



**“Starting again from zero:
Rethinking support services
to focus on the core business”**

European Court of Auditors

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“The Reduction of Overheads in International Public Organisations
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1 – The Court of Auditors' role



Articles 285 and 287 of the Treaty on the Functioning of the EU

- ❑ The external auditor of the EU
- ❑ Examine the accounts of all revenue and expenditure of the EU and of all bodies, offices or agencies set up by the EU
- ❑ Provide a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions



2 – The Court's structure



A COLLEGIATE BODY

27 Members

One Member per European Member State

PRESIDENCY

FOUR AUDIT CHAMBERS

ONE HORIZONTAL CHAMBER

Audit methodology, quality assurance, etc.

SECRETARIAT-GENERAL

Human Resources

Information Technology

Finance and Support

Translation



Total number of staff in December 2009: 951

Members and auditors: 563

Administration: 227

Translation: 161

3 - The historical situation (2003-2004)



□ **Following the resignation of the Santer Commission (1999)**

➤ New Financial Regulation with prescriptive internal control procedures, including obligatory ex ante verification of all transactions

□ **Recent EU enlargements (2004 + 10 countries, 2007 + 2 countries)**

□ **Reinforcement of administrative services to cope with a larger organization**

➤ for example:

YEAR	Statutory staff	Business trips/year
2002	461	3000
2009	889	5000

4 – 2007 onwards: process of review and reorientation



□ 2007: Self-assessment

□ 2008 ECA Peer review

- Austria, Canada, Norway and Portugal
- To assess the design and functioning of the Court, including its support services

□ Adoption of ECA Audit Strategy for 2009 – 2012 with two global objectives:

- Maximize impact from Court's work
- Increase efficiency in the use of resources



- Human and financial resources re-focused on Court's growing core financial and performance audit business



5 - The 'zero-based budget' approach, with zero budget growth in 2011



- ❑ Salaries and related costs make up 80% of budget, with marginal influence over annual expenditure ...
- ❑ ... but we can influence the way in which staff are used ...
- ❑ ... and have a degree of control over the remaining 20% of expenditure

- ❑ Zero-based budgeting approach:
 - do we need to do it?
 - if yes, can we do it more efficiently?
 - can we simplify?
 - can staff be used more effectively?



6 - Economies



- ❑ New workflows and reorganization of administrative services in the Secretariat-General
- ❑ Redeployment of staff from administration to core audit activities instead of seeking additional audit posts to meet growing workload
 - six posts transferred in 2009
 - more redeployments in 2010, 2011, ...
- ❑ Cuts in administrative expenditure (e.g. no indexation of budgets)
- ❑ Some externalized activities brought back in-house to more effectively use available resources (case study later)

7 – Updating working methods and organization



- ❑ Breaking down internal boundaries to increase efficiency and effectiveness –staff in a smaller number of larger units, reducing overhead costs and increasing flexibility

- ❑ Externalization or in-house (or don't do it)?

- ❑ Transforming internal control from a mechanical process to a thought process – better use of risk analysis

- ❑ Simplification:
 - if maintained → simplified
 - if not maintained → deleted

8 – Change management



- ❑ Need to keep the staff concerned not just fully informed of changes but also involved in the reform process
 - acceptance of changes
 - maintain staff motivation
- ❑ Need to keep clients informed and, to an extent, involved

BUT

- ❑ Successful reform is about both planning change and seizing opportunities as they present themselves



□ Performance indicators

- need reviewing and simplifying

□ Benchmarking

- incompatibility of complex benchmarks with simplification (cost/benefit?)

□ Contract review

- need to introduce an automatic review of all contracts one year before launching the next call for tenders:
 - what are core services and what could be dispensed with?
 - technical specifications?
 - performance and performance measurement?

10 – Case study: security services (1)



The 'Services divers' call for tender case

□ The past call for tender 'Services divers' (2007-2010) led to the signature of a contract consisting of four parts ('lots'):



1 Mio € => 620.000 €

Economies of 38%

11 – Case study: security services (2)



- ❑ **illustrates that, over the years, vision of what are core services and what are optional extras can be lost**
- ❑ **absolute need for regular “zero-based” reviews**
- ❑ **even after these reviews and successful redefinition of core services, need to monitor implementation closely:**
 - have non-core activities actual been cut out?
 - have savings actually been achieved as anticipated?
 - service quality and client satisfaction?

12 - Summary



- ❑ **With change, bureaucracies always seem to have a natural tendency to resist**
- ❑ **Set simple, measurable targets**
- ❑ **Need to carry out a fundamental review from time to time**
- ❑ **Need to review afterwards whether change targets were achieved**