THE EUROPEAN COURT OF AUDITORS





European Court of Auditors

12, rue Alcide De Gasperi L - 1615 LUXEMBOURG Tel.: +352 4398-1 Fax: +352 4398-46233 4th Controlling Conference of International Public Organisations "The Reduction of Overheads in International Public Organisations 31st May and 1st June 2010 - CERN

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 in2011

- 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?







- 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)



- 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



- 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

9 - Still to do

SUN RATIONUS

Performance indicators

heed reviewing and simplifying

Benchmarking

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

Contract review

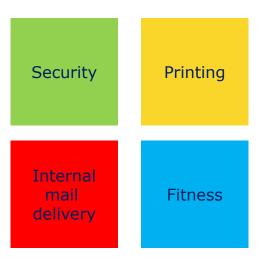
- > need to introduce an automatic review of all contracts one year before launching the next call for tenders:
 - what are core services and what could be dispensed with?
 - technical specifications?
 - performance and performance measurement?





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?





- 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