Reliability of performance indicators

Feedback from EC audits

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Why audit?

• Decision on allocation of the performance reserve has to be based on reliable data reported on the indicators set out in the performance framework.

• Correct picture of the state of play of implementation of the OPs (reporting to EP/public...)

• Deficiencies in the quality and reliability of the monitoring system or of the data relating to indicators are now possible conditions for the suspension of payments (Article 142(1)d) CPR).
Why EC audits?

Commission's intention is to rely on the work of the national audit authorities to be able to draw conclusions about the reliability of performance data (as for legality & regularity).

But audit authorities have not yet covered the reliability of performance data with a critical mass of system audits

=> need to obtain assurance for ourselves for some programmes identified as risky
How? (1)

- Joint REGIO-EMPL methodology (Performance Data Reliability Audit enquiry)
- Targeted system audit
- Objective: to obtain reasonable assurance that the audited system produces reliable data on the indicators by being able to rely on the effectiveness and adequacy of the controls performed by the MA.
- NOT performance of the programme, or appropriateness of the indicators or targets set!
How? (2)

Assessment of the IT system and MA/IB procedures:

- Clear and correct indicator definitions and instructions given to beneficiaries?
- Management verifications cover the correctness of the data reported by the beneficiaries (administrative & on-spot checks)?
- Audit trail allows reconciliation from primary sources to the values reported in the AIR and vice versa?
- Computerised system capable to collect, record and store on each operation & adequate procedures for aggregation of data?

Testing of a sample of indicator values of operations included in the AIR; focus on the indicators of the performance framework
REGIO audits

- REGIO audit plan for 2017-2018: 20 audit missions under the "Performance Data Reliability Audit" (PDRA) enquiry.

- Selection of OPs based on risk assessment + progress of programme implementation + availability of sufficient indicator data reported in the 2016 AIRs (30/6/2017)

- Audits of multifund OPs done jointly with EMPL

- State of play: 13 audits in 9 Member States carried out (BG (2), CZ, DE (2), EL, FR (2), IT, PL (2), SK, UK)
Limitations of the audit scope

- around 40% of REGIO-led OPs had not yet reported any (or only very limited) indicator data on their performance framework indicators in the AIR submitted 30/6/2017

- => no basis to test the accuracy and reliability of reported data => no audits were carried out for these OPs

- absence of reporting: due to lack of implementation or lack of a functioning data reporting system?
Preliminary conclusions: overall positive

- 11 out of 13 audits concluded with positive assessment (category 1 or 2) of the reliability of the systems tested.

- Two OPs in category 3 (Works partially. Substantial improvements needed); main issues: lack of audit trail and significant levels of incorrect data in the programmes' IT systems & AIR => monitoring systems could not provide the necessary assurance on the reliability of the data reported.
Examples of issues found (1)

No automatic extraction of the indicator values from the IT system for the purposes of AIR reporting & lack of clear procedures for aggregating and validating the indicator data before it is submitted to the Commission

=> Manual aggregation and insufficient quality review leading to (easily avoidable) errors

- values reported under the wrong investment priority
- some project values not included when manually adding the totals per indicator
- non-cumulative values reported
- clerical mistakes when introducing the data in SFC2014
Examples of issues found (2)

Lack of audit trail:

- complete lack of information in the underlying IT system for several of the indicator values reported in the AIR
- auditors were not able to trace the changes/corrections of indicator data in the system.

Incorrect data:

- the information in the application forms, grant agreements and project reports are not consistent with the information introduced in the IT systems.
Examples of issues found (3)

*Double-counting/ lack of capping:*

- Indicator "Population covered by improved healthcare services": population of one district was counted twice under two operations concerning the same district.

- CO20, CO21 (Population benefiting from flood/ forest fire protection measures): forecasts of 1834% and 1286% of the target for end 2023. The calculation method applied does not cap the value at the population number for the given area.

- ESF operation consisting of several activities: the system adds up the number of participants from each activity. => incompatible with the requirement that one participant can be counted only once per operation regardless of the number of activities of the operation.
Examples of issues found (4)

Errors linked to the definition of indicators and insufficient instructions to beneficiaries:

- CO26 (Number of enterprises cooperating with research organisations): AIR included projects providing consulting services to enterprises, expected to result in collaboration with research institutions later on. But cooperation with research institutions was not part of the supported projects and no research institution took part in the projects.

- too narrow interpretation of “operations selected”: should not be restricted to projects contracted or only those projects with expenditure incurred, but all which have received a grant decision.
Examples of issues found (5)

Errors linked to the definition of indicators and insufficient instructions to beneficiaries (cont.):

- Common ESF indicator CO09: beneficiaries transmitted a list containing both students and teachers when they should have reported only students.

- Common ESF indicator CO01: MA indicates that only participants who have completed at least one hour of the training are included. Nevertheless, when aggregating the data for the production of the AIR, all participants - including those who had not yet attended any of the ongoing or planned trainings - were included.
Examples of issues found (6)

Management verifications (of individual projects or checks of aggregated data) absent or requiring improvements

- checklist for administrative verifications does not include any control point on indicators and reporting of performance data.
- no automatic check in the system to prevent the management verification from being finalised when the relevant question ("Does the implemented value of the indicator correspond to the physical object?") is not answered
- on-the-spot checks of the beneficiaries' monitoring of indicator data lacked depth
Examples of issues found (7)

Absence of e-Cohesion

Non-compliance with article 122(3) CPR to set up a system for electronic data exchange with the beneficiaries; or such portal was not functional and not used by beneficiaries.

=> need for the MA or IBs to manually input the data on indicators into the system constitutes a source of errors

=> increases administrative burden for the programme authorities and generates additional expenses for the management of the funds
Good practices

- close monitoring of the development of milestones and target indicators included in the performance framework of the OP, dedicated team for monitoring and evaluation allows to gain and retain expertise in the MA

- IT system “WEFO Online”: unified platform for electronic exchange of information between beneficiaries and the programme authorities across all ESI Funds at regional level, i.e. harmonised terminology, processes and structure. Used for management verifications, certification, audits...
Next steps

- Continuation of the PDRA enquiry and extension by 6 more REGIO audit missions for the remainder of 2018, based on the AIRs submitted by 31 May 2018

- Further efforts to raise audit authorities' awareness of the need to provide assurance on the reliability of the performance data, in particular for the indicators of the performance framework, ahead of the 2019 performance review.