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European Governance and the Role of the European Court of Auditors: An Assessment

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Abstract

This article examines the impact of the work of the European Court of Auditors (ECA) on European institutional governance, focusing on its role in promoting transparency, accountability, and performance evaluation. The ECA conducts audits of public funds and evaluates EU policies and programs. ECA's publications act as a guideline and contribute to improving the governance of EU institutions. These publications represent a critical evaluation of all policies and programs and discuss their comparison with the intended objectives and the EU's founding principles. By assessing spillover effects in a neo-functionalist context and managing EU spending, the ECA supports the EU in achieving its policy objectives. This article further highlights how the ECA fosters integrated governance in Europe amid rapidly changing global politics. Moreover, it recommends that the ECA must adopt a philosophy of continuous improvement to remain relevant. In a performance evaluation exercise, the ECA contributes to the EU's sustainability, effectiveness, and accountability, benefiting European citizens. Moreover, it discusses the challenges and opportunities facing the ECA in enforcing EU regulations while managing increasing EU spending amid financial risks and changing public investment landscapes. Key concerns include compliance delays by member states and rising expenditure on non-productive activities due to contemporary political economy factors obstructing the work of the ECA.

Keywords: European Court of Auditors, EU Governance, Neo-functionalism, EU Debt Crisis, Political Economy

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Introduction

The terms “EU Governance” and “European Governance” are often used interchangeably. In essence, both terms cover a body of rules, procedures, and practices that provide the legal framework for governing the EU mainly through its institutions. The objectives of this framework, mainly comprising of EU treaties, are to strengthen democracy, ensure transparency, promote accountability, bring citizens of the member states closer to each other, and build trust in the EU institutions. In other words, it can be said that the EU institutions work in a way that EU citizens don’t lose faith in the European Project. In this regard, the work of EU governing institutions becomes challenging as it involves sustaining the milestones achieved through integration while managing the spillover effects of policies formulated by these institutions. This reflects a commitment to neo-functionalism, making the ECA a central actor performing its role independently in observing the EU’s compliance with treaties of integration.¹ Most EU institutions carefully monitor the spillover effects of their policies to safeguard the European project, and the ECA’s role in this regard is particularly significant. One of the six main EU institutions is the European Court of Auditors (ECA), which oversees EU institutions’ compliance with their constitutional mandate, applicable rules and regulations, and global best financial practices in the use of public funds.

Founded in 1977, the ECA acts as the independent guardian of EU financial management, responsible for auditing of EU funds and institutions to safeguard the interests of the European people and also to ensure that taxpayers’ money is well-managed and efficiently used. Like all Supreme Audit Institutions (SAIs), the ECA’s role is to conduct financial audits of the accounts of EU institutions and related bodies. This involves scrutinising the annual accounts of the EU, assessing whether financial transactions have been carried out in accordance with the applicable regulations and ensuring that funds are used efficiently and effectively. By assuring the reliability of EU financial statements, the ECA plays a crucial role in promoting financial accountability and commitment to good governance in a consistent manner.² Apart from regularity audits, the ECA also conducts

¹ Sandholtz, Wayne, and Alec Stone Sweet. 2013. “*Neo-Functionalism and Supranational Governance*.” Oxford Handbooks Online, (January 2013).

² Tony Murphy. “Accountability and Transparency-Building Blocks for Trust in the EU”. *Medium* (March 20, 2024.). <https://eauditors.medium.com/accountability-and-transparency-building-blocks-for-trust-in-the-eu-8216d12f9f24>.

performance audits to evaluate the effectiveness and efficiency of EU policies and programs. By having a closer look at the performance of EU institutions and public policy matters that they with, the work of ECA ensures that policy objectives for which funds have been allocated are not compromised. The ECA periodically publishes documents in one form or another to assist EU policy makers in broader decision-making processes.

Employing audit as a performance measurement tool, the ECA identifies gaps or inconsistencies in the EU's financials and provides constructive feedback to policymakers.³ In addition to its constitutional role of audit, the tools that the ECA employs in achieving its objectives are policy briefs, guidance documents, workshops, and publication of newsletters. This input helps in strengthening the legal and regulatory framework governing the EU financial management, ensuring that utilisation of EU funds reflects sound financial management and good governance. Therefore, the ECA plays a dynamic role in upholding the principles of European governance through its impartial and rigorous function of evaluation. However, in recent years, scholars have shown keen interest in the work of supreme audit institutions, and even it is contested by politicians and policy makers, who have been sitting at the helm of the statutory institutions, broadly motivated by their strategic interests.⁴ The ECA plays a crucial role in promoting transparency and accountability in the EU by highlighting the broader impacts of EU policies. Although it doesn't use the term 'spillover' in a neo-functionalist context, its work involves assessing the unintended consequences of financial and non-financial policies. Set aside the audit function, one of the ways the ECA plays its role is through the publication of policy briefs on various matters, such as EU budget management, the EU's Development Policy, and other Social Programs. By capitalising on the strengths and mitigating the ECA's weaknesses in the EU's financial governance, the ECA contributes to enhancing the quality and impact of EU policies.⁵ In reality, it provides constructive feedback so that budgetary goals are achieved and contribute in enhancing the performance of the institutions.⁶

³ Julian Bergmann. "We Do Not See the Problem, but Agree with Your Solution': The European Court of Auditors and the Politics of Evaluation in EU Development Policy," *Journal of European Integration* 48, No. 1 (2026): 1–22.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

This article discusses the impact of the ECA's work in shaping European governance and in achieving EU policy objectives employing a qualitative methodology, which particularly involves the analysis of documents such as annual reports published by the ECA, the books, scholarly articles, and periodicals by relevant institutions.

Methodology

This research work has been shaped using a qualitative content analysis approach, which evaluates the content describing the European Court of Auditors' role in enhancing the governance of EU institutions.⁷ The method appeared to be the most appropriate approach in conducting an in-depth examination of the ECA's work, comprising strategies to address the underlying challenges impacting administrative and financial governance in the European Union, particularly its institutions that strive to perform their role in the interest of the European project. The gathered literature represents secondary research sources which the ECA also produces on its own in the form of policy documents, periodical reports, and special reports for the EU legislature and other stakeholders, which are publicly available for interested readers and researchers. During the research, the content analysis drew the researcher's attention towards the academic debate on the phenomenon of regional integration. While analysing the content, the researcher encountered the theories of regional integration, *Functionalism* and *Neo-functionalism*. The latter provided the academic umbrella to evaluate the theoretical application of the idea of neo-functionalism on the research phenomenon which in this instance is the role of the ECA in the EU's institutional governance.

Neo-Functionalism as a theory of integration

Regional integrations have certain characteristics, including national states willing to deepen ties, supra-nationally motivated leaders, and a genuine need to resolve mutually recognised problems where a collective approach seems to be the most suitable model. This process is also motivated by the concept of incremental sequence, where national states or supranational institutions mutually decide to move forward to resolve common problems

⁷ Weng Lim. "What is Qualitative Research? An Overview and Guidelines," *Australasian Journal of Marketing* 33, No. 1 (2025). <https://journals.sagepub.com/doi/10.1177/14413582241264619>.

by applying their learning experience.⁸ The evolution of the theory of neo-functionalism parallels the process of European integration. Its early roots can be traced back to the theory of functionalism, where the concept involved engaging experts to identify and resolve problems. Following the Treaty of Paris in 1951 and the formation of the European Coal and Steel Community (ECSC), Ernst Haas formulated the theory of neo-functionalism. Since its inception in the late 1950s, it has gained wide acceptance as well as attracted severe criticism to the extent that its formulator also declared it obsolete. The successful progression of European integration, from the formulation of the ECSC to the development of the European Communities and the induction of more member states, was notable, making neo-functionalism make a comeback in academia. In its early years, European countries' deepening cooperation through the European Coal and Steel Community (ECSC), European Atomic Energy Community (Euratom), European Economic Community, and initiatives like the Customs Union and Common Agricultural Policy (CAP) supported neo-functionalist claims. The phenomenon of spillover, a core aspect of the theory, suggests that integration in one area can lead to further integration in others.⁹ Another key aspect is the role of supranational institutions. Neo-functionalism is particularly relevant in the European context due to its core argument that integration drives further integration.

The neo-functionalist concept of spillover elucidates the dynamics of integration in two primary ways. Firstly, it observes the emergence of further integration, and, secondly, it explains the logical progression that drives the integration process forward rationally and coherently. This concept highlights how initial integration efforts can create momentum for subsequent integration in related areas, thereby deepening and broadening the overall integration process. From a political economy perspective, the theory helps understand the role of supranational institutions in driving integration and how stakeholders influence decision-making in collective setups. Additionally, it provides insights into predicting future integration developments based on contemporary political events. As the process of European integration progressed, neo-functionalism as a theory evolved and underwent several reforms in the 1970s. Even its

⁸ Arne Niemann, Zoe Lefkofridi and Philippe C. Schmitter. "Neofunctionalism" in A. Wiener, T. Börzel, T. Risse (eds). *European Integration Theory*, (Oxford University Press, 2018): 43–63.

⁹ Ibid.

founder, Ernst Haas, revised it, arguing that the original version was no longer relevant. Furthermore, many other scholars, such as Philippe Schmitter, Stuart Scheingold, and Leon Lindberg, also modified the theory. As discussed above that the concept of spillover has been the central focus of the theory, implying that integration in one sector leads to the deepening of partnerships in other areas. Practitioners of neo-functionalism did not give a precise definition of integration but considered it as a process rather than an outcome or end state. Therefore, the process continues and involves the need for the creation or role-expansion of regional institutions, one example of which in the EU's instance is the European Court of Auditors.

Neo-functionalists underscore the role of economic and political factors in driving integration, while also acknowledging the significance of other key elements, such as pressure from interest groups and supranational institutions. The European Union exemplifies regional institutions that facilitate integration. The concept of spillover is crucial, as functional constraints in interdependent sectors often necessitate further integration, driven by national elites and supranational institutions. The sovereign debt crisis in the EU reinforced the idea that integration in one sector creates technical pressures demanding further integration. The EU's crisis management mechanisms exposed the weaknesses of the Maastricht Treaty, providing a logical foundation for deeper integration through initiatives like the Banking Union, Fiscal Union, and Stability and Growth Pact. The introduction of crisis management tools, such as the European Financial Stabilisation Mechanism (EFSM) and European Stability Mechanism (ESM), and the establishment of a banking union, further underscore the concept of spillover.¹⁰ The theoretical concept of spillover can also be applied to the work of the ECA, such as Special and Performance audit reports, exerting functional pressure on EU institutions and agencies by identifying areas where there is a potential for irregularities and fraud. The ECA's report provides evidence-based information and aids agencies such as OLAF in precisely conducting the investigation, and helps eradicate the factors that could encourage inappropriate utilisation of the European public monies. Hence, the work of the ECA exerts pressure on other administrative offices of the EU to perform their duties efficiently. Similarly, ECA's work provides a base to the

¹⁰ Ibid.

European Ombudsman by highlighting inefficiencies and even negligence in the performance of duties and weak administrative controls in various EU offices. Therefore, the spill-over effects of ECA's work can be witnessed in the increasing adoption of anti-fraud legislation and the development of stringent internal control systems to prevent the occurrence of irregularities and fraud and ensure optimal utilisation of resources. It is actually public pressure on rational allocation of resources that has increased the role of the public audit function, particularly in complex political structures. This has increased the ECA's influence and given it a dominant role in parliamentary discharge procedures.¹¹

Neo-functionalism, EU Debt Crisis, and ECA in Political Economy Perspective

Neo-functionalism, as a theory of integration, plays a crucial role in understanding the EU's initial expansion and the functioning of its institutions in contemporary EU politics, particularly in the context of debt crisis management following the 2008 financial crisis. In recent years, the major political events such as the War in Ukraine, Brexit, and the 2008 Eurozone crisis have shaped the contemporary landscape of European politics and encouraged the opponents of neo-functionalism to argue on the spillover effects encouraged by its advocates. These events have increased the prominence of the role of political parties, national and supranational institutions, and the media, which is now criticised for becoming sharply polarised. The occurrence of the problems in the EU has invited the debate among scholars to respond to the growing concerns in the general public on the institutional arrangement and political setup in the EU. In the context of political economy, one of the main institutions of the EU is the European Court of Auditors, which has played a proactive role in protecting the interests of European citizens and saving the European project. It can be argued that ECA, through its work, guards the integration so far completed as a spillover effect argued by the proponents of the neo-functional approach. The performance in this role is quite challenging as other EU institutions have been criticised for being biased in favour of core EU states over its peripheries. Unfortunately, the phenomenon in the EU

¹¹ Michael W. Bauer, Jarle Trondal. *The Palgrave Handbook of European Administrative System* (Palgrave Macmillan, 2018), 318.

that its institutions have become politicised is now a documented reality.¹² It questions the authority transfers from national institutions of member states to the EU. Further, the European Central Bank and Central Banks of core EU states such as France and Germany were criticised for being non-interventional in preventing the political entrepreneurs from profiting from the bailout programs.¹³ The criticism on the EU institutions inevitably increased the responsibility of the ECA to play an effective role in interest of the EU citizens and draw an unbiased conclusion by assessing the policy response and measures taken for rescue of the affected EU economies.

The Eurozone crisis erupted after the collapse of Lehman Brothers in the US in 2008. Initially, the European Union member states, including Portugal, Ireland, Italy, Greece, and Spain (PIIGS), were severely hit by the financial turmoil. The EU institutions had no prior experience in the handling of financial crises on such a large scale. To rescue the affected economies, the European Central Bank and European Commission invited the IMF, forming the “Troika” to begin rescue operations.¹⁴ The traditional approach involved offering bailout programs to individual economies, and, except for Greece, other countries managed to recover in the initial period. Greece exited the bailout in August 2018, almost 9 years later, having received three bailout packages with several rounds of austerity measures. The European Court of Auditors (ECA) kept stakeholders informed about the utilization of bailout funds through its work and publications, its primary communication tool. In its efforts to ensure accountability and transparency in the use of bailout funds, the European Court of Auditors (ECA) critically assessed the policy response and the implications of austerity measures on the Greek society. The ECA noted that austerity reforms represented a growing number of conditions for the Greek government to implement, but these conditions lacked clarity and significance. Moreover, they did not align with the larger plan to reform the

¹² T. Haapala, A. Oleart and J. Beyers. “Epilogue: Tracing the Politicisation of the EU-A Research Agenda for Exploring the Politicising Strategies in the Future of Europe” in Haapala, and Oleart (eds). *Tracing the Politicisation of the EU* (Palgrave Macmillan, 2022).

¹³ G. Russell KinCaid. “The IMF’s Role in the Euro Area’s Crisis: What are the lessons from the IMF’s participation in the Troika?” 2019. <https://ieo.imf.org/en/-/media/ieo/files/publications/books/background-papers-for-eac-crisis/eac-background-papers-chapter-5.pdf>.

¹⁴ Panagiotis Liargovas, Sotiris Petropoulos *et al.* “Beyond Absorption: The Impact of EU Structural Funds on Greece,” (Konrad Adenauer Stiftung, December 2015). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2707798.

Greek economy and restore it to its pre-crisis level, free from vulnerabilities that could lead to another crisis. Since the European Court of Auditors (ECA) was the only institution in the EU's institutional framework that could be relied upon for assessing bailout programs, its work exposed weaknesses in the neo-functionalist framework underlying the Economic and Monetary Union (EMU) and the EU's spillover integration. The ECA emphasized the need for improving fiscal governance, not only in the aftermath of the crisis but also by highlighting the reckless management of funds in Greece prior to the crisis. The ECA noted that there was no corrective mechanism in the Eurozone to address macroeconomic imbalances between core and peripheral countries. Additionally, the ECA pointed out that the European System of Accounts (ESA), being an accrual-based accounting system, could produce misleading results regarding the Commission's fiscal targets, which were defined in line with the Stability and Growth Pact and the Excessive Deficit Procedure relative to GDP. Furthermore, the ECA recommended using cash balances with arrears limits approach on a quarterly basis for more effective results to aid the decision-making process regarding further bailout programs. In fact, the role that ECA plays in the emerging administrative system of the EU is featured by multilevel governance ensuring a more integrated approach to conflicts and crises arising not only from the distribution of finances but also from non-financial factors that could harm the European project. To safeguard the European project, the ECA in its work highlighted the negative consequences of economic reforms on the social welfare and well-being of the EU citizens. The ECA also criticised the "Troika" for its lack of openness and transparency in the decision-making process. It stressed the need for greater openness and rationality in regard to their macroeconomic targets intended in their bailout conditions.¹⁵

ECA's policy briefs and EU budget Management

The ECA audits the EU budget which is periodically appropriated to EU institutions by the EC. Further, it publishes policy briefs on various aspects of the EU budget management, including financial reporting, budgeting, and procurement. To perform its constitutional role, the ECA does not generate revenue rather it receives funds from the EU budget to finance its operations which are to ensure public transparency. Public transparency according to the treaty on European union is about making provision of

¹⁵ Ibid.

information for the EU citizens in an absolutely correct manner.¹⁶ The ECA's annual budget is around €170 billion which is 0.1% of EU's total spending and it employs more than 850 people with a headquarters located in Luxembourg. Broadly speaking, the ECA's briefs are designed to intimate EU policymakers and stakeholders about the key issues and challenges in the EU budget management exercise. Its work aids the policy makers in designing schemes and funding responses to cope with the challenges that arise in between due to various internal and external factors. For instance, the changing EU politics due to Russia-Ukraine war and newly elected US president Donald Trump's policies of major shifts on issues such as security, economy, and climate change. Under the challenging environment in which the EU functions, the need of having an independent institution that can provide objective analysis on the EU's financial management and identify areas for improvement is filled by the European Court of Auditors.

The budget management in the EU is a critical aspect of the European governance as taxpayers' money is the main source of receipts. The budget is used to fund a wide range of activities, including agriculture, research & development, regional development, and other policy matters such as Recover & Resilience Facility (RRF) and areas covered under the Multiannual Financial Framework (MFF) such as Cohesion, resilience and values, Natural resources & environment, Single market innovation and digital, Neighborhood and the world, Migration and border management, Security and defense, European public administration, etc.¹⁷ MFF is a framework spans over a period of seven years to provide budgetary direction to the EU.¹⁸ It contains the maximum amount of spending and budgetary ceilings on regular financial obligations. Briefings also include discussion on the legality and regulatory of expenditure. MFF was initially proposed by the European Commission, adopted by the Council regulation on the consent of the European Parliament. Unlike previous frameworks, the ongoing MFF (2021-2027) covers financial plans to cope with different challenges to meet with long term priorities such as "NextGenerationEU"

¹⁶ "Transparency of EU Funding Granted to NGOs". *European Court of Auditors*, Special Report 11/2025. Accessed April 09, 2025. https://www.eca.europa.eu/ECAPublications/SR-2025-11/SR-2025-11_EN.pdf.

¹⁷ "Budget and Accountability". *European Court of Auditors*, 2025. <https://www.eca.europa.eu/en/transparency-budget-and-accountability>.

¹⁸ "Multiannual Financial Framework for 2021-2027 Adopted." Council of the European Union, 2020. www.consilium.europa.eu.

(NGEU). It also includes provisions to parallel socio-economic challenges that erupted in the wake of the Covid-19 pandemic. The basic notion on which the work of ECA regarding budgeting is based is the equilibrium principle meaning that operational costs of institutions shall be covered by its revenue and not debt.¹⁹ The same applies to national institutions of member states, while in the EU it is legally protected. The ECA discusses such matters in its publications and users of this information mainly EU institutions, citizens, and banks are beneficiaries of this literature.

Like all SAls, it is a conventional role of the ECA to monitor breaches in the budget management at the EU level and discuss its causes and effects in a performance auditing exercise, as to what extent these violations have impacted the European project with users of publications. Critically, the work performed by the ECA ensures that budgetary statistics are appropriately assessed as there is a growing demand for such evaluations particularly in the post 2008 financial crisis scenario. The European citizens have been demanding an effective oversight on macroeconomic statistics provided by member state governments and private financial institutions. Further, the EU taxpayers' have also been demanding transparent audit of funds particularly loans provided in the form of financial assistance to member states. In this regard, the citizens of core states show more concerns on extending assistance to peripheries. Further, the political economy factors also come into play to hinder the work of the institution. Such factors have thus created new challenges for the audit institutions. In this regard, the primary role of making budgets and running programs is held with the Commission while the ECA is obligated to play actorhood with particularly focusing on budget allocation criteria to ensure fiscal transparency and sustainability of public finances in the long run. On this point the ECA's work also advocate for the decisions of other EU institutions as its publications explain how detrimental things could become if the EU institutions have not intervened. For instance, there were concerns over lending of funds to Greece while ECA's report discussed the consequences that would have harmed the European project if Greece did not receive the extended support. The ECA's work doesn't always criticize other institutions; instead, it often endorses decisions that support the European project. This assurance is based on thorough assessments of

¹⁹ European Court of Auditor. *The EU's Financial Landscape: A Patchwork Construction Requiring Further Simplification and Accountability*. Vol. 1. Special Report 05/ 2023. <https://www.eca.europa.eu/en/publications?did=63502>.

spillover effects of policies and programs that are motivated by the idea of deepening the EU integration. The ECA's published documents act as a guide and play an important role in refining the MFF on an on-going basis.²⁰ As these policy briefs are well-researched and written by experts, therefore, they are considered as trusted and authoritative to be relied upon in making future decisions.²¹ The ECA's documents are not general in nature and specifically pinpoints areas needing improvement by providing concise and timely feedback to decision makers. These documents are accessible to everyone making all stakeholders connected and make policy formulation process effective. The information that is conveyed by the ECA is based on evidences, significantly influencing the policy making in the EU. It increases the effectiveness of different programs by closely scrutinizing the performance in one area and its impact on the other area. It prevents the EU decision makers from making or continuing with decisions in isolation without understanding its consequences on other functional areas. It happens that one budgetary objective seem attainable but on the other side it may be detrimental in broader perspective for the European project. The ECA's work enhances transparency and promote accountability by emphasising on the need for clearer financial reporting and rational allocation of funds to different functional areas.²² This effective and transparent system of monitoring and evaluation encourages continuous improvement in all functional areas of the EU institutions.

In many instances, the ECA's reporting reflects comparison of performances through benchmarking exercise based on best practices and lessons learned. Consequently, a more targeted approach with regards to budgeting is adopted with micromanagement of resources and close monitoring of overall policy impacts. This is aimed at addressing to the growing demand of public accountability to prevent fraud on public funds to contribute to transparency, accountability, and eventually, good governance. In recent years, the ECA has been more focused on the prevention and detection of frauds during audits. Earlier, their efforts in detecting frauds and recommendations on prevention of fraud were not

²⁰ Gabriele Cipriani. *"Improving the Accountability of the EU budget's multilevel implementation: Strengthening the contribution of the European court of Auditors"*. *German Law Journal* 22, No. 3 (2021): 466 – 89.

²¹ Ibid.

²² Ibid.

given due weightage or accepted to lesser extent.²³ Now the responsibility of ECA has increased manifold particularly regarding the utilisation of EU budget is significant. The budget is large with multilevel implementation spanned over a period of more than five years. The current period is from 2021-2027.

This Multiannual Financial Framework was transformed into regulation by the Treaty of Lisbon. The ECA's responsibility is to ensure that EU's expenditure develops in an orderly manner and within the specified limits.²⁴ Such statutory requirements place the responsibility on ECA to perform audit work in an influential manner that could aid the EU in achieving long term objectives efficiently and effectively. It is argued that the ECA's contribution be strengthened as the EU budget management is a multilevel exercise. It needs to be carefully assessed and inspected against the objectives. The exercise to compare actual performance with intended objectives give the SAls a strategic role in governance of public sector organisations. In the EU's context, the ECA is also performing the role of a change agent through its communication and practical audit work.²⁵ In this regard, the focus of ECA should be on the Commission which is the main arm of the European project. Activities of the Commission and allocation of funds is filtered through an effective internal control system. In addition, the utilisation of funds must be driven by the objectives that reflect value for money. Further, the audit focuses on the criteria on which the objectives were set and determine the rationale behind the allocated funds. Further, the allocated funds must be compared with the actual expenditure to measure performance. The EU's Financial Regulation is the basic tool to measure performance with regards to establishing and utilising the budget. In addition, the strategies adopted for utilising the fund is also discussed to draw rational conclusions. Not only does the ECA audit the EU funds, but it also has an internal system of appraisal to assess its own performance. The ECA is also audited by external auditors, the report of which is shared with the EC for consolidation purposes. The ECA

²³ Hancu-Buddi, Ana Zorio-Grima, and Jose Blanco-Vega. "The Quest for Legitimacy: The European Court of Auditors' Work on Fraud," *Financial Accountability & Management* 40 No. 2 (2023). <https://onlinelibrary.wiley.com/doi/10.1111/faam.12375>.

²⁴ Ibid.

²⁵ Timur Uman, Daniela Argento, Giorgia Mattei and Giuseppe Grossi. "Actorhood of the European Court of Auditors: A Visual Analysis." *Journal of Public Budgeting, Accounting & Financial Management* 35, No. 4 (Oct 2023). <https://doi.org/10.1108/JPBAFM-08-2021-0130>.

yearly publishes the activity report on its performance to communicate with its stakeholders. These reports discuss the ECA's internal control system and methodologies as to how resources are deployed to perform routine business operations.²⁶

ECA as a Tool of Transparency & Accountability

The ECA's primary function is similar to that of a tool to ensure transparency and accountability. Understanding the significance of its statutory role, it focuses on the importance of accountability and transparency, and through its work and publications it enhances the governance of the EU institutions and protects not only the public monies but also the democratic fabric of the EU. Though non-political, yet, the role of the ECA in the EU's parliamentary discharge procedure is crucial as its independent and rationally prepared audit reports forms the basis for budgetary grants as well as contribute in forming new policies and making alterations in existing policies. The ECA's annual report contains Statement of Assurance (SOA) which is the official certificate on the reliability of the EU's accounts and an endorsement of the European Commission's utilisation of the given funds. It legitimizes the used budget and paves way for further grants or otherwise through parliamentary discharge procedure. The ECA has always been an admirer of the EU's compliance with international reporting standards and accurate presentation of elements of accounts. However, it has been consistently showing concerns over the EU budget spending, particularly the Cohesion Fund, Public Projects and Procurement. The ECA reports act as a whistleblower, alerting the legislature regarding financial risks and matters having the potential for fraud. The ECA flags spending risk and assists parliamentary committees and pushes for stronger policy measures, particularly in funding to member states. Further, it assists lawmakers in working on an anti-fraud regulatory framework and enhancing transparency. The ECA's work is a source of continuous improvement in systematic procedures to prevent the occurrence of fraud and bring efficiency and effectiveness in financial governance by aiding the European Anti-Fraud Office (OLAF) in its work. In fact, the significance of accountability and transparency has been increasing even with the introduction of digital tools and the use of

²⁶ European Court of Auditors, "Report on Budgetary and Financial Management for 2024," September 2024. https://www.europarl.europa.eu/cmsdata/296205/ECA-Report_on_Budgetary_and_Financial_Management_2024_EN.pdf.

financial technology. The emergence of digital tools and blockchain systems has redefined the role of public accountability institutions.

These developments have not taken place in isolation but the global politics over the last couple of years have changed in a way that values such as accountability and transparency have evidently seemed fragile. This has caused factors of political economy to hinder accountability processes despite stakeholder engagement in all statutory matters, failing to yield the desired results. This has sparked scholarly debate and risen social pressure on institutions to adapt to the apprehensions of the general public.²⁷ In the EU's stance scholarly debate is significant as the EU is socially, politically, and economically diverse. Plus, there are differences in historical backgrounds, geographical boundaries, parliamentary structures, and security concerns. These variances make the working of EU institutions more challenging from a political economy perspective as well as concerns of people of member states on the quality attributes of audits conducted by the ECA. Amidst mounting social pressure, the EU has adapted to the concerns of its citizens and taken measures to improve fiscal governance, such as the Financial Regulation, Multilevel Annual Framework, Reform and Growth Facility, and Stability and Growth Pact. In addition, environmental challenges and the allocation of funds to activities aimed at minimising the impact of climate change have increased the obligation on the ECA to monitor the spending of funds against the set objectives. For safeguarding the European project, the preservation of values of accountability and transparency is paramount to maintain trust between the European citizens and their institutions.²⁸ The ECA has evolved the focus from the traditional role of auditing and reporting to engaging with citizens, upholding ethical standards to adopt a result-oriented approach in the public sector auditing. One of the approaches to ensure transparency and accountability is the publication of policy briefs. These policy briefs are thoroughly researched documents that provide an in-depth analysis of the EU budget management issues. The analyses that these policy briefs provide are not hypothetical or subjective but supported by the audit findings. Further, they also use audit recommendations as a guideline for

²⁷ Ibid.

²⁸ Katharina Bryan. "The Role of Public Audit: Challenges and Opportunities for the European Court of Auditors to Contribute to a Sustainable Crisis Response," in *Public Sector Accounting, Financial Accountability and Viability in Times of Crisis* (2022). DOI: 10.1007/978-3-031-04745-9_10.

future decision making. The briefs are intended to inform EU policymakers and stakeholders about key issues and challenges and how they could impact on objectives of different programs for which the budget is allocated.²⁹ The ECA's policy briefs cover a broad range of topics, and their use in policy-making decisions appears to have a significant influence on the governance of institutions.

These topics include, but are not limited to, financial reporting, budgeting, and procurement. In many instances, policy briefs contain empirical based evidences that enhances the reliability of the contributions. Generally, ECA's publications follow a standard pattern containing executive summary, introduction, and in-depth-analysis followed by conclusion and recommendations. The briefs are concisely written experts' analysis, accessible to a wide range of readers. The ECA's policy briefs significantly contribute to improving transparency and accountability in many policy areas of the EU. Auditors at ECA believes that public transparency is all about providing factual information to stakeholders so they can hold decision makers to account. It is the right of the taxpayers to know to whom funding from their taxes is provided, why it is provided, and whether its utilisation serves the purpose and upholds European values. In recent years, since the Qatargate scandal in 2022, the ECA has been more cautious with auditing of activities of the NGOs receiving funding from the EU. In its report on transparency of EU funding to NGOs, the ECA has raised concerns with regards to classification of the NGOs that hampered funding along with issues impacting data quality. The work of ECA has increased with the passing of a resolution by the European Parliament regarding transparency and accountability of non-governmental organisations receiving funding from the EU.³⁰

The ECA considers itself the guardian of the EU's financial matters and a contributor to promoting transparency. Therefore, it rigorously focuses on disclosing financial and non-financial matters in its publications, ensuring EU citizens are informed about the use of public funds provided by member states on a proportional basis. This enables EU citizens in understanding

²⁹ Brigid Laffan. "Auditing and Accountability in the European Union," *Journal of European Public Policy* 10, No. 5 (2003).

³⁰ Maria-Luisa Sanchez Barrueco. "The Contribution of the European Court of Auditors to EU Financial Accountability in Time of Crisis," *Romanian Journal of European Affairs* 15, No.1 (2015). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2576149.

the ECA's role in ensuring robust governance. The budget managers, who are the administrative heads of these institutions, are held accountable within an open and transparent system of financial management. In this regard, the Maastricht Treaty had already elevated the role of the ECA to an equal footing with other EU institutions such as the Commission, Council, and European Court of Justice.³¹ The Maastricht treaty gave new impetus to the ECA, prompting it to undergo a profound transformation to meet its new obligations, including issuing a statement of assurance enhancing reliability of the EU's financials. However, the induction of new member states and financial crises at both global and EU levels triggered the need for a change in management style and approaches to various tasks. Recognising the need for change, the ECA became more decentralised by initiating a process of work delegation, paving the way for the development of a new institutional strategy in 2008.³² Driven by the need to increase accountability and transparency in its work, thereby improving EU institutional governance, the Lisbon Treaty clarified the ECA's scope of work by allowing it to audit a wider range of EU activities. These included the audit of both types of loan operations mandated to the European Investment Bank, one that are conferred by the EU while the other guaranteed under the general EU budget. The increase in scope to audit EIB provided loans, the efficiency and effectiveness with regard to the utilisation of these loans have improved, ensuring a more effective system of accountability and transparency.³³ Further, the broadened mandate has strengthened financial governance, resulting in an ever-increasing value from the spending of the EU's public monies.

ECA's work and governance of EU institutions

The system of public auditing is linked to systemic legitimacy in all political systems. Similarly, in the EU, public auditing is performed by the ECA, which has a legal basis under various EU treaties. The ECA's work directly and indirectly contributes to improving the governance of EU institutions. The EU is a system of multilevel governance where national institutions

³¹ A. Moravcsik. "The European Constitutional Compromise and the Neo-functionalist Legacy". *Journal of European Public Policy* 12, No. 2 (2005).

³² Brigid Laffan. "The Court of Auditors and the European Anti-Fraud Office," in Dermot Hodson and John Peterson (ed.s), *The Institutions of the European Union*, (Oxford University Press, 2017).

³³ Carolyn J. Cordery and David C. Hay. "Public Sector Audit in Certain Times", *Financial Accountability & Management* 38, No. 3 (2021).

work in collaboration with EU institutions in areas covered under EU's legal framework. Such complicated systems where social, political, and economic objectives are ambitiously protected in an equal manner, the independence of public auditor is crucial. Therefore, the need to keep the ECA impartial and ensure transparency in financial management system of the EU, the ECA has undergone several rounds of reforms all aimed at improving the quality of work it provides so the effectiveness of the ECA as a European Financial Watch Dog remains relevant. The ECA's work identifies weaknesses and inaccuracies during the process of audit which is followed by suggestions and improvements. It provides valuable assistance to the management of auditee entities to improve their governance. These propositions, when implemented, reflect effectiveness and efficiency in the operations of the auditee institutions in succeeding periods. For instance, the ECA's report on the EU border agency (Frontex) highlighted several financial irregularities and a weak financial and budgetary planning system within the organisation, leading to inaccuracies in budgetary estimates. On ECA's report, the parliament delayed budget discharge for few years. Furthermore, the ECA pointed out irregularities and non-compliance with EU financial rules in incurring expenditure on certain procurement and recruitment-related matters. Similarly, the ECA reported administrative irregularities at European Asylum Agency (EALO) aiding in the work of European Ombudsman to ensure that EU agencies do not deviate from the basic principles of the EU and their citizens' rights are protected.

Apart from the role of the ECA, the EU has a proper system of economic governance known as the economic governance framework. It comprises of EU institutions and procedures which the EU has established overtime to achieve its political and economic objectives. The purpose of these procedures is to coordinate economic policies by monitoring, preventing, and, where necessary, correcting economic trends to maintain balance between core members and peripheries. The objective is to prevent spillover to other EU economies and to support the single market and currency. In addition to ECA, there is a Stability and Growth Pact and European Banking Union which also provide support in effective and efficient governance of EU institutions.³⁴ The ECA's work aids decision-makers in EU institutions in proactively responding to events in the

³⁴ David Howarth and Mechthild Roos. "Pushing the Boundaries. New Research on the Activism of EU Supranational Institutions," *Journal of Contemporary European Research* 13, No. 2 (2017).

macroeconomic environment in which these institutions operate. There may be instances in which the EU has not taken into consideration the suggestions and recommendations of the ECA due to factors related to political economy. However, it is a separate debate. Such weaknesses may undermine the credibility of institutions and indicate political threats that need to be addressed. The ECA's work is extremely challenging that involves access to sensitive data and records. Therefore, auditors at the ECA cautiously analyse data as there are a wide range of stakeholders who rely on the publications and briefing of the ECA for decision making. The ECA is a main tool in executing the objectives of the EU's economic governance framework, a concept which has yielded mixed results. The EU is striving to update it further to cope with the underlying challenges threatening the EU. In pursuit of this objective, the ECA in addition to its conventional role has also focused immensely on ethics in the EU institutional network. At the same time, the ECA has had to contend with its own ethical framework, triggering the need for a new code of conduct for members and the establishment of an ethics committee which was then established to increase professionalism in the work representing compliance to INTOSAI and EUROSAI standards. Due to the changes in the political arena and an increase in demand for transparency in utilisation of public monies, the ECA has felt it obligatory to focus on ethics in the institutional hierarchy of the EU to effectively perform the role as an ethical and neutral oversight body.³⁵

Challenges and Opportunities

The challenges are, in fact, opportunities for institutions to perform better and justify their existence to stakeholders through their work, particularly in uncertain times. Despite the ECA's significant contributions to improved transparency and accountability in EU financial management system, there are still challenges that need to be addressed. One key challenge is ensuring that the ECA's policy briefs are widely read and understood by the EU policymakers and stakeholders.³⁶ The publications are necessary from a political economy perspective and are aimed at inviting stakeholders' attention towards an ever-evolving landscape of EU finances demanding stronger oversight. The challenges include enforcing regulations while managing increasing EU spending amid financial risks and a changing public investment landscape. Key concerns include compliance delays and rising

³⁵ Ibid.

³⁶ Ibid.

expenditure on non-productive activities. External factors such as Brexit, the Covid-19 pandemic, the war in Ukraine, and inflation have recently impacted European finances. The increasing EU spending and budgetary pressures to take austerity measures to prevent misuse of funds have multiplied the challenges for the ECA. Further, there is a growing demand for public accountability particularly in post 2008 financial turmoil.³⁷

Undertaking these challenges as opportunity, the ECA is fully embarked internally and externally with an institutional strategy to assist auditees in coping with financial problems in a way that legitimacy issues do not occur. The ECA's role is crucial in sustaining EU integration, often requiring it to exert influence akin to a hegemon, directing national institutions to adapt their policies in the broader EU interest. Such intervention can spark criticism from anti-EU parties and provoke citizens' concerns about the EU's political economy. One key challenge for the ECA is to encourage EU institutions, private organisations, and national establishments to adopt a more integrated governance approach, moving beyond mere cooperation to prevent unintended policy consequences. This will ensure EU policies and programs achieve their objectives, enabling effective management of spending patterns and timely addressing of spillover effects, ultimately, to benefit the European citizens. Yet, there are internal challenges such as reforming the ethical infrastructure to demonstrate neutrality and professionalism.

Conclusion

The ECA plays an essential role in promoting transparency, accountability, and good governance in European institutions. From a governance perspective, its role is to assess the impact of spillover effects of policies from supranational bodies functioning in a neo-functionalism context. The essence of the ECA's role in the EU's context is to ensure that the European project remains aligned with its founding fathers' vision in social, political, and economic aspects. In pursuit of its intended role, the ECA performs audits and publishes documents for stakeholders to aid policy formulation and decision-making in the EU. Not only does the ECA provide assurance on EU financials based on the evaluation exercise it periodically conducts, but it also fosters a culture of harmony and integrated governance among institutions. Further, the ECA has also reformed its ethical infrastructure by

³⁷ "Budgetary Control: Facts Sheets on the European Union," European Parliament 2025. https://www.europarl.europa.eu/ftu/pdf/en/FTU_1.4.5.pdf.

adding a new code of conduct to demonstrate neutrality and professionalism. Through its work, the ECA effectively supports the EU in attaining its policy goals and managing the spending of EU funds. Further, it contributes in making EU sustainable by evaluating and ensuring that policies and programs developed by the EU are effective, efficient, and accountable. The changing global politics, financial pressures, and the need to increase digitalisation will require the ECA to adopt a philosophy of continuous improvement, ensuring that its crucial role remains relevant.