

ORGANIZATIONAL MANAGEMENT OF THE EUROPEAN COURT OF AUDITORS

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Abstract

In a modern democratic society, the functioning of an independent external audit is essential for complying with the obligation of transposing in efficient actions and of reporting the economic use of the public funds. The European Court of Auditors is the external control institution of the European Union and it contributes to improving in various aspects the financial management of the Union's funds. The Court plays a crucial part for the Union's citizens.

The European Commission that has the mission of the European Union's budget execution, must make sure that the Union's funds are well managed, in compliance with the applicable legislation in the field.

The Union's funds' management and control are performed in cooperation with the member states. The Union's expenses are the object of multiple controls on several levels, both inside the Committee representing the administration of the member states and in the beneficiary countries. The Committee performs an internal audit, which contributes to providing an adequate control system and that must function as efficiently as possible. The Court's purpose is that of an external auditor that assesses the budget financial management, so that there is provided an effective management to the citizens' benefit.

The European court of auditors

Mandate assigned under the Treaty

The European Court of Auditors is the external auditor of the European Union's finance.

Articles 246 – 248 of the EC Treaty establish the mandate of the Court of Accounts, which can be summarized as follows:

The European Court of Auditors

- *examines the accounts of all the incomes and expenses of the European Union and of every organism created by it, if there are no other special provisions*
- *verifies the lawfulness and the regularity of all the EU incomes and expenses and if the financial management is a healthy one, which is if the funds were used in an economical, efficient and effective way;*
- *draws up an annual report consisting of remarks regarding the European Union's budget execution for each financial year and an Insurance Statement (DAS[IS]) on the reliability of the European Union's accounts for the audited financial year, as well as on the lawfulness and regularity of the financial operations registered in the said accounts;*

- can present anytime during the year remarks regarding specific issues, under the form of special reports;
- reports the irregularity or fraud suspicion cases found during the audit activity;
- formulates official opinions regarding the community regulations projects with financial character;
- is consulted for any proposal regarding the fraud control measures;
- provides assistance to the authority granting the management discharge (*the European Parliament*) in its control activity on the European Union's budget execution, by publishing the audit reports and the opinions.

The Court of Auditors has no legal power; consequently, its reports and opinions do not have compulsory character from the legal point of view. However, the Court's activities allow the legislative bodies and the institutions responsible for the management of the EU programmes and finance to improve the financial management.

Organization and structure

Members

According to the provisions stipulated in the EC Treaty, the Court of Auditors must have one representative of each member state. The members are appointed by the *Council of the European Union* following a previous consultation of the European Parliament, based on the proposals made by every member state. According to the treaty, the members of the Court of Auditors are chosen from the personalities that are or were part, in their countries, of some external audit institutions or that hold a special qualification for this position. They are chosen for a six years period that can be renewed.

The members exercise their functions in full independence, in the general interest of the European Union.

The members of the Court of Auditors are reunited in a college, which is the main decisional body of the institution. Each member is responsible for performing a certain number of audit missions established in the yearly working schedule of the Court. In their missions, they are assisted by audit specialised staff.

President

The European Court of Auditors is directed by the President chosen by the college members and from them, for a three years period that can be renewed.

The President has the purpose of *primus inter pares* (the first one among the equals); he chairs the Court meeting and follows up the applying of the Court decisions and also the good administration of the institution and of its activities.

The President is the one who represents the Court in all the external relations, especially in the relation with the authority granting the management discharge, with the other EU institutions and with the supreme audit institutions in the member states and in the beneficiary countries.

The President is also responsible for the external relations department and for the legal service of the Court.

Secretary-General

The Secretary-General is the member with the highest functions in the institution and it is appointed by the Court of Auditors. He is responsible for the management of the human resources and for the Court administration, meaning the professional instruction and

for a translations department consisting of a number of units equal to the number of official languages of the European Union. The Secretary-General is also responsible for the general secretariat of the Court.

Human Resources

The Court of Auditors disposes of a staff consisting of about 760 employees including auditors, translators and administrative staff. The professional instruction and experience of the auditors, acquired both in the public and in the private sector, is very varied (accountancy, internal and external audit, law and economics). The Court of Auditors recruits members from all the member states in order to provide a linguistic and professional diversity within its staff.

The Court's recruiting policy follows the general principles and the employment conditions in the European institutions. The Court staff consists both from permanent officers and from employees on definite period. The general competitions with a view to obtaining a job to the Court of Auditors are organized by means of the *European Office for Staff Selection (OESP/EPSO)*. Sometimes, the Court provides training periods for a limited number of persons holding bachelor's diplomas for a period between three and five months.

Internal organization

The Court of Auditors is organized and functions in the college and its Members adopt the audit reports and the opinion by a majority of votes. The meetings of the Court of Auditors are not public.

The Court establishes its own *internal order regulations* subject to the EU Council's approval.

The Court of Auditors is organised in *audit groups* that consist of several divisions specialised in certain budgetary fields. The CEAD audit group (coordination, evaluation, audit and development) has as a mission the coordination of the Insurance statement and the provision of quality and of development of the Court's audit methodology.

Each member is assigned by the Court to an audit group. Each group is directed by a "dean" chosen by vote by and from the Court members, for a two years period that can be renewed. The dean, in collaboration with the other members of the group, takes care of its good functioning and that of the divisions subordinated to him.

An administrative committee, consisting of members representing each audit group, has as a mission to solve the administrative problems that need an official decision of the Court.

As from the year 2004, some documents can be adopted without being debated by the Court, if two thirds of the members of an audit group or of the administrative committee agree with the said decision.

The Court also appoints an internal auditor, who is liable before an audit committee consisting of three members of the Court and an external expert.

Court Budget

The Court Budget is financed from the general budget of the European Union adopted by the European Parliament, following the previous consultation of the Council.

In 2004, the *Court budget* was of EUR 113 million, which represents about 0,1% of the total expenses of the European Union and 1.8% of the total administrative expenses of the EU institutions and bodies.

Upon the Court of Auditors' own initiative, the financial statuses of the institutions are subject to an audit performed by a private audit company. This audit's results are

communicated to the European Parliament and to the Council. The *financial statuses accompanied by an audit report* are published in the Official Journal of the European Union and on the website of the Court of Auditors.

As in the case of the other institutions of the European Union, the execution of the Court budget is subject to debate in the European Parliament that decides the budget management discharge that is to be granted to the institution for each financial year.

Audit Procedure of the European Court of Auditors

<p>PLANNING Strategic orientations Multiannual working schedule Annual working schedule</p> <p>Preliminary study</p> <p>Audit plan Audit schedule</p>	<ol style="list-style-type: none"> 1.Exposing the general audit strategy of the Court. 2.Examining the audit field and identifying the possible audit themes. 3.Selecting the audit themes for the next financial year based on the priorities established by the Court. 4. Examining in detail the audit theme selected: risks assessment, identification of key issues and establishing the possible audit objectives. It also includes an assessment of the audit’s forecasted effect and a proposal regarding the possibility to continue the audit. 5.Approval from the audit group. 6.Detailed planning: Who? What? Where? When? How? Detailed presentation of the stages necessary for achieving the audit objectives.
<p>EXECUTION Audit tests</p>	<ol style="list-style-type: none"> 1.gathering enough audit proofs, relevant and reliable 2.controls in the EU institutions, in the administrations of the Member States and in the beneficiary countries and in the direct beneficiaries of the community funds 3.after each control to the audited unit, there shall be sent a report regarding the preliminary study to allow it conform or den the facts presented 4.corroboration of the audit proofs for establishing the conclusions regarding the audit objectives
<p>REPORTING Preliminary audit report Procedure of bilateral discussion with the Committee (or another EU institution) Report</p> <p>Publishing</p> <p>Management discharge</p> <p>Impact monitoring</p>	<ol style="list-style-type: none"> 1.Adopting a preliminary report (“preliminary remarks”) by the Court of Auditors 2.The Committee (or another EU institution) verifies the facts presented in the preliminary report and draws up an answer. 3.The Court of Auditors adopts the audit report within the reunion of the college members. 4.Publishing of the audit report in all the official languages of the European Union, accompanied by the answers provided by the Committee (or another EU institution) on the Internet and in the Official Journal of the European Union. 5.Political decision of the European Parliament regarding the budget execution. 6.Monitoring the corrective measures taken as a result of the findings and of the recommendations of the Court of Auditors.

Effective organization and management to the citizen’s benefit

In order for the European Union to really have credibility in the eyes of the citizens, many policies have to be effectively implemented and the budget management must be efficient.

In practice, the management of the community programmes represent the responsibility of the European Committee, but also of the administrations in different levels in the member states and in the beneficiary countries, for more than 80% of the EU expenses. Consequently, the administration, the organization and the control of the funds are more and more often provided at the national and regional level; the decisional process is thus more transparent, quicker and closer to the citizen.

The political analysis of the administration method of the European Union takes place both at the level of the European Parliament and of the Council and at that of the national Parliaments.

Moreover, the mass information means grant a special attention to the way to use the community funds and an increased interest to the cases of fraud and abusive use of such funds.

In this context, the European Court of Auditors plays a crucial part in its capacity as external auditor of the European Union:

- by means of reports that it publishes, the Court contributes to the promotion of transparency and to the increase in the responsibility regarding the method of management of the community funds;
- the Court's audit activities allow to guarantee the fact the community funds are collected and used in compliance with the rules and regulations in force
- the Courts remarks and recommendations help the persons responsible for the management of the community funds to constantly improve the results and they contribute to increasing the performance of the financial management;
- the Court's audit reports represent the starting point for a democratic analysis of the use of the community funds by the European Parliament and by the Council

The European Court of Auditors contributes to the improvement of the financial management of the community funds at all the management levels, in order to provide the optimum use of resources to the benefit of the European Union's citizens.

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