

## Information Guide



# European Court of Auditors

**A guide to the European Court of Auditors (ECA), with hyperlinks to sources of information within European Sources Online and on external websites**

### Contents

Introduction.....	2
Overview.....	2
History.....	2
Legal basis .....	3
Role.....	4
Structure and composition .....	7
ECA publications.....	8
Location .....	9
Information sources in the ESO database .....	9
Further information sources on the internet .....	9

## Introduction

In 2012, the EU faced a number of financial management challenges in implementing its budget. These including dealing with an increasing level of final payments as the current financial framework draws to a close together with the effects of pressure on national financing. In all, €138.6 billion was spent from the EU budget.

The Court's estimate of the error rate for spending from the EU budget as a whole was 4.8 % in 2012 (3.9 % in 2011), with increases in almost all individual spending areas. All operational spending areas were affected by material error in 2012.

The Court's estimate of the error rate is not a measure of fraud, inefficiency or waste associated with spending. It is an estimate of the money that should not have been paid out because it was not used in accordance with the legislation concerned. Typical errors include payments for expenditure which was ineligible or for purchases without proper application of public purchasing rules.

From: [Information Note on the 2012 Annual Reports](#), 5 November 2013.

## Overview

The European Court of Auditors (ECA) is the European Union's external auditor, responsible for monitoring the Union's finances and highlighting areas where financial management needs to be improved. As such it contributes to the fight against budgetary fraud and financial irregularity. The ECA supports the European Parliament and Council of the European Union in their budgetary roles, and monitors the European Commission's management of the budget. The ECA cannot directly impose sanctions, and relies on the relevant institutions voluntarily taking appropriate action.

## History

The European Court of Auditors (ECA) was established by the 1975 Treaty of Brussels (Budgetary Treaty) and started operating as an external Community audit body in October 1977. Its structure and activities are governed by Articles 246-248 of the [Treaty establishing the European Community](#).

The creation of the ECA was related to two other developments in the financial affairs of the European Communities: firstly, in the early 1970s, a decision was taken to replace the system of funding the Communities' budget from Member States' contributions with a system of 'own resources', under which revenue accrued direct to the Communities from agricultural levies, customs duties and value-added tax (VAT). Secondly, in 1975, the Treaty of Brussels gave the European Parliament greater budgetary powers.

Prior to the advent of the Court of Auditors, the general budget of the European Economic Community and the European Atomic Energy Community was audited by a part-time Audit Board; the European Coal and Steel Community budget was audited by an Auditor General. However, greater levels of revenue and expenditure were felt to require auditing by a stronger, independent audit body, able to ensure a level of control similar to that provided in Member States by National Audit Institutions.

The 1993 [Treaty on European Union](#) gave the Court of Auditors the status of an 'Institution' (adding it to the existing Institutions - European Parliament, Council of the European Union, European Commission and European Court of Justice), in what became Article 7 of the [Treaty establishing the European Community](#). Its new status gave the ECA the right to take actions in the European Court of Justice 'for the purpose of

protecting [its] prerogatives' (Article 230). The Treaty on European Union also required the ECA to 'provide the European Parliament and the Council with a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions'.

Its role was confirmed and strengthened by the Treaty of Amsterdam (see [Summaries of EU legislation](#)), which included provisions that:

- Statements of Assurance must be published in the Official Journal
- When examining revenue and expenditure, the ECA 'shall report in particular on any cases of irregularity'.
- On the spot audits can be conducted on the premises of 'any body which manages revenue or expenditure on behalf of the Community' and 'of any natural or legal person in receipt of payments from the budget'.
- Requests for pertinent documents or information must be responded to not only by the other institutions and national audit bodies, but also by 'any bodies managing revenue or expenditure on behalf of the Community, any natural or legal person in receipt of payments from the budget'.
- The ECA's right of access to information held by the European Investment Bank (EIB), which was previously the subject of an agreement between the ECA, EIB and Commission, was made explicit.

The Treaty of Nice of 1 February 2003 introduced some minor changes to its composition and role (see [Summaries of EU legislation](#)):

- It confirmed the principle that there should be one Member from each Member State with Members appointed for a six-year term by the Council, acting by qualified majority, rather than unanimously.
- It also, for the sake of efficiency, allowed the Court to establish internal 'chambers' (with only a few Members each) to adopt certain categories of reports or opinions
- A Declaration appended to the Treaty invited the Court of Auditors and the national audit institutions to improve their co-operation and to allow the President of the Court to set up a contact committee with the chairmen of the national audit institutions.

## Legal basis

Article 13 of the Treaty on European Union ([TEU](#)) identifies the Court of Auditors as one of the Union's institutions.

In the Treaty on the Functioning of the European Union ([TFEU](#)), provisions on the ECA are set out in Articles 285-287.

Under Article 285:

The Court of Auditors shall carry out the Union's audit.

It shall consist of one national of each Member State. Its Members shall be completely independent in the performance of their duties, in the Union's general interest.

Article 286 concerns the appointment and term of office of members of the Court. ECA members are:

chosen from among persons who belong or have belonged in their respective States to external audit bodies or who are especially qualified for this office. Their independence must be beyond doubt.

Members are appointed by the Council for a renewable term of six years, on the basis of proposals made by each Member State. The Court's President is elected for three years and may be re-elected. Members of the Court are neither to seek nor take instructions from any government or from any other body and are to refrain from any action incompatible with their duties. Neither must they, while in office, engage in any other occupation.

The role of the Court is set out in Article 287. In addition to examining the accounts of all revenue and expenditure of the Union and of all its bodies, offices or agencies, it is to present a statement of assurance as to the reliability and legality of the accounts to the European Parliament and the Council.

Where necessary, audits may be performed on the premises of any EU institution, body, office or agency which manages revenue or expenditure on behalf of the Union, and on the premises of people or organisations in the Member States who have received payments from the EU budget.

Article 287(4) provides for the Court to produce an annual report at the end of each financial year and to present special reports and opinions.

The Court's [Annual Activity Report 2011](#) highlighted the 15 November 2011 Court of Justice judgment in Case [C-539/09](#), concerning the audit powers of the ECA in the field of own resources accruing from value added tax (VAT). The case was the first in which the Court of Justice ruled explicitly on the scope of the ECA's audit powers.

## Role

The European Court of Auditors' [Annual Activity Report 2011](#) sets out a vision of:

An independent and dynamic Court of Auditors, recognised for its integrity and impartiality, respected for its professionalism and for the quality and impact of its work, and providing crucial support to its stakeholders to improve the management of EU finances.

Under Article 287 of the [TFEU](#), the Court's main role is to ensure sound financial management, checking that the Union's money is obtained and spent lawfully. In the words of the Court's [Annual Activity Report 2008](#), the Court carries out three different types of audits: financial, compliance and performance Audits, which address the following questions:

- Do the accounts present fairly, in all material respects, the financial position, results and cash flow for the year, in accordance with the applicable financial reporting framework? (financial audit)
- Are transactions in all material respects, in compliance with the legal and regulatory frameworks which govern them? (compliance audit)
- Is the financial management sound, i.e. are the funds used kept to a minimum (economy), are the results achieved with the least possible resources (efficiency) and have objectives been met (effectiveness)? (performance audit)

Details of audits carried out during the year are given in the Court's Annual Activity Report (AAR). Activities highlighted in the [AAR 2010](#) were summarised in Press Release [ECA/11/16](#) of 18 April 2011:

The ECA's staff carried out financial and performance audits of the EU's budgets that resulted in two annual reports (on the EU general budget and the European Development Funds), 40 specific annual reports on the agencies and bodies of the EU, 14 special reports largely on the performance of EU spending and six opinions on matters related to the financial management of the EU budget.

One of the Court's key functions is to help the budgetary authorities (the European Parliament and the Council) by presenting them every year with a report on the previous financial year. The comments made by the ECA in the annual report play an important role in Parliament's decision on whether or not to approve the Commission's handling of the budget. If satisfied, the Court of Auditors also sends the Council and Parliament a positive 'Statement of Assurance' (DAS) that European taxpayers' money has been properly used.

On 9 November 2010, the ECA published its [Annual Report on the implementation of the 2009 EU Budget](#) (see also Press Release [ECA/10/33](#); for the first time, the Court forwarded its annual report to national parliaments - as provided for under Article 7 of [Protocol No 1](#) to the Treaty of Lisbon). The key messages highlighted in the accompanying [Information Note](#) were:

- The accounts of the European Union give a fair presentation of the financial position and the results of operations and cash flows.
- Payments from the budget continue to be materially affected by error, except in two areas of expenditure.
- The Court's estimate of the most likely error in Cohesion spending was significantly lower than in previous years; and, for the budget as a whole, the Court's estimate of error has fallen over recent years.
- The Commission has improved the information it provides on recoveries of irregularly paid amounts and other corrections. However, this information is not yet completely reliable. The Commission's data for corrections can not meaningfully be compared with the Court's estimated error rate.

Published on 10 November 2011, the [Annual Report concerning the financial year 2010](#) found that the 2010 accounts fairly presented the Union's financial position, but that payments underlying the accounts had an overall error rate of some 3.7% for the EU budget as a whole (see also [Information Note](#)).

The Report proposed that:

When planning EU spending programmes, the Commission and the Member States should pay greater attention to defining objectives that are SMART – specific, measurable, achievable, relevant and timed - as well as to identifying and mitigating the risks to implementation.

Article 287(2) of the [TFEU](#) states that the Court of Auditors:

shall examine whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management has been sound.

Following the Treaty of Amsterdam, the same Article also requires the ECA to report any cases of irregularity.

Under Article 322, the ECA must be consulted when the Council makes financial regulations.

The ECA focuses on sound financial practice and seeks to identify whether management objectives have been met and at what cost. It does not have the resources to audit every financial transaction. Instead, it undertakes sample audits (including many conducted on the spot) and checks the reliability of EU and national financial management systems. The Court has the power to audit any organisation or individual managing or receiving Community funds: Community institutions and bodies; national, regional and local authorities; and beneficiaries worldwide.

At the beginning of every year the President of the ECA presents the annual [Work Programme](#) to the Budgetary Control Committee of the European Parliament. The Work Programme lists the priority audit tasks and allocates the resources needed to implement them.

According to the [2011 Work Programme](#), the Court planned to publish in that year 45 Annual Reports and 20 Special Reports - plus its own Annual Activity Report.

The [Work Programme for 2012](#) committed the ECA to publish 51 annual reports on the 2011 financial year, plus 22 special reports, its own Annual Activity Report, and opinions / observations on the Common Agricultural Policy, the Structural and Cohesion Funds, and the Union's own resources. Priority areas for 2012 included: environment, climate change and sustainable development; growth and jobs; and the financial crisis.

Published on 24 April 2013, the [Annual Activity Report 2012](#) showed that the ECA had published 50 specific annual reports on the EU's agencies, decentralised bodies and other Institutions, plus 25 special reports adopted on specific budgetary areas or management topics, and nine opinions.

The [Work programme 2013](#) committed the ECA to publish 53 annual reports on the 2012 financial year, together with 20 special reports in the areas of sustainable growth, preservation and management of natural resources, EU as a global player, and administration, and a second dedicated follow-up report to previous special reports.

Annual Work Programmes are adopted in the context of a four-year audit strategy. The ECA's Audit Strategy 2009-2012 was published in February 2009 (see [Summary](#)). It identifies two main goals for the Court over that period: maximising the overall impact of its audits and increasing efficiency by making best use of its resources.

On 30 May 2012, in a [speech](#) to the European Parliament's Committee on Budgetary Control, ECA President Vítor Caldeira identified two main types of challenges facing the Court in the coming years: first, changes to the EU budget which 'raise a number of important issues for public accountability and audit'; and second, the increasing use of 'non-financial instruments and financial instruments outside the EU budget' and its implications for public accountability and audit. Mr Caldeira stated:

Effective public accountability and audit arrangements are essential to maintaining the legitimacy of the EU in the eyes of its citizens. The Court believes that a broad reflection on how to improve the public accountability and the audit structure of the EU would provide a good basis for directing future reforms of the Court. In the meantime, the Court is committed to increasing its contribution to EU accountability while respecting budgetary constraints.

According to the [ECA Strategy 2013-2017](#), its objective for that period is to maximise the value of the ECA's contribution to EU public accountability. To achieve that objective, its priorities are to:

- focus the ECA's products on improving EU accountability
- work with others to leverage the ECA's contribution to EU accountability
- develop the ECA further as a professional audit institution
- make best use of the ECA's knowledge, skills and expertise
- demonstrate the ECA's performance and accountability

## Structure and composition

The ECA has 28 Members - one from each Member State, and one of whom is elected President of the Court (see ECA [Governance](#) page). They are appointed for a six-year, renewable term by the Council, after consulting the European Parliament (the Council has sometimes appointed nominees rejected by the EP).

The President of the Court of Auditors is elected by members for a renewable term of three years. The President's role is to ensure the smooth working of the Court and to represent it in relations with other bodies, including the EU institutions and national audit institutions. The current President is Vítor Manuel Silva Caldeira, who joined the ECA in March 2000 and whose three-year term as ECA President started on 16 January 2008. His mandate was renewed on 12 January 2011 for a second term.

The Court is organized into audit groups comprising a number of specialised divisions which cover the different areas of the budget. The ECA assigns each Member to a group. Each group is chaired by a 'Dean', elected from amongst their number for a renewable two-year term.

Since January 2002, members have been divided into five Audit Groups, each responsible for one or more areas of work (for membership of the groups, see [Organisation chart](#)):

- Audit Group I - Preservation and management of natural resources
- Audit Group II - Structural policies, transport, and energy
- Audit Group III - External actions
- Audit Group IV - Revenue, research and internal policies, and Institutions and bodies of the European Union
- CEAD Group (Co-ordination, evaluation, assurance and development) - responsible for the co-ordination of the Statement of Assurance, quality assurance and the development of the Court's audit methodology.

The ECA is supported by a Secretariat-General with four main elements:

- Human resources
- Finance and support
- Information and technologies
- Translation

According to the Court's [2008 Activity Report](#), on 31 December 2008, the Court had a staff of 857 (officials and temporary and contract staff, but not counting Members, seconded national experts and trainees). Amongst the staff were 501 auditors and assistant audit staff, 163 translators, and 173 for administrative support.

The [Annual Activity Report 2010](#) showed that, on 31 December 2010, the Court had a staff of 889 (officials and temporary and contract staff, but not counting Members, seconded national experts and trainees). Amongst the staff were 557 auditors and assistant audit staff, 151 translators, and 157 for administrative support.

The figures for 31 December 2011, given in the [Annual Activity Report 2011](#) were: 887 officials and temporary agents, of which 564 were in audit chambers, 148 in translation, 148 in administrative support and 27 in the Presidency.

The [Annual Activity Report 2012](#) showed that, at 31 December 2012, there were 887 officials and temporary staff, of which 573 were in audit chambers, 143 in translation, 139 in administrative support, and 32 in the Presidency.

The ECA's own budget is independently audited each year by a private accountancy firm. The results are sent to the European Parliament and published in the Official Journal.

In 2007 the Court asked the national audit institutions of Austria, Canada, Norway and Portugal to conduct a peer review of the ECA. Their findings and recommendations are set out in the December 2008 [International Peer Review of the European Court of Auditors](#). The overall assessment was that:

the audit framework established by the Court is suitably designed in accordance with international auditing standards and good practices of supreme audit institutions.

The review also identified opportunities and challenges for the Court to further strengthen itself as a supreme audit institution, including:

- developing a culture that emphasises the Court as a single audit institution;
- enhancing quality assurance and quality control activities
- developing risk-based audit strategies.

## **ECA publications**

The [Audit reports and opinions](#) published as part of the Court's work can be divided into the following:

- An Annual Report after the close of each financial year concerning the implementation of the EU budget ([Annual reports](#)). Annual reports on the budget are usually published in the Official Journal during November or December of the year following the one in question. The annual report forms the basis of the Council's recommendation and Parliament's subsequent decision on whether to approve the budget. Parliament is responsible for following up the ECA's observations in the annual report. Only when MEPs have considered the Council's recommendation on the budget, and are satisfied that the annual finances have been properly managed, will they approve the accounts ('discharge the budget').
- From the financial year 1994, the Statement of Assurance (SoA) on the reliability of the accounts and the legality and regularity of the underlying transactions for each financial year is published as part of the annual report.
- [Specific annual reports](#) concerning certain Community agencies and decentralized bodies.
- [Special reports](#) on subjects of particular interest in a range of subject areas such as agriculture, regional policies, internal policies, external action, financial instruments and banking activities and administrative expenditure of the EU.
- [Opinions](#) The Court of Auditors must be consulted for its opinion prior to the adoption of certain Community regulations of a financial nature. The other Community institutions may also ask the Court for an opinion.

Once a report has been compiled by the ECA, it is delivered to the audited institution(s) for comment. The responses of the institutions to the Court's observations are considered by the ECA before the final annual or special report is adopted and published - along with the institutions' replies - in the Official Journal and as an annex to the Court's [Annual report](#). In 2007, the ECA issued the first of its [Annual Activity Reports](#), providing an overview of the Court and an account of its activities.

Other types of publications are also available, including a monthly multi-lingual [Journal](#), an [Information leaflet](#) and [flyer](#).

## Location

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## Information sources in the ESO database

Find updated and further information sources in the ESO database:

### [2.10 European Court of Auditors](#) (ECA as an institution; Annual reports)

- [Key Source](#)
- [Legislation](#)
- [Policy-making](#)
- [Report](#)
- [Statistics](#)
- [News source](#)
- [Periodical article](#)
- [Textbook, monograph or reference](#)
- [Background](#)

Relevant material may also be found under:

- [4.4 EU Budget: Fraud and mismanagement](#)
- [2.2 Current institutional developments](#)
- [2.3 The policy-making process](#)
- [2.3.a Decision-making process/procedure](#)

## Further information sources on the internet

- European Court of Auditors
  - [Homepage](#)
    - About us
      - [Welcome](#)
      - [Mission and role](#)
      - [Governance](#)
      - [Legal framework](#)
      - [Ethics](#)
      - [Library](#)
      - [History](#)
      - [Public procurement](#)

- Our work
    - [ECA's work](#)
    - [Strategy](#)
    - [Work programme](#)
    - [Audit activities](#)
    - [Audit methodology](#)
  - Our products
    - [Search publications](#)
    - [Audit reports & Opinions](#)
    - [Annual activity reports](#)
    - [Journal](#)
    - [Information material](#)
    - [Other publications](#)
  - International
    - [Overview](#)
    - [Cooperation with EU SAIs](#)
    - [Other cooperation](#)
  - Newsroom
    - [News](#)
    - [Press release & Speeches](#)
    - [Audiovisual library](#)
    - [Press packs](#)
    - [Press contact](#)
  - EU finances
    - [Introduction](#)
    - [Spending areas](#)
    - [Financial rules](#)
- European Commission: DG Budget
  - [Homepage](#)
- Europa
  - Policy areas: [Budget](#)
  - Summaries of EU legislation
    - [The Court of Auditors of the European Union](#)
    - [Budget](#) (includes factsheets under the headings: Own resources, The financial perspectives, The financial regulation)
- European Commission: DG Communication
  - [RAPID](#) press releases database - [Court of Auditors](#) (pre-set search)
  - EU news: [Institutional affairs](#)
- European Union: EUR-Lex
 

The text of proposed and adopted legislation relating to the Court of Auditors can be found via EUR-Lex:

  - [Proposed](#) - 01 General, financial and institutional matters - [01.40.60 Court of Auditors](#)
  - [Adopted](#) (01 General, financial and institutional matters - 01.40.60 Court of Auditors)
  - [Treaty on European Union](#) Article 13
  - [Treaty on the Functioning of the European Union](#) Articles 285-287
- Court of Justice of the European Union: InfoCuria
 

[Homepage](#): at 'Name of the parties' box enter 'court of auditors'. Hit 'Search' at top or bottom of page.

- European Parliament: Legislative Observatory (OEIL)  
[Homepage](#): Carry out a [Search](#): from right-hand menu, expand 'Other institutions and bodies' and select 'European Court of Auditors'.
- European Commission: PreLex  
[Homepage](#). In [standard search](#) use 'court of auditors'
- Council of the European Union
  - The [General Affairs Council](#) deals with general budgetary matters
- European Parliament
  - [Budgetary Control](#) (CONT)
- European Parliament: Fact Sheets
  - Fact Sheet on [The Court of Auditors](#); section on [How the European Union works](#) has a sub-section on Financing, with a number of Fact Sheets, including: [The Union's revenue and expenditure](#) and [Budgetary control](#)
- European Economic and Social Committee
  - [Economic and Monetary Union and Economic and Social Cohesion](#) (ECO)
- European Anti-Fraud Office (OLAF)
  - [Homepage](#)
- Internal Audit Service
  - [Homepage](#)
- European Organisation of Supreme Audit Institutions (EUROSAI)
  - [Homepage](#)
- United Kingdom: National Audit Office
  - [Homepage](#) (search using 'european union')

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