



THE COURT OF AUDITORS

The European Court of Auditors (ECA) 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).
- Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (see in particular Title XIV on external audit and the discharge).

STRUCTURE

A. Members

1. Number

One Member per Member State (the Nice Treaty formalised what had hitherto only been the recognised procedure), thus in principle 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 980 staff and is based in Luxembourg.

POWERS

A. The Court's audits

1. Area of responsibility

The Court's remit covers the 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 possible fraud and corruption to the European Anti-Fraud Office and/or the European Public Prosecutor's Office, which then handle the cases according to their respective competences.

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, focusing on compliance and regularity (by 15 November, or earlier); since 2022, performance aspects are again being treated in the framework of the annual reports and in special reports (in contrast to the years 2019-2021 when there was an annual report on the performance of the EU budget);
- 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.

B. Advisory powers

In accordance with Article 287(4) of the 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.



THE COURT'S ANNUAL REPORTS FOR 2022

A. [The ECA annual report for 2022](#)

The overall error rate of expenditure increased from 3.0% in 2021 to 4.2% in 2022. Of the spending audited, 66% was high-risk expenditure, meaning mainly reimbursement-based payments, for which complex rules and eligibility criteria apply. This type of payment is often made under cohesion policy and rural development programmes, which are administered under shared management between the Commission and the Member States.

The error rate for this payment type is estimated at 6% (compared to 4.7% in 2021 and 4.0% in 2020), which is above the materiality threshold and was classified as 'pervasive'. Therefore, for the fourth consecutive year, the Court issued an adverse opinion on the regularity of the transactions underlying the accounts (rather than a qualified opinion, as was the case for the years 2016-2018), highlighting persistent problems that need to be addressed.

In addition to its audit of spending under the regular EU budget, the Court provided a separate opinion on expenditure under the Recovery and Resilience Fund (RRF). It will continue to do so during the lifetime of the fund. Funding from the RRF is disbursed once certain milestones and targets are achieved. The Court audited all 13 grant payments made in 2022, amounting to EUR 46.9 billion and including the clearing of the related pre-financing of EUR 6.8 billion, and checked whether the 281 milestones and targets related to these grant payments had been fulfilled, including the Commission's preliminary assessments. It found that 15 of the 281 milestones and targets had been affected by regularity issues and had either not been satisfactorily fulfilled or did not comply with eligibility conditions. While their minimum financial impact is estimated to be close to the materiality threshold, no error rate is provided, as the Commission methodology for suspending payments is based on judgments and therefore open to interpretation. The Court recommends that the Commission improve the preliminary assessments and ex post audits in order to (a) ensure that the payments are made during the eligibility periods and that the grants are not used to substitute recurring national budgetary expenditure; and (b) ensure that targets and milestones already reached are not reversed. Moreover, the Commission should verify whether the reviewed national recovery and resilience plans clearly define all milestones and targets and cover all key elements of a measure.

B. [Performance of the EU budget](#) – Chapter 3 of the Annual Report

For 2019, 2020 and 2021, the Court split its annual report into two parts as part of a pilot project – first, its annual report focusing on the reliability of EU accounts and the legality and regularity of underlying transactions and, second, a report on the performance of EU budget spending programmes.

In 2022, the Court discontinued the annual performance report and reintegrated performance aspects into Chapter 3 of the annual report. This chapter provides an overview of the results of 28 ECA special reports in 2022 across five strategic areas, namely (i) the COVID-19 response, (ii) competitiveness, (iii) resilience and European values, (iv) climate change, environment and natural resources; and (v) fiscal policies



and public finances. Following the summary of the key messages for each area, the annual report gives examples of Commission actions in the follow-up to the special reports and summarises the reactions of the European Parliament and the Council.

ROLE OF THE EUROPEAN PARLIAMENT

The Court of Auditors was established in 1977 on Parliament's initiative. 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 and to reply to questions raised by MEPs – primarily in Parliament's Budgetary Control Committee (CONT), but also in joint meetings of the CONT Committee with one or more specialised committees, or, sometimes, in cases of limited interest for the CONT Committee, only in a specialised committee. Each year, the Court of Auditors and CONT hold 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 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.

For more information on this topic, please visit the website of the [Committee on Budgetary Control](#).

Vera Milicevic
03/2024

