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Real Time Audit

Real Time Audit (RTA) was launched in 2009 in response to the general experience of the very poor performance of a wide range of sponsored, donor-supported and aid funded activities. In some aid funding situations final audits can appear over three years after a project is completed and in some cases never. With RTA the status of performance and funding can be assessed fully at any point during a project's life cycle, that is, in real time. The overall outcome of this approach is to reduce the risk of misallocations or ineffective expenditure in those cases where criteria are not being met.

Although RTA acts as an audit system it also provides project managers with an effective and convenient system for managing ongoing project operations. RTA is a non-intrusive real time monitoring and evaluation system providing donors or sponsors with a transparent oversight of relevant project activities and current intended use of funds. If required, the system can be operated to include a default control mechanism whereby sponsors can prevent funds being misallocated

RTA is completely transparent and provides project operations managers and donors/sponsors direct access any information they require online and with immediate effect. Since the information of interest can be independently accessed this reduces the administrative overhead associated with information requests and authorizations on the part of fund providers. The administrative overhead for operations management is also reduced while satisfying project management's institutional or corporate directorate's need for information. Project managers avoid a considerable amount of administrative overhead simply because the RTA system is a very convenient project management system and the provision of information to others does not require extra management tasks. Overall, the benefit of RTA is that the productivity of information access is enhanced and as a result so if the productivity of project management tasks.

Risk reduction

The RTA is built around a time line consisting of a critical path of activities. Depending on the complexity of a project and the funds involved, a "*release lapse time*" (RLT) is established for project activities, or specific significant project events, making use of a large proportion of the total funding. An RLT is the time a project manager needs to wait for authorization and receipt of funds to be used for specific expenditures. The maximum duration of any RLT is agreed by the fund donor and the project managers to represent a reasonable time within which the donor can check that established criteria have been met and confirm that expenditure is justified. The RLT is set to avoid undue delays in the project activities. The more complex a project the more RLT lapsed times need to be added so as to create a realistic time line and project critical path for important activities.

The main reason for the introduction of RLTs as critical building blocks of RTAs was that under much recent international experience, critical paths have become transformed into Log Frame analyses where the criteria are sometimes not strictly related to critical project activities. Indeed, the lack of a realistic cross-reference to known time constraints associated with administrative procedures involving, sometimes, several agencies and different formats of communication, protocols and procedures there is often no practical provision for what are in fact predictable delays. As a result project plans can have wholly unrealistic timeframes and the general scenario become one of project being associated with "excessive delays". Because of the commitment windows imposed by some donors and aid agencies such delays can result in projects being cancelled and funds not being advanced but being withdrawn.

Under normal circumstances RLTs should be something like a working week (5 days) and at most 10 days. Although this represents a real delay, it represents a contractual maximum as a basis for planning a realistic

timeline for the project into which has been built adequate financial control. On balance having an online RTA creates a situation where project times are "extended" through RLTs when compared with conventional plans but the project keeps up to schedule. Experience with projects which have neither RLT nor an RTA framework is that of constant disruption and delays and overall a higher likelihood of the project not being completed within the predicted time frame and therefore the performance achieved with donor/sponsor funds is low.

When a project manager is unable to present deliverables required or is intending to allocate funds to unauthorised activities, the donor can, under the terms of the Funding Agreement (see GBF Brief No. 06), prevent the payment of the tranche concerned until such a time that conditions are satisfied or that they are realistically modified without prejudicing the overall project. Naturally projects should be managed so as to avoid such an eventuality but without the built-in incentive created by the RLTs, many projects lack transparency in the time dimension and, as time progresses, it is possible for misallocations to only become evident long after a project is "completed" in the form of a final audit report.

Legal basis for RTA

The most effective basis for operating a RTA is to build its procedures into the Financing Agreement covering the project or activities in question. Thus rather than regard RTA as a passive administrative procedure used to gather information it is more productive to establish RTA to contain an objective account of the project plan, the quantification and quality of required resources and a timeline. Each activity in the critical path has a delivery time point (milestone) and funds can be withheld when project performance is declining.

Flexibility

The RTA system is not a rigid framework but the core structure provides the main components necessary for effective, efficient activity management and oversight by donors. Usually, donors/sponsors will have their own criteria relating to activity inspection and timing of oversight reports in the form of monitoring and evaluation reports and regular technical and financial audits. Any extra administrative requirements on the part of the donors/sponsors and institution carrying out the project management can be set up without incurring extra overhead for the activity managers.

25th February, 2010.