reports on what matters for stakeholders and citizens. In this way, Mr Caldeira expressed, public auditors would help to restore the trust of citizens and taxpayers alike.

ECA Award for Research into Public Sector Auditing 2016 : paying tribute to Henrik Otbo *continued*

Mr Karis remembered Mr Otbo as a critical and valued professional whose comments were always directed towards development and improvement. He reflected on 40 years of development of independent external audit, in which Mr Otbo also had played an important role. Now, 40 years after the ECA was created and the signing of the Lima declaration on independence for SAIs, Mr Karis underlined, there are still threats to the autonomy of SAIs and more than ever issues that are bigger than just one country or one government. Government is literally everywhere while accountability is becoming more and more diffused. Private and national information systems turn out to be vulnerable and exploiting that vulnerability can be a danger to stability in societies, according to Mr Karis.

Are SAIs part of the problem or part of the solution, and with this question Mr Karis went into some self-reflection. Looking at the latest activities of INTOSAI and EUROSAI regarding their strategic long term goals, the ever-greater involvement of SAIs in auditing government activities indicates, in Mr Karis' view, that SAIs do not want to be left on the sidelines. This is easily said but how can SAIs really deliver? With this question Mr Karis probed into the effects that the thousands of reports SAIs have produced actually triggered. He stated that SAIs are struggling to remain relevant in a system of governance which is changing too.

E-governance as a driving force behind changes in governance: with this view Mr Karis highlighted the impact of open data, the difficulties in following tax money, certainly in the case of e-money, where the question of who is responsible may be more difficult to answer. SAIs work will increasingly focus, according to Mr Karis, on ICT-related audits in their audit programmes because of the changes in the audit environment. He referred to the numerous IT related audits that have been done by European SAIs. These experiences should be consolidated into meaningful audit practices that provide added value for citizens and to those developing new systems that minimise risks as breaches of data security, lack of transparency, sophisticated corruption and new fraud schemes. He gave examples of the dependency of tax authorities in Estonia and Chile from the different databases available, or the correct processing of health services on the correct processing of data.

Looking at the future of public sector auditing, Mr Karis indicated that certainly in Estonia accounting is more and more done electronically. Therefore, instead of mainly checking the technical parameters of transaction in accounts, auditors need to understand IT systems themselves (settings, internal operations) since the risks of mistakes or fraud are there. So for Mr Karis the question arises whether in 2050 auditors are still needed, or information systems performing online controls have taken over from auditors. This could mean that a SAI in 2050 might be more like an IT organisation than a classic audit organisation.

'One big question will remain: who is accountable?' With this statement Mr Karis highlighted that in his view, in whatever IT environment, when human beings are involved there will always be somebody who holds responsibility. Making decisions for others will most likely remain a task of humans in the future. The rules for automated processes will be created by humans, so auditors will need to look at them. Mr Karis underlined that he was pleased to find in Mr Glöckner's study the points made that the value created or expected in doing financial audit must determine the set-up of the accounting and auditing system, and not the other way around.

Future audits' dependency on human capital was another issue highlighted by Mr Karis. In his view the ability of people to adopt behavioural patterns will be key to the success of embracing new auditing challenges. He presented examples of cooperation with a university on courses in environmental auditing, and organising a young auditors' conference in Tallinn in autumn this year. In both cases they had a very international outlook, stimulating interaction between the next generation of auditors.

Mr Karis concluded with underlining the interaction and intellectual efforts of practitioners and scientists working in the field of auditing as a means to be better equipped to handle the unknown future challenges, welcoming the ECA awards to stimulate such work. In his view auditing in the future will be very different to the practice known today.

Biography of Henrik Otbo

Henrik Otbo was born on 14 November 1949 in Copenhagen, Denmark.

Following his Master's degree in economics in 1976 from the University of Copenhagen, he dedicated his entire career to public audit.

From 1976-1984 he was head of section at the Danish National Audit Office after which he carried out his first term at the European Court of Auditors, first as attaché, from 1984-1985, and then as Head of Private Office, from 1985-1988, for the Danish Member of the Court.

In 1988 he returned to the Danish National Audit Office where he, in 1989, was promoted to Director, and, in 1995, to Auditor-General. In this role, his contribution to the continuous development of Danish governance and financial management was significant.

During his 16 years as Auditor General of Denmark, the National Audit Office participated in numerous peer reviews of other countries' Supreme Audit Institutions and in the Global Audit Leadership Forum - a group of the foremost National Audit Offices in the world. He was Chairman of the INTOSAI Professional Standards Committee from 2004-2012.

He returned to the European Court of Auditors in 2012, now as the Danish Member, until his sudden death in Luxembourg on 1 February 2015.

As a Member of the former CEAD-Chamber, he found a platform from which he was able to continue to be a champion of getting results and encouraging sound financial management – always with the incentive to make the best use of taxpayer's money.

In his youth, Henrik Otbo was an elite volleyball player, and he continued to be an active sportsman throughout his life. He was married and had two children as well as grandchildren.

Many Member States would welcome the ECA coming forward

Interview with Mr Henrik Otbo, as published in the ECA Journal April 2012 edition

By Rosmarie Carotti



Rosmarie Carotti, former Editor-in-chief and Henrik Otbo, former ECA Member (1/3/2012 - 1/2/2015)

R.C.: Let me welcome you as the new Member from Denmark. Between 1984-1988, you served in the European Court of Auditors in the Cabinet of Mr Brixtofte. Today you come to the ECA as President of the National Audit Office of Denmark.

Henrik Otbo: I am not the first former President of a National Audit Office who was nominated for the ECA. I remember, Mrs Hedda von Wedel, from Germany, and Mr Jørgen Mohr from Denmark. Today I share this experience with Mrs Rasa Budgerytė from Lithuania.

R. C.: What made you accept this nomination?

Henrik Otbo: I have always had the desire to go back to the ECA, so I am very pleased and very proud to be here. It is an excellent opportunity for me to have new challenges. I am very much looking forward to work for and support the ECA in its continuing development.

R. C.: When did your government nominate you?

Henrik Otbo: I have known for some time, but the government was not involved. In Denmark it is up to Parliament, to the political parties, you could say. The leading parties in government also supported my nomination, but it was not a government decision.

In Denmark one says that the Auditor General, the Audit Office, work on behalf of the government. We report to the public accounts committee in Parliament. Following that line of thinking, in Denmark, it is Parliament which puts forward the name of a new candidate. They all agreed and supported me in my wish to go here.

R. C.: You also have a lot of experience in working with INTOSAI. How do you intend to continue this cooperation?

Henrik Otbo: Six or eight years ago, INTOSAI decided on a strategic plan. Following that strategic plan, since 2004, INTOSAI became much more efficient. I chaired, on behalf of Denmark, the professional standards committee. The task was to produce a full comprehensive set of auditing

standards differing in a number of aspects from the private sector standards. For the first time ever, decided upon in the Congress of INCOSAI, in South Africa in 2010, the Supreme Audit Institutions (SAIs) throughout the world, including the ECA, today have access to full public sector auditing standards. That is a huge step forward.

I will make it my business in the ECA to see that the Court considers how to use these standards. An example could be how the DAS methodology goes together with the INTOSAI standards. More important than specifically applying these standards now is to understand why we do it slightly differently.

The ISSAIS, are the INCOSAI or INTOSAI public sector standards accepted by all audit offices throughout the world. They are not compulsory, but it is important that all supreme audit offices, including the ECA, consider how to use them.

With great pleasure, I have seen that World Bank, UN and other representatives have acknowledged the huge step forward made with the INTOSAI standards. But the work has not yet been finalised. It is a living thing.

R. C.: You mentioned the DAS. What is your opinion on it? What are the strengths and weaknesses of the DAS?

Henrik Otbo: No matter if it is the DAS or other products the Court or other institutions develop, we need to continue the development. We also have to modernize and develop our DAS methodology.

It is difficult to bring a revolution to the DAS in a short span of years. I'll be working on setting some development targets for 2 - 5 years and see the amount of resources needed. I just arrived two weeks ago, and I will need to work with my colleagues. But I do not think we will have to fight for a consensus to develop things, and we will convince staff of the rationale of this development in the delivering part.

I see many good signs of development in the Court. The chapter on performance in the annual report is highly appreciated by the Supreme Audit Institutions in the Member States and by the European Parliament. It is a good sign to develop further.

Internally, the Chambers introduced some years ago are also a good thing. 27 Members are too many people to discuss reporting in detail. Seen from the outside, the Court has been in a consistent and positive process of development. We just need to continue.

R. C.: If you had to be critical instead, where would you see room for action?

Henrik Otbo: I think the Court should open more up to national audit institutions in the Union. Many of them would like the ECA to come forward, to take the lead.

As I see, the strategic considerations in the Court are touching on this subject. Take for instance the economic and financial crisis in Europe. Many initiatives are similar or much alike in the Member States. We should do some audit together and put issues like bank packages and support schemes before Parliament. The Court can and should play a bigger role in this area.

R. C.: There is really an evolution. Recently, the ECA got one Member on the Board of audit of the European Stability Mechanism and one could also consider checking the quality of data submitted for statistics.

Henrik Otbo: Also that. The Contact Committee meeting here in Luxembourg in October, touched upon these issues and so the direction is there, the willingness is there, but I think that it should materialize in more work. And I also see Parliament asking for that. There are a lot of good opportunities we should explore to a greater extent.

R. C.: **This requires relying on the work of others, i.e. “single audit”.**

Henrik Otbo: Of course, we should rely on the work done by other colleagues. It is impossible for the ECA to duplicate. We have to rely, not blindfolded, of course. I am convinced that we can rely in quite many programmes, and support schemes in Member States.

I welcome the development in the financial regulation where the Member States are being asked to be more accountable, to come up with Member States’ declarations signed by Ministers of Finance. This is a good opportunity for Member States’ Audit Offices to audit more specifically the EU accounts. That would facilitate and support the work of the Court.

I think that in all countries you rely upon work of other auditors. In auditing companies throughout Europe, you work together with other auditors, but as I said, if you rely on other auditors’ work, you must have the right to go through their working papers.

National Parliaments, European Parliament want us to work together more. It might not be possible to do it the same way in all Member States, but I do not see that as a problem, I see it as a challenge. We should look around for the good opportunities to be explored and many Member States would welcome the ECA coming forward and say what can be done.

R. C.: **Public opinion calls more than ever for the ECA to take a stand.**

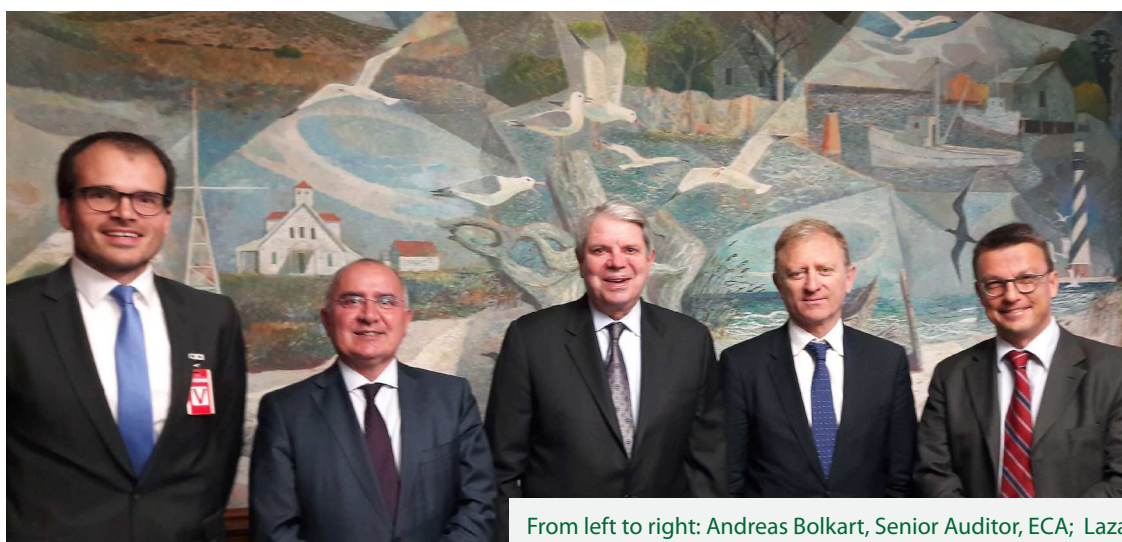
Henrik Otbo: I think that the Court has produced many impressive opinions which have influenced the development in a good way, enhancing accountability, improving controls and audit arrangements over the years.

On the opinion side, the ECA is playing quite an impressive role and should continue doing that. When I talk about improvement, it is about reporting and cooperation with Member States.

The 'improper payments' approach of the United States

By Andreas Bolkart, Directorate of the Presidency, ECA

On 19 and 20 June, an ECA delegation visited the Government Accountability Office (GAO), the Office of Management and Budget (OMB) to get first hand insights into the 'improper payments' approach in the United States. The visit was undertaken in the context of the ECA's current reflection on the approach for the Statement of Assurance (SoA) for the year 2018 and onwards.



From left to right: Andreas Bolkart, Senior Auditor, ECA; Lazaros S. Lazarou, Member and Dean, ECA; Gene Dodaro, Comptroller General of the US; Head of the GAO; Eduardo Ruiz Garcia, Secretary General, ECA; Martin Weber, Director, ECA

What are 'improper payments'?

The meetings at the GAO and the OMB provided the ECA representatives with a good understanding of how the US administration deals with '**improper payments**', a concept similar to payments affected by error in the ECA's context.

Improper payments (IP) are payments that should not have been made or were made in an incorrect amount (including overpayments and underpayments). They include duplicate payments, payments to ineligible recipients and incorrect amounts paid. Payments for which insufficient or no documentation was found are also considered improper payments.

Improper payments are assessed based on various legal acts and the OMB, a part of the White House, has a supervisory function and provides guidance. According to these laws and guidance documents, US federal agencies must perform a risk review of its programs and activities and identify the ones that may be susceptible to significant improper payments. Programs and activities must be reviewed once every three fiscal years.

For each program or activity identified as susceptible to significant improper payments, the head of each agency must produce either a statistically valid estimate of the program's improper payments or an estimate that is otherwise appropriate using a methodology approved by OMB (alternative methodology). Estimates must be included in the agencies' annual financial reports.

Agencies are required to report certain information regarding the improper payment estimation process and efforts to recover improper payments, including:



Source: GAO analysis of Office of Management and Budget data and *The Financial Report of the United States Government* for fiscal years 2013 through 2016. | GAO-17-633T

Notes: Improper payment estimate amounts do not include the Department of Defense's Defense Finance and Accounting Service Commercial Pay program because of issues related to the reliability of the program's estimate. Numbers may not add to totals because of rounding.

- Gross estimates of the annual amount of improper payments made in the program and a description of the methodology used to derive those estimates;
- Discussion of the root causes of improper payments identified, actions planned or taken to correct those causes, and planned or actual completion date of those actions, and the results of the actions taken; and
- Discussion of the amount of actual improper payments that the agency expects to recover and how these payments will be recovered.

The government-wide reported estimate of improper payments has increased each year since fiscal year 2013 (see chart). In 2016, this resulted in an **IP rate of 5.1%** of the corresponding programme outlays.

Selected features of interest about the US improper payments programme

- The US improper payment system is **entirely run by the government**. The GAO itself does not estimate any error rates. However, it reviews the estimates on a case-by-case basis and also assesses the IP framework annually from a systems perspective. The GAO takes IP reporting into account for its overall opinion on the accounts of the government, but not in the form of a single aggregated quantitative indicator.
- The US legislation intends to **limit unnecessary burden** through the IP programme by requiring the federal agencies to assess the risk level of the programmes they run. An expected improper payments rate of under 1.5 % is considered low risk. The agencies have to statistically estimate the IP rate only for those programmes that are assessed as risky.
- **Inspectors general** of the agencies, a function similar to internal audit, play a key role in providing independent scrutiny over the agencies' IP risk assessment and estimates.
- **Improper payments rates vary considerably between programmes**, some of them can go up to 75%. Agencies that report an IP rate of more than 10 % for a given programme for more than three consecutive years, need to ask Congress to re-authorise the program or make statutory changes that bring the programme into compliance.
- **Not all risk-susceptible programmes report estimates**, so the overall IP rate might be understated. On the other hand many low risk programmes are not required to report an IP rate. If they were to estimate an IP rate, they may reduce the overall IP rate. The overall IP rate is therefore an aggregate of all programmes that report an estimate and not a representative indicator for compliance in overall federal expenditure.

- The **IP rate is a 'final' error rate**, meaning that corrective measures would not reduce the rate after the estimate is made.
- Some federal agencies **outsource the IP estimate work** to private sector audit firms.

The visit also gave insights of other interesting practices followed by the GAO:

- The GAO uses a **high risk list** to promote certain programmes or issues in its communication with the auditees and Congress. These programmes or issues can be sectoral or cross-cutting. The GAO groups any relevant audit work and open recommendations under a given high risk and address them prominently to the auditees and Congress. A key moment for this communication is the beginning of a new Congress session (every two years after the House/Senate elections).

The risk list creates more attention for the respective area and therefore more pressure on the auditee to bring the risk level down and eventually make the GAO remove the item from the high risk list. The criteria for removal from the risk list are demonstrated top leadership commitment and support, the capacity to resolve the risk(s), a corrective action plan, monitoring and demonstrated progress.

Every year some are added and some are removed from the list. Currently there are 34 high risks on the list. Examples for high risks are 'managing federal land property', 'Department of Defence supply chain management' and 'National Flood Insurance Program'.

- The high risk list is also used to **follow-up on open GAO recommendations**. Open recommendations are grouped by high risk area and prioritised. The most important recommendations are addressed in annual letters by the Comptroller General to the responsible Ministers or Heads of Agencies.
- The GAO uses '**financial benefit' as a performance indicator**. After each audit, the audit team asks the auditee to assess the net financial benefit of all implemented recommendations. This can be savings, but also socio-economic benefits from moving funds to a more value added activity. In 2016 the GAO estimated financial benefits of \$ 64.3 bn, with a large share stemming from defence spending. The GAO centrally monitors the quality of these estimates. For a majority of audits a serious estimate of financial benefit is not possible. The actual financial benefit is therefore expected to be many times higher than the figure reported.

In case of questions on any of these issues the ECA delegation is happy to provide further information, document references or establish a contact with the respective interlocutors in Washington. The key reference for improper payments is "OMB circular No. 123, Appendix C: Requirements for Effective Estimation and Remediation of Improper Payments".

Renforcer nos connaissances respectives: réunion d'échange entre la Cour des comptes européenne et la Cour des comptes française

Par Stéphanie Girard, cabinet de Mme Danièle Lamarque

Dans la continuité des deux rencontres qui avaient eu lieu en 2014 à Luxembourg et l'année dernière à Paris entre des représentants de la Cour des comptes française et de la Cour des comptes européenne, une nouvelle réunion d'échange s'est tenue le 15 Juin dernier dans nos locaux, à Luxembourg. Elle avait pour objet d'identifier les domaines pour lesquels une coopération (notamment des échanges d'information) entre les deux institutions pourrait être bénéfique.



Phil Wynn Owen, Membre; Danièle Lamarque, Membre; Martin Weber, Directeur; Klaus-Heiner Lehne, Président; Henri Paul, Rapporteur général

Cinq thématiques abordées

Durant les différents échanges qui ont eu lieu, ont été discutés les programmes d'audit des deux institutions ainsi que leurs priorités stratégiques pour l'avenir dans cinq principaux domaines : la gouvernance économique et financière, les enjeux en matière de transport ferroviaire, l'emploi, l'immigration et la croissance durable. Pour chacun de ces thèmes, une table ronde a été organisée.

La délégation de la Cour des comptes française se composait de Henri Paul, président de chambre, rapporteur général du comité du rapport public et des programmes, des conseillers maîtres François Monier, rapporteur général du Haut conseil des finances publiques, Jacques Ténier, Hélène Gadriot-Renard, Antoine Guérout, Olivier Ortiz et Bernard Lejeune, et de Quitterie Martin-Vidal, chargée de mission auprès du rapporteur général.

La réunion a été ouverte par notre Président, Klaus-Heiner Lehne, et présidée par Danièle Lamarque. M. Lehne a rappelé tout l'intérêt de ce type d'échanges, nos travaux étant interconnectés. Henri Grethen, Iliana Ivanova et Phil Wynn Owen ont également assisté à cette réunion ainsi qu'un certain nombre de nos collègues de la Cour.

M. Paul a noté que les programmes de travail des deux institutions se rejoignent de plus en plus, grâce notamment au développement d'une programmation plus stratégique par la Cour des comptes européenne, et s'est félicité de la période à laquelle cette réunion était organisée, la Cour des comptes française étant en train d'élaborer son programme de travail pluriannuel. Les conclusions des différentes tables rondes ont été partagées lors d'une session plénière de clôture.

Table ronde: Gouvernance économique et financière

La Cour des comptes européenne a présenté la coordination des politiques économiques de l'Union dans le cadre du semestre européen ainsi que les audits déjà conduits ou en cours dans ce domaine: la procédure pour déficit excessif¹, la procédure concernant les déséquilibres macroéconomiques (le rapport doit être publié fin 2017) et le volet préventif du Pacte de Stabilité et de Croissance et la Stratégie 2020 (audit(s) dont la publication est prévue fin 2017/début 2018).

La procédure concernant les déséquilibres macroéconomiques n'a pas d'équivalent au niveau national : le rôle de la Cour des comptes européenne n'en est que plus important. Elle pourrait cependant profiter de l'expertise développée par la Cour des comptes française dans les domaines des finances publiques et de l'évaluation des politiques structurelles. Un échange de bonnes pratiques dans ces domaines est donc à envisager. Les échanges ont aussi porté sur la méconnaissance du Semestre Européen et des procédures qu'il comporte, ce qui nuit à leur efficacité et ne favorise pas l'appropriation par les États Membres des recommandations qui leur sont adressées par la Commission. L'expérience de la Cour des comptes française en matière de communication pourrait être très bénéfique pour la Cour des comptes européenne dans ce contexte.

Enfin, lors de discussions liées à notre projet d'audit de la Directive 2011/85/EU sur les exigences applicables aux cadres budgétaires des États membres, il a été convenu qu'un échange d'information précoce entre les deux institutions ainsi qu'avec le Haut Conseil des Finances Publiques pourrait être très bénéfique.

Table ronde : Enjeux en matière de transport ferroviaire

Les audits récents, en-cours et prévus des deux institutions ont été discutés : méthodologie, limitations, calendriers et résultats. La base de données développée par la Cour des comptes européenne recensant les travaux d'audit de performance des institutions supérieures de contrôles pourrait être utile à nos collègues français. Cette table ronde a aussi permis aux deux institutions de discuter une possible collaboration rapprochée dans le futur sur certains thèmes particuliers, comme les audits de performance de méga projets tels que la ligne Lyon-Turin ou Seine-Scheldt.

Les échanges ont aussi porté sur l'ouverture à la concurrence des transports ferroviaires, un sujet au cœur des futurs travaux de la Cour des comptes française et qui a fait l'objet de différents audits à la Cour des comptes européenne. Ont été discutés un certain nombre de points techniques et leur impact sur les citoyens (comme le rôle des différents intervenants, la fixation des coûts d'accès aux réseaux ferroviaires, la qualité du service ou la valeur ajoutée des investissements financés par l'UE).

Table ronde : Emploi

Cette table ronde a échangé notamment sur les audits liés à la garantie européenne pour les jeunes. Les différents risques identifiés sur ce sujet par les deux Institutions ont été discutés,

¹ Rapport spécial 10/2016 : « De nouvelles améliorations sont nécessaires pour assurer une mise en œuvre efficace de la procédure concernant les déficits excessifs ». La Cour des comptes française a repris certaines des conclusions de ce rapport dans son rapport sur « la situation et les perspectives des finances publiques » de juin 2016, dans un chapitre V « Les nouvelles règles européennes relatives à la gouvernance des finances publiques : un premier bilan », pp.131 à 171.

en particulier ceux liés à l'absence d'analyse des besoins, à des objectifs affichés irréalistes, à l'absence ou au manque de comparabilité des indicateurs, à la pluralité des acteurs et des programmes rendant la coordination difficile ou encore au manque de moyens administratifs etc.. Les travaux planifiés par les deux institutions ont également été abordés. La complémentarité des deux institutions pourrait être renforcée par exemple si la Cour des comptes européenne faisait un audit comparé entre les régions ultrapériphériques des États membres, telles que par exemple les Açores, Madère, les Iles Canaries ou la Guyane. Une telle enquête pourrait mettre en évidence la diversité des méthodes et procédures utilisées dans la mise en œuvre des fonds européens, d'identifier des bonnes pratiques et de mieux comprendre ce qui ne fonctionne pas. La Cour française a en effet programmé un ambitieux contrôle sur l'utilisation des fonds structurels dans les départements et territoires d'outre-mer, avec l'appui des chambres territorialement compétentes. Cette enquête sera ensuite poursuivie sur le territoire métropolitain.

Table ronde : Immigration et réfugiés

Un certain nombre d'audits récents réalisés par les deux institutions ont été discutés. Nous avons également informé nos collègues français qu'un audit sur l'intégration des réfugiés en Europe était en préparation. Il inclura certainement le FAMI (Fond Asile Migration Intégration) mais également d'autres fonds européens dans le but d'analyser la coordination de l'ensemble de ces financements. La question relative à la difficulté d'identification des bénéficiaires de ces fonds a été abordée ainsi que l'incidence de la décentralisation en France. La Cour des comptes française quant à elle, a lancé un audit portant spécifiquement sur le FAMI. Dans ce contexte elle a été intéressée par le travail effectué récemment par nos collègues travaillant sur la déclaration d'assurance. Il a été convenu que des contacts supplémentaires allaient être organisés entre les deux institutions pour discuter notamment des calendriers respectifs des deux institutions et voir comment les connaissances de chacun pourraient être échangées au mieux. Les connaissances de la Cour des comptes française relatives aux institutions du pays, à l'utilisation des fonds ainsi qu'à l'articulation des politiques nationales et européennes (par exemple dans les territoires d'outre-mer) pourraient également être très utiles.

Table ronde : Croissance durable

Les responsabilités et différentes tâches ont été discutées lors de cette table ronde. Ceci a permis d'identifier des rapports de la Cour des comptes française publiés ou non et qui seront analysés par nos collègues de la Chambre I dans le contexte de l'audit prévu portant sur la prévention des inondations. Les principales observations de ces rapports ont été discutées.

Les questions relatives à l'énergie, qui font partie des responsabilités de la Chambre I au sein de la cour des comptes européenne au même titre que celles liées au transport, à l'environnement et à l'agriculture sont traitées dans une chambre différente à la Cour des comptes française. Il a été convenu de faire un point intermédiaire avant 2018 dans ce domaine. Les magistrats français ont marqué un vif intérêt pour le colloque qui sera consacré à Bruxelles en octobre à l'étude panoramique sur l'énergie et le changement climatique.

Les discussions ont aussi abordé la façon dont la Cour des comptes européenne sélectionne et conçoit ses audits (analyse de risques mais aussi prise en compte des développements récents, de l'intérêt du public...). Les conclusions et recommandations des audits de la Cour des comptes européenne dans le domaine de l'agriculture ont été discutées et mises en perspective avec les travaux en cours à la Cour des comptes française portant sur le développement rural. Les discussions sur les travaux de la Cour des comptes française ont

Renforcer nos connaissances respectives: réunion d'échange entre la Cour des comptes européenne et la Cour des comptes française *continued*

permis à nos collègues de la Chambre I d'apprendre qu'une Agence pour la biodiversité, chargée de centraliser la gestion des parcs nationaux avait été récemment créée en France. Les collègues des deux institutions ont aussi décidé d'échanger leurs programmes de travail détaillés respectifs. L'organisation de réunions bilatérales entre les chefs de tâches des deux institutions notamment dans les domaines de l'agriculture et de l'environnement a aussi été évoquée.

Accroître nos échanges sur un certain nombre de points

Enfin, de manière plus transversale, la Cour française nous a indiqué être prête à nous faire bénéficier de son centre de ressources documentaire, très riche et efficace. Cela pourrait nous permettre d'identifier et de consulter en amont de nos propres audits leurs éventuelles analyses et expertises dans les domaines d'intérêt. La réciproque devrait également être envisagée, afin notamment de faire bénéficier nos collègues français de nos contacts avec des institutions sœurs, et de notre accès privilégié à une documentation multilingue.

Pour certains domaines, comme le transport ferroviaire par exemple, il a été convenu que les échanges déjà fréquents entre les auditeurs des deux institutions pourraient s'amplifier en associant d'autres Institutions supérieures de contrôle, selon le sujet et sous une forme souple. La Cour des comptes européenne a proposé son aide pour faciliter de type de rencontres.

Il ressort de cette journée dense que dans beaucoup de domaines, notre coopération se renforce et va se poursuivre au-delà de ces rencontres annuelles.



Salle de réunion des Membres de la Cour des comptes européenne

Reform and efficient use of the EU budget: a too difficult conversation?

By Prof. Dr Alex Brenninkmeijer, ECA Member

How can the European Union deal with new political challenges? How can it maintain a flexible budget and how can the European Union achieve European added value with less public spending? These were questions brought up at the symposium on the future of the European Union's finances, organized by the German Research Institute for Public Administration, in cooperation with the German Federal Ministry of Finance in Speyer, Germany, on Tuesday 16 May 2017. Alex Brenninkmeijer, ECA Member and Honorary Professor at the University of Utrecht, stirred up the discussion by exploring, in his contribution below to the symposium, what is really important for the discussion on EU finances, and... what is not.



Introduction

The future of EU's budget is for many reasons a trendy topic. I mention some reasons why this is the case: the financial consequences of Brexit; the upcoming negotiations on the new multiannual framework (MFF); the relationship between Germany and France after the 2017 elections; the rising populism and nationalism and the call for restoration of the sovereignty of nation-states, which undermines Member States' willingness to allocate budget for the EU. Furthermore the effects of incidents like the financial crisis, the migration crisis and the unstable geopolitical situation also call for a more flexible and responsive way of spending the EU budget. These challenges are just some of the most urgent issues. In the meantime, the EU citizens wonder why 'Brussels' is not able to solve these problems.

The European Court of Auditors is not satisfied with the financial controls over the different MFF headings. Some are complex in their regulation, some are prone to errors. Overall we can observe that if it comes to the performance of EU budget, it is often questionable whether this budget creates significant EU added value and supports the achievement of common EU objectives. For instance, in our audits, we have observed many underused harbours and airport facilities that are built with money from the EU budget. Waterways that do not sufficiently connect across borders. The sky above Europe is used inefficiently for air traffic. The railway network is not effective enough to stimulate more environmentally friendly transports by train. From the ECA's perspective there are many reasons to review the MFF.

It is obvious that due to EU's imperfect institutional and political structure there is no mechanism in place to lead the negotiation process on the MFF in a good direction. For that reason the status quo traditionally gets strong support. Just digest the impact on the budget caused by Brexit and move on. When reading comments of experts and think tanks on the future of EU's budget, it's quite easy to list the ten important and sensible improvements for EU's budget. This list will show hot topics like own resources, reconsideration of the agricultural and cohesion policies and more budget flexibility in order to cope with crises. However there is a profound tension between the decisions which are needed for a sound EU budget and the predictable outcome of the upcoming fuzzy negotiation process on the new MFF.

Reform and efficient use of the EU budget: a too difficult conversation? *continued*

What we can see is that due to the impact on the budget caused by Brexit, all other Member States will reconsider their position in the MFF negotiations. Sweden, for instance, takes, like other countries, the position of 'no more money to Europe'. The Netherlands sees 1 billion as a stronghold in the negotiations, meaning that The Hague's net payer's 'rebate' - the correction from Brussels to compensate The Hague for its annual contribution to the EU budget - should annually not be less than 1 billion euro for the next MFF. And in fact the Finanztag discussions held in Speyer may inspire the German government to make some important choices as starting points for the upcoming negotiations. Unfortunately this MFF negotiation process is strongly influenced by the often very complex dynamics of the national political process in the currently 28 but for the future most likely 27 Member States. Stimulating discussion on the new MFF might be considered as a 'difficult conversation' and maybe it is a too difficult conversation. The highly political negotiation process will narrow down its outcome in a zero sum game for 27 participants. It is predictable that the lengthy preparations and negotiations will end up being presented somewhere in the middle of the night or early in the morning with a fast selling compromise. A compromise that risks being too weak to live up to the challenges that the EU citizens are faced with today. With this observation the circle is round: Because citizens distrust EU, Member States are unwilling to invest in the European cooperation. For that reason improvement of EU cooperation and innovation of the budget is not on the agenda.

Having said this, I conclude that the multifaceted crisis in the Union asks for a new approach. If we repeat what we have done in the past we will get the same results. Results that are not convincing for EU citizens. European cooperation will not be perceived as a solution of our urgent problems, but will be perceived as a problem on its own. In my view a very disruptive problem.

The context

When it comes to the EU's decision making on this issue two documents are relevant. Firstly the Commission's White Paper on the future of Europe and secondly the Monti report on EU's own resources. The White Paper offers reflections and scenarios for the EU27 by 2025. And there are five of them, covering more or less the whole range from doing nothing to stronger integration. The Commission's white paper is intended to be an invitation for a honest and wide range debate on how the EU should evolve in the years to come. The future of EU's finances is identified as one of the six urgent topics. The document also touches upon the budgetary implications of the five scenarios of EU development.

The Monti 'papers' are hot stuff in the sense that the High Level Group presented some alternatives for the current mostly GNI-based contributions by Member States. An approach strongly supported by the Member States as a benchmark for fair burden-sharing. However, the report argues in favour of new own resources, making the EU finances less dependent of Member States' contributions. The main reason is that they pave the way towards realising necessary policy objectives such as economic, social and environmental sustainability. In the meantime good functioning EU budget elements should be kept and others should be abandoned. In that sense the Monti report opens the discussion on highly controversial issues related with the vested rights of Member States and the conservative power of the status quo. As a possible opening for future debates focused on solutions, the Monti report offers some suggestions for own resources related with the Single Market and fiscal coordination on the one hand, and those related with the Energy Union, environment, climate and transport policies on the other hand. The EU's way forward might be a differentiated one, where a coalition of the willing takes the fore front in the further development of the EU. In fact, the EU's 60 years history shows that the start was made by a small group of six member states, growing up to 28 members and now facing a downsize to 27. While countries like Norway and Switzerland have chosen their own position.

Reform and efficient use of the EU budget: a too difficult conversation? *continued*

Norway is an interesting example when it comes to measuring the EU added value. Under Horizon 2020 they are net payer. However, they are willing to be a net payer as they recognize the importance of being part of the EU research and knowledge network. Also many British scholars see the dramatic effects of leaving the research union as it was illustrated in a Financial Times interview (see FT 23/08/2016) after the Brexit. When it comes to measuring EU added value we often risk not seeing the wood for the trees. Although the European cooperation is one of the most remarkable and successful developments in Western history, in many Member States the sentiment is the opposite. EU Euroscepticism is sometimes a handy tool for the media and the political parties to attract the attention of the public and to move difficult issues away from the national spotlight.

This brings me to the heart of the matter. Euroscepticism risks becoming a tool for national political parties in their search for power. The political choice for a referendum on 'leave' and the resulting Brexit debate illustrates this. For the citizen, there is a different picture, however. In our complex and globalising world citizens need a clear perspective towards a reliable and sustainable future. On their own Member States are not able to offer this perspective. Closing the borders is no solution. However, it is presented by many politicians as a panacea to end the complexity of our world.

The divide in society between globalists and nationalists and between those who can keep up with the pace of change in our modern society and those who feel threatened by uncertainties, strains the debate on EU's future. In our modern society it is urgent that this divide should be bridged by integration of the different views on our future. In the same way it is urgent that the views on the future of the EU budget should be integrated into a constructive step forward and not into a fruitless battle with no winners at the end.

Indeed, there are many views on the future of EU's budget. However the great diversity in views should be seen as a source of enrichment of the debate instead of a hindrance for finding a sound solution. The most important question is therefore how we can shape the negotiations in a way that we can find common grounds and shared interests. Equally important is the direct communication we shall have with EU citizens, for them to not feel distracted from the EU, from Brussels and its bureaucracy. This is the right moment to seek for improvement of communication with citizens. It's not without reason that the Commission's White Paper intends to open a debate with the citizens.

In this debate with citizens it will be important to avoid not seeing the wood for the trees. Citizens are lost in micro-management plans, for example in the Commission as a whole there are some 1000 objectives and 3000 indicators. The big picture shows that 60 years of European cooperation has brought a huge prosperous internal market and that the former communist satellites could join this development. Indeed Europe is challenged by the financial crises which weakened the perspective of the Euro. And with this the national economies of some countries were extremely weakened. The migration pressure did raise the urgency to protect our external borders. The geopolitical developments ask for more joined efforts of European countries with regard to safety, not only physically, but also in the virtual world. Energy, natural resources and the climate change ask for another European-wide effort.

Not seeing the wood for the trees

The big picture can only be seen when in the debate on the future of the MFF we make a difference between micro, meso and macro issues. The macro issues should lead the debate. The macro issue is how the EU can play a significant role in solving the problems that Member States cannot solve on their own. How can the EU draft relevant policies

and what kind of decision making process is needed for this. How can EU citizens get involved and how can they be convinced that European cooperation not only makes sense, but is needed and can also be conducted in an effective way. On the meso level the question comes up how the MFF should be drafted. How much money do we need in order to cope with the challenges ahead and how should we collect the money. It is evident that in one way or the other EU should have direct access to own resources. Member states should look beyond the highly political question of whether countries are 'net payers' or not, and instead focus on what we wish to achieve with a common budget and how to do that in practice. In the light of the growing need for European cooperation this is apparently the more important question to reflect on. After all, the calculation of individual contributions from Member States based on GNI and the totalling of these contributions is rather a technical exercise. On the micro level we have to deal with the effectiveness and efficiency of the different EU programs such as agriculture, cohesion and research and innovation in the actual MFF. The need for controls should be balanced with the risks of having a too burdensome bureaucracy or even red tape.

What we can observe in the EU is that in the debate on the future of the MFF these three levels - macro, meso, micro - are easily mixed up. Some countries are in favour of consolidation of the CAP, others are reluctant to increase the budget as such. Others see budget for results and performance based budgeting as an outcome. The main question, however, is: why EU cooperation? And what choices can reasonably be explained to EU citizens. If we look for the foundations of European cooperation, what is the 'wood' and what are the trees.

Two issues cannot be ignored. Firstly the connection with EU citizens. It is not an easy task involving them, but the EU starts and ends with defending the citizens' interests. Due to fast and comprehensive information flow and the sometimes disruptive nature of the political and public debate, the relation between those who govern and those who are governed changes quickly. We have to find ways to connect with citizens wherever possible in our societies, in our countries. Quintessential is that citizens need information and that they are empowered to make their own judgement on how EU cooperation makes sense. This is the basis of trust in society. At the end of the day citizens are 'sense makers'.

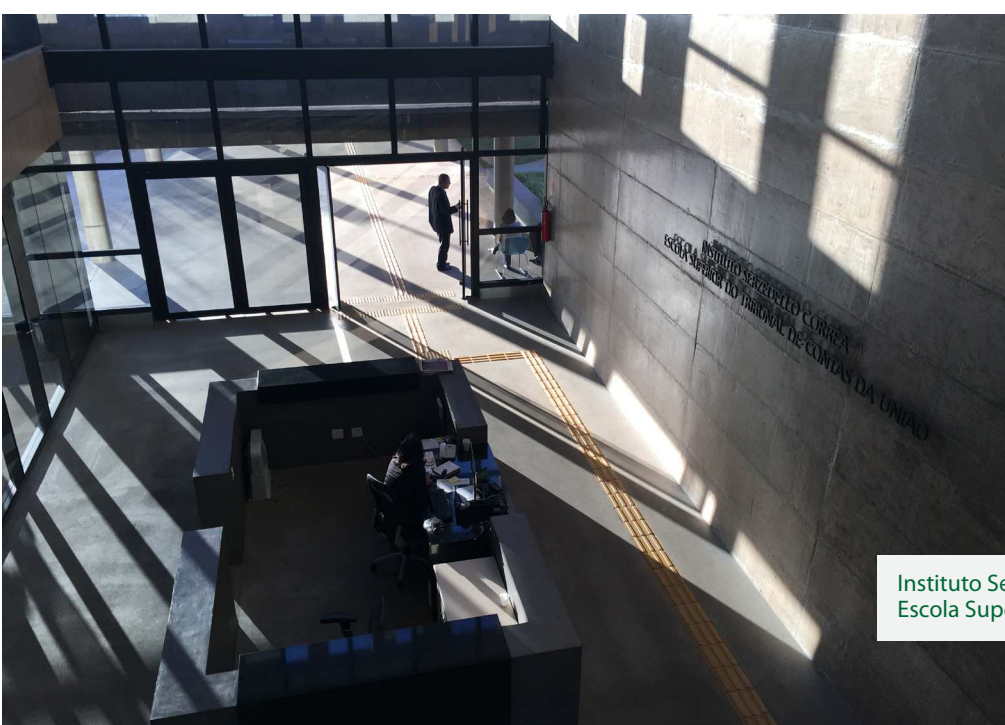
Secondly, the process of integrating the very complex and at times conflicting interests of the 27 Member States is a sensitive but extremely crucial process. The traditional method in the European Union has shown to be little effective. The conservative power of the status quo has often a paralyzing effect. Moreover, seeking for compromises as next best solution is not always the optimal approach and offers the risk of watering down the effectiveness of EU policies. Indeed, in an EU with 27 Member States and many more regions and cities there are many different interests. That makes EU decision-making process hard to implement. But difficulty should not withhold the participants in this decision making process from making choices that are in the best interests of the EU citizens.

This negotiation process to integrate the various interests of the EU stakeholders can be supported by drafting some principles. Principles of how good European cooperation could take shape seem to me a first step towards achieving better outcomes. The second step is to agree on principles of a sound and fair budget distribution. With these principles, we may give direction to our future MFF and move forward with the conversation.

ECA goes Brazil: ECA team co-chairs the INTOSAI Professional Standards Committee

By the ECA PSC Secretariat Team

As indicated in a previous edition of the Journal the ECA decided to increase its focus on work directly related to developing and implementing public sector audit standards. No time was wasted to put this ambition into practice: the ECA took up its new role as vice-chair of the INTOSAI Professional Standards Committee (PSC) at the end of last year and, on 8th and 9th June, was in Brasilia to participate in the 2017 meeting of the Steering Committee of the INTOSAI PSC, for the first time under the joint chairmanship of the Tribunal de Contas da União (TCU - the SAI of Brazil) and the ECA. The ECA delegation was led by Mrs Danièle Lamarque, ECA Member, and consisted further of Neil Usher, Geoffrey Simpson and Alan Findlay.



Instituto Serzedello Corrêa
Escola Superior do Tribunal de Contas da União

PSC strategic goal

The PSC has as its strategic goal to “*promote strong, independent and multidisciplinary SAIs and to encourage good governance by: (1) providing and maintaining international standards of supreme audit institutions (ISSAIs); and (2) contributing to the development and adoption of appropriate and effective professional standards*”¹. Significant changes were made at the 2016 Congress to the way in which INTOSAI sets its standards and much of the meeting was given over to putting the new structures and procedures into place.

Important issues covered included further extending and strengthening INTOSAI’s consultation with external stakeholders in the standard-setting processes, improving the planning for and quality assurance of those processes and deepening the relations between the various INTOSAI bodies so as to achieve mutual support and greater synergies. The meeting also provided an opportunity to reflect on the working of the standard setting process – taking stock of the revised structures and processes - and provided some good ideas on how to further optimize the approach. As a result of the meeting, the joint TCU/ ECA secretariat team will be presenting a number of papers to the INTOSAI Governing Board when it meets in Austria later this year.

¹ INTOSAI Strategic Plan 2017 – 2022, page 21

Consultation with external stakeholders

In strengthening its consultation with external stakeholders, the PSC is reflecting a significant development in standard-setting more widely. For example, the International Public Sector Accounting Standards Board (IPSASB) has recently established a Consultative Advisory Group (CAG) as part of its strengthened governance arrangements. In the case of the PSC, external stakeholders will be represented in two ways. Firstly, the World Bank, the International Federation of Accountants (IFAC) and the Institute of Internal Auditors (IIA) - the three key stakeholders - will become “advisory partners” and participate as active observers in the work of the PSC. A second, larger, group of “consultative partners” will also be established. This group, which may include bodies such as the OECD, the Inter-Parliamentary Union and the United Nations Evaluation Group, will be consulted every three years as part of the process to plan INTOSAI’s standard-setting programme. On a case-by-case basis, these bodies might also be consulted by project groups drawing up individual pronouncements.

Cross-cutting priorities and internal PSC coordination

In addition to achieving its strategic goal, the PSC is also expected to contribute to the achievement of INTOSAI’s five “cross-cutting priorities”, which include advocating for and supporting the independence of SAIs and contributing to the follow-up and review of the UN’s strategic development goals (SDGs).

The PSC Steering Committee meeting was preceded by a technical meeting between the PSC secretariat and the chairs of its four subcommittees (the Financial Audit and Accounting, Performance Audit, Compliance Audit and Internal Controls Standards Subcommittees). This was again jointly chaired by the TCU and the ECA and focused on the work that the subcommittees are doing to restructure INTOSAI’s framework of professional pronouncements² as well as the ways in which the subcommittees might support INTOSAI’s work on the SDGs.

Relation building between the PSC chair and vice-chair secretariats

Both meetings were well prepared, ran smoothly and efficiently and dealt effectively with the charged agendas. The technical quality of the papers discussed, and of the discussions themselves, reflect the good work that is being done by the PSC secretariat here in Luxembourg and in Brasília, and the good working relationship that the two teams have built up.

The meetings were held in the Instituto Serzedello Corrêa (ISC – see picture) which is a purpose built training centre for the TCU focussing on corporate education, organizational knowledge management and documentary management. The ICS is named after Innocêncio Serzedello Corrêa who was Brazilian minister of finance in the 1890s and was responsible for the regulation and functioning of the TCU.

The next meeting of the PSC Steering Committee will take place here at the ECA on 30th and 31st May 2018.

² For a description of this restructuring, see the July-August 2016 edition of the Journal, pages 13 – 17.

Alexander Italianer meets ECA Members



Eduardo Ruiz García, ECA Secretary-General; Alexander Italianer, Secretary-General of the European Commission; Klaus-Heiner Lehne, ECA President; Ms Aldea Busquets, Deputy Director-General of the Commission's DG Budget; Alex Brenninkmeijer, ECA Member, Manfred Kraff, Director-General of the Commission's Internal Audit Service

Alexander Italianer, Secretary-General of the European Commission, had an informal working lunch with the College of the European Court of Auditors. He visited the Court on 14 June, accompanied by the Director-General of the Commission's Internal Audit Service, Mr Manfred Kraff, and the acting Deputy Director-General of the Commission's DG Budget, Ms Aldea Busquets.

Mr Italianer is since September 2015 the Commission's Secretary General. Before that he worked in several private offices of Commissioners and Commission presidents and, before his current position, as Director-General of DG Competition. During his meeting at the Court Mr Italianer provided information on the Commission's White Paper on the future of Europe, presented in March, and particularly on subsequent Commission reflection papers, like the one presented in early June on the future of European defence, or the reflection papers on the deepening of the economic and monetary union, or the one on the social dimension of Europe. These papers may prelude possible future legislative proposals.

Other topics discussed were the EU budget and, related to that, the possible consequences of Brexit. Another subject covered was the adversarial procedure between the Commission and the Court and relations between the two institutions in general.



**Special
Report
N°09/2017**



*Published on
20 June 2017*

EU support to fight human trafficking in South/South-East Asia

Human trafficking has been identified as a key threat to the EU which has committed itself to combat it, both within and beyond its borders. The audit examined the comprehensiveness of EU's approach to fighting human trafficking and whether EU projects contributed effectively to the fight against human trafficking in South/South-East Asia. Eradicating human trafficking is necessarily a long term process which demands addressing root causes and disrupting criminal networks. Given this, we found that the EU was partially effective in supporting the fight against human trafficking in South/South-East Asia. We make recommendations to further develop the human trafficking strategic framework and to optimise the impact of projects by integrating them into a comprehensive framework.

[*Click here for our full Special Report*](#)

**Special
Report
N°10/2017**



*Published on
29 June 2017*

EU support to young farmers should be better targeted to foster effective generational renewal

The number of young farmers fell from 3.3 mln in 2005 to 2.3 mln in 2013. The EU allocated 9.6 billion euro to young farmers in 2007-2020 to foster generational renewal in agriculture. The Court found that this aid is often poorly-defined, with no expected result and impact specified. For Pillar 1 (direct payments), the aid is provided in a standardized form not matching young farmers' needs other than additional income. For Pillar 2 (rural development), the aid better addresses young farmers' needs and prompts specific actions (e.g. introducing organic farming, water- or energy-saving initiatives), however the managing authorities did not always apply selection procedures to prioritise the best projects. The Court recommends to better define the objectives and target the EU support in order to foster effective generational renewal.

[*Click here for our full Special Report*](#)

Study visit of the European Parliamentary Research Service at the ECA

By Fabrice Mercade, Directorate of the Presidency

The European Parliamentary Research Service (EPRS) visited the Court on Monday 19 June for a working meeting with the Directorate of the Presidency (DOP) and audit directors. Since its operational start in 2014, the EPRS has endeavoured to provide focused research on, and analysis of, EU policy issues. This makes it an interesting source for ECA auditors to familiarise themselves with specific policy issues, research methods used and existing assessments on policy outcomes.



Thomas Arntz, Head of private office of the President; Phil Wynn Owen, ECA Member; Fabrice Mercade, Principal Manager of the Presidency; Anthony Teasdale, Director-General European Parliamentary Research Service; Stéphane Reynolds, Assistant to the Director-General

Plugging into the parliamentary work

The work of the EPRS covers a wide range of activities such as direct research and analysis services on EU policies at the request of MEPs, management of the EP library and responding to citizen's enquiries, as well as impact assessments and studies on European added value. The latter two are of particular interest for the ECA. One of the products stemming from that work is the so called "rolling checklist" that presents a comprehensive overview of the ECA Special Reports, concentrating on those relevant for the ongoing EU discharge procedure. This checklist is useful as it relates all the topics covered in the special reports to the relevant debates and positions within the European Parliament, including the working documents of the Committee on Budgetary Control and the work of specialised parliamentary committees as well as MEP's written and oral questions.

Potential synergies and exchanging good practices

Since 2015 the DOP has established direct working contacts with the EPRS Directorate for impact assessment and European added value, aiming at identifying potential synergies and exchanging good practices. On 19 June the ECA welcomed Anthony Teasdale, Director General of the EPRS as well as the entire EPRS management team.

Looking for synergies with the European Parliamentary Research Service *continued*

Based on the ECA's work programme, we have established a list of matching EPRS studies and reports, where every ongoing or to be started audit task is reviewed per Chamber and matched with the relevant work of the EPRS. This allows us to quickly identify issues of common interests. More importantly is the established list of bilateral direct contacts between audit Chambers and EPRS services allowing for exchange of information. This is perceived as helpful for our work on preliminary studies, risk assessments and future work planning (potential audit tasks).

For the EPRS our reports are providing helpful input for EPRS studies and ongoing work. Moreover our audit reports generally contain only part of the information gathered and analysed during our audits. This information remains relevant and constitutes useful material for the preparation of future audit work, as well as for potential future derivatives of our reports that could be tailored for key stakeholder groups. But it can also be relevant for the EPRS when conducting its own research. Exchange of information on these issues with the EPRS has proven very useful for both sides and could be further developed.

During our meeting with the EPRS we presented the ECA's work programme methodology, reviewed the updated matching items list in detail per audit Chamber and discussed further developments of our cooperation as described above. In early May this year, two of our ECA colleagues gave a training course on performance audit methodology to EPRS colleagues and considering the success and interest, more will probably follow. Similarly a course will be proposed to ECA colleagues on the methodology used by the EPRS when conducting their work.

Working together for a learning government

This was the third yearly meeting between EPRS and ECA. Our cooperation has evolved increasingly and the established channels for exchange of information will continue to function and intensify. Both the EPRS and ECA have identified many issues for potential synergies and will continue to work together in full respect of each other's prerogatives and independence, while contributing to a learning public sector.



Going back to school: obtaining a Master's at the University of Lorraine

By Gaston Moonen

Many ECA staff members, either being in audit or in another job, follow courses, presentations and specific training throughout the year. In a quickly changing society where life-long learning is becoming the standard, this is only a good thing. Some of the ECA colleagues take it even further and have embarked on a specific academic programme where ECA-auditors can participate in, called the Master's degree in Public Administration: 'Management of public organisation'. The ECA joined this programme in 2016 which is run by the University of Lorraine (Metz-Nancy) and 12 ECA colleagues enrolled. To get feedback on the programme I interviewed one of the first year participants in the programme, Anna Fiteni, who was willing to share her own hands-on-experience. With the programme soon entering into its third year time it is a good moment to get a personal impression.



Anna Fiteni, auditor

Anna greets me with her ever-lasting smile when she receives me to talk about her current experiences as a student. She immediately agreed to have the interview because after all, sharing experiences is a crucial element in the world of learning. Anna has been with the Court since 2005, having started in the Maltese translation section. Her academic qualifications are in accountancy and audit and she had worked for private audit firms in Malta, her profile fits the picture. In 2009 she passed an audit competition and then she went again into audit. She worked first in audit quality review, then in the directorate of Chamber II, and during 2015 and 2016 she worked in the private office of the Maltese ECA Member. Since October 2016 she works again in the directorate of Chamber II.

What does the Master programme entail?

Anna sets out that the programme consists of two parts: a post graduate university diploma and a Master's degree in Public Administration. The postgraduate diploma requires participation and examination in five modules in 'Audit of public organisations and policies'. If this is completed successfully one may pass on to the Master's degree which comprises a viva voce examination ('grand oral') and the completion of a thesis. The grand oral is a thirty minute interview with the university professors on a specific topic, which you select blindly from the three topics presented to you. Then you get 30 minutes to prepare, followed by thirty minutes to present your thoughts and discuss with the professors. The thesis consists of substantial research work on a specific topic and presenting the results.' In order to enrol for the programme one had to write a motivation letter and a cv. Then the professors decide on which candidates to select, and if selected the ECA will pay the tuition costs.

So why taking this step of 'going back to school'?

Anna points out that, after having finished her bachelor's degree, she has always felt that she still wanted to do a master's degree. 'However, practical constraints always prevented me from enrolling into a master's degree: I have two small children and also with the workload it is not that easy to start an academic study.' When this ECA/University of Lorraine master degree programme was presented she was immediately interested: interesting content, modules given at the ECA premises during working hours, no need to travel, and doing research at your own pace. Anna: 'I did realise from the start that it would still require a lot of personal time, sometimes at the cost

of family time: studying in my own time, my work still needs to be finished in time, and the deadlines in the postgraduate programme are strict. The main drive to pursue further studies was to be exposed to new things, new sources of knowledge.' While working in the Maltese private office her colleague Jacques Sciberras gave her some new and stimulating perspectives, and through this study she found a way to find new insights, to discover and discuss, to find enrichment in knowledge and ideas. Anna: 'Moreover, when I was at university a focus on public sector administration was not that present in the curriculum, and I felt the need to enhance my focus on that aspect.' While not being the initial reason to start the study she also feels that the study work done enables her to better connect to daily aspects of her work too.

While work and the family kept her away from starting a new study the conditions offered by the master's programme were ideal to realise her academic conditions. Anna indicates that if this programme would not have been offered she most likely would not have started a study somewhere else. 'I feel that the ECA certainly has decreased the practical barriers to embark on a study like the one offered.' She also has a lot of praise for the support given by the ECA professional training department: despite being in a pilot phase of the programme many things were well organised. For example, the training department ensured that study material, work assignments, homework, etc. that was originally available in French – mostly for the classes provided by the university professors – got translated into English and they also enabled smooth communication with the professors on for example additional guidance.

So what did you learn, what is the content of the programme?

Anna chuckles while thinking back at her first assignments: 'One of the things I quickly learned was better planning of my time for doing the assignments. It then became quite clear to me that some serious work and also planning of time was required. With the next assignments I think I quickly got into a habit of proper time planning and focus.' Contents wise she finds it also very rewarding. Anna: 'For example, for the first module I had to choose an organisation and study its strategy and the environment it was working in. Issues like a SWOT and PESTLE analysis, customers' and competitors' profile and recommendations for improvement of the strategy, were expected to be developed by me.' Anna experienced to take such a different perspective as a relief, not taking strictly a particular audit perspective but more management perspective: 'I felt that by this I was breathing something different, something new.'

Some modules had topics quite familiar with her work, focusing on performance audit or on standards like IPSAS etc., including modules provided by ECA colleagues. These presented less new elements for her. So depending on your background some modules would have some overlap with what you had done already. One topic focused on impact assessment, while others provided insights on how to derive information from statistics or how to measure social-well-being. According to Anna the programme contains both a policy orientation and an auditor's perspective.

The set-up of the courses was that two out of five were group assignments, project oriented, the remaining three individual. Assignments were graded in detail. Anna gives the example of module 5 where during three specific sessions lasting in total three days, the group had to develop an audit plan for a certain topic. Many of the 11 other colleagues participating in the programme had a wide experience in the Court and there was a good spirit of cooperation, sharing ideas and helping each other out. Most of the participants are on their way to finish the master's programme.

How do you feel it went for you personally, did you 'manage' it?

Anna feels that the programme certainly fulfils her academic aspirations: 'After having gotten into a certain pace I felt inspired to perform well, to make a good effort and take the necessary measures to well prepare in advance, organising my study work in such a way to find the right balance and fulfilling work, family and study commitments'. Anna has just done her oral examination, for which she felt it was difficult to prepare. The topic she had to discuss had a very wide scope: discuss the issue of trust and management. Anna is now eager to receive the results of her oral examination. At the same time she is preparing her thesis topic. Anna: 'Due to personal constraints I might not finish that in autumn this year but I hope for early next 2018. Initially the thesis came across as a big hurdle but now I have figured out which topic to take I got many new ideas. Now I have to grapple with finding time to work on it, sometimes also finding long enough periods of time to dig well into it'. The topic Anna wants to covers is related to working with open data.

The forward looking auditor's question: what do you think can be improved in the programme?

While being quite satisfied with the contents and the set-up of the programme Anna also conveys some advice for the future editions. In doing so she is clearly aware of her year being the first year, the pilot phase of the programme. In her view enhancing the programme modules with more elements to which the participants would not have in-house access would be desirable. This could enable to open up to new perspectives and insights, with new angles. Anna: 'Another item to consider would be to receive more timely information from university professors such as on the specifics for the thesis in order to enable a wider-spread time management. Most probably this is an item that has already been improved for the second and third year that the programme is offered.'

When I saw the programme announcement myself last year I thought: this is very interesting, perhaps I should pursue this myself. Would you advice colleagues to enrol?

Anna's reply to this is quite firm: she would certainly advice other colleagues to consider doing the programme. Anna: 'Of course your decision may depend on where you stand, what you have already done: Depending on your experience obtained within or outside the ECA, the relevance of some module elements will differ but it certainly enables you to learn several new things, obtain new angles towards issues and offer new sources to tap into.'

Finally. has the study given you the enrichment you were hoping for?

Anna is quite positive about the enrichment the programme gave. Some modules turned out to be very motivating for her to read further on topics, to dig further, particularly for issues you would not look into, as an auditor, during your daily routine. Obtaining new points of view, often revealing also a certain background of the participants during the discussions, turned out to be very enriching. The same goes for getting to know new colleagues.. At the same time the programme covered certain topics where the learning curve turned out to be less steep than she had hoped for. Anna is happy that she enrolled and has to laugh when asked whether her family shares this view: 'My husband was very supportive in this and thanks to his help with the kids it was all manageable, and with the knowledge I have now I would certainly do it again. If you want to do a master's while working at the ECA this is definitely worth looking into.'

EDITION HIGHLIGHTS

- 05 ECA Award for Research into Public Sector Auditing 2016 : paying tribute to Henrik Otbo**
- 21 Reform and efficient use of the EU budget: a too difficult conversation?**
- 31 Going back to school: obtaining a Master's at the University of Lorraine**

Cover:
- ECA Award for Research into Public Sector Auditing 2016 : paying tribute to Henrik Otbo