

Carleton University- Università Europea di Roma (Unier) - Program on Performance Audit and Evaluation for Policies, Programs and Projects of the Public Sector: from Audit to Evaluation National and International Perspectives

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1. Introduction

Over the last several years various countries though in different degrees have witnessed an increased Government's intervention in the economy with programs, projects and policies. The present financial and economic crisis has led to an even greater intervention of the Government in the economy from the banks' bailout particularly in Europe and USA and so called Obama stimulus. However, it is becoming clear and politically important that Government's intervention in the economy needs to be justified particularly in front of taxpayers. Transparency, accountability and integrity are needed to assure a rationale for Government's interventions in terms of efficiency, economy, and effectiveness and impact in the use of taxpayers' resources. Similar problems occur in case of development programs and projects financed by Donor Countries, private donors, or Non-Governmental Organizations (NGOs). Also in this case, the providers of resources require accountability and intend to know if their contribution has been used effectively. International organizations, e.g., World Bank, Inter-American Development Bank, have implemented sophisticated system of evaluation that can be considered state of the art. For instance, recently the World Bank has started the so-called Program for Results (PfR) - to better link disbursements to the achievement of tangible results – based on the idea that development is about results, i.e., government officials, parliamentarians, civil society, poor people, private sector are demanding programs that deliver sustainable results.

Under these circumstances, assessment, monitoring, control and evaluation of government interventions – referred here under the encompassing word valuation- are necessary to make sure that taxpayers' resources are used effectively and public opinion support Government's role. The practice and also the theory show that the term valuation covers a continuum from needs assessment, to ex-ante evaluation, audit, performance audit and impact evaluation.

Thus, managers, professionals and experts who operate in the public sector field and not only those who are involved with valuations need to be particularly knowledgeable and skilful.

Against this background, Carleton University and Università Europea di Roma (Unier) joined forces to provide a unique program to be offered to experts and professionals who operate in the public sector to cover the full cycle of valuation for public sector interventions, i.e., needs assessment, ex-ante economic evaluation, traditional audit, performance audit review and impact evaluation. The most evident novel feature of the program is the integration of the various forms of valuation, and particularly ex-ante valuation, performance audit review and impact evaluation. Moreover, beyond the more traditional economic and impact evaluation, the program will emphasize the role of performance audit review as a fundamental function to examine policies, programs and projects of the public sector. The program intends to provide attendees a distinctive full understanding and appropriate tools to assess the use of public resources in policies, programs and projects.

It has to be acknowledged that the program is novel and extremely ambitious as it attempts to cover at least three large areas that so far have been to a great extent independently treated, i.e., cost benefits analysis (CBA), performance audit and impact evaluation and also touch upon needs assessment and traditional audit. Time and continuous learning and adjustments are needed to achieve this goal. The strategy is to provide two different paths. As a starting point, a 6-day program will cover the main issues, topics and techniques without going in-depth but offering the basic understanding and prompting the interest to know more. Subsequently, a full 16-week course will follow as an expansion of the 6-day program, in which the coverage will be extensive, e.g., the analytical, statistical and econometric tools will be presented in more details. The focus of the program is valuation of public sector intervention in the broadest terms, with a more specific attention to the program and projects directed to developing countries.

2. Learning Objective of the Program

The program offers a specific and intensive exposure to the role of ex-ante economic valuation, performance audit and impact evaluation, the principles and objectives of the various forms of valuation and the specific techniques to carry them out.

More specifically, the program will cover the differences between traditional auditing, performance auditing and evaluation and how valuation, audit and impact evaluation can make the use of taxpayers' money more responsible and effective and be a response to a fraud and corruption. It will present needs assessment; cost-benefit analysis (CBA); basic and advanced practices and tools to undertake performance audit and impact evaluations; statistical and econometric tools. Furthermore, it relates theory to specific cases and experiences; proposes to participants new insights into the emerging trends, threats and opportunities that will impact public policy and organizational solutions that can help them to anticipate and manage change, rather than reacting to it.

At the end of the program, attendees will be fully conversant with the various forms of valuation, be able to use tools and connect valuation with the public policy process. Attendees will be able to critically analyze the various forms of valuation research and reports, e.g., design a Government program and intervention having in mind the need of evaluate it during and after implementation; gauge whether a causal relationship is justified and proven; develop a CBA, performance audit and evaluation plan; define the terms of reference of an assignment on economic valuation, performance audit and impact evaluation; and possibly also undertake a valuation of a Government's program, project or policy.

3. Audience

The program is directed to managers, experts and professionals who operate in the public sector and particularly in the area of ex-ante economic valuation, performance audit and evaluation; managers and professionals who prepare and design interventions of the public sector; experts and operators in public policy; individuals who intend to start a carrier in the valuation field.

For the Italian audience, it will include managers and professionals of national and local Governments, Supreme Audit Institution (e.g., Corte dei Conti), Budget Office (e.g., Ragioneria), Government's Departments including the Department of International Economic

Cooperation (Dipartimento Cooperazione allo Sviluppo), international organizations such as FAO, IFAD, and NGOs (Associazioni di volontariato). Professionals from the auditors' and evaluators' profession, e.g., Associazione revisori legali (INRL), Associazione commercialisti, are welcomed to attend. The program is suitable to graduate students that intend to pursue a carrier in auditing, evaluation and public policy.

It is expected that the interaction among professionals of different background and roles will be highly beneficial.

Thus the program intends to cover the valuation of Government domestic interventions as well as program, projects and policies in developing countries aimed. During the course cases will be taken from these two different experiences.

It is possible to direct the program exclusively to domestic interventions or to developmental interventions.

4. Structure of the Program

The length of the program is 6 days. It is divided into 12 sessions of half- day each from Monday to Saturday. The morning is expected to be a traditional lecture covering the topics, while the afternoon is normally devoted to practice and application of concepts learned in the morning.

During the six days there will be lunch speakers on relevant topics.

On the Saturday before the starting of the program, an optional session will review statistical and econometric topics and issues relevant for the program including a review of the use of Stata.

The main content of the 6 sessions follows below.

The sessions may vary depending on the focus of the program, i.e., general audience, domestic audience, or development audience.

The material of the program is in English and program will be normally conducted in English. Upon request, the speakers may make their presentations in Italian, Spanish or French.

Day 1

Introduction and Course Overview

Review objectives / expectations, participant reference materials, schedule, and administration.
Review and pre-reading.

The session will discuss the principles of Needs assessment, Cost-Benefit Analysis (CBA), traditional audit, Performance Audit, and Impact Evaluation in the context of the public policy process. The session will explore the use of CBA, Performance Audit and Impact Evaluation as tools to enhance the accountability relationship between the governing body (Parliament) and the delivery entity as well as to improve the design of future programs, projects and policies.

It will identify the type of government's interventions, e.g., Project analysis, General policy lending, Program for results, policies, according to the categories of the World Bank.

As the introduction will have a heuristic approach, it will discuss how all the tasks are finalized to the best assessment or evaluation of the impact

It will review the role of civil society, local providers and professional providers and the current problems and how to align the interest of parties, e.g., the interest of professional service providers are not normally aligned with that of the people served.

It will discuss the concept of Baseline, and how the knowledge of valuation has to be integrated in the planning process.

Cost-Benefit Analysis

The session will review Cost-Benefits Analysis as part of economic evaluation and impact evaluation and will look into various forms of ex-ante evaluation. It will go in some details on Cost-Effectiveness.

Difference between financial and economic Cost-Benefit Analysis.

New developments: real options analysis and impact analysis for large investments.

Performance Audit

Performance auditing is now governed by a set of standards both domestic and international. The course will describe the standards and explain the importance of standards when conducting performance audits. The course will then examine the current state of traditional audit, performance auditing in OECD and developing countries and will articulate the difference of Performance Audit in Anglo-Saxon countries and Latin and Continental Europe countries.

It will also address the issue of Audit risk (also referred to as residual risk) i.e., the risk that an auditor may issue unqualified report due to auditors' failure to detect material misstatement either due to error or fraud. This risk is composed of inherent risk (IR), control risk (CR) and detection risk (DR).

Performance Audit and Evaluation

Management uses Program Evaluation as a tool to improve policy/program design and influence policy choices. The performance audit may include an examination of program effectiveness. The course will examine how these two disciplines differ and complement each other.

Performance Audit in the internal audit activity

Internal auditors are concerned with the design and application of risk management, control, and governance practices in their organizations. Although the internal audit and performance audit processes are very similar, internal auditors can identify and focus more directly on issues of economy, efficiency, and effectiveness by using a performance audit approach for planning the audit.

For a significant program or activity, that is, one critical to achievement of the organization's objectives, the internal auditor determines related inputs, outputs, and outcomes. Next, the

auditor identifies the major risks associated with obtaining the input resources, producing the outputs, and achieving the desired outcomes. This analysis leads to potential lines of audit enquiry.

If, for example, there is a risk related to acquiring and sustaining necessary program resources, then the auditor would have a potential economy issue. The next steps are to consider how management is mitigating that risk and whether a significant residual economy risk remains. Issues of efficiency and effectiveness can be identified in a similar manner.

Performance Audit in OECD and in Developing Countries

The majority of audit work conducted in developing countries is regularity audit. This type of audit looks at individual transactions to determine if the transaction conforms to the authority and complies with expenditure rules of the country and related funding institution. Developing countries are finding that the performance audit is of greater interest to the Legislature as it addresses the question of value received. The Program will explore the transformation of the audit practice and how this is bringing greater accountability in developing countries.

Performance Audit for Central Government, Local Authorities and Public Sector Entities

This session will address the evolution and the role of Performance Audit in various levels of Government.

Relationship Management and Communications

Performance auditors must interact more often and in more depth with management than the traditional financial audits. The auditor needs to understand what good/effective relationship management is; identify the behaviours related to this competency; and understand the difficulties and issues that arise in dealing with management and ways to handle and resolve them. There are significant milestones in the audit when auditors normally communicate with the management and the auditor needs to make use of informal and formal methods to ensure the success of these communications.

There are also times when management needs to communicate with the auditor. Management must establish the communication channels to ensure that management is aware of the direction of the audit and provide the information needed for the auditor to form the correct conclusions.

Suggested Readings

Day 3

Fraud and Corruption Awareness in Performance Audit

Fraud and Corruption is key, for instance, procurement is looked from not only from the point of view whether invoices corresponds to deliveries of goods and services, but also to what extent a system, the infrastructure and the incentives are in place to avoid fraud and corruption.

Performance auditors must always be alert for indicators of fraud in programs and activities they audit. However, performance audit and fraud audit do not mix. Performance auditors must learn first what to look for, then what to do and not do if a fraud is suspected.

It is management's responsibility to evaluate fraud risk and implement an appropriate fraud prevention program. Performance auditors, in assessing fraud risk, consider opportunity, the organization's fraud history, and its fraud prevention program. Performance auditors should also be aware of the 'red flags' that may be indicators of fraud.

But performance audits are not fraud audits. Auditors need to know how to assess fraud risk in the conduct of a performance audit. However, it is important that the auditor's sensitivity to the possibility of fraud does not bias the audit approach or results.

How to reduce corruption and fraud, e.g., PfR as a tool to look at outcome and thus reduce the risk of corruption?

Performance Audit and Procurement

A main expenditure that permeates all public sector activity is the procurement of goods and services. It is an activity where rules abound and are often ignored in the name of getting the job done. Procurement is a major issue of economy. The session will explore the risks associated with procurement, what constitutes good procurement practices and how the performance audit can provide the assurances to the governing body that they seek concerning the procurement activity.

Performance Audit of donor-funded development projects

In most cases, these will be results-based audits. That is, the auditor will consider the effectiveness of a project in achieving its objectives as well as the economy and efficiency with which the project was delivered.

This focus on results requires that the auditor can define what the planned results were so that a valid comparison can be made to the actual results. For example, a donor may have defined project objectives and success in terms of its output characteristics: cost, quality, number of recipients reached, etc. It will likely have also defined the immediate and intermediate outcomes that the project is intended to achieve.

When the auditor determines that planned output and outcome results were not achieved then a project's supporting structure, systems, and controls are examined to identify underlying causes. These causes of unsatisfactory performance lead to recommendations for improvement in project management and delivery.

A risk based approach to selecting audit topics

It is impractical to conduct a performance audit of all entities and issues because of the audit resource limitations and the capacity of management to respond to the audit interventions. There is a lot of consistency and commonality in the risk assessment approach and methodology used across the legislative audit offices and the broader audit community. The auditors' terminology and practices are also quite consistent with the models and theories that underlie enterprise risk-management programs. The session will examine how auditors identify risks at the entity/issue level and then rank the issues based on significance and likelihood.

Preliminary Study - Planning the Performance Audit

Once a topic has been identified for audit the auditor needs to plan the audit approach. Developing audit objectives and criteria for the audit requires a good knowledge of the subject

matter. The session will explore how the auditor gains the necessary knowledge to develop audit objectives and criteria. Management has a role to play here as well. The report of the auditor is intended for the governing body and management should work with the auditor to develop objectives that will be meaningful to the governing body. In addition the auditor confirms with management the suitability of the criteria relative to the objectives.

The audit methodology allows the auditor to conclude against the audit objective with a high level of assurance. The session will examine how the auditor develops the audit methodology and ways in which management can support the robustness of the methodology and the impact of the audit procedures on funding as well as recipient organizations.

Main Study - Examination and Evidence

In the conduct of the performance audit, auditors are following their programs to acquire sufficient appropriate evidence. This evidence is obtained in various ways, which the session will explore. The session will also examine the ways in which evidence is analysed to determine whether the criteria have been met and how management confirms that all relevant information has been examined by the auditors in making their determinations.

Following the determinations of whether criteria have been met the auditor needs to consider the causes and effects of deviations. This next level of analysis is important in determining reportable issues and making recommendations. The session will explore methods of making these determinations and how the auditor remains independent and at a level of detail to promote accountability and corrective action.

A key feature of the main study is that the auditor must conclude against the audit objectives and indicate the level of assurance being provided.

Suggested Readings

Day 4

Reporting the Performance Audit

In the course we will discuss the reporting standards and how they may be met. The emphasis will be on minimizing the possibility that a reader might be misled, or not correctly understand the findings and conclusions.

To meet the reporting requirement the auditor must first understand the reporting mandate (e.g., due regard for 3Es) and the nature of the performance audit report. The session will discuss the difference between the assurance report and direct reporting, either exceptions only or balanced.

The auditor needs to understand your audience and consider user expectations of the performance audit report. The session will examine the needs of the prime audience (legislators and governing bodies) but other users such as management and media.

Quality Control and Review

Audit supervisors and managers have responsibility to confirm the quality of the audit plan, evidence, and report. Participants will learn why quality review is such a critical component of the performance audit process; what the requirements are; how to apply them; and some of the good practices in place in legislative audit offices.

A recent practice is the Peer Review or Quality Assessment Review (QAR). The session will examine some recently published peer reviews and explore the international standards and practices emerging concerning quality review.

Follow-up of the Performance Audit

Once a performance audit is complete then management is asked to respond to the recommendations and develop an action plan to deal with the noted deficiencies. This is for the benefit of the audited entity and its governing body. The auditor will follow-up on the recommendations for two reasons: to ensure that the deficiency is corrected; and, to measure their own effectiveness in creating needed change. The session will examine the various methods currently in use by legislative auditors to follow-up on their performance audits and report to the governing body the actions of management.

Suggested Readings

Day 5

Impact Evaluation

The session on impact evaluation will provide attendees with a set of theoretical, statistical, econometric and operational skills to assess the causal impact of one variable on another, with a particular attention to Government interventions in various forms including development projects and programs. The session will look at the causal effects of policies, rules, legislation, projects, programs and also unexpected and natural events on various outcomes that affect the targeted population, e.g., in the areas of microfinance, agriculture, health, education. In addition to look at the simple casual effect, the session will also cover the channels through which the causal effect was attained. Particular attention is devoted to the learning function of impact evaluation.

The session will introduce and review various econometric techniques used in impact evaluation and a set of analytical skills that will allow them to understand and also perform applied empirical research in development.

Role of Impact Evaluation on public policy

Impact Evaluation as a learning tool and as a political accountability tool

The Logic of Impact Evaluation and the sequence

Needs assessment

Design of Program/Policy

Design Evaluation

Data and Indicators

Implementation

Counterfactual

Cost-Benefit Analysis

Causality: Theory and Examples

Why Impact Evaluation?

When to do Impact Evaluation?

Who does Impact Evaluation?

To whom is Impact Evaluation directed?

Impact Evaluation and its differences, complementarities with Performance Audit
Attribution and Contribution
Pro and cons of Impact Evaluation

Hands-on session

Case studies of Performance Audit and Evaluation
Examples in microfinance; health; education; and aviation
Rapid and Economical Methods for Impact Evaluations

Suggested Readings

Day 6

Evaluation in Practice

Introduction to quantitative methods for evaluating programs and policies

Toolbox for Impact Evaluation:

Non or Quasi-Experimental

- 1) Before vs. After
- 2) With/Without Program
- 3) Difference –in-Difference
- 4) Discontinuity Methods
- 5) Multivariate Regression
- 6) Instrumental Variable

and

Experimental Method (Gold Standard)

- 7) Randomized Evaluation

Meta analysis

Evidence-Based Decision Making: The Contribution of Systematic Reviews (SRs) in
Synthesizing Evidence

Hands-on session

Impact Evaluation using Stata

Suggested Readings

Course Summary and Wrap Up

Review course objectives; reflect on participant expectations and the extent to which they have been met; and test the extent to which the participants have acquired knowledge and understanding from the course.

5. Methodology of the Seminar

Three international experts and professors very well known in the field of valuation and development will hold the program. They bring solid and rigorous theoretical abilities as well as operational experience.

The experts and professors will be in charge for specific parts of the program. They will be present during the presentation of the other experts and professors and interact with participants.

The morning lectures will be normally delivered in a lecture format with some interaction from participants and Questions and Answers. The afternoon sessions will be devoted to practical hand-on applications.

Each day is organized as follows:

- a. Morning Session: 08.30 - 12.45, with two coffee breaks
- b. Lunch 13:00, lunch speaker
- c. Afternoon Session: 14.15 - 17.30, with two coffee breaks.

6. Material

A binder with seminar material, i.e., slides, relevant documents and articles, hand-outs for practical sessions and bibliographic references will be made available to participants.

The training material related to the event will be also put in electronic form and made available to students.

The course will be videotaped, reviewed and then put online available to students.

7. Date and Location

The Program will be normally held in Rome, Italy and can be organized in other locations in different parts of the world.

8. Fee

The cost to attend the program is Euro 1500. The course is designed for 20 participants, but can be held if the enrollment is above 10.

The speakers receive a non-first class travel expenses from and to the United States and Canada; per diem and daily fee as recognized by the institution for the days of the Program.

Essential References

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