

**PERFORMANCE AUDIT WITH EVALUATIVE APPROACH: PRACTICAL
EXAMPLE**



TRIBUNAL DE CUENTAS

SPANISH COURT OF AUDIT

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FLASH SESSION WGEPPP, NOVEMBER 29Th, 2023

As an introduction

What do we mean by the term performance audit with an evaluative approach?

Analogies and differences between performance audit (PA) and evaluation of public policies and programs (EPP)

Qualitative and quantitative methods

What are the most applicable EPP criteria in PA?

The outline of the evaluation process (INTOSAI GOV 9400)

What do we mean by the term performance audit (PA) with an evaluative approach?

Analogies

Differences

Applying criteria, methods, techniques, and principles specific to the evaluation of public policies and programs (**EPP**).

- ✓ Examination of a public policy or program.
- ✓ They share core aspects: analysis, diagnosis, criteria, and methodology.
- ✓ Use of similar techniques for data collection and analysis.
- ✓ Specific training (knowledge, skills, and experience).
- ✓ In the **EPP**, collaboration with stakeholders in the process is of great importance. In operational auditing (**PA**), it is envisaged but not generally used.

- ✓ Timing: **EPP** can be carried out ex-ante.
- ✓ **PA** focuses on compliance with the criteria of the three Es: effectiveness, efficiency, and economy. **EPP** focuses on relevance, impact, utility, coherence, and sustainability.
- ✓ In **EPP**, both quantitative and qualitative analysis methods are used. In **PA**, qualitative methods predominate.
- ✓ **PA** is based on technical auditing standards (ISSAI 300): greater rigor and demand for adequate and sufficient evidence.

Qualitative methods

- ✓ Information Collection Techniques
- ✓ Documentary analysis
- ✓ Individual interviews
- ✓ Group dynamics
- ✓ Surveys
- ✓ Direct observation
- ✓ Case studies
- ✓ Qualitative information analysis techniques
- ✓ Quantitative analysis
- ✓ Content analysis
- ✓ Cognitive frame analysis

Quantitative methods

- ✓ Quasi-experimental:
Impact/Counterfactuals
- ✓ Matching methods (Propensity Score matching)/ Dynamic Matching
- ✓ Difference-in-Differences Approaches
- ✓ Regression Discontinuity
- ✓ Instrumental Variables
- ✓ Quantile treatment effects methods
- ✓ Efficiencies/Economies
- ✓ Cost-Benefit Analysis
- ✓ Cost-Efficiency Analysis
- ✓ Technical Efficiency Frontiers
- ✓ Causality Models
- ✓ Microsimulators with or without behavior

What are the most applicable EPP criteria in PA?

Relevance: It aims to analyze whether the objectives established for the program or policy adequately address real needs and existing problems.



The SAI should not go so far as to prescribe the policy orientation: **We are not a policy maker!!!!**

This criterion could, depending on the SAI's mandate, be limited to analyzing whether the allocated resources are properly aligned with the intended objectives. This approach would help determine impediments to achieving these objectives. Based on the results obtained, it would be advisable to reflect on their validity or consider modifications.

External coherence: Measures the convergence or contradiction with other programs and public policies.

Internal coherence: Measures the correspondence and interaction between different objectives and the objectives, actions, and measures designed and implemented.

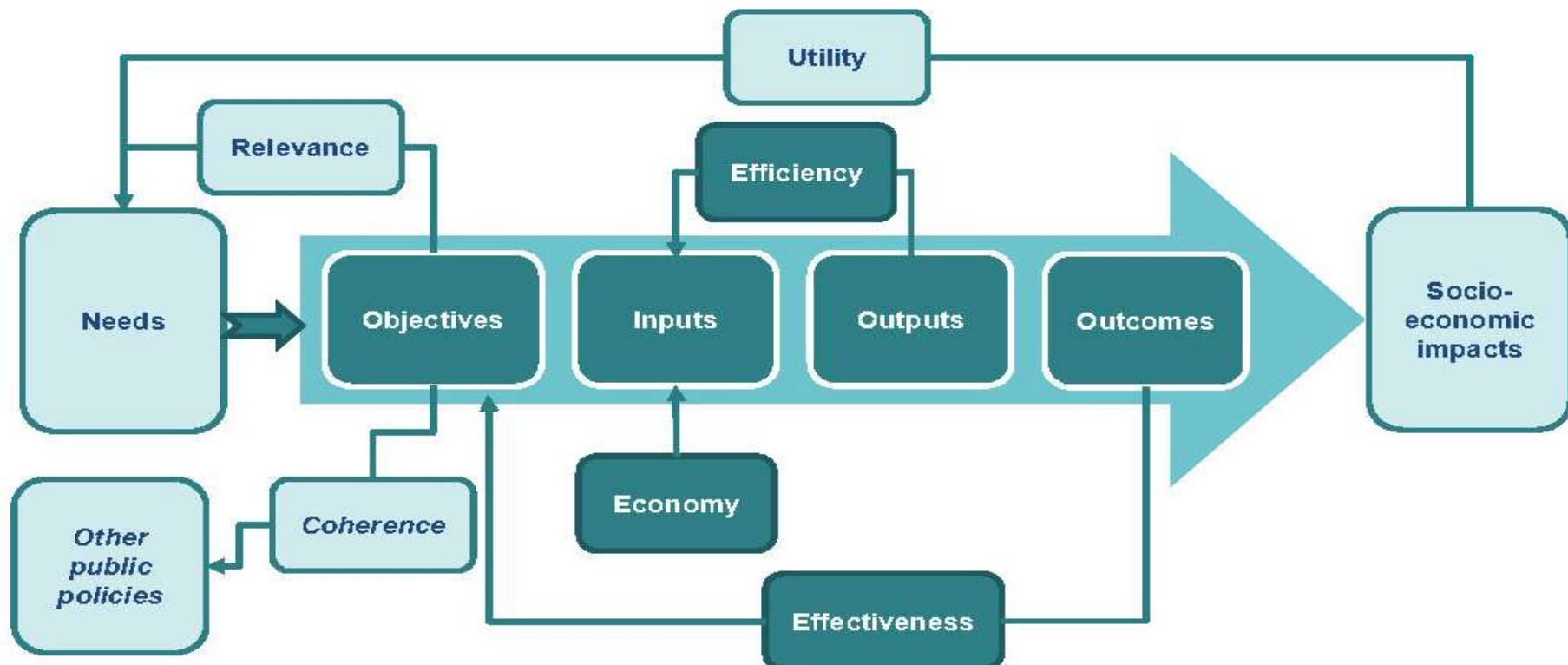
What are the most applicable **EPP** criteria in **PA**?

Impact: Delayed effects or those that occur in the medium or long term, typically affecting other individuals besides the target recipients.

Utility: Seeks to answer the question of whether the policy was worthwhile, considering all its direct effects (results) and indirect effects (impacts), including those unforeseen or unintentional, as well as, on the other hand, the needs that the policy aimed to satisfy.

Equity: Refers to the extent to which public interventions follow equitable and non-discriminatory distribution criteria.

THE EVALUATION OF PUBLIC POLICIES



 Specific to evaluation of public policies

 Used in classic Performance audit as well as in evaluation of public policies

Audit report¹:

Social Security contribution rebates for the conversión of certain types of temporary employment contracts into permanent ones

What are Social Security contribution rebates (bonuses/allowances), and what are they used for?

These are deductions in payments, calculated as a percentage and applied in order to reduce the Social Security costs for companies and maximise the access of certain groups to the employment market

The companies pay less because the Government want, through a public action to promote the access of certain vulnerable groups of workers to the labour market

INCENTIVE TO TRANSFORM: Temporary contracts → Permanent contracts

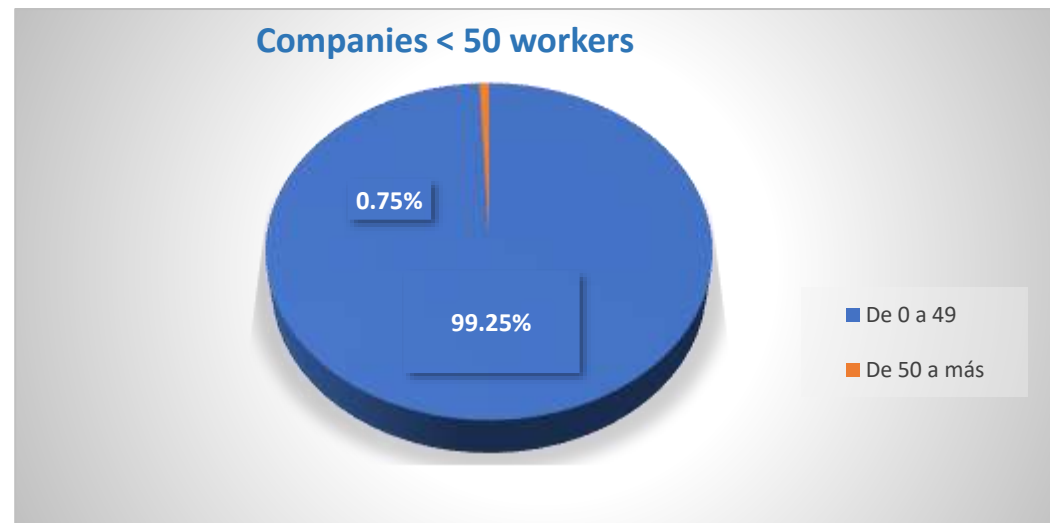
- ✓ Traineeship Contracts
- ✓ Relief Contracts
- ✓ Replacement in advance of retirement age

What are the requirements for companies to be able to apply Social Security contribution rebates?

Article 7 (Law 3/2012)

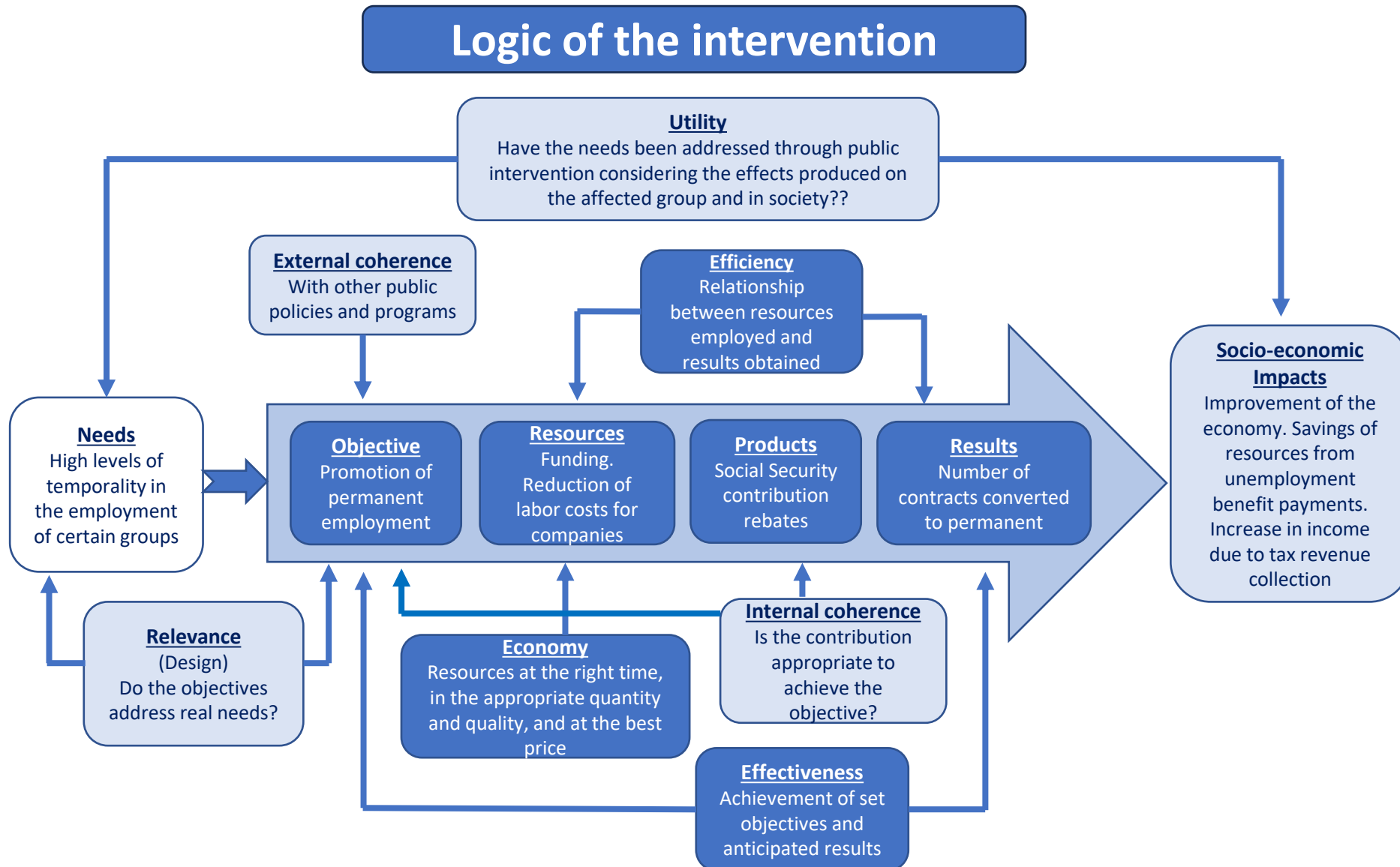
“1. Companies that convert a specific type of **temporary contract** into a permanent ones shall be entitled to an allowance on the employer's social security contributions of **500 euros/year, for three years**. In the case of women, these bonuses will be **700 euros/year**.

2. **Companies with fewer than fifty workers** at the time of hiring may be beneficiaries of the bonuses established in this article....



What are the requirements for companies to be able to apply Social Security contribution rebates?

Nature:	Allowance of contributions
Validity:	12/02/2012 – current
Duration:	3 years
Description and amount:	Bonus in the company's social security contribution of: <ul style="list-style-type: none"> — Men: EUR 500/year (EUR 41.67/month) — Women: EUR 700/year (EUR 58.33/month)
Regulations:	RDL 3/2012. Law 3/2012, art. 7. RDL 16/2013
Worker Requirements:	Have a traineeship, relief or replacement in advance of retirement age
Company Requirements:	Enterprises with fewer than 50 employees at the time of the transformation into permanent traineeships, at the end of their initial or extended duration, or contracts for relief or replacement in advance of retirement age, regardless of the date of their conclusion
Amount period:	EUR 58 796 362,23 (period 2012-2019)



Audit tests to be carried out: evaluative approach

RELEVANCE DESIGN

- ✓ Background analysis.
- ✓ Reasons for its approval.
- ✓ Objectives to be achieved and design of indicators.
- ✓ Previous studies and evaluation and monitoring reports (State Agency for the Evaluation of Public Policies and the Quality of Services and Independent Authority for Fiscal Responsibility).

EXTERNAL COHERENCE:

CIRCULARISATION OF AUTONOMOUS COMMUNITIES

- ✓ Analysis of OTHER AID for companies related to the group of these allowances.
- ✓ Contrasting the degree of COMPLEMENTARITY and possible SYNERGIES between them.

MEETINGS WITH STAKEHOLDERS (ISSAI 300)

- ✓ Spanish Confederation of Small and Medium Enterprises.
- ✓ Trade Union Unión General de Trabajadores.
- ✓ Trade Union Comisiones Obreras.

Audit tests to be carried out: evaluative approach questions

CRITERIA	AUDIT QUESTIONS
Relevance	<ul style="list-style-type: none"> - Has the problem behind the intervention been correctly identified? - Do the objectives that are intended to be achieved with this type of bonus adequately respond to real needs and problems existing in the collective of workers to whom it is directed?
Internal Coherence	<ul style="list-style-type: none"> - Can it be said that activities and results make it possible to achieve the objectives logically? - Are these bonuses considered to have been appropriate instruments (products/shares) for the generation of stable employment or to reduce temporality in the groups for which they were defined (objectives)? - Has the structure of objectives, results and activities of the intervention been correctly defined? - Does the intervention contain an appropriate and practical system of indicators sufficient to be able to monitor and evaluate the implementation of the policy, as well as its degree of success? - Are legal, human, technical and financial resources and other measures established, appropriate for the achievement of the objectives?
External Coherence	<ul style="list-style-type: none"> - Have the actions of the different public administrations aimed at the same objective been coordinated? - Are there any other public aid or subsidies aimed at promoting the indefinite conversion of temporary contracts and to what extent compatible with these subsidies?

Audit tests to be carried out: evaluative approach questions

Economy	- Are the financial resources appropriate to meet the objectives of the bonus?
Effectiveness	<ul style="list-style-type: none"> - To what extent have the objectives been met? - What concrete actions of the policy have favoured the achievement of the expected objectives? - Have there been any factors external to the evaluation that have influenced the resolution of the problems identified?
Efficiency	<ul style="list-style-type: none"> - What has been the cost of the objectives achieved? - Is it considered that the financial resources applied have achieved the best possible results and have the resources been used in the most economical way possible?
Result	<ul style="list-style-type: none"> - Have the bonused workers continued to work on an indefinite contract after the end of the 3-year bonus period? - Can the results obtained be attributed only to the quota bonus policy?
Impact	- What have been the effects of these quota bonuses on the workers who have enjoyed them, and on society as a whole?
Sustainability	<ul style="list-style-type: none"> - Is it likely that the programme's achievements will continue after the intervention is over? - Do the participating counterparts have the will and the ability to continue the activities of the programme on their own?
Equity	<ul style="list-style-type: none"> - Have equity criteria been used in the definition of public policy objectives? - What is the impact of these bonuses on the increased recruitment of men or women?
Utility	- Have the needs been resolved with public intervention in view of the effects on the affected collective and on society?

Audit tests to be carried out: Stakeholders

**Confederation of Small and Medium
Enterprises**

**Trade Union Comisiones
Obreras**

Companies

Universities

**Trade Union General
Workers' Union**

**Association of Labour
Advisers**



Audit tests to be carried out: Stakeholders

Meeting with trade unions and employers' associations: Items to be discussed at the meeting

- The **effectiveness** of the quota allowance policy and, in particular, those aimed at the permanent conversion of temporary contracts.
- **Possible changes in regulations or employment policies** in order to increase the quality of employment and incentivise the permanent recruitment and maintenance of workers in their jobs, once the bonus is finalised.
- **Reports, studies or analyses carried out** by the Trade Union/Business Association on the bonuses of social security contributions as a measure to encourage employment.

Findings: Stakeholders

From the employers' organisation:

- ✓ Favourable to the existence of hiring incentives as one of the pillars of active employment policies.
- ✓ Considers that in depth analysis of incentives is necessary in order to improve performance effectiveness and efficiency in employment.
- ✓ The absence of durability in the time of the converted contracts, since it is observed that, once the bonus period has ended, the indefinite employment relationship also ends.

Proposal: Design of objectives and indicators in order to be able to determine the effectiveness and impact of incentives. They also add the need for evaluations showing how public resources have been invested and how the return on investment has been.

Findings: Stakeholders

From Trade Unions:

- ✓ Hiring incentives **are not useful for job creation**, but instead produce a substitution effect that redistributes employment to target groups.
- ✓ The lack of effectiveness of the bonuses occurs when in their design, **they do not target groups of special difficulty**, such as disabled or vulnerable groups, but to groups in general.
- ✓ **High deadweight** of hiring incentives.


Proposal: promoting the role of the **work tutor** in charge of advice, guidance and elaboration of personalised employment pathways, as well as training and retraining activities.

Proposal: carrying out evaluations, both internal and carried out by external bodies.

Main findings: RELEVANCE & DESIGN

- **Law 43/2006** did **NOT** contemplate the performance of evaluation:
- **AEVAL 2009 Report**: Recommendations: Redesign of the bonus policy and evaluation of its adequacy to the real needs of the labor market: **NOT** carried out.
- **Memorandum of Regulatory Impact Analysis of RD-Law 3/2012**: It does **NOT** define specific objectives/indicators (necessary for subsequent evaluation) and does **NOT** justify the distinction of 1500€/2100€ by gender.
- **Law 3/2012**: Rationalize the bonuses. It foresees the continuous evaluation of active employment policies that, at the time of the report's approval, had **NOT** been carried out.
- **SEPE/Secretariat of State for Employment and Social Economy**:
 - ✓ Indicators, ratios, standards, strategic plans... **NOT** stated.
 - ✓ Study on the amount of the bonus, the distinction of the amount by sex... **NOT** stated.
 - ✓ Motivation on sectors of SMEs most in need of incentives... **NOT** stated.
 - ✓ Justification as to why these P/R/S contracts... **NOT** stated.

Design about EFFECTIVENESS (1)



OBJECTIVES/
INDICATORS

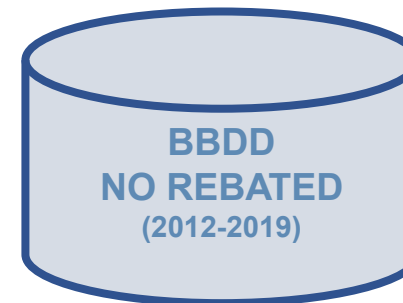
- ✓ Achievement of objectives and expected results
- ✓ Representativeness of incentivized conversions in terms of contracts concluded.
- ✓ Do the converted contracts with bonus reach 3 years?
- ✓ Counterfactual: Design of control group: comparison of duration of contracts converted with/without rebates.
- ✓ Comparison of % of contracts in force with and without bonus.

Design about EFFECTIVENESS (2)

Counterfactual: What would have been the conversion of temporary contracts into permanent contracts if this contribution discount did not exist?



Control Group: workers whose contracts have been converted into permanent ones in the same period **WITHOUT** having applied any rebate



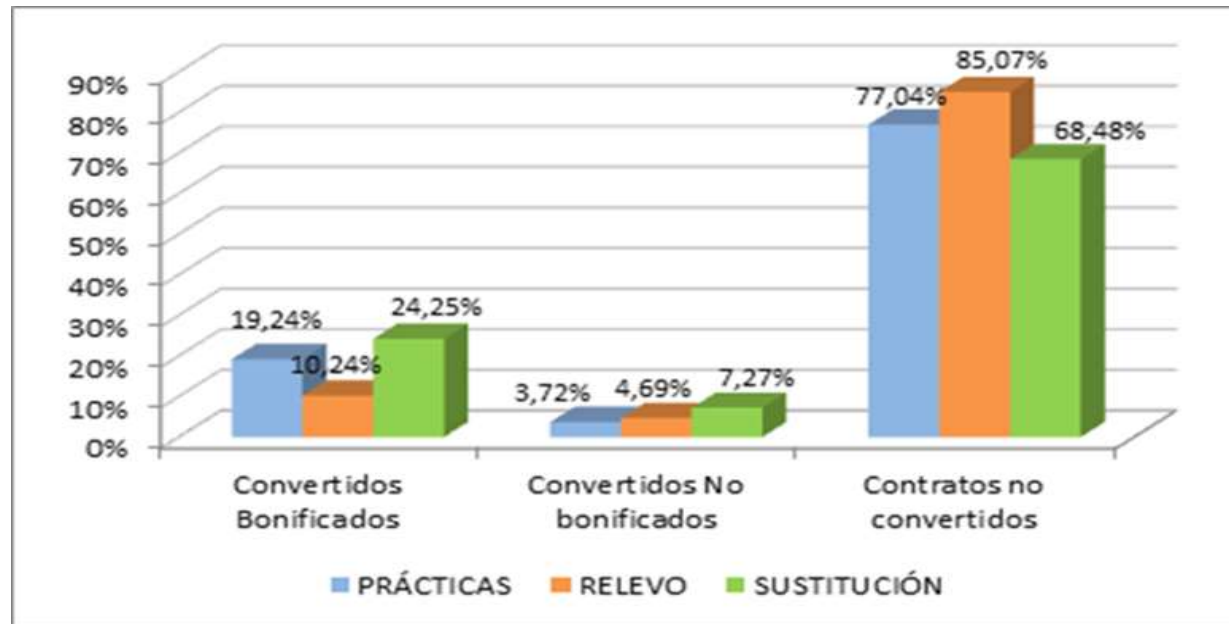
Deadweight concept:

In the context of program evaluation and impact assessment, the term "deadweight" refers to the portion of the observed effect that would have occurred without any intervention. It represents the outcomes that would have happened naturally or due to other factors even if the program or intervention under evaluation had not taken place. Deadweight is often used to calculate the net impact of a program, helping evaluators understand the additional benefit attributed to the intervention.

Main findings: EFFECTIVENESS (1)

Compare the number of contracts converted with and without bonus with the number of P/R/S contracts concluded:

The percentage of contracts converted into indefinite for the period under study was **22.24 %**, of which **18.42 %** benefited from the bonus.



Main findings: EFFECTIVENESS (2)

Analyse whether the contracts converted into permanent that applied the bonus reach, at least, the three years established by the law as the period of enjoyment of this:

The result is that the average duration of the bonuses applied is **two years and 182 days**, which represents **83.29 %** of the total three-year maximum period in which the bonus can be applied.

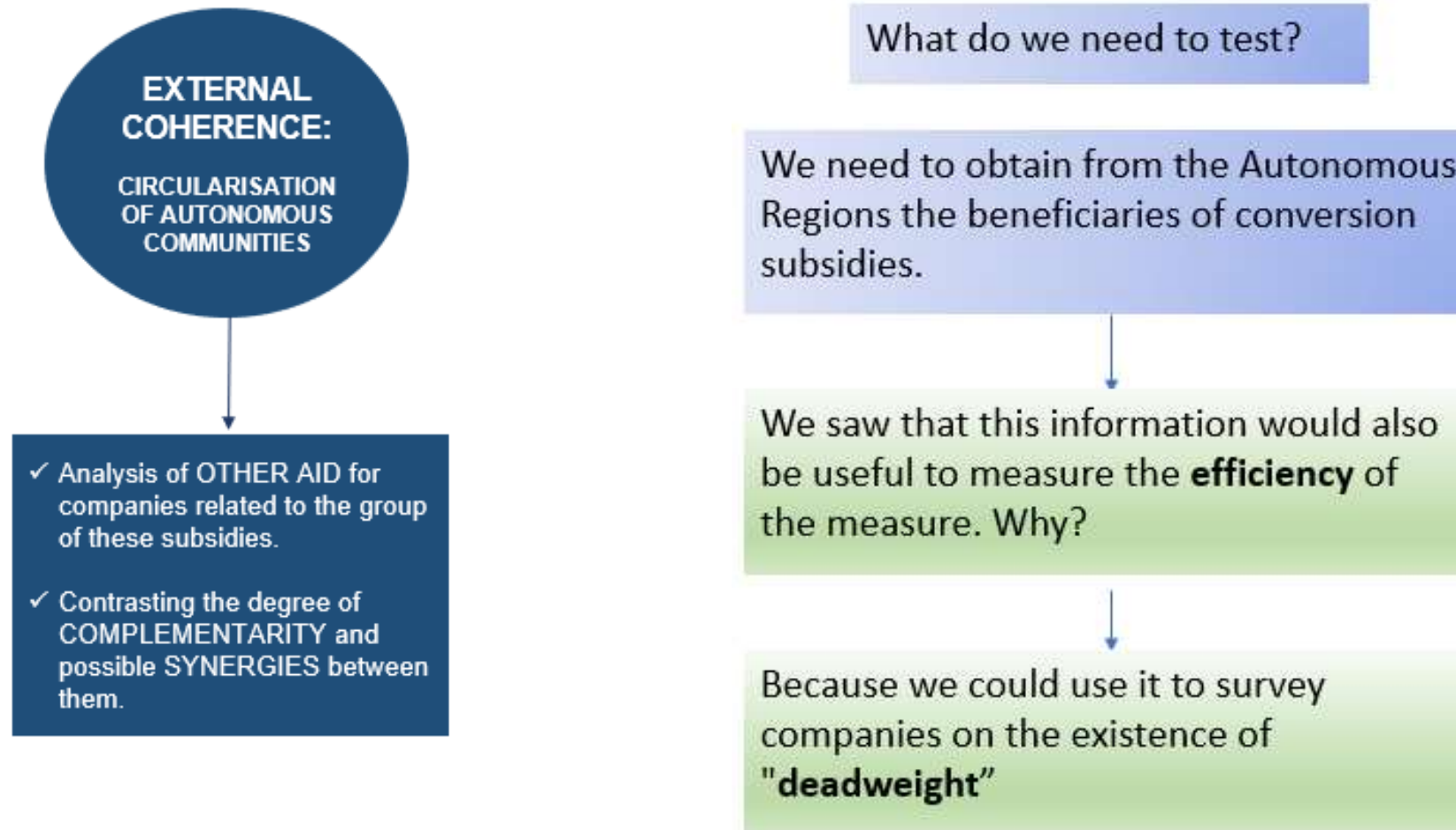
	TOTAL	%
N.º de conversiones bonificadas	32.504	100,00
Bonificaciones que alcanzan los tres años	22.907	70,47
Bonificaciones que no alcanzan los tres años	9.597	29,53
Duración media de la bonificación por contrato	2 años y 182 días	-

Main findings: EFFECTIVENESS (3)

The average duration of the bonus contracts converted into indefinite contracts after the end of the period has been compared with a control group consisting of workers whose contracts have become indefinite without having applied any bonuses, in the same period:

The average duration of the bonuses is **2.56 years**, compared to **2.14** for non-subsidised contracts, which means that the average total duration of the bonuses compared to that of non-subsidised ones is **19.62 % longer**.

Design the audit tests: EXTERNAL COHERENCE



Main findings: EXTERNAL COHERENCE

Findings obtained from the information provided by the Autonomous Communities:

- ✓ In general, **there are no coordination** actions on quota subsidies between the State and the Autonomous Communities. Each Community has its own employment incentive policy.
- ✓ After analysing the aid to encourage permanent contracts by the Autonomous Communities to the companies, it was verified that **there were companies that had received the State and the regional incentives together.**

Design the audit tests: EFFICIENCY (1)

What do we need to test?

We need to obtain information from the companies' beneficiaries of conversion rebates.



We saw that this information would also be useful to measure the **efficiency** of the measure. Why?



Because we could use it to survey companies on the existence of "**deadweight**"

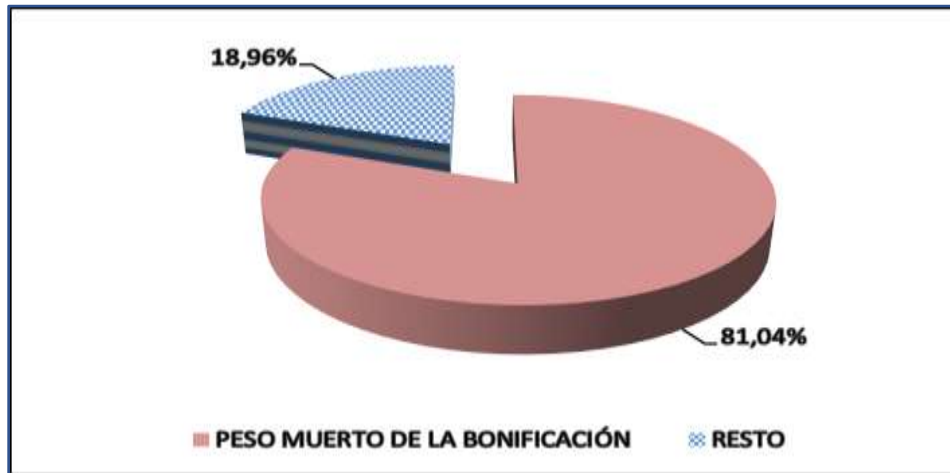
Main findings: EFFICIENCY (2)

Questionnaire to 770 companies, with the following questions:

- ✓ Indicate whether he had made the temporary contract into permanent even though he did not have the possibility of applying the bonus in the social security contribution.
- ✓ Indicate whether that undertaking has benefited from any other incentive to convert the temporary contract into a permanent contract, for the same contracts and in periods simultaneous with the application of that bonus.
- ✓ If the answer is in the affirmative in the previous point, indicate whether the decision to convert the temporary contracts into permanent had a greater weight on the possibility of applying these social security contributions bonuses than the other incentives.

Main findings: EFFICIENCY (4)

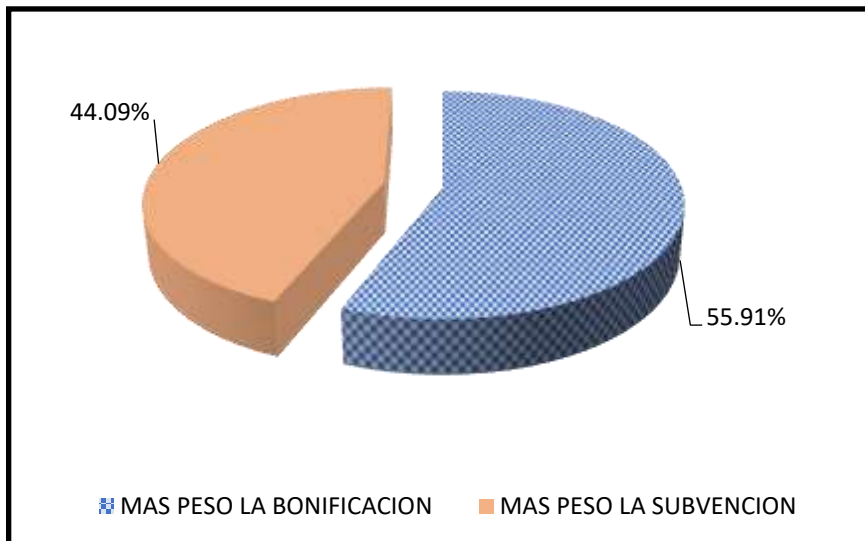
Findings of efficiency criterion: results of the questionnaire to companies



81.04 % of the companies replied that they had made the contract indefinite irrespective of the existence of the rebate

If the *deadweight* effect (**81.04 %**) is related to the total expenditure on bonuses in the period from 2012 to August 2019 (**EUR 58 796 362,23**), the best possible relationship between the results obtained by this public intervention and the resources used to achieve it could be questioned, with inefficiency being estimated at **EUR 47.648.571.95**

Main findings: EFFICIENCY (5)



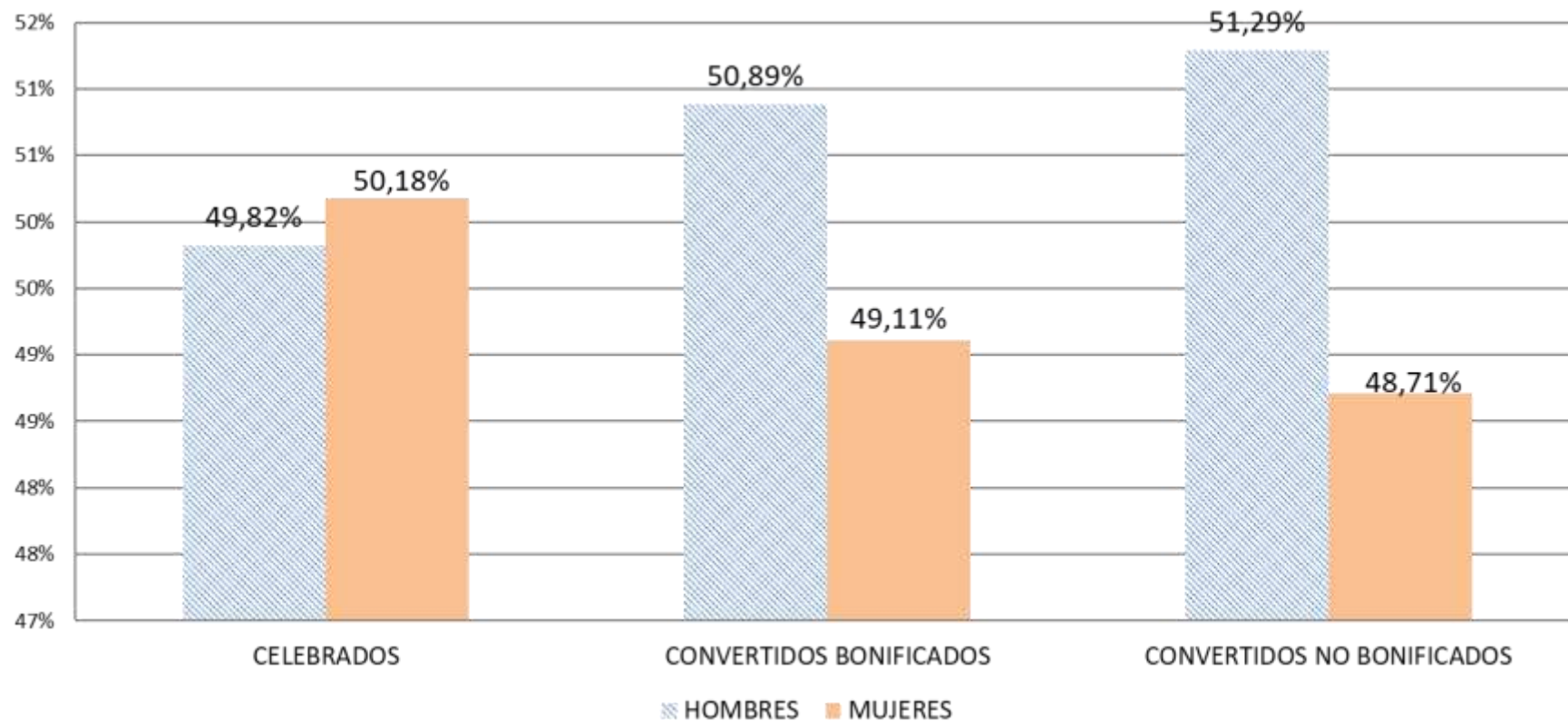
44.09 % of the companies that claimed to receive another incentive **attributed a greater weight to it than to the bonus** when making the decision to convert the contract into permanent.

Considering the companies that have applied the subsidy and received rebates for the same purpose from the Autonomous Communities (EUR 3,104 530.45), and which show a greater specific weight of the subsidy (**44.09 %**), the loss of efficiency of the expenditure of the measure due to competition with similar measures would amount to **EUR 1.368.787.48**.

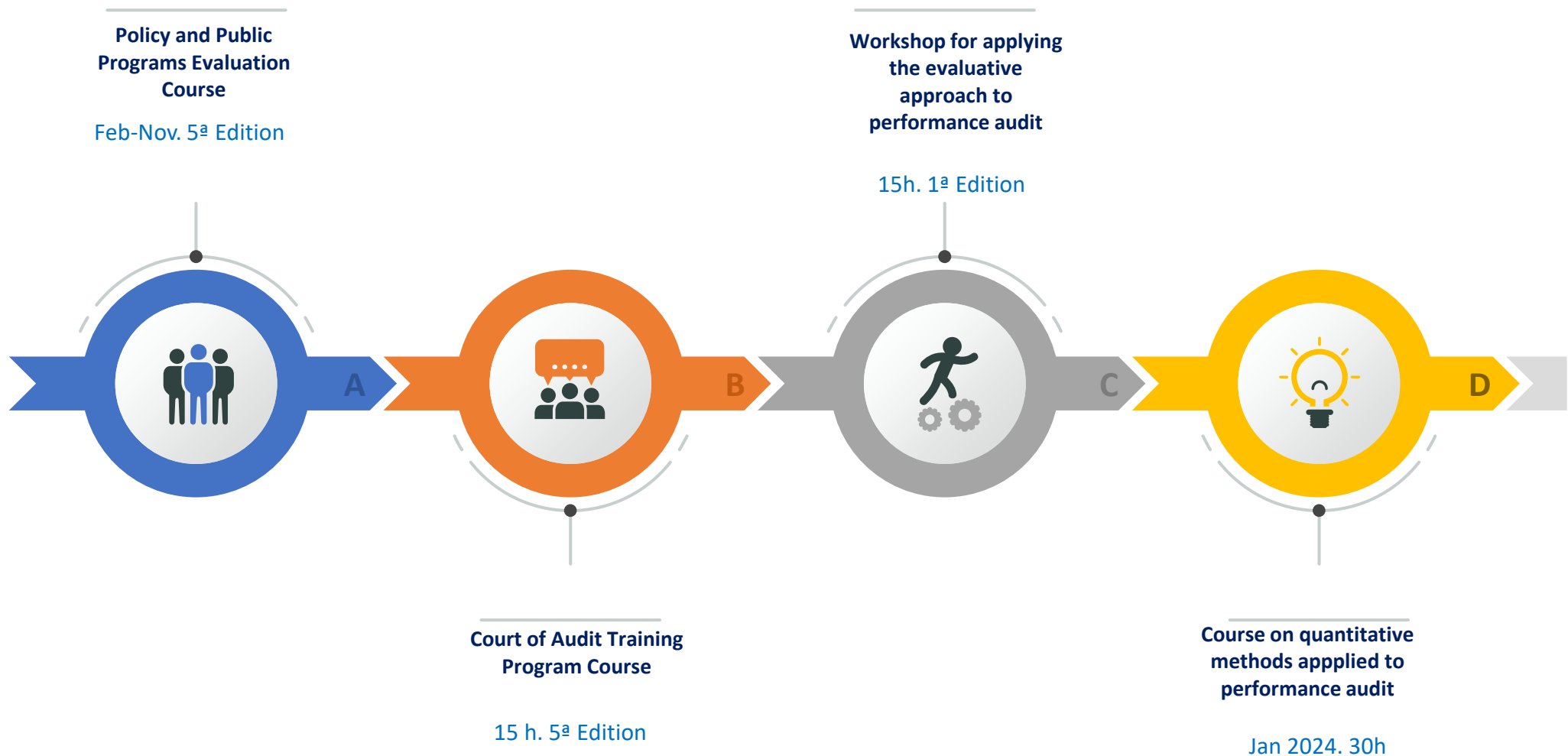
The result obtained shows that the possible effectiveness of this public intervention **cannot be attributed in its entirety to the established incentive**, but that the effect of the subsidy on the **impact** of the subsidy must be considered.

Main findings: EQUITY

Conclusions on equity: results by GENDER



How has the Court of Audit designed the training for its auditors to conduct performance audits with evaluative approach?



METHODOLOGICAL GUIDE FOR
THE APPLICATION OF THE
EVALUATOR APPROACH TO
PERFORMANCE AUDIT



METHODOLOGICAL GUIDE FOR THE APPLICATION OF THE EVALUATOR APPROACH TO PERFORMANCE AUDIT

INTRODUCTION

1. FROM PERFORMANCE AUDIT TO PUBLIC POLICY EVALUATION

- 1.1. Differences and analogies between performance audit and public policy evaluation
- 1.2. Beyond Effectiveness, Efficiency, and Economy: Other Evaluation Criteria
- 1.3. Brief reference to organizational and institutional changes
 - 1.3.1. Leadership and governance
 - 1.3.2. Capacity in terms of human and technical resources
 - 1.3.3. Changes to be implemented in the organization

2. PERFORMANCE AUDIT PLANNING WITH AN EVALUATIVE APPROACH

- 2.1. Preliminary work
 - 2.1.1. Evaluate the internal control system
 - 2.1.2. Identify the objectives and logic of public intervention. Allocated resources
 - 2.1.3. Determining the Responsibilities of Different Actors and Examining Stakeholders. Defining Information Needs and Availability
 - 2.1.4. Identifying and Evaluating Audit Risks
 - 2.1.5. Type of Engagement and Assurance
 - 2.1.6. Determining Materiality or Relative Importance
 - 2.1.7. Determining the Schedule and Resources of the Proposed Audit
- 2.2. Audit Design 15
 - 2.2.1. Approach, Objectives, and Scope
 - 2.2.2. Evaluation Questions
 - 2.2.3. Criteria
 - 2.2.4 Indicators
 - 2.2.5 Methodology, techniques, and tools in evaluation
 - 2.2.6 Adapted Evaluation Matrix
 - 2.2.7 Stakeholders and Their Role in the Audit

3. METHODOLOGICAL ASPECTS OF PUBLIC POLICY EVALUATION APPLIED TO PERFORMANCE AUDIT

- 3.1. Qualitative Tools
 - 3.1.1. Work Meetings and Interviews
 - 3.1.2. Fieldwork/On-Site Checks
 - 3.1.3. Meetings with stakeholders
 - 3.1.4. Group Sessions with Experts. Expert Panel
 - 3.1.5. Utilization of Audit Reports, Evaluations, Previous Academic Studies, and Case Studies
- 3.2. Quantitative Tools
 - 3.2.1. Data Collection and Analysis and Its Application to Performance Audits with an Evaluative Focus
 - 3.2.2. Surveys
 - 3.2.3. Counterfactual Analysis and Control Groups
 - 3.2.4. Bias Issue in Analysis
- 3.3. Hiring Experts and External Collaborations

4. WRITING THE REPORT AND DISSEMINATING RESULTS

- 4.1. Writing the Evaluative Approach Audit Report
 - 4.1.1. Report Content
 - 4.1.2. Main Attributes or Characteristics of Reports
 - 4.1.3. Conclusions
 - 4.1.4. Recommendations
- 4.2. Communication and Dissemination of Evaluative Approach Audits

BIBLIOGRAPHY AND REFERENCES



Thank You for
your attention

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