

# INTERNATIONAL PEER REVIEW

assessing the  
implementation of  
the European Court  
of Auditors' Strategy  
for 2018-2020

March  
2020







## Preface to Peer Review Report

Tallinn, 4 March 2020

On behalf of the international peer review team, I am pleased to present the results of the peer review assessing the implementation of the European Court of Auditors' (ECA) Strategy for the period 2018-2020.

In September 2018, the ECA invited the Supreme Audit Institutions of Estonia (Riigikontroll), Denmark (Rigsrevisionen), the Netherlands (Algemene Rekenkamer), and the United States of America (Government Accountability Office) to review the implementation of its strategy.

The peer review was conducted in accordance with INTOSAI GUID 1900 (Peer Review Guidelines). The specific terms and conditions were set out in a Memorandum of Understanding.

This external assessment serves the ECA as a review of the progress made with the current strategy and, at the same time, provides some initial input to the preparation of the ECA's Strategy for the post-2020 period. In particular, the peer review team assessed the extent to which the ECA has implemented its strategic goals for the period 2018-2020 and whether their implementation is likely to achieve the desired effects.

The peer review report consists of an introduction and four main chapters. At the end of each chapter, the team offers a set of recommendations to achieve the ECA's strategic goals, or to be used in the context of preparing the next ECA strategy.

- The first chapter provides an overall assessment of the progress made on each strategic goal by the end of 2019. It also includes some key lessons to be considered for developing the next strategy.
- The second chapter includes an assessment of the progress made with the strategic goal "Improve the added value of the Statement of Assurance in the context of today's EU financial management". It describes the challenges in reforming the Statement of Assurance and highlights areas where more progress is needed.
- The third chapter is about the strategic goal "Increased focus on performance aspects of EU action". It describes the good progress made in several strategic areas, but also notes the limited progress made in assessing the added value of EU action and identifying good practices.
- The last chapter is headed "Get clear messages across to the ECA's audience". The chapter highlights the progress made on improving the visibility of the ECA and outlines the challenges in moving towards more strategic communication.

The facts presented in this report have been agreed by the peer reviewers and the ECA. The peer review team has presented their preliminary conclusions and recommendations to the ECA Members and directors in September 2019.

On behalf of the peer review team, I would like to thank the ECA's Members, management and staff for their excellent cooperation and the support provided. I would also like to thank all external stakeholders who have made themselves available to meet and discuss with the peer review team.

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## Acronyms

AWP: Annual Work Programming

CAP: Common Agricultural Policy

DOP: Directorate of the Presidency

DQC: Directorate of Quality Control

EAV: EU Added Value

ECA: European Court of Auditors

EP: European Parliament

EU: European Union

GAO: United States Government Accountability Office

INTOSAI: International Organisation of Supreme Audit Institutions

ISSAI : International Standards of Supreme Audit Institutions

MTF : Multiannual Financial Framework

SAI(s): Supreme Audit Institution(s)

SFAP: Strategy and Foresight Advisory Panel

SoA: Statement of Assurance

## Introduction

**01** The European Court of Auditors (ECA) is the independent external auditor of the European Union (EU). It is one of the EU Institutions set up under the Treaty<sup>1</sup>. The ECA's mandate is to examine all the revenue and expenditure of the EU or any body, office or agency set up by the EU, unless otherwise specified. In particular, it assesses whether the financial management has been sound and whether all revenue has been received and all expenditure has been made in a lawful and regular manner. As regards the latter, it provides an annual statement of assurance to the European Parliament and the Council of the European Union.

**02** According to its mission statement, the ECA aims to contribute to improving the EU's financial management as well as promoting accountability and transparency, and thus sees its role as being an independent guardian of the financial interests of the citizens of the Union.



### ECA Mission statement:

**“To contribute to improving EU financial management, to promote accountability and transparency and to act as the independent guardian of the financial interests of the citizens of the EU. The European Court of Auditors warns of risks, provides assurance and indicates shortcomings and successes. It offers guidance to EU policymakers and legislators on how to improve the management of EU policies and programmes and ensure that Europe's citizens know how their money is being spent.”<sup>2</sup>**

**03** The ECA sets out its core objectives in multi-annual strategies. The latest strategy covers the period from 2018 to 2020<sup>3</sup>. It focuses on fostering trust in the EU through independent audit and providing insight into what works and what does not. In addition, it sets out the challenges the ECA is facing (see text box).

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<sup>1</sup> Articles 285 to 287 of the Treaty on the Functioning of the European Union.

<sup>2</sup> <https://www.eca.europa.eu/en/Pages/MissionAndRole.aspx>

<sup>3</sup> Fostering trust through independent audit - The European Court of Auditors' Strategy for 2018-2020 (2017); <http://www.eca.europa.eu>.



## Challenges facing the ECA:

“The years 2018-20 will be a crucial period of the EU. Pivotal decisions lie ahead. Developments in overall EU policy, EU financial management and our professional environment pose formidable challenges, but also present opportunities for the ECA. Failure to demonstrate that positive results are achieved with EU money and EU action will diminish the trust of the citizens in the EU. The perceived distance between EU citizens and institutions is now an existential threat to the EU.”

**04** In September 2018, the ECA invited the Supreme Audit Institutions (SAIs) of Estonia (Riigikontroll), Denmark (Rigsrevisionen), the Netherlands (Algemene Rekenkamer) and the United States of America (Government Accountability Office, GAO) to review the progress made in implementing its Strategy for 2018-2020. The review team was led by the SAI of Estonia.

**05** This peer review is meant to serve the ECA as a mid-term evaluation of how the ECA Strategy for 2018-2020 (Strategy) has been implemented and, at the same time, to provide input to the formulation of the strategy for the post-2020 period, which is currently under preparation. In particular, we – the peers – assessed the extent to which the ECA had achieved its strategic goals and achieved the desired effects for the 2018-2020 period by the end of 2019 (or is likely to do so by the end of 2020), i.e.:

**GOAL 1:** Improve the added value of the Statement of Assurance (SoA) in the context of today’s EU financial management;

**GOAL 2:** Increased focus on performance aspects of EU action; and

**GOAL 3:** Get clear messages across to our audiences.

**06** Organisational and governance matters related to Strategic Goal 4 (“Gearing the ECA’s organisation to its products”) were only subject to the peer review insofar as they were essential to achieving the other strategic goals. Neither the relevance and quality of audits and other products, nor the ECA’s wider governance arrangements and organisation were the subject of this peer review.

**07** The peer review was conducted in accordance with INTOSAI GUID 1900 (Peer Review Guidelines).

**08** The ECA adopted its Strategy in July 2017 together with an action plan (Action Plan). Each strategic goal entails a set of strategic objectives, which should be achieved by specific actions set out in the Action Plan. Our assessment took account of the criteria set out in the strategy and the action plan. We also considered other initiatives that had not been set out in the action plan, but supported the implementation of the Strategy.

**09** In our report, we first present our overall assessment of progress made in implementing the Strategy so far and the lessons (to be) learned for formulating and implementing the next strategy. The subsequent sections will specifically address the actions taken in relation to each of the three goals. At the end of each section, we recommend additional actions which, in our view, are key to making further progress in each of these areas.

**10** This report is based on the following sources of information:

- reviews of documents which are relevant to the ECA activities related to the three goals of the Strategy; and
- interviews and focus groups with more than 100 individuals inside and outside the ECA, including:
  - ⊙ the President and about half of the Members of the ECA;
  - ⊙ the Secretary-General, directors, principal managers, as well as auditors and staff in all audit chambers, the Directorate of the Presidency (DOP), and the Directorate of Quality Control (DQC);
  - ⊙ selected Members and senior management staff of the European Parliament (EP) and the European Council (Council);
  - ⊙ selected staff at the European Commission (Commission); and
  - ⊙ journalists reporting about the EU and the work of the ECA.

**11** We finalised this peer review in February 2020.



## Overall progress by the end of 2019

### Good progress made in implementing the Strategy

**12** In our view, by the end of 2019, the ECA had made progress, to varying degrees, with each of its three strategic goals. During the two previous years, the ECA had launched a series of initiatives and projects in all targeted areas, in some of these areas going beyond what was set out in the Action Plan. This included, for example, setting up a Task Force on foresight to improve the ECA's strategic planning capacities. However, the ECA could have made even greater progress if it had better defined its strategic focus and the expected impact for each goal.

### Summary of progress per strategic goal

#### **GOAL 1** Improve the added value of the SoA in the context of today's EU financial management

**13** The ECA has made progress in reforming the production of its SoA, taking due account of the changes and improvements in the financial management of the Union. This was done in full compliance with the Treaty mandate and international auditing standards. The ECA carried out relevant preparatory work and a pilot project to test the attestation engagement approach.

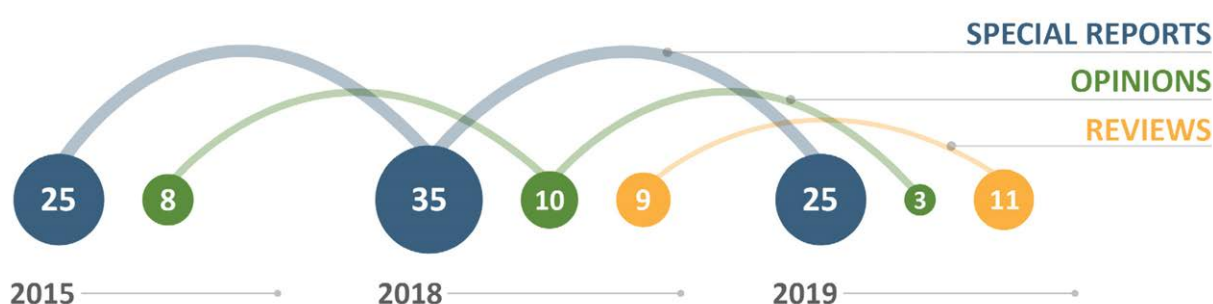
**14** The ECA's annual report, which currently consists mainly of the SoA and underlying information, provides more insight and background information, allowing the reader to better link the findings and place them in the relevant context. The experience gained during the pilot also constitutes a reasonable and meaningful basis for further increasing the cost-effectiveness of the production of the SoA.

**15** The SoA, and the intention to add value with a reform of the SoA, remain highly complex and controversial. In particular, there is still a need to reach a common understanding of what the added value of the SoA could (or should) be. We observed that there is a broad range of very divergent views on this subject, both inside and outside the ECA. We are therefore unsure whether the steps taken so far will be enough to achieve this strategic goal by the end of 2020. Having said this, we are convinced that the ECA's senior management and staff have the necessary knowledge and experience to (re)design the SoA work as needed, once the necessary strategic decisions have been taken.

## GOAL 2 Increased focus on the performance aspects of EU action

**16** During the period under review, the ECA launched a number of initiatives to increase its focus on performance aspects of EU action. Moreover, the number of performance audits, opinions and relevant review products increased during the first two years of the Strategy (see **Figure 1**) in comparison with 2015. The ECA was also successful in expanding the range of topics and types of products to encompass new issues, delivering many of the products provided for in the Action Plan.

**Figure 1** – Performance audits and review products – 2015 versus 2018 and 2019



**17** Such a rapid development also entails risks to product quality. In the coming years, the ECA will need to ensure that it has the necessary staff expertise to cover all these topics and to remain focused on the most relevant issues.

**18** We also noted a lack of strategic focus in the ECA's work programming, and in planning and conducting its performance audits. In addition, the ECA would have needed to complete necessary preparatory steps on key issues such as performance reporting or assessing EU Added Value (EAV) prior to the strategy period in order to make more meaningful progress. It is therefore unlikely that the ECA will deliver fully on all initiatives by the end of 2020.

## GOAL 3 Get clear messages across to the ECA's audiences

**19** There is no doubt that the initiatives taken have contributed to improving the ECA's communication activities. During the first two years of strategy implementation, the higher publication output, the broader product range and intensified communication activities offered the ECA significantly more possibilities to engage with its various stakeholders. This resulted in improved outreach, mostly to the European Parliament and, to a lesser degree, to the Council and institutional stakeholders in the Member States. At the same time, the ECA streamlined and professionalised its communication activities vis-à-vis the wider public. The

ECA and its products are nowadays more visible than ever, both via traditional media (mostly online) and social media.

**20** Challenges remain regarding the ECA's strategic communication activities. To properly address these challenges, the ECA should reflect on the impact it wants to achieve through its work. Moreover, the ECA should improve its approach to identifying, building and reiterating key messages from audit work across its product range. And finally, it should explore how to differentiate the communication approach according to the relevance of specific products for its stakeholders and how best to use complementary dissemination activities.

**21** Generally, we would like to recall that achieving the goal of getting clear messages across does not only depend on communication activities, but also on the quality of the primary product, i.e. the audits and reviews carried out by the ECA. This aspect was outside the scope of our review.

## Key lessons (to be) learned for the next strategy period

**22** We also identified a number of issues which have hampered more effective and efficient implementation of the Strategy:

- views at Member level on what the ECA's mission and role should be, and what this implies for, and how it relates to, its Strategy, appear to differ. This also applies to other levels of the institution;
- the expected outcomes of the Strategy were not always clearly articulated and systematically broken down into strategic objectives. Moreover, the Action Plan, adopted together with the Strategy by the College<sup>4</sup> in July 2017, does not contain annual performance indicators for the goals (see **Figure 2** below). This also raises the question of how the ECA intended to assess progress in achieving its goals;
- the College did not rise to the challenge of clearly communicating its ownership of the Strategy. There were differences in interpreting the strategic goals, but also different views on how best to achieve them. Such differences existed across the organisation (at Member, senior and middle management, as well as staff level). In this regard, we also noted varying levels of support for the implementation of (some of the) strategic goals

*The ECA focuses much on what we want to do, not what we want to achieve.*

(ECA Director)

<sup>4</sup> The College is the ECA's decision-making body. It consists of all 27 Members, appointed by the Council, after consultation with the European Parliament, and following nomination by their respective Member States.

and a lack of accountability. The Strategy was also not sufficiently integrated with the ECA's day-to-day functions and processes, for example its work programming.

Finally, we consider that the timeframe chosen does not fully match the ECA's strategic ambitions.

**Figure 2** – Illustrative example of a strategic framework



## Our recommendations

**23** For its post-2020 strategy, we recommend that the ECA should:

- Follow a participative strategy development process involving all levels of the organisation, i.e. Members, senior and middle management as well as staff, which would encompass:
  - ⦿ agreeing on a mission and role, understood and supported by all levels of the organisation;
  - ⦿ understanding that strategy development requires leadership from the top, and that its implementation cannot succeed without ownership at all levels;
  - ⦿ identifying strategic priorities and objectives for the ECA and setting out in a concise manner which results and impacts the ECA wants to achieve and how;
  - ⦿ anticipating the need to communicate about the strategy and progress with its implementation both internally and externally to key stakeholders in EU institutions.
- Decide an operational plan (to be regularly updated, at least annually) for implementation of the strategy, which breaks down strategic priorities and goals into specific tasks and actions, assigns clear responsibilities and sets out specific targets and milestones against which progress can be monitored.
- Use the work programme to implement the Strategy and strengthen its multiannual dimension and flexibility.



## GOAL 1

### Improve the added value of the SoA in the context of today's EU financial management

The ECA will assess the options of using the legality and regularity information provided by the auditees.

The SoA approach would include more qualitative elements and is expected to lead to a reduction in the ECA's own direct testing of payments.

It should contribute to the cost-effectiveness of the SoA and not increase the audit and control burden.

The design of the SoA approach will include the strengthening of annual reporting on performance and information on EU action in Member States and regions.

(The European Court of Auditors' Strategy for 2018-2020)

#### Strategic objectives

**24** The aim of the first strategic goal – “Improve the added value of the SoA in the context of today's EU financial management” – is to modify and add value to the SoA approach, taking account of the improvements in the EU's financial management in recent years. As set out in the Strategy, the new approach should – on the basis of the ECA's Treaty mandate and in full accordance with international public-sector audit standards – include more qualitative elements and lead to a reduction in the ECA's own direct testing of payments. Moreover, any reform of the SoA should not result in an increase in the audit and control burden in the system. In order to achieve this, the ECA was to assess the options of using the legality and regularity information provided by its auditees. The ECA also committed itself to consulting its institutional stakeholders and auditees on the new approach.

#### The SoA is a specific EU Treaty requirement

**25** The ECA is mandated by Article 287 of the TFEU to provide an annual SoA. Since its inception in the early 1990s, this has been interpreted as the requirement to give an annual audit opinion on the EU's finances. Technically speaking, the SoA is the result of a combined audit, containing financial and compliance elements. In its current form, the SoA entails three separate audit opinions<sup>5</sup>: on the reliability of the EU's accounts and, for both revenue and expenditure, on the legality and regularity of the underlying transactions. The first opinion is

<sup>5</sup> The opinion can take the form of an unqualified (clean), qualified or adverse opinion, or a disclaimer of opinion. In addition to the overall audit opinion, the ECA may also provide specific assessments on selected areas of the EU budget.



based on a classic financial audit. For the latter two opinions, the ECA assesses whether or not the EU budget has been implemented in compliance with the applicable EU and national rules. In doing so, the ECA provides assurance and adds value in the discharge procedure.

**26** In the SoA audit, compliance is assessed for random samples of operations, which are statistically representative for revenue and expenditure and for each of the main spending areas (groups of policy areas) of the EU budget. The size of the samples is determined based on an assessment of the effectiveness of internal controls in preventing, detecting and correcting irregular expenditure/revenue operations. For the payments made from the EU budget, the ECA checks the entire control cycle down to the level of the final recipient. It then estimates the extent to which revenue and expenditure are affected by error. This is done for expenditure as a whole and for each of the main spending areas, as well as for revenue. Based on its findings, it also statistically extrapolates the monetary value of non-compliant transactions in revenue and expenditure. This is expressed as (an) estimated error rate(s).

## Challenges remain, but progress was made in moving towards attestation engagements

Using the legality and regularity information provided by the auditee

**27** The new SoA approach was not explicitly described in the Strategy nor in the Action Plan. Traditionally, the SoA audit is organised as a ‘direct reporting engagement’ (see below). From 2017 onwards, the ECA carried out relevant preparatory work (including study visits and reviews, analyses and risk assessments) to modify the SoA approach. The ECA sees this modified approach as a first step towards an ‘attestation engagement’, for which the auditee measures compliance against established criteria, whereas the auditor concludes on the reliability of the information presented by the auditee. Both approaches are fully in line with both the Treaty requirements and international public-sector audit standards.

### ISSAI 4000

#### Para. 37

**“In a direct reporting engagement, it is the auditor who measures or evaluates the subject matter evidence against the criteria. The auditor is responsible for producing the subject matter information. The auditor selects the subject matter and criteria, taking into consideration risk and materiality. By measuring the subject matter evidence against the criteria, the auditor is able to form a conclusion. The conclusion is expressed in the form of findings, answers to specific audit questions, recommendations or an opinion.”**

**ISSAI 100.29**

“In attestation engagements the responsible party measures the subject matter against the criteria and presents the subject matter information, on which the auditor then gathers sufficient and appropriate audit evidence to provide a reasonable basis for expressing a conclusion.”

**28** The ECA uses the term “attestation approach” in its official documents when speaking of its new SoA approach. In practice, however, most aspects discussed in relation to the attestation approach rather focus on using other auditors’ work than on the content and scope of the subject matter information (attestation).

### Valuable pilot for the new SoA approach

**29** The attestation approach, in addition to direct testing, was successfully piloted for economic, social and territorial cohesion spending, i.e. for one of the Multiannual Financial Framework (MFF) sub-headings of the EU budget. In particular, the ECA assessed key elements of the internal control systems at EU and Member State level, tested the regularity information provided by the Commission and reviewed (or re-performed) the checks carried out by national auditors. The results of this first exercise were published in the ECA’s 2017 Annual Report. Since then, the ECA has launched and already reported on similar pilots in other areas of the EU budget. For all pilot areas, the ECA continues to provide error rates. In order to do so, it either adjusts (based on its own findings<sup>6</sup>) the rates estimated by the auditee or carries out additional direct testing (traditional approach). In October 2019, the results of these pilots were published in the ECA’s 2018 Annual Report.

### Reduction of resources not yet possible

**30** All pilots showed that the internal controls in place – at the Commission and even more so in some of the Member States – were not always effective. As a result, the ECA could not yet fully rely on the information provided by the auditee. We are also unsure whether the new SoA approach can be applied across the board, since the necessary conditions to do so, in accordance with international auditing standards, are not met in all spending areas. In particular, it would require other auditors to apply similar checks to those carried out by the ECA. For a number of issues more progress is also needed on the auditee’s side, which would allow the ECA to implement the attestation engagement as intended.

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<sup>6</sup> In practice, under the new approach, the transactions sampled and tested by the ECA have already been checked by national auditors and/or the Commission. The ECA then reviews and/or re-performs the checks carried out by the other auditors.

**31** Although it was not explicitly requested in any strategy document, our ECA-interviewees at all levels stressed that one of the main objectives of the new approach was to generate resource savings in the production of the SoA. Whether this ambition is likely to be met (or at all desirable) was controversially discussed throughout the interviews. According to ECA statistics there have been nearly no resource savings so far through the new approach. The new approach was piloted while direct testing was maintained to produce a sample based error rate as before. Doing both at the same time is unlikely to save resources.

### Further dialogue with the auditee and institutional stakeholders is needed

**32** As stated above, a number of methodological and technical matters contribute to differences between the control and audit approaches of the ECA and the Commission. This is a fundamental issue, since a precondition for attestation engagement is the reasonable alignment of the methodologies of the auditee and the auditor. An additional complication comes from the fact that the Commission's approaches to checking regularity aspects differ to some extent between spending areas, also due to sector-specific rules. This makes it difficult for the ECA to apply a harmonised approach across all spending areas of the EU budget. In the interviews at the ECA and the Commission the following matters were identified: multi-annuality of the management of spending vs annual auditing, conducting control and audit procedures in parallel, differences in definition of error and taking into account the corrections by the Commission, different time schedules. In order to overcome these differences and to fine-tune its new approach, the ECA has been in continuous dialogue with the Commission, as the responsible party.

#### ISSAI 100.25

**“Public-sector audits involve at least three separate parties: the auditor, a responsible party and intended users. [...] Intended users are the individuals, organisations or classes thereof for whom the auditor prepares the audit report.”**

**33** The ECA also reached out to the intended users of its SoA, i.e. the EP and the Council, to explain and discuss its new approach. Our interviews with EP and Council representatives showed, however, that there is a broad range of very diverse views regarding the SoA in general, and the new approach in particular. Many interviewees welcomed the modifications in the new approach, with some also suggesting discontinuing the provision of error rates. Others would prefer to keep the direct reporting approach and provide even more error rates in even more areas of the EU budget. In any case, we consider that there is an apparent need

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for the ECA to further explain the benefits of the new approach. This should be continued in the spirit of maintaining a good three-party relationship in audit engagements.

## More efforts needed to improve the overall effectiveness of the SoA

### The added value of the SoA still needs to be clarified

**34** Neither the Strategy nor the Action Plan are sufficiently clear about the meaning of the “added value” of the SoA. All our interviewees at the EP, the Council and the Commission agreed that the SoA is (and will remain) an important ECA product in the discharge procedure and also considered it to be of high quality. Nevertheless, there is no common understanding of what its actual added value is or could be beyond the discharge. Unfortunately, there is no common understanding within the ECA either.

**35** The value of the SoA is that it provides assurance both on the reliability of the EU accounts and the regularity of the underlying transactions. Against the backdrop of improvements in control systems and decreasing error rates (as has been the case in the EU over time), the ECA could select an audit approach which provides better insight into where (and what kind of) additional improvements are necessary. Otherwise one faces the risk of over-auditing and diminishing returns as the resources spent on auditing stay at the same level or even increase. The ECA should discuss in more depth the future impact of the SoA and what it wants to achieve with the SoA.

### Audit design issues to be considered

**36** In this context, and in accordance with international audit standards, the possibility of adapting the audit approach to better reflect the risks and the effectiveness of control systems should be further investigated. The ECA should consider creating an audit design which takes into account the specific features of each policy area. Adapting the audit approach in such a way could also contribute to the ECA’s capacity to make more specific recommendations. We noted positively that in its annual report the ECA increasingly provides insight and background information to put errors in context.

### Efficiency of the SoA work within the ECA

**37** So far, production of the SoA is coordinated by Chamber V with auditors from all other audit chambers contributing to this exercise. Such organisation creates costs, given the need to – inter alia – coordinate the different actors, agree on resource allocation, technical aspects and timelines. It has also proven to be difficult in relation to the rollout of the new SoA approach. In this regard, strategic decisions on the organisation of SoA work (e.g. degree of

centralisation) and on the allocation of audit resources could have facilitated operational decisions on the right approach, methods and means.

**38** Finally, in early 2019, with the creation of a Digital Steering Committee, the ECA started to examine the potential of innovative solutions, such as digital audit, which could contribute to improving the cost-effectiveness and added value of the SoA in the longer run. Moving in this direction would, as a first step, also require engaging in a constructive dialogue with the Commission and the agencies on the digitisation of their systems.

### Overall audit and control burden

**39** In general, representatives of the Commission were positive about the new SoA approach. However, they also raised some concerns, mainly related to methodological issues and resources. In particular, they identified the risk of a higher workload for their own services (including the Commission's internal audit service), if the ECA sought to rely on internal controls for all areas of the EU budget. This may, however, also reflect the fact that the internal controls would need to be more reliable to implement an attestation engagement across the entire EU budget.

*The new approach should avoid duplication and relieve the bureaucratic burden.*

(European Commission staff)

**40** The Strategy clearly articulates the objective of not increasing the audit and control burden in the system. According to a recent ECA report, as regards for example the European Structural and Investment (ESI) funds, the main burden for beneficiaries is not audit as such, but the controls (or management verifications) carried out by authorities in the Member States.<sup>7</sup>

### Reporting on EU action in Member States and regions and performance

**41** Wherever applied, the new approach provided new and better insights into how effectively internal controls at EU and Member State level operate and where the main weaknesses are. This was confirmed by representatives of both the ECA and the Commission during our interviews. However, the SoA reform did not succeed in providing significantly better geographical insights or more country-specific information.

**42** Finally, for several years, the ECA has also been examining performance aspects of transactions in all main spending areas for the SoA. From 2020 onwards, this aspect will be integrated into a new annual report on performance (see following section).

<sup>7</sup> See ECA briefing paper: "Simplification in post-2020 delivery of Cohesion Policy", 28 May 2018, p. 41.



## Our recommendations

**43** We recommend that the ECA should:

- clarify the value it wishes to create with its SoA for its institutional stakeholders (EP and Council) in the discharge procedure and for making improvements to the management and control systems of its auditees (Commission, agencies);
- decide on the appropriate organisational structure and staffing to ensure cost-effective production of the SoA;
- continue a constructive dialogue with the Commission to tackle the remaining matters so that audit methodologies are better aligned;
- reconsider and reflect on key methodological aspects, such as:
  - ⊙ the potential of risk-based approaches;
  - ⊙ the diversification of approaches to take account of the specificities of the different spending/policy areas; and
  - ⊙ making best use of innovative solutions, such as digital audit.



## GOAL 2

### Increased focus on performance aspects of EU action

Take a broad view on EU action

Provide rapid answers to pressing and targeted questions on EU action

Provide insight into EU action against fraud

Increase the impact of our recommendations on improving EU action

Assess better the added value of EU action

Compare the methods and results of EU action better

Report annually on the performance of EU action

(The European Court of Auditors' Strategy for 2018-2020)

#### Strategic objectives

**44** The ECA laid out several strategic objectives that were to contribute to increasing the focus on performance aspects of EU action. Accordingly, the ECA intended to focus its output on assessing performance as listed above.

### Good progress made on providing broader views, rapid answers to pressing questions and insight into EU action against fraud

#### Broader view of EU action

**45** The ECA has undertaken several broad reviews of various policy areas and of EU action, through opinions as well as reviews (landscape reviews and briefing papers). Examples of these products include the opinions on the Common Agriculture Policy (CAP)<sup>8</sup> and Cohesion<sup>9</sup>, the landscape review on transport<sup>10</sup> and the briefing papers on the future of EU finances<sup>11</sup>,

<sup>8</sup> ECA opinion 7/2018: "Concerning Commission proposals for regulations relating to the Common Agricultural Policy for the post-2020 period", 7 November 2018.

<sup>9</sup> ECA opinion 6/2018: "Opinion of the European Court of Auditors on the Commission's proposal of 29 May 2018 on the Common Provisions Regulation, COM (2018) 375 final", 31 October 2018.

<sup>10</sup> ECA landscape review: "Towards a successful transport sector in the EU: challenges to be addressed", 6 December 2018.

<sup>11</sup> ECA briefing paper: "Future of EU finances: reforming how the EU budget operates", 15 February 2018.

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on Cybersecurity<sup>12</sup> and on Defence<sup>13</sup>. These products should enable citizens and their representatives to better see EU spending and administrative action as part of a bigger picture.

#### Provide rapid answers to pressing and targeted questions on EU action

**46** The ECA produced positive results in better focusing its products on performance aspects and providing answers to targeted questions, mainly through rapid case reviews<sup>14</sup>, and often at the specific request of one of its institutional stakeholders. These rapid case reviews also can be included more flexibly in the annual work programme on an ad hoc basis. In addition, the ECA produced a number of relevant briefing papers and special reports, which – at least in some cases – were conducted more quickly than before.

#### Provide insight into EU action against fraud

**47** In addition, the ECA has recently issued a number of products that give insight into EU actions against fraud and corruption, such as the special reports on managing fraud in the EU, assessing the ethical frameworks of selected EU institutions or examining fraud in EU cohesion spending<sup>15</sup>, and the opinion on OLAF and the European Public Prosecutor's Office<sup>16</sup>. The ECA also devoted an edition of the ECA Journal to key issues related to fraud and corruption (May 2019)<sup>17</sup>. Recent Eurobarometer surveys indicate that EU citizens remain concerned about fraud in EU spending. This highlights the importance of continuing these actions.

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<sup>12</sup> ECA briefing paper: "Challenges to effective EU cybersecurity policy", 19 March 2019.

<sup>13</sup> ECA briefing paper: "European defence", 12 September 2019.

<sup>14</sup> For example, ECA rapid case reviews: "Implementation of the 5 % reduction of staff posts", December 2017; "Outstanding commitments", April 2019; "Allocation of Cohesion policy funding to Member States for 2021-2027" March 2019; "Reporting on sustainability", June 2019 or "EU support for Euronews", May 2019.

<sup>15</sup> ECA special report 01/2019: "Fighting fraud in EU spending: action needed", ECA special report 13/2019: "The ethical frameworks of the audited EU institutions: scope for improvement", 19 July 2019; ECA special report 06/2019: "Tackling fraud in EU cohesion spending: managing authorities need to strengthen detection, response and coordination", 16 May 2019.

<sup>16</sup> ECA opinion 8/2018 on: "The Commission's proposal of 23 May 2018 on amending OLAF Regulation (EU, Euratom) No 883/2013 as regards cooperation with the European Public Prosecutor's Office and the effectiveness of OLAF investigations", 1 February 2019.

<sup>17</sup> <https://www.eca.europa.eu/en/Pages/Journal.aspx>

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## First steps made on reporting annually on the performance of EU action and increasing the impact of recommendations

### Report annually on the performance of EU action

**48** The proposed new approach for annually reporting on performance was adopted in April 2019. This new approach is currently being piloted and first results will be published in late 2020. We note, however, that complex issues such as how to best report annually on performance in a multiannual context, and what appropriate performance reporting looks like for different EU policies/funding schemes (often implemented by Member States rather than the Commission), still need to be addressed. An assessment of the first year of this pilot will be important for guiding future decisions.

**49** Similarly, the ECA has considered, but not yet agreed upon, additional steps to help ensure that certain audits are planned and designed to produce useful performance information, which can be included in the annual report on EU performance.

### Increase impact of recommendations on improving EU action

**50** Several steps have been taken over a number of years to improve the quality of recommendations and to follow up on recommendations more thoroughly. For instance, the ECA's methodology department prepared annual analyses of the audit recommendations that include the identification of good practice examples. This has helped to clarify how to draft good recommendations. Moreover, ECA auditors indicated that the increased focus on the quality of recommendations in the internal review process had led to improvements.

**51** However, the ECA's objective of increasing the impact of its recommendations also requires well-designed audits that cover topics and obtain evidence that provide a suitable basis for impactful and cost-effective recommendations. Currently though, according to our interviews with ECA staff, recommendations are at times still an afterthought and discussed late in the audit process. Several auditors expressed a need for tools to better address the challenges in reaching cost-effective recommendations throughout the audit process.

## Little progress in assessing added value of EU action and identifying good practices

### Better assess the added value of EU actions

**52** Better assessing the added value of EU actions is a key objective for addressing the challenge of demonstrating that positive results are achieved with EU money and EU action. The ECA spent the first part of the strategy period formulating a definition of EAV—a complex and challenging task. It is now taking first steps towards operationalising the concept for assessing whether action at EU level was the best way to achieve the desired outcome and whether more or less EU-level intervention would be needed in view of the funding, or policy objectives. However, given the relatively short strategy period, the ECA would have needed to complete these tasks much earlier, i.e. right before the strategy period, in order to advance meaningful assessments of EAV in time. Currently, the guidance mainly consists of principles and questions and is not sufficiently operational to guide the auditor.

**53** EAV was listed as a priority to be considered in the 2019 AWP, but few of the audit proposals including this as a focus were selected. It was dropped as a priority in the AWP for 2020, although DOP staff subsequently flagged proposed audit tasks that could be seen as having an EAV component. Even for audits meant to have an EAV component, assessing it was not always an essential part of the audit methodology. In addition, ECA auditors said that talking about EAV is popular during the audit selection stage, but including it in audit reports is often seen as a risk with regard to getting the report through internal quality reviews and clearing with the auditee. As a result, audits which may have been planned to address EAV do not always include the concept in the final report.

*We need support from the ECA with regard to EU added value issues and help identifying best practices.*

(Member of the European Parliament)

### Better compare methods and results of EU actions

**54** ECA staff as well as representatives from the EP, the Council, and the Commission indicated that having the ECA highlight good practices in its reports would be very helpful to understand how the EU and its Member States may be able to achieve better outcomes in different EU policy/spending areas. Some of our interviewees also pointed out that this lack of positive information makes ECA reports sound more negative than they need to be.



**55** Several audit planning memoranda, which set out how audit tasks are to be carried out, explicitly referred to “identifying good practices” as one of the audit objectives. Subsequently, the published reports, however, contained only a few sentences on the matter, sometimes even without a clear qualification (good/bad), thus leaving the reader unsure of the reason they were included in the report.

**56** According to ECA auditors, little information is provided to the audit teams about developing audit methodologies that would identify and highlight good practices in different Member States and in different types of EU policies/funding schemes. In addition, conducting such audits would be very time consuming, which, the auditors said, is not feasible, given the time constraints under which the ECA operates<sup>18</sup>. As a result, they said, they generally continue to conduct performance audits as they always have.

**57** We also noted that there were no explicit initiatives to cooperate with other EU SAIs on highlighting examples of good practices and assessing geographical differences for mutual learning of how best to implement EU funds and policies in the Member States.

### Key issue: lack of strategic focus

**58** Since 2017, the ECA has made a number of changes to its annual work programming (AWP) process. It has become a more structured and centralised process, and also draws increasingly on suggestions made by institutional stakeholders (in particular the EP) in addition to those made internally.

**59** Despite these efforts, we found inconsistencies in selecting the most relevant topics for performance audit, and in planning and conducting individual audits. In this context, we noted that the AWP priorities have changed each year and do not fully align with those expressed in the Strategy. In this regard, more progress is needed to integrate the strategic objectives in the ECA’s AWP process and audit guidance.

*The connection between the ECA’s audits and the ECA’s strategy is not clear.*

(ECA auditor)

<sup>18</sup> The Financial Regulation states that ECA’s special reports shall be ‘drawn up and adopted within an appropriate period of time, which shall, in general, not exceed 13 months.’ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council, OJ L 193, 30.7.2018, p. 152.

## Our recommendations

**60** We recommend that the ECA should:

- use its work programming, that is the process leading to the selection and prioritisation of specific audit tasks, as a key tool for implementing its strategy;
- develop operational guidance and tools for auditors to facilitate:
  - ⊙ assessing, in performance audits, the added value of EU action, including whether action at EU level was the best way to achieve the desired outcome, or whether more or less EU-level intervention would be needed in view of the objectives of the funding or policy;
  - ⊙ designing performance audits to better compare methods and results of EU action and highlight examples of good practices; and
  - ⊙ developing cost-effective recommendations throughout the audit process, with the aim of increasing impact;
- build into planned audits, where feasible, (a) assessments of the added value of EU action and/or (b) comparisons of methods and results of EU action, and highlighting examples of good practices;
- explore the possibility of cooperating with other EU SAIs to identify good practices of how best to implement targeted EU policies and funding schemes.



## GOAL 3

### Get clear messages across to our audiences

Make publications more accessible and interesting

Establish a more continuous dialogue about our products

Reach out to EP, Council and national authorities

Target decision points in the EU policy cycle

Further exploit the results of our work to reach key stakeholder groups

Build key messages and reiterate them across product range

(The European Court of Auditors' Strategy for 2018-2020)

#### Strategic objectives


**61** The third strategic goal – “Get clear messages across to our audiences” – encompasses actions aimed both at intensifying the ECA’s outreach to the EP, the Council and national authorities, as well as at better targeting of the ECA’s communication efforts at key decision points in the EU policy cycle. Moreover, it calls for improvements to the ECA’s impact by building key messages (and reiterating them across the product range), establishing a more continuous dialogue about its products and making them more accessible and interesting. Finally, more effective use should be made of the results of its work to reach key stakeholder groups.

#### Good progress made on improving the visibility of the ECA

##### Make publications more accessible and interesting

**62** In the past few years, the ECA has made notable progress in making its publications more accessible and reader-friendly, be it for its institutional stakeholders or the public, by using clearer language and introducing more infographics.

**63** Good examples of particularly reader-friendly publications are aggregated summary reports, such as the *EU Audit in brief* which provides a summary version of the voluminous and sometimes very technical Annual Report<sup>19</sup>. Similar products have also been issued for the *EU agencies* and the *Joint undertakings*<sup>20</sup>. Moreover, in early 2019, the key points made in the different ECA contributions to the next MFF were summarised in the *ECA remarks in brief*<sup>21</sup>. During our interviews, EP Members and journalists have expressed their appreciation for these efforts and the well-structured and clear presentation of the audit findings. This aspect is also frequently mentioned by respondents to the ECA reader surveys.



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***The ECA has changed its communications. It is more digestible for a bigger public, the conclusions now have more public impact.***

(Journalist)

**64** The ECA has also modernised its corporate magazine, the “ECA journal”, giving insight into different aspects of the ECA’s work, its organisation, staff and products. Each edition has a specific theme, and features contributions from both ECA staff and external authors. Good examples are the ECA journals dealing with ‘Economic & financial governance’ or ‘Pre-accession aid’ in 2018 and ‘Transport & Mobility’ or ‘Fighting fraud against the EU’ in 2019. We believe that the “ECA journal” is a very helpful means to create further possibilities for dialogue about ECA products.

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<sup>19</sup> 2018 EU audit in brief, 8 October 2019.

<sup>20</sup> 2018 audit of EU agencies in brief, 15 October 2019.

<sup>21</sup> ECA remarks in brief on the Commission’s legislative proposals for the next multiannual financial framework (MFF), 14 February 2019.

Figure 3 – Media coverage – 2017, 2018 and 2019



**65** The ECA has also expanded significantly its presence on social media, mainly using Facebook, Twitter, LinkedIn, Instagram and YouTube, to reach out to key stakeholders and new audiences and promote its products (see Figure 3). Audio-visuais are produced occasionally, mostly as animated videos. These and other complementary communication tools can be further developed to reach out to targeted or general audiences.

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## Some progress in making communication more interactive and user-oriented

### Establish a more continuous dialogue about the ECA's products

**66** As set out in the Strategy, the ECA has applied a new approach in order to communicate its work and increase its visibility. This starts with the publication of the annual work programme, the announcement of the start of an audit task (i.e. "audit previews"), continues with the publication of the final report, and culminates in related communication activities, such as audit briefings, social media messages, conferences or presentations in parliamentary hearings. In addition, all ECA products are published on its website and disseminated through its electronic stakeholder management system to several thousand recipients.

**67** Part of the new approach was the introduction of the so-called "audit previews". These are short documents summarising key facts and figures about the audited area, intended as a source of information for those interested in the policy and/or programme being audited. They also invite the reader to get in touch with the responsible teams through an audit-specific functional mailbox. Issuing them considerably added to the overall number of ECA publications and helped to even out the flow of publications over the year.

**68** In our interviews we were often told that journalists, but also MEPs, find it difficult to distinguish between different ECA products, such as audit previews, special reports and reviews, as they are communicated in similar ways. This makes it more difficult for them to decide on the relevance of the product for their work. In our view, the ECA should consider taking less of a one-size-fits-all approach to communicating its products. In particular, we consider that the type and intensity of the ECA's communication activities should be better aligned with the relevance of a product for its stakeholders. The necessary assessment should be led by the ECA's communications team.

**69** Finally, we noted that the ECA, since 2018, has systematically carried out reader surveys to obtain anonymous feedback on its reports and to extend its dialogue to EU citizens. The survey results are then made available to the reporting Members and their audit teams.

### Media monitoring and analysis

**70** The ECA systematically monitors certain media activities related to its publications. In particular, it counts the number of references to its reports (and the ECA in general) for online media outlets. This media monitoring is externalised and its results (references within the first two weeks after publication) are made available to the reporting Members and audit teams as well as used for the ECA's own performance management.

**71** We consider that additional efforts could be undertaken in this field. In particular, more sophisticated media monitoring (for example by providing information on media outreach) and analysis (for example by Member State or policy area) could contribute to further improving the ECA's audit planning and communication capacity, by providing a more informative feed-back.

## Some progress made on intensifying outreach to the EP, Council and national authorities

### Best results in outreach to the European Parliament

**72** In the period 2018-2019, the ECA intensified its working relations with the EP at all levels, in particular with committees other than the Budgetary Control Committee. This was helped by the increased production of reports addressing more diverse and increasingly topical subjects. In 2018 alone, the ECA published a record number of 44 special reports and reviews, as well as 10 opinions, which formed a stepping-stone to receiving more invitations to present or testify in EP committee meetings. Similarly, EP committees increasingly make use of the possibility to submit suggestions for new audit ideas.

### Outreach to the Council has brought little change

**73** The efforts mentioned above were quite effective with the EP, but less so with the Council. Almost all special reports, as well as some reviews, are presented at various Council formations, and in particular the Budgetary Committee. However, only the ECA's annual report is presented each year to the ECOFIN Council. Despite dedicated efforts at Member level, only on a few occasions has the ECA been invited to present its special reports at ministerial level.

### Outreach to Member States lags behind

**74** Most ECA Members present the annual report in their home countries, normally to parliament, relevant ministries and the SAI. They use this opportunity to also present other ECA products, but normally only those for which they were the Reporting Member. However, when meeting with stakeholders in their own country, the extent to which Members and/or their private offices are actively communicating ECA products of other Members varies considerably.

**75** In 2018, the ECA President started to meet with high-level representatives in Member States (from parliament, government, the administration and the SAI), together with the ECA Member from the country. This included in particular those Member States holding the Council Presidency. Intensifying contacts with Member State governments and parliaments



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looks promising, provided that a streamlined approach that activates Members is followed. This can be an opportunity to succeed in improving the outreach to and the relations with the Council.

**76** The ECA faces particular difficulties when it comes to positioning itself at national level. Currently, most events are organised at the ECA's premises in Luxembourg or in Brussels and only exceptionally in the Member States. These outreach activities (e.g. conferences) are organised on an 'ad hoc' basis. Not all Members are active in this area.

## Challenges in moving towards more strategic communication

### Target decision points in the EU policy cycle

**77** The ECA has in some cases become more successful in targeting key decision points in the EU policy cycle and presenting its input to policy makers in good time. It has been particularly successful in doing so with the timely publications of the briefing papers<sup>22</sup> related to the proposals for the next MFF, and a series of opinions on the Commission's legislative proposals, such as the opinions on the CAP for the post-2020 period<sup>23</sup> and on the Commission's proposal on the new system of Own Resources<sup>24</sup>.

**78** However, audit planning, audit implementation and communication planning could be better linked and applied more consistently. For example, the ECA could build on the multiannual dimension of its work programme to ensure its products appropriately target upcoming decision points. Further rethinking whether the communication aspects should be considered earlier in the audit planning or implementation phase would also help to increase and/or target the ECA's media impact (e.g. ECA's messages being given consideration at a high-level EU debates).

### Further exploit the results of the ECA's work to reach key stakeholder groups

**79** Finally, we observed only a few specific activities aimed at further exploiting the results of the ECA's work to reach key stakeholder groups, e.g. briefing papers or the recently published MEP application. In order to improve on this, the ECA should envisage using further

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<sup>22</sup> ECA briefing papers on the "Future of EU finances: reforming how the EU budget operates", February 2018, and on the "The Commission's proposal for the 2021-2027 Multiannual Financial Framework", July 2018.

<sup>23</sup> ECA opinion 7/2018: concerning Commission proposals for regulations relating to the Common Agricultural Policy for the post-2020 period.

<sup>24</sup> ECA opinion 5/2018 on the Commission's proposal on the new system of Own Resources of the European Union.

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solutions or formats tailored to attract the attention and meet the needs of its stakeholders. This may include issuing management letters, publishing videos and interactive graphics, etc.

### Build key messages and reiterate them across the product range

**80** We noted the ECA's attempt to build key messages and reiterate them across its product range, e.g. ECA remarks in brief, landscape reviews or also several dedicated editions of the ECA Journal. Still, a better coordinated approach (including AWP) could enable the ECA to further sharpen its profile, to build up and draw more attention to key findings and recommendations, which in turn could amplify the ECA's impact. As a prerequisite, the ECA would have to formulate a clear idea about the specific impact it wants to achieve. This area needs to be further addressed in coming years and would require developing common guidelines and standards, to be built into the audit process from the outset.

## Our recommendations

**81** We recommend that the ECA should:

- reflect on further developing strategic planning of publication and communication activities to achieve more impact, and to include it in its reflections on further improving the work programming processes;
- identify, build and reiterate key messages from its audit work, e.g. summarise key findings and choose a proper format relevant to specific stakeholder groups, and decide on the most suitable way to present such messages (e.g. in the annual reports);
- differentiate the communication approach according to the relevance of the products to its stakeholders and decide on how best to use complementary dissemination activities (such as conferences) to maximise outreach and impact;
- continue developing and using more graphics and visualisations in its publications and communication channels;
- decide on how to ensure that Members and their private offices can best contribute to the ECA's communication activities at national level;
- reflect on establishing a feedback loop to further improve audit planning and communication, based on its reader surveys and more sophisticated media-monitoring;
- ensure that there is an adequate level of expert staff and financial resources to meet the ECA's communication ambitions.



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—  
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EUROPEAN  
COURT  
OF AUDITORS

**Klaus-Heiner Lehne**

President of the European Court of Auditors

Luxembourg, 31 March 2020

**International Peer Review – assessing the implementation of the European Court of Auditors' Strategy for 2018-2020**

Dear Mr Holm,

On behalf of the European Court of Auditors (ECA), I would like to thank the peer review team of the SAIs of Estonia (lead), Denmark, the Netherlands and the United States of America for their dedication and hard work.

They performed a sometimes very critical, but always fair and constructive assessment of the progress made in implementing the ECA Strategy for 2018-2020. It helped us to take stock, pinpointed the shortcomings and provided advice on the next steps to take to achieve our goals. In this regard, we also highly appreciate the team's positive and forward-looking attitude, which we see clearly reflected in the lessons to be learned from this exercise for preparing the next strategy.

The peer review has already proven to be a very useful process. The regular feedback we received from the team has already allowed us to take action on a number of issues where shortcomings were identified by the review. Moreover, in late 2019, the College set up a Strategy and Foresight Advisory Panel, which – supported by a newly established and dedicated team – has been tasked with developing the next ECA Strategy, covering the years beyond 2020. The recommendations put forward in this review will form an essential part of the input for this.

We welcome the peers' overall assessment that we have made good progress in implementing our strategy, albeit to varying degrees with each of the strategic goals, and agree that the timeframe of three years was too short in view of the high level of ambition. At the same time, we feel encouraged to further increase our efforts in implementing the Strategy, complemented by the very valuable recommendations for improving the Statement of Assurance (SoA), our performance work and our institutional communication.

We also see that more work needs to be done, and that we will most likely not be able to fully deliver on all our goals by the end of 2020. However, we will strive – even after 2020 – to further develop in these key areas.

I would once again like to thank the peer review team for its professionalism, critical assessment and constructive recommendations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'k-H le', written in a cursive style.

Klaus-Heiner Lehne  
President of the European Court of Auditors

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