



# **European Court of Auditors**

**Adding quality to the audit process;  
a practical example: audit and evaluation**

**James MCQUADE**

**Eduardo RUIZ GARCIA**

**Budapest March, 2007**



# European Court of Auditors

- **Supreme Audit Institution of the European Union**
- **Audit the budget of the EU, >100.000 Mio €**
- **“Audit Office type” mandate; no judicial powers**
- **Collegial body; 27 Members**
- **Staff +/- 750 (half auditors)**
- **Financial & Performance Audit**
- **Annual Report, Statement of Assurance; Special Reports; Opinions**

## **PRESIDENCY**

**Supervision of the performance of the Court's work, External relations, Legal matters**

### **5 AUDIT GROUPS**

- I Agricultural policies**
- II Structural and internal policies**
- III External actions**
- IV Own resources, banking activities, administrative expenditure,  
Community institutions and bodies**

**CEAD GROUP**      **Coordination, Evaluation, Assurance, Development,  
*ADAR unit (Audit Development and Reports)***

**ADMINISTRATIVE COMMITTEE (1 Member per Audit Group)**  
**Administrative matters requiring Court decision**

**AUDIT COMMITTEE (3 Members and external expert)**  
**Court's internal auditor reports to Audit Committee**

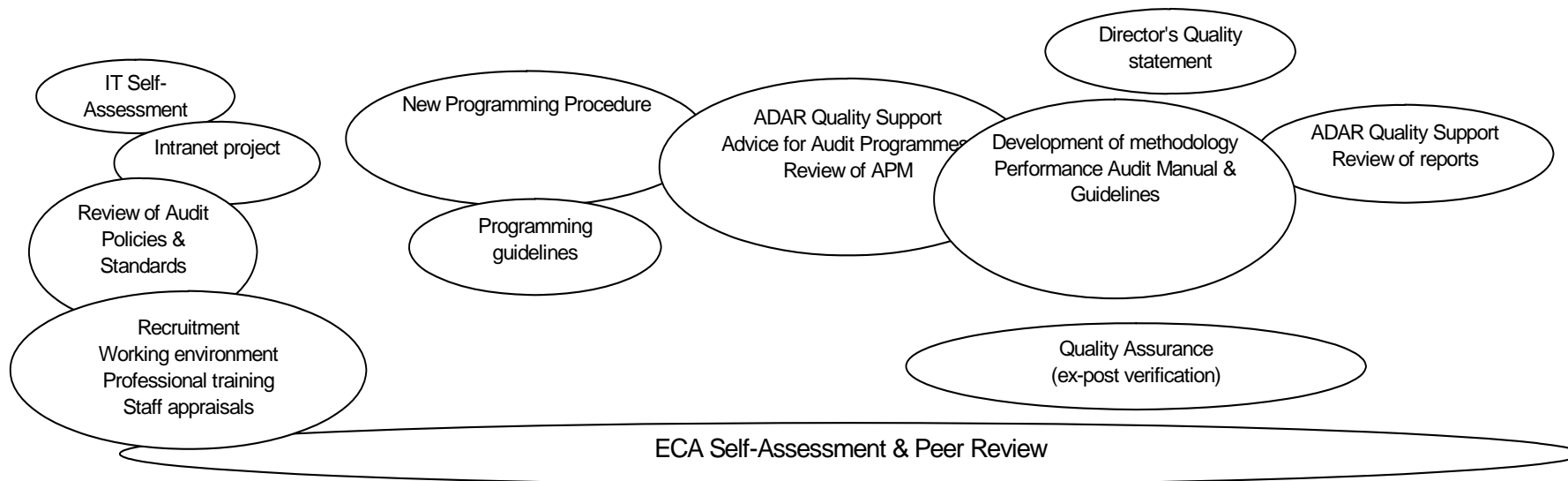
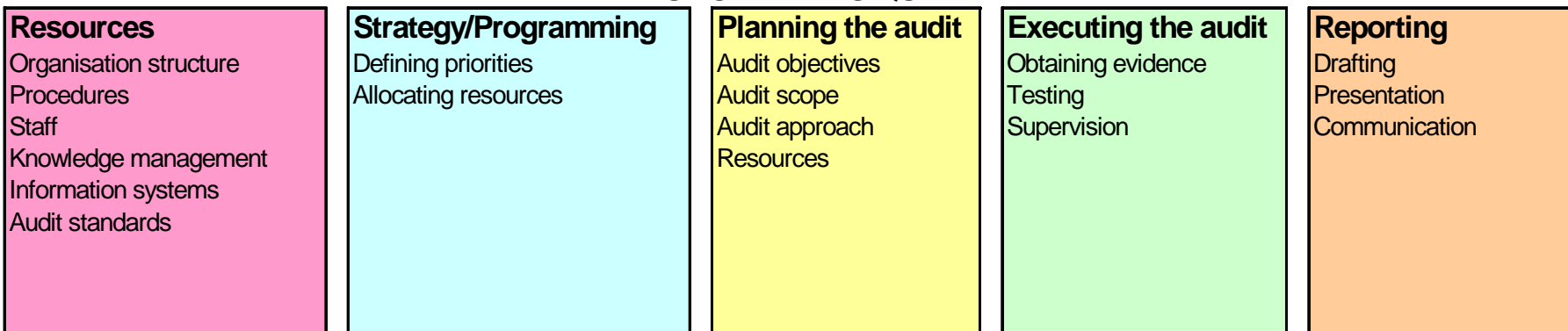
### **SECRETARIAT-GENERAL**

**Human Resources, IT and Telecommunications, Finance and Administration,  
Translation Service, Court's secretariat**



# European Court of Auditors

## AREAS FOR ADDING QUALITY





# Development of Methodology

<u>Toolbox</u>		
<u>Structuring methods</u>	<u>Data collection methods</u>	<u>Data analysis methods</u>
Risk analysis	Interviews	Ratio analysis
Developing audit questions	Case studies	Frequency count
Programme Logic Model	Surveys	Regression Analysis
Use of CAATs	Documentary review	Comparative analysis
Organisational mapping	<b>Audit and evaluation</b>	Coding and abstraction

# Audit and evaluation

## Introduction to the guidelines on evaluation

### A. Context of their development

1. Objectives of the guidelines
2. Development of evaluation of EU activities / programmes
3. Development of Performance Audit and the Court's audit of the European Commission's evaluation framework

### B. Content of the guidelines

1. What is evaluation?
2. Using evaluative information at different stages of the audit
3. Auditing individual evaluations
4. Auditing an evaluation system

# A. Context of development

## Objectives of the guidelines

The guidelines aim:

- To give the Court's auditors an overview of
  - evaluation in the EU, and
  - its relevance to the Court's performance audits
- To provide a framework to help auditors
  - exercise their professional judgement in a consistent manner
  - develop programmes for auditing evaluations and evaluation systems

# A. Context of development

## Evaluation activities of the EU

- the Commission is increasingly evaluating the efficiency and effectiveness of EU expenditure
  - Legal requirements for the Commission to evaluate all activities/expenditure programmes since 2000
  - More than 100 evaluations produced each year by the Commission
  - Most are published. Findings support legislative and budgetary proposals or report achievements to EU institutions and public (accountability)
  - The result: *lots of evaluative information presented to the Court's "clients" about topics that fall within the scope of the Court's mandate*



# A. Context of development

## Development of performance audit at the Court

- Developing performance audit quality is a priority for the Court
  - Considerable investment was planned in methodology
  - The Court had identified the Commission's evaluation framework as a topic for a performance audit in the context of reform
  - The similarity of objectives and methods provided an opportunity to carry out an audit and use the results to develop audit methodologies
  - The audit of the evaluation framework was assigned to the team responsible for methodological development

# B.1 What is evaluation?

## Definition and purpose

- No single agreed definition of evaluation, but consensus that evaluation is a process that makes evidence based judgements about public interventions
- Judgements after a disciplined inquiry involving procedures for collecting and analysing quantitative and qualitative information
- Evaluations address questions about:
  - the relevance of interventions to the needs they aim to satisfy e.g. Did the intervention address the priorities of the target group?;
  - the economy, efficiency, effectiveness with which results and impacts are produced i.e. costs/benefits to budgets and/or stakeholders, measures to improve delivery, and the achievement of objectives
  - the sustainability of the effects on interventions e.g. What results will persist after the intervention has ceased?

# B.1 What is evaluation?

## Similarities and differences to performance audit

- evidence based inquiry
- assessment of economy, efficiency and effectiveness (“3 Es”)
- require similar knowledge, skills and experience to perform
- share methods for collecting and analysing data
- evaluation is the responsibility of management
- auditor’s have a mandate and duty to be independent
- evaluations have wider scope and more methods

# B.2 Evaluative information

Use at the different stages of the audit

## To programme and plan audits

- **Evaluation plans** give insight into upcoming decisions on policies, programmes and political priorities useful for identifying audit subjects or objectives
- **Manuals and guidance** give useful explanations on techniques common to evaluation and performance audit
- **Evaluation reports** can help identify issues, stakeholders, the objectives of interventions, the logic of the intervention, potential audit criteria, the data available and appropriate methods for analysis

## During Fieldwork

- “**Baselines**” for judging performance can be derived from previous evaluation results
- **Testing** – data created/captured can be used directly or reanalysed
- **Audit evidence** – evaluation conclusions could be relevant to the audit objectives

## At the reporting stage

- **Corroborative evidence** - for the Court's own results and findings
- **Recommendations** - provides source of potential recommendations

# B.3 Auditing an evaluation

## Recommended approach

- The key steps are:
  1. Document and analyse the context of the evaluation and the management arrangements.
  2. Identify the main risks to quality.
  3. Develop an appropriate audit programme containing audit tests to address the areas of risk identified.
  4. Carry out the planned testing and analyse the results.
- The guidelines help by:
  1. identifying the main elements of the context and management arrangements,
  2. defining the qualities an evaluation should possess,
  3. identifying risks and their associated indicators / factors.

# B.3 Auditing an evaluation

## Identifying the context of the evaluation

- Key elements to document are:
  - the subject of the evaluation
  - implementation methods and monitoring arrangements of the intervention
  - the sponsor of the evaluation
  - funding arrangements
  - the purpose
  - the intended users

# B.3 Auditing an evaluation

## Documenting the evaluation process

- Key elements in the process:
  - the management arrangements (e.g. project)
  - the evaluator
  - the participants in the process
  - the issues addressed
  - the methods employed for collecting and analysing data
  - the timetable and arrangements for reporting the results
  - quality control and assessment
  - the follow up of results

# B.3 Auditing an evaluation

## Identifying the risks to quality

- Main **qualities** an evaluation should have are:
  - **usefulness** – addresses issues relevant to users, delivered on time and findings communicated appropriately;
  - **coherence** - methods for collecting and analysing data are appropriate for answering the questions, sufficient human and financial resources, and an appropriate management structure;
  - **robustness** - rigorous data collection and analysis reflects the underlying reality;
  - **impartiality** - reported conclusions are free from bias and fairly reflect findings;
  - **clarity** - documents are clear about the context and purpose of the evaluation, the questions addressed, assumptions made, data collected, methods used, results obtained, conclusions drawn and recommendations clear;
  - **cost effectiveness** – results justify the cost of the evaluation.



# B.3 Auditing an evaluation system

## The recommended approach

- The key steps are:
  1. Document the context provided by the policy area and the evaluation arrangements in place;
  2. Assess the design and test the operation of the system in terms of its ability to:
    - a) manage the demand for evaluation;
    - b) ensure the quality of supply evaluations carried out;
    - c) encourage the use of results.

# B.3 Auditing an evaluation system

## Documenting the context and the system

- Establishing the context involves gaining a sufficient understanding of:
  - the **legal framework** in the policy area;
  - the overall **objectives** in the policy area and the objectives of the individual interventions that fall within the remit of the evaluation system;
  - the **types of activity** carried out, e.g. expenditure programmes, regulatory measures, financial instruments etc;
  - the **intervention logic** underlying the way the policy is implemented;
  - the **resources available** and the methods for managing them;
  - the **responsibilities of the different actors** for delivering the different elements of the policy (DGs, Member States, regional / local authorities, partner organisations etc).

# B.3 Auditing an evaluation system

## Assessing the management of demand

- The key criteria should be based on the arrangements in place for:
  - guaranteeing **support from the "top"** for evaluations, *e.g. through agreement of the evaluation mandate by the Director General or involving operational directorates in the process for selecting evaluations and showing commitment to use evaluations;*
  - creating **reasonable expectations** on the part of stakeholders about what evaluation can deliver, *e.g. through evaluation training for senior staff or involving stakeholders or their representatives in steering groups;*
  - having **the right mix of incentives** for carrying out evaluations in terms of "sticks, carrots and sermons", *e.g. requirements to evaluate (stick), earmarked funds (carrot) or encouragement through awareness raising exercises such as training (sermons);*
  - providing **sufficient links with decision making** processes, *e.g. regarding renewal decisions, setting priorities or allocating resources that help create an expectation for evaluative material and an outlet for its use.*

# B.3 Auditing an evaluation system

## Assessing the arrangements for ensuring quality of supply

- The key criteria should be based on the arrangements in place for:
  - recognising the needs of staff for **training and support** in their respective roles in the evaluation process
  - ensuring complementarity with **monitoring and audit systems** where cost effective, e.g. procedures for ensuring that data collection, monitoring and evaluation arrangements are built into proposal for new interventions and that there is no overlap with auditing;
  - **planning** evaluations so as to ensure that results are available to support decision making on time and on budget, e.g. decisions need to be anticipated, resources mobilised and evaluations launched promptly;
  - involving **stakeholders** appropriately to provide access to data, support the work of the evaluator from a methodological viewpoint, contribute to the assessment of the evaluation's quality and to encourage use of the results;
  - ensuring **methodological quality** (i.e. robustness and coherence)
  - selecting **evaluators** with sufficient knowledge and experience of both evaluation and the policy area.

# B.3 Auditing an evaluation system

## Assessing the arrangements for ensuring use of results

The key criteria should be based on the arrangements in place for:

- **identifying users and their needs** as an input to the processes for determining the focus of the evaluation and the strategy for disseminating the results;
- **ensuring questions are relevant** to users and in line with the overall purpose of the evaluation;
- **ensuring judgements and recommendations** are credible and thought provoking as part of the evaluation process thus encouraging discussion and follow up.
- **communicating findings** in ways that are appropriate to intended users to maximise their impact;
- **delivering evaluations in time** for them to be used or where this is not possible for ensuring that early findings are disseminated or even that a halt is called to the evaluation;
- **monitoring use and follow up** of findings, results, conclusions and recommendations to provide feedback on impact.



# Conclusions: some quality hints

- **Improving quality, twofold strategy**
  - **macro: general and long-term vision**
  - **micro: implement concrete improvements in each possible area**
- **Support the organisation & the auditors in adding quality**
  - **capacity and attitude of the organisation & the staff**
  - **develop methodological guidance material from “real experience”**
  - **technical support to implement methodology**
  - **foster knowledge sharing**
  - **search and get “best practice”**
  - **encourage “sound professional judgement”**
- **Use the work of other**
  - **internal & external auditors**
  - **evaluation**
  - **ensure quality of their work and relevance of results**