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ANNEX TO ISSAI 3100

**Establishing a Sustainable Performance Audit Function: High Level
Guidelines**

Table of Contents:

1. Introduction
2. The nature and benefits of performance auditing
 - 2.1. What is performance auditing?
 - 2.2. External benefits
 - 2.3. Internal benefits
3. The challenges of introducing performance auditing
 - 3.1. Long term management commitment is needed
 - 3.2. A proper mandate is vital
 - 3.3. The importance of building relationships with stakeholders
 - 3.4. Organizational issues need to be addressed
 - 3.5. The key success factors
4. How to get started
 - 4.1 Beginning small scale, with a pilot and focused themes
 - 4.2. Determining the resources needed
 - 4.3. Raising awareness within the SAI
 - 4.4. Not setting up detailed systems and procedures at this early stage
5. Building the capacity for a sustainable performance auditing function – 'maintaining the momentum'
 - 5.1. Operational manager
 - 5.2. Staff recruitment and training
 - 5.3. Performance auditing framework
 - 5.4. [Communications strategy](#)
 - [Performance auditing policy manual](#)
 - 5.5. ~~Communications strategy~~
 - ~~5.6.~~ Following-up the implementation of performance audit recommendations

Introduction

Performance auditing greatly enriches public accountability and enables the SAI to make practical contributions to improving the efficiency and effectiveness of the public administration. This guide aims to set out the benefits to an SAI from introducing performance auditing, together with some of the key issues to consider in introducing and maintaining performance auditing in an SAI. It is mainly aimed at the Head of the SAI and its senior management staff, to help them understand the requirements and challenges to be faced. The idea is to focus on the strategic needs and general implications of introducing a sustainable performance auditing function. SAIs operate under different mandates and models, and the size of SAIs and the administrative culture vary around the world. Therefore it is not possible to produce detailed guidelines applicable to all; so this document focuses on the strategic challenges concerned with the implementation process and the resources needed. It also highlights the key features of performance auditing and its importance to SAIs, public administrations and society as a whole.

A significant number of SAIs have encountered difficulties in introducing a sustainable performance auditing function. Besides political and administrative factors, the complexity and challenge of performance auditing itself should also be acknowledged. Experience has shown that it may take years to develop this form of audit work in a sustainable way. In addition, having a strong financial and compliance auditing function does not guarantee success in performance auditing, since performance auditing is a very different discipline.

These guidelines consist of four main chapters:

- Chapter 2: presents the key performance auditing principles and describes internal and external benefits of this type of work;
- Chapter 3: points out the main challenges of introducing performance auditing;
- Chapter 4: highlights the key aspects to be considered when starting performance auditing; and
- Chapter 5: provides an outline of the principal issues for a sustainable performance auditing function.

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2. The nature and benefits of performance auditing

2.1. What is performance auditing?

Performance auditing is an independent and objective examination of government undertakings, programs or organizations, relating to one or more of the three aspects of economy, efficiency and effectiveness, with the aim of leading to improvements. The key principles guiding performance auditing may in short be described as follows:

- The principle of **ECONOMY** is keeping costs low. It requires that the resources used by the audited entity for its activities shall be made available in due time, in appropriate quantity and quality and at the best price.
- The principle of **EFFICIENCY** is getting the most from available resources. It is concerned with the best relationship between resources employed, conditions given and results achieved; in terms of quantity, quality and timing of outputs and/or achievements.
- The principle of **EFFECTIVENESS** is meeting the objectives set. It is concerned with attaining the specific aims or objectives set and/or achieving the intended results.

Performance auditing is about analysing and assessing the performance of government programs or public services. It is an information-based activity that requires analytical and creative skill. In contrast to financial auditing, it focuses on the activity rather than the accounts and flow of money. And in contrast to compliance auditing, it relates mainly to the intentions behind government interventions and to the concepts of economy, efficiency and effectiveness. Basic questions in performance auditing are:

- Are the right things been done;
- If so, are things been done in the right way; and
- If not, what are the causes?

The perspectives and the entities to be audited vary, i.e. individual departments as well as government programs and undertakings may be audited. Some of the main differences between performance and financial auditing are summarised below.

ASPECTS	Performance auditing	Financial auditing
Purpose	Assess whether government interventions or measures have been conducted in accordance with the principles of economy, efficiency and effectiveness.	Assess whether financial operations have been carried out in accordance with legislation and regulations and whether accounts and financial statements are true and fair, i.e. reliable.
Focus	Policy, programmes, organisation, activities and management systems.	Financial transactions, accounting, financial statements, and key control procedures.
Academic basis and relevant experience	Economics, political science, sociology etc. Experience of professional investigations or evaluations and familiarity with methods applied in social science as well as other relevant methods/skills.	Accountancy and law. Professional audit skills.
Methods	Vary from audit to audit.	Standardised format.
Audit criteria	More open to the auditors' judgement. Unique criteria for the individual audit.	Less open to the auditors' judgement. Standardised criteria set by legislation and regulation for all audits.

<p>Reports</p>	<p>Special report published on ad hoc basis. Varying structure and content, depending on objectives.</p>	<p>Annual opinion and/or report. More or less standardised.</p>
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2.2. External benefits

Performance auditing has important functions to fulfil, both in relation to the general public, [the legislatureparliament](#), the government and the entities that are audited.

The democratic principle is based on the public's right to hold governments accountable for their actions through general elections. In order for this principle to have significance, the public needs information on how public resources are spent and how public services perform. By providing objective and reliable information on these issues, performance auditing contributes to transparency and accountability.

Performance auditing also plays an important role in keeping [legislatures parliament](#) well informed about the government's actions, and the outcome of its own decisions. [Legislature Parliament](#) needs reliable and independent information on the results and effects of programs and decisions. Performance auditing represents a unique source of information, as it does not represent political activists or institutions. It may also be of value for Government to get an independent evaluation of the outcome of its decisions and the performance of public services.

Performance auditing provides incentives for learning and change in the public sector, by providing new information and drawing attention to various challenges. [It also addresses problems that are beyond the auditee mandate by including the theme on the political agenda.](#) It contributes to improvement and reform in public administration and government. In this way performance auditing adds value far beyond that of a control mechanism.

2.3. Internal benefits

Performance auditing enhances cultural diversity, creativity and learning in the SAI, leading the auditors to concentrate on relevant social, political and economic issues.

It has the potential to make SAIs more visible in the media because performance auditing topics attract a wider audience. This can have a flow-on effect of increasing auditors' motivation within the SAI due to the visibility of their work.

Given that an objective of performance auditing is to identify potential improvements in the efficiency of public administration, (and therefore to help save government outlays) the credibility obtained from this type of auditing can provide greater incentives for governments/legislatures to allocate human and financial resources to the SAI.



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3. The challenges of introducing performance auditing

These are a number of issues that the head of an SAI needs to address when developing a sustainable capacity for performance auditing. Successful implementation of performance auditing requires political support, appropriate regulation, leadership and active management involvement. The head of the SAI needs to ensure sufficient funding and seek partners that may assist in capacity building and quality control.

3.1. Long term management commitment is needed

It is important that the head of the SAI takes into account that performance auditing is different, demanding and takes time to implement. The head of the SAI needs to communicate a clear vision of the purpose for performance auditing and the desired outcomes to be achieved. The introduction of performance auditing requires a personal commitment from the head of the SAI, and it is also important to get management actively involved and professionally trained.

Experience proves that introducing performance auditing will often require changes in attitudes, management style, organizational behavior, recruitment practices etc. It requires leadership to publish critical performance audit reports, especially in an environment less used to such criticism. It takes courage to reveal poor performance of government programs or services, even when backed up by reliable, objective and balanced evidence and arguments. Performance auditing requires skills which SAIs with limited or no experience in the field will have to acquire.

3.2. A proper mandate is vital

The head of the SAI should also seek to obtain a suitable legal mandate that comprises the following criteria:

- A mandate to carry out performance auditing on the economy, efficiency and effectiveness of government programs and entities;
- Freedom to select what to audit, when to audit and how to audit, conclude and report on findings;
- Freedom to place the audit results in the public domain;
- Access to all information needed to conduct the audit; and
- Freedom to decide who to recruit.

3.3. The importance of building relationships with stakeholders

The head of the SAI should be prepared to promote the value of performance auditing to a number of stakeholders. The SAI needs to identify its key stakeholder groups and establish effective two-way communications with them. One reason for doing this is to enable the SAI to develop a full understanding of the needs and expectations of the different groups in order to make decisions based on knowledge of what those expectations are. Another reason is to give the SAI the opportunity to explain the purpose of performance auditing to stakeholders.

When considering communications with stakeholders on performance auditing, it is important to recognize that some stakeholders will be the SAI's usual contacts, such as the legislature and government bodies, but others may be a new group not engaged with previously, such as the academic and business communities, citizens and their

representatives, research institutions, interest groups, independent agencies such as non-government organisations, politicians and media representatives.

In order to develop good relations with the legislature and government the head of the SAI should also work closely with these stakeholders. The head of the SAI needs to develop procedures for communicating with the media, the auditee and other key stakeholders, and to establish networks where appropriate. Some of the key stakeholder groups are discussed below but the list is not intended to be comprehensive.

The legislature

The legislature should be convinced of the need for performance auditing if it is to support additional funds being provided for its introduction within the SAI. It is important for the head of the SAI to manage the legislature's expectations carefully because performance audit is unlikely to deliver immediate results and impacts from any decision to invest in performance auditing: the benefits will come in the medium and longer term.

The legislature should be made aware of the fact that performance auditing is about identifying opportunities for improvement in economy, efficiency and effectiveness. Public sector reform and improvement of government is more likely to happen if there is a parliamentary mechanism in place to consider the performance audit reports. The legislature needs to set out a clear procedure for receiving and deliberating on performance audit reports in order to ensure that appropriate actions are taken. The SAI should make it clear that naming and blaming individuals is not the purpose of performance auditing. Nor do such reports cross the borderline into political territory. seek to challenge policy, but to focus on critically examining implementation.

In some cases the SAIs will need to seek legislative changes to allow it to undertake performance audits. In such cases the SAI may need to harness a variety of means to help the legislature see the value of this type of auditing. This might involve visits to other legislatures, presentations on the impact of the work and meetings with representatives of SAIs with long experience in performance audit.

The SAI will need to establish the legislature's preferences for performance audits regarding:

- Meetings to establish performance audit topics of interest to the legislature;
- Developing a good working relationship between the legislature and the SAI that ensures that audit reports will be debated; and
- Additional briefing that the legislature may require to enable those working with the SAI's performance audit reports to interact effectively with the government, for example through committee hearings involving questions to officials of audited bodies and production of legislative reports.

Audited bodies involved

The relationship between the SAI and government is long-term. Both parties need to cooperate to identify constructive ways of working together. Effort should be placed on making audited bodies aware of the procedures relating to performance auditing.

In performance auditing the SAI is seeking to achieve beneficial change in the operations of government. The SAI is therefore supporting the interest of government in helping it to meet its objectives. It is not necessarily a criticism of government when an SAI points the way to better performance, because new opportunities to improve are constantly emerging.

It is important to ensure that government authorities are made aware of the procedures relating to performance auditing, and understand the key requirements of performance auditing.

In some countries the Ministry of Finance is a key central contact for the SAI and a potential ally. Developing good communications with the Ministry of Finance on performance auditing will enable the SAI to achieve cross-government impacts on performance auditing issues. The SAI will benefit from working closely with the Ministry of Finance, to strengthen support for performance audit recommendations and proposals for systemic improvements across government. Maintaining good contacts with audited bodies is equally important. SAIs need to be balanced and objective in communications involving both the Ministry of Finance and audited bodies, to ensure that they are not seen as taking sides with either party.

A sound dialogue with the public authorities involved is pivotal in achieving real improvements in government. Although an SAI needs to maintain independence from the auditee, the development of good and open professional relations is likely to make it easier for the SAI staff to conduct rigorous and useful audits.

It may also increase the impact of the audit if there is agreement on the findings between the SAI and the audited bodies involved. If the SAI demonstrates that it recognizes the pressures under which the audited body has to operate, and if the SAI is willing to acknowledge what audited bodies have achieved as well as what more needs to be done, the auditee is likely to be more open in its communications with the SAI, and the SAI may find the auditee provides more willingly the access to people and data that is necessary for performance auditing. Mutual responsibilities concerning sharing of information should be clarified.

Citizens

It is important to consider the interests of citizens on performance auditing. Citizens are a source of ideas for performance auditing, a source of demand for performance auditing, and users of performance audit reports. They may be contacted directly or through non-government organisations that represent them.

The SAI will need to consider how best to communicate with the public. Depending on the circumstances within the SAI's country, this could include a mix of television interviews, articles in various publications, leaflets in public places such as libraries and use of the SAI's website. The SAI could use these media to explain the new performance auditing approach and how it will enable the SAI to check that taxpayers' money is being used by government economically, efficiently and effectively. The SAI's website could also include notifications of future performance audits, inviting those with particular interests to contact the SAI with their comments, particularly about service delivery.

The media

It is also important for the SAI to have good communications with the media. They may serve as a bridge to citizens and the citizen's view of public services. Sometimes public

opinion, as expressed by the media, provides added support and impact for audit topics and audit reports.

Other key stakeholders

Other important external stakeholders are representatives of the academic community. They have expert knowledge in specific audit areas, and may provide a more objective view, less restricted by personal interest. Academics may thus serve as suitable discussion partners, co-readers and sometimes also consultants at all stages of an audit. In addition, academics are often suitable potential recruits to the SAI's performance auditing function. [National and international performance auditing professional community is also an available source of inputs.](#) There may be occasions when the business community can also provide expertise for specific performance audit topics.

Non-government organisations can be a useful source of ideas. They may have conducted their own research through surveys and case studies, and may have a range of relevant contacts. Civil society can be motivated to put pressure on the legislature to act, particularly if the SAI is providing high profile material that is of interest to them.

3.4. Organizational issues need to be addressed

Performance auditing is a knowledge-based activity, and high quality work is of great importance. Owing to its special features it requires special competences. It is an investigatory discipline that requires flexibility, imagination and analytical skills. Excessively detailed procedures, methods and standards may in fact hamper the effective functioning of performance auditing.

The ability to recruit the right staff is a critical factor. It is well understood by SAIs with long experience of performance auditing, that conducting performance audits requires different skills from financial auditing. Consequently, an appropriate recruitment process is essential. It is generally required that performance auditors should hold a university degree. Experience of qualified investigative/evaluation work is an advantage. Personal competences like creativity, receptiveness, integrity, and oral and written skills are vital. It is also necessary to be familiar with methods applied in social sciences as well as other relevant methods/skills. Good knowledge of organizational management also helps ensure that performance auditors make realistic and achievable suggestions for improvements.

It is important to ensure that competence is built up step by step, and to stimulate knowledge sharing and learning in the organization. Recruiting a competent operational manager is also a strategic issue. The manager is a key factor for sustainable capacity building. In the longer term, how to develop capacity for methodological, analytical and professional in-house training should be considered. Setting conditions, standards and guidelines that will safeguard quality and sustainability are also issues that will need to be addressed. This includes a well functioning process for efficient production of performance audit reports.

~~All these aspects are essential for the organization to be able to provide interesting, challenging, well founded and reader focused reports that add value, promote better spending and results, and are widely appreciated.~~

3.5. The key success factors

In short these are some of the key success factors for developing a sustainable performance auditing function:

Management involvement

- Define a clear vision for what to achieve and set the objectives for the performance auditing;
- Realize that performance auditing is demanding, differs from financial and compliance auditing and takes time to implement;
- Be aware that changes in management style and organizational behavior might be required;
- Get management actively involved and professionally trained; and
- Be comfortable in challenging poorly functioning programs or services, if backed up by reliable, objective and balanced evidence and arguments.

External relations

- Get political support and a sufficient legal mandate;
- Safeguard sustainable funding;
- Ensure that government authorities understand the key requirements of performance auditing;
- Establish networks with academics, non government organisations and other stakeholders;
- Establish strategies for communicating with the media, auditees, citizens and other stakeholders; and
- Produce interesting, challenging, well founded and reader-focused reports that add value, promote better spending and results, and are widely appreciated.

Institutional issues

- Select competent staff and get a competent operational manager in place;
- Make the recruitment process a better fit for performance auditing;
- Build up competence step by step and stimulate knowledge sharing and learning;
- Develop capacity for methodological, analytical and professional in-house training;
- ~~and~~
- Set conditions, standards and guidelines that will safeguard quality and sustainability, including a well functioning process for efficient production of performance audits; ~~and-~~
- Provide professional support on statistics, information technology, editorial work, communication office.

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4. How to get started

4.1. Beginning small scale, with a pilot and focused themes

SAIs should not try to do too much too quickly. Performance audits are time consuming, and even more so for newcomers. In order to get performance auditing established, it is advisable to look for some quick wins in one or two subjects that are likely to be of particular interest to stakeholders, but which the SAI has some experience and confidence in dealing with. Such audits should not be too complicated to handle, and not too broad in scope, but still be able to add value.

The SAI might want to consider carrying out a pilot performance audit. This might be carried out away from the public eye so that there is a 'safe space' in which mistakes can be made and lessons learned.

It might be helpful to consider a theme for the initial performance audit work. It enables the SAI to learn by doing in a structured manner. In addition, a thematic approach makes it possible to recognize similar problems in public administration and to use experiences from one area for new audits in another area. This in turn may have positive impacts on the efficiency of the production. This would provide opportunities for focused capacity building.

A general requirement is, of course, that the problems are possible to examine with available methods, and that the processes are possible to influence, i.e. better practice is known and it is likely that the performance can be improved or money saved.

Examples of possible themes for initial performance audit work might include:

- Performance Management: for example the quality of objective and target-setting and the monitoring and evaluation of results;
- Time & Resource Management: for example the efficiency of organizational processes and the cost-consequences for service users and society;
- Systems for Inspection and Control: for example whether systems are focused on significant organizational risks such as corruption, rather than compliance with lower level procedures;
- Public procurement strategic functions and processes;
- Service delivery;
- Environment, climate change and sustainability;
- Productivity and skills;
- Efficiencies; and
- Personal safety and security.

4.2. Determining the resources needed

Financial resources

Starting small scale would enable SAIs with limited resources to commence performance auditing. The costs relating to building up the necessary competence should be taken into account. Staff costs would be estimated according to established costing methodologies (for example salary costs plus basic overheads, allocated as a share of total time per month or year). Other costs may include, travel, consultancies and printing, which should be readily estimated as part of the planning process.

To satisfy good budgeting practices, it is important that the performance auditing function has a cost centre distinct from other SAI activities from the outset, and that budgets for individual performance audits and other key performance audit costs, such as travel, printing and use of consultants, are separately identified and monitored, as well as staff costs.

After the performance auditing function becomes more established it will be necessary to factor in the costs of developing administrative systems, such as those supporting policies and procedures, audit reporting and quality assurance. It would be possible to use such information from SAIs with existing performance auditing functions and similar cost levels and approaches.

The additional costs required both in terms of staff resources, training and materials will need to be carefully estimated and discussed with the legislature. It might then be for the legislature to recommend enhancements to the SAI's budget to reflect the need for increased resources.

People

It would be possible to conduct a competent initial performance audit using ~~less than~~ 3-5 full time equivalent staff (though if the performance auditing function is to be sustainable, the number will need to grow from this base point). A good ambition might be for the performance auditing cadre to grow to perhaps 15 staff within 18-36 months. In order for the performance audit function to have sufficient professional weight, an even larger number of staff would be very useful.

The initial performance audits might be staffed by people currently working on financial or compliance auditing. While it is the case that some of the elements of accountancy training are very relevant to performance auditing, such as investment appraisal and costing methodologies, performance auditing is a specialism in its own right, with its own particular skills requirements. In due course the SAI could recruit people with solid experience from analytical work and/or a research background. Eventually the performance audit function might consist of people with academic backgrounds from a variety of disciplines.

It is therefore worth thinking early on about how a wider range of skills can be brought to bear. If funding is available, the SAI could consider recruiting one or two people with backgrounds in evaluation, social sciences or management consultancy. Alternatively a shorter term commitment would be to bring such skills in through contracting with consultancy firms.

Partnerships with other SAIs and academics

National organisations can sometimes be cautious about the risks of funding a new venture, and in such cases international support may be the best approach initially. This is because

other SAIs have wide experience regarding factors that may contribute to capacity building of implementing capacity building, including the introduction of performance auditing for SAIs, and can provide advice. International donors might also contribute, for example by commissioning SAIs who are experienced in performance auditing to provide support.

Another potential source of support is the local academic community. Academic institutions will have much relevant experience, for example of evaluating policy and conducting social research. Such institutions might be willing to work in partnership with the SAI, possibly through providing academics on secondment to the SAI.

4.3. Raising awareness within the SAI

If performance auditing is to take root within an SAI it is important to build awareness, interest and enthusiasm. One of the key messages to pass on to staff is that the Head of the SAI considers developing performance auditing to be an important priority. This can be done through whichever internal communication channels are most appropriate. These channels might include direct briefings from senior management. Importantly, for the successful introduction and ongoing benefits of performance auditing to be realized, these communications must also be supported by ongoing actions including those outlined in this guide.

4.4. Not setting up detailed systems and procedures at this early stage

SAIs should not feel that they cannot ‘jump into the performance auditing water’ before they have a detailed system in place for planning and implementing a performance audit. Work on developing audit manuals, toolkits and quality assurance arrangements can come at a later stage, because the burden of doing this can be prohibitive, and it is much more important to invest initial resources in actually trying it out. Approaching the first performance audits with a ‘pilot mentality’ can be quite helpful in terms of all parties understanding that what needs to be learned, and that mistakes might be made.

5. Building the capacity for a sustainable performance auditing function – 'maintaining the momentum'

Performance auditing is an ever evolving function within an SAI, even for those who have had a firmly established capability for a number of years. Once the SAI has begun performance auditing, it is important to maintain the momentum to realize the full benefits. This involves progressively building the core performance auditing capacity over a number of years to ensure that early work can develop into a sustainable product. In doing this, consideration should be given to both how initial learning is captured to improve the process going forward, and also how the function can be developed into a mature performance auditing capability. These considerations will necessarily differ between short, medium and long term goals, however regardless of the issue or timeframe, the keys to success will lie in being realistic about your ambitions and flexible in your approach.

The following provides a high-level outline of some issues that the SAI will need to consider as it works to build its performance auditing capability.

5.1. Operational manager

A key factor to the sustainability of the performance auditing function in the SAI will be establishing an operational manager role with responsibility for development and oversight of the function. Amongst the duties of the role would be managing the various issues outlined in this guidance and ensuring that areas such as staffing, training and the development of a performance auditing framework are being adequately addressed and progressed.

Ideally, the operational manager role and the performance auditing function should be supported by a member of the SAI Executive who can act both as manager with accountability for the function and a 'champion' to help promote its benefits and ensure that it has the necessary resources devoted to it to help build its ongoing success.

5.2. Staff recruitment and training

It is the quality of the staff undertaking performance audits that will be a large contributor to the success of the function. While at the outset, the SAI may wish or need to use auditors with a background in the existing functions of financial and/or compliance auditing, over time this composition should be reviewed. Performance auditing covers the full spectrum of public administration and therefore it is important that the skills and competencies of staff reflect this. People with:

- academic qualifications in areas such as social science or broader investigative and evaluation work; and
- personal qualities including integrity, creativity, judgement, analytical skills and oral and written communication skills;

are often those who are targeted for recruitment by SAIs within their performance auditing function. Using people with these and others skills, and adopting a flexible approach in utilising resources across the SAI to allow staff with relevant expertise to work across audits where that expertise is best used, will help the SAI develop the performance auditing capability. Recruiting mid-career professionals to strengthen performance audit and ground the work in wider public sector management experience is also an option.

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This recruitment should be complemented by both initial training in performance auditing (and the processes of the SAI) and ongoing training in areas that will develop auditors' skills and improve the SAI's performance auditing capability. This training can be delivered through a combination of internal and external models and cover both audit process skills, such as audit interviews and technical skills such as data analysis. From a sustainability perspective, developing a balanced internal training capacity that covers methodological, analytical and professional areas will assist in building a strong learning environment. The more that a learning culture can be developed and promoted within the SAI the greater in-house knowledge sharing can be utilised to both improve staff skills and experiences and the overall quality of performance audits being produced.

Introducing performance auditing can also bring the benefit of stimulating knowledge sharing across the SAI. With the development of a new auditing function the SAI should remain conscious of the benefits to be gained from all auditing functions (financial, compliance and performance), drawing benefit from the work of each other (such as risks or issues that have been identified) and using the expertise of others to assist in developing a better product. While each is covering a different aspect of auditing, combined, they allow the SAI to present a powerful and more complete analysis of the audited entities and public administration.

In a similar vein to better utilising the internal skills and expertise of an SAI, many of the techniques applied in performance auditing lie within the scope of academic fields such as social and economic research. Accordingly, developing relationships and collaboration with experienced external researchers over time can bring an additional independent dimension to the work supporting a performance audit.

5.3. Performance auditing framework

Part of having a mature and sustainable performance auditing function within an SAI involves developing a framework that is supported by such things as manuals, policies, and a quality assurance process. This framework should be progressively developed as the performance auditing activities carried out by the SAI mature. The framework could utilize both the learning from performance audits undertaken and information resources such as INTOSAI, IDI and other SAIs with an already developed performance auditing capability.

5.4. Performance auditing policy manual *Manuals, policies and procedures*

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The development and introduction of manuals, policies, procedures and other supporting tools will play an important role in consolidating and institutionalising performance auditing in the SAI over the longer term. As the SAI adapts to the introduction of a performance auditing capability and determines how it wishes to develop and utilise the function, consideration can be given to standardising the approach and methods used through means such as a performance auditing policy manual.

A form of document, whether it is a manual, policy or series of policies, that outlines the framework and maps the performance auditing process from concept to delivery is often used by those SAIs with an already developed performance auditing capability. In addition to

being a useful general reference tool for staff it can add value by: establishing a clarity of purpose and consistency in process; supporting compliance with legislation and other authority such as auditing standards; providing an overview of performance auditing for new staff members, and making work practices more efficient.

An example of the high-level structure that could be used to develop a performance auditing policy manual is provided below:

- **Foreword or Introduction**
- **SAI Auditor-General Mandate and Legislative Framework**
- **Structure of the Performance Auditing Function**
- **Strategic Planning of Performance Audits (criteria for selection)**
- **Planning Individual Performance Audits**
- **Managing the Audit and Relationships with Entities**
- **Conducting the Audit**
- **Reporting and Tabling**
- **Parliamentary Review**
- **Follow up**
- **Other Products and Services**
- **Quality Assurance**

Once developed, this documentation should then be revised periodically as more performance audits are completed and the function evolves.

Quality Control and Assurance Processes

A quality control (QC) process needs to sit above the conduct of each performance audit to minimize the risks of error and drive consistency in conduct. This process should be documented and include, for example, the various steps in the audit process, checks to be undertaken (such as peer review of draft work and editorial review of final reports) and provision of space for reflection on issues identified in the audit by audit teams, audit managers and the Executive. In essence, the QC process could be covered in a 'checklist' that audit managers are required to complete while conducting an audit.

Further, in developing a robust performance auditing framework the SAI should look to implement a structured quality assurance (QA) process for all performance audits. A QA process allows audits at their completion to be independently assessed on a consistent basis against specific criteria. Undertaking a QC process outlined above would be one step that the QA process would review and the SAI can develop its own criteria, based on its particular circumstances, with examples of criteria-based questions including:

- To what extent does the report clearly describe the financial, administrative and managerial context within which the area examined is carried out?
- To what extent is the report well structured and well written, and does it include an effective executive summary?
- To what extent were graphics and statistics appropriately presented and used?
- To what extent is the rationale for the report's scope clearly set out?
- Is the audit methodology clearly set out?
- To what extent were the report's conclusions and recommendations balanced, logical, consistent and supported by the evidence quoted?

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- To what extent has the audit been successful in meeting its objectives and providing useful information to help improve public services?

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Given the key role played by the QA process in developing a performance auditing capability, the executive of the SAI should be involved in crafting the criteria and clearly determining their expectations for what constitutes an efficient and effective high quality performance audit.

Those carrying out the independent QA could be senior members of the performance auditing unit (with no involvement in the conduct of the audit), or external figures such as senior academics from universities and business schools. Using external QA provides an opportunity for the SAI to demonstrate its accountability to stakeholders. Following QA reviews the SAI can circulate good practice examples of performance audit reports within the SAI for the benefit of all auditors. Where performance audit reports are found to need strengthening, a senior staff member(s) could work with the audit team concerned to identify lessons learned and possibilities for training, mentoring and coaching in specific areas.

Planning

Performance auditing should be progressively integrated within the overall strategy of the SAI and should therefore be reflected in SAI planning (such as annual and strategic plans) and the subsequent allocation of resources. The different forms of audits undertaken by the SAI should seek to complement each other in such a way that the total information provided by the SAI contributes to a comprehensive understanding of government functions.

If the SAI is able to select performance audit topics, the development of a system for determining a balanced portfolio of performance audits will assist with providing for adequate coverage of government functions. Initially, while a small number of performance audits are being completed annually, a relatively simple policy direction for performance audits could be established. This could include concentrating for example on economy, while competencies are built up in efficiency and effectiveness; or choosing some higher level themes such as reducing excessive bureaucratic procedures in order to improve transparency and efficiency and effectiveness in public administration.

The importance of having a strategic plan underpinning the performance audit program will grow as the number of staff and audits planned increases. In determining the performance audit program, considerations can include:

- Risk-based assessment of government programs;
- Discussions with the legislature on what they would like to see covered in the annual program of performance audits; and
- Identification of key themes that might govern the selection of audit topics – some possible examples are detailed at paragraph 4.1.

5.4.5. Communications strategy

Publicizing of performance audit reports contributes to transparency in public sector management and demonstrates how performance auditing can contribute to improvements in public administration and governance. Accordingly, having in place a process for communicating the results to key audiences, such as the legislature, stakeholders and the media is paramount. At the basic level this should entail clarifying which stakeholders should receive information (and in what order) and what information should be provided.

SAIs adopt many different ways for publicizing performance audit reports. For example, some SAIs take a highly visible approach and develop press releases and/or conduct press conferences, while others rely on a more low-key approach and ensure audit reports are made easily available to the legislature, stakeholders, media and the general public.

Regardless of the method for communication, it is important to consider the specific messages to be communicated [and the appropriate style and language](#). Focus should be on strategic issues relating to public administration that warrant attention or are better practice, rather than single performance deficiencies. Consideration should also be given to the specific details of the information to be published. For example, in some cases there might be a need for ensuring anonymity, such as where general disclosure is prohibited by laws or regulations in national security areas.

Differences in the Auditing Functions

An advantage of introducing performance auditing is the new ‘lens’ that it will bring to examining aspects of public administration. However, with this benefit comes the risk that the new aspect of auditing will not always necessarily accord with, or support the findings of, financial and/or compliance auditing. It is therefore important that the SAI communicates to its stakeholders the differences between the objectives of the auditing functions and why conclusions can differ.

Depending on the mandate of the SAI, it can choose to adopt a position along a spectrum which at one end highlights the differences between the auditing functions and presents conclusions that are not necessarily congruent; and at the other end encourages collaborative work to help guard against audited entities receiving different messages and the SAI publishing inconsistent information.

5.5.6. Following-up the implementation of performance audit recommendations

Following publication of the performance audit report and any deliberations by the legislature, the auditee may be required to respond to the SAI or the legislature about implementation of performance audit recommendations.

Where it is considered that the findings and/or recommendations of a performance audit warrant further review it may be appropriate for the SAI to conduct a follow-up on the report. Accordingly, the SAI needs to have in place a system that captures audit findings and/or recommendations and the auditee’s undertakings in relation to them. Then, after an appropriate time period has elapsed, the SAI can undertake a further assessment of the auditee’s progress with responding to audit findings and implementing recommendations and report on this through a follow-up audit.

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Ikke med 7,75 cm + 15,5 cm

Follow up is also important for the purposes of evaluating the benefits that arose from performance audit work. This helps to assess the effectiveness of performance audit in terms of improving public services and making them more efficient, and is useful when the SAI is seeking additional funds for its performance auditing.