



## Seminar on “Performance Audit – Where do we stand?”

4-6 December 2007

### Seminar Document

- Final Version -

Participants of the seminar entitled

#### ***“Performance Audit – Where do we stand?”***

shared their experiences on

- New trends
- Lessons learnt
- Common approaches and best practice.

The seminar was held in the framework of EUROSAI Training Events on 4-6 December 2007 in Luxemburg at the invitation of the acting Chairman of EUROSAI, the President of the Bundesrechnungshof, and the President of the European Court of Auditors.

More than 50 audit experts from 30 countries and about 70 auditors of the European Court of Auditors discussed the planning, conduct as well as the impacts of performance audits, by taking into account the

- Implementation Guidelines for Performance Audit based on INTOSAI’s Auditing Standards and practical experience
- European Implementing Guidelines for the INTOSAI Auditing Standards
- Standards for Performance Audit of different Supreme Audit Institutions and
- European Court of Auditors’ Performance Audit Manual.

**On the first day** experts from the European Court of Auditors and the SAIs of Germany, Switzerland, Norway and Wales provided an overview on the developments in performance audit. Brief outlines of case studies were presented by specialists from the SAIs of Slovenia, Wales, Portugal, Germany and Hungary.

**On the second day** participants attended one of five workshops based on these case studies. The workshops dealt with one case study each as a basis for discussing the following questions:

- 1) What were the key decisions in planning the audit?
- 2) Which key audit techniques were considered for the collection and analysis of evidence? (Pros and Cons of audit techniques)
- 3) What were the main considerations in deciding how to report on audit findings and formulate recommendations?
- 4) How can we measure our impact? (Follow up)



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The following case studies were presented:

**Slovenia: “Absorption capacity in the case of European Regional Development Fund (ERDF) for selected activities in the field of Research and Development (R&D) in Slovenia”**

*The case study is the 2007 report of the Slovenian Court of Auditors on the absorption capacity of ERDF for the selected activities in the programming period from 2004 – 2006 in Slovenia. The report reflects the situation as per 31st December 2005.*

*The SAI defined administrative absorption capacity as an ability to use ERDF in the planned amounts, for the planned purposes and within the planned period of time. The absorption capacity for two activities which support Lisbon goals were taken under review because of their special importance for the Slovenian economy. Those activities are “Development of Innovative Environment” and “Development of R&D Infrastructure” and are interconnected.*

*In conclusions the absorption rate was assessed to be satisfactory in one audited activity and good in the other one: The nationally set precondition to form a cooperation agreement between research and business sphere before applying for funding resulted in better cooperation in joint projects. These projects were larger in scale and completed earlier: The leverage effect was identified. In recommendations that were focused on the period of 2007 – 2013 the continuation of such cooperation was suggested.*

**Wales: “Ambulance Services in Wales”**

*Following widespread and growing public concern about events in the Welsh Ambulance Services National Health Service Trust, the National Assembly for Wales unanimously voted in July 2006 to invite the Auditor General for Wales to lead an inquiry into ambulance services in Wales.*

*The SAI sought to confirm the nature and extent of the perceived problems with the ambulance service. As well as that diagnosis, the SAI focused strongly on the future and the plans being developed by the Trust’s new Chief Executive, appointed soon after the inquiry began, to improve ambulance services in Wales.*

*The report concluded that there are longstanding and severe problems throughout the ambulance service but that they could be resolved over time provided that various internal and external challenges were dealt with. The Board’s draft modernisation plan set out a direction which already addressed the key weaknesses we identified. This*



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*project was a substitute for a formal public inquiry conducted under the Auditor General’s audit powers.*

### **Portugal: “Access to Health Care and Management of surgical waiting lists”**

*Following several programmes of a temporary nature, the government introduced SIGIC – Integrated management system for surgical waiting list (2004), aiming to:*

- *Reduce surgical waiting times;*
- *Guarantee a maximum waiting time;*
- *Maximize efficiency in the usage of public hospital resources;*
- *Guarantee clarity and uniformity in the surgical referral procedure.*

*With this audit the SAI sought to examine SIGIC’s implementation and management, and to determine the programme’s impact on surgical production, productivity, cost and quality, and on the progression of surgical waiting lists.*

*Considering the audit questions the SAI sought to answer and the available internal resources, it was deemed appropriate to resort to external expertise that provided econometric and statistical evidence to further support the audit findings.*

*Audit methodology consisted, among others, on dividing selected hospitals in a reference and a control group with different programme implementation dates. Comparing the results in different groups made it possible to distinguish between the general progression of waiting lists and the impact of the programme on that progression.*

*Main audit conclusions:*

- *Access to surgical health care is restricted by long waiting times in both primary care and outpatient consultation in hospitals.*
- *The programme achieved a reduction in average and median surgical waiting times, improved the centralization of waiting list records and achieved a greater transparency in the NHS-patient relationship, by defining a set of rights and obligations and a formal referral process.*
- *On the other hand, it failed to accomplish its own objectives of universality and equality in patient treatment.*
- *It also had no influence in the promotion of efficiency regarding hospital capacity utilization and shows no impact on the number of operations, staff productivity and financial efficiency of NHS hospitals.*



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### **Germany: “Performance audit in the field of public procurement”**

*The initial consideration is the simple fact that all administrations face the need to procure goods and services and spend a significant part of their budget for this purpose. This seems to be an ideal starting point for a performance audit as a routine exercise. Such audits are designed to verify whether*

- *there is an actual need for the particular procurement and whether*
- *the result of the procedure provides good value for money.*

*If the auditor comes to the conclusion that one of these two questions has to be negated the administration did not perform well.*

*The objective of a performance audit in the field of public procurement is to make sure that auditors look at the right documents, ask the right questions and survey the facts and figures needed to assess the performance of the auditee, so that the audit arrives at legally and economically robust conclusions and gives sensible and helpful advice.*

### **Hungary: “Main considerations of the audit of student hostel investment in PPP construction in this case study”**

*The risks in planning the audit were the following:*

- *No comprehensive audit has been completed yet in the field of higher education concerning residence hall development.*
- *Involving the private sector in investments in the field of higher education appears as a new solution.*
- *Changes related to the introduction of the new act on higher education.*
- *Lack of regional educational, training concepts.*
- *The prognosis of a long-term development program.*
- *There were no experiences yet about residence halls operated by the private sector.*

*Clarification of the cooperation between the public sector and the private sector.*

*The audit wanted to find answers to the following questions:*

- *Was the residence hall development program reasonable and in harmony with the targets of developing higher education, the expected trends of the workforce market and the demographic processes?*
- *Did they counted with public higher educational institutional and public interests when preparing the investment and reconstruction programs?*
- *Are higher educational residence halls established, respectively modernised in the frame of the Universitas Program and operated with appropriate capacity utilization and economically?*



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On the third day the main items for discussion and the conclusions were presented to the plenum. The key results are embodied in the following statements:

- Performance audits deal with a great variety of topics. Most audit matters can be tackled by applying the appropriate performance audit methodology. Performance audits should normally be selected on the basis of the assessment of risks and materiality. Therefore performance audits should not be limited to “high-profile” topics, like for example subjects of high political significance. Performance audits could often be proactive, i.e. taking the initiative and developing reasonable audit findings with a view to the future.
- To achieve a viable audit result auditors need to determine the audit scope exactly and develop precise audit questions. In principle the audit criteria should be based on issues of economy, efficiency and effectiveness. However, regularity and compliance criteria can also be relevant in performance auditing, especially when matters of non-regularity and non-compliance could negatively affect the attainment of goals.
- Each performance audit needs its tailor made techniques for the collection and analysis of audit evidence, the set of techniques applied depending on the audit topic and the skills of the auditors. Special attention could be given to collecting information from focus groups or public hearings, as well as relying on the work of other auditing institutions or making use of external experts in the audit.
- When deciding on how to report on audit findings and develop recommendations auditors need to take into consideration the addressee and the needs of “clients” as well as those of wider stakeholders. To accomplish this, careful planning is necessary. This is also true for the possible impact of the report.
- Measuring the impact of a performance audit means that auditors also need to assess the action taken by the audited body or entity responsible in response to the audit recommendations. It might also comprise a follow up on how the audit report has been perceived, which may also allow conclusions to be drawn on whether the audit ensured high-quality reporting. When possible it is important to assess whether the report had led to positive change.