

European Court of Auditors



AUDIT STRATEGY 2009-2012
SUMMARY

CONTENTS

Page

- 2** Foreword
- 3 – 4** Shaping the strategy
- 5 – 9** Goal 1: Maximising the overall impact of our audits
- 10 – 11** Goal 2: Increasing efficiency by making best use of our resources

FOREWORD

This document is a summary of the Audit Strategy adopted by the Court for the period 2009-2012. By setting out what is to be achieved within the next four years to realise the European Court of Auditors' Mission and Vision, the Court aims to:

- maximise the overall impact from audits; and
- increase efficiency by making best use of resources.

This means building further on our strengths and seizing the opportunities for improvement provided by external developments and the recommendations of the peer review*, so that in four years time the Court will be in a position to demonstrate that the impact of its audit work is increasing and that it is making better use of its resources.

In a challenging and continuously evolving audit environment, the Court's needs to be flexible and to review regularly its own strategy in order to better address new risks and audit areas while providing its stakeholders with relevant, timely and useful reports and opinions.

* In 2007 the Court asked four national audit institutions - Austria, Canada, Norway and Portugal - to conduct a peer review.

The main conclusions of this thorough assessment were that:

- the Court conducts its work with independence and objectivity;
- the Court's audit reports are based on sufficient and appropriate audit evidence, as required by International Auditing Standards; and
- the stakeholders interviewed have a high level of confidence in the Court's reports and generally consider them to be fair, factual and objective.

The peer review did however also point to areas where there was room for improvement. Addressing these issues will be a priority for the Court.

For more information on the peer review: www.eca.europa.eu

SHAPING THE STRATEGY

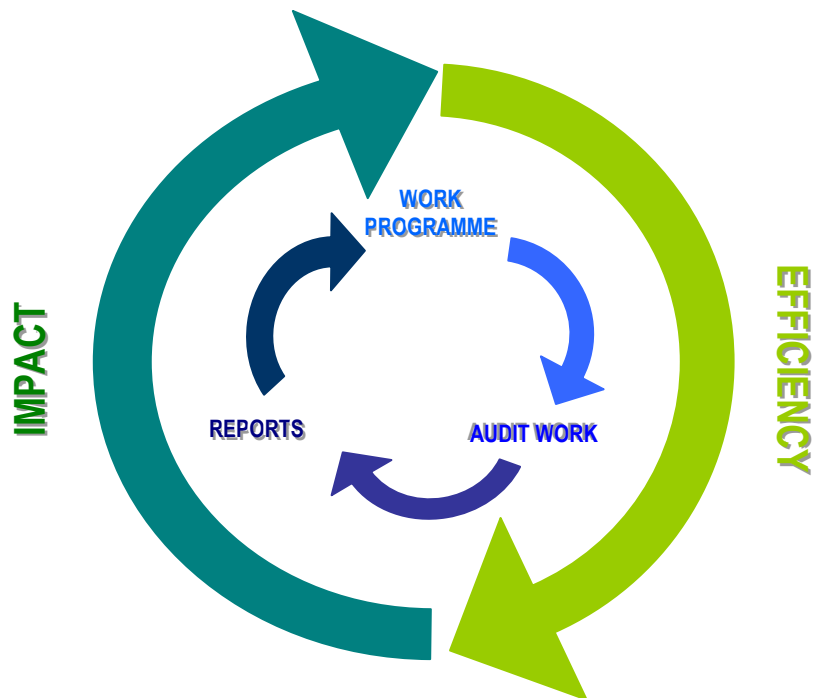
The starting point of the Court's strategic planning is its vision and mission, which are translated into a number of high level strategic objectives, leading to a four year outline strategy. This outline strategy aims at maximising the overall impact of our audits and increasing efficiency through the best use of resources. The consequent audit strategy, presented in this document, is the basis for our annual work programmes which provide detailed information about the Court's audit.

By setting out what is to be achieved within the next four years, our strategic objectives have been translated into actions that reflect our values ¹.



¹ The Court's mission, vision, values and strategic objectives are to be found on the Court's website: www.eca.europa.eu.

The Court performs audits and produces reports designed to improve the management of EU funds and protect the financial interests of the EU on behalf of its citizens. The main elements considered when shaping the strategy governing the Court's operations are as follows:



MAXIMISE IMPACT

- ▶ Improvement of the management of EU funds
- ▶ Increased accountability of the EU to its citizens

INCREASE EFFICIENCY

- ▶ Optimal use of resources

GOAL 1: MAXIMISING THE OVERALL IMPACT OF OUR AUDITS

Optimal and effective selection and design of audits

The Court performs its audits in accordance with IFAC¹ and INTOSAI² International Auditing Standards and Codes of Ethics. This methodological framework is the basis for the selection and design of audit tasks.

The Court carries out financial, compliance (mainly the Statement of Assurance or DAS) and performance audits.

A large share of the Court's resources is used for the DAS audit (which provides stakeholders with a Statement of Assurance on the reliability of the EU accounts and the legality and regularity of the transactions underlying those accounts) as well as the audit of the European Development Fund (EDF) and annual audits of the Union's 28 agencies.

The audit goals to be achieved during the 2009-2012 period for the Annual Reports on the implementation of the EU Budget are:

RELIABILITY OF THE ACCOUNTS OF THE EU BUDGET

The aim is to assess:

- that the accounts are drawn up in accordance with the rules ;
- completeness and reality of transactions ;
- measurement and valuation as well as the presentation of information.

LEGALITY AND REGULARITY OF TRANSACTIONS

The aim is to assess:

- how the European Institutions manage the budget ;
- whether transactions (financial operations) have been properly recorded, and legally and regularly executed and managed.

In 2009 the Court will appoint an internal think-tank to consider how the DAS audit might be developed further.

¹ IFAC: International Federation of Accountants (www.ifac.org)

² INTOSAI: International Organisation of Supreme Audit Institutions (www.intosai.org)



For the Court's performance audit work (usually published in Special Reports), the risk analysis will be more specific to the various policy areas. Although some risks to the economy, efficiency and effectiveness of EU expenditure, such as complicated rules, are common to different parts of the EU budget, there are also substantial differences due to the way programmes are set up and managed. During 2009-2012 the Court will:

- maximise the relevance of these audits to financial and management decision-making; and
- make use of the full range of performance audit techniques (on the basis of the Court's performance audit manual).

The Court intends to carry out performance audits of policy areas of major spending as well as aiming at coverage of other areas depending on the level of risk and degree of stakeholder interests. The main audit goals to be achieved during 2009-2012 for the different policy areas are illustrated below:

PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES

The aim is to:

- complete the audit of all key aid premiums and management and control systems;
- assess several aspects in the intersection of environmental and agricultural goals;
- assess achievement of structural change goals in certain measures in rural development; and
- assess procedures for clearance and recovery of funds within the CAP.

STRUCTURAL POLICIES, TRANSPORT, RESEARCH AND ENERGY

The aim is to:

- continue to assess the effectiveness/efficiency of the programmes operating in various (economic) sectors;
- examine the Commission's procedures for assessing the impact of forthcoming legislation (e.g. in the context of the "Better Regulation" initiative) and for evaluating the impact of programmes and policies;
- assess the renewed RTD expenditure management model (FP7) to provide input for further developments;
- assess the major 2007-2013 programmes in time to influence decisions for the next period;
- assess the effectiveness of the recovery and closure arrangements for 2000-2006 in the Cohesion area.



EXTERNAL ACTIONS

The aim is to:

- Commission policy and programming in several areas, such as humanitarian aid (including link to development aid);
- results and impact in priority areas of trade and development as well as pre-accession aid; and
- implementation through implementing partners (e.g. NGO:s) as well as the efficiency of Commission services' organisation, procedures, methods, management and results reporting.

BANKING ACTIVITIES, ADMINISTRATIVE EXPENDITURE OF COMMUNITY INSTITUTIONS AND BODIES, INTERNAL POLICIES

The aim is to:

- carry out audits that give a basis for sounder financial management, increased transparency, improvement in relevant regulations;
- assess the Commission's supervision of e.g. banking, venture capital and SME programmes;
- report regularly on the results of recurrent and specific assessments of the Agencies performance and delivery of results;
- assess the effectiveness of the Commission's implementation of programmes and supervisory and control structures.

REVENUE

The aim is to:

- whether the amount of revenue due is correctly established, transferred to and recorded in the EU-budget ;
- the timely and correct transfer of traditional own resources to the EU-budget ;
- the correctness of Member States contributions;
- the Commission's supervisory and control systems connected with the calculation and collection of VAT- and GNI-based resources.



Robust audit conclusions and useful recommendations

The Court performs extensive quality-control of all its audit work. In 2009-2012 the Court plans to:

- continue to promote high quality and consistent output; and,
- introduce a new common assessment framework for audit quality.

Broader range of audits

The Court is uniquely placed to carry out independent and cross-cutting assessments of the use of European Union funds. In order to better meet the needs of our stakeholders we plan to broaden our range of audit products by delivering:

- a report to the new Commission on the key risks facing the EU budget (2009);
- opinions on the Budget Review;
- cross-cutting performance audit reports (e.g. the environment, measures to assist SMEs,...), presenting consolidated audit findings and conclusions from several EU policy areas;
- compliance reports for specific risk areas (e.g. cohesion spending, procurement procedures in the institutions,...) based on findings of our annual DAS audits; and
- follow-up reports on action taken to implement recommendations from the Court's Special Reports.

Timely and useful reports

Even greater attention will be given to the quality of the drafting of our reports, their timeliness and to maximise their usefulness to the budgetary authority. The Court will:

- deliver 12 to 15 performance audit reports per year; and
- organise an assessment of the usefulness of our reports by the main stakeholders and collect independent views on their quality.



Effective communication with stakeholders

The Court has made major efforts to improve its communication with stakeholders over the last two years, for example through the introduction of a new internet site, structured media activities and the improvement of information material. The Court will:

- further improve relations with its main stakeholders (such as European Parliament Committees) by maintaining regular contacts;
- build long term relations with relevant media.



GOAL 2: INCREASING EFFICIENCY BY MAKING BEST USE OF OUR RESOURCES

Improving governance

The Court is a collegial institution, governed by its 27 Members. It is currently reviewing how to best improve decision making and management, and the direction and leadership given by the college to the institution.

Implementing effective and dynamic human resources policies

Our staff is our main asset. Ensuring that we attract the right staff and allocate them to the right tasks is essential. The Court will seek to achieve a rise in the entry-level grade for experienced auditors, prioritise recruitment to performance audit, facilitate recruitment of experts and increase flexibility in the allocation of staff.

Rationalising audit tasks

Some specific measures will be taken to maximise the alignment between audit needs and human resources management and so rationalise the way the work is carried out. The Court is considering whether to entrust the audit of the Commission's accounts to a dedicated team. The Court will carry out a systematic review of the potential for the use of outsourcing in audit and for administrative tasks.

Enhancing IT tools

Ensuring that audit software is appropriate, increasing electronic document transmission and increasing the use of IT-audit are initiatives to make sure that the work is carried out as efficiently as possible. IT tools will be further developed to improve internal and external communication.

Developing professional skills

The Court places the highest priority on the professional skills of its staff. The Court will introduce personal development plans, improve knowledge management and internal staff mobility and contribute to the development of a diploma in public sector auditing, accounting and finance.



Developing relations with auditees

The Court will improve consultation with the Commission during audits. The Court will actively encourage the Commission's services and national authorities to respond in a timely manner to preliminary audit findings before the adoption of reports.

ANNUAL ACTIVITY REPORT AND KEY PERFORMANCE INDICATORS

To increase transparency and accountability, as well as fostering a result-oriented culture, the Court is taking several steps to improve reporting on its own performance and its management information systems. In 2008 the Court published its first Annual Activity Report (www.eca.europa.eu). It also introduced a set of Key Performance Indicators (KPIs), which will gradually be published in future Annual Activity Reports. During 2009-2012 the Court will revise its monitoring procedures and management information systems.



The European Court of Auditors is the EU Institution established by the Treaty to carry out the audit of EU finances. As the EU's external auditor it contributes to improving EU financial management and acts as the independent guardian of the financial interests of the citizens of the Union.

The Court, composed of 27 Members and 880 staff with a 2009 operational budget of 132€ million, renders audit services through which it assesses the collection and spending of EU funds. It examines whether financial operations have been properly recorded and disclosed, legally and regularly executed and managed so as to ensure economy, efficiency and effectiveness. The Court communicates the results of its audits in clear, relevant and objective reports. It also provides its opinion on financial management issues.

The Court promotes accountability and transparency and assists the European Parliament and Council in overseeing the implementation of the EU budget, particularly during the discharge procedure. The Court is committed to being an efficient organisation at the forefront of developments in public audit and administration.



EUROPEAN COURT OF AUDITORS

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