



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 28 currently.

2. Requirements

The Members of the Court 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 of the Court 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. The term of office of the President is three 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, whether paid or not;
- If they infringe these conditions, the Court of Justice can remove them from office.

C. Organisation

The Court 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 for revenue. 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 Chambers are accompanied by two horizontal committees:

- The Audit Quality Control Committee, dealing with the Court's audit policies, standards and methodology, audit support and development and audit quality control; and
- The Administrative Committee, dealing with all administrative matters and decisions on communication and strategy.

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;
- The legality and regularity of the underlying transactions; and
- The soundness of financial management.

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 spot:

- In EU institutions;
- In any body which manages revenue or expenditure on the EU's behalf;



- On the premises of 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 competent national bodies or departments. These bodies are required to forward to the Court any document or information it considers necessary to carry out its task.

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

3. Other prerogatives

Following its audits the Court provides Parliament and the Council with a yearly Statement of Assurance (known as 'DAS', from the French 'déclaration d'assurance') as to the reliability of the accounts and the legality and regularity of the underlying transactions. The Court publishes:

- An annual report on the implementation of the EU budget for each financial year, including the Statement of Assurance, which it forwards to the EU institutions and publishes in the Official Journal together with the institutions' replies to the Court's observations;
- A Statement of Assurance on the European Development Fund (EDF);
- Special reports on topics of particular interest, in particular on issues of sound financial management;
- Specific annual reports concerning EU bodies;
- Review-based publications:
 - landscape reviews, which consider broad themes pertaining to issues directly related to the Court's remit, on the basis of its research and accumulated experience,
 - briefing papers, i.e. descriptive and analytical documents on policy or management addressing focused topics, and
 - Rapid case reviews on very focused specific issues or problems.

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 2017 EU accounts' reliability, or 'signed them off', as has been the case every year since 2007. Revenue in 2017 was free from material error.

A significant part of the 2017 expenditure was also materially unaffected by error. Therefore, for the second 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 second 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% (2013), 4.4% (2014), 3.8% (2015), 3.1% (2016), and finally 2.4% in 2017.

In its 2017 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, such as in rural development and cohesion. For some of the errors it found in, for example, rural development payments, there was sufficient information available for these errors to have been prevented or to have been detected and corrected, and it would have been possible to achieve error levels below the 2% threshold for an even larger share of the EU budget. The Court also suggested that there is still potential for the Commission to make better use of its own performance information in decision-making and develop an internal culture more focused on performance.

ROLE OF THE EUROPEAN PARLIAMENT

The Court of Auditors was established in 1977 on the initiative of the European Parliament. It was made a full 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 report and the special reports serve as the basis for Parliament's yearly discharge exercise, in the course of which it politically assesses the Court's reports. The Court's Members are invited to present their reports in committee meetings and to reply to questions raised by MEPs.

Each year the Court of Auditors and Parliament's Committee on Budgetary Control (CONT) 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. 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 to question Members-designate of the Court. Furthermore, the Court's expertise helps MEPs in drafting legislation on financial matters.



