

Interview with **Mr Ioannis SARMAS**, the Greek judge whose mandate as a Member of the Court of Auditors expires on 31 December 2013. Mr Sarmas will take up the post of Vice-President of the Court of Audit in Greece.

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Mr Ioannis SARMAS, Member of the ECA

R. C.: Mr Sarmas, now that the time has come to look back, what can you claim to have done for your country, Greece?

Mr Ioannis Sarmas: Right from my first hearing before the European Parliament's Committee on Budgetary Control, I have stated that I am not representing Greece in the European Court of Auditors and therefore I am not the agent of Greece at the ECA.

Nevertheless, I have tried to acquire sufficient experience and know-how of the methodology of the European Court of Auditors to transfer back to Greece now that I will be continuing my career as Vice-President of the Hellenic Court of Audit.

Meanwhile, I have written a number of articles and a book in Greek on audit methodology. On several occasions I have also presented the ECA annual report to the Hellenic Court of Audit.

R. C.: The methodology of the European Court of Auditors is constantly evolving. What part have you played in this?

Mr Ioannis Sarmas: Firstly, the ECA is a collegiate body and no one has the right to claim a role to the development of the Court's methodology.

For the first few years of my mandate I worked as the Member responsible for the agencies. We did not have sufficient human resources to carry out classical performance audits, so we had to find a new economical method to audit performance.

The method we applied involved not evaluating ourselves the agencies' sound management, but asking them to demonstrate to us that their management was indeed sound.

R. C.: Did other parts of our institution also follow this approach?

Mr Ioannis Sarmas: Later, in my role as Member of the CEAD Chamber, I was tasked with presenting to the Court what was then chapter 8 and is now chapter 10 which focusses on performance issues.

The annual report has been fully absorbed by DAS, the statement of assurance. Thus it was simply a report on the reliability of the EU accounts and the legality and regularity of the underlying transactions. There was nothing on performance. The Court had then decided to introduce a chapter on sound financial management. We named this chapter "getting results". In fact we used the same methodology applied to the agencies. Mainly we ask the Commission to demonstrate to us the results it has obtained through its management.

R. C.: Would this approach, which could be used by the European institutions and bodies as well, also work for a national auditee?

Mr Ioannis Sarmas: From the moment when the national authorities start to manage EU funds, they are subject to rules which govern the management of EU expenditure.

R. C.: Is this the response that the man or woman in the street wants to hear? What about anti-corruption measures?

Mr Ioannis Sarmas: The Court distinguishes between five different audit categories. The first is the auditing of accounts, the traditional audit. Then, there is the audit on legality and regularity. The DAS is identified with this audit. The third category is what we call performance audit. The fourth audit category is computer audit. The final audit category is the audit which consists of assessing systems to prevent fraud and corruption.

R. C.: How might the Court's mandate be broadened in terms of fraud prevention?

Mr Ioannis Sarmas: The auditor's role is definitely not to detect fraud and instances of corruption. This is OLAF's role. However, our audit could be extended in order to assess fraud prevention systems. For the time being, we limit ourselves in auditing whether the systems are capable of producing acts in conformity with the applicable legal provisions. We do not assess the capability of these systems when it comes to preventing acts of fraud.

In order to broaden the ECA's role in terms of fraud prevention, inspiration can always be drawn from an American institution. I am among those who think that the Governmental Accountability Office (GAO) should be a model for Europe's audit institutions.

In the United States, GAO produces a "high-risk areas" document, which identifies four major risks, and it makes periodic attempts on a rotational basis to submit for evaluation the systems which administer the public funds. Instances of fraud and corruption are among these four major risks.

Of course one should bear in mind that the nature of the relationship changes if the auditee starts to regard the auditor as an investigator who might instigate criminal proceedings against him. We treat our auditees with a degree of professional scepticism, but this should not be converted into suspicion.

R. C.: In actual fact, we do not even have the possibility of imposing sanctions. How have you experienced this restriction as a magistrate of the Greek Court of Audit?

Mr Ioannis Sarmas: I felt very much at ease with the reports produced by the European Court of Auditors, which are not binding. They create neither rights nor obligations and their legal force is purely informative. But this is enough for us at the European level, because the reports have a very wide audience.

I think that the ECA's annual report with the DAS has been the driving force behind financial reforms for fifteen years. And, as far as the major reforms of expenditure policy are concerned, i.e. the Structural Funds, the Common Agricultural Policy, if you examine the reforms which the Commission has ushered in and compare these with the related ECA special reports over the same period, you will notice that many reforms were inspired by the recommendations and conclusions in ECA reports.

R. C.: Where do you see the risks for our Court in the years ahead?

Mr Ioannis Sarmas: I will surprise you, but I think that the Court of Auditors should not over-emphasise on its role as EU external auditor. External auditors do not only exist in the public sector. Private companies are also external auditors. We need a distinctive feature to fully separate us, as a public institution, from private undertakings.

The ECA has tended, for a few years, under the guidance of President Caldeira, to develop its role for what is termed as accountability office. Indeed, I think we should be identified as the public accountability institution. It is not by chance that the US sister institution does not call itself an audit institution, but the "Governmental Accountability Office".

This will make us extend our audit to cover not only the spending power of the Commission but also its regulating power, the power called in the United States as the 'police power' (the capacity to regulate behaviour and enforce rules).

Let me give you an example: in 2011, we issued the Special Report "Do the Commission's procedures ensure effective management of State aid control?". This was not an audit of public expenditure, but on management of the 'police power' of the Commission.

The current challenge for the ECA is being able to widen the audit in such cases. Recently, with the 6 Pack, the 2 Pack etc., the Commission has been provided with a raft of new powers. However, these are not expenditure powers, but monitoring powers in respect of the Member States.

The Court of Auditors at present is contemplating how it can audit this new area of powers. I think that the ECA's role is, firstly, to develop new methods, always with the idea that it is not merely an external auditor, but also the institution which asks administrators to be accountable on how they exercise their administrative power.

R. C.: Would this not entail a change to the Treaties?

Mr Ioannis Sarmas: No. The way for us to understand and justify this extension is to say that the Commission's services tasked with enforcing the rules are funded by the budget. We are still auditing expenditure, but "functional" expenditure, not "operational" expenditure.

R. C.: Do you have any other suggestions for the work of our Court?

Mr Ioannis Sarmas: Observing that there is a problem with a transaction is not enough, we also need to look at the causes behind it which produce the irregularity and poor performance. We need analysts for this. The European Parliament and public opinion expect us to indicate the causes. The ECA has already identified as a cause of errors the complexity of contract legislation and recommended the simplification of the applicable provisions.

R. C.: With regard to the financial crisis, what possible contribution can the Court of Auditors make?

Mr Ioannis Sarmas: The Member States which decided to introduce the euro knew that it alone was not enough. Thus, they adopted the stability pact: a system of rules guaranteeing that the Member States should not behave in a way to endanger the euro.

The Commission's role was to ensure the correct enforcement of the stability pact. However, either the pact itself had failed to provide the Commission with the necessary means, or the Commission failed to exercise its powers correctly. In any case though, we would have avoided the crisis of 2009-2010 if the initial stability pact had been correctly enforced or fit for purpose.

The ECA is empowered to audit the Commission. ECA's powers should be widened in the knowledge that we do not simply audit the "spending power" of the Commission, but also its "police power", i.e. the power to enforce the rules, the power of regulating behaviour. And the new stability pact provides such power to the Commission.

R. C.: Mr Sarmas, thank you for talking to the Journal.

Mr Ioannis Sarmas: Permit me to end by thanking all my colleagues and collaborators for their invaluable help over so many years.