

Auditing the monitoring and results measurement system, by Hans Posthumus, Feb. 2019

This document is excerpted with permission from [Monitoring and Measuring Results in Private Sector Development: Good Practices for SDC Programme Managers](#), 2019 (Annex 1).



Why is auditing important?

Auditing provides an external, objective assessment of the monitoring system in use in the program. Is the MRM system appropriate for the program's context? Is the MRM system used for managing the program? Is the MRM system likely to generate credible results? Is there sufficient quality assurance within the program?



What is the difference between formal DCED audits and MRM system reviews? (also known as pre-audit-reviews and mock-audits)

	Formal DCED audits	MRM System Reviews (a.k.a. pre-audit reviews)
Why?	Formal audits are conducted to provide an external and objective assessment of the MRM system: assessing the degree of DCED compliance	Reviews aim to assess the MRM system and provide advice how to address the existing challenges: characterized as technical assistance
Who?	Formal audits are conducted by DCED-certified auditors and Quality Assurance of the auditing process is managed by the DCED.	Reviews do not involve the DCED, and are often done by non-certified auditors and consultants ¹
What?	Formal audits follow the DCED protocol for (at random-) sampling, hence leading to a relative high number of interventions to be audited.	Reviews sample purposively based upon information from the program in order to assess a few interventions only that give insight into the practices and challenges
How?	The audit process will verify compliance for all sampled interventions for all compliance criteria , unless non-applicable.	Reviews are often less comprehensive, not verifying each intervention for each control point, just assessing enough to gain sufficient insight .
Results?	The report follows the DCED format, with an annex that provides scores for each control point and each compliance criteria, translating into a percentage score for the audit, highlighting strengths and weaknesses	The report summarizes the degree of compliance per control point using traffic lights to signal compliance or gaps, and includes detailed recommendations how to improve the MRM system and practice.

¹ It is recommended to screen potential consultants thoroughly: The DCED website provides an overview of certified auditors, trainee-auditors and experienced consultants at the [market place](#). Some implementing agencies have in-house MRM specialists that undertake these MRM system reviews.

Positioning?	It's resource-intensive and includes a failure- and reputation-risk	It requires less planning and resources and builds the capacity of the program
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How do I plan MRM system reviews and formal DCED audits?

The MRM system should be operational as soon as possible in order to inform management of the program. Hence, the following sequence of reviews is recommended.

When?	What?	Why?
Year 1	Self-assessment	To inform the scope of the MRM system review
Year 2	MRM system review	To define gaps and build capacities
Year 3	Formal DCED Audit	To inform about compliance and inform the program reviews

Formal DCED audits are valid for 3 years, unless significant changes take place with the program or management. In practice it implies that in every program phase one formal DCED audit is conducted.

How do I budget for MRM system reviews and formal DCED audits?

Although it's the responsibility of the implementing agency to budget and manage reviews and audits, its recommended to allocate sufficient resources for these audits to the same budget lines that also cater for the external program reviews and evaluations. This will not influence the competitiveness of the implementing agency. The SDC program manager should ensure that these resources are available, also for implementing agencies that did not propose to have their program audited but that did propose to apply a DCED compliant MRM system in their tender proposal.

What is my role as the SDC program manager in the MRM system review and auditing process?

It's the responsibility of the implementing agency to develop and maintain an appropriate MRM system. However, it's within the steering role of the SDC program managers to ensure that this happens. For *MRM system reviews*, the SDC program managers are *involved* in the development of the ToR² as well as in the selection of the external consultants. For *formal DCED audits*, these are the *responsibility* of the SDC program managers: to develop the ToR and contract the auditors³, albeit in coordination with the program implementers. Its recommended that the reports are shared and discussed, and lead to a common understanding between the implementing agency and SDC program manager on what needs to be done to improve the MRM system (if need be).

How to I define the scope of work for the MRM system review?

The MRM system review (also known as pre-audit review or mock audit) should lead to a reasonable understanding of the strengths and weaknesses of the MRM system in the program. The sampling is

² A draft ToR is available at the DCED Website: <https://www.enterprise-development.org/wp-content/uploads/SampleTORforDCEDaudit.docx>

³ In line with the responsibility and practices of conducting external program reviews and evaluations

thus based upon the information provided by the program, and selection is the result of a common understanding why some sectors and interventions are selected.

The sampling doesn't need to follow the DCED protocol, and often only one or two interventions per sector are selected. A mix of interventions that are felt to be representative for the 'state of the MRM system', and interventions where the implementation agency faces challenges. By focusing on such a narrow sample but ensuring that the audit covers most organizational units/teams, the consultant will be able to assess the system using minimal resources, creating more room for providing advice.

How do I define the scope of work for a formal DCED audit?

In most cases, the portfolio of interventions define the scope of work. By requesting that the audit covers all sectors and interventions, the sample frame and resulting auditing process is considerable. One option is to focus on key sectors and key interventions only, as that will reduce the scope of work (and costs) significantly. This implies that the program requests for a partial DCED audit, whereby the excluded sectors and interventions (and the reasons) are stated in the audit report.

What should be in the MRM system review report?⁴

The report targets the SDC program manager and implementing agency, hence no need for lengthy introductions. It should be structured as follows:

1. **Key findings** for each of the 7 DCED Standard Sections in table format *for the program*

Strengths	Concerns
1. Articulating the Results Chain	
<ul style="list-style-type: none"> • A • B • C 	<ul style="list-style-type: none"> • X • Y • Z

2. **Summary of review process** explaining the sampling process and including limitations
3. **Findings and recommendations** in table format following the DCED Standard control points structure *for the program* (resulting from the reviews per sector – in the annexes)

Control Point	M/R	Status	Strengths	Concerns	Recommended actions
1. Articulating the Results Chain					
<ul style="list-style-type: none"> • 1.1 An appropriate, sufficiently 	Must or Rec	Color code Red/Yellow /Green	<ul style="list-style-type: none"> • A • B • C 	<ul style="list-style-type: none"> • D • E • F 	<ul style="list-style-type: none"> • X • Y • Z

4. **Summary of recommendations:** split between technical and management aspects
5. **The annexes with the Findings and recommendations** in table format following the DCED Standard control points structure for the reviewed *sectors and interventions*

⁴ Formal DCED Audits follow the DCED protocol and [examples](#) can be viewed on the DCED website