

PEMOPAL



Kristianstad
University
Sweden

Giuseppe Grossi

PhD/Prof. in Public Management and Accounting

E-mail: giuseppe.grossi@hkr.se; giuseppe.grossi@nord.no

PERFORMANCE AUDITING AT EUROPEAN COURT OF AUDITORS



ECA role and tasks

articles 285, 286 and 287
of the Treaty on the Functioning of the EU (TFEU)



Examines whether EU **policies and programmes** reach their **objectives**



Examines **all revenue and expenditure** in the accounts of the EU and its agencies and decentralised bodies



Delivers **opinions** at the request of one of the EU institutions and reviews on its own initiative



Assesses whether **financial management has been sound**



Assists the European Parliament and the Council by providing the audit reports used in the **discharge procedure**



Provides a **Statement of Assurance** on the reliability of the accounts and the legality and regularity of the transactions underlying them

MISSION: Through our independent, professional and impactful audit work, **assess the economy, effectiveness, efficiency, legality and regularity of EU action to improve accountability, transparency and financial management**, thereby enhance citizens' trust and respond effectively to current and future challenges facing the EU.

ECA tasks and outputs

TASKS

Recurrent tasks

Non-recurrent tasks

Annual reports

Specific annual reports

Special reports on performance audits

Reviews

Opinions

EU budget and European Development Funds

EU's agencies, decentralised bodies, joint undertakings, etc.

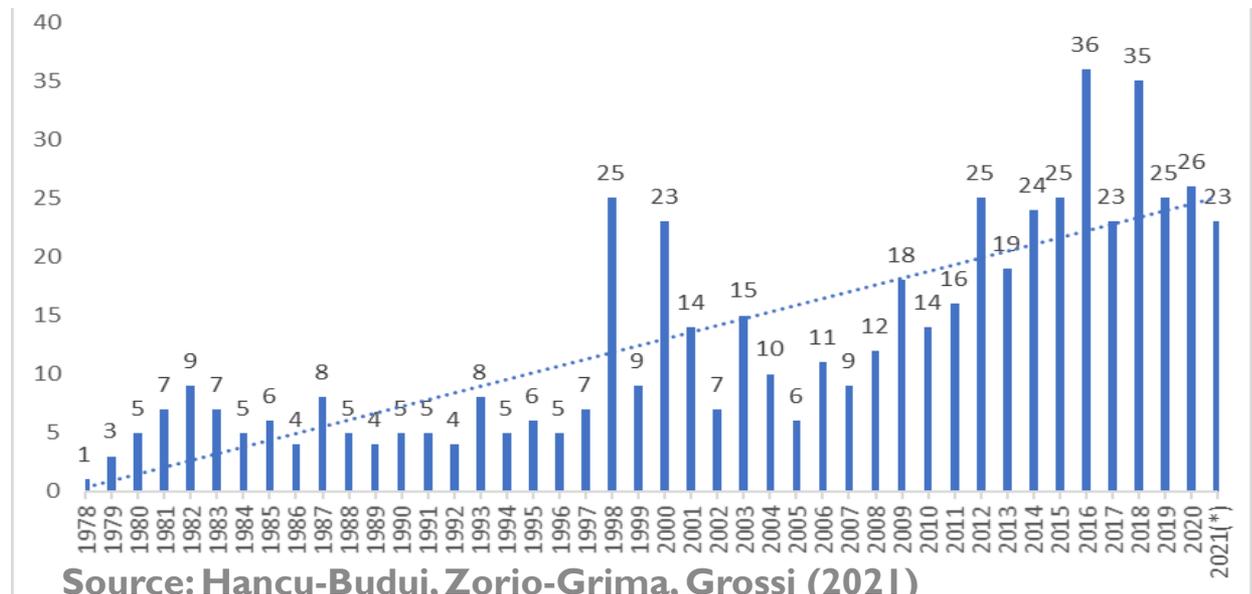
audits of specific spending or policy areas, or budgetary or management issues

description and analysis of specific topics

new or updated laws impacting EU financial management

Source: <https://methodology.eca.europa.eu/aware/PA/Pages/Concepts/default.aspx>

Special Reports on Performance Audits



Performance Auditing at ECA

- Performance audit is an independent, objective and reliable examination of whether undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of **economy**, **efficiency** and **effectiveness**, and whether there is **room for improvement**
- ECA's performance audits should provide information that is oriented towards the performance achieved and is of primary interest to the European Parliament, the Council, the Commission and other audited bodies
- This means that, rather than being driven by control and process concerns, the ECA's performance audits should focus on performance achieved and assess the effect of audit findings in terms of **economy**, **efficiency** and **effectiveness**

The screenshot shows the AWARE PUBLIC website interface. At the top, the logo 'AWARE PUBLIC' is on the left, and navigation links 'General', 'Compliance', 'Financial', and 'Performance' are on the right. The main heading is 'Concepts of performance audit'. Below this, there are two tabs: 'HIGHLIGHTS' (selected) and 'PAGES'. A text block states: 'These links will lead you to concepts and knowledge we have selected that are specific to performance audits. For the full range of relevant concepts click on PAGES above.' Below this is a grid of concept tiles. The 'Concepts' row includes: Sound Financial Management, Economy, Efficiency, Effectiveness, Intervention logic, European added value, and Best practice. The 'Useful knowledge' row includes: Management modes, Internal control for performance, Evaluation, and Evaluation vs Performance audit.

Economy

The principle of economy requires that the resources used by the auditee are made available in due time, in appropriate quantity and quality and at the best price

Risks and issues relating to keeping the costs low

Issues of economy arise when an entity or activity could reduce the costs of inputs significantly for a given level of outputs or results. General risks in this area can include:

- » waste, i.e. using resources which are not necessary for the achievement of the desired outputs or results;
- » overpaying, i.e. obtaining resources which are used, but could have been obtained at a lower cost; and
- » gold-plating, i.e. paying for a higher quality of input than that required to achieve the desired outputs or results.

An audit of economy is therefore concerned with determining whether the most appropriate and lower-cost inputs are chosen to achieve the given objectives. It will deal with issues such as whether:

- » the audited entity acquires the appropriate type, quality and amount of resources at the minimum cost;
- » the audited entity manages its resources with a view to minimising overall outlay;
- » the intervention could have been designed or implemented in another way which would have resulted in lower costs.

Efficiency

The principle of efficiency concerns the best relationship between the resources employed, the activities undertaken and the achievement of objectives

Risks and issues related to making the most of available resources

Issues of efficiency arise when an entity or intervention could increase the amount or quality of outputs or results without increasing the use of resources. General risks in this area can include:

- » leakages, i.e. resources used do not lead to the desired outputs;
- » non-optimal input/output ratios (e.g. low labour efficiency ratios);
- » slow implementation of the intervention; and
- » failure to identify and control externalities, i.e. costs imposed on individuals or entities falling outside the boundary of the intervention or organisation.

Efficiency is closely related to the concept of "productivity" and the key question is whether outputs or results have been maximised in terms of quantity, quality and timing for the level of resources available. The audit will deal with issues such as whether:

- » outputs or results have been produced cost-effectively;
- » there are any avoidable bottlenecks or unnecessary overlapping.

Comparing resources used to output and/or results achieved

Effectiveness

The principle of effectiveness concerns the extent to which the objectives pursued are achieved through the activities undertaken

Risks and issues related to achieving the stipulated aims or objectives

Issues of effectiveness arise when an entity or intervention does not produce the expected outputs, results or impacts. General risks in this area can include:

- » faulty policy design, e.g. inadequate assessment of needs, unclear or incoherent objectives, inadequate means of intervention or impracticability of implementation; and
- » management failures, e.g. objectives not being met, management not prioritising the achievement of objectives.

An audit of effectiveness is therefore concerned with measuring the extent to which the different types of objectives have been achieved:

- » operational objectives (outputs): the audit assesses the extent to which the intended outputs have been produced and normally involves the examination of the operations internal to the organisations which are responsible for the implementation of the intervention;
- » immediate objectives (results): the audit assesses whether the intervention had clear and positive results for direct addressees at the end of their participation and normally involves examining monitoring information produced by the implementing organisations as well as obtaining information from direct addressees;
- » intermediate and global objectives (impacts): the examination extends beyond the boundaries of the audited entity and seeks to measure the impacts of the public intervention. This requires the audit to take account of exogenous factors and to produce evidence that the impacts observed are actually produced by the public intervention concerned and are not the consequences of such factors.

The audit of effectiveness will therefore concentrate on outputs, results or impacts:

Assessing impact is difficult

Assessing outputs or results is often more practical

The Audit Process for Performance Auditing

1 Selecting topics

- Members choose policy areas and issues, allocate resources and draw up the annual work programme.

2 Planning

- Chambers determine whether the tasks are realistic, feasible and likely to add value.
- Chambers agree the objectives, scope, approach and timetable of each task.

3 Field work

- Teams collect, document and analyse evidence, and discuss findings with colleagues and the auditee.

4 Reporting

- Chambers prepare and approve draft reports with main findings, conclusions, recommendations.
- Discussion of draft reports with auditees (adversarial procedure) and receipt of written replies from auditees.

5 Approval

- Members approve reports accompanied by auditee replies.

6 Publication

- The ECA publishes reports in 24 official languages, together with the replies of auditees.

7 Follow-up

- The ECA assesses corrective action taken by auditees in response to reports published.



EUROPEAN
COURT OF
AUDITORS

EN

GUIDE TO OUR METHODOLOGY



This document summarises our methodology for carrying out our audits and other professional tasks. It presents key principles, processes and methods, and includes links to our online guidance platform "AWARE" (in English) where you can find more detailed information.

Source: ECA (2023), Guide to our methodology

ECA Strategic Areas

1) **The Union's economic competitiveness** is the first strategic area, and the subject of audit tasks such as digital transformation, artificial intelligence, and labour markets



2) Security and migration are covered by ECA audit work under the **strategic priority area Resilience to threats to the Union's security, and respect for the European values of freedom, democracy and rule of law**, where ECA has audit tasks in areas such as aid for migrants and refugees, military mobility, and the rule of law

3) To fight against global climate change under the **strategic priority area Climate change, the environment, and natural resources**.

ECA Strategic Areas

Horizontal areas: Across all strategic areas, ECA plan to examine the **Recovery and Resilience Facility (RRF)**, covering topics such as control systems in member states, and the instrument's green and digital pillars.



EU expenditure 2021-2027



Several audits are also dedicated to another horizontal area: **combating fraud**

Source: ECA (2023), 2024+ Work Programme

2024+ Work Programme