

**Final**

**Enquiry Planning Memorandum**  
**Audit of Performance Data Reliability**

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# 1. Introduction

## A. Background

With the introduction of the 2014-2020 programming period, the emphasis on results, monitoring progress in achieving the objectives of the operational programme and sound outputs has become increasingly important and fundamental. In this respect, Article 125 §2 (a), (d) and (e) of Regulation (EU) No 1303/2013 underlines the need to collect, record and store reliable data on indicators and milestones in a computerised system.

*"The managing authority shall:*

- provide **data relating to progress** of the operational programme in achieving its objectives and relating to its indicators and milestones.*
- establish a system to record and store in computerised form data on each operation necessary for monitoring, evaluation, financial management, verification and audit, including data on individual participants (i.e. micro data) in operations, where applicable;*
- collect, record and store these data in the system referred above and the data on indicators should be broken down by gender where required by Annexes I and II of the ESF Regulation.*

**The absence of collecting and maintaining quality and reliable data of the monitoring system or of data on common and specific indicators may lead, according to Article 142 §1 (d) of Regulation 1303/2013 to suspensions of all or part of the interim payments or even to financial corrections at the operational programme level.**

This Performance Data Reliability Audit Enquiry Planning Memorandum (PDRA EPM) is intended to provide audit teams with guidance and an outline of the essential phases and steps to carry out the audit of the quality and reliability of data on common and specific indicators. It also focuses primarily on:

1. verifying the reliability of reported data on (common and programme-specific output and result) indicators and milestones for the selected and implemented operations of the operational programme as well as their aggregation at investment priority level and where applicable at programme level, and;
2. assessing the quality, integrity and ability of the underlying data management and computerised system to store, collect, aggregate and report these indicators and milestones at investment priority level and where applicable at programme level.

## B. Performance data requirements

Operational Programme (OP) n°	Common and programme-specific <b>Output</b> indicators							
	Definition	Unit	Information in OP			Cumulative achievements to be reported in the Annual Implementation Report (AIR)		
			Baseline	Milestone 2018 if indicator selected for performance framework	Target value 2023 (based on implemented projects)		Based on <u>operations selected so far</u>	Based on <u>implemented operations so far</u>
					Target value 2023	ESF - specificities (gender and other for YEI)		
Priority axis 1				A	B			H
a) Investment priority 1			0		C, D		E, F	I, J
operation 1			-		-			
operation 2			-	-	-			
...								
b) Investment priority 2			0	A	B		G	H
...								

Operational Programme (OP) n°	Common and programme-specific <b>Result</b> indicators (MAINLY FOR ESF)							
	Definition	Unit	Information in OP			Cumulative achievements (ONLY FOR ESF) to be reported in the Annual Implementation Report (AIR)		
			Baseline (ONLY FOR ERDF/CF)	Milestone 2018 if indicator selected for performance framework (ONLY FOR ESF)	Target value 2023 (ONLY FOR ESF) (based on implemented projects)		Based on <u>operations selected so far</u>	Based on <u>implemented operations so far</u>
					Target value 2023 (ONLY for ESF)	ESF - specificities (gender and other for YEI)		
Priority axis 1				A	B			H
a) Investment priority 1					C, D		E, F	I, J
operation 1			latest available data		-			
operation 2				-	-			
...								
b) Investment priority 2				A	B		G	H
...								

The 2014-20 Regulatory Framework includes in particular the following provisions on performance data;

- Article 125 §2 (a), (d) and (e) of Regulation (EU) No 1303/2013 underlines that the managing authority shall provide **data relating to progress** of the operational programme in achieving its objectives and relating **to its indicators and milestones**.
  - establish a system to record and store in computerised form the data on each operation** necessary for monitoring, evaluation, financial management, verification and audit, including data on individual participants (i.e. micro data) in operations, where applicable;
  - collect, record and store these data in the system referred above and the data on indicators should be broken down by gender where required by Annexes I and II of the ESF Regulation."
- Articles 27 § 4 and 96 §2 (b) (ii, iv, v and vi) and (c) (ii and iv) of Regulation (EU) No 1303/2013 foresee that each priority shall set **indicators** (*financial relating to expenditure allocated, output to operations supported, and result to the priority concerned*) and corresponding **targets** in accordance to the Fund-specific rules in order to assess progress (notably for 2018 and 2023) at achievement of objectives as a basis for monitoring, evaluation and review of performance.
- Article 5 and Annex I and II of the ESF Regulation No 1304/2013, Article 5 and Annex I of the Cohesion Fund Regulation No 1300/2013 and Article 6 and Annex I of the ERDF

Regulation No 1301/2013 provide information on the *common output and result indicators* as well as on the *programme-specific output and result indicators* to be used and their baseline value and cumulative quantified target values.

- Article 24 and Annex III (fields 31 to 40) of the Delegated Acts No 480/2014 underline the **data to be recorded and stored in computerised form for each operation, including on individual participants, where applicable**, in order to allow it to be aggregated for the entire programming period where this is necessary for monitoring, evaluation purposes applies from 1 December 2014 or 1 July 2015 depending on data (1 July 2015 for data on indicators).

### ***C. Objectives of the PDRA EPM***

The objective of this EPM is to focus on the quality and reliability of established systems in place and of reported performance data relating to the common and programme-specific result and output indicators and milestones as required by Article 125§2 (a), (d) and (e) of Regulation 1303/2013. As such, this enquiry and audit work is limited to the reliability of performance data reported, and does not extend to performance in general.

The specific objectives of the Performance Data Reliability Audit Enquiry Planning Memorandum (PDRA EPM) are to:

- verify the reliability of reported data on (common and programme-specific output and result) indicators and milestones for the selected and implemented operations of the operational programme as well as their aggregation at investment priority level and where applicable at programme level, and
- assess the quality, integrity and ability of the underlying data management and IT systems to store, collect, aggregate and report these indicators and milestones on investment priority level and where applicable at programme level.

The PDRA EPM provides an audit approach and methodology (main audit phases, audit programmes and templates) intended to be tailored according to the outcome of the auditors' planning phase, the specificities of each Fund (type and nature of data to be reported, the cycle of the operations to be partially or fully implemented, when the computerised system needs to be operational and when the flow of data will start) and risk assessment in order to:

- Determine the scope of the Performance Data Reliability Audit. The PDRA suggests criteria for selecting the Member State, programme/priority axes/Investment Priorit(y)(ies)/management and control systems/indicator(s)/operation(s) to be reviewed. In most cases, the member states and programmes will be selected on a risk based approach with the intention to attain a satisfactory coverage and sufficient assurance on the reliability of reported performance data;

For the ERDF and Cohesion Fund, the reported data on common and programme-specific result indicators should not be audited and thus are not part of the audit scope for the PDRA.

- Engage and prepare the audit mission. Assess the key potential risks and specificities of the design and implementation of the programme/priority level/operations indicators' data management and, reporting systems. Determine the focus of the audit work and detailed audit testing also taking into account the extent, quality and the results of the work already performed

the national audit authority. The PDRA EPM includes template of letters for notifying the programme/operation(s) of the audit of Performance Data Reliability, as well as guidelines for preparing the mission.

- Perform the audit fieldwork: Depending on the focus of the audit mission, the PDRA provides different audit programmes to be tailored according to the outcome of the auditors' planning phase, the specificities of each Fund and risk assessment. The audit should focus on the adequacy and integrity of the computerised system, on the underlying processes and procedures put in place (system audit) on data collection, storing and recording or/and on detailed testing of the reliability of the data reported. For testing the reliability of reported performance data, it includes tracing and verifying some data records for some indicators for several operations selected for the audit testing (including the micro-data on participants for the reporting on the common and YEI indicators for ESF (cf. annex I and II of the ESF regulation<sup>1</sup>)). The related audit programme will guide the Audit team in the verification of the data for the selected indicators for testing to source / underlying supporting documents and databases, assess their proper aggregation and compare the data sets with the programme/operations(s) reported ones;
- Report and present the Audit team's findings and recommendations. The PDRA EPM provides instructions on how and when to present the PDRA findings and recommendations to programme authorities and how to plan for follow-up activities to ensure that agreed-upon steps to improve systems and data collection and reporting on indicators are completed.

***Note:*** While the Performance Data Audit Tool is not designed to assess the quality of an operation or services provided, the improvements in the reliability of performance data can improve monitoring and therefore performance.

## ***D. Full integration with AA audit work***

National Audit Authorities have also a key role in the audit of the quality and reliability of performance data reported during the programme implementation. As set out in the secondary legislation and reflected in the guidance notes on designation, system assessment (KR4, KR5, KR6, KR 15, KR16 ) and audit strategy, the performance data quality is full part of the designation process, the system audits (quality, integrity and ability of the underlying data management and IT systems for performance data to be reported) and an integral part of each audit of operations (in particular the reliability of performance data reported for the operation audited – integrity, accuracy and completeness) and consequently of their audit opinion.

The national audit authorities could also use the audit methodology / checklists proposed below to carry out the audit of

- the quality and reliability of the performance data for their sample of operations audited each year,
- the adequacy, security and integrity of the underlying system and the procedures in place for data collection, storing and recording (through the designation process and system audits)

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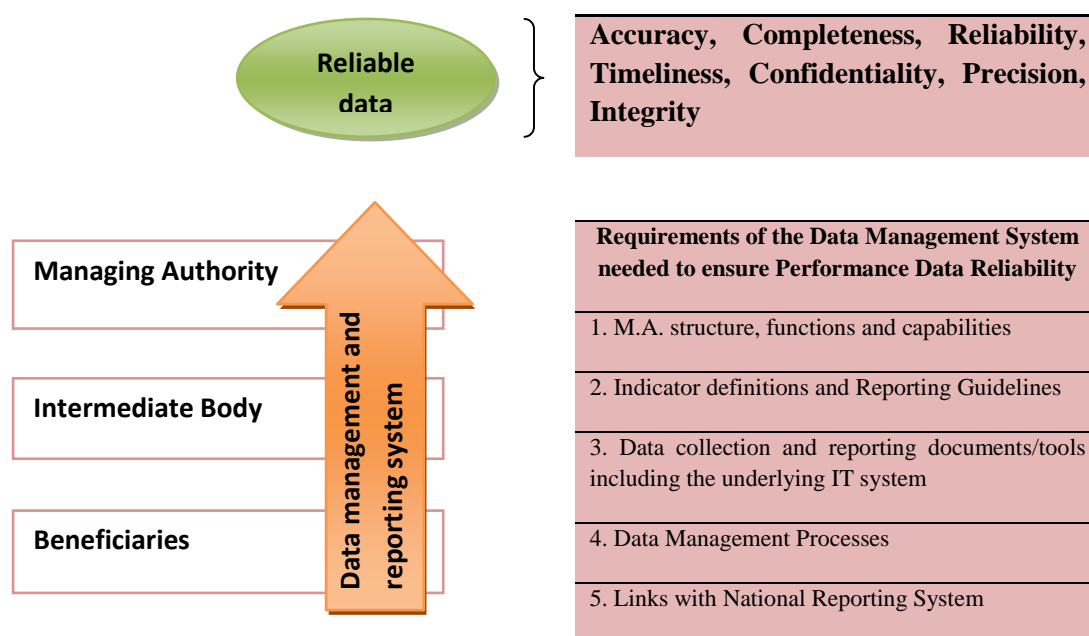
- the aggregated performance data reported at investment priority level (through the system audits and their reconciliation with the data reported linking it to the sample of operations audited) .

### ***E. Conceptual Framework***

The conceptual framework for the PDRA is illustrated in the Figure 1 below. Generally, the reliability of reported data is dependent on the quality of underlying data management and reporting systems (appropriate systems should produce reliable data). In other words, for good reliable data to be produced by and flow through a data management system, key functional components, processes and adequate system need to be in place at all levels — beneficiary level, intermediate body level(s), managing authority / highest level to which all these data are reported and from which data are transferred to the Commission. The PDRA is therefore designed to:

- (1) assess the adequacy, security and integrity of the system that produces (collecting, recording and storing) that performance data,
- (2) verify the quality and reliability of the data recorded and reported, and
- (3) develop Action Plan(s) to improve both if necessary.

Figure 1: PDRA's conceptual framework



## F. Methodology

The PDRA is established on the basis of an assumed Performance Data architectural minimum standard, namely, that programmes and operations produce accurate, reliable, precise, complete and timely data reports that managers can use to monitor and report progress toward established goals. Furthermore, the data and its underlying system(s) must assure its integrity and should be produced ensuring standards of confidentiality.

Performance Data Definition	
<b>Accuracy</b>	Also known as validity. The data provide the adequate and requested information, and adhere to the common definitions in the collection and treatment of data. Accurate data minimize errors (e.g., recording or interviewer bias, transcription error, sampling error) to a point of being negligible.
<b>Reliability</b>	The data collection, validation, storage and aggregation are based on a process that do not change according to who is using them and when or how often they are used (and for ESF; allow for drawing representative samples for reporting on common and YEI indicators). The data are reliable because they are measured and collected consistently.
<b>Precision</b>	The data provide sufficient detail. For example, an indicator requires the number of individuals who received (financial) assistance and the outputs by gender of the

	individual. An information system lacks precision if it is not designed to record the gender and all other micro data of the individual who received the assistance.
<b><i>Completeness</i></b>	An information system from which the indicator data are derived is appropriately inclusive: it represents the complete list of indicators and not just a fraction of the list. For the ESF, participants' records contain all micro-data for reporting on all common and YEI indicators.
<b><i>Timeliness</i></b>	Data are timely when they are up-to-date (current), and when the information is available on time. Timeliness is affected by: (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.
<b><i>Integrity</i></b>	Data have integrity when the system used to generate them is protected from deliberate bias or manipulation.
<b><i>Confidentiality</i></b>	Personal data will be maintained according to national and European standards for data protection. This means that personal data are not disclosed inappropriately, and that data in hard copy and electronic form are treated with appropriate levels of security (e.g. kept in locked cupboards and in password protected files).

Based on the definitions of Performance data, the PDRA is comprised of three components: (1) assessment of the processes in place underlying the data management and reporting systems; (2) the adequacy, integrity and security of the system, and (3) verification of reported data for indicators for operations selected for the audit testing.

Accordingly, the implementation of the PDRA is supported by two distinct audit programmes (see ANNEX 1):

- Audit programme A: - System Assessment – processes and procedures in place for the collection, storing, recording and aggregation of the performance data;
- Audit programme B: Reported Data Verification – detailed testing.

These audit programmes can be applied at each level in the chain of the data-collection and reporting system (i.e., Managing Authority, beneficiary level and, if appropriate, any Intermediate level – Intermediate Body/ Regions/ other).

- **Audit programme A: - System Assessment – processes and procedures in place for the collection, storing, recording and aggregation of the performance data**

The purpose of audit programme A is to identify potential challenges to Performance Data collected, stored, recorded and reported through the data management and reporting systems at three levels: (1) the programme/operation Managing Authority, (2) the beneficiary level, and (3) any Intermediate Level (at which reports from beneficiaries are collated prior to being sent to the Intermediate Body/Managing Authority, or other relevant level).

The assessment of the data management and reporting systems will take place in two stages:

1. Off-site desk review<sup>2</sup> of documentation provided by the programme/operation;
2. On-site follow-up assessments at the programme/operation Managing Authority and at selected beneficiary level and Intermediate Bodies.

The assessment will cover five functional areas, as shown in the table below:

I. M.A: Structures, Functions and Capabilities	1. Are key monitoring and data-management staff identified with clearly assigned responsibilities?
	2. Have the majority of key monitoring and data-management staff received the required training?
II. Indicator Definitions and Reporting Guidelines	3. Are the pre-defined indicator definitions systematically followed by all beneficiaries?
	4. Has the programme/operation clearly documented (in writing) what is reported to whom, and how and when reporting is required?
III. Data Collection and Reporting Forms and Tools	5. Are there standard data-collection and reporting forms in place that are systematically used?
	6. Is micro data recording complete to report on all relevant indicators?

<sup>2</sup> Off-site desk review means the preparatory work carried out in the Commission prior to the field work.

		7. Are data maintained in accordance with European or national data protection rules? <sup>3</sup>
		8. Are source documents kept and made available in accordance with a written policy?
IV. Data Management Processes		9. Does clear and formalized information of collection, validation, aggregation and manipulation steps exist?
		10. Are Performance data challenges, e.g. double counting, wrong reporting identified? Are mechanisms in place for addressing them?
		11. Are there clearly defined and followed procedures to identify and reconcile discrepancies in data and reports?
		12. Are there clearly defined and followed procedures to periodically verify source data?
V. Links with National Reporting System(s)		13. Does the data collection and reporting system of the programme/project link to one or more National Reporting System(s)?

The outcome of this assessment will be identified strengths and weaknesses for each functional area of the process underlying the data management and reporting system.

• **Audit programme B - Verification of Reported Data for the Indicators:**

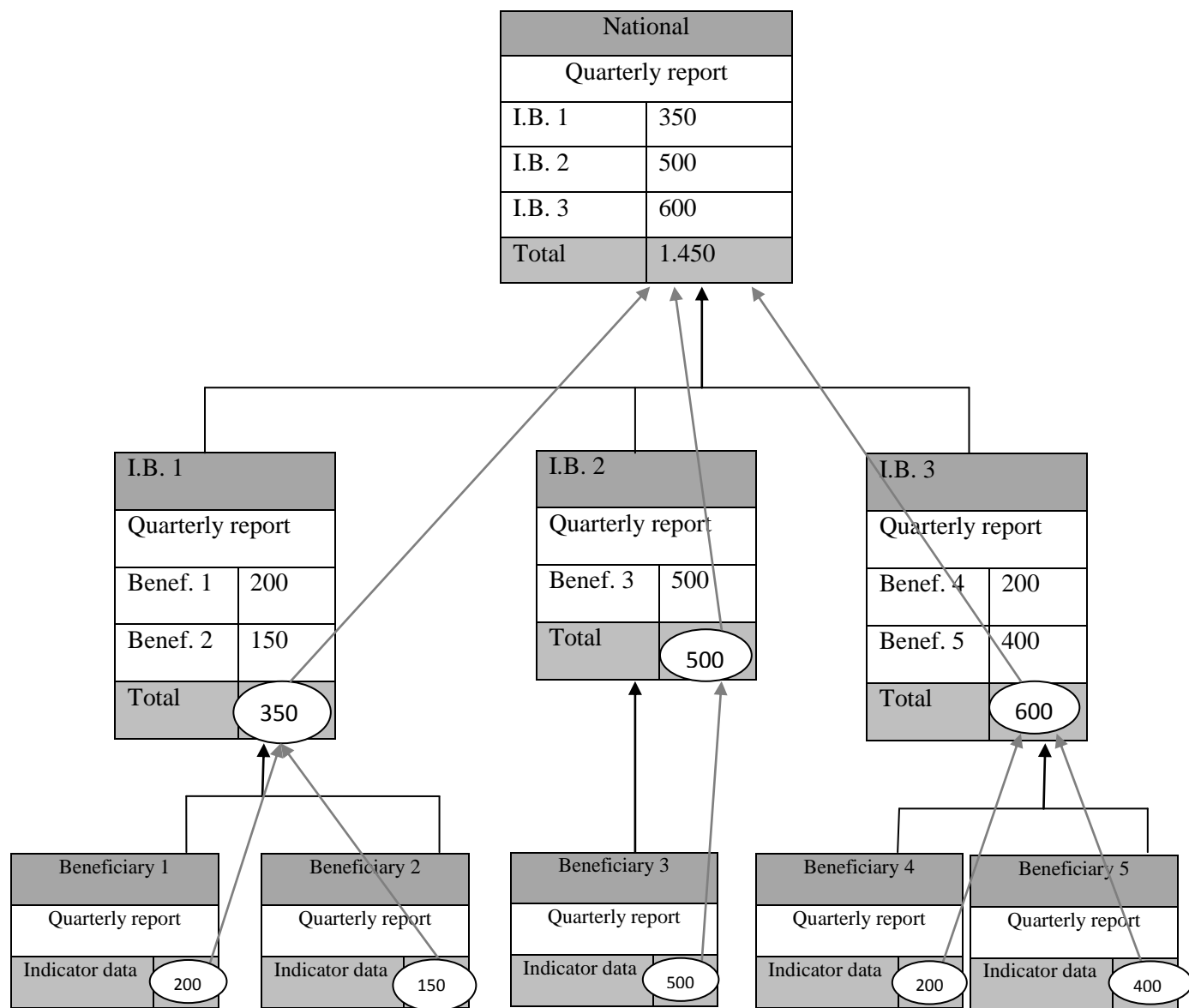
The purpose of programme 2 is to assess, on a limited scale, if MA, IBs and beneficiaries are collecting, recording and reporting data accurately, completely, in the correct format and measurement unit as well as on time — and to cross-check the reported data sets with potential other data sources or the underlying supporting evidence of their reliability. To do this, the PDRA will determine if for a sample of operations or beneficiaries the quality of performance data (accurately and completely collected, stored and recorded the activity related to the indicator(s) and where applicable for ESF the participants' micro-data on source documents). It will then trace that data to see if it has been correctly aggregated at priority investment level and/or otherwise manipulated as it is submitted from the beneficiary, possibly through intermediate body levels, to the Managing Authority (and for ESF whether the system allows for drawing representative samples for reporting on common and YEI indicators).

The data verification exercise will take place in two stages:

1. In-depth verifications at the Beneficiaries level; and
2. Follow-up verifications at the Intermediate Bodies' and at the programme Managing Authority's levels.

<sup>3</sup> MAs must ensure the data processing arrangements established for ESF monitoring are in line with the provisions of Directive 95/46 of 24 October 1995 on the protection of individuals with regard to the processing of personal data (in particular Articles 7 and 8) and with relevant national legislation. This includes ensuring, where necessary, procedures to collect of data considered as sensitive. In the event that individual participants do not give the consent to collect and store certain sensitive personal information MAs should have procedures for providing evidence of this refusal (e.g. signed document) and mechanisms for flagging it accordingly in the monitoring system. It should be possible to know the number of cases concerned.

Figure 2: Tracing and verifying totals from the beneficiaries through the Intermediate Bodies to the Managing Authority



The first stage of the data-verification occurs at the beneficiary level. There are five types of standard data-verification steps that can be performed at this level:

Verifications	Description	Required
1. Description	?Describe the connection between the delivery of training and/or services/works and the completion of the source document to record that delivery.	In all cases
2. Documentation Review	Review availability and completeness of all indicator source documents for the selected reporting period.	In all cases
3. Trace and Verification	Trace and verify reported numbers, accuracy and completeness and measurement unit of reporting. Identify reasons for any differences.	In all cases
4. Cross-checks	Perform “cross-checks” of the verified report totals with other data-sources	In all cases
5. Spot-checks	Perform “spot-checks” to verify the actual delivery or reality of the reported performance data on the operation.	If feasible

The second stage of the data-verification occurs at the Intermediate Bodies and at the programme/operation Managing Authority. As illustrated above in Figure 2, the PDRA evaluates the ability at the intermediate level to accurately process data submitted by the beneficiaries, and report these data to the next level in a timely and accurate fashion. Likewise, the programme/operation Managing Authority must accurately publish and disseminate aggregated data on Operational Programme's outputs and results to satisfy the information needs of stakeholders (e.g. monitoring committee, Ministry of Education).

The following verifications will therefore be performed at Intermediate Bodies. Similar verifications are performed at the Managing Authority.

The description below covers the full scope of data verification. Considering the difference in speed of implementation of an operation, there may be differences in approach between ERDF/CF operations and ESF operations. The audit team should, where relevant, adapt the scope of verification according to the stage of progress of the Operational Programme or indicator concerned.

Verification	Description	Required
1. Documentation Review	Review availability, timeliness, and completeness of expected data and reports from Beneficiaries for the selected reporting period.	In all cases
2. Trace and Verification	Trace and verify reported numbers: (1) Re-aggregate the numbers submitted by the Beneficiaries; (2) Compare the verified counts to the numbers submitted to the next level (programme/operation Managing Authority); (3) Identify reasons for any differences.  If micro-data are stored at the level of intermediate body or Managing Authority: Verify that for participants all	In all cases

	required indicators' data have been collected and stored as micro-data.	
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The outcome of these verifications will be statistics on the accuracy, availability, completeness, and timeliness of reported data.

## ***G. Selection of Beneficiaries or operations***

There are two methods for selecting beneficiaries/operations for the Performance Data Reliability Audit:

### **1. Stratified random sampling:**

This involves the drawing of a stratified random sample of a sub-group of beneficiaries where a particular variable of interest is chosen as the basis of the beneficiaries to be visited. Examples of such variables include public bodies, extremely large beneficiaries, beneficiaries with special characteristics such as e.g. private bodies, geographic location. Such stratified random sampling allows the audit team to make inferences from the sample audit findings to all the Beneficiaries that belong to the stratification variable of interest.

### **2. Random sampling:**

It is often desirable to make judgments about Performance Data for an entire operational programme or Member State. However, in most Member States, it would be far too time consuming to audit all the beneficiaries reporting to a programme. Furthermore, it can be inaccurate and misleading to draw conclusions for all beneficiaries based on the experiences of a few. Random sampling techniques allow us to select a relatively small number of beneficiaries from which conclusions can be drawn which are generalizable to all the beneficiaries in a programme. Such sampling relies on statistical properties (e.g., size of the sample, the variability of the parameter being measured) which must be considered when deciding which approach to use. Sometimes, the minimally acceptable number of beneficiaries (in terms of statistical validity) dictated by the sampling methodology is still too many beneficiaries to realistically pursue in terms of cost and available staff. Compromising the methodology by including fewer beneficiaries than indicated, or replacing one site for another based on convenience, can yield erroneous or biased estimation of the Performance Data. However, given the appropriate resources, random sampling offers the most powerful method for drawing inferences about Performance Data for an entire programme or Member State. This method involves the random selection of a number of beneficiaries that together are representative of all the beneficiaries where activities supporting the indicator(s) under study are being implemented. Representative means that the selected beneficiaries are similar to the entire population of beneficiaries in terms of attributes that can affect Indicators (e.g., size, volume of service, and location). The purpose of this approach is to produce quantitative estimates of Performance Data, which can be viewed as indicative of the reliability of data in the whole programme, and not simply at the level of the selected beneficiaries.

A more precise estimate requires a larger sample of beneficiaries. The audit teams will be given instruction on how to determine the right number of beneficiaries for a given programme.

## ***H. Outputs***

In conducting the PDRA, the Audit team will collect and document on some or several of these pillars: (1) adequacy, security and integrity of the systems, (2) evidence related to the review of the programme's data management and reporting system (processes and procedures in place); and (3) evidence related to data verification. The documentation will include:

- **Completed programmes and templates** included in the PDRA EPM;
- **Recording of results of the observations, interviews, and conversations** with key Performance Data officials at the Managing Authority, at Intermediate Body level, and at Beneficiary level;
- **Preliminary findings and draft Recommendation Notes** based on evidence collected during the audit;
- **Final Audit Report.** The Final Audit Report will summarize the evidence the Audit team collected, identify specific audit findings or gaps related to that evidence, and include recommendations to improve Performance Data and the monitoring information system. Depending on the scope and objectives of the audit, the report will also include the following summary statistics that are calculated from the system assessment and data verification Audit programmes:

*1. Strength of the Data Management and Reporting System based on a review of the programme/operation's data collection and reporting system, including an assessment of how well the processes and procedures in place are designed and implemented;*

*2. Accuracy of Reported Data through the calculation of Verification and Adjustment Factors<sup>4</sup> generated from the data trace and verify exercise performed (i.e., the ratio of the validated value of the indicator to the reported value tested); and*

*3. Availability, Completeness and Timeliness of Reports produced by Intermediate Aggregation Level(s) and the Managing Authority.*

These summary statistics, which are automatically generated in the Excel files, are developed from the system assessment and data verification Audit programmes included in this tool;

## ***I. Data protection***

The Audit of Performance Data Reliability must be conducted with the utmost adherence to the data protection standards of the Member State. While the audit teams may require access to personal information (e.g. gender data, age, employment status, educational attainment, household composition etc.) and even sensitive personal data (e.g. disability, minority or migrant status etc.) for the purposes of recounting and cross-checking (completeness of) reported outputs and results, under no circumstances will any personal information be disclosed in relation to the conduct of the audit or the reporting of findings and recommendations.

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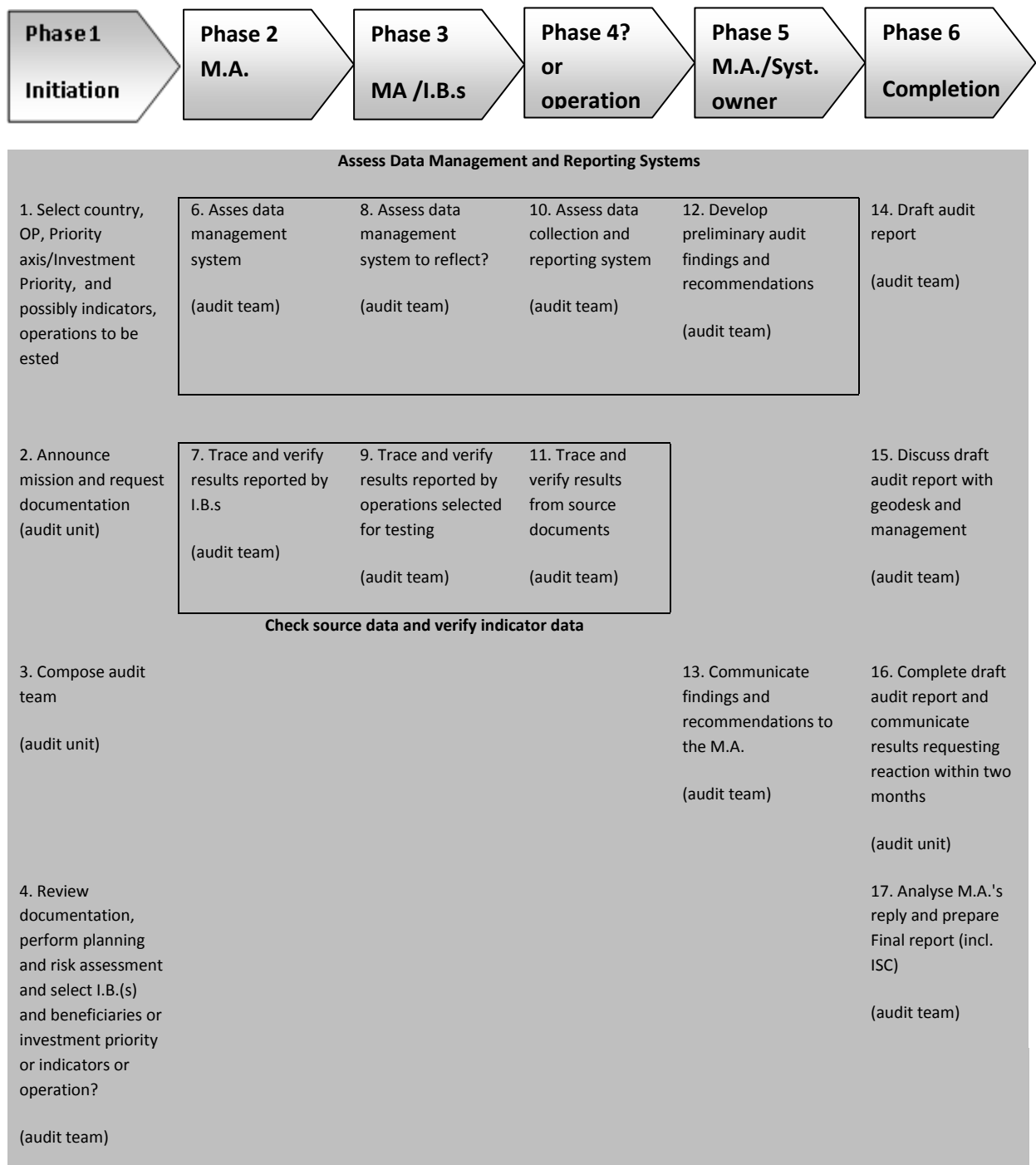
<sup>4</sup>

See annex xxxx for the calculation of the verification and adjustment factors

## J. Implementation

The Performance Data Audit will be implemented chronologically in six phases, as shown in the following schematic overview:

The Audit Team would be ideally composed of *one or more auditors, one of whom is appointed to be the audit leader. For the purpose of this enquiry, audit teams would ideally include geographical desk officers who will act as technical experts.* "



5. Prepare MPM and detailed audit work to be performed on the spot  
  
(audit team)

18. Send Final report and initiate follow up actions  
  
(audit unit and geo unit)

## ➤ PHASE 1 – Planning phase

### Steps 1-5 are performed in the Commission

- The risk analysis determines the Member State, the programme, the priority axes, Investment Priority(ies) and the indicators to be audited. The Audit team also select(s) the corresponding reporting period (Step 1) and precise scope of the audit. It includes assessing the key potential risks and specificities of the design and implementation of the programme/priority level/operations indicators' data management and, reporting systems. Determine the focus of the audit work also taking into account the extent, quality and the results of the work already performed the national audit authority.
- The Audit team is responsible for announcing the audit, as appropriate, and for formally notifying the programme of the PDRA. The Audit team follows up with a request for documentation for its review prior to visiting the programme, including if needed information from which to draw the sample of operations to be tested (Step 2).
- The Audit team identifies the number and locations of the beneficiaries, / Intermediate Bodies / MA (i.e., Intermediate Bodies or MA) at which the system assessment or/and data verification will be conducted (Step 3).
- The Audit team prepares for on-the-spot visits and mission planning, including establishing the detailed audit work to be performed as well as timing of the visits, constituting the Audit team and attending the requisite logistical issues (Step 4).
- The Audit team conducts a desk review of the documentation provided by the programme/operation (Step 5) and prepares in detail the mission.

## ➤ PHASE 2 – Fieldwork in the Member State-

### Steps 6-7 are performed at the programme/project's Managing Authority

- The Audit team assesses the data management and reporting system or process at the level of the Managing Authority (Step 6). This assessment is designed to identify potential challenges and risk in collecting, recoding, aggregating and reporting quality and reliable performance data .
- The Audit team begins to trace and verify data for the investment priorities and indicator(s) selected by reviewing the reports for the selected reporting period submitted by lower reporting levels (such as Intermediate bodies or beneficiaries) (Step 7).

## ➤ PHASE 3 – Steps 8-9 are conducted at the Intermediate Bodies, if the programme/operation data management system has such levels

- The Audit team assesses the data management and reporting system by determining how data from sub-reporting levels are processed and reported to the programme/operation Managing Authority (Step 8).

- The Audit team continues to trace and verify the data reported from the beneficiary level to the intermediate level (Step 9).

➤ **PHASE 4 – Data verification - testing**

**Steps 10-11 are conducted at Beneficiaries / operations' level**

- The Audit team continues the assessment of the data management and reporting system at Beneficiary level by determining if a functioning system is in place to collect, check, and report data to the next level (Step 10).

- The Audit team also traces and verifies data for the indicator(s) from source documents to reported outputs and results from Beneficiaries (Step 11).

➤ **PHASE 5 – Data testing for aggregation**

**Steps 12-14 take place back at the programme/project Managing Authority**

- The Audit team finalizes the assessment of the data management and reporting system by answering the final Audit Summary Questions (Step 12).

- The Audit team then drafts its preliminary PDRA findings and recommendations (Step 13) and shares them with the programme/operation monitoring officials during an Audit Closure Meeting (Step 14). Emphasis is placed on reaching a consensus with monitoring officials on what steps to take to improve the systems underlying the Performance Data Reliability.

➤ **PHASE 6 – Prepare draft and final reports**

**Steps 15-18 are conducted in the Commission.**

- The Audit team completes a draft Audit Report (Step 15) which is communicated to the Managing Authority of the programme/Member State (Step 16).

- Based on the feedback provided, the Audit team completes the Final Audit Report and communicates the report to the programme (Step 17).

- In the final audit step, the Audit team may be asked to outline a follow-up process to help assure that improvements identified in the Final Audit Report are implemented (Step 18).

## **Annex: Detailed planning of the audit engagement**

## PHASE 1: PLANNING

The first phase of the PDRA occurs prior to the Audit team is on the spot. The steps in PHASE 1 are to:

1. Determine the scope of the Performance Data Reliability Audit. Select the Member State, programme/priority axes/Investment Priorit(y)(ies)/indicators (and for ESF micro-data sets) and reporting period.

Assess the key potential risks and specificities of the design and implementation of the programme/priority level/operations indicators' data management and, reporting systems including the type and nature of data to be reported, the cycle of the operations to be implemented, when the computerised system needs to be operational and when the flow of data will start. Consider what has been already covered by the AA on the topic and its main conclusions.

Determine the focus of the audit work (if the focus of the audit will be on the integrity, security and adequacy of the system or/and on the reliability of the data reported or/and underlying processes and procedures in place) taking into account the extent, quality and the results of the work already performed the national audit authority

**P.S.: For the ERDF and Cohesion Fund, the reported data on common and programme-specific result indicators should not be audited and thus are not part of the audit scope for the PDRA.**

2. Notify the selected programme/operation(s) of the Performance Data audit and request the necessary documentation related to the data management and reporting system that the Audit team can review in advance of the on-the-spot visits. Notify key Member State officials and coordinate with other national/regional authorities as required.

3. Determine the detailed audit work to be done. If in the audit scope, select the type of sample and the number of Beneficiaries/operations to be the subject of on-site Performance Data verifications. Depending on the focus of the audit mission, the PDRA provides different audit programmes to be tailored to according to the outcome of the auditors' planning phase, the specificities of each Fund and risk assessment. The audit could focus on the adequacy, security and integrity of the system, on the underlying processes and procedures put in place (system audit) on data collection, storing and recording or/and on detailed testing of the reliability of the data reported.

4. Prepare for on-the-spot visits, including determining the timing of the visit, constituting the Audit team, and addressing logistical issues.

5. Prepare the mission and perform a “desk review” of the provided documentation to begin to determine if the programme/operation's data management and reporting system is capable of reporting reliable data if implemented as designed.

<b>Step 1. Select Member State, Programme/operation(s), Indicator(s), and Reporting Period</b>
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Step 1 is to be performed by the Audit team.

A – SELECT THE MEMBER STATE AND PROGRAMME/OPERATION(S)

The Member States subject to the Performance Data Audit will be determined on the basis of a risk analysis. This PDRA EPM includes some criteria and other issues to be considered for selecting a programme/operation(s) for this audit. There is no single formula for choosing programme/operation(s) to be audited; national, regional and programmatic circumstances may be taken into consideration in the decision. The audit documentation should include information on the rationale for the selection and risks involved.

An illustrative list of criteria that could be used for selecting and prioritising the Member States and/or programme is shown below in Step 1. If a national programme is being audited, it can also use these criteria to select which aspects of the programme (e.g. regions/IBs) will be audited.

Indicative selection criteria:

- 1. Amount of funding invested in the programmes/thematic objective/investment priority;*
- 2. Outputs and Results reported from Member States and programmes (such as for ESF the number of unemployed supported).*
- 3. Large differences in outputs and results reporting from one period to the next one within a Member State or a programme.*
- 4. Discrepancies between performance data reporting and other data sources (e.g. for ESF, local publications from the Public Employment Service, national audit results originating e.g. from national court of auditors) or if there are questions on their reasonableness, if available.*
- 5. Findings of previous monitoring assessments or evaluations indicating gaps in the data management and reporting systems within programmes.*
- 6. Opinion/references about perceived Performance Data weaknesses and/or risks within a programme.*

## B – SELECT THE FOCUS OF THE AUDIT WORK

An important decision in preparing for a Performance Data Reliability Audit is to determine the focus of the audit work. Assess the key potential risks and specificities of the design and implementation of the programme/priority level/operations indicators' data management and, reporting systems including the type and nature of data to be reported, the cycle of the operations to be implemented, when the system needs to be operational and when the flow of data will start. In a single audit concept, consider what has been already covered by the AA on the topic, the quality of its work and its main conclusions.

Determine the focus of the audit work (if the focus of the audit will be on the integrity, security and adequacy of the system or/and on the reliability of the data reported or/and underlying processes and procedures in place) taking into account the extent, quality and the results of the work already performed the national audit authority

## C. SELECT THE INVESTMENT PRIORITIES AND INDICATOR(S)

Taking into account the focus of the audit, another important decisions in preparing for a Performance Data Reliability Audit are to determine if needed: (1) which Investment Priority(ies) and indicators will be included in the audit; and (2) for what reporting period(s) the audit will be conducted. It is

recommended that all common indicators are checked for the Investment Priority selected and also the completeness for ESF of the micro-data sets of participants.

**For the ERDF and Cohesion Fund, the reported data on common and programme-specific result indicators should not be audited and thus are not part of the audit scope for the PDRA.**

The decision regarding which indicators to include can be based on a number of criteria, including an analysis of the funding levels to various programme areas and the data reported for the related indicators. In addition, the deciding factor could also be programme areas of concern for the Geographical / Implementation Desk / evaluation unit.

The criteria for selecting the indicators for the PDRA could be the following:

1. “Must Review” Indicators (including for ESF micro-data sets). Given the topic selected for auditing, the geographical / implementation desk concerned may have a list of “must review” items that should be selected first. These are generally the items that could be of high political importance and are required as an anticipated response to a future event in e.g. the EU Parliament. For instance for ESF, the YEI has been given a lot of media attention as a result of the global crisis. It can be anticipated that the Commissioner will be requested detailed information on the impact of the funding invested in the YEI.

2. Relative Magnitude.

a. Relative Magnitude of funding in activities related to the thematic objective. For example, if the programme invests more than 25% of its funding in a specific Investment Priority, then indicator(s) more pertinent to that area could be selected.

b. Reported Number for indicators relative to the target set for the respective indicator. For instance, if the identified (regional) programme has “substantial” reporting activity within a Member State for output or result indicators, these indicators should be considered for auditing. Substantial could be defined as generating more than 25% of the Member State’s total reported numbers for these indicators.

3. “Case by Case” Selection – risks assessment based. In some cases, the geographical / implementation desk or evaluation unit or the audit unit may have other reasons for including an indicator (or for ESF micro-data sets) in the PDRA. This could be because there are indicators for which Performance Data questions exist notably on their reasonableness. It could also be the case for indicators that are supposedly routinely verified and for which the geographical / implementation desk / evaluation unit would like an independent audit. Those reasons should be documented as justification for inclusion.

ANNEX 3 contains an illustrative template for analysing the relative magnitude of the investments and indicator results per thematic objective/investment priority.

#### D – SELECT THE REPORTING PERIOD

Taking into account the focus of the audit, it could also be important to clearly identify the reporting period associated with the indicator(s) to be audited. Ideally, the time period should correspond to the most recent relevant reporting period for the national system or to the programme/operation activities.

In particular cases, the time period could correspond to an earlier reporting period where large results were reported by the programme/operation(s). For ERDF, the output indicators with cumulative targets will be reported on every year from 2016.

## E – DOCUMENT THE SELECTION

ANNEX 2 provides a tool that can be used to document selection of the programme/operation(s), indicator(s), and reporting period being audited.

### Step 2. Notify Programme Authorities, Request Documentation

Step 2 is performed by the Audit team.

The Audit team notifies the Managing Authority about the Performance Data Reliability Audit as soon as possible. They should also notify other organizations, as appropriate, about the audit and request cooperation.

ANNEX 4 contains the template for the notification letter. The letter should be accompanied by the initial documentation request from the Managing Authority, which is found in the table below (see also Annex 2).

Functional Area	General documentation requested (to be adapted according to the scope and focus of the audit)	Check if provided √
<b>Contact information</b>	Names and contact information for key programme officials, including key staff responsible for data management activities.	
<b>I. Monitoring structures, roles and capabilities</b>	Organisational chart indicating M&E responsibilities	
	List of Monitoring positions and status (e.g. full time, part time, filled or vacant)	
	Monitoring training plan of staff involved in monitoring and evaluation of the indicators	
<b>II. Indicator definitions and reporting guidelines</b>	Instructions and guidance to IBs and beneficiaries on reporting requirements and deadlines	
	Description of how and on what bases performance data is collected, validated, stored and recorded (in particular which source documents)	
	National Monitoring plan (if existing)	
	Pre-defined definitions of indicators being audited and link to the information in the OP (especially for the definition, measurement unit, baseline, milestone 2018 and targets 2023)	
<b>III. Data collection, storing and reporting tools and forms</b>	Data collection form(s) and processes for the indicators being audited	
	Reporting form(s) or tools for the indicators being audited	

	Instructions for completing data collection and reporting forms	
<b>IV. Data management process</b>	Written documentation of data management processes including a description of all data verification, aggregation and correction steps performed at each level in the reporting system	
	Written procedures for addressing specific data reliability risks (underlying evidence for the accuracy of data, double counting, availability of micro-data for representative sampling for ESF, lost to follow-up, etc.) including instructions sent to Intermediate Bodies and/or Beneficiaries	
	Guidelines and schedules for management verification including visits on the spot?	
<b>V. Links or reconciliation? with national reporting system or AIR?</b>	Documented links between programme data reporting system(s) and the national (OP AIR or central IT system at MA level) data reporting system (if existing)	

The Audit team should follow up with the selected programme about the pending audit, timeframes, contact points, and the need to supply certain information and documentation in advance.

The Audit team will likely need four types of documentation at least two weeks in advance of the Member State mission:

- 1. A list of all beneficiaries / operations with latest reported data related to the investment priorities and indicator(s) selected for the audit; and the reconciliation between data from IT system and the AIR*
- 2. A description of the data-collection, storing and reporting system;*
- 3. The templates of the data-collection and reporting forms; and*
- 4. Other available documentation relating to the data management and reporting systems and a description of the programme/operation (e.g., Procedures Manual).*

1) List of beneficiaries / operations on which indicator(s) data have to be reported. The Audit team should receive a list of all beneficiaries / operations from which to select a sample of operation/beneficiaries if needed to be audited. This list should ideally include:

- Latest performance data reporting results for each of the beneficiaries and operations.
- Information on other factors (as necessary) – the Audit team may define other characteristics defining the sample of Beneficiaries / operations to be drawn (i.e. Location, Type of organisation (Public, private, NGO)).

Once operations, beneficiaries and related Intermediate Bodies are selected for the audit, the Audit team notifies the selected auditees and provide them with the information requests (cf. annexes of the announcement letter).

This is meant to ensure the relevant staff is available and the source and supporting documentation is accessible for the indicator(s) and reporting period being audited.

2) Description of the data-collection and reporting system related to the indicator(s). The Audit team should receive the MAs manuals describing the data-collection and reporting system related to the indicator(s)/micro-data sets being audited.

3) Templates of the data-collection and reporting forms. The Audit team should receive the templates of all data-collection and reporting forms used at all levels of the data management system for the related indicator(s).

4) Other documentation for the systems review. The other documents requested are needed so that the Audit team can start assessing the data collection and reporting system for the selected indicator(s). These documents are listed in the table on the following page. In the event the programme does not have such documentation readily available, the Audit team should be prepared to follow-up with the programme management once on the spot.

Step 2 – Table 1. List of Audit Functional Areas and Documentation to Request from Programme/Project for Desk Review (if available)

Functional Areas	General Documentation Requested	Check if provided ✓
Contact Information	<ul style="list-style-type: none"> <li>Names and contact information for key programme/operation officials, including key staff responsible for data management activities.</li> </ul>	
I. Monitoring Structures, Roles, and Capabilities	<ul style="list-style-type: none"> <li>Organizational chart detailing, monitoring key responsibilities.</li> </ul>	
	<ul style="list-style-type: none"> <li>List of monitoring positions and status (e.g., full time or part time, filled or vacant).</li> </ul>	
	<ul style="list-style-type: none"> <li>Monitoring Training Plan, if it exists.</li> </ul>	
II. Indicator Definitions and Reporting Guidelines	<ul style="list-style-type: none"> <li>Instructions to reporting Beneficiaries on reporting requirements and deadlines.</li> </ul>	
	<ul style="list-style-type: none"> <li>Description of how the performance is recorded (source and supporting documents), and possibly on other documents.</li> </ul>	
	<ul style="list-style-type: none"> <li>Detailed data flow diagram including: from Beneficiaries to Intermediate Body; and from Intermediate Bodies (if any) to the Managing Authority.</li> </ul>	
	<ul style="list-style-type: none"> <li>National monitoring Plan, if it exists.</li> </ul>	
	<ul style="list-style-type: none"> <li>Pre-defined definitions of indicators being audited and link to the OP information (especially for the definition, measurement unit, baseline, milestone 2018 and targets 2023)</li> </ul>	
III. Data collection, storing and Reporting Forms and Tools	<ul style="list-style-type: none"> <li>Data-collection processes and form(s) for the indicator(s) being audited.</li> </ul>	
	<ul style="list-style-type: none"> <li>Storing and Reporting processes, form(s) and tools for the indicator(s) being audited.</li> </ul>	
	<ul style="list-style-type: none"> <li>Instructions for completing the data collection and reporting forms.</li> </ul>	
IV. Data Management Processes	<ul style="list-style-type: none"> <li>Written documentation of data management processes including a description of all data-verification, aggregation, and verification steps performed at each level of the reporting system.</li> </ul>	
	<ul style="list-style-type: none"> <li>Written procedures for addressing specific Performance data challenges (e.g. underlying evidence for the accuracy of data, double-counting, “lost”), including instructions sent to Beneficiaries.</li> </ul>	
	<ul style="list-style-type: none"> <li>Guidelines and schedules for supervision of on-the-spot visits.</li> </ul>	

V.Links with National Reporting System or AIR?	<ul style="list-style-type: none"> <li>• Documented? links between the programme/project data reporting system and the relevant national? data reporting system e.g. OP AIR or central IT system at MA level.</li> </ul>	
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The systems review will be conducted by answering the questions in the Audit programme B: System Assessment Audit programme.– processes and procedures in place for the collection, storing, recording and aggregation of the performance data. The Audit programme is arranged into five functional areas with thirteen key summary questions that are important to evaluate whether the programme data management system is well designed and implemented to produce reliable data. Performing the desk review with the documentation provided prior to visiting the programme will reduce the burden the audit will place on the data management staff at the Managing Authority's level.

<p><b>Step 3. Determine the detailed audit work to be done. If in the audit scope, <b>Selection of operations /beneficiaries to be Audited</b></b></p>
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Step 3 can be performed by the Audit team. Determine the detailed audit work to be done. If in the audit scope, select the type of sample and the number of Beneficiaries/operations to be the subject of on-site Performance Data verifications Depending on the focus of the audit mission, the PDRA provides different audit programmes to be tailored to according to the outcome of the auditors' planning phase, the specificities of each Fund and risk assessment. The audit could focus on the adequacy, security and integrity of the system, on the underlying processes and procedures put in place (system audit) on data collection, storing and recording or/and on detailed testing of the reliability of the data reported

In this section, the suggested selection method for selecting the beneficiaries in which the Performance Data Reliability audit teams will conduct the work is further explained.

ISNT a bit too complex – not possibility to make it simpler and adapted to all SF? SELECTION METHOD: Cluster Sampling Selection

The sampling strategy is used to derive a national level Verification Factor for programme-level indicators. It is rather complex and requires updated and complete information on the Beneficiaries (for whatever indicators have been selected) as well as the reported results (counts) for the indicator that is being evaluated. This sampling strategy could also be referred to as a modified two-stage cluster sample (modified in that a stratified random sample of beneficiaries, rather than a simple random sample, is taken within the selected clusters).

Cluster sampling is a variation on simple random sampling (where all beneficiaries would be chosen randomly) that permits a more manageable group of beneficiaries to be audited. The beneficiaries chosen randomly would likely be dispersed all over the member state/region, which will require much time and resources to audit. Cluster sampling allows for the selection of a few regions, thereby reducing the amount of travel required by the auditors.

The primary sampling unit for the sampling strategy is a cluster, which can refer to the administrative or geographic unit in which Beneficiaries are located. In practice, the selection of a cluster is usually a

geographical unit like a region, but it can also be an Operational Programme or even an Intermediate Body. Ultimately, the selection of a cluster allows the audit team to tailor the sampling plan according to what the Member State's programme architecture looks like.

The strategy outlined here uses probability proportionate to size (PPS) to derive the final set of beneficiaries that the audit team will visit. The Sampling Strategy generates a selection of beneficiaries to be visited by the audit team that is proportionately representative of all the beneficiaries where activities supporting the indicator(s) under study are being implemented.

Clusters are selected in the first stage using systematic random sampling, where clusters with active programmes reporting on the indicator of interest are listed in a sampling frame. In the second stage, beneficiaries from selected clusters are chosen using stratified random sampling where beneficiaries are stratified on volume of service.

The number of beneficiaries selected for a given PDRA will depend on the resources available to conduct the audit and the level of precision desired for the national level estimate of the Verification Factor.

#### **Step 4. Prepare for On-the-spot audit visits**

Step 4 is performed by the Audit team. The Audit team prepares for on-the-spot visits and mission planning, including establishing the detailed audit work to be performed as well as timing of the visits, constituting the Audit team and attending the requisite logistical issues.

In addition to informing the programme's authorities and obtaining a list of relevant Beneficiaries/operations and requesting documentation (Steps 2-3), the Audit team will need to: (1) estimate the timing required for the audit; (2) determine whether the audit team has the required skills; and (3) prepare documents for the on-the-spot visits.

##### **A – PREPARE DETAILED AUDIT PROGRAMME(S)**

Prepare the detailed audit programme(s) for the mission on the spot. Depending on the focus of the audit mission, the PDRA provides different audit programmes to be tailored to according to the outcome of the auditors' planning phase, the specificities of each Fund and risk assessment. The audit could focus on the adequacy, security and integrity of the system, on the underlying processes and procedures put in place (system audit) on data collection, storing and recording or/and on detailed testing of the reliability of the data reported.

##### **B – ESTIMATE TIMING**

Depending on the scope of the audit work on the spot, number and location of the sampled operations /beneficiaries or bodies (MA and IBs) to be visited, the audit team will need to estimate the time required to conduct the audit. As a guideline:

- The Managing Authority will typically require two days (one day at the beginning and one day at the end of on-the-spot visits);

- Selected Intermediate (Aggregation) Level (e.g., Region or Intermediate Body) will require between one-half and one day;
- Each Beneficiary will require between one-half and two days (i.e., more than one day may be required for large Beneficiaries).
- The Audit team should also plan for an extra work day after completion of on-the-spot visits to prepare for the meeting with the Managing Authority. This extra day needs to be used to complete programmes and working papers. Typically, the points to be raised at the Managing Authority wrap-up meeting would be prepared and substantiated with the necessary evidence if required.

Indicative daily schedule for Performance Data Reliability Audit on-the-spot visits and meetings

Level	Time required
Commission: Audit preparatory tasks	Between 1 and 3 weeks
Managing Authority: system assessment and data verification audit programmes	One day
Intermediary Bod(y)(ies): system assessment and data verification audit programmes	One day per I.B.
Beneficiary: system assessment and data verification audit programmes	Between ½ day to 2 days for large beneficiaries
Audit team exit meeting preparatory day (the audit team will review all data received, prepare the observations and recommendations and the underlying evidence in order to be able to demonstrate system deficiencies in a more effective manner during the exit meeting)	One day
Managing Authority: exit meeting	½ to 1 day
Commission: reporting and follow up	Between 2 and 4 weeks

## C – CONSTITUTE THE AUDIT TEAM

While the Audit team will select the organization to conduct the Performance Data Reliability Audit, it is recommended that the following skills be represented in the audit teams:

- Auditing and sampling;
- Performance framework and measurement<sup>5</sup> (e.g., indicator information, indicator reporting);
- Data management and analytical skills (preferable) (e.g., strong understanding of and skills in data models and querying/analysing databases);
- Relevant Member State Experience (preferable);
- IT audit skills if necessary (depending on audit scope).

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<sup>5</sup> The skills referred to here may be acquired in the preparation of the audit. It is not the intention that members from the evaluation unit, although welcome, participate in the audit visits.

The audit team members can have a combination of the skills listed above. While the total number of team members will vary by the size of the audit, it is recommended that the audit team comprise a minimum of two to four team-members including at least one Principal Auditor. In addition, if the auditors do not speak the Member State language, one or more interpreter(s) should be requested to assist the audit team.

When visiting the beneficiaries, the audit team may need to split into sub-teams and to be accompanied by one desk officer of the programme. Each sub-team will be responsible for visiting a number of Beneficiaries related to the audit (for example, one sub-team would visit the Beneficiaries A, B, and C; while the second sub-team would visit the B, D, E, and F).

It will be important for all audit team members to be familiar with the indicator-specific conditions being used in the audit and to become familiar with the programme/project being audited.

## D – PREPARE LOGISTICS

### *Materials to Take on the Audit Visits*

When the audit team visits the programme/project, it should be prepared with all the materials (laptops, USB stick(s), scanning device, etc.) needed to carry out the on-the-spot audit steps.

*Note: While the Audit programmes in the PDRA are Excel files, the Audit team should be prepared with paper copies of all needed audit programmes. The audit team should endeavour to use computers during on-the-spot visits, but in some cases the audit team will need to fill out the Audit programmes on the paper copies and then transcribe the findings to the Excel file.*

### *Planning Travel*

The audit team should work with the programme authorities to plan for travel to the Member State and to the sampled beneficiaries — both to set appointments and to coordinate with programme/project staff that will accompany the audit team for on-the-spot visits. The audit team should arrange for transportation to the sampled beneficiaries when needed.

Step 5. Review Documentation
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Step 5 is performed by the audit team in order to prepare well the mission in advance and start completing the detailed audit work and programmes.

The purpose of reviewing and assessing the design of the programme/operation's data management and reporting system is to help determining if the system is able to produce reports with reliable and quality Performance Data, which has been implemented as planned. The review and assessment is accomplished in several steps, including a desk review of information provided in advance by the programme/operation, and follow-up reviews at the programme/operation Managing Authority, at selected beneficiaries, and Intermediate Bodies. During the off-site desk review, the Audit team could work to start addressing the questions in the PDRA Audit programme A.: System Assessment Audit programme (processes and procedures in place) based on the documentation provided. The audit team should nevertheless anticipate that not all required documentation will be submitted by the programme/operation in advance of the Member State mission.

Ideally, the desk review (at the Commission) will give the audit team a good understanding of the Programme's performance data reporting system and tools — its completeness and the availability of documentation relating to the system and supporting audit trails. At a minimum, the desk review will identify the areas and issues the audit team will need to follow-up at the programme/operation Managing Authority (Phase 2).

Because the monitoring system may vary among indicators and may be stronger for some indicators than others, the audit team will need to fill out a separate PDRA Audit programme if there are different systems for the indicators audited for the selected programme. However, if indicators selected for auditing are reported through the same data collection, storing and reporting systems, only one PDRA Audit programme A System Assessment Audit programme may be completed for these indicators.

ANNEX 1 shows the list of questions included in the PDRA Audit programme A: System Assessment audit programme that the Audit team will complete based on its review of the documentation and the on-the-spot audit visits.

As the Audit team is working, it should keep sufficiently detailed notes or “working papers” related to the steps in the audit that will support the Audit team's final findings. Space has been provided on the Audit programmes for notes during meetings with programme/project staff. In addition, if more detailed notes are needed at any level of the audit to support findings and recommendations, the Audit team should identify those notes as “working papers” and the relevant “working paper” number should be referenced in the appropriate column on all PDRA templates and Audit programmes. For example, the “working papers” could be numbered and the reference number to the “working paper” noted in the appropriate column on the PDRA templates and Audit programme. It is also important to maintain notes of key interviews or meetings with monitoring managers and staff during the audit.

## **PHASE 2: PROGRAMME/PROJECT'S MANAGING AUTHORITY**

The second phase of the PDRA is conducted at the Managing Authority of the programme being audited. The steps in PHASE 2 are designed to:

6. Assess the design and implementation of the data management and reporting system at the Managing Authority's level.
7. Begin tracing and verifying outputs and results reported from Intermediate Bodies (or Beneficiaries) to the Managing Authority and to reconcile it to reported data in AIR.

During PHASE 2, the audit team should meet the head of the Managing Authority and other key staff who are involved in the data management and reporting process.

The steps in PHASE 2 are estimated to last one day.

**Step 6. Assess Data Management SYSTEMS – processes, procedures and computerised tools  
(at the Managing Authority)**

Step 6 is performed by the audit team.

While the Performance Data Reliability Audit team can determine a lot about the design of the data management and reporting system based on the off-site desk review, it will be necessary to perform on-the-spot visits at possibly three levels (Managing Authority, Intermediate Bodies and Beneficiary/ies) before a final assessment can be made about the ability of the overall system (processes, procedures and IT system) to collect, store and report reliable data. The Audit team must also anticipate the possibility that a programme/an operation may have some data reporting systems that are strong for some indicators, but not for others<sup>6</sup>. For example for ESF, a programme/operation may have a strong system for collecting data on YEI and a weak system for collecting data on Early School Leavers or strong systems for reporting unemployed/employed but weak systems for reporting inactive participants.

The Excel-based PDRA Audit programmes A : System Assessment Audit programme contains a worksheet for the audit team to complete at the Managing Authority. The audit team will need to complete the Audit programme as well as obtain documentary support for answers obtained at the programme/operation's Managing Authority. The most efficient way to do this is to interview the programme/operation's key data management official(s) and staff and to tailor the interview questions around the unresolved systems design issues following the desk review of provided documentation.

- Normally, one meeting will allow the Audit team to complete the PDRA Audit programme : System Assessment (processes and procedures) Audit programme section (worksheet) for the Managing Authority.

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<sup>6</sup> In this respect, the audit team should make itself acquainted with the provisions of Article 7 and Article 8 of the Data Protection Directive and more particularly with the different data protection standards put in place for personal and sensitive data.

It is important that the audit team include key notes and comments on the PDRA Audit programmes A: System Assessment Audit programme in order to have an overview of the overall design (and implementation) of the programme/operation data management, tools and reporting system and identify areas in need of improvement.

As the audit team completes the PDRA Audit programme A: System Assessment Audit programme (processes, tools and procedures), it should keep in mind the following two questions that will shape the preliminary findings (Step 13) and the Audit Report (drafted in Step 15 and finalized in Step 17):

*1. Does the design of the programme/operation's overall data collection, tools and reporting systems ensure that, if implemented as planned, it will collect and report quality and reliable data? Why /why not?*

*2. Which audit findings of the data management and reporting system initiate key recommendations and changes to the design in order to improve Performance Data reliability and quality? These should be documented on the PDRA Audit programme 1: System Assessment Audit programme.*

<p><b>Step 7. Data aggregation - Trace and verify aggregation of data reported by Intermediate Bodies levels at the Managing Authority</b></p>
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Step 7 is performed by the Audit team.

Step 7 is the first of three data verification steps that will assess, on a limited scale, if Beneficiaries (or for some operations sampled for the audit), Intermediate Bodies and the Managing Authority are collecting, aggregating, and reporting data accurately and on time.

The audit team will use the appropriate version of the PDRA Audit programme B: Data Verification Audit programme—for the indicator(s) being audited—to determine if the sampled beneficiaries / operations have accurately recorded the performance data based on source and supporting documents. They will then trace those data to determine if the data have been correctly aggregated as the data are submitted from the initial beneficiaries' level, through Intermediate Body's Levels, to the Managing Authority and will also need to be aggregated for some indicators at investment priority level and where applicable at OP level. The Audit programme has specific actions to be undertaken by the Audit team at each level of the aggregation / reporting system (for more detail on the PDRA Audit programme B: Data Verification Audit programme, see Steps 9 and 11) and ensure reconciliation to the data reported in AIR. In some Member States and OPs, however, beneficiaries may report directly to the Managing Authority, without passing through Intermediate Bodies. In such instances, the verifications at the Managing Authority should be based on the reports directly submitted by the beneficiaries.

While the data verification exercise implies examining the data from the level at which they are first collected and recorded, for purposes of logistics, the Managing Authority worksheet of the PDRA Audit programme B: Data Verification Audit programme can be completed first. Doing so provides the audit team with the data received, aggregated and reported by the Managing Authority and, thus with the numbers the audit team would expect at the beneficiaries and the Intermediate Body Levels.

At the Managing Authority, the steps undertaken by the Audit team on the PDRA Audit programme B: Data Verification Audit programmes are designed to:

1. Re-aggregate reported numbers from all Intermediate Bodies and/or beneficiaries and reconcile it to the AIR: Reported results from all Intermediate Bodies and/or Beneficiaries should be re-aggregated and the total compared to the number contained in the summary report prepared by the Managing Authority and inserted in the AIR. The audit team should identify possible reasons for any differences between the verified and reported results.

Calculate the Result Verification Ratio for the Managing Authority:

Sum of validated aggregation from all Intermediate Bodies

Total performance data reported for the indicator contained in the Summary Report (AIR) prepared by the Managing Authority

2. Copy results for the audited Intermediate Bodies as observed in the Summary Report prepared by the Managing Authority. To calculate the Adjustment Factor (which is necessary to derive an Indicator Correction Factor — see ANNEX 5 and the table below), the Audit team will need to find the data available at the Managing Authority for the audited Intermediate Bodies. These are likely to be contained in the Summary Report prepared by the Managing Authority or in a database reconciling with the AIR.

3. Review availability, completeness, and timeliness of reporting from all Intermediate Bodies<sup>7</sup> and/or Beneficiaries. How many reports should there have been from all Intermediate Bodies and/or Beneficiaries (for the selected and implemented operations during the reporting period)? How many are there? Were they received on time? Are they complete?

Calculate the percentage of all reports that are A) available; B) on time; and C) complete.

A) % Available Reports (available to the audit team) =

Number of reports received from all Intermediate Bodies/Beneficiaries  
Number of reports expected from all Intermediate Bodies/Beneficiaries

B) % On Time Reports (received by the due date) =

Number of reports received on time from all Intermediate Bodies or beneficiaries  
Number of reports expected from all Intermediate Bodies or beneficiaries

C) % Complete Reports =

Number of reports that are complete from all Intermediate Bodies or beneficiaries  
Number of reports expected from all Intermediate Bodies or beneficiaries

For a report to be considered complete it should include at least (1) the reported data relevant to the indicator and in the requirement measurement unit; (2) the reporting period; (3) the date of submission

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<sup>7</sup> In some cases, the number of IBs may be too high to audit all data. In those cases, the audit team should select a minimum of 10 IBs for which the reported data will be verified.

of the report; ? and (4) a signature from the staff having submitted the report. Where is the completeness of the reporting – for all selected and implemented operations?

**Warning:** If there are any indications that some of the reports have been fabricated (for the purpose of the audit), the audit team should record these reports as “unavailable” and seek other data sources to confirm the reported data (for example, an end-of-year report containing results for the reporting period being audited). As a last resort, the audit team may decide to visit the beneficiar(y)(ies) for which reports seem to be fabricated to obtain confirmation of the reported data. In any event, if these reported data cannot be confirmed, the audit team should dismiss the reports and record “0” for these beneficiaries in the PDRA Audit programme 2: Data Verification Audit programme.

Illustration: Indicator Correction Factor for the aggregation and link to data reported in AIR

Indicator Correction Factor					Auditor notes
Indicator Correction Factor	84,20%				
	Declared	Counted	Factor	Weighted average	
Managing Authority	1000	980	98,00%	98,00%	
Declared to the Managing Authority	980	914		93,27%	
Intermediary Body 1	200	156	78,00%		
Intermediary Body 2	500	478	95,60%		
Intermediary Body 3	280	280	100,00%		
Declared to the Intermediary Body	914	842		92,12%	
Beneficiary A	114	110	96,49%		
Beneficiary B	500	489	97,80%		
Beneficiary C	200	198	99,00%		
Beneficiary D	100	45	45,00%		

## PHASE 3: INTERMEDIATE BODIES LEVEL(S)

The third phase of the PDRA can take place, where applicable, at one or more Intermediate Body (reporting) levels where data reported by the selected beneficiaries / operations may be aggregated or processed with data from other beneficiaries before it is then communicated to the programme's Managing Authority. The steps in PHASE 3 are designed to:

8. Determine if key elements of the programme data management and reporting system are being implemented at the Intermediate Bodies.

9. Trace and verify reported data from the beneficiaries / operations through any aggregation or other steps performed at the intermediate Bodies.

During PHASE 3, the Audit team should meet with key staff involved in programme/operation monitoring at the relevant Intermediate Body Level — including the staff member(s) in charge of monitoring and other staff who contribute to processing the data received from beneficiaries / operations and reporting the data to the next reporting level.

*Note: As stated earlier, in some Member States, beneficiaries may report directly to the Managing Authority, without passing through Intermediate Bodies. In such instances, the audit team should not perform PHASE 3.*

The steps in PHASE 3 are estimated to take between one-half and one day.

### **Step 8. ASSESS DATA MANAGEMENT SYSTEMS AT THE INTERMEDIATE BODIES**

Step 8 is performed by the Audit team.

In Step 8, the audit team continues the assessment of the data management, tools and reporting system at the Intermediate Bodies at which data from the beneficiaries / operations is processed before being reported to the Managing Authority. Specific instructions for completing the Intermediate Body Level worksheet of the PDRA Audit programme A: System Assessment Audit programmes are found in the Excel file of the Audit programmes.

### **Step 9. Data aggregation - TRACE AND VERIFY aggregation of data FROM DATA MANAGEMENT SYSTEMS AT THE INTERMEDIATE BODIES**

Step 9 is performed by the Audit team.

The Audit team will continue with the PDRA Audit programme B: Data Verification Audit programme for Steps 9 and 11.

Verifications	Description	Required
1. Documentation Review	Review availability, timeliness and completeness of expected reports from beneficiaries / operations for the selected reporting period.	In all cases

2. Trace and Verification of adequate aggregation and reconciliation to the upper level	Trace and verify reported data: (1) Re-aggregate the numbers submitted by the beneficiaries / operations, if required; (2) Compare the verified numbers to the numbers submitted to the next level (Managing Authority); (3) Identify reasons for any differences.	In all cases

At this stage of the audit, the Performance Data Audit seeks to determine whether the intermediate Bodies correctly processed the data reported by beneficiary / operation level. If data storage is ensured at the level of intermediate bodies, the performance data audit will seek assurance that data storage is complete and accurate.

The Audit team will perform the following Performance Data audit steps for each of the selected indicators at the Intermediate Level(s):

1. Re-aggregate reported numbers from the beneficiary / operation level: reported data from the beneficiaries should be re-aggregated for the selected and implemented operations, where applicable, and the total compared to the number contained in the summary report prepared by the Intermediate Body to the MA. The Audit team should identify possible reasons for any differences between the verified and reported data.

Calculate the Result Verification Ratio for the Intermediate Body.

Sum of reported data from all beneficiaries

Total count contained in the Summary Report prepared by the Intermediate Body to the MA

2. Review availability, completeness and timeliness of data reported from all beneficiaries. How many data entries should there have been from all Beneficiaries (for the selected and implemented operations during the reporting period)? How many are there? Were they received on time? Are they complete?

Calculate percentage of all reports that are A) available; B) on time; and C) complete.

A) % Available Reports (available to the Audit team) =

$$\frac{\text{Number of reports received from the beneficiaries}}{\text{Number of reports expected from the beneficiaries}}$$

B) % On Time Reports (received by the due date) =

$$\frac{\text{Number of reports received on time from the beneficiaries}}{\text{Number of reports expected from the beneficiaries}}$$

C) % Complete Reports (i.e. contains all the data for all indicators) =

$$\frac{\text{Number of reports that are complete from the beneficiaries}}{\text{Number of reports expected from the beneficiaries}}$$

For a report to be considered complete, it should at least include (1) the reported data relevant to the indicator; (2) the reporting period; (3) the date of submission of the report; and possibly, (4) a signature from the staff having submitted the report.

**Warning:** If there are any indications that some of the reports have been fabricated (for the purpose of the audit), the audit team should record these reports as “unavailable” and seek other data sources to confirm the reported data (for example, an end-of-year report from the site containing results for the reporting period being audited). As a last resort, the audit team may decide to visit the site(s) for which reports seem to be fabricated to obtain confirmation of the reported data. In any event, if these reported data cannot be confirmed, the Audit team should dismiss the reported data and record “0” for these Beneficiaries / operations in the PDRA Audit programme B: Data Verification Audit programme.

## PHASE 4: BENEFICIARIES / OPERATIONS

The fourth phase of the PDRA takes place at beneficiaries / operations sampled for the audit where the following Performance Data Reliability audit steps are performed:

10. Determine if key elements of the programme/operation's data management and reporting system are being implemented at the beneficiaries / operations.

11. Trace and verify validity of reported data to source and supporting documents for the selected indicators and sampled operations.

During PHASE 4, the Audit team should meet with key data collection and management staff at the beneficiary level where judged necessary — including the staff involved in completing the source and supporting documents, in collecting, storing and recording the data, and in verifying the reports before submission to the next administrative level.

The steps in PHASE 4 are estimated to take between one-half and two days depending on the number of operations to be tested. More than one day may be required for large beneficiaries (with reported numbers in the several hundreds), beneficiaries that include partners, or when “spot-checks” are performed.

<b>Step 10. Assess Data collection and reporting System (at the BENEFICIARY / OPERATION LEVEL)</b>
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Step 10 is performed by the Audit team.

In Step 10, the audit team conducts the assessment of the data management and reporting system at a selection of beneficiaries / operations at which performance data are collected, store and recorded. For example for ESF, data from participants are then processed and reported to the Intermediate Bodies. Specific instructions for completing the beneficiary worksheet of the PDRA Audit programme A: System Assessment Audit programme are found in the Excel file of the Audit programme.

<b>Step 11. Trace and verify validity and accuracy of performance data to Source and supporting Documents (at the BENEFICIARY LEVEL)</b>
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**Step 11 is performed by the Audit team and is one of the critical steps.**

At the beneficiary / operation level, each indicator-specific Audit programme begins with a description of the project in order to orient the Audit team towards what performance is being measured or counted, collected and reported. This will help the audit team to identify the relevant source and supporting documents or how to validate effectively the performance data being reported at the beneficiary / operation level, which could be significantly different for various indicators. It is important to note that for the ESF, the data will very often originate from a self-declaration of the participant. In this respect, the audit trail ends at the registration form signed by the participant. In other words, the audit team should not extend the verification activities beyond this participant declaration.

Regardless of the indicator being verified, the audit team will perform some or all of the following data verification steps (Step 11 – Table 1) for each selected indicator:

<b>Verifications</b>	<b>Description</b>	<b>Required</b>
1. Identification of key supporting documents or actions to validate	Identify the performance data to be measured and the source or supporting document or actions that records, validates and evidences this performance (when the operation is selected and when the operation is implemented).	In all cases
2. Documentation Review	Review availability and completeness of all indicator source / supporting documents for the selected reporting period.	In all cases
3. Trace and Verification	Trace and verify accuracy of reported performance data reported: (1) Recount / validate the reported numbers from available source or supporting documents; (2) For ERDF / CF, see if you need to measure it on site or you can assess reasonableness through the spot visit of the operation – see also 5. Spot-checks (3) Compare the verified numbers to the beneficiary' or operation's reported number; (4) Identify reasons for any material differences.	In all cases
4. Cross-checks	Perform “cross-checks” of the verified totals where possible with other data-sources (e.g. for ESF travel documents, beneficiary files, daily allowances, etc.).	In all cases
5. Spot-checks	Perform “spot-checks” to verify the actual delivery and performance of the operation. For ESF, this step will only be possible if the target group, underlying the data, is still active in the project.	If feasible

Before starting the data verifications, the audit team will need to understand the collection, storing, recording and reporting system related to the indicator being verified at the beneficiary / operation level (i.e., from initial collection, storing and recording of the performance (notably for ESF, activity/presence) on source or supporting documents to the reporting of aggregated numbers to the next administrative level, i.e. Intermediate Body or Managing Authority).

**1. IDENTIFICATION OF UNDERLYING SUPPORTING DOCUMENTS** – Identify the performance data to be measured for the operation and the source or supporting document or actions that records, validates and evidences this performance (when the operation is selected and when the operation is implemented). This step will give the audit team a “frame of reference” for the link between the performance of the operation to be measured and the collection and recording process, and obtain an overview as to whether outside factors such as time delays and/or competing activities could compromise the accurate and timely recording of operation performance.

2. DOCUMENTATION REVIEW – Review availability and completeness of the indicator source and supporting documents for the selected reporting period.

- *For ESF, review a template of the source document (by obtaining a blank copy) and compare with the OP requirements for the reporting of the selected indicator;*
- *Check availability and completeness of source and supporting documents and ensure that all the supported documents fall within the reporting period being audited;*
- *Verify that procedures are in place to prevent reporting errors (e.g., for ESF double-counting of participants who have transferred in/out, quit or are lost to follow up (if applicable, same measurement unit...)).*

Note that the indicator-specific audit programmes have listed likely source document(s) for ESF. If the Audit team determines that other source and supporting documents are used, the team can modify the programme(s) accordingly and document in its work papers the change that has been made.

3. TRACE AND VERIFICATION – (1) Validate data reported to IB/MA for the operation / beneficiary audited from source and supporting documents, (2) For ERDF / CF, see if you need to measure it on site or you can assess reasonableness through the spot visit of the operation – see also 5. Spot-checks, (3) compare the verified numbers to the reported numbers and explain discrepancies.

Calculate the Result Verification Ratio for the operation / beneficiary:

$$\frac{\text{Validated performance data at sampled operation / beneficiary}}{\text{Reported performance data at sampled operation / beneficiary}}$$

Possible reasons for discrepancies could include simple data entry or arithmetic errors. The audit team may also need to talk to data reporting staff about possible explanations if needed. This step is crucial to identifying ways to improve Performance Data Reliability at the beneficiaries. It is important to note that the audit team could find (significant) mistakes at a site “in both directions” (i.e., over-reporting and underreporting), that results in a negligible difference between the reported and recounted figures — but are indicative of major Performance Data problems. Likewise, a one-time mathematical error could result in a significant difference. Thus, in addition to the correction factor calculated for the site, the audit team will need to consider the nature of the findings before drawing conclusions about Performance data at the beneficiary.

4. CROSS-CHECKS – Perform feasible cross-checks where possible of the verified report totals with other data sources. For example for ESF, the team could examine separate records documenting the travel expenditure or allowances reimbursed to participants during the reporting period to see if these numbers corroborate the reported results. Other cross-checks could include, for example for ESF, comparing beneficiary staff presence (holidays) with reported training delivery moments.

The Audit team can add cross-checks to the Audit programme, as appropriate.

Calculate percentage differences for each cross-check.

5. SPOT CHECKS – Spot-checks to verify the actual performance of the operation can also be done (important for ERDF/CF), time and resources permitting. For ESF, spot-checks entail selecting a number of participants (e.g., three to five) from source documents and verifying that they actually

received the services recorded. For ERDF/CF, spot-checks entail to measure the performance on the spot (possibly with the help of experts) or to assess reasonableness through the spot visit of the operation (also possibly with the help of experts).

For ESF, spot-checks can be performed in two ways: (1) the audit team obtains the names of participants and interviews them; or (2) the audit team requests representatives of the beneficiary to contact the participants and asks them to be available for a on the phone discussion with the audit team or, if available to come to the beneficiary's premises (for example the next day).

As noted above, while the five data verification steps of the PDRA Audit programme B: Data Verification Audit programme, it can be modified to better fit the investment priority and related operations context (e.g., add cross-checks, modify the reference source / supporting document). Major modifications should be discussed with audit supervisor / team leader.

## PHASE 5: MANAGING AUTHORITY

In the fifth phase of the PDRA, the audit team will return to the programme Managing Authority. The steps in PHASE 5 are to:

12. Consolidate the assessment of Data Management Systems;
13. Draft preliminary findings and recommendation notes;
14. Conduct a wrap-up meeting.

Complete the assessment of the data management and reporting system by answering the 13 principal summary audit questions.

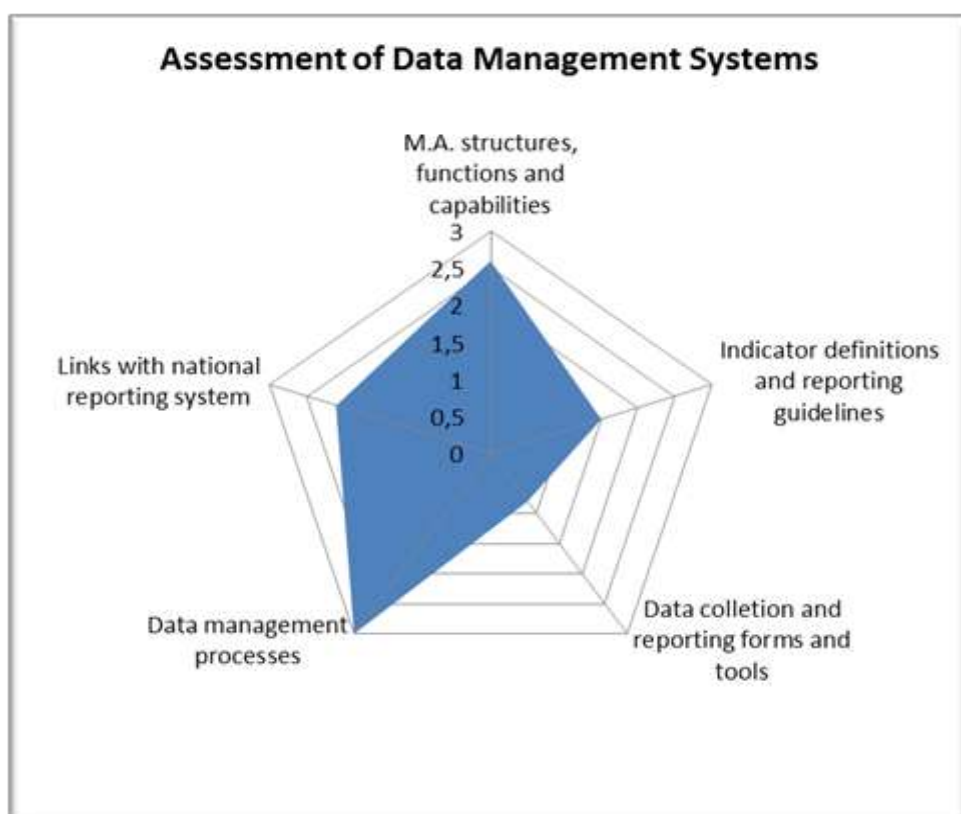
<b>Step 12. Consolidate the assessment of Data Management Systems</b>
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Step 12 is performed by the Audit team.

By Step 10, the Excel file worksheets of the PDRA Audit programme A: System Assessment Audit programme related to the Managing Authority, the Intermediate Bodies, and the Beneficiaries will have been completed if in the scope of audit work. Based on all responses to the questions, a summary table (Step 12 – Table 1) will be automatically generated, as will a summary graphic of the strengths of the data management and reporting system. The results generated will be based on the number of “Yes, completely,” “Partly,” and “No, not at all” responses to the questions on the PDRA Audit programme 1: System Assessment Audit programme.

Assessment of Data Management and Reporting System (Illustration) (see page below).

Organisations concerned	M.A: Structures, Functions and Capabilities	Indicator Definitions and Reporting Guidelines	Data Collection and Reporting Forms and Tools	Data Management Processes	Links with National Reporting System	Average
Managing Authority	1,83	2,20	0,50	1,90	3,00	<b>1,89</b>
Intermediary Body 1	2,10	2,50	1,00	2,10	2,60	<b>2,06</b>
Intermediary Body 2	2,30	2,30	0,50	2,30	2,90	<b>2,06</b>
Beneficiary 1	2,40	2,60	2,40	2,40	3,00	<b>2,56</b>
Beneficiary 2	3,00	2,90	0,10	3,00	1,70	<b>2,14</b>
Beneficiary 3	1,90	1,90	1,90	1,90	3,00	<b>2,12</b>
Beneficiary 4	1,40	1,40	0,30	1,40	3,00	<b>1,50</b>
Beneficiary 5	2,00	2,40	1,20	2,00	3,00	<b>2,12</b>
Beneficiary 6	2,80	2,80	0,40	2,80	3,00	<b>2,36</b>
Beneficiary 7	1,70	1,70	1,70	1,70	2,90	<b>1,94</b>
Beneficiary 8	2,60	1,00	0,80	2,60	3,00	<b>2,00</b>
Average	<b>2,18</b>	<b>2,15</b>	<b>0,98</b>	<b>2,19</b>	<b>2,83</b>	



Legend	
Complies completely	2,6 – 3
Complies partly	1,6 – 2,5
Does not comply	< 1,5

Interpretation of the Output: The scores generated for each functional area on the beneficiaries, Intermediate Bodies, and Managing Authority pages are an average of the responses which are coded 3 for “Yes, completely,” 2 for “Partly,” and 1 for “No, not at all.”

Responses indicating “N/A” or “Not Applicable,” are not factored into the score. The numerical value of the score is not important; the scores are intended to be compared across functional areas as a means to prioritizing system strengthening activities. That is, the scores are relative to each other and are most meaningful when comparing the performance of one functional area to another. For example, if the system scores an average of 2.5 for ‘Monitoring structure, functions and capabilities’ and 1.5 for ‘Data-collection and reporting forms/tools,’ one would reasonably conclude that resources would be more efficiently spent strengthening the latter. The scores should therefore not be used exclusively to evaluate the information system. Rather, they should be interpreted within the context of the interviews, documentation reviews, data verifications, and observations made during the PDRA exercise.

Using these summary statistics, the Audit team should answer the questions on the Audit summary question worksheet of the Audit programme (see Step 12 – Table 2).

Step 12 – Table 2

Summary Audit Questions		
Member State:		
Operational Programme:		
Indicator:		
Question	Answer  Yes - completely Partly No - not at all N/A	Comments
1. Are key monitoring and evaluation and data-management staff identified with clearly assigned responsibilities?		
2. Have the majority of key monitoring and evaluation and data-management staff received the required training?		
3. Has the OP clearly defined what is reported to who, and how and when collecting, storing, recording and reporting is required?		
4. Are the pre-defined indicator definitions meeting relevant standards and OP information that are systematically followed by all beneficiaries and Intermediate Bodies?		
5. Are there standard data collection and reporting forms that are systematically used?		
6. Are data recorded with sufficient precision/detail to measure relevant indicators?		
7. Are data maintained in accordance with national/regional guidelines?		
8. Are source and supporting documents kept and available?		
9. Are there clear procedures and processes of collection, aggregation, and verification steps?		
10. Are Performance Data challenges identified and are mechanisms in place for addressing them?		
11. Are there clearly defined and followed procedures to identify and reconcile discrepancies in reports?		
12. Are there clearly defined and followed procedures to periodically verify source data?		
13. Does the data collection and reporting system of the operation link to the national OP reporting system (where applicable)?		

To answer these questions, the Audit team will have the completed PDRA Audit programme A: System Assessment Audit programme worksheets for each beneficiary and level visited, as well as the

summary table and graph of the findings from the Audit programme (see 'radar' graph in the illustration above). Based on these sources of information, the Audit team will need to use its judgment to develop an overall response to the Audit Summary Questions.

### **Step 13. DRAFT PRELIMINARY FINDINGS AND RECOMMENDATION NOTES**

Step 13 is performed by the Audit team.

By Step 12, the audit team will have completed if in the scope of the audit work the system assessment and data verification Audit programmes on selected indicators. In preparation for its wrap-up meeting with the Managing Authority, in Step 13 the audit team gathers the preliminary findings and recommendation notes for performance data issues found during the audit. These preliminary findings and issues are presented to the Managing Authority and form the basis for the audit report (Steps 15 and 17).

The preliminary findings and recommendation will be based on the results of the work done:

- The notes columns of the Audit programmes in which the Audit team has identified and supported the findings related to: (1) the assessment of the computerised system, (2) the assessment of the data-management and reporting system; and (3) the verification of a sample of data reported through the system. In each Audit programme, the final column requests a check (✓) for any finding that requires a key recommendation.
- Work papers further documenting evidence of the audit team's audit findings.

The assessment should also stress the positive aspects of the programme's monitoring and evaluation system. It is constructive to include in the report a general (horizontal) section that underlines the areas of "good practice" and "best practice". It is equally important to emphasize that a finding does not necessarily mean that the programme is deficient in its data collection system design or implementation. The programme may have in place a number of controls and effective steps to ensure that data are collected consistently and reliably.

Nevertheless, the purpose of the PDRA is to improve Performance data reliability. Thus, as the audit team completes its data management system and data verification reviews, it should clearly identify evidence and findings that indicate the need for key improvements to strengthen the design and implementation of the monitoring system. All findings should be backed by evidence that the audit team can quote from and provide along with its recommendation notes.

Examples of findings related to the design and implementation of data collection, reporting and management systems include:

- The lack of adequate aggregation process and data verification steps.
- Unclear and/or inconsistent guidance provided to beneficiaries or/and applied in practise about what, how to measure performance, when or to whom report data is to be submitted.
- The lack of qualified staff to review and question validity of submitted beneficiary reports.
- The lack of a process to address incomplete or inaccurate submitted reports.

- Differences between OP indicator definitions and the definition as cited on the data collection forms.
- The lack of standard data collection process and forms.

Examples of findings related to verification of data produced by the system could include:

- A disconnect between the actual performance of the operation and what is captured by the source or supporting documents or what is recorded in the (computerised) system and included in the AIR.
- Incomplete or inaccurate source or supporting documents.
- Data entry and/or data manipulation errors.
- Misinterpretation or inaccurate application of the common indicator definitions or measurement unit.

Draft recommendation(s) include the following:

In the recommendation(s), the audit team should refer to the evidence found that indicates a threat to the performance data reliability. The team should also provide one or more recommended actions to prevent recurrence. The audit team should propose a deadline for the recommended actions to be completed and seek agreement from the Managing Authority. The audit team should be aware that (significant) changes to IT systems require time and funding. Any proposed modifications should therefore be discussed with the Managing Authority and possible alternatives should be explored.

<b>Step 14. CONDUCT AN EXIT MEETING</b>
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Step 14 is performed by the Audit team.

At the conclusion of the site visits, the audit team leader should conduct an exit meeting with senior programme monitoring and evaluation officials and representatives from the Managing Authority to:

1. Share the results of the data-verifications (recounting exercise) and system review;
2. Present the preliminary findings and recommendation notes; and
3. Discuss potential steps to improve Performance data.

A face-to-face wrap-up meeting gives the programme's data management staff the opportunity to discuss the feasibility of potential improvements and related timeframes. The audit team leader should stress, however, that the audit findings at this point are preliminary and subject to change once the audit team has had a better opportunity to review and reflect on the evidence collected on the audit programmes and in its work papers.

The audit team should encourage the Managing Authority to share relevant findings with the appropriate stakeholders at the Member State-level. The audit team should also discuss how the findings will be shared by the Managing Authority with the audited beneficiaries and Intermediate Body Levels.

As always, the wrap-up meeting and any agreements reached on the identification of findings and related improvements should be documented in the audit team's work papers in order to be reflected in the draft (and final) audit report.

## PHASE 6: COMPLETION

The last phase of the PDRA takes place in the Commission. However, phone meetings or e-mail correspondence with the monitoring and evaluation officials or other representatives e.g. from the Managing Authority is always beneficial. The steps in PHASE 6 are designed to:

15. Draft audit report.

16. Discuss the draft audit report with management and with the Geographical Unit.

17. Complete the draft audit report and communicate the findings and recommendations, to the Managing Authority requesting their reaction within two months of sending the report.

18. Analyse the reply from the Managing Authority and prepare the final report after consultation of the analysis with Geographical Unit management.

19. As appropriate, send the final report to the Managing Authority and initiate follow-up procedures to ensure that agreed upon changes are made.

The steps in PHASE 6 are estimated to take between two and four weeks.

### Step 15. DRAFT AUDIT REPORT

Step 15 is performed by the Audit team.

Within 1-2 weeks (or according to internally defined deadlines), the Audit team should complete its review of all of the audit documentation produced during the mission and complete a draft audit report with all findings and suggested improvements. Any major changes in the audit findings made after the wrap-up meeting in the member state should be clearly communicated to the programme officials. The draft of the audit report will be sent to the programme's management staff.

### Step 16. ANALYSE FEEDBACK FROM MEMBER STATE

Step 16 is performed by the Audit team.

The programme's Managing Authority will be given an opportunity to provide a response to the audit findings. To build consensus and facilitate Performance Data improvements, the audit team needs to consider the replies given to the draft audit report by this Managing Authority. This response and its assessment by the audit team will need to be included in the final audit report.

### Step 17. FINALIZE AUDIT REPORT

Step 17 is performed by the Audit team.

Once the Managing Authority has reviewed the draft audit report (given a time limit of two months) and provided feedback, the audit team will complete the final audit report. While the audit team should consider the reply given, it is important to note that the content of the final audit report is determined by the Audit team exclusively.

<b>Step 18. INITIATE FOLLOW -UP OF RECOMMENDED ACTIONS</b>
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Step 18 is performed by the Geographical Unit.

The Managing Authority will be expected to send follow-up correspondences once the agreed upon changes/improvements have been made. If the Geographical Unit wants the audit unit to be involved in the follow-up of identified strengthening measures, an appropriate agreement may be reached. The Geographical Unit should maintain a “reminder” file (A-rep or Mapar) to alert itself as to when these notifications are due. In general, minor Performance Data issues should be remedied in one to two months and major issues in three to six months.