

Performance audit of the ‘Leader’ programme



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Introduction

- ECA performance audit of the Leader programme
- Special Report published November, 2010
- Aim of the presentation: to illustrate some performance audit methodology in the audit of the CAP



What is Leader?

- EU programme, co-financed by Member States;
- Aims to achieve the objectives of the EU's rural development policy
- Shared management: implemented by 90 national/regional Managing Authorities
- 2000+ local partnerships 'Local Action Groups' (LAGs), which select local projects for funding ('bottom-up' approach)



Main risks to sound financial management

- Effectiveness: the Leader programme may not result in an added value
- Efficiency: over 2000 local ‘administrations’ (LAGs) created to implement the programme
- Financial management: LAGs may not have sound and transparent procedures for spending the EU budget



Issue analysis

- involved European Commission staff to identify the main issue:

the Leader approach has to result in
an **added value** to make the **costs**
and risks worthwhile



Defining the audit question (1)

- The Court's mandate: audit of '*sound financial management*':
i.e. the performance of the managers of the EU budget in achieving economy, efficiency and effectiveness
- The Court's mission (paraphrased):
promoting accountability (reporting on the implementation of the EU budget)
and contributing to the improvement of EU financial management



Defining the audit question (2)

Performance audit in the Court's context:

assessing the auditee's performance [in the sound financial management of the EU budget]

against normative criteria

for the purposes of accountability

and to identify potential improvements in financial management



Defining the audit question (3)

Four steps to define the audit question:

1. what are the risks to Sound Financial Management (that are relevant to the main issue)?
2. who is responsible for preventing the risks occurring?
3. what should they do?
4. audit question = have they done it?



Defining the audit question (4)

Leader: What are the main risks to sound financial management?

- Effectiveness: the Leader programme may not result in an added value
- Efficiency: over 2000 local 'administrations' (LAGs) created to implement the programme
- Financial management: LAGs may not have sound and transparent procedures for spending the EU budget



Defining the audit question (5)

Who is responsible?

- the Commission, Member State authorities and especially the LAGs;

What should they do?

- implement Leader in ways that add value
- and minimise the costs and risks



Audit question

Has Leader been implemented in ways that add value, while minimising the risks to sound financial management



Performance audit criteria: what the auditee should do (1)

1. Compliance with the EU regulations that define the performance required

Examples:

- LAGs should prepare local development strategies
- LAGs should not award grants to projects retrospectively
- the Commission should ensure that RDPs set specific measurable objectives

Problems:

- auditees become defensive (fear of financial corrections);
- puts focus on compliance rather than achievements



Performance audit criteria: what the auditee should do (2)

2. Good practice criteria:

Examples:

- LAGs should monitor and report on achievement of the local strategy objectives
- LAGs should assess grant applications against a common set of criteria and document that assessment

Problems:

- the auditee has to be persuaded to accept the criteria;
- criteria have to be attainable, but at a high enough level to identify scope for improved performance



Evidence collection: Survey

- representative (sample of 200 LAGs in 23 Member States); 100% response
- but :
 - Organisational effort and difficulties in some Member States
 - Difficult to formulate useful / relevant closed and verifiable questions to obtain factual replies rather than opinions
 - Risks for reliability: different contexts - different understanding of the questions
 - - and auditees try to give the ‘right’ answer
 - Consistency checks and on-the-spot audits revealed too many unreliable replies



Evidence collection: control systems

Testing of Member State (and Commission) management and control systems

- 11 national or regional programmes representing 40% of programmed EU funds
- Operation of key controls for Sound Financial Management
Commission approval of RDPs, MS approval of LAG strategies; checks on LAGs' project approval documentation and voting records; etc.
- Relevance and reliability of monitoring and evaluation systems

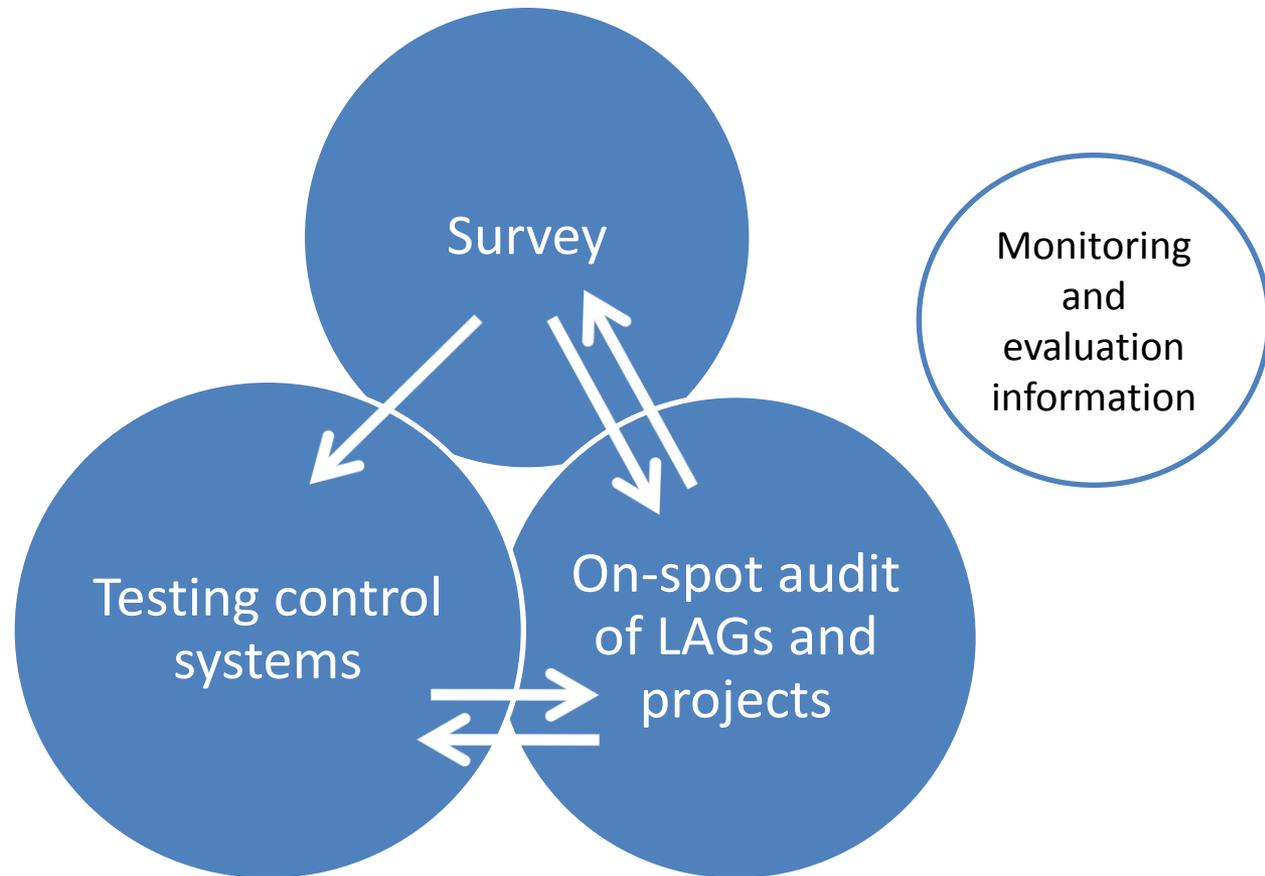


Evidence collection: on the spot

- Sub-samples of 13 LAGS and 60 projects for in-depth audit on the spot
- Testing of LAG management, control and monitoring systems
- Evidence for correct operation of MS systems
- Verification of survey results
- Case studies



Evidence collection: triangulation



Conclusion

- What worked well?
 - issue analysis
 - good-practice criteria
 - 'iterative triangulation'
- What didn't?
 - survey
- Was the methodology successful?
 - have we have persuaded the auditees and budgetary authorities to take action?

