

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350 New York Office: 245 East 47th Street, New York NY 10017 Telephone (212) 371-3890

BACKGROUND NOTE

No. 30/1977

December 13, 1977

## EUROPEAN COMMUNITY SETS UP COURT OF AUDITORS

The establishment earlier this year of a European Community Court of Auditors, and appointment to the Court in recent weeks of a financial expert from each of the nine member states, marks the creation of an independent Community institution responsible for the audit of Community expenditures and revenues.

Like the General Accounting Office (GAO) of the United States Congress, which it somewhat resembles in purpose and structure, the Court of Auditors will work closely with the European Parliament. It is based in Luxembourg, the site of the Parliament's Secretariat.

The Court, however, will neither seek nor take instructions from any government or from any other body. A treaty establishing the Court was signed on July 22, 1975, and entered into force on July 1, 1977. The Court replaces the Audit Board, a group of financial examiners who had been hired on a part-time basis by the Community. Creation of the Court of Auditors substantially upgrades the function of financial examination in the Community; increases in the auditing staff are also planned.

The Court's principal task will be to scrutinize Community budgets and to prepare an annual report on Community institutions. But like the GAO the Court may, on request from the Parliament, prepare ad hoc reports on specific questions.

Community auditors will have access to all Community financial documents and can perform audits on the spot in Community institutions or where Community revenues are gathered or spent in member states. In member states, such financial examinations are to be carried out in liaison with national audit bodies.

Nine men were sworn in as European Community auditors at the Court of Justice in Luxembourg on October 25. These are: Paul Gaudy, Belgium, an inspector general in the Belgian Ministry of Finance who has served both as European Coal and Steel Community auditor and as a member of the earlier Audit Board: Arne K. Johansen, Denmark, former North Atlantic Treaty Organization and European Space Research Organization auditor and member of the Audit Board; Albert Leicht, Germany, chairman of the Budget Committee of the Bundestag, the lower house of the Federal Republic of Germany's parliament; Pierre Lelong, France, a former French Ministry of Finance official; Aldo Angioi, Italy, a lawyer and former chairman of the NATO Board of Auditors; Michael N. Murphy, Ireland, secretary general of the Irish Department of Finance; Marcel Mart, Luxembourg, former Luxembourg minister for economic affairs; A.J. Middelhoek, the Netherlands, an official of the Netherlands Ministry of Finance and director general of the national budget; and Sir Norman Charles Pierce, former chairman of the British Board of Inland Revenue.

The Irish auditor, Michael Murphy, has been elected chairman of the Court.

The Court of Auditors will seek to effect greater efficiency and economy in all Community operations. It is expected to be a valuable tool to the European Parliament in its exercise of the power of the Community purse.

The Parliament's powers in this area have recently been expanded because the Community will shortly have its own sources of revenue. A value added tax directive adopted by the European Council in May, and to be implemented by all Community members on January 1, will make available to the Community up to 1 per cent of the basis of assessment of VAT revenue from member states. VAT resources will account for 10 per cent of the Community budget; the remainder will be financed, as in the past, through agricultural levies and customs duties.

The Parliament and the Council of Ministers share control of Community finances, but the Parliament has the last word on the budget since it can amend portions of the budget or reject it in its entirety. The Council and Parliament must agree on expenditures that are provided for in the Treaty of Rome, such as the Community's agricultural and transport policies. The Parliament alone has the final word on how much money can be budgeted for Community policies that are not spelled out in the Treaty, such as consumer affairs, environmental initiatives and regional fund expenditures.

The European Community budget this year was 9.6 billion European units of account (about \$1.13 per EUA) or about \$10.8 billion. The proposed budget for 1978, now being considered by the Parliament, is 12.5 billion EUA (about \$1.15 per EUA) or about \$14.4 billion.

en and a star a fair and a star a special

en en sour en la plan groene en la servicie de la plan de la plante de la provier de la plante de la plant

a a second second a definition a second a second

e e l'algène en la sur la s

enter a segura de provena