

**Speech by Mr Herbert BÖSCH,**  
*Chairman of the European Parliament's Committee on  
Budgetary Control*

*At the Ceremony to commemorate the 30<sup>th</sup> anniversary of the  
European Court of Auditors*

*The spoken text will prevail in the event of differences*

"Die Herausforderungen bei der Prüfung von EU-Mitteln"

"The challenges of auditing EU-funds"

Mr President

Members of the Court of Auditors

Members of National Audit Authorities

Ladies and Gentlemen

On behalf of the European Parliament's Committee on Budgetary Control I have the pleasure of congratulating the European Court of Auditors and its staff on their 30th anniversary.

Happy birthday!

It is both a pleasure and an honour for me to have been invited to speak here today and I would like to thank the President of the Court of Auditors for this opportunity to participate in the commemoration of the first 30 years of the Court.

I have been asked to talk on: "The challenges of auditing EU-funds".

We know that "**Where you sit determines where you stand**".

This means that the challenges I see for the institution which audits the EU-funds - the Court - are determined by my function as Chairman of the Committee on Budgetary Control, and from that seat I asked myself:

**What are the five top challenges the European Court of Auditors faces today after its first 30 years of existence?**

**The first challenge for the Court is to defend its independence ... in an intelligent way**

Independence is a central point for any audit institution.

I am not saying that the Court is not independent. However situations may arise where the Court is not SEEN to be independent.

Independence means that the Court's audit approach is determined by the Court and only by the Court.

Unfortunately there is a tendency (both in the Commission as well as in the Committee on Budgetary Control) to question the Court's "methodology". This is not sound.

The Court's *professional* approach should stem from *international auditing standards* adapted to the peculiarities of the specific object to be audited, that is: the EU budget and its implementation.

That is why it is improper in one way or another to try to determine the Court's audit mandate in the Treaty.

A treaty is a political/legal text and should not contain instructions on how *professional* activities are to be carried out.

Independence is a necessary condition of the functioning of an audit institution. But it must be handled with care. An "overdose" could put the institution on a side track where it is merely tolerated since it is harmless.

We do not want a harmless European Court of Auditors. But neither do we want a blood hound.. What we want - *and what European taxpayers are entitled to* - is an efficient and vigilant watch dog.

**The second challenge for the Court is to show leadership where and when others do not want to do so**

Amongst other things, leadership is about saying what nobody wants to *hear* and provoking discussions on difficult and/or unpleasant issues.

One of these difficult issues is the impossibility of holding the Council of Ministers to account.

**Even if Member States play an important role in the implementation of the budget it is not possible to hold the Council of Ministers (ECOFIN), or its members, politically accountable at the European level.**

Any decision concerning the EU budget is the result of intergovernmental deals. Member States consider their share of the cake as a measure of the resources they pay into it.

The consequence of this logic is that "spending" becomes an objective in itself. EU expenditure is in fact revenue for the Member States.

Member States act under many different hats and, most of the time are part of a conflict of interests:

They legislate, they negotiate the budget, they contribute to the budget, they manage the biggest part of the budget and they are also supposed to control the implementation of the budget!

All these functions which are carried out by Member States' representatives raise the following question:

**Should national ministers be made accountable, at the Union level, for actions or inactions in their capacities as members of the EU Council, and if so, how?**

**The third challenge for the Court is to be able to attract and keep highly qualified professional audit staff.**

The authority of the Court is to a large extent based on the professionalism of its staff.

But professionalism is not only knowledge and experience with auditing; it has very much to do with the *attitude* of people:

*an independent mind, a critical but constructive approach and ability not to lose the overall aim of audit which is supporting improvement.*

The Court must give consideration to how this can be achieved under the existing framework.

Development of an institution is, amongst other things, also based on an attractive working environment which gives staff a real possibility for personal as well as professional development.

An attractive workplace is also a workplace which enables work and family life to co-exist and where the professional career is based on professional achievements.

Allow me to express my great satisfaction with the work done by the Court's operational staff.

### **The fourth challenge for the Court is to permanently improve its performance**

According to article 248, paragraph 4 of the Treaty the Court shall "assist" the European Parliament in exercising its powers of control over the implementation of the budget.

The word "assist" does not touch on the Court's independence. Parliament is the first to stress the need of having an absolute independent audit function.

But the word "assist" does indicate that the Court is an "auxiliary organ" to the Parliament. This is a perfectly normal status for a court of auditors.

The Court's performance will therefore to a certain extent be measured on how it services the Parliament.

Let me mention an area where I believe there is "room for improvement" as auditors often say.

It might be that 30 years is an appropriate age for reconsidering the range of the Court's products.

The Court produces Annual Reports, Special Reports and Opinions.

### **Would performance be improved by adding a new innovative product to the already existing traditional ones?**

I am thinking of the "**High Risk**" papers which the US Government Accountability Office produces for the President of the Senate and the Speaker of the House of Representatives.

These "High Risk" papers identify programmes and operations which are high risk due to their greater vulnerability to waste, mismanagement, abuse and fraud.

The GAO periodically reports to the Government which programmes and operations it has designated as high risk.

The GAO also reports periodically on what remains to be done in correcting high-risk problems, which programmes and operations have been removed from the "High Risk" category and which new operations and programmes it has designated as high risk.

**It would in my view be very healthy if each new Commission received from the Court a "High Risk Status Report" as a welcome gift at the start of its mandate.**

**2009 would be a good year to start off.**

**The fifth challenge for the Court is to help create the conditions for a positive response to the first four challenges**

The European Parliament is the discharge authority and as such it has a fundamental and special *institutional* interest in a strong European audit function.

The stronger the European Court of Auditors, the stronger the discharge authority.

The European Union is not a static entity. It is developing and changing most of the time. Its institutions must be adapted to the changing reality. Otherwise they turn into fossils.

The original organizing principle of the Court - "*one national from each Member State*" - has resulted in an institution which after several enlargements is now governed by a college of 27 members. Add to this the considerable number of staff working within the 27 cabinets, and all with a word to say on all top level decisions.

**An in-depth reform and *strengthening* of the European Union's external audit arrangements is needed and we should not be afraid of discussing the matter.**

In order to stimulate the debate I would like to present the following considerations:

- the organizing principle of the Court could be changed from a predominantly political one to a primarily professional one
- the current institutional set up could be replaced by a structure comprising a *professional* "**College of Auditors General**" of five members and a **Supervisory Board** composed of a Member from each Member State

If you do not like the idea of a College of Auditors of five I have another proposal which we can also discuss:

**One Auditor General,**

- to be appointed by Parliament from a short list of three candidates proposed by the Council after international competition;
- one term of eight years; and
- an advisory board consisting of a representative from each of the national audit institutions.

In the same move the name of the institution could be changed to the "**EU Accountability Office**" (EUAO) to reflect the fact that the ECA is not a court and holds no judicial powers but a professional audit organisation with all the investigatory and access right that go with that responsibility.

I am aware that this modernisation of the Union's external audit function is not for tomorrow, but I think that if we wish to have an influence on the matter, then the time has come to initiate a serious discussion.

I thank you for your attention and once again

Happy birthday!