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Audit and Evaluation: Working Collaboratively to Support Accountability

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Audit and Evaluation: Working Collaboratively to Support Accountability

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Abstract

Audit and evaluation play crucial roles in the oversight function of organizations. Both professions share commonalities that have led some to call for “enhanced oversight” through stronger collaboration. Our experience suggests that joint assessments can help promote a holistic three-dimensional view of performance. However, tangible differences in paradigm and approach need discussion before further convergence of the functions is countenanced.

Key words: evaluation, audit, performance, accountability, independence

Introduction

In an increasing number of countries and organizations there is growing pressure for adequate scrutiny and demand for accountability, driven by social media which highlights glaring performance deficits.

The causes of such deficits are diverse. In some cases, failures have arisen from non-compliance with rules and regulations that are central to good governance. In others, failures occurred because of slavish or unthinking application of rules or procedures which are not delivering results, or worse, are doing harm. And in other cases, failures arise from faulty policies, built on flawed assumptions that are never subject to the rigorous scrutiny that would expose their inability to produce results.

As key producers of evidence and promoters of accountability, evaluation and audit functions have important roles to play in addressing and preventing such failures. This has led some to ask about whether audit and evaluation work can or should work more collaboratively to improve accountability for results. There are several examples globally at all levels of contradictory results emerging from audit and evaluation, many of which have led to reputational damage.

This paper draws on the experience of the Independent Evaluation Office of the United Nations Development Programme (UNDP), the largest evaluation office in the UN system globally, to share lessons about what is likely to become a more encouraged practice globally.

The answer, informed by experience of a Joint Assessment of the Institutional Effectiveness by the Independent Evaluation Office (IEO) and the Office of Audit and Investigations (OAI) of the UNDP is a cautious 'yes'. Our experience shows that there is a coherent and comprehensive approach to assess interventions with the relative skills and perspectives that both auditors and evaluators bring to the table in terms of compliance, value for money and impact on people. It is an approach that strengthens learning and can support transformative change.

However, we would also provide a note of caution to those that are calling for greater convergence between the two professions. Our experience is that joint assessments also face significant challenges given differences in the standards, values, traditions and perspectives of the two professional traditions. Despite the similarities, the differences between financial audit, performance audit and evaluation need to be respected.

Audit and Evaluation, two distinct oversight traditions

The audit and evaluation functions have been the subject of a number of papers and debates dissecting and comparing both (Mayne, 2006; Soares and Naidoo, forthcoming). Such analyses are attractive because of the similarities between the two traditions. Audit and evaluation play important roles in the oversight and accountability frameworks of many jurisdictions. They are both retrospective and follow systematic processes to describe and assess programs and practices.

However, there are also important differences that need to be recognized. As a discipline, audit has a much longer history with origins that, according to some authors, can be traced back to ancient civilizations, when it was used to keep records and verify public accounts. But the modern form of audit, closer to the one we know today, began only with the Industrial Revolution, becoming progressively an extension of management. From its original scope, it has evolved and segmented in several types, depending on the interrelationship among participants (internal and external) and the purpose and focus (compliance, financial, operational, information system, investigative).

While audit originated in the field of accounting, focusing on the accuracy of financial statements of a particular entity, evaluation has its roots in social sciences and only developed as a formal professional practice after the 1950s (Chelimsky, 1985). The evaluation tradition stands out from the audit tradition for its focus on causal inference in examining the impacts of policies and programs including unintended consequences. The tradition of audit is narrower in focus and is based on checking compliance with criteria.

Authors and institutions provide various definitions of audit. According to the International Organization for Standardization (ISO), audit is a “systematic, independent and documented process for obtaining evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled” (ISO 19011:2018).

The United Nations Development Group states that evaluation is “an assessment, conducted as systematically and impartially as possible, of an activity, project, programme, strategy, policy, topic,

theme, sector, operational area or institutional performance. It analyses the level of achievement of both expected and unexpected results by examining the results chain, processes, contextual factors and causality using appropriate criteria such as relevance, effectiveness, efficiency, impact and sustainability. An evaluation should provide credible, useful evidence-based information that enables the timely incorporation of its findings, recommendations and lessons into the decision-making processes of organizations and stakeholders” (UNEG, 2016). Evaluation, thus, often examines processes on top of performance and results.

Critical to the definition is that evaluation makes a value judgment about past performance, with a view to stimulate a debate about what the future should be. It is at the level of making the judgment that there is often contestation — more than regarding the evaluation findings and recommendations — as this is a judgment rendered on the evaluand to its oversight or board, and, whilst these are judgments about a program, there is inevitably vested interest in such judgment.

Clarifying the boundaries between performance audit and evaluation

While the differences between evaluation and audit seem quite clear in the broad, they are far less obvious when making a closer comparison between evaluation with performance audit. The very definition of performance audit places this practice closer to evaluation than any other. The International Organization of Supreme Audit Institutions (INTOSAI) states that performance auditing is “an independent examination of the efficiency and effectiveness of government undertakings, programs or organizations, with due regard to economy, and the aim of leading to improvements.” Subsequently, as in evaluation, performance auditing requires a high degree of judgment.

So, what can be considered similarities and what distinguishes each practice?

Defining the boundaries and identifying commonalities or disparities between performance audit and evaluation can be a rather challenging task considering the existing overlaps between both, but it is important to determine whether and how they can complement each other.

Evaluation and performance audit are considered established tools for promoting accountability and learning. Both are forms of a systematic inquiry used to assess institutional performance, implementing consistent procedures or methods for collecting and analyzing information, which includes review of existent documents and statistical data, stakeholders’ surveys and focus groups. They concentrate on gathering evidence to support judgements about the merit or worth of entities, programmes, activities and functions in terms of economy, efficiency and effectiveness. Both practices are guided by a set of norms and standards – with shared values, but also specific features for each of them– and exercised by professionals with specific skills and experience.

The differences lie mainly in their role and mandate, the methodological approach and the scope of the questions. Audit and evaluation put emphasis in different variables. Performance audit usually focuses on how the entity operates and the legal and compliance aspects, verifying and assessing the adequacy of controls and processes, as well as the institutional efficiency in managing risk. Evaluation gives

prominence to the assessment of outcomes and impacts, implementing scientific methods to determine causation and attribution, to learn and contribute to decision-making for further improvement.

In performance audit, the questions are confined to the implementation of overarching policies as frameworks for assessment, which are taken as given. Performance audits are designed to make sure that the service quality meets predetermined standards, however it might not address outcomes. In the case of evaluation, the questions deal with the relevance or effectiveness of the policies and programmes. Evaluation is designed with a more comprehensive approach that seeks to answer 'what should be done next'.

As for the role and mandate, audit has a longer tradition of protecting the independence of the function than evaluation. Some institutions, such as UNDP, have adopted sophisticated policies to ensure that the evaluation function and practice are truly independent, but this is not the case in many other multilateral organizations and public entities, which undermines the credibility of the evaluation results and the ability to influence decision-making.

Overall, because of their distinct background, influences and orientation, auditors and evaluators tend to approach their work in quite different manner. There are key differences in the purpose and the type of questions that interest each of these disciplines. Both fields address normative questions that audit uses mainly for accountability purposes whereas evaluation does it to connect activities with effects (Chelimsky, 1985). Audit might also ask descriptive questions, but descriptive and contextual questions are more frequent in evaluation. The mandate of auditors does not usually allow them to question or comment on the merit or worth of overarching policies, which are typically taken as given. The major difference is that only evaluation asks cause-and-effect questions to establish whether policies or programs have produced the desired changes, which may lead them to question and recommend fundamental changes to the design of those policies or programs.

Independence, the key to evaluation credibility and social change

There are a number of different strands in the theoretical, philosophical and political orientation of evaluation. One of the dominant strands positions evaluation as a form of management support or an extension of management. In such context, independence is less of an issue, although it is important for the evaluation to play its role internally and its utility.

For others, evaluation is viewed as a support for democracy and transformation because of its ability, largely in post-colonial and new democratic countries, to promote democratic values of transparency and accountability. In this context, independence becomes critical because evaluation provides a professional judgment on past performance, which is necessary as part of a diagnosis, in order to ignite the conversation that will lead to future improvements in peoples' lives.

Evaluators' independence from management, both organizational and behavioral, is crucial for the evaluation function to be credible and serve accountability. Yet, 'independence' can be understood very

differently by evaluators and the institutions for which they work as evidenced by a recent debate among reputed specialists in the fields of audit, evaluation and development assistance (Wilton Park, 2018).

Organizational independence is related to the degree of autonomy that the evaluation unit has from the operational management and decision-making bodies within an institution. Behavioral or substantive independence refers to the capacity of the evaluator to be free of bias when conducting and reporting the assessment. It can be argued that, even when organizational independence is guaranteed, there is a risk of bias, imbedded, for instance, in the choice of focus, approach or methodology, and in the particular values and backgrounds of the evaluators. The challenge, hence, is for the evaluator to provide an “objective assessment warranted by good reasons and evidence and being transparent with respect to any particular standpoint that he or she adopts in the evaluation” (Wilton Park, 2018).

In my view, evaluation has the potential to be a tool for social learning and citizens’ empowerment. However, for this to take place, it is critical that institutional frameworks are developed to support evaluations that are independent, not subject to the direct control of internal or external influences. Evaluations are more likely to be credible and transparent and more useful and more used if they are produced by evaluators that are able to report without fear or favor. Though evaluation is not directly meant to make a society more democratic, credible evaluations can deepen democracy by creating the conditions for holding institutions accountable for their performance, which in turn can enhance the trust that the citizens place in their political institutions (Naidoo, 2016).

Working together, preserving its own identity

Over the last decade, with decreasing financial resources, tighter budgets and a more active citizenry, more governments are under pressure to account for their actions. At the same time, funding constraints and the search for more coherence and coordination in development assistance have also driven increasing calls within the United Nations system and from donor countries for oversight units to work in a more collaborative manner. Advocates of this alternative claim, not without reason, that it promotes synergies, avoids duplications and reduce costs.

Combining efforts makes even more sense considering the complexity, inter-relatedness and broadness of the sustainable development goals. The question is whether and how auditors and evaluators can work together to foster transparency and accountability in a way that improves programmes effectiveness and promotes good governance.

Although evaluation can inform evidence-based policy making, other disciplines also contribute. The wide scope of the 2030 Agenda for Sustainable Development combined with the cross-sectoral nature of the goals and the greater number of actors involved in its implementation have entailed the engagement of professionals from other fields in different types of assessment. A greater partnership between oversight entities becomes also a necessity considering the strong emphasis of country owned reviews of the implementation of the 2030 Agenda and the shortcomings in national evaluation capacities. Not all countries have strong evaluation institutions, but most do have oversight institutions (ombudsman offices, human right commission, parliamentary committees, etc.) which play an accountability role.

As part of the oversight function, performance audits and evaluations can help to ensure that development resources are wisely spend and expected results are achieved in a sustainable manner. They are both powerful tools for policy development and implementation. The difference between the two disciplines is less in purpose, than in the identity and the framework of the institutional relationship in which their activities are carried out. Together they can better achieve their oversight, accountability and learning purpose provided that the following conditions are satisfied:

- First, measuring compliance is not the same as measuring performance. It must be recognized that financial audit, performance audit and evaluation are all part of an oversight architecture that play different roles and provide different information.
- Second, it has to be acknowledged that none of the disciplines is inherently superior to the other. Each has its own strengths and challenges. The bigger strength of audit is its higher level of credibility, attributed to a greater reputation, the support of strong professional societies, well established and largely followed standards and the perception of addressing issues of concern to the public. Evaluation, on the other hand, can explain why things are working or not, can be flexible in design and practice, has longer history of addressing the attribution question and acknowledges complexity and uncertainty (Mayne, 2006).
- Third, evaluation and audit can work and reinforce each other, benefiting from their respective experience and building on their knowledge without compromising their own identity. Many organizations, including UNDP, have both an internal audit function and an evaluation function. Historically, evaluation and audit units have work isolated, implementing their own strategy and working plans, with interactions with other sectors limited mostly to a few joint evaluations. What is needed is a clear understanding of each function to properly serve their purpose and their clients.
- Forth, while audit and evaluation can and sometimes are covered within the mandate of the same unit or institution, the audit and evaluation functions are distinct and cannot be merged without damaging the strengths of either. As recognition of the similarities between audit and evaluation and concern about budgetary constraints increased, the temptation to combine both functions has arisen. Though there are clear advantages in collaboration, this discussion needs to advance cautiously.
- Fifth, assessing the worth of programmes cannot be done without the freedom to assess and comment on the impact of policies on people, and it is here where evaluation offers an irreplaceable perspective.

Lessons learned from joint oversight work at UNDP

The Strategic Plan adopted by UNDP for the period 2014-2017 introduced for the first time a chapter on the institutional effectiveness of the organization, which is important for both audit and evaluation. The chapter explained how the organization envisaged transforming its way of delivering results and intended to achieve all development goals.

Within UNDP, the centralized evaluation and audit functions are administered by the IEO and the Office of Audit and Investigations (OAI) respectively. The policies that establish the mandate of these units are quite alike. They both provide protections on independence and share core concerns around the UNDP's effectiveness and accountability. There are also similarities between some of the performance audit work done by OAI and the consideration of operational and administrative issues of some IEO evaluations. However, there are also some important differences in terms of mandate, outputs and provisions regarding their position and independence within organization. A key difference is that the IEO Director is accountable to the UNDP Executive Board while the OAI Director reports to the Administrator.

In 2015, the IEO and the OAI decided to conduct a joint assessment to assess whether the programmatic and operational measures introduced by UNDP were likely to impact the quality of the organization's work in the field. The joint assessment compelled the offices to work across traditional boundaries, share methodologies and settle a common credible approach (Soares and Naidoo, forthcoming). Overall, it represented a unique learning opportunity for UNDP in which evaluators were bound to look more closely at quantitative analysis and normative questions, while auditors had to study performance from the perspective of cause and effect on results and people.

The initiative was successful because of the commitment of the IEO and OAI's leadership. Since it was completed, both offices exchange more information and conduct missions together when possible. Nevertheless, the whole process was riddle with many challenges for both Offices and the organization that generated important lessons that could be taken into consideration when doing similar exercises in the future.

Challenges ranged from the way to name the study, the communication channels and protocols, to the critical issue of the purpose, scope and methodology of the assessment, among other basic components that included the key questions that the assessment should answer. Evaluators and auditors had to agree on data collection methods, strategies for triangulation and what constitute credible evidence for both.

These are some of the conclusions and lessons:

- Joint exercises may need a team leader with appropriate authority to make timely decisions and meet deadlines. Sharing decision-making does not always work effectively in joint assessments. Additionally, the decision-making process need to be agreed before the assessment work starts and rigorously followed during the implementation.
- Agreeing on operational concepts, such as 'institutional effectiveness' and 'results based management', is critical to adopt a commonly informed approach and methodology that are acceptable for both auditors and evaluators.
- Although the interest and approaches to the methodology are different, auditing and evaluation can complement each other, strengthening the analysis and contributing to a more sound assessment.

- Writing the report in a way that could ensure its independence, credibility and utility proved to be quite challenging given the differences in the reporting line and approaches between both units. The quality review process, which was conducted separately by experts in each field, was also difficult and long. For future exercises of this kind, it would be best for the report to have a common section and add separate sections, specific to each function. However, the review for quality assurance should be done in one single process by professionals with experience in both.
- Despite the concerns and reluctance that the assessment generated within the organization (for fear to losing resources, point out failures, etc.), the joint report was rich in evidence and made a strong statement for transparency, accountability and learning in the United Nations.

The report forged a common language, through the negotiations between evaluators and auditors that was critical since concepts were understood differently. A compelling reason for collaboration was the discussion on 'evidence'. Defining more explicitly what constitutes evidence in the evidence hierarchy, how quantitative and qualitative data is processed and valued, and what triangulation and mixed methods mean, advanced both offices' capacity, knowledge and visibility.

The evaluation was well received by the Executive Board and had positive benefits from both the strategic and operational perspective: it demonstrated that it is possible to take a coherent and comprehensive approach to examining core performance concerns of compliance, value for money and impact on people by bringing together the different skills and perspectives of evaluators and auditors.

Conclusions

Audit and evaluation have much in common. They have standards that share core principles of independence, objectivity, transparency and professional judgement. They have their own ethical guidelines and bodies of professional practice. They also share core concerns around the performance of public institutions, and the efficient, effective and ethical use of taxpayers' money. They are important actors and agents for promoting accountability and evidence informed policy.

However, audit and evaluation are different functions, with traditions and particularities that preclude the merging of the two disciplines.

Recognising this, it is important to understand how the unique identity and strengths of the audit and evaluation traditions can be mutually reinforcing in promoting accountability and providing a deeper understanding of the causal factors affecting development results.

In a context where questions are asked both about the financial compliance and the eventual results, it makes sense to seek greater collaboration between audit and evaluation. Our experience is that such collaborations can provide a more holistic or three-dimensional view of performance, which looks both in and outside organizations to see whether inputs matched with outputs and outcomes. Joint assessments (when possible) and greater cross-referencing by the audit and evaluation offices can provide a coherent body of evidence to oversight protectors, parliaments, boards and funders, to name a few. They can also help to rationalize resources, provide opportunities for robust debates on methodologies and the

philosophical assumptions underpinning methodological choices. If this can be done without mandate creep or the dilution of the identities of the strengths of these unique functions and disciplines, it can enrich and strengthen each.

For this to happen in a more thoroughgoing manner, oversight units from the two disciplines need to reflect on how they can work together and reinforce each other. From an evaluation perspective, whether this provides pay off will depend on the continued maturation and development of the profession which will enable it to play a more assertive role in informing policy debates. This will require establishment of models of practice that preserve and protect the independence of evaluation, as a pre-requisite for the quality and credibility of its interventions.

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Acronyms

IEO	Independent Evaluation Office of UNDP
INTOSAI	International Organization of Supreme Audit Institutions
ISO	International Organization for Standardization
OAI	Office of Audit and Investigations
UNDP	United Nations Development Programme
UNEG	United Nations Evaluation Group