

# **Enquiry Planning Memorandum on Performance Data Reliability Audit (PDRA)**

***Malta, 14 June 2017***

## Legal basis

<b>Reg 1303/2013 CPR :</b>	Art. 125 (2)	<i>MA obligation to establish a system to record and store data as part of the MCS</i>
	Art. 127	<i>AA obligation to audit the MCS</i>
<b>Reg (EU) 207/2015 : Annex VII</b>		<i>Model for the audit strategy refers to system audits of specific thematic areas e.g. reliability of performance data</i>
<b>Reg (EU) 480/2014:</b>	Art. 25 (1) <b>Annex IV</b>	<i>Audit trail – data needs to reconcile</i> <b>Key requirement 6 and others</b>

# Performance based implementation

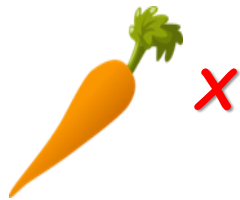
## Cohesion Policy 2014-2020 – shift towards performance:

- **Deliver information on the performance of the policy;**
- **Request Member States to act in case of poor performance.**

**The Assurance model encompasses a new element:**

**The Reliability of performance data reported.**

# Performance based implementation



- 2019 allocation of performance reserve

=> **Reliability** of the data reported is crucial.

**BUT** Performance review 2019



**Payment suspension or financial corrections in case of**

- serious failure to achieve milestones/targets (Art.22 CPR) or
- serious deficiency in the quality and reliability of the monitoring system or the data on indicators (Art 142(1)d CPR)

# Audit strategy

## DG REGIO, EMPL and MARE single audit strategy:

- **(gradually) reliance on the Audit authorities as main source of assurance**
- **Thematic/targeted audits on reliability of systems for reporting performance data (output and result indicators) at an early stage**
  - Risk based selection
  - Multiannual approach to cover specific cross-cutting risks

## Objective of the EPM on PDRA

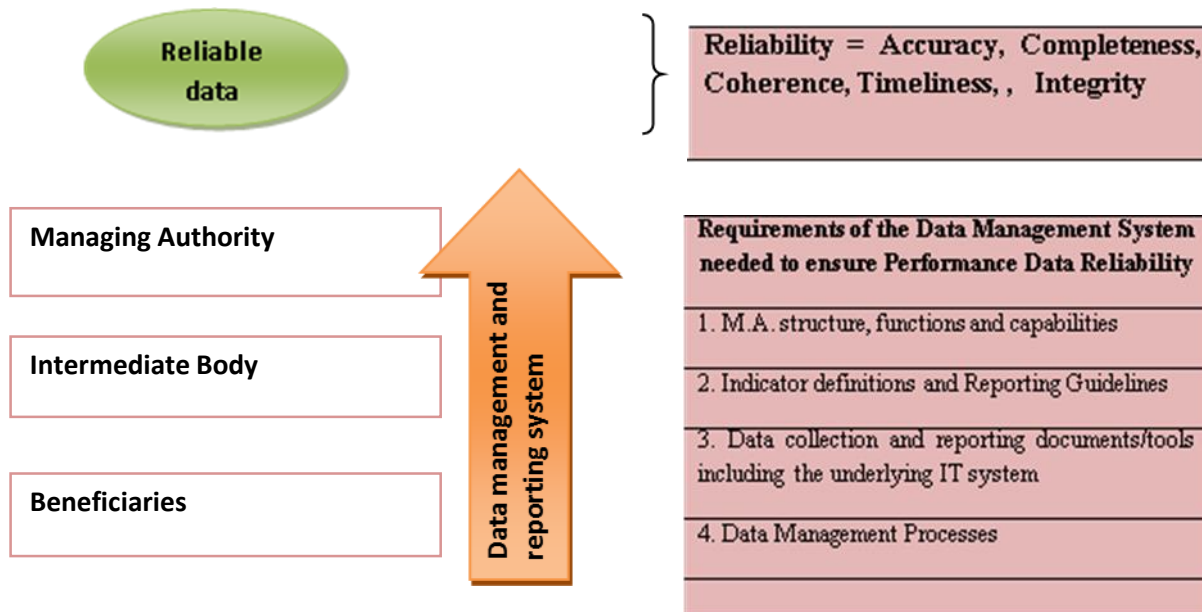
- The overall objective is to obtain reasonable assurance that the audited system for the programme concerned **produces reliable data** for the indicators (Article 27 of the CPR)
  - **The audits under this EPM will seek reliance on the effectiveness and adequacy of the controls performed on these indicators by the MA during the management verifications.**
- and**
- **identify** "processes and procedures which constitute excess administrative burden and cost, or can be simplified without undermining the overall assurance and effectiveness of the MCS"

## Scope of the EPM on PDRA

- **Reliability of data (<-> performance)**
- **Focus on KR 6, in particular:**
  - **AC 6.1.** The existence of computerised system capable to **collect, record and store on each operation** [...] data related to indicators and milestones and on the progress of the programme in achieving its objectives provided by the MA [...].
  - **AC 6.2.** Adequate procedures are in place to allow for the **aggregation** of the data [...].
- **Elements of other KRs are included (e.g. KR1, KR3, KR4, KR5)**

# Scope

## Conceptual framework





# Scope of the EPM on PDRA

## System approach

During the audit work an analysis of the reliability of reported data can be audited using the following **criteria** to analyse the appropriate functioning of the MCS:

- **Accuracy:**
  - The data provide the adequate and requested information, and;
  - adhere to the common definitions for collection and treatment of data
- **Coherence:**
  - the process do not change according to who is using them and when or how often they are used.
  - The data are coherent because they are measured and collected **consistently**.
  - This quality criterion is particularly critical when it comes to the aggregation of data coming from different IT systems
  - Risk: Data can become incoherent over time through possible changes of methodology/reporting formats/change of interpretation

# Scope of the EPM on PDRA

## System approach

- **Completeness:**
  - The IT is appropriately inclusive: it represents the complete list of indicators
- **Timeliness** (*also called Accessibility*):
  - Data are timely when they are up-to-date (current) and;
  - information is available on time:
  - (1) the rate at which the programme's information system is **updated**;
  - (2) the rate of **implementation** of actual programme activities; and
  - (3) the moment when the information is actually **used or required**.
- **Integrity:**
  - The IT is protected from deliberate bias or manipulation

However, the overall objective of the audit is not to provide an opinion on this elements, but **on the functioning** of the system.

# Methodology of the EPM on PDRA

## Risk assessment:

- Select OPs based on
  - **risk assessment of the functioning of the MCS (2007-2013)**
  - **progress in implementation**
- Select IBs/measures for each audit (if not all can be audited) taking into account the related indicators
  - **e.g. linked to performance reserve**

## Methodology of the EPM on PDRA

- (1) **assess the data management system** in place that produces, collects, records, aggregates and stores the performance data as well as its **self-control and self-correction capacities**
- (2) **verify** the **quality** and **reliability** of the data recorded and reported on the basis of tested operations on a limited scale (walk-through and control tests).

# Methodology of the EPM on PDRA

## Audit work carried out in three stages:

- 1) System assessment: process and procedures for collection, storing, recording and aggregating performance data;
- 2) System assessment: walk through testing of processes and procedures in place;
- 3) Detailed control testing: reported data verification.

**Stage 2 and 3 can take place in parallel and use the same operations selected**

# Methodology of the EPM on PDRA

## 1. System assessment at the MA/IBs:

- **Not a performance audit**

There is no assessment of efficiency, effectiveness and economy of projects/OP

- **It is a compliance audit**

- assesses compliance with KR 6 (a.c. 6.1 & 6.2) regarding performance data - **whether they are accurate, collected, electronically recorded, stored, aggregated, reconciled and reported to EC in timely manner by the MA**

# Methodology of the EPM on PDRA

## 2. Walk through testing of processes and procedures in place:

- **file review at the level of the MA/IB** aiming at verifying the adequate application of the procedures for performance data reliability described in the manuals.
- **through a sample** of at least 10 checks on indicators (re-perform)
- tracing and verification of the data for the indicators and reporting period selected by **reviewing the reports submitted by lower reporting levels**

# Methodology of the EPM on PDRA

## 3. Reported Data Verification – detailed control testing:

- Tracing and verification of data for the indicator(s) from source documents to reported outputs and results
- Check for min. 10 operations if the indicators reported really exist and were correctly, timely introduced in the system
- at the level of the MA/IB or at the level of beneficiaries, depending inter alia on the supporting source documents available at MA/IB-level as well as the risks identified in relation to the reality of the operation



Art. 148 CPR => implications in operations selected for the audit.



# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

- better understanding of the insight of the MCS of the programme and an overview on the ***compliance & progress- performance*** of the operations delivered
  - **Audit of both financial and non-financial reported indicators**
- *the role of the Geographical desk officer*
  - **limited to 1,5 days**
  - **The objective is that the Geographical unit could also monitor the reliability of the data reported**
- ***Conclusions:***
  - **constructive participation of the GU**
  - **Gain a better understanding on the features, objectives and expectations of the programme**

# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

### ➤ *Conclusions:*

- For the management/evaluation units could mean:
  - A better evaluation of the **proportionality between the financial** progress (financial indicators) **and the physical** progress (non-financial/ output/result indicators) and perform various analysis of the **relationship** between the two e.g.: how the achievement of the financial indicators and financial progress of the OP influence the achievement of the deliverables and the non-financial , output indicators;
  - Conclusions could lead to an **optimization of the OP**, in terms of:
    - **distributing the resources** to the areas where the result indicators are achieved with the less cost/indicator or;
    - even **rethink the intervention** logic for the areas where result indicators are not achieved even if a significant amount of resources are invested.

# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

*There are no material findings to be reported;*

*The following good practices were identified during the audit 😊*

### ➤ 1) WEFO Online (1)

- is the system in place to link the electronic exchange of information between beneficiaries and MA.
- WEFO Online is a common platform **implemented across the ESI Funds at Wales level**, i.e. harmonised terminology, processes and structure between the ESI Funds leads to a smoother and more efficient implementation of e-Governance.

(1) The HLG acknowledged WEFO online as a good example of e-Governance following Article 122 (3) of the Reg. (EU) 1303/2013 to simplify the management of the ESI Funds and process for beneficiaries to apply for and receive the funds (cf. HLG\_15\_0011\_00 e- Governance report of 01/03/2016) .

# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

HLG recommends => efficient platforms could give the “possibility to appropriately extract part of the available data to set up “Open Data portals”, which may allow public scrutiny of who benefits from resources and to increase transparency and the focus on results of the programme.”

### *Conclusions:*

- Any information technology system is an ongoing dynamic integral process which is continuously adapting to the changes that an organisation could face.
- The Online and IT system have become **a core part of the procedures and processes** within the internal MCS implemented by the programme.

# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

- To involve staff in the implementation of general and application control activities (2) since such initiatives are needed **to ensure a robust, complete and accurate information** processing systems and could make the planning and implementation of the programme more efficient.

Since information technology changes rapidly, **the associated controls must evolve constantly to remain effective.**

(2) [http://www.issai.org/en\\_us/site-issai/issai-framework/intosai-gov.htm](http://www.issai.org/en_us/site-issai/issai-framework/intosai-gov.htm) (cf. INTOSAI GOV 9100 \_2.3.1 Information Technology Control Activities)

# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

- **2) Strategy Monitoring Team devoted to "Research, monitoring & evaluation" activities within the MA personnel.**
  - the expertise of the staff on electronic data processing facilities **remains within the administration** of the organisation. The latter leads to:
    - a better prevention and control of the **risk of misuse** of the data entered in the system and;
    - A better **understanding of the usefulness** of the information produced by the IT system.

This is **mainly relevant in the event of ex-post evaluations** on the impact of the final outcome of the operation/project.

# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

- the MA /WEFO has developed desk instructions to guarantee effective and efficient briefing notes to be used by Senior management
- monthly reports will provide an overview of progress of commitments/delivery for the each Structural Fund Programmes.

# Pilot "Pilot" Mission on PDRA ERDF

## ERDF Programme West Wales and the Valleys

- **3)A Programme Performance Board (PPB) has been established within MA.**
  - The PPB's Terms of reference state the membership, role, responsibilities and rules of procedures.
  - The aim of the Board is to ensure that delivery is aligned to the overall strategic direction and will drive forward implementation and delivery of the 2014-2020 Programmes.
  - The PPB is also responsible for planning, monitoring and directing the delivery of the European Structural Funds Programmes.



## *Conclusions:*

- **ex-post evaluations** can **better determine the impact** of EU interventions and MA's staff could better ensure that the relevant data is collected to establish the effects of the ERDF interventions (3)
- Indicators reported will also allow **to see the proportionality** between the financial progress (financial indicators) and the physical progress (non-financial/ output/result indicators) and to perform various analysis of the relationship between these two elements
- the Board can make **use of the reports and briefing notes** issued by the SMT **to identify which are most relevant and best suited to determine** the impact of the EU interventions.

(3) ECA recommendation on its report on Partnership agreements and performance

**Thank you for your  
attention**  
*Questions?*