



THE COURT OF AUDITORS

The European Court of Auditors is in charge of the audit of EU finances. As the EU's external auditor, it contributes to improving EU financial management and acts as the independent guardian of the financial interests of the citizens of the Union.

LEGAL BASIS

Articles 285 to 287 of the Treaty on the Functioning of the European Union (TFEU).

STRUCTURE

A. Members

1. Number

One Member per Member State (the Nice Treaty formalised what had hitherto only been the recognised procedure), thus currently 27.

2. Requirements

The Members must:

- Belong or have belonged in their respective countries to external audit bodies, or be especially qualified for this office;
- Show that their independence is beyond doubt.

3. Appointment procedure

Members are appointed:

- By the Council, by qualified majority;
- On the recommendation of each Member State regarding its own seat;
- After consulting the European Parliament.

B. Term of office

1. Duration

Six years, renewable.

2. Status

Members enjoy the same privileges and immunities as Judges of the Court of Justice.



3. Duties

Members must be ‘completely independent in the performance of their duties’. This means:

- They must not seek or take instructions from any external source.
- They must refrain from any action incompatible with their duties.
- They may not engage in any other professional activity, paid or unpaid.
- If they infringe these conditions, the Court of Justice can remove them from office.

C. Organisation

The College elects its President from among its Members for a renewable term of three years.

The Court organises itself around five chambers with responsibility for specific areas of expenditure and revenue:

- Chamber I: Sustainable use of natural resources
- Chamber II: Investment for cohesion, growth and inclusion
- Chamber III: External action, security and justice
- Chamber IV: Regulation of markets and competitive economy
- Chamber V: Financing and administering the European Union

Each Chamber has two areas of responsibility: firstly, to adopt special reports, specific annual reports and opinions; secondly, to prepare draft observations for the annual reports on the general budget of the EU and the European Development Fund, and draft opinions for adoption by the Court as a whole.

The Court has around 900 staff and is based in Luxembourg.

POWERS

A. The Court’s audits

1. Area of responsibility

The Court’s remit covers examination of any revenue or expenditure accounts of the European Union or any EU body. It carries out its audits in order to obtain a reasonable assurance as to:

- The reliability of the annual accounts of the European Union (financial audit);
- The legality and regularity of the underlying transactions (compliance audit); and
- The soundness of financial management (performance audit).

2. Auditing methods

The Court’s audit is continuous; it may be carried out before the closure of accounts for the financial year in question. It is based on records and may also be carried out on the premises of:



- EU institutions and agencies;
- any body that manages revenue or expenditure on the EU's behalf;
- any natural or legal person in receipt of payments from the EU budget.

In the Member States, the audit is carried out in liaison with the national Supreme Audit Institutions. Auditees are required to forward to the Court any document or information it considers necessary for its purposes.

The Court does not have investigative powers. It therefore reports cases of fraud and corruption to the European Anti-Fraud Office (OLAF), which then investigates those cases.

3. Audit reports

Following its audits, the Court publishes:

- Annual reports on the implementation of the EU budget and the European Development Fund, including the Statement of Assurance;
- Specific annual reports on the EU agencies, decentralised bodies and joint undertakings;
- Special reports on topics of interest, in particular on issues of sound financial management and specific spending or policy areas;
- Reviews that cover policies and management topics from a wide angle, present an analysis of areas or issues not yet audited or establish a factual basis on certain topics (until September 2019, reviews had several subcategories: landscape reviews, briefing papers and rapid case reviews).

B. Advisory powers

In accordance with Article 287(4) TFEU, other institutions may ask the Court for its opinion whenever they see fit. The Court's opinion is mandatory when the Council:

- Adopts financial regulations specifying the procedure for establishing and implementing the budget and for presenting and auditing accounts;
- Determines the methods and procedure whereby the EU's own resources are made available to the Commission;
- Lays down rules concerning the responsibility of financial controllers, authorising officers and accounting officers; or
- Adopts anti-fraud measures.

STATEMENT OF ASSURANCE AND ERROR RATE

The auditors have given a clean opinion on the 2018 EU accounts' reliability, or 'signed them off', as has been the case every year since 2007. Revenue in 2018 (as in 2017) was free from material error.

A significant part of the 2018 expenditure was also materially unaffected by error. Therefore, for the third year in a row, the Court issued a qualified (rather than an adverse) opinion on the regularity of the transactions underlying the accounts (this



is the third time since the Court began to provide an annual statement of assurance in 1994). Overall, the last decade demonstrates a marked improvement: between 2006 and 2011: the Commission succeeded in improving financial management, bringing down the error rate from 7% in 2006 to 3.9% in 2011. While the error rate rose to 4.8% in 2012, it has been improving every year since then (4.7% in 2013, 4.4% in 2014, 3.8% in 2015, 3.1% in 2016, to 2.4% in 2017), with a small uptick in 2018 to 2.6%.

In its 2018 annual report, the Court pointed out that certain problems remain, in particular where payments from the EU budget are made to beneficiaries based on their declarations of costs previously incurred, which can be subject to complex rules. With the 2014-2020 Multiannual Financial Framework (MFF) drawing to a close, the Court also highlighted that low absorption rates of structural and investment funds may put pressure on payment needs at the start of the new MFF. Moreover, the fact that the EU budget supports guarantees to the sum of EUR 92.8 billion leads to an increased risk exposure. Both issues need to be addressed in the next MFF.

ROLE OF THE EUROPEAN PARLIAMENT

The Court of Auditors (ECA) was established in 1977 on the initiative of the European Parliament. It was made an EU institution in 1993. Since then, it has assisted Parliament and the Council in exercising their role of controlling the implementation of the budget. The annual reports and special reports serve as the basis for Parliament's yearly discharge exercise.

The Court's Members are invited to present their reports at committee meetings (those of the European Parliament's Committee on Budgetary Control (CONT), as well as of specialised committees), and to reply to questions raised by MEPs. Each year the Court of Auditors and Parliament's CONT committee hold several meetings at which CONT members discuss with the Members of the Court their political priorities, the Court's annual work programme, detailed arrangements for cooperation, etc. Once a year, the ECA President attends a meeting of the European Parliament's Conference of Committee Chairs to present the ECA's annual work programme and invite all committees to submit their suggestions for the next programming exercise. Parliament also makes suggestions on these issues in its annual resolutions on the Court of Auditors' discharge.

It should also be noted that CONT holds hearings of Members-designate of the Court. Furthermore, the Court's expertise helps MEPs in drafting legislation on financial matters.

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