

Introduction

The European Court of Auditors is an independent institution whose main role is to check that the funds available to the EU are used legally, efficiently and for the intended purposes. The Court **audits** the accounts of the EU's income and expenditure, which together form the EU budget. This role is especially important as part of the EU's income is derived from contributions from the member states and so the Court ensures that the EU's citizens are getting maximum value for their money.

History

The European Court of Auditors was created by the Treaty of Luxembourg, signed 22 July 1975, and took up its role as the external audit body of the European Community in October 1977. Originally, there were in fact five different budgets and the European Coal and Steel Community, EURATOM and the European Community had different mechanisms for auditing their different budgets. The Treaty of Brussels, signed 8 July 1965, created one set of institutions and one budget for the three communities. The Treaty of Maastricht (1992) elevated the Court to the status of an institution alongside the European Parliament, the Commission, the Council of the European Union, and the European Court of Justice.

How does the European Court of Auditors work?

The Court has the power to audit any person or organization handling EU funds, including: national authorities in the member states, other EU institutions and even other countries that receive money from the EU. It then produces reports on its findings, which highlight for the Commission and the member states any issues it has uncovered. The Court of Auditors also gives its opinion on proposals for EU financial legislation and for EU action to fight fraud. However, the Court itself has no legal powers – if it discovers that EU funds are being misused, it then passes this information to the European Anti-Fraud Office (OLAF).

The Court of Auditors is based in Luxembourg and is made up of one member from each EU member state. Members are appointed by the Council of the European Union for a renewable period of six years. The members then elect a President from among their number, who serves for a renewable period of three years. The members of the Court of Auditors have to be qualified as auditors in their country of origin, or to have worked for an auditing institution. They have to be entirely independent and are chosen for their competence. The members can sit in small groups called chambers, with only a few members making up each chamber, to increase the efficiency of the Court, with the EU now consisting of 27 member states.

The Court of Auditors has approximately 800 staff, of which 250 are auditors. The auditors are divided into audit groups which prepare draft reports on which the Court takes decisions.

Facts and figures

- ❖ For the last 17 years, the Court has refused to sign off the EU accounts.
- ❖ In its annual report for 2006, the Court found accounting errors in two-thirds of the EU's €105 billion budget. Errors were most prevalent in agricultural spending and the disbursement of structural funds.
- ❖ The 2010 report (released in 2011) found that 3.7% of the €122.2 billion EU budget was spent in error or against EU rules. Cohesion, energy and transport policy was the most error-prone area, with 49% of payments to projects affected by error.

Arguments

For

- ❖ The Court of Auditors helps guarantee that the EU budgetary system works efficiently and openly.
- ❖ The Court contributes to improving financial management of the European Union.
- ❖ The Court of Auditors is regularly acknowledged for its work in exposing fraud in the EU.

Against

- ❖ The Court's reports are often criticised as being extremely difficult to understand, even for those working inside the EU.
- ❖ The Court of Auditors is also seen as being too concerned with confidentiality – its role as the 'financial conscience' of the EU is weakened if MEPs or the media are unable to use its findings to hold the executive to account

"The European Court of Auditors plays a key role in providing an independent, professional and objective overview of financial management and helping promote change for the benefit of the citizens of the Union."

Hubert Weber, President of the European Court of Auditors, 2005

"The Court itself is a poorly managed, highly politicised institution that finds it difficult to present any clear conclusions or to make constructive suggestions."

Stephen Grey, Centre for European Reform, 2000

Technical Terms

- ❖ **Audit:** An examination of records or financial accounts to check their accuracy.

Links

- ❖ http://europa.eu/institutions/inst/auditors/index_en.htm
- ❖ <http://eca.europa.eu/portal/page/portal/aboutus>