

## Presentation by Jan O. Karlsson of the Court's work program 2001 (20 March 2001)

**Caption:** Speech by the President of the European Court of Auditors on the occasion of the presentation of the Court's work program for the year 2001 to the Budgetary Control Committee (COCOBU) of the European Parliament on 20 March 2001.

**Source:** The Court of Auditors, Speeches. Speech by the President of the European Court of Auditors Jan O. Karlsson on the occasion of the presentation of the Court's work program 2001 at the meeting of the Committee of Budgetary Control of the European Parliament in Brussels on 20 March 2001. [ON-LINE]. [s.l.]: European Court of Auditors, [16.05.2001]. Disponible sur [http://www.eca.eu.int/EN/DISCOURS/CCB\\_JOK\\_200301.pdf](http://www.eca.eu.int/EN/DISCOURS/CCB_JOK_200301.pdf).

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## Presentation, on 20 March 2001, of the Court's work program 2001 before the Committee of Budgetary Control (COCOBU)

In the case of differences, the spoken text shall prevail

### Introduction

- Thanks to the Budgetary Control Committee for the invitation which gives the President of the ECA the opportunity to present the work program of the Court for 2000.
- Before entering into the details of the forthcoming work program, I would like to reflect first upon some words of Dr F. Fiedler, President of the Austrian Court of Auditors and Secretary General of INTOSAI, I.e. an international assembly of Supreme Audit Institutions of all over the world. Last November, in his address to the meeting of Presidents of the SAI's of eastern and central European countries, Cyprus and Malta and the ECA, M Fiedler said the following.
- *'The interrelation between democracy and truly independent SAIs manifest itself most evidently in the development of the former communist states in central and eastern Europe during the last decade. After these states had undergone a process of democratisation, they founded new SAIs, whose independence is ensured and safeguarded against inadmissible interference by the constitution. Nothing could demonstrate more impressively that an independent SAI, democracy and the rule of law form a non-divisible unity. Although not all states have succeeded in fully implementing this demanding postulate yet, it must remain a permanent challenge'.*

### The case of the ECA in the institutional context of the European Union

- The European Union is a unique and interesting showcase where the basic principles of national formal democracies were implemented at a supra-national level.
- The EU is about to evolve into a governmental structure in which its institutions (Parliament, Council, Commission, Court of Justice) reflect the three main powers (executive, legislative and judicial) of any formal democracy.
- What makes the European experience even more unique is that it has also recognised the importance of the government audit function as a 'fourth pillar' of its democracy.
- The recognition of the European Court of Auditors as a full-fledged institution under the Maastricht and Amsterdam Treaties is another important event where the EU authorities reiterated their commitment to an independent audit body.

### The Intergovernmental Conference of 2000

- Although it was not the duty of the Court to bring about its own views on its future structure, the Court thought that it might be useful for Member States to have its views on what it thought should be the future structure of the Court. The European Council in its decision on this issue followed these views.
- As you might have seen when reading the Court's proposal, the Court has responded to the challenge imposed by enlargement keeping well in mind the principle of continued independence. Let me illustrate this.
- First of all, the Court kept to the principle of one Member per Member State. Of course, one could have argued for a drastic change and to have a European Auditor-General. However, this might have implied that Member States would like to see some kind of an audit committee supervising the work of the Auditor-General. Such a Committee would consist of one representative from each Member State, but the risk would be high that they would become national representatives, thus putting into question the independence of our

institution.

- Therefore, the Court came to the conclusion to have Members who are really **Members of the institution** and not national representatives, so that they can defend the independence of the institution instead of defending the interests of Member States in the institution.
- When it comes to the number of Members, the view of the Court is that is more adequate to compare it with the Court of Justice and thus to keep the principle of one Member per Member State.
- The next step of the Court was then to reflect on the most effective way of organising its decision procedures to cope with the increase in the number of Members to up to 27. There were long internal discussions on this issue within the Court and we came to the conclusion that a reorganisation of the Court in chambers would be the most efficient way.

### **The Nice Treaty and its consequences for the ECA**

- The ECA now has about 18 months to reflect on its reorganisation, before the Treaty of Nice be ratified by all Member States and enter into force. The Court has already started these reflections which deal inter alia with the number of chambers, the internal structure and working methods of the chambers, the relation between the chambers, the relation between the chambers and the Court and the relationship between the individual Member and the chamber.
- Furthermore, the Court is not only confronted with the changes imposed by the Treaty of Nice (enlargement - chambers) but it also has to consider the impact of the Commission's Reform on its own organisation. In this respect, there are already now two main areas where the Court has to act; I.e. the revision of the Financial Regulation and the proposals by the Commission for a new staff management policy.
- Further, as in the past, the Court wants to continue its openness towards and communication with its clients (budgetary authorities, Commission, the general public and media). There is a permanent reflection on how to improve the quality of the Court's products and their impact.
- There will certainly be major reforms within the Court in the near future. During this storm of change, the Court will be vulnerable but I am sure that it will come out as a modern and reinforced institution able to perform European auditing function in an independent and professional way.

### **The 2001 program of work: the underlying reflections**

- In preparing its WP for 2001, the Court examined a number of questions which can be summarised as follows :
  - for each heading of the financial perspectives, what are key policy developments foreseen in the medium term, and what are the most significant themes and issues, which the Court should take into account when fixing priorities for its work ?
  - what contribution, if any, should the Court make to these developments through its audit work, notably through identifying how financial management should be improved ?
  - what are the key management issues for the Court as external auditors, notably in light of the Commission reforms (e.g. the management and decision-making processes needed for a results-oriented approach, information requirements and systems, development of the internal control environment) ?

- These questions provide for the key strategic issues to be analysed under two main headings, namely those issues related to policy, and those that focus on management.

#### Policy related issues

- With regard to **agriculture**, the audit strategy is to examine the management by the Commission of agricultural markets. It is proposed to concentrate on those markets where no important changes are foreseen during the audit cycle. In this way, it is intended to overcome the problem of the "moving target" of the audit field. The list of priority tasks identifies a mixture of individual markets, horizontal instruments, and control measures.
- With regard to **Internal policies and Research areas**, we have identified several priority tasks for the periods 2000 - 2006. These concern Environmental measures, Transport, Energy and Research, and their link to structural funds. Furthermore, audit tasks will cover the information society, the industry and the education, the protection of consumers, health and research in human and life science.
- In the area of **External Actions**, the most significant policy issue that we intend to focus on is the accession of the new Member States. This is probably the key issue facing the European Union as a whole, and so requires the highest priority to be attached to it by the Court in its WP.
- There are, however, a number of other significant policy issues, which are raised, without fixing them in order of priority. These are : stability on the borders of the EU (affecting CEEC-NIS-ex Yugoslavia and Mediterranean programmes), macro-economic aid, budget support and the management and control of counterpart funds, refocusing development assistance programmes in light of internationally agreed poverty reduction targets and others.
- With regard to **administrative expenditure**, the policy issues listed are of a management nature, linked to the reform process. (They include the decentralisation of management - in Commission jargon *deconcentration* - and the possible increased utilisation of agencies for implementation of programmes (cf. external actions)). Issues concerning the management of human resources are also highlighted.
- As far as **Own Resources** is concerned, accession is also highlighted as a key policy issue, as it will affect the establishment of duties, VAT and GNP resources. (The only other policy issue of significance, for the medium term; is the possibility of a fifth resource being introduced).
- With regard to **Banking activities**, the impact of enlargement and the development of new financial instruments, as decided at the Feira European Council, will influence the audit strategy this domain.

#### Management-related issues

- The background to the issues set out is the development of results-oriented management approaches.
- The main issues are :
  - management information; examination of what information is needed for effective decision-making, how it is collected, appraised and used;
  - Performance indicators, accountability;
  - Improved financial and administrative management procedures, including accounting and budgetary systems;

- Human (and other management) resources and their allocation;
- Decentralisation/deconcentration of management;
- Strengthened control systems in the Member States (EAGGF and structural Co-ordination of services within the Commission);
- Value for money and waste.
- These issues are listed, without any indication of priority.

### The work program 2001

- Having looked at these issues, the Court has arrived to the work programme that you have received.
- I will go through the main items!
- **Group 1: agriculture** will deal in its audits with several common organisation of markets (fruit and vegetables, tobacco, sheep-meat and goat-meat, cotton, oilseeds, beef and veal), with certain aspects of dried fodder and potato starch and with public storage and export refunds. In response to recent events, I can also tell you that there will be a follow-up of the BSE report.
- **Group 2: structural funds** will deal with employment measures, with the initiatives URBAN, INTERREG, LEADER II, with the ISPA instrument, with several aspects related to research, with the SAPARD instrument and with the management of rural development expenditure.
- Group 2, as an intersectoral task, will examine the implementation of new provisions in respect of financial control within the framework of the structural funds.
- **Group 3: external aid** will devote its audits to the implementation of expenditure in respect of the Common foreign and security policy, to programmes financed through Phare or Tacis, and to instruments such as SAPARD and ISPA. I also would like to mention here that the Court has taken contacts with national SAI's to undertake joint audits.
- For the EDF, counterpart funds and works contracts will be looked at.
- Group 3 will also have three inter-sector tasks: food aid/food security, structural adjustment and management information systems.
- **Group 4: the administrative expenditure sector** will focus its audits on procedures at the Commission and on the management of human resources, **the decentralised bodies sector** will prepare the many statutory audit reports for which it is responsible, **the own resources sector** will audit various aspects related to custom, the GNP quality of Member states and applicant countries, anti-dumping duties and aspects of VAT and **the banking sector** will focus its audit on the ECSC, the European Central Bank, the Guarantee fund, the European Investment Fund and the financial mechanism of the European Economic

Area.

- Finally it is important to note that the tasks, as they appear in our work programme, might not lead immediately to observations to be published in the Annual report for the year 2000 or in special reports which the court will adopt this year. However, we have been able to establish a list of 16 special reports which could be adopted by the Court this year.

### **Conclusion**

- Ladies and gentlemen, six years ago I was in here in front of your Committee to be examined as a candidate Member of the ECA. In these six years, I have seen a number of important improvements in the area of the European Union's financial management.
- First, there is the overall reform of the Financial Regulation which now takes place. Let me remind you that it was the European Court of Auditors that initiated this reform. Then, of course, there is also the reform of the Commission. Here too, the ECA, together with the budgetary authorities, played an important role. It took many years to start up the reform process and it was also necessary to unseat the Commission; nowadays however, there are clear signs that the Commission is in the process of becoming the modern and performing executive institution that the European Union deserves.
- Finally, the European Court of Auditors is also pleased to see that its recommendations have triggered an improvement in the financial control of agricultural expenses. The Court also advocated and supports the current efforts to reform the control of Structural Funds in a similar way.
- All the above achievements were the result of a common effort of the European institutions and, as the President of the ECA, I am therefore proud to represent the Court here today. I also hope that in the future the European Institutions continue their constructive collaboration in the building of a real European democracy.