

Using ISSAI 300 for Performance Audits Evaluating Public Expenditure on Hearing Aids

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6. Conclusion and discussion

1. Objectives

1. Focussing on 18 principles of performance auditing (principles 25 to 42 of ISSAI 300)
2. Comparison with our Evaluation Standards
3. If comparable, explaining how the Swiss Federal Audit Office (SFAO) used the principles in the 2007 evaluation of hearing aid devices - that is: before knowing the principles!
4. Identifying the advantages and disadvantages of ISSAI 300 for evaluations (SFAO internal objective)

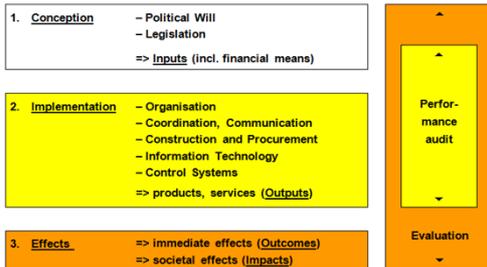
2. Perf. Audit – Evaluation

In order to fulfill its mandate (Art. 5, Federal Audit Office Act), the SFAO differentiates between:

- **Performance audits:** can analyze various aspects, such as implementation or the relation between resources used (input) and the product or service delivered (output).
- **Evaluation:** impact and political goals can be incorporated in the analysis.

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2. Perf. Audit – Evaluation



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2. Perf. Audit – Evaluation

- ISSAI 300 (Principle 9) has a very broad definition for a performance audit, which also covers what we mean with an evaluation.
- The INTOSAI Evaluation Working Group has defined the specificities of evaluations:
 1. **Purpose:** Don't focus exclusively on a specific administrative unit, but consider the role of other stakeholders, such as authorities (international, national, regional) and relevant actors from civil society. Object: a policy or a program
 2. **Political stake:** If needed, question the objectives set by the authorities in the legislation

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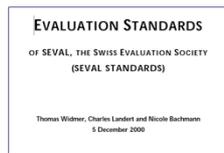
2. Perf. Audit – Evaluation

3. **Impact model:** Analyse the causal relation between public action and its impact (using an impact model, distinguishing objectives, implementation, outputs, outcomes and impacts)
4. **Participation:** Integrate stakeholders systematically (reference groups, interviews, etc.)
5. **Methods:** Utilize scientific research methods
6. **Publication:** Publish the report and describe transparently the audit methodology

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3. Evaluation Standards - ISSAI

- Since 2000, the SFAO uses the 27 standards of the Swiss Evaluation Society (SEVAL)
http://www.seval.ch/en/documents/SEVAL_Standards_2000_en.pdf
- They are very similar to the DeGEval standards and quite similar to standards of other national evaluation associations



- ISSAI 300: 42 principles (19 about performance auditing, inclusive 8 about the audit process)
- Many of the principles contain a lot more than one principle!

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3. Evaluation Standards - ISSAI



- 5 of 19 ISSAI Principles are not corresponding to the SEVAL Standards
- 8 of 27 SEVAL Standards are not corresponding to the ISSAI (inclusive ISSAI 100)
- ~ 6 differences due to the institutional nature of supreme audit institutions (autonomy) - evaluation standards are also used for mandated evaluation by an agency
- ~7 differences due to the specificities of evaluations (e.g. importance of identifying and integrating stakeholders)

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4. The case study (hearing aids)

Hearing aids (HA) are essential equipment regarding to professional or social integration



Main evaluation questions:

- Why have the HA-expenditures increased so heavily ? (~100 Mio Euro paid by the Social Security, ~40 Mio "paid out of the pocket")
- Is the legal obligation to finance "simple and adequate" HA respected?
- How does the Social Security negotiate with the private sector (tarification)?
- Are the necessary measures taken to ensure the use of HA?

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4. The case study findings

Key Findings

- Good level of use and high level of satisfaction
- Massive and uncontrolled growth in spending
- Compared to Germany and Norway: highly medicalised and extensive range of services
- Weak Federal Social Insurance Office FSIO
- Incentives for prescribing the best HA on the market instead of simple HA
- Important potential for cuts in social security expenditure



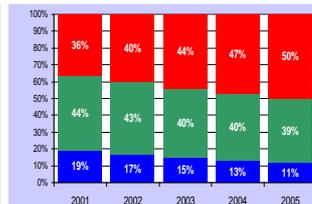
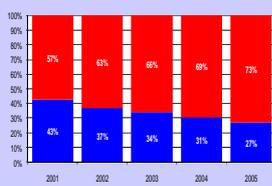
➔ Policy changes are needed

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4. The case study findings

Why massive and uncontrolled growth in spending?

- Ageing population with greater acceptance of wearing hearing aids
- Better technology
- Increasing share of prescriptions for both ears (in red)
- Increasing part of HA from the most expensive category (in red)



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5.1 Using ISSAI 300 No 37

37. Auditors should plan the audit in a way that a high auditing quality is achieved in an economical, efficient, effective and timely manner and in accordance with the principles of good project management

Project Draft

- Focus on hearing aids. First topic: «All appliances for the disabled»
- Focus on all the provision process and the actors (not only the cost of a HA, but also spending on acousticians and medical examination)

Feasibility Study

- Final questions
- Planning different methods



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5.1 Using ISSAI 300 No 25

25. Auditors should set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.

Exploration -> Project draft -> Feasibility study

A long way until we fixed the final objectives!

- Why have the HA-expenditures increased so heavily? (economy)
- Is the legal obligation to finance "simple and adequate" HA respected? (economy + effectiveness)
- How does the Social Security negotiate with the private sector (tarification)?" (description!)
- Are the necessary measures taken to ensure the factual use of HA? (effectiveness)



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5.1 Using ISSAI 300 No 27

27. Auditors should establish suitable criteria which correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness.

Feasibility study

What does the legal obligation to finance "simple and adequate" HA mean? Hard to define quantitative and qualitative criteria at the beginning (often very little knowledge). During the evaluation process the criteria become clearer:

- In Switzerland, Germany and Norway we compared
 - the prices of HA hardware and the amount reimbursed
 - the medical and acoustician services and the amount reimbursed



Comparisons help to specify EEE criteria

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5.2 Using ISSAI 300 No 38

38. Auditors should obtain sufficient appropriate audit evidence to establish findings, to reach conclusions in response to the audit objectives and questions and to issue recommendations.

In the HA evaluation we defined five methodological modules:

1. Document analysis and 60 semi-structured interviews
2. Statistical data analysis
3. Analysis of the legislation
4. International comparison
5. Survey of HA use in the population



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5.2 Using ISSAI 300 No 38

38. Auditors should obtain sufficient appropriate audit evidence...

- Triangulation of results coming from the different methods helps for bringing more evidence
- The feedback of the audited agency about the first reports drafts is very important to judge, if the evidence is sufficient and appropriate
- Reference group with stakeholders can be very useful for improving the report's quality and preventing future contestations



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5.2 Using ISSAI 300 No 29

29. Auditors should maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.

Identifying and integrating stakeholders is very important in an evaluation

- Good contact with the concerned stakeholders through interviews, documents and data exchange and consultations regarding the project plan, feasibility study and report.
- Reference group with the main stakeholders (2-3 meetings): different associations representing hearing impaired patients, physicians, acousticians, producers of HA devices



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5.2 Using ISSAI 300 No 33

33. Auditors should consider materiality at all stages of the audit process. Thought should be given not only to financial but also to social and political aspects of the subject matter, with the aim of delivering as much added value as possible.



- **Financial aspects:** Time-series analysis of the HA-expenditures was a major concern. Calculated potential of expenditure cuts at around 30 millions euros.
- **Social aspects:** User's satisfaction, HA wearing rate.
- **Medical aspects:** Necessity to visit the medical doctors twice to get a refund by the social security.
- **Political aspects:** The state's role in the provision, information asymmetry between the social security and the industry (device producers, medical doctors, acousticians).

5.3 Using ISSAI 300 No 40

40. If relevant and allowed by the SAI's mandate, auditors should seek to provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit.

We usually make few (5-8), but well-founded recommendations

We explain at the beginning of the concluding chapter the "essence" of the recommendations ("Roter Leitfaden")



The report on hearing aids contained eight recommendations and calculated the annual savings potential (estimated to be of up to 30 million euros)

5.4 Using ISSAI 300 No 41

42. Auditors should follow up previous audit findings and recommendations wherever appropriate. Follow-up should be reported appropriately in order to provide feedback to the legislature together, if possible, with the conclusions and in all relevant corrective action.



In 2011 we followed-up on our 8 recommendations made in 2007.

- Seven of the eight recommendations were implemented
- The calculated savings potential will be realized (but not exactly in the same way we proposed!)

We usually do the follow-up 3-4 years after the evaluation and need 4-8 days. The report is also addressed to the Parliament.

6. Conclusion....

- The SEVAL-Standards and the ISSAI 300 principles of performance auditing give some guidelines for planning, carrying out and also for self-assessments of evaluations and performance audits.
- For the evaluations produced by the SFAO, it will not be to complicated to apply the ISSAI 300, thanks to our experience with the standards of evaluations
- The principles are in some way comparable to the 10 commandments.

IT IS NOT SUFFICIENT TO SING HALLELUJA, YOU HAVE ALSO TO DO IT!



More information...

... consult <http://www.efk.admin.ch/>

Thank you for your active listening!