

INTERNATIONAL PEER REVIEW OF THE EUROPEAN COURT OF AUDITORS



Preface

To: The President of the European Court of Auditors

On behalf of the international peer review team I am pleased to present the results of the peer review of the European Court of Auditors (ECA). International peer reviews provide an opportunity for Supreme Audit Institutions (SAIs) to obtain a voluntary assessment based on international standards of how they discharge their functions. To carry out the peer review, the ECA invited the SAIs of France, Germany and Sweden. The peer review draws on the experience of all three partners. Furthermore, it is based on generally recognised criteria governing the work of SAIs, and takes into account the guidance set out in the International Standards of Supreme Audit Institutions (ISSAIs).

The specific terms and conditions of the peer review were laid down in a Memorandum of Understanding. Accordingly, the peer review focused on two objectives: First, to assess the ECA's performance auditing practice, and second to follow-up on the recommendations of the previous peer review of the ECA carried out in 2008.

The peer review report consists of four chapters:

- The **Introduction** details the arrangements and procedures of the peer review. It outlines background facts on the mandate, status and organisation of the ECA as an independent audit institution.
- The **General Observations** provide an overview of the key findings and recommendations of the peer review. The peer reviewers point out in which areas the

ECA has achieved significant progress since the last peer review, and explain where they have identified areas offering scope for improvement which may need the ECA's special attention to further enhance efficiency and effectiveness.

- The main section on **Performance Auditing** presents the results on the ECA's performance auditing practice, covering the selection and programming of audit topics, the conduct of audit tasks, the communication of results as well as the follow-up and audit impact assessment. The peer reviewers placed focus on the question to what extent the ECA's performance audits provided objective and relevant information to stakeholders in line with the ECA's own - and internationally recognised - standards and good practices.
- The last chapter deals with the **Implementation of Recommendations of the 2008 Peer Review**. The peer reviewers assessed how the ECA has implemented its key performance indicators and which improvements it has made in the development of its communication policy and various aspects of its audit management framework.

In the chapters on performance auditing and on the implementation of the 2008 peer review results, conclusions and recommendations made by the peer review team are printed in *italics*. Agreement has been reached on the material facts by the peer reviewers and the ECA.

On behalf of the peer reviewing SAIs I would like to thank the ECA for the opportunity to have conducted the peer review as it provided a great opportunity for mutual learning and for strengthening the good working relationship between all SAIs involved.

Moreover, I would like to express my high appreciation on behalf of the peer review team to the ECA's Members and staff for their outstanding cooperation and support provided. The team is also grateful to key external stakeholders of the ECA for having taken the time to respond to our many questions. Their input was invaluable and helped the peer review team to perform its mission.

Bonn, January 2014



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INTRODUCTION

GENERAL OBSERVATIONS

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Introduction

Peer review arrangements

- 1 On the request of the European Court of Auditors (ECA), the Bundesrechnungshof (Germany), Cour des Comptes (France) and Riksrevisionen (Sweden) conducted a peer review of the ECA. International peer reviews provide an opportunity for Supreme Audit Institutions (SAIs) to obtain a voluntary assessment based on international standards of how they discharge their functions. The assessment is carried out by partner SAIs whose staff draw on their own expert experience.

This peer review is based on generally recognised criteria governing the work of SAIs and takes into account the guidance set out in ISSAI 5600. Agreement has been reached on the material facts by the peer reviewers and the ECA.

- 2 In November 2012, the ECA and the partner SAIs laid down the terms and conditions for their cooperation in a Memorandum of Understanding (MoU). The contents and structure of the present final report are in keeping with the framework provided for in the MoU. Accordingly, the peer reviewers focused their review on two objectives:

- First objective:

Assessment of the ECA's performance auditing practice

The first objective was to assess the extent to which the ECA's performance auditing practice provides objective and relevant information to stakeholders in line with the Court's own – and internationally recognised – standards and good practices.

The review covered the following issues:

- selecting and programming of performance audit topics,
- conducting performance audit tasks,
- communicating the results of performance audits and
- following-up and assessing the impact of performance audits.

➤ Second objective:

Follow-up on the recommendations of the 2008 peer review

The second part deals with the implementation of the recommendations of the previous peer review. That review was performed in the year 2008 by the SAIs of Canada, Austria, Norway and Portugal. The partner SAIs agreed to assess the extent to which the recommendations had been implemented and led to improvements in the ECA's audit management framework.

Procedure of the peer review

3 The collection of evidence was largely carried out in the first six months of 2013. The peer review included the examination of a sample of performance audit reports. To this end, the peer reviewers selected eight out of 30 special reports from the years 2010 and 2011 for scrutiny. Comprehensive field work at the ECA was carried out to assess the extent to which the reports provided objective and relevant information to stakeholders. Ways of collecting evidence included:

- interviews with representatives of the ECA: its President, the Deans of all Chambers, a large number of other ECA Members, the Directors of the Chambers and a number of audit teams, staff of the Chamber for Coordination, Evaluation, Assurance and Development (CEAD) as well as other ECA staff,

- interviews with stakeholders: Members of the European Parliament (EP) including the rapporteurs for selected special reports and the Chair of the Budget Control Committee,
- interviews with numerous Commission staff of various Directorates-General (especially in their role as auditees) and representatives of the Council,
- analysis of files and records held by the ECA and a questionnaire survey designed to screen 51 special reports of the years 2010-2012. The purpose of this was to obtain a comprehensive assessment of the ECA's performance audit work,
- a focus group meeting with the Directors of all four Chambers, one Director of CEAD and the Director of the Presidency (DOP). The structured discussion served to gather more information on performance audit practices and procedures at the ECA, taking into account different perspectives. The meeting largely corroborates the findings and the need for improvements identified by the peer review team.

Mandate and status of the ECA

- 4 The ECA is the independent, external auditor of the European Union (EU). According to the Treaty on European Union (TEU), the ECA is an EU institution of a similar status as the Parliament, the Council and the Commission. Pursuant to Article 287 (2) of the Treaty on the Functioning of the European Union (TFEU), the ECA shall examine whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether financial management has been sound. In order to implement the provisions of the TFEU, the ECA has set itself the task to help enhance EU financial management; it acts as the guardian of the financial interests of its citizens. The ECA's major task is to audit the EU's accounts and the implementation of the EU budget. The ECA

checks whether the accounts are reliable (financial audit), revenue and expenditure are legal and regular (compliance audit) and the EU funds, programmes and services have been managed in an economic, efficient and effective manner (performance audit).

- 5 Apart from its annual report, the ECA also publishes special reports setting out the results of selected performance and compliance audits of specific budgetary areas or management topics.¹ The ECA also issues opinions on legislative projects with a financial management impact as well as position papers.

- 6 The ECA carries out audits to assess the revenue and spending of the EU and the performance of programmes and services by the EU institutions, the administrations of the Member States and the final beneficiaries. Hence, the ECA must be able to communicate with administrations and beneficiaries in all official languages of the European Union.

Organisation of the ECA

- 7 The ECA operates as a collegiate body which consists of Members with one Member being drawn from each Member State. These Members are required to perform their duties in full independence and in the general interest of the European Union. Pursuant to Article 286 (1) of the TFEU, the EU Member States shall choose the Members of the Court of Auditors from among persons who belong or have belonged in their respective States to external audit bodies or who are especially qualified for this office. Their independence must be beyond doubt. They are appointed by the Council of the EU, following consultation with the EP.

¹ All performance audit reports are hereinafter referred to as special reports.

- 8 In practice, some Members gained their professional experience in SAIs, while others did so in government departments and public sector bodies, private sector companies, universities or as Members of Parliament. Although not the subject of the peer review it is to be noted that, unlike the Court of Justice, there is not a procedure in place ensuring that Members proposed by the Member State possess adequate knowledge and experience in the audit area, the required independence and the skills to fulfil their duties. The Members contribute the experience gathered in their respective national environment and a variety of professional backgrounds. The ECA Members are appointed for a six-year renewable period (cf. Article 286 (2) TFEU).
- 9 As a result of these provisions, Members retire from the ECA frequently and new Members take office. Due to the EU's enlargement, the number of ECA Members has continually been on the rise. Each Member can draw on the support of an own private office (cabinet) with several staff.
- 10 The ECA is composed of four vertical audit Chambers and one Chamber for **C**oordination, **E**valuation, **A**ssurance and **D**evelopment (CEAD). The four vertical audit Chambers are respectively in charge of:
- Chamber I: preservation and management of natural resources,
 - Chamber II: structural policies, transport and energy,
 - Chamber III: external actions,
 - Chamber IV: revenue, research and internal policies, and EU institutions and bodies.
- 11 Within their respective remits, the vertical Chambers adopt the special reports, decide on key procedural aspects and perform important steering functions. A Chamber is composed of a minimum of five ECA Members. These obtain support and advice from their private offices. In each Chamber, a Director is re-

sponsible for coordinating audit work and managing resources. The Directors have long professional track records within the ECA. They attend the meetings of the Chambers and may be consulted. Audits are carried out by the audit staff of the ECA. The auditors come from all EU Member States; not all performance auditors had experience in performance auditing before taking part in ECA performance audits.

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General observations

Improvements achieved

- 12 Since the last peer review of 2008, the ECA has achieved significant progress. The Court analysed the challenges resulting from the EU's complex institutional framework and has taken a number of steps to further enhance the effectiveness and efficiency of its audits and the quality of its audit reports.

Follow-up process of the 2008 peer review established

- 13 The ECA took up the key recommendations of the last peer review and has taken the development process seriously. Systematically following up on the recommendations was a key component of the ECA's overall strategy for the years 2009-2012, which was primarily aimed at maximising the overall impact of the audits and increasing efficiency. In order to measure whether the strategic and operational objectives have been met, the ECA implemented a set of ten key performance indicators (KPI). In doing so, the Court followed the recommendation made during the 2008 peer review to monitor and assess the appropriateness of the KPI. A new set of indicators has been devised for the 2013-2017 strategic period.

Audit standards progressively refined

- 14 Since the 2008 peer review, the ECA has progressively developed its audit standards, audit manuals and guidelines, taking due regard to compliance with international professional standards. To support the implementation of the standards, the ECA has taken several additional steps. For instance, the Court

offers training to staff on how to apply the standards and has expanded its quality management system.

Strategic planning and focus of ECA's activities

- 15 In its strategy for the 2013–2017 period, the ECA set itself the objective to maximise its contribution as an independent external audit institution to enhancing EU accountability. The Court aims at identifying risks to the financial interests of EU citizens providing independent assurance on EU financial management, and advising policy makers on how to improve the use of public funds and conclusions on the status of the performance of public spending and services. To do so, the ECA has been devising “landscape reviews” as a new type of product reflecting the Court's accumulated knowledge and expertise. The two reviews planned for the first two years (2013 and 2014) of the new period focus on public accountability and audit arrangements and on EU financial management risks.
- 16 To improve the life of citizens by enhancing and promoting the value and benefits of SAIs is one of the key objectives of the International Organisation of Supreme Audit Institutions (INTOSAI). INTOSAI once more underlined this stance in a resolution adopted at its XX Congress in 2010. By committing itself to this objective in its strategy, the ECA meets a key prerequisite for gaining recognition as a relevant player within the complex structure of European institutions and for adding value by means of its audit work.

Key areas for improvement in performance auditing

- 17 In line with the MoU, one point of emphasis of the peer review was assessing the performance audit work done by the ECA. The international audit standard

ISSAI 300 defines performance auditing as “an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement”.² According to the INTOSAI Performance Audit Standard, such auditing aims at delivering new information, knowledge or value by offering “broader or deeper analysis or new perspectives” and making information more accessible to various stakeholders.

- 18 In the past, ECA focused on compliance and regularity audit, but during the last decade more efforts have been devoted to conducting performance audits. To promote this development the ECA has developed guidelines and training programmes. It is natural that it takes time to build up capacity for advanced performance audits and the peer review team has found that some of the performance audits under review are still largely influenced by compliance audit methodology. However, the ECA makes efforts to increase the number of performance audits projects. The peer review team believes that efforts need to be further strengthened to meet ECA’s objectives to develop sustainable capacity in conducting performance audits. Apart from good overall progress achieved by the ECA, the peer reviewers identified areas offering scope for improvement. Such areas may need the ECA’s special attention while the Court is striving to become more efficient and effective.

Enhance the efficiency and effectiveness of performance audits (PA)

- 19 On average, the ECA’s PAs including a preliminary study take two years. The ECA has recognised the duration of PAs as a problem and is looking for ways to speed up processes. Simplifying the procedure may significantly reduce the duration of PAs, thus increasing both the relevance and impact of the Court’s audit results. In the opinion of the peer review team, internal remits need also

² ISSAI 300, No. 9.

be delimited more clearly in order to streamline and speed up decision-making.

- 20 Based on interviews with EU Commission staff, the peer review team found that sometimes ECA recommendations are vague. The team's own analysis of recommendations gives the same picture. In developing audit recommendations, the ECA could more systematically consider whether they are convincing and how they can be implemented. The peer review team believes that the ECA would add value to the stakeholders by putting more emphasis on analysing the causes of problems, errors and weaknesses, for instance when performance is poor or varies between Member States.
- 21 Developing a specialised and coherent competence is of strategic importance for an advanced and sustainable performance audit function at the ECA. The peer review team has noted the steps the ECA has taken to meet that aim. It is important that the ECA takes action to ensure that the auditors assigned to performing a specific audit possess both the technical knowledge in audited areas and methodological skills needed to do so without having to work from the scratch on any audit matter. Such actions could be based on knowledge-sharing with other SAIs and research institutions. Also, action can be strengthened to reach a common and better understanding about performance auditing among ECA Members.

Clarify the roles and responsibilities in relation to auditees

- 22 The development of good and proper relations with auditees is a key factor in achieving effective and efficient performance audit results. In line with the ECA's internal rules and regulations and with international good practice, the

ECA communicates the audit objective, questions, criteria and scope as well as its audit results to the auditees. This transparent approach constitutes, in the peer review team's opinion, a strong basis for fair audits.

- 23 However, there is a risk that such an approach might be implemented at the expense of the auditors' independence. In order to safeguard its own role vis-à-vis the auditees, the ECA should continue to clearly communicate the contents, criteria and results of its audits to the auditees and request their comments. Even if it is important to be fair and to refer to the auditees' arguments in the report, it is not necessary to reach consensus with the auditees.

Clarify the role and mandate in relation to external stakeholders

- 24 The peer review team is aware of the fact that the ECA has started to better take into account the perspectives of the stakeholders, especially the EP and the citizens when determining priorities of its work. This is demonstrated above all by its overall strategy for the years 2013-2017. The ECA uses the discharge procedure as one of several sources in collecting perspectives of stakeholders. However, the ECA could not demonstrate that the topics of interest to the stakeholders were collected and evaluated in a structured way. Therefore, there cannot be assurance that the ECA accurately reflects the stakeholders' perspective in its annual plan.
- 25 In the opinion of the peer reviewers, the ECA may even better achieve its PA-related strategic goal by creating transparency as to how it responds to stakeholders' information needs when prioritising and defining its audit themes and communicating the results it has developed. Especially in the interest of European citizens, the ECA may wish to give more weight to the audit principles of efficiency and economy in addition to effectiveness.

- 26 At the time of the peer review, the ECA was undertaking a range of initiatives designed to improve its performance auditing with respect to the issues raised in the review. The following description provides detailed information on the ECA's initiatives and the findings and recommendations developed by the peer reviewers.

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Performance audit

Selection and programming of audit topics

The Annual Work Programme (AWP)

- 27 The ECA draws up an annual work programme which covers all audit and non-audit tasks. This procedure is now based on the *Consolidated Guidelines for Programming the Court's Work* of July 2012.
- 28 Audit work planning is characterised by a bottom-up approach designed to identify potential audit themes and by the principle that the planning activities of the ECA's Chambers are mutually independent. Under this approach, the auditors of the four vertical Chambers, acting under the oversight of their Directors, compile an initial portfolio of potential audit tasks. These audit proposals are evaluated according to the four criteria of risk, materiality, relevance and coverage and subsequently prioritised under the three levels of assessment – low, medium and high.
- 29 Where the Chambers are aware of audit requests or issues of major interest, especially for the EP, they are reflected in the portfolio but they are neither collected in a structured way nor treated preferentially.
- 30 On the basis of the portfolio, the Members of each Chamber liaise to decide who of them will act as a reporting Member for individual audit tasks. The Members are not bound by the priorities previously set. Then the Chamber selects audit themes for its AWP. The Directorate of Presidency collates the AWP of the Chambers to form the ECA's consolidated AWP. The overall AWP is first adopted by the Administrative Committee and finally by the ECA Members.

- 31 In its 2013-2017 strategy, the ECA included the goal of maximising its contribution to public accountability within the EU and decided to align its audit tasks accordingly. In this context, the ECA has become aware that its current programming system is determined essentially by the four Audit Chambers' setting of priorities and identification of themes, making it difficult to take Court-wide priorities into account, to make significant changes in Chambers' AWP during the current audit year and to respond appropriately to priorities emerging at short notice.
- 32 Therefore the ECA intends to modify its programming procedure by applying a top-down approach at Court level to complement the bottom-up approach of compiling the first drafts of the portfolio of potential audit tasks. The chambers shall develop suitable audit proposals based on the identification and definition of audit priorities at an early stage by the Court. This Court-wide portfolio of priorities is to have a multi-annual perspective and be more responsive also to stakeholders' priorities. As an initial step, the procedure calls for a cross-Chamber policy and risk review on the basis of which the ECA will determine priorities, including proposals for assignments to Chambers and estimated resources needed. The Chambers shall subsequently modify their respective AWP to reconcile them with the direction given by the Court.³
- 33 *In the peer review team's opinion, as a result of its bottom-up approach and Chambers' internal selection, the ECA's selection process ensures that the auditors' professional views and experiences are reflected in the annual work programme. Potential audit themes are evaluated by means of suitable and recognised criteria.*
- 34 *However, the peer reviewers concur with the ECA's view that the current system does not adequately reflect the Court's overall perspective. They perceive the risk that overarching issues may not be adequately taken into account in work*

³ This passage is based on information by the ECA that the new programming system has been adopted. The deliberation and decision-making process within the ECA had not yet been finalised when field work was concluded.

programming. The peer reviewers encourage the ECA to impose binding requirements in line with the priorities defined at top executive level, as to specific audit fields and themes to be addressed.

35 *When redesigning its work programming procedure, the ECA may wish to deal more comprehensively with the risks and challenges of EU activity as reflected in the stakeholders' perspective or in the EU community. The ECA is recommended to strengthen professional networks in order to identify and deepen knowledge and understanding of the stakeholders' views and needs. This will support the ECA's strategic plan building without impairing the independence of the ECA. It may be advisable for the ECA to develop clear and concise rules for identifying and dealing with stakeholders' interests. The peer review team believes that it is important for the ECA to give greater attention to audit requests from the EP and treat them preferentially whenever reasonable.*

36 *Still, the ECA may wish to consider the fact that, in order to accomplish its strategic goals, it can sometimes be necessary to deviate from an adopted programme at short notice. The peer reviewers consider that, in terms of risk and relevance, there may be quite a number of unexpected issues likely to arise that may require attention and a speedy response. This also applies to audit requests submitted by stakeholders. The peer reviewers recommend that the ECA make sure that – whenever it feels that flexibility is needed – it is capable to swiftly programme and implement appropriate audit activities.*

Audit themes and audit focus

37 The peer reviewers have analysed the themes and focal points of the special reports issued in the years 2008-2012. The ECA has established good competence in auditing management and control functions. In doing so, the Court

frequently focused on EU *programmes*, and only in a few cases audited the management of EU *institutions*, e. g. in the fields of procurement, organisational structures, facility management and human resources management. When auditing EU programmes, the ECA largely focused on compliance and, to some extent, on effectiveness, but less frequently on economy and efficiency.

- 38 In the course of its audits, the ECA normally carries out field work in several Member States. According to internal guidelines, the sample of states ought to be chosen in order to provide a representative view. The peer review team did not come across any sample that covered *all* Member States affected by the audited programme. Very rarely field work was restricted to a *single* Member State.

Notwithstanding the ECA's efforts to ensure that the sampling of Member States is justified and appropriate, stakeholders have often questioned the ECA's sampling. Some expressed the wish that audit visits ought to be made to more or even all Member States, while others considered a limitation to one or a few Member States more appropriate. Moreover, discussions within the ECA permit the conclusion that the choice of Member States frequently depends on the language skills available within the ECA.

- 39 *The peer review team suggests that the ECA put more emphasis on what INTO-SAI defines as “problem orientated performance audits” and to study more closely the causes of the problems and their consequences as a basis for recommendations. This should result in a “mixed bag” of audits looking at effectiveness, efficiency, and economy of EU programmes, as well as auditing the financial management of EU institutions. In order to identify suitable matters, the ECA might make intensified use of the findings from the Statement of Assurance.*

- 40 *Given the environment the ECA is working in, the sampling of Member States to be covered by its audits is a challenge, indeed. However, the aspects of representativeness and language skills should not be the most dominant ones. For some audits, it might be of advantage to cover all Member States affected, while in other cases it might be appropriate or even necessary to focus the fieldwork on just one Member State. In any case, the sampling should be documented to make the underlying rational considerations transparent.*

Conducting audits

Regulatory framework

- 41 The ECA has regulated its performance audit activities comprehensively and in detail by means of manuals and guidelines. The audit manual is formulated in close compliance with the International Standards of Supreme Audit Institutions (ISSAI). Its practical frame, stressed on the technicalities of the audit preparation and the audit process, can be considered as useful especially for the new auditors.
- 42 In detail, the regulatory framework calls for the following steps in the course of an audit.

Preparation and programming of the audit:

- Preliminary Study (PS),
- Issue Analysis (IA),
- Audit Planning Memorandum (APM).

During the collection of audit evidence and reporting stages:

- Statement(s) of Preliminary Findings (SPF),
- Drawing Conclusion (DC),
- Draft Report,
- Contradictory Procedure.

- 43 The performance audit manual⁴ also governs the relationship between the ECA and the Commission. It calls for the auditors to contact the Commission at the earliest possible stage and to highlight all key audit features such as audit questions and audit criteria covering all stages of the audit process in keeping with a “no surprise approach”. This approach leads to the practice to reduce differences of opinion in the course of the audit and to reach agreement wherever possible.

Audit duration

- 44 As an initial step in preparing the audit, audit teams do a PS. This exercise takes four months on average differing largely by audits and Chambers. After that, the auditors draw up the APM that sets out the details on duration, timing of audit visits, submission deadlines and the consumption of resources by the performance audit. The time span between the PS and the approval of the APM varies from few days up to five months and is in isolated cases even much longer.
- 45 Audit duration is defined as the period between the approval of the APM by the Chamber and the publication of a special report. The time up to the approval of the APM by the Chamber is not taken into account in the ECA’s statistics on audit duration. According to the performance audit manual, audits should not take longer than 18 months. The screening showed that the average duration of audits dropped by 3.8 months to 21.1 months between the years 2010 and 2012. Thus, even in 2012, it exceeded the target set in the performance audit manual. Furthermore, all Chambers significantly exceeded the time frame set by themselves for the audits.
- 46 The ECA has already recognised the duration of its audits as a problem. As a result, audit findings run the risk of being out of date when they are published

⁴ Item 2.4.8.

and therefore fail to reach their full impact. At the beginning of the year 2013, the ECA set up a working group to develop proposals for streamlining audit and reporting processes.⁵ The peer reviewers have also identified potential for improvement in this field. Specific proposals for reducing audit duration are included in the peer reviewers' statements on the individual steps of the procedure.

Preliminary Study (PS) and Audit Planning Memorandum (APM)

- 47 According to the performance audit manual, PS and APM serve different purposes. The PS shall enable the responsible Member or Audit Chamber to assess whether a proposed audit is realistic, feasible and likely to be useful and, if so, provide a basis for the detailed planning of the audit in the APM.
- 48 In line with the audit manual, the auditors contact the Commission in its capacity as auditee while carrying out the study, sometimes even before the official letter announcing a preliminary study has been sent. Since criteria, questions and methodology still need to be developed at that time, the primary purpose is to gather further fundamental knowledge about the audit matter. From the concerned Commission's staff point of view, this often leads to a time-consuming dialogue for imparting knowledge that also requires a vast input of human resources. According to the Commission staff interviewed, it uses this stage to try to influence the course of the audit, especially the selection of Member States to be included.
- 49 The APM contains the detailed planning of key audit aspects. In particular, the central audit question – often reflected in the title of the audit – is defined and broken down by three or more further levels, generating a question pyramid. The guidelines require that the questions be phrased as yes/no questions to

⁵ The deliberations about this had not been finalised when the collection of facts and figures underlying this report was completed.

provide focus and clarity. Many interviewees feel that the central audit question is often too broadly-based, which may later result in recommendations of a rather general nature. This stage also includes the development of a detailed plan as to what audit evidence is necessary and where the audit team may obtain it.

50 Furthermore, it is difficult to see basic differences between the two first phases' outputs PS and APM by their content. After several months of preparation two partly overlapping documents are drafted before the audit exercise starts.

51 *The ECA prepares its performance audits in a careful and comprehensive way involving a large input of resources. The performance audit manual provides the auditors with valuable guidance for this purpose. The peer reviewers wish to encourage the ECA to consider restructuring the preparatory stage with a view to accelerating procedures and enhancing their efficiency. A first step towards this goal might be to waive a separate PS, firstly because of the redundancy with the APM referred to above and secondly because once an audit is included in the AWP, its feasibility and potential merit should already have been established. All key facts and figures, details on audit scoping and specific audit steps may be incorporated into the APM.*

According to the peer review team, it is good audit practice to have open discussions with auditees at initial audit phases. However, the decision concerning the audit design and audit objectives lies exclusively within the ECA's responsibility.

52 *According to the peer reviewers understanding and the relevant ISSAI, "performance auditing [is] a knowledge-based activity and high quality work is of great importance. Owing to its special features it requires special competences. It is an investigatory discipline that requires flexibility, imagination and analytical skills. Excessively detailed procedures, methods and standards may in fact*

hamper the effective functioning of performance auditing”.⁶ This is a key issue that the ECA might wish to address.

- 53 *In the light of the above statement, the peer reviewers would raise the question as to whether the detailed preparation of the ECA’s audits is in all cases the most appropriate way to arrange for performance auditing. The pyramid of questions is a frequently used planning technique. However, the peer review team sees risks in a frequent use of only one technique and therefore suggest to the ECA being more selective in the use of planning models. Though audit objectives may be framed as a hierarchy of audit questions, auditors may also choose to develop several audit objectives that need not always be broken down into sub-questions.⁷ The peer review team also believes that in order to promote creativity and flexibility, it is important to avoid preparing rather sophisticated performance audit plans. Altogether the preparation stage for performance audit projects does not significantly differ from the process followed for compliance audit. It seems that some special reports give much room to compliance aspects rather than measure the performance impact of initiatives or administrative decisions.*
- 54 *Moreover, the ECA may wish to ensure that the audit units in the Chambers build up an adequate knowledge base within their respective remits enabling them to develop the fundamental points of departure for audit work without support from the EU Commission as the audited body. ECA has developed rather comprehensive training programmes and there are forums for knowledge-sharing events. It seems to the peer review team that these instruments could be used more effectively and consistently. Any knowledge gaps remaining can be addressed in the course of audit work.*

⁶ Annex to ISSAI 3100 item 3.4.

⁷ ISSAI 300, No. 25.

Statement of Preliminary Findings (SPF)

- 55 The performance audit manual requires the auditors to produce an SPF for each audit mission or series of missions and to submit it to the audited body. This means that the SPF serves to clarify the underlying facts and figures. According to the PA manual, solely facts that have previously been communicated by SPF should be included in the draft special report and thus become a subject for the contradictory procedure.
- 56 SPFs largely differ in number and length. Depending on the audit or the Chamber, they may comprise up to 200 pages. They were not always limited to the presentation of the subject matter. Some SPFs already included conclusions or recommendations. In some cases, the peer review team found that it took a long time until the replies from the Commission and the Member State authorities were received which resulted in delayed audit completion.
- 57 There were diverging opinions about the significance and function of the SPF among the parties involved. The auditors felt that an extensive documentation of the facts by means of SPFs was necessary. They argued that the audit manual provided only for those findings to be included in the draft report that had previously been communicated to the Commission. It was also stated that management only later decided about actual contents. From management's point of view, SPFs were primarily designed to satisfy the auditors' need to be "on the safe side" by recording their work done which added to their length.
- 58 The peer review team found that in relation to the Member States, SPFs were used to pass on relevant information with the expectation that the Member States would remedy the shortcomings found. In some cases, SPFs also had the purpose of communicating audit findings to the Commission in anticipation of

the special report that was to be published at a much later date. Some officials interviewed considered the option of including recommendations in SPFs as a standard procedure while others suggested incorporating provisions in the Financial Regulation that govern the procedure.

- 59 *The extensive use of SPFs reflects the careful and transparent way in which the ECA performs its missions. The ECA and the Commission spend considerable time and resources on drafting, commenting and analysing SPFs. The peer reviewers believe that this considerably slows down the audit process. Therefore the ECA may wish to review the function and use of SPFs and to decide to redesign them.*
- 60 *In the peer reviewers' opinion, in the future a more differentiated use of SPFs may help significantly speed up the process. In audits outside the field of shared management⁸, all information needed for the replies under the contradictory procedure might be communicated to the Commission in the draft report. Before that stage, it is premature to decide what facts are relevant.*
- 61 *Discussing audit findings with the auditee at a single procedural stage does in no way contravene recognised standards and practices. Doing so would, according to the peer review team, save a lot of time and resources for producing and commenting on the SPF without, however, waiving the clarification of key facts which is also deemed necessary by the peer reviewers.*
- 62 *On the other hand, the peer reviewers are well aware that the SPFs communicated to Member State authorities may serve a different purpose. In this field, SPFs may be of special merit when it comes to clarifying facts or communicating major findings and suggestions. In order to streamline the procedure also in these cases, the ECA might consider as to whether a comment on the SPF is really needed as a prerequisite for proceeding to the subsequent stages of audit*

⁸ Shared management means that budget implementation is delegated to the Member States.

work. Furthermore, according to the peer review team, it would be better if the SPFs were limited to presenting the facts.

63 *The changes proposed may help to significantly accelerate the audit process and to make reliable estimations on audit timing. The ECA could make available its special reports on a timelier basis and thus provide input into policy or administrative discussions more effectively.*

64 *Apart from that, the peer reviewers doubt as to whether it is appropriate to use SPFs for internal work evidence on the audit work done.*

Draft report

65 “Based around the audit questions”⁹, the team leader is to develop a report outline already during the audit. This outline is to set forth the key audit findings and provisional audit conclusions. On the basis of a drawing conclusions session, the report outline is refined to become a more detailed drafting plan. According to the ECA Performance Audit Manual, the team leader will reach agreement with the head of unit, the director and the reporting Member. After that, “preliminary observations” are drafted. The head of unit, the director and the reporting Member all review the draft preliminary observations.

66 As a rule, the private offices of the reporting Members are also involved in developing and/or refining the draft reports. Before the Chamber’s draft is submitted for the first approval, a self-assessment of the draft report is conducted by means of a checklist. This is done by the audit team or the head of unit in the first instance, and then by the Engagement Quality Control Review (EQCR) re-

⁹ Performance audit manual 5.3.2.

viewer. In addition, the responsible CEAD Member forwards his or her evaluation of the draft report to the reporting Member.

67 Many interviewees at the ECA conclude that the large number of internal parties involved and of deliberations delay a speedy decision-making on the report. In addition, several interviewees argued that the awareness of the numerous changes to be expected from various parties involved adversely affected auditors' efforts to generate high quality products.

68 *The peer reviewers suggest reducing the number of parties involved in reviewing the drafts and clearly delimiting their respective responsibilities. This may contribute to significantly speeding up the audit process by avoiding repetitive and iterative deliberations. Furthermore, doing so would strengthen the auditors' commitment to the report and help to enhance quality.*

Contradictory procedure

69 According to recognised standards, the principles of transparency and fairness demand that as in the contradictory procedure, the auditee be given the opportunity to comment on the SAI's findings before completion of the audit. Accordingly, Article 163 of the Financial Regulation requires that "the Court shall notify the institution concerned of all observations which are, in its opinion, such that they should appear in a special report".

70 It is understood that the ECA management level advocates a rather wide concept of contradictory procedure. From this perspective, to be fully effective, the process needs to start at the planning stage of the audit, rather than being limited to the FR's period of two and a half months. As a result, in practice the

ECA tends to resolve all the contentious issues before the final, formal contradictory meeting to the mutual satisfaction of both parties.

- 71 In practice, the ECA forwards the draft report adopted by the Chamber to the auditee for comment, observing the applicable deadline of two and a half months. At the same time, the ECA sets a date for a contradictory meeting. The Commission's replies must be received five days before the meeting. Normally, the contradictory meeting is largely prepared by means of pre-meetings. In line with the established practice (cf. para. 71) communicating, commenting and coordinating efforts of SPFs already serve the purpose of settling any differences of opinion arising.
- 72 The Commission's replies are often very extensive and their length may even exceed that of the special report. It covers the recommendations, the substantive matter and the conclusions and sometimes also addresses the introduction, methodology or summary. In some cases, the interlocutors at the Commission argued that such parts sometimes contained elements of evaluation.
- 73 At the contradictory meeting, the parties attempt to reach a final understanding about the report wording and the replies and seek to finalise the special report. According to many representatives interviewed, both the ECA and the Commission frequently make considerable efforts to avoid disagreement.
- 74 *The ECA's "no surprise policy" constitutes, in the peer review team's opinion, a strong basis to conduct justified audits. However, based on their own lessons learned from auditing, the peer review team believes that the ECA runs the risk of going too far into the consensus-seeking dialogue with the auditee which might encourage the Commission to seek influence on individual aspects of the audit. The peer review team considers it as a risk that such an approach might*

not legally but actually limit the auditor's independence. As the peer reviewers see it, achieving mutual satisfaction with the auditee should not be defined as an objective of the contradictory procedure.

- 75 *Rather than that, the peer review team feels that the procedure aims at identifying deviations in the findings, conclusions and recommendations before completing audit work in order to take them into account and potentially address them, when developing the final report. The peer reviewers believe it is important for the ECA to ensure that the Commission in its function as the audited body must not get involved in writing the report and exerting influence on the wording by submitting extensive replies and arguments to the ECA. In the end it is only for the ECA to decide what is stated in its final documents.*
- 76 *In order to speed up the process the peer review team suggests reducing to its core the contradictory procedure. A more efficient and streamlined procedure is needed. It is of course important to discuss vital issues and conflicting point of views, but that does not imply that all matters need to be discussed in detail.*

Reporting and communicating results

Reporting

- 77 The ECA communicates the results of its performance audits in special reports to its stakeholders. The ECA submits these reports to the Commission, the European Parliament and the Council and also publishes them. The majority of stakeholders consider the special reports a valuable tool for informing on performance issues. They said that these reports were valuable for the deliberations relating to the discharge procedure and provided suggestions for the design of programmes and procedures by the relevant institutions in charge. The

favourable overall assessment is also reflected in the generally favourable evaluation of the reports developed by the Court's external experts.

- 78 The opinions of external and internal interlocutors differ on the quality and information supplied by individual special reports. One of the issues pointed out is the wording and the style of the reports. The ECA has addressed this by developing a comprehensive "report-writing guideline" for practical use, which is, however, not consistently used. In interviews, stakeholders pointed out that the reports were not consistently reader-friendly and often contained too many technical terms. Although the ECA underpins the reported findings with examples from the Member States, the wording does not clearly indicate what body within the European multi-level system is responsible for the weaknesses pointed out in the audit reports.
- 79 Moreover, interlocutors from inside and outside the ECA frequently criticised the quality of the recommendations. They said that these were often somewhat ambiguous, based on insufficient analysis and did not clearly indicate what the ECA exactly expected from the audited body. This assessment is supported by the analysis of the special reports selected by the peer reviewers.
- 80 Especially external stakeholders discussed the timing of the reports with the peer reviewers. Representatives from the EP underlined that some reports had been received only after parliamentary deliberations about the issues addressed by the special report were concluded and that, therefore, it had not been possible to put the results to effective use.
- 81 In addition, an analysis of the special reports shows that in some cases key recommendations had already been implemented by the Commission once the

report was presented. As a result, stakeholders frequently characterised recommendations as 'predictable' or even 'out of date'.

- 82 In its special reports, the ECA includes the Commission's replies in full length after its findings, conclusions and recommendations. The Court does not make use of the opportunity to analyse, assess and evaluate these replies against the background of its findings in a final counter reply. As a consequence, stakeholders cannot identify any final evaluation by the ECA.
- 83 *The ECA's special reports fairly and objectively address the issues that are important for the stakeholders. However, clarity and straightforwardness may differ among reports. The peer reviewers recommend to the ECA to seek ways to make the wording clearer and easier to understand. Concerning this, the ECA might consider the usefulness of putting into place a centralised editorial quality assurance process.*
- 84 *Timing is unanimously reported as a weakness of the current system and ECA is aware of this. In order to enhance the impact of its special reports, the peer reviewers encourage the ECA to improve the timing of its special reports. They suggest to the ECA considering several ways to achieve that. For instance, the ECA might significantly reduce the general duration of audits, thus facilitating their planning, and complete them within the fixed deadlines. Moreover, the ECA may take regard to the agendas of its stakeholders already when selecting and planning audit topics. In doing so, the ECA may also find it necessary to carry out audits that are not included in the AWP at short notice.*
- 85 *The peer reviewers recommend always concluding special reports with a final counter reply in order to clearly show its own position in light of the auditee's replies.*

- 86 *Recommendations should be clearer in some cases to appropriately address the various levels of interests of the stakeholders. The EP is primarily interested in the global analysis of EU implemented policies, especially in the expected outputs and the efficiency of EU programmes, procedures and managements tools. From the EC perspective, its major responsibility is on these tools and procedures and the ways to improve them.*
- 87 *The ECA may thus envisage to more clearly distinguishing between various kinds of recommendations:*
- (a) detailed technical recommendations to be followed by EC services,*
 - (b) general guidance regarding policies or top level management which call for political action from the EU bodies.*
- 88 *In addition, the peer reviewers recommend to the ECA communicating weaknesses and best practices to Member State authorities. They consider that the ECA could add to the strength of its recommendations by more consistently disclosing best practices in the EU countries and, as appropriate, name those responsible for unsatisfactory ones.*

Communicating results

- 89 The ECA periodically forwards its special reports to the EP's Budget Control Committee (CONT) and sometimes also to the specialised committees. In connection with the discharge procedure for the Commission, CONT deliberates on the ECA's annual report and special reports. CONT's comments on the special reports become part of the parliamentary documents on discharge as "Report on the Court of Auditor's special reports in context of the 20XX Commission discharge". During the deliberations, CONT may ask the Commission for supplementary comments on the report.

- 90 It is incumbent on the ECA's reporting Members responsible for each special report to prepare and follow the deliberation of the special reports by CONT. This task includes establishing a contact with the rapporteur appointed by CONT who provides information about the special report during deliberations. The ECA has not developed a consistent strategy laid down in writing as to how and when this is to happen. In practice, this leads to various approaches.
- 91 *The ECA's reports attract much attention once they are deliberated by the EP. The peer review team believes that if the ECA succeeds in providing specific and useful recommendations at the right time as input to parliamentary deliberations, and if the ECA ensures good direct communication with EP's specialised committees, this may generate a stronger impact of its recommendations.*
- 92 *It may be advisable for the ECA to alert its Members to the significance of working closely with the EP and to ensure a consistent procedure. The Court should further develop its contact to CONT. For instance, the ECA might suggest making the implementation of its recommendations a topic of parliamentary deliberations beyond the discharge procedure.*

Follow-up and impact assessment

- 93 The ECA analyses whether and to what extent the Commission has implemented its recommendations given in the special reports. The Court has issued binding regulations on this follow-up procedure. Follow-up serves to provide information primarily to the EP and the ECA about the impact of the ECA's audit work.

- 94 At regular intervals, the ECA selects a sample of special reports to verify if the Commission effectively planned and implemented corrective action in response to the audit findings. In 2012, the Court published the results in its first annual follow-up report, a practice that will be continued. Earlier, the ECA had published the follow-up results as part of the Annual Report.
- 95 The Audit Chambers conduct the regular follow-up audits on their special reports. To do so, they develop a task plan including time frames and human resources needed. In a first step, the Chambers clarify their findings with the auditee on the basis of a statement of preliminary findings.
- 96 The key objective of the Chambers' follow-up work is to ascertain whether the audited body has taken corrective action and to check this action against the recommendation made. Follow-up audits have as a starting point the IT system RAD (Recommendation, Action and Discharge) operated by the Commission. The Commission uses this IT system also for recording the ECA's recommendations and indicates for each recommendation, whether it has accepted and implemented it. The ECA's task is to use these records for verifying whether the steps indicated have actually been taken and whether implementation is in line with the recommendation. The peer review team noted that the ECA discovered at various occasions that the Commission had implemented only parts of the recommendations – however, such partial implementation cannot be registered by RAD.
- 97 In the second step of the follow-up, CEAD-A consolidates the findings developed by the Chambers in a follow-up report and carries out a contradictory procedure. In the future, CEAD-A intends also to evaluate the quality of the recommendations rejected and not implemented by the Commission.

- 98 In the RAD system, the Commission also discloses recommendations proposed by the EP and the Council during the discharge procedure. As a matter of principle, the ECA does not address such recommendations in its follow-up work.¹⁰
- 99 *In recent years, the ECA has given its follow-up work a new design. In the peer reviewers' opinion, the results may be of merit for assessing the impact of the performance audits. To strengthen the impact of audit results, it may be advisable for the ECA to explain why the weaknesses need to be addressed and how. In the peer reviewers' opinion this will not only facilitate implementation, but will also make it easier to conduct reliable follow-up activities.*
- 100 *In addition, the ECA might consider following up on all recommendations made in all the special reports. The peer reviewers believe that this may be a good approach to using the follow-up process as a quality assurance mechanism for the recommendations made.*
- 101 *The ECA may wish to consider whether the Commission's RAD system is an expedient and reliable tool for the ECA's follow-up work. Having in place an independent in-house system might help assessing actions taken in response to audit recommendations in a timely and reliable manner.*

Quality management

- 102 The ECA has demanded high quality standards for its processes and products. Therefore, the ECA attaches great importance to quality management that is composed of tools for both quality control and quality assurance. The peer review carried out in 2008 resulted in some relevant quality management recommendations. In the recent review, the peer reviewers found that the ECA has taken up and largely implemented those recommendations. Accordingly, the

¹⁰ The discussion within the ECA about how this is to be done in the future had not yet been finalised when the present report was completed.

ECA has only recently revised its rules and regulations on quality management, aiming to achieve conformity with the standards imposed by ISSAI 40.

- 103 Quality control includes supervision and review under the responsibility of line managers. In line with the 2008 peer review, the ECA also introduced a tool known as “engagement quality control review (EQCR)”. It is a “hot” review carried out while the audit is underway by a staff member from the same Chamber who is not involved in audit work. Under EQCR, the Chambers are required to check and verify certain quality aspects related to APM and the draft report.
- 104 When introducing EQCR, one of the ECA’s objectives was to ensure a consistent approach throughout the Court. The ECA assigned key elements of the responsibility for quality control to the Chambers. The Chambers have promulgated supplementary regulations on EQCR. They have allocated the responsibilities for this function and, to differing extent, have extended the application of EQCR to other documents.
- 105 Apart from the Chambers’ EQCR activities, the previous CEAD notes on draft APMs and draft reports are still in use as a tool for quality control. The advice given by the CEAD Members is to provide the Chambers with suggestions for improving their special reports. The peer review team found that the CEAD notes have an unclear formal status and the Chambers do not systematically give feedback to the CEAD on the use of the advice. The CEAD does not systematically analyse whether and to what extent its guidance is followed. In relation to particular cases studied by the peer review team, the addressees of the CEAD notes felt that such non-binding advice was sometimes helpful, sometimes less appropriate and that the usefulness of the advice often largely depended on the respective CEAD official involved.

106 As part of quality assurance the ECA also carries out ex-post (“cold”) reviews. In recent years, the CEAD’s reviews did not address completed audit exercises but looked at systematic aspects rather. Moreover, the ECA obtains experts opinions on a number of special reports selected each year. The peer reviewers found that the results were neither analysed systematically nor were lessons learned in a structured way.

In addition, the Members frequently commission staff of their private offices to perform quality check-ups.

107 *The ECA strives for a high level of quality. Nevertheless, in the peer reviewers' opinion the various tools of its quality management have a potential to be used in a more efficient way which means more consistently and based on an overarching concept of quality in performance auditing.*

108 *The peer reviewers are familiar with the sensitivity of quality assurance measures. The ECA could use the results of a cold review for the implementation of EQCR, which has already been scheduled and thus reconsider the system once more. The peer reviewers recommend questioning whether the existence of parallel tools and responsibilities is really the best option. This especially concerns the parallel operation of EQCR and CEAD notes. In the peer reviewers' opinion involving the CEAD in the document-drafting process would only make sense if its contributions implied some co-responsibility and were of binding character.*

109 *In the course of such efforts, the ECA could also consider options designed to bring the readability of all special reports in line with the report-writing guideline. The review team found special reports written in very good manner, and others that are less reader-friendly. The ECA may consider whether relevant*

activities, such as continuing language training, have the potential to improve the auditors' language skills.

110 *The peer reviewers encourage the ECA to analyse and appropriately communicate the results and outcomes of all quality assurance measures so that the lessons learned will actually be taken into account for future work. In the peer reviewers' opinion, this is a base for a gradual organisational learning process in order to improve tools, to delete tools and to implement new tools. Where the ECA feels that doing so does not make sense, the Court may decide to waive the respective tools.*

INTRODUCTION

GENERAL OBSERVATIONS

PERFORMANCE AUDIT

2008 PEER REVIEW

Performance audit

2008 Peer Review – Implementation of recommendations

111 The peer review team welcomes the ECA’s efforts to implement the recommendations arising from the 2008 peer review. Any recommendations related to aspects of performance audit have been dealt with in the previous paragraphs. The peer reviewers’ findings on the major recommendations are dealt with under items 112 to 132 below.

Key Performance Indicators (KPI)

112 Under item 99 of the 2008 peer review, it was recommended that “the Court should establish formal mechanisms to monitor and assess the appropriateness of its performance indicators.”

113 In accordance with ISSAI 20, the ECA had already started developing and implementing KPIs at the time of the previous peer review. ISSAI 20 calls on SAIs to assess and report timely, reliably, clearly and publicly on their status, mandate, strategy, activities, financial management, operations and performance. Their work processes, activities and products should be transparent.

114 Since 2008, the ECA has implemented a system of ten KPIs and published the aggregated results in its annual activity report. Additional analyses have been made available to internal stakeholders. The Court has followed the previous peer review’s recommendation to monitor and assess the appropriateness of the KPI. Based on its strategy for the years 2013 to 2017, the ECA recently sys-

tematically revised the set of indicators, taking into account lessons learned so far.

115 The Court's strategic objective for the 2013-2017 period is "to maximise the value of the Court's contribution to EU public accountability". Internal and external acceptance of the KPIs depends largely on whether these can be logically derived from the strategic objectives. The ECA has set out to define the relation between KPIs and target achievement more clearly.

116 Until 2012, one important indicator used to measure the Court's impact was the number of recommendations *accepted* as well as of those *implemented* by auditees compared to the total number of recommendations issued (cf. KPI 4a and 4b). In the recent revision, the Court decided to calculate the ratio of recommendations *implemented* in relation to the number of recommendations *accepted*.

117 *The peer reviewers believe that, while this might be a good yardstick for the auditees' activity, that specific indicator cannot in itself provide reliable information on the extent to which the ECA has influenced the results. Irrespective of this, the ECA would be well advised to continue to use the portion of recommendations implemented relative to the total number of recommendations.*

118 Furthermore, the ECA measures the "appraisal by the principal users and by the auditee of the quality and impact of the Court's audits". For this purpose, the Court sends questionnaires to its external stakeholders. It rests with the auditors to name the Commission staff members who shall receive the questionnaire. Until 2012, responses received from the Commission and those from other stakeholders were analysed and published separately. Evaluations by the ECA revealed that the number of responses received from stakeholders *outside*

the Commission was too low to permit valid conclusions. The ECA therefore intends to consolidate feedback from external stakeholders within and outside the Commission to form one single KPI in the future.

119 *Due to their specific roles, Parliament and Council on the one hand and the Commission as an audited body on the other hand differ in their interests and the perspectives regarding the ECA's audits. The peer reviewers recommend that the ECA continue to take these different perspectives into account when presenting the results. The peer reviewers therefore advise the Court against consolidating the feedback from all stakeholders into one single KPI.*

120 *The peer reviewers advise the Court to select respondents according to better defined rules. To leave the selection of respondents only to the discretion of the auditors reduces the reliability of the KPI. Additionally, the ECA may wish to apply qualitative survey techniques such as using focus groups.*

121 *Interviews conducted by the peer reviewers indicate that internal acceptance of the KPIs depends largely on the extent to which the ECA uses the evaluations to further improve its processes and products. This is particularly true for KPIs which may yield direct feedback on the quality of audit findings (e.g. KPI 3 new: "External assessment of the ECA's products") or on audit procedures (e.g. KPI 6 new: "Duration of performance audits"). When further developing KPIs, the Court may wish to study more closely the potential role of the indicators in internal management.*

Media coverage

122 Under item 78 of the 2008 peer review report, the Court was advised to monitor the accuracy of media coverage of its reports to ensure that its messages were clearly communicated.

123 *The peer reviewers noted that some improvements were made regarding quantitative press reviews. However, the peer review team believes that satisfactory press coverage needs a more proactive policy in order to reach ECA stakeholders and to be more effective in delivering clearer messages on how to improve EU financial management, programmes and services.*

124 The ECA, aware of the needs mentioned above, carried out an intensive work aiming at improving its communication from September 2012 to June 2013. On 24 June 2013, proposals on actions to be taken 2013–2014 were put forward to be decided on by the ECA’s Administrative Committee.

125 When the peer review report was drafted (mid-July 2013), other proposals relating to communication with “professional” stakeholders, such as the national SAIs, EUROSAI and INTOSAI, were still pending.

126 *The peer reviewers believe stronger relationships with national SAIs may encourage the ECA to adopt fruitful practices and show that high and effective media coverage can be achieved with a limited communication budget. It would be advisable to assess the efficiency and effectiveness of the new communication policy.*

Implementation of further recommendations from the 2008 peer review

Personal independence

127 Item 43 of the 2008 peer review report contained the recommendation that the Court's audit management framework should be further strengthened by requiring Members and staff to update their declaration of independence on an annual basis and to attest to any threat to their independence as soon as it arises. For this purpose, the ECA put into place procedures for annual declarations (Dec 36-2011 and Dec 33/1/11/rev1), developed a training course and reviewed both its "Code of Good Administrative Conduct for Staff" and its "Code of Conduct for Members of the Court". In addition, the ECA adopted "Ethical Guidelines" which replaced the "Code of Good Administrative Conduct".

128 *This shows that the Court has taken relevant actions. The peer reviewers advise the ECA to evaluate the impact of these actions.*

Rotation of staff

129 The 2008 peer review recommended, under item 45, that the Court should establish a policy for the mandatory rotation of staff. In 2010, the ECA implemented a regulation on staff rotation which lays down the intended minimum and maximum terms of office for each category of staff.

130 *In the peer reviewers' opinion the recommendation has been implemented.*

Training

131 Under item 92 of the 2008 peer review report, the 2008 peer reviewers recommended that management should provide clear direction and leadership that would support the importance of training as a means to achieve the Court's audit and staff development priorities. The ECA has taken action to improve the situation, such as a medium-term training plan that comprises an analysis of the current state and defines training objectives in accordance with the overall strategy as well as measures, resources and people in charge of their implementation.

132 *The peer review team considers this as a solid basis for providing tailored solutions to satisfy the continually high training needs of both senior executives and staff. Nevertheless the peer reviewers would like to emphasise the need for continued and additional professional education/training in performance auditing for the auditors and Members. As mentioned above, the peer reviewers encourage the ECA to work more closely with national SAIs in this matter.*



Vítor Caldeira
PRESIDENT
EUROPEAN COURT OF AUDITORS

Luxembourg, 7 February 2014
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Prof. Dr. Dieter Engels
Präsident
Bundesrechnungshof
Adenauerallee 81
53113 Bonn

Subject: 2013 ECA peer review report

Lieber Prof. Engels,

Dear Colleague,

Thank you for the report of the peer review, led by your institution. I would like to thank your team, as well as the team members from the SAIs of France and Sweden for their dedication and hard work during the process.

The Court notes with satisfaction the peers' conclusion that we have systematically followed up on the recommendations of the previous peer review of 2008, and have taken a number of steps to enhance the efficiency and effectiveness of our performance audits.

The Court also is encouraged that the peers found that we have progressively developed our performance audit standards, manuals and guidelines in close compliance with international professional standards. Furthermore, we support the observation that our strategic commitment to enhancing EU accountability is a prerequisite for gaining recognition as a relevant player within the complex structure of European institutions and for adding value by means of our audit work.

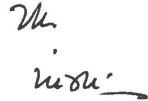
The Court appreciates the peers' constructive comments and recommendations which identify opportunities and challenges for us to further strengthen our performance audit practice. Among them is the need to streamline and speed up decision making; to formulate more practical recommendations that should be clearly addressed to specific bodies at EU or national level; to review the nature and content of the exchanges with the Commission as the main auditee; and to better take into account the perspectives of the Court's stakeholders when selecting and prioritising audits.

As the peers recognise, we are undertaking as part of the Court's 2013 – 2017 strategy a range of initiatives designed to improve our performance audit practices with respect to the issues raised in the review. We intend to consider the conclusions and recommendations of the peer

review report in these initiatives after a dialogue with our staff and stakeholders. We will then examine how best to address the recommendations in the period covered by our strategy.

On behalf of the Court, I would once again like to thank the peer review team for its competence, professionalism and constructive approach.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Vitor Caldeira', with a small dot above the 'i' and a horizontal line extending from the end of the signature.

Vitor Caldeira



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