DRAFT

Template Performance Audit Manual

2026

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Replace this page with a title page for the SAIs Performance Audit Manual. Remember to include a copyright clause that protects the rights to the SAIs Manual and the AFROSAI-E Template.

This Word version of the template is intended for customisation by the SAI. If your current manual was largely developed without using the AFROSAI-E template, start from step 2 below. If you want to update your manual largely based on the previous AFROSAI-E template, consider using the following workflow.

1. If you have documentation of the changes made during your previous customisation of the AFROSAI-E template, please retrieve it. If not, analyse your current manual in relation to the AFROSAI-E template used to develop it: What amendments and other changes did you make? Use the ribbon at the top of Word to access the "Review" command, then go to the "Compare" tab and select "compare two versions of document", add the name and location of the previous template as the original and your current manual as the revised document. The changes you made will appear with track changes. Sometimes, text you did not change will still appear as deletions or changes. Disregard these elements and *conclude on the changes you suggest to the new manual.*
2. Discuss the descriptions and process in your current manual with performance auditors and managers in the SAI: What has been working well? What needs to be clarified? What is not being followed in practice? What needs to be changed? *Conclude by identifying the changes that should be considered in your revised manual.*
3. Thoroughly review this new template manual: What do you find useful for your context? In which areas do you want to make the amendments suggested by the template? In what other areas do you want to make significant changes? What additional editorial changes of text and wording would you like to make? *Conclude on how you want to make use of the new template.*
4. Work stepwise in developing a draft revised manual for your SAI: Consider the changes you made when customising the previous version; are they still relevant to make*? Draft suggestions for the amendments, changes in descriptions and process, and other changes in the text or wording you want to make.*
5. *Convince yourself that the suggested changes are in line with the standards your SAI have adopted.* In case of uncertainty, consult the AFROSAI-E secretariat or other persons you can rely on.
6. Discuss the draft customised manual with performance auditors and managers in the SAI. Make the changes as agreed. *Present the draft to management for decision.*

Since it is a template, we have not inserted appropriate page breaks, as the pages will change in customisation. That means the page numbering differs from the version available as a PDF file. An exception is that fixed page breaks have been inserted for the different chapters and some large boxes, which are unlikely to be customised. Change the inserted page breaks by selecting "Paragraph", selecting "Line and page breaks" at the top, and un-tick the box for "Page break before". SAIs can customise the tables and working papers to fit their context, as long as audit requirements are met and the standards are upheld. If you want to change something and you are uncertain whether this would be in line with the standards or not, don't hesitate to contact AFROSAI-E secretariat.

Remember to go through the final version of your SAI's customised manual and insert appropriate page breaks.

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Template

Performance Audit Manual

June 2026

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Table of contents

PREFACE

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL
Replace this page with a preface to the SAIs manual signed by the Head of the SAI. Consider including a reference to the relevant legislation mandating the SAI to conduct performance audits.
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This *Template Performance Audit Manual* is issued by the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E). It is based on International Standards of Supreme Audit Institutions (ISSAIs), issued by the International Organisation of Supreme Audit Institutions (INTOSAI). The ISSAIs support INTOSAI members in developing their own professional approaches in accordance with their mandates and national laws and regulations. The framework consists of principles defining public sector auditing. SAIs can choose to develop national standards based on principles for three main audit types or adopt the standards included in the framework.[1] According to INTOSAI Principles 20:3, SAIs should adopt standards and methodologies that comply with the INTOSAI fundamental auditing principles set out in ISSAI 100. SAIs should also communicate the standards and methodologies they use and how they comply with them.

AFROSAI-E recommends that SAIs in the region adopt ISSAI 3000 *Performance Audit Standard* as the authoritative standard for their work.

If the template has been customised to the SAI's manual, it becomes a normative document elaborating on standards and work processes with detailed references to the ISSAIs. The *AFROSAI-E Performance Audit Handbook* is mainly meant for capacity building in the region with more detailed descriptions of theories, examples, and methods in social sciences. SAIs that have a manual based on a previous version of the template find overall guidance for how to update it in the red-framed box on the title page. Guidance on the customisation of this template is provided in red-framed boxes in the different sections. All red-framed boxes are to be removed from the SAI manuals. **[Red text in brackets]** needs to be replaced with content that reflects the specific choices made by each SAI. When customising the template, SAIs are advised to also carefully review all black text to determine if it is relevant and useful in their context or needs to be modified or replaced. Changes need to be made with due consideration to ensure continued compliance with the ISSAIs. If needed, contact the AFROSAI-E Secretariat for advice.

This template is the result of many years of development. This edition was developed by a core team of current and former performance audit managers at the AFROSAI-E Secretariat, Andrew Kellei (SAI Tanzania) and Lars Florin (SAI Sweden), with inputs from performance auditors from SAIs in the AFROSAI-E region and institutional partners.

This template has been realigned with the AFROSAI-E *Performance Audit Handbook*. Key messages have been clarified and streamlined, duplications removed, generic content reduced, and guidance updated to reflect the significant evolution of performance auditing in the region. Chapter 6 now presents a more coherent flow of information, the working papers have been reconsidered, and the proposed documentation system has been adjusted to better align with the structure of audit activities. Rather than providing examples of allocation of responsibilities and

[1] ISSAI 100:2; ISSAI 300:4.

processes for overall planning, the template now refers users to the previous version for such illustrations.

INTRODUCTION

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Already in the first three paragraphs, the text includes strong commitments for the SAI. It is important that the SAI is aware of this before deciding on the manual. This includes, for example, adopting ISSAI 3000 as the standard for performance auditing, and commitment to inform stakeholders if national regulations prevent the SAI from fully complying with the ISSAIs and to explain how the SAI otherwise complies with the standards.

Globally replace the abbreviation "OAG" in the whole document with the one used by your SAI. Select "Replace", "More>>" at bottom right, tick "Match case", write OAG in the box for "Find what:", write the SAI's abbreviation in the box "Replace with:", select "Replace All".

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In line with the requirements of INTOSAI Principle 20:3, the [name of the SAI] (referred to as the OAG) has adopted the international *Performance Audit Standard (ISSAI 3000)*, issued by the International Organisation of Supreme Audit Institutions (INTOSAI), as the authoritative standard for performance auditing. The standard forms part of the framework of International Standards of Supreme Audit Institutions (ISSAIs), which means that the auditor must comply with all ISSAIs relevant to the audit.[2] Where all relevant requirements have not been fulfilled, reference to this standard shall not be made without disclosure of that fact and further explanations about the consequences thereof.[3] In public-sector auditing, the role of "auditor" is fulfilled by the Head of the SAI and by the person(s) to whom the task of conducting the audits is delegated.[4] Thus, the OAG *Performance Audit Manual* applies to all managers and other officers within the OAG who are directly or indirectly involved in performance auditing or related work. For performance auditors, Chapters 6 – 9 on the audit process are the most important in their daily work during performance audit engagements.

The standards adopted by the OAG and the principles for public sector auditing (ISSAI 100 – 400) in no way override national laws, regulations, or mandates or prevent the OAG from carrying out investigations, reviews, or other engagements that are not specifically covered by the ISSAIs.[5] By adopting the *Performance Audit Standard*, the OAG has committed to comply with all ISSAIs relevant to the audit, within the framework of the mandate, national legislation, and regulations.

The OAG is committed to taking reasonable measures to address any limitations preventing full compliance with ISSAIs. In line with INTOSAI Principle 20:3, the OAG will also inform main stakeholders on how it complies with the adopted standards and methodologies. Similarly, the main stakeholders will be informed if conflicts exist between the ISSAIs and the OAG's mandate, national laws, or regulations that prevent full compliance with the ISSAIs and the consequences thereof.

The requirements in ISSAIs are interrelated and together define each audit type. Performance audit has a different historical background from financial and compliance auditing and emerged from broader ideas of evaluation in the public sector, with the expectation that it would lead to improvement in public policy, implementation, and results. There are similarities among different

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[2] ISSAI 100:10.

[3] ISSAI 3000:13.

[4] ISSAI 100:25.

[5] ISSAI 100:7.

types of public sector auditing, such as the role of the SAI and its relationship to Parliament, its mandate and independence, and the ethics for auditors. Some concepts and requirements in the standards are used across all three main audit types but have a different meaning and use, for example, assurance, criteria, and materiality. This may create an impression that the similarities are greater than they are. In fact, performance auditing is fundamentally different in terms of, for example, the purpose, the characteristics and use of the criteria, the necessity of opportunities for improvement to define a performance problem, and the need for deeper analysis of the reasons for problems to develop appropriate recommendations. See further on similarities and differences between audit types in Chapter 1 of AFROSAI-E *Performance Audit Handbook.*

Structure of the OAG Performance Audit Manual

The OAG *Performance Audit Manual* was developed by customising the *AFROSAI-E Template Performance Audit Manual*. Part I, which comprises Chapters 1–4, introduces performance auditing. Part II, which contains Chapter 5, deals with the institutional level of performance auditing in OAG following the structure of the five domains in the AFROSAI-E Institutional Capacity Building Framework (ICBF)[6]. Finally, Part III, comprising Chapters 6–9, presents the standards and guidance for designing and implementing performance audits in the OAG. It covers four of the main steps in implementing individual performance audits: planning, conducting, reporting, and following up.

Blue boxes include quotations from *the requirements for performance auditing according to ISSAI 3000* and highlight other important statements from the standard. The Manual systematically refers to the ISSAIs, and in selected instances, to INTOSAI Principles and Guidance.

[6] See *Abridged Institutional Capacity Building Framework Guideline* (2024).

1 WHAT IS PERFORMANCE AUDITING?

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This text contains mainly quotations from ISSAIs and normally does not need to be customised. However, if the SAI's legal framework includes different definitions, or omits something important, it is likely appropriate to mention this here. It may also be relevant to elaborate on it in Section 5.1, which covers the legal mandate.

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1.1 Definition of performance auditing

ISSAI 3000 STATES

- Performance auditing carried out by SAIs is an independent, objective, and reliable examination of whether government undertakings, systems, operations, programmes, activities, or organisations operate in accordance with the principles of <u>economy</u>, <u>efficiency</u>, and/or <u>effectiveness</u> and whether there is room for <u>improvement</u>. *ISSAI 3000:17*
- Performance auditing aims to <u>contribute to improved economy, efficiency, and effectiveness as well as to good governance, accountability and transparency</u>. It seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement. *ISSAI 3000:18*

According to the standards and principles in ISSAI 300 and ISSAI 3000, performance auditing involves examining whether government undertakings operate according to the principles of the three Es: economy, efficiency and effectiveness. The purpose is to evaluate if there is room for improvement. Performance audits aim to provide new information, knowledge, or value by:[7]

- Providing new analytical insights (broader or deeper analysis or new perspectives).
- Making existing information more accessible to various stakeholders.
- Providing an independent and authoritative view or conclusion based on audit evidence.
- Providing recommendations based on an analysis of audit findings.

Subject matters are not limited to specific programmes, entities, or funds. They may also include topics such as service delivery or the effects of regulations, thereby placing special focus on citizens, as well as issues cutting across many entities.

1.2 Objectives of performance auditing[8]

Performance auditing's main objective is to constructively promote economical, effective, and efficient *<u>governance</u>*. It also contributes to accountability and transparency.

Performance auditing promotes *<u>accountability</u>* by assisting those charged with governance and oversight responsibilities to improve performance. It does this by examining whether decisions by the legislature or the executive are efficiently and effectively prepared and implemented, and whether taxpayers or citizens have received value for money. It does not question the intentions and decisions of the legislature but examines whether any shortcomings in the laws and regulations, or how they are implemented, have prevented the specific objectives from being

[7] ISSAI 300:9–10. See also ISSAI 3000:17–18.

[8] ISSAI 300:12. See also ISSAI 3000:18.

achieved. Performance auditing focuses on areas where it can add value for government and citizens, and where it has the most significant potential for improvement. It provides constructive incentives for the responsible parties to take appropriate action.

Performance auditing promotes *transparency* by giving parliament, taxpayers, and other sources of finance, those targeted by government policies, and the media insight into the management and outcomes of different government activities. It thereby contributes directly to providing useful information to parliament and citizens, while also serving as a *basis for learning and improvement*. In performance auditing, SAIs are free to decide, within their mandate, what, when, and how to audit, and should not be restrained from publishing their findings.

2 STANDARDS FOR PERFORMANCE AUDITING

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Consider whether you agree on the role of the AFROSAI-E Performance Audit Handbook and other materials from AFROSAI-E in guiding performance auditing in the SAI (see paragraph 1). Consider adding other materials or sources that the SAI advises the auditors to use.

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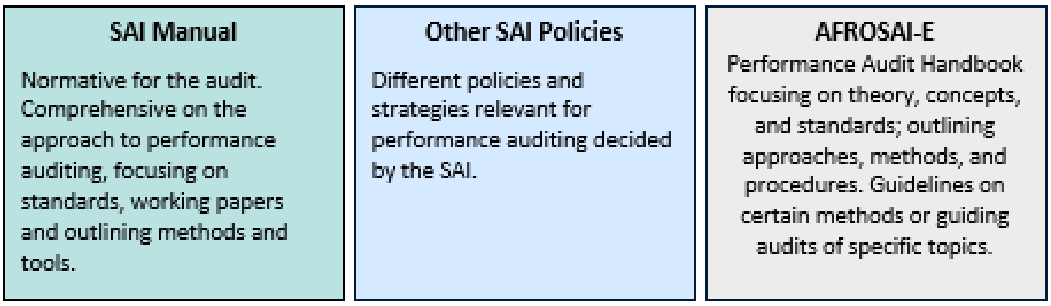
The OAG *Performance Audit Manual* should be applied by all managers and other officers in the OAG who are directly or indirectly involved in performance auditing. The Manual is based on the ISSAIs and the experience of performance auditing in [name of country]. The Manual is complemented by other policies decided by the OAG. Within the framework of the Manual and other policies, performance auditors should also consider handbooks and guidelines relevant to performance auditing issued by AFROSAI-E (see Figure 2.1). The *AFROSAI-E Performance Audit Handbook* further explains many concepts and methods relevant to the performance audit process. This general reference to the Handbook replaces detailed references in each section.

Figure 2.1 The relation between the Performance Audit Manual, other OAG policies, and relevant handbooks and guidelines from AFROSAI-E



The ISSAIs aim to promote independent and effective auditing and to support INTOSAI members in developing their own professional approach in accordance with their national laws, regulations and mandate.[9] The important documents in the INTOSAI Framework for Professional Pronouncements relevant to performance auditing are presented below.

INTOSAI Principles (INTOSAI-P)

Number	Name	Content
INTOSAI-P 1	The Lima Declaration (1977)	The founding principles call for independent government auditing and establish goals to achieve this.
INTOSAI-P 10	Mexico Declaration on SAI Independence (2007)	Sets out eight core principles of SAI independence that flow from the Lima Declaration.
INTOSAI-P 12	The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens (2013)	Twelve principles based on three objectives for how SAIs make a difference in the lives of citizens: strengthening the accountability, integrity and transparency of government and public sector entities; demonstrating ongoing relevance to citizens, parliament and other

[9] ISSAI 300:1 and 3000:1.

Number	Name	Content
		stakeholders; being a model organisation through leading by example.
INTOSAI-P 20	Principles of Transparency and Accountability (2013)	Principles about the availability of information about the SAI, transparency in work processes and products, open communication with the media and others and being visible in the public arena.

INTOSAI Standards (ISSAI)

Number	Name	Content
Fundamental principles of public-sector auditing		
ISSAI 100	Fundamental Principles of Public-Sector Auditing (2013)	Sets out fundamental principles for all public sector auditing, covering the purpose of the ISSAIs, the framework for and elements of public sector auditing, organisational requirements relating to quality control and ethics, the objectives of public sector audits, the types of auditing, the roles of the auditor, intended users, suitable criteria and how to refer to the ISSAIs.
SAI Organisational requirements		
ISSAI 130	Code of Ethics (2016)	A statement of the values and principles to guide the daily work of SAIs and auditors; ethical requirements embodied in the key principles: integrity, independence and objectivity, competence, professional behaviour, confidentiality and transparency.
ISSAI 140	Quality Management for SAIs (2023)	Assists SAIs in designing, implementing and operating a system of quality management to provide them with reasonable assurance that the SAI carries out all audits and other work at a consistently high level of quality and in accordance with standards and regulatory requirements.
Principles and standards for performance auditing		
ISSAI 300	Performance Audit Principles (2013)	Provides the framework for performance auditing, general principles for performance audit engagements and principles related to the audit process. Can be used to develop national standards.
ISSAI 3000	Performance Audit Standard (2016)	Covers central concepts as well as the audit process. Can be adopted as a SAI standard for performance auditing.

INTOSAI Guidance (GUID)

Number	Name	Content
Guidance for performance auditing		
GUID 3910	Central Concepts for Performance Auditing (2016)	Provides guidelines on central concepts contained in the *Performance Audit Standard* (ISSAI 3000).
GUID 3920	The Performance Auditing Process (2016)	Provides guidelines on the audit process contained in the *Performance Audit Standard* (ISSAI 3000).

The INTOSAI principles, standards, and guidance are available on www.issai.org. In addition to the standards and guidance listed above, the website provides subject matter-specific guidance that may be relevant in performance auditing, for example, regarding public procurement, corruption prevention, and environmental audits. Guidance relevant to performance auditing is also available on the following websites:

INTOSAI Performance Audit Subcommittee www.intosaipas.org

- INTOSAI Capacity Building Committee www.intosaicbc.org
- AFROSAI-E www.afrosai-e.org.za
- INTOSAI Development Initiative www.IDI.no
- INTOSAI Working Group on Environmental Audit www.environmental-auditing.org and
- Canadian Audit and Accountability Foundation http://www.caaf-fcar.ca.

3 ECONOMY, EFFICIENCY AND EFFECTIVENESS

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As a matter of taste, a SAI may for example make the following changes:

- Mention environmental auditing as a fourth E, even if this is not done in ISSAI 300 or 3000
- Exclude the input-output model
- Remove the statement that it is less important to label audits in terms of the three Es.

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The principles of economy, efficiency, and effectiveness – often known as the three Es – form the theoretical foundation for the perspectives and types of problems addressed in performance auditing. INTOSAI defines the principles as follows:[10]

PRINCIPLE	DEFINITION
Economy	The principle of *economy* means minimising the costs of resources. The resources used should be available in due time, in appropriate quantity and quality, and at the best price.
Efficiency	The principle of *efficiency* means getting the most from available resources. It concerns the relationship between the resources employed and the outputs delivered in terms of quantity, quality, and timing.
Effectiveness	The principle of *effectiveness* concerns meeting the objectives set and achieving the intended results.

Each principle directs the focus on different aspects of government activities and programmes and represents different purposes and perspectives in the audits. These concepts also encompass audits addressing, for example, environmental topics.

Performance audits often include an analysis of the conditions necessary to uphold the principles of economy, efficiency, and effectiveness. These conditions may include good management practices and procedures to ensure the correct and timely delivery of services. Where appropriate, the impact of the regulatory or institutional framework on the performance of the audited entity should also be considered.[11]

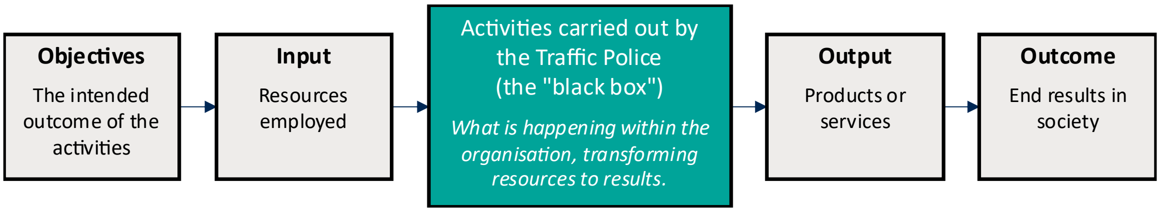
The concepts of the three Es are illustrated through the input-output model in Figure 3.1.[12]

[10] ISSAI 300:11 and 3000:18.

[11] ISSAI 300:11. See also 3000:19.

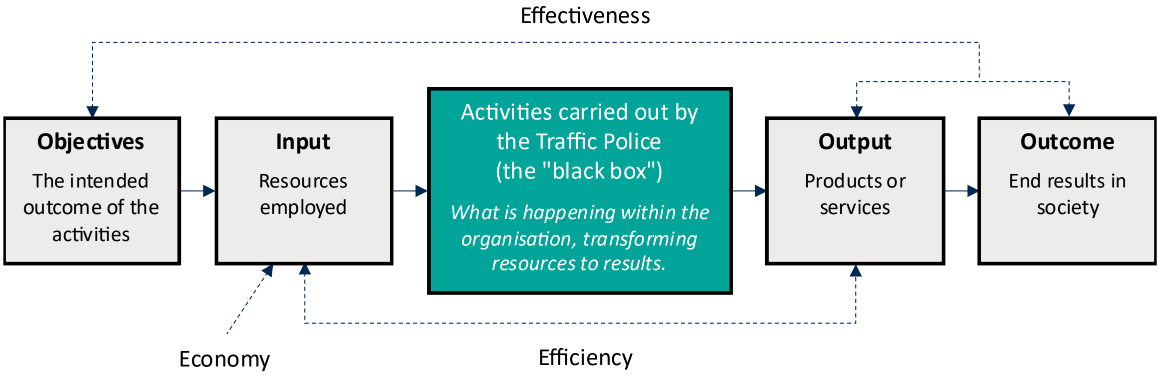
[12] In Section 7.3.2 a general model for the intervention logic for government undertakings illustrates how government undertakings lead to results. The two models have several similarities but are used for different purposes.

Figure 3.1 The input-output model



Economy, in this case, is about not spending more than necessary to acquire the resources needed to produce the traffic inspections, for example, by using the right quantity and quality of vehicles, which are delivered at the right time, at the right place, and at the lowest cost (see Figure 3).

*Figure 3.2 The input-output model and the three Es**



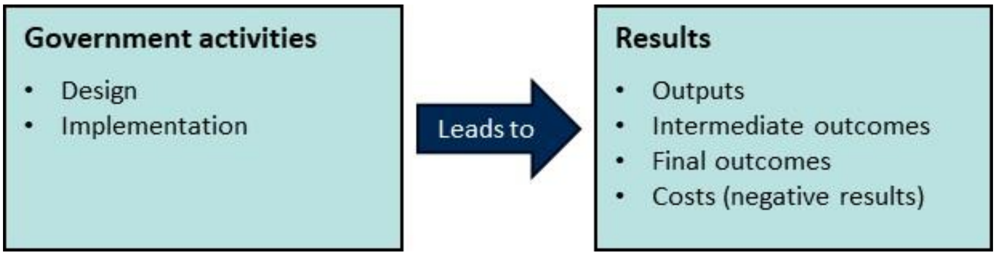
**The Manual uses the three Es presented in ISSAI 300 and ISSAI 3000. The input-output model in Figure 1 in INTOSAI GUID 3910:37 also includes the concept of cost-effectiveness – relating the outcome to the input. See further AFROSAI-E Performance Audit Handbook, Section 3.3.*

A basic understanding of the principles of economy, efficiency, and effectiveness in public administration forms the foundation of performance auditing. The principles define what can be considered as problems or weaknesses that may be addressed. If the audit has focused on aspects of the economy, the principles can also help auditors to orient themselves and avoid commenting on the effectiveness of government entities. It is recommended to use specific wording to describe the essence of the performance issues/problems rather than using the words efficiency, economy, or effectiveness to label them. In addition, it is not always easy to draw a clear line between economy and efficiency, on the one hand, and between efficiency and effectiveness, on the other. This is natural as the concepts are related to each other.

All performance audits are partial. Even if only one of the E's is addressed, it is not possible to cover all possible dimensions and perspectives of it that could be applied. On the other hand, it is common that the same audits cover some dimensions of more than one E, or even all three of them.

A central element in performance auditing is understanding how public resources are transformed into services, products, or results. The input–output model illustrates the principles of economy, efficiency, and effectiveness (the three Es) and the relations between them. The *AFROSAI-E Performance Audit Handbook* elaborates and thoroughly explains the three principles in Chapter 3. It discusses that the principles of the three Es are never met in areas with a significant scale of fraud or corruption, which needs to be considered in planning and conducting performance audits. The handbook also introduces a model illustrating the logic for how government interventions lead to results in Chapter 7 – the intervention logic. After further simplification, the essence of performance auditing is shown in the following simple figure: to analyse how government activities lead to results. All performance audits need to analyse how government activities and the achieved results are related to assess performance problems and their causes.

*Figure 3.3 The essence of performance auditing**



** See further Chapter 7 and Figure 22 in the AFROSAI-E Performance Audit Handbook.*

4 PERFORMANCE AUDITING BY THE OAG

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Each SAI decides on its approach to performance auditing within the framework of ISSAIs. The template text describes a combined approach as presented by AFROSAI-E in the Handbook and courses.

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4.1 The OAG's approach to performance auditing

According to the ISSAIs, auditors should choose a result-, problem- or system-oriented approach or a combination thereof to facilitate the soundness of audit design. There may be different nuances in the use of criteria and the depth of analysis of causes to performance problems between the different approaches, but such variations may also exist between different audits using the same approach. All three approaches can be pursued from a top-down or bottom-up perspective. Top-down audits focus primarily on the requirements, intentions, objectives, and expectations of the legislature and central government. A bottom-up perspective focuses on problems of significance to people and the community.[13]

The OAG uses the same definition of performance auditing as presented in ISSAI 300 and ISSAI 3000. The ISSAIs require all performance audits to address the causes of performance problems. The depth of the analysis of the causes of problems may vary across audits.

We call the OAG's main approach to performance auditing a *combined approach,* where aspects of *problems*, *systems,* and *results* are considered in all audits. OAG mainly focuses its audits on areas of government undertakings where there is reason to believe that there are material performance problems. During the planning phase, the auditors narrow down the selected topic and recommend an audit focusing on the main performance problems as the focus of the audit – the audit problem. The formulation of the audit problem may be based on *shortcomings in results or high costs* (from a government or citizen perspective) or on weaknesses *in government systems and processes* that have negative consequences for the results or costs. The audit will then verify the existence and significance of the main performance problems in relation to the criteria and analyse their reasons, focusing on activities or conditions government is responsible for. Further, the auditor must always establish a clear and reasonable connection between the main performance problems and their reasons based on facts and good arguments, providing sufficient and appropriate evidence in the report.

The OAG may sometimes identify clear needs or requests for independent and objective information on whether the intended results of government undertakings have been achieved as planned, or whether management or operational systems in government function as intended and lead to the desired results. Such information can, for example, be requested or needed by Parliament or the public. As *a complement*, this means the OAG may choose to initiate a performance audit even without any specific reason to believe that there are significant performance problems in a certain area. Such audits are also based on audit criteria. If material

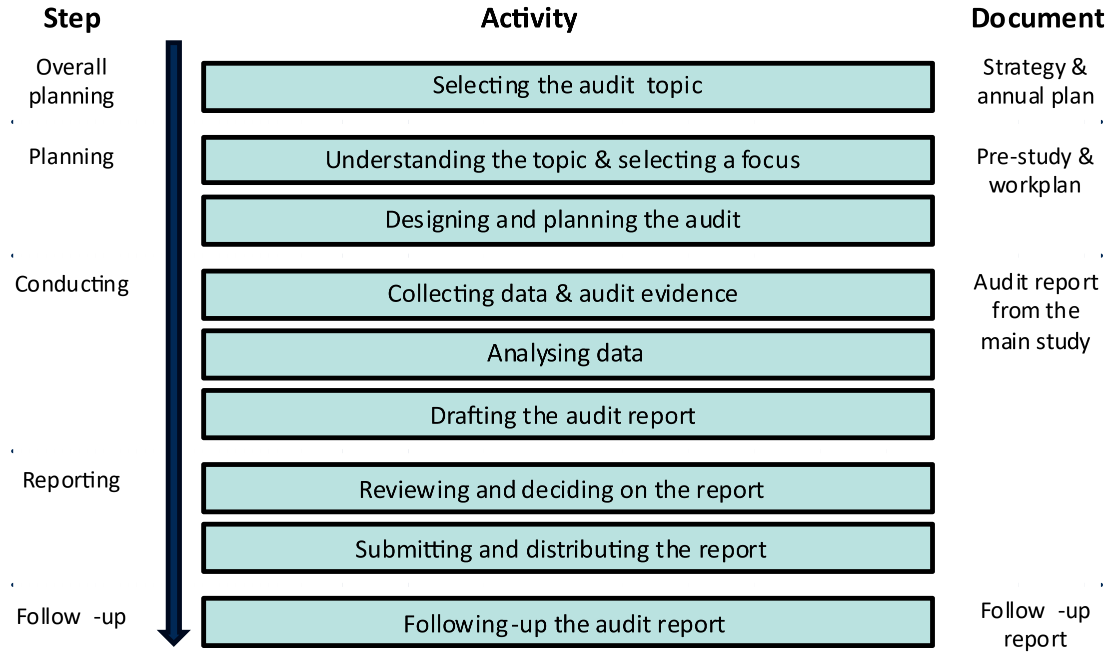
[13] See further on different approaches to performance audit in ISSAI 300:26, ISSAI 3000:40–44 and GUID 3910:50–54.

performance problems are observed, the OAG needs to consider whether this justifies in-depth analysis of the reasons for the problems or if an analysis on a more overall level suffices.

4.2 Different steps in performance audits

The performance audit process may be divided into five steps (one step covering overall planning and four main steps covering implementation of individual audits: planning, execution, reporting, and follow-up). Overall planning is described in Section 5.2.3. The other steps are described in Chapters 6–9. According to ISSAI 300:35, these steps may be iterative. For instance, new insights from the planning stage may necessitate changes to the audit plan, and important elements of reporting (e.g., drawing conclusions) may be sketched out during the planning stage. Figure 4.1 presents the main activities performed in an audit.

Figure 4.1 Main activities in performance audit engagements (some may overlap and be iterative)



5 INSTITUTIONAL CAPACITY FOR PERFORMANCE AUDITING

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The text preceding Section 5.1 mainly describes ISSAI 140 and the ICBF and normally does not need to be customised. Consider adding an overall description of the SAI's quality management system before Section 5.1

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

This chapter covers the institutional context for performance auditing and is structured according to the five domains in the ICBF developed by AFROSAI-E.

AFROSAI-E Institutional Capacity Building Framework

ISSAI 140 outlines the quality management system that SAIs are expected to establish and implement. The emphasis is on managing quality and associated procedures in a risk-based and dynamic manner to achieve the required level of quality rather than simply applying a defined set of procedures. The idea is to establish quality objectives, assess the risks of not meeting these objectives, and design measures to reduce those risks. The system involves a broad approach to quality management. SAIs are free to design, implement, and operate a quality management system suited to their evolving circumstances. SAIs will manage their system of quality management dynamically by adapting it to changes in the nature and circumstances of the SAI and its engagements.

According to ISSAI 140, the quality objectives shall relate to each of the components of governance and leadership; relevant ethical requirements; acceptance, initiation, and continuance of engagements; performing engagements; SAI resources; and information and communication. The organisational requirements in ISSAI 140 are briefly described in Section 5.2.

The structure for this chapter follows the AFROSAI-E Institutional Capacity Building Framework (ICBF), which is aligned with the components for quality objectives in ISSAI 140. The five domains in ICBF are:

- Independence and legal framework (Section 5.1)
- Organisation and management (Section 5.2)
- Human resources (Section 5.3)
- Audit standards and methodology (Section 5.4)
- Communication and stakeholder management (Section 5.5)

5.1 Independence and legal framework (ICBF Domain 1)

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SAI Angola and Mozambique need to revise the text as they have an accountability system in which an administrative court with judges makes rulings and can sanction government officials. If possible, other SAIs can make the description of the system of accountability more country-specific, possibly by using the correct name of the institutions involved and adding country-specific explanations. Remain brief. A SAI with a court model needs to replace the text on the system of accountability. Also interpret the SAI's mandate and legal framework for performance auditing. See [the red text in brackets] for what this may include. Don't forget to block the new text and choose automatic font colour.

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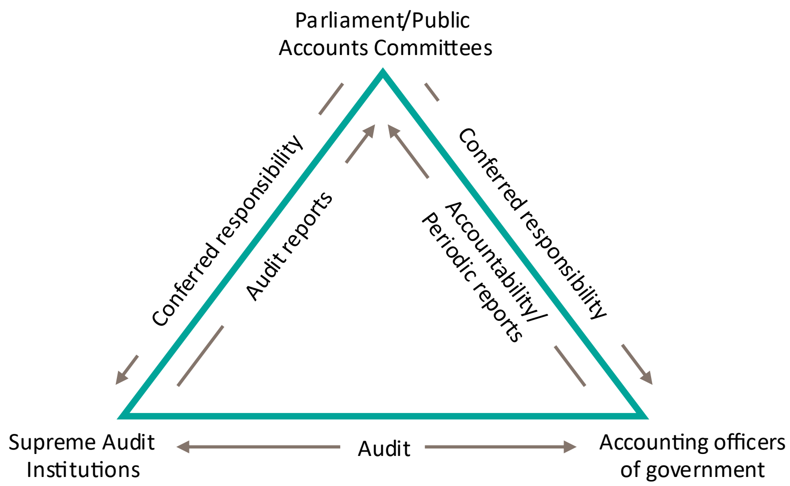
5.1.1 The system of accountability in which the OAG operates

The OAG operates within what is commonly referred to as the Westminster system of accountability, based on the system first developed in the United Kingdom. Figure 5.1 illustrates a typical Westminster system with relationships between parliament and its Public Accounts Committee (PAC), the SAI, and the government executives or accounting officers.

Figure 5.1 The Westminster system for accountability and oversight in government



Parliament confers responsibility on accounting officers to manage funds and deliver services economically, efficiently, and effectively. The accountability mechanisms put in place include periodic reporting; the SAI's responsibility in this process is to audit the financial information presented by government executives and provide a report thereof to parliament. The SAI can usually also report on whether the principles of economy, efficiency, and/or effectiveness have been met in the use of allocated resources. The SAI's reports are only the first step in oversight. Representing parliament, the PAC is the main stakeholder of the SAI's reports. It is the task of the PAC to ensure that issues raised in the audit reports are further investigated when necessary and that actions taken by accounting officers are followed up on. Effective oversight in a Westminster system relies heavily on a well-functioning relationship between the SAI and the PAC.

Expectations and requirements in the standards

ISSAI 3000 STATES

- The standard for performance auditing (ISSAI 3000) in no way overrides national laws, regulations or mandates. *ISSAI 3000:12*

Each SAI must operate within its mandate, national legislation, and regulations. In December 2011, the General Assembly of the United Nations (UN) adopted a resolution recognising that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence. The UN encourages member states to apply the Lima Declaration and the Mexico Declaration on independence (INTOSAI-P 1 and 10, respectively).[14]

According to INTOSAI-P 10:3, the mandate of the SAI should include the right to audit the use of public resources, the collection of revenues, and the economy, efficiency, and effectiveness of government or public entities' operations. Performance auditing examines whether decisions by the legislature or the executive are efficiently and effectively prepared and implemented, and whether taxpayers or citizens have received value for money. According to the ISSAIs, performance auditing does not question the intentions and decisions of the legislature, depending on the SAIs mandate, but examines whether any shortcomings of the laws and regulations or their implementation have prevented the specified objectives from being achieved.[15]

While respecting the laws enacted by the legislature that apply to them, SAIs are also free from direction or interference from the legislature or the executive regarding the:[16]

- Selection of audit issues
- Planning, programming, conducting, reporting, and follow-up of their audits
- Organisation and management of their office
- Enforcement of their decisions where the application of sanctions forms part of their mandate.

The head of SAI should seek to obtain a suitable legal mandate that comprises the following criteria:[17]

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

[14] Resolution adopted by the General Assembly on 22 December 2011 [*on the report of the Second Committee (A/66/442)*] 66/209. Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions.

[15] ISSAI 300:12; ISSAI 3000:31.

[16] INTOSAI-P 10:3.

[17] GUID 3910, appendix, par. 20. See also ISSAI 300:12.

The right of the SAI to have discretion in the selection of audit issues and the freedom to decide the content and timing of reports are of particular importance in performance auditing. SAIs should also have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information. Other important aspects include the requirement for audited entities to comment on findings within an established period, the right to separately report performance audits to parliament, and the right to make the reports available to the general public.[18]

SAIs cannot be completely independent as they are part of the State as a whole. However, they should have the functional and organisational independence to conduct performance audits effectively.[19]

The value and benefit of SAIs

An independent, effective, and credible SAI is an essential component of a democratic system, where accountability, transparency, and integrity are indispensable parts of a stable democracy. SAIs can show relevance by appropriately responding to:

- Challenges of citizens
- Expectations of different stakeholders
- Risks and changing environments in which audits are conducted.

To fulfil their functions and ensure their potential value to citizens, SAIs need to be seen as trustworthy. SAIs only deserve trust if they are objectively judged as credible, competent, independent, and can be held accountable for their operations. They need to be model institutions, setting an example from which others in the public sector and the auditing profession at large can learn.

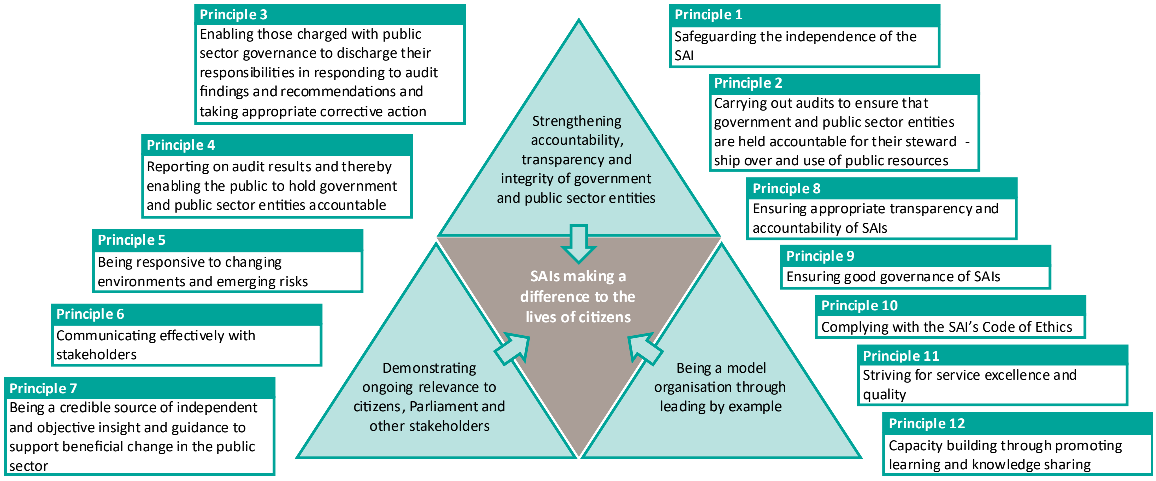
- The *Value and Benefits of SAIs*[20] provides objectives and principles SAIs should strive towards to help them communicate and promote their contribution to democracy and accountability within their respective jurisdictions (see Figure 5.2). These principles apply equally to SAI staff and those working on the SAI's behalf.

[18] INTOSAI-P 1: IV, V and VI; INTOSAI-P 10:3–4.

[19] INTOSAI-P 1, Section 5.

[20] INTOSAI-P 12.

Figure 5.2. Objectives and principles in INTOSAI-P 12 on the value and benefits of SAIs



Interpretation of the OAG's mandate and legal framework for performance auditing

The OAG interprets the mandate and legal framework for performance auditing as follows:

[Explain briefly if the mandate, legislation or regulations limit how the SAI can comply with the ISSAI framework. Interpret the SAI's mandate and legal framework in terms of the following:

- The main legislation and regulations that performance auditors must be aware of to understand the mandate and legal framework.
- Other legislation and regulations with which performance auditors must comply.
- What the mandate is to conduct performance audits.
- Who and what can be audited in performance audits.
- The SAI's discretion in selecting audit topics and methodology for the audits.
- If and how external requests for audits can be made, and how to interpret them.
- The right to access information.
- Legal requirements regarding the secrecy of information for the SAI.
- Requirements for the SAI to communicate with the audited entities.
- Requirements for the audited entities to respond to queries and requests from the SAI.
- How performance audits can/shall be reported.
- How to follow up on performance audit reports.]

5.2 Organisation and management (ICBF Domain 2)

This section addresses:

- Organisational requirements on the quality management system (Section 5.2.1)
- Organisation and responsibilities for performance auditing (Section 5.2.2)
- Overall planning – selecting audit topics (Section 5.2.3).

5.2.1 Organisational requirements on the quality management system

SAIs are expected to establish a quality management system. ISSAI 140 has been built around seven organisational requirements, reflecting the quality management process:

- Establishing a system of quality management.
- Establishing quality objectives.
- Identifying and assessing quality risks.
- Designing and implementing responses.
- Monitoring the system of quality management and remedying identified deficiencies.
- Evaluating and concluding on the effectiveness of the system of quality management.
- Documenting the system of quality management.

5.2.2 Organisation and responsibilities for performance auditing

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INTOSAI provides little guidance on how to allocate responsibilities for performance auditing across different levels of the SAI. This template provides a brief overview of the roles of top management, operational management, team leaders, and other review functions. We suggest that each SAI analyse how the responsibilities are currently divided at a more detailed level, assess whether any modifications are needed, and document the agreed division of responsibilities in the manual. It may be relevant to develop lists of responsibilities for different levels of top and operational management.

One example of how responsibilities could be divided was included in Section 5.2.1 in previous versions of the template. This can serve as inspiration for SAIs who want to do so. If an older version is no longer available in the SAI, it can be requested from the AFROSAI-E secretariat.

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

ISSAI 3000 STATES

- The role of the auditor is fulfilled by the Head of the SAI and by people to whom the task of conducting the audits is delegated, which comprises the audit team and those in charge of supervision and management. *ISSAI 3000:6*

Performance auditing in the OAG is organised into one or more separate units within the Performance Audit Department. The department may also include specialised audits within the performance audit units or in separate units.

Performance auditors should foster cooperation and respect in dealing with colleagues and external actors. All SAI employees are expected to support the SAI's mandate and strategic goals in a cost-effective way by:

- Producing high-quality performance audit reports.
- Completing performance audits on time and within budget.
- Maintaining good relations with other SAI officers and supporting them in their work.
- Maintaining good relations with external stakeholders, including audited entities.

Performance audits call for the application of wide professional knowledge, varied skills and experience, a resilient attitude, and good interpersonal skills. The successful completion of each audit requires collective effort. At the heart of every successful performance audit, there is an effective team of auditors and managers. It follows, therefore, that the creation and management of audit teams are critical functions that warrant close attention.

Team management means doing everything needed to build a strong team. This includes choosing the right people, helping them grow, giving them clear roles, building strong relationships, encouraging teamwork, and solving any problems or disagreements that arise.

Managers play an important role in the performance audit process by:

- Participating in identifying appropriate audit topics.
- Reviewing and deciding on pre-studies and work plans for main studies.
- Regularly reviewing the progress of the audit.
- Supporting the audit teams when needed.
- Ensuring appropriate supervision of teams.
- Ensuring appropriate quality review of draft reports.
- Participating in presenting the report when appropriate.
- Ensuring appropriate follow-up of the lessons learned in the audit.
- Ensuring appropriate follow-up of audit reports.
- Ensuring monitoring and evaluation of the quality management of the performance audit function.

Within the OAG, the following actors play an important role in performance auditing. Their main responsibilities are outlined below.

- **Top management** - [specify who is part of the top management for performance audit of the SAI, for example, the Auditor General and Deputy Auditor General]
- **Operational management** – all performance audit managers under top management [specify who is part of the operational management of performance audit in the SAI, for example, Assistant Auditors General, Directors]
- **Team leaders** with the audit team members
- **Other review functions** (independent quality reviewers and review in support of evaluation of the quality management system).

Top Management

The top management provides high-level leadership and control in respect of all matters relating to performance auditing at the OAG, either directly or by delegation to other officers. Quality in all performance audit work and all reports is paramount for the OAG – and is ultimately the responsibility of top management. Top management is also responsible for organising, coordinating, controlling, and supervising all audit and administrative functions (including staff development and discipline) as well as the relationship between different functions. They are responsible for setting and maintaining high professional auditing and administrative standards for performance auditing as well as for the completeness, accuracy, presentation, and issuance of performance audit reports. More specifically, the responsibility of top management includes, but is not limited to:

[Specify responsibilities for different members of top management in bullet points.]

Operational Management

The operational management oversees all aspects of the audits and is responsible for the daily management of the performance audit unit(s), including planning, overall coordination, supervision and control, monitoring, staff development, and discipline. They are responsible for ensuring the completeness, quality, and accuracy of reports and documentation. More specifically, the responsibility of operational management includes but is not limited to:

[Specify responsibilities for different members of the operational performance audit managers.]

Team Leaders with the audit teams

"Team leader" is not a formal designation in the OAG, but a role assigned for a specific audit. In each audit, one team member must be assigned the role of team leader. The team leaders assist in drafting proposals for audit topics. They are also responsible for developing pre-study memorandums and work plans, conducting audits according to agreed plans, leading and allocating responsibilities, supporting and supervising the audit team daily, and drafting a high-quality performance audit report. More specifically, the responsibility of the team leaders includes, but is not limited to:

[Specify responsibilities in bullet points]

The team members assist the team leaders in carrying out these responsibilities. It is usually not fruitful to use a far-reaching division of work within the audit team, as all members need insight into performance problems, their main reasons, and the overall development of the project. Even so, different tasks need to be assigned to team members. The team members participate in developing proposals for audit topics and in carrying out pre-studies and main studies under the guidance of the team leader. In the pre-study, it is important that the entire team works together to ensure a robust overall audit design and study design, with a clear connection between the objective, audit questions, audit criteria, and methodological approaches. Likewise, in the main study, all team members have to contribute to the collection and analysis of data to produce a high-quality audit report. Team members report to the team leader regarding the implementation of allocated audit tasks.

In matters unrelated to tasks allocated to the team, staff members report to operational management.

Other review functions

According to ISSAI 140, SAIs should design and implement responses to quality risks. This includes establishing policies and procedures that identify when an *engagement quality review* is an appropriate response to quality risks. Engagement quality review is an objective assessment, performed by a reviewer and completed before the date of the audit report, of the significant judgments made by the engagement team and the conclusions reached. The engagement quality reviewer can be an individual or a team, within the SAI or external, with appropriate experience and professional knowledge to perform the review independently from the engagement team.[21]

According to the AFROSAI-E Monitoring and Remediation manual, engagement quality reviews will be conducted following the specific guidelines established by each SAI. The OAG has organised an engagement quality review as follows:

[Describe OAG policy and procedures for engagement quality review: selection of audits, selection of reviewers, and other issues. Avoid linking the text to quality risks of a temporary nature. Some performance audits are likely to be high risk, and in the early stages of the development of

[21] ISSAI 140:12-13 and 41, bullet e).

performance auditing, all engagements are likely to be high risk. Consider referring to other documents elaborating on details that are not likely to be stable over time.]

It is a requirement that the monitoring and remediation process shall include reviews of completed engagements. Based on the identified quality risks, the SAI shall establish criteria for selecting completed engagements for review.[22] In OAG, this is organised as follows.

[Some completed engagements should also be reviewed. Describe OAG policy and procedures for this: criteria for selection of audits, selection of reviewers, and other issues. Avoid linking the text to quality risks of a temporary nature. Consider referring to other documents elaborating on details that are not likely to be stable over time. In case the SAI fully or partly rely on AFROSAI-E external review of the quality management system in performance auditing, mention this and potential plans for also establishing such review in-house.]

Cooperation between performance, financial, and compliance auditors in the OAG

Performance, financial, and compliance auditors need to cooperate to use available resources efficiently and produce high-quality audit reports that are followed up on and lead to improved performance. Some topics that may be addressed in performance audits are also of core interest in other audit types, for example, procurement. Financial audits always target individual entities, although some transversal themes are often chosen for audit across the audited entities. In performance audit, it may be easier to elevate and frame common problems at the systems level and assess whether the regulations are appropriate. Examples of links between performance auditing and financial or compliance auditing that should be considered are:

- Performance auditors may find the financial and compliance *audit manuals* relevant in developing their understanding of financial risks and internal controls in relevant areas.
- There may be *findings* in financial or compliance audits that indicate *common problems* across the public sector, for example, regarding the use of consultants or the use or maintenance of property, which can be considered as topics for performance audit.
- Financial and compliance auditors may have useful *documents* and findings about different processes in the entities that can be addressed in a performance audit.
- Consider whether findings and recommendations made in a performance audit should be *followed up by financial or compliance auditors* visiting the entity anyway: to ensure that identified problems are addressed.
- There may be audit topics where there is a need to *use auditors from different audit disciplines*.

Financial auditors visit audited entities more frequently than performance auditors do. This puts them in a good position to help explain the differences between the audit types. Financial auditors could also follow up on specific requests for information made by performance auditors. This is especially important when the audited entities do not respond to requests and are located far from where the performance auditors are posted.

[22] ISSAI 140:60.

5.2.3 Overall planning

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

INTOSAI provides little guidance on processes for strategic and annual planning. This template suggests a brief description of the overall planning processes. Consider the possibilities for further detailing the processes or content of overall plans, if this contributes to clarity or mutual understanding within the SAI, or provides guidance to those involved.

One example of a more detailed process and possible content in different plans was included in Section 5.2.2 in the previous versions of the template. This can serve as inspiration for SAIs that wish to do so. If an older version is no longer available in the SAI, it can be downloaded from the AFROSAI-E website.

The working papers WA1 – W5 are meant to support a potential system for overall planning. The SAI's Manual should be relevant and practical and not include processes that are not used or not considered to be useful. If the system for overall planning is significantly different, the SAI is encouraged to exclude these working papers from their Manual. Instead, there may be a need to develop other working papers supporting the established process and include them in the Manual. In addition, the table with activities as well as the description in the text in this section is, in this case, also likely to need to be changed.

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

The overall planning of performance auditing is structured into the following seven activities:

	Activity	Information to be included	Responsible
A.1	Internal strategic scanning	WA1 Internal scanning	[add those responsible]
A.2	External strategic scanning/area watching	WA2 Sector assessment	
A.3	Proposal for audit topics	WA3 Proposal for audit topics	
A.4	Scoring of topics	WA4 Scoring of proposed topics	
A.5	Prioritisation	WA5 Prioritisation of audit topics	
A.6	Deciding on a strategy for performance auditing	Approved Performance audit strategy	
A.7	Deciding on annual plans for performance auditing	Approved annual operational plan	

REQUIREMENTS ACCORDING TO ISSAI 3000*

- The auditor shall consider materiality at all stages of the audit process, including the financial, social and political aspects of the subject matter, with the goal of delivering as much added value as possible. *ISSAI 3000:83*
- The auditor shall select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to identify audit risks and problems. ISSAI 3000:89
- The auditor shall select audit topics that are significant, auditable, and consistent with the SAI's mandate. *ISSAI 3000:90*
- The auditor shall conduct the process of selecting audit topics with the aim of maximising the expected impact of the audit while taking account of audit capacities. *ISSAI 3000:91*

** The same requirements are referred to in Section 6.4 when choosing a more detailed focus of the audit.*

Performance audit topics should be selected based on problem or risk assessments and materiality – considering not only financial, but also social and political aspects – focusing on the results achieved or not achieved through public policies.

If appropriate, auditors should contribute to the process of selecting topics in their respective fields of expertise. They may share knowledge gained in previous audits. The information obtained during the strategic planning process may in turn be relevant in the auditor's subsequent work. Formal techniques like risk analysis or problem assessments can help structure the process but need to be complemented by professional judgement to avoid one-sided assessments.[23]

Performance audit topics should be chosen without outside pressure. OAG must maintain its political neutrality. The OAG's independence does not preclude the executive from proposing matters for audit. Nevertheless, to preserve its independence, the OAG must be able to decline such requests if necessary.

The head of the SAI needs to consider that performance auditing is different, demanding, and time-consuming. The head of the SAI needs to communicate a clear vision of the purpose of performance auditing and the desired outcomes. Performance auditing requires a personal commitment from the head of the SAI, and management needs to be actively involved and professionally trained.[24]

Strategic planning of performance auditing in the OAG

Strategic planning for performance auditing follows the same process used across the OAG. The periods, time schedules, formats, and responsible officers are described in [refer to the document describing the SAI's process for strategic planning or briefly describe this process here]. The development of a performance audit strategy for the OAG typically involves:

- External scanning – To get an overview of the sectors, programmes and institutions that may be audited according to OAG mandate and if there are areas of special interest to audit because of their significance, challenges in performance, or OAG's strategic orientation. The purpose is to consider the broader context, policy changes, sector performance, emerging risks, and stakeholder concerns, to target areas and audits where they add most value.
- Internal scanning to get an overview of available resources, challenges, and needs for development.
- Analysing the results and developing a strategy. To make priorities and outline the way forward regarding principles for the selection of audit topics and production of audits as well as for the development of the performance audit function.

Top management provides direction for each strategic planning process, which may deviate in part from the general descriptions below.

Annual planning of performance auditing in the OAG

The annual planning of performance auditing is built on the OAG strategy and is part of the overall planning process within the OAG. The periods, time schedules, formats, and responsible officers

[23] ISSAI 300:36 and 3000:89-94.

[24] INTOSAI GUID 3910, appendix, para. 44.

are described in [refer to the document describing the SAI's process for strategic planning or briefly describe this process here]. The following planning documents should be developed during annual planning of performance auditing: [Specify the documents to be developed and briefly describe the content thereof, for example:

1. A section in the OAG's annual operational plan
2. An annual plan for the performance audit department
3. A plan for each performance audit section.]

Planning document	General content
[Name of the plan]	[Brief description of the content of the plan]

Top management provides direction for each annual planning process, which may deviate in part from the general descriptions below. Heads of performance audit units will, from time to time, also provide specific directions. The development of annual plans for performance auditing in OAG typically involves:

1. Area watching – Scan available sources of information to develop knowledge about a sector, conduct risk analysis, and identify likely performance problems and ideas for audit topics. Develop proposals for audits using working paper *WA3*, when appropriate, and *WA2*.
2. Internal scanning using working paper *WA1 – Overview on internal factors* – Consider available resources, challenges, and needs for development of the performance audit function in the coming period.
3. Scoring and prioritisation of topics using working paper *WA4 and WA5* – Select audit topics or consider principles for selecting topics during the coming period.
4. Drafting of annual planning documents – Plan how high-quality audits can be produced with the allocated resources and include plans for the further development of the performance audit function in the coming period.

Audit topics can be selected during the year based on principles outlined in the annual plan. The following process can be used to select audit topics in annual planning. Assignments to develop proposals for audit topics can be given for a sector, sub-sector, or a more specific audit area. Each proposal for an audit topic should be documented in working paper *WA3 Proposal for audit topic.* Proposed topics can be scored against selection criteria, in cooperation between the responsible manager and those developing the proposal, using working paper *WA4*. Proposed topics can be prioritised using working paper *WA5*, based on professional judgement and consideration of the scoring against the criteria.

The planned production volume needs to be adjusted to the available capacity for developing high-quality audits, to ensure high impact and maintain the SAI's reputation.

[Specify how the annual plans for performance auditing are made available to stakeholders, possibly referring to general processes for the SAI or specific activities regarding performance auditing. Should PAC be informed about the plan?].

5.3 Human resources (ICBF Domain 3)

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

Explain briefly any limitation the SAI may have in recruiting the competence deemed necessary for performance auditing, e.g. when recruitment is the responsibility of another body or when there are formal restrictions on what these competencies can be. Please note that the text states that a university degree is generally required. Also specify, in places indicated with [red text in brackets]:

- The level and qualifications normally required for performance auditors in the SAI
- Techniques used to promote the continuous professional development of performance auditors
- Possible measures taken to ensure compliance with ethical and professional requirements, in addition to using working paper *WB11 Code of ethics declaration*.

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

According to the INTOSAI Guidance, experience proved that introducing performance auditing will often require changes in attitudes, management style, organisational behaviour, recruitment practices, etc.[25] The SAI needs to recruit, train, and retain qualified auditors. The SAI must also ensure that the audit teams have the professional skills to perform the audit, that the auditors apply professional judgement and scepticism, and that they comply with the ethical requirements in each engagement.

5.3.1 Appropriate competence

REQUIREMENT ACCORDING TO ISSAI 3000

- The SAI shall ensure that the audit team collectively has the necessary professional competence to perform the audit. *ISSAI 3000:63*

Auditors conducting performance audits typically work in a team offering different and complementary skills.[26] A performance auditor must be well educated and, in general, is required to have a university degree and experience in investigative/evaluation work.[27] It is important to have an open attitude to learning. An encouraging management culture is essential to enhancing individual auditors' professional skills. Therefore, on-the-job learning and training should be available to auditors, who should maintain their professional skills through ongoing professional development.[28]

The *professional competence* a performance audit team needs includes sound knowledge of auditing, research design, social science methods, and investigation or evaluation techniques, as well as personal strengths such as analytical, writing, and communication skills. Specific skills that may also be needed are personal abilities such as creativity and receptiveness. Auditors should have sound knowledge of government organisations, programmes, and functions.[29] This will ensure that the right areas are selected for audit and that auditors can effectively undertake reviews of government programmes and activities. The auditors also need to acquire sufficient

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[25] GUID 3910, appendix, para. 19.

[26] ISSAI 300:16. See also ISSAI 3000:63.

[27] GUID 3910, appendix, para. 42.

[28] ISSAI 300:30.

[29] ISSAI 3000:64.

knowledge of the area, the goals and targets, and the government measures that are the subject matter of the specific audit. This knowledge must often be developed during the audit.

The OAG strives to *recruit performance* auditors with the following types of qualifications:

- [List the level and type of qualifications the SAI normally recruits for performance auditing.]

It may not always be possible for the OAG to recruit people who meet all the requirements. The required skills may, therefore, be developed once a person has been employed. The most important is that those appointed have clearly demonstrated a mindset and aptitude for the kind of work that performance auditing entails. Maintaining and further developing professional competence is essential to keep pace with technical, professional, and business developments, responding to a changing environment and meeting stakeholders' expectations. SAIs need to develop a *continuous learning environment* to support staff in applying and developing their competence. Such an environment is implemented by:[30]

- Initial and continuous training strategies and programmes in key areas for the SAI's performance
- Development and updating of manuals and written guidance
- Coaching, supervision, and feedback mechanisms
- Personal development plans
- Knowledge-sharing tools, such as intranet and databases.

A key factor in the professional competence development process is also learning through practical audit work.

The OAG staff shall maintain and develop their knowledge and skills to keep pace with the developments in their professional environment to perform their job optimally. In case their expertise is not appropriate or sufficient to perform a specific task, SAI staff shall raise this with their superiors or the responsible management.[31]

Performance auditors´ backgrounds, skills and experiences determine the need for training. The wide range of topics and methods in performance auditing requires auditors to engage in continuous learning. This may include topics such as current developments in performance audit methodology, research design, management or supervision, qualitative investigation methods, case study analysis, statistical sampling, quantitative data-gathering techniques, evaluation design, data analysis and reader-based writing. It may also include subjects such as public administration, public policy and structure, government administration policy, economics, social sciences, or information technology.[32]

While upholding high standards and requirements for professional skills and ethical behaviour, performance auditors need to be encouraged to develop critical (but constructive) thinking, creativity in overcoming challenges and obstacles, curiosity about government undertakings and methods for performance auditing. Their attitude to work needs to include a strong personal commitment, honesty and openness within the OAG, persistence, promotion of teamwork, and sharing knowledge and assisting colleagues to overcome challenges.

[30] ISSAI 130:55-56.

[31] ISSAI 130:51 and 58.

[32] GUID 3910:78.

The OAG uses the following opportunities to support the professional development of performance auditors: [List the techniques used, for example:

- Encouraging/supporting academic education relevant to performance auditing.
- Providing induction training.
- Providing basic training in performance auditing.
- Organising the work to promote learning: allocate challenging tasks under supervision.
- Providing on-the-job training to support the auditors.
- Using an encouraging and supportive management style for professional auditors.
- Providing regular further training, internal or external, in relevant subjects.
- Arranging in-house seminars.
  - Sharing knowledge acquired by auditors participating in external training and conferences.
  - Discussing and developing methodological skills.
  - Sharing the lessons learned from completed audits.
- Encouraging auditors to obtain knowledge from subject matter experts in the audits.
- Encouraging contacts with academic institutions and professional organisations.]

In some audits, the team needs assistance from an external or internal expert. Performance auditors and managers should determine whether and in which areas external expertise is required. In engaging experts, the OAG should ensure that they are independent of the government undertaking and have the necessary competence for the purposes of the audit. The experts should also be informed about the conditions and the ethics required. The work of experts may be used as evidence, but the OAG retains full responsibility for the conclusions in the audit report.[33]

5.3.2 Professional judgement and scepticism

REQUIREMENT ACCORDING TO ISSAI 3000

- The auditor shall exercise professional judgment and scepticism and consider issues from different perspectives, maintaining an open and objective attitude to various views and arguments. *ISSAI 3000:68*

Performance audits require significant judgment and interpretation since audit evidence in this type of audit is generally persuasive rather than conclusive. *Professional judgment* refers to the application of collective knowledge, skills and experience to the audit process. Using professional judgment helps the auditor determine the level of understanding needed for the audit subject matter. It involves exercising reasonable care in conducting the audit and diligently applying all relevant professional standards and ethical principles.

Professional scepticism means maintaining professional distance from the audited entity and an alert and questioning attitude when assessing the sufficiency and appropriateness of the audit evidence obtained throughout the audit. Auditors are expected to make rational assessments and discount their own personal preferences and those of others.

[33] ISSAI 3000:65. See also ISSAI 300:30.

Exercising professional judgment and scepticism allows the auditor to be receptive to a variety of views and arguments and better able to consider different perspectives, maintain objectivity, and evaluate the full range of audit evidence. It also helps to ensure that the auditor avoids errors of judgment or cognitive bias and draws objective conclusions based on a critical assessment of all the audit evidence collected. As auditors develop new knowledge, they also need to be creative, reflective, flexible, resourceful, and practical in their efforts to collect, interpret, and analyse data.

The concepts of professional judgement and scepticism are further elaborated on in GUID 3910:85−90. SAIs need policies and procedures to guide auditors to consistently apply professional judgement and professional scepticism. SAIs should also ensure that auditors not only understand the concepts of professional judgement and scepticism but can also apply these concepts appropriately in a performance audit[34]. Applying professional judgement is essential to the proper conduct of an audit and includes, but is not limited to:

- Identifying and evaluating any threats to independence, including threats to the appearance of independence.
- Deciding what to audit.
- Determining the audit objectives, audit questions, and scope.
- Determining audit criteria against which actual performance will be judged.
- Determining the nature, timing, and extent of audit procedures and methodology.
- Determining what constitutes sufficient, appropriate audit evidence.
- Synthesising and analysing evidence to produce accurate and appropriate audit reports.
- Identifying when significant problems or differences of opinion warrant additional information or opinions being sought.
- Formulating appropriate recommendations to improve performance.
- Preparing reports that are fair, concise, complete, pertinent, logical, and emphasise the right issues.
- Communicating with the audited entity about the audit process, findings, conclusions, and recommendations.

Professional scepticism is the mindset an auditor adopts when critically assessing the audit evidence obtained during an audit. Scepticism is central to what an audit is about. Rather than approaching audit work in an unthinking, box-ticking way, the auditors should challenge the information given and the evidence obtained. Auditors must step back, look at the wider context, and ask, “Does that make sense?” Exercising professional scepticism by asking questions to test the accuracy of evidence, following up when things do not make sense, and not accepting what management tells the auditor without corroboration helps to improve the strength of the evidence. Exercising professional scepticism is critical to ensuring the audit team can answer the audit questions and conclude against the audit objective with a high level of assurance. As they receive information, auditors should consider the overall picture:

- Does the information reflect the substance of what has happened?
- Does it make sense?
- Is the evidence too weak?

[34] IDI Performance Audit ISSAI Implementation Handbook pages 31-32.

- Are we focusing on the things that are there but missing the things that are not there – but should be?
- Are there limitations to the scope of our procedures?
- What evidence is there besides what management of the audited entity has provided to us?
- Is there a need for more time to complete our audit?

5.3.3 Professional behaviour and willingness to innovate[35]

REQUIREMENTS ACCORDING TO ISSAI 3000
• The auditor shall maintain a high standard of professional behaviour. *ISSAI 3000:75* • The auditor shall be willing to innovate throughout the audit process. *ISSAI 3000:77*

A high standard of professional behaviour means that the auditor must:[36]

- Apply high professional standards in carrying out the work competently and with impartiality.
- Not undertake work they are not competent to perform.
- Know and follow applicable laws, regulations, conventions, policies, procedures and practices.
- Possess a good understanding of the constitutional, legal and institutional principles, and standards governing the operations of the audited entity.
- Not engage in behaviour that may discredit the SAI.
- Comply with ethical principles and requirements.

The auditor must also be *willing to innovate* throughout the audit process. By being creative, flexible, and resourceful, the auditor will be better positioned to identify opportunities to develop innovative audit approaches for collecting, interpreting, and analysing information. It is important to recognise that different stages of the audit process provide different levels of innovation opportunities. During the planning stage, the auditor may have the greatest opportunity to innovate while still in the process of determining the best audit approaches and techniques applicable to the audit.

5.3.4 Ethical requirements

REQUIREMENTS ACCORDING TO ISSAI 3000
• The auditor shall comply with the SAI's procedures for independence and ethics, which in turn shall comply with the related ISSAIs on independence and ethics. *ISSAI 3000:21* • The auditor shall take care to remain independent so that the audit findings and conclusions are impartial and will be seen as such by the intended users. *ISSAI 3000:23*

For ethical requirements, performance audit mainly refers to other ISSAIs. According to ISSAI 100:35, a SAI should establish and maintain appropriate ethical procedures to provide it with

[35] ISSAI 3000:75-78.

[36] ISSAI 3000:76.

reasonable assurance that the SAI and its staff are complying with the ethical requirements. ISSAI 130, the *Code of Ethics*, addresses the responsibilities of SAIs as well as the ethical behaviour of all those who work for the SAI. It is based on five fundamental values and guiding principles presented in the box below.[37] The existence of these procedures at the SAI level is a prerequisite for applying INTOSAI standards or developing national standards based on auditing principles.

Key concept	**Meaning**
Integrity	To act honestly, reliably, in good faith and in the public interest.
Independence and objectivity	To be free from circumstances or influences that compromise, or may be seen as compromising, professional judgement, and to act in an impartial and unbiased manner.
Competence	To acquire and maintain knowledge and skills appropriate for the role and act in accordance with applicable standards and with due care.
Professional behaviour	To comply with applicable laws, regulations, and conventions and avoid any conduct that may discredit the SAI.
Confidentiality and transparency	To appropriately protect information while balancing this with the need for transparency and accountability.

Each SAI is expected to develop or adopt a code of ethics that is at least as stringent as the INTOSAI Code. The SAI should also implement an ethics control system to identify and analyse ethical risks, mitigate them, support ethical behaviour, and address any breach of ethical values.

The main components of the ethics control system are:[38]

- Code of ethics
- Leadership and tone at the top
- Ethics guidance
- Ethics management and monitoring.

ISSAI 3000 further elaborates on certain requirements in the *Code of Ethics*.[39] The auditor shall comply with the SAI's procedures for independence and ethics, which in turn shall comply with the related ISSAIs. Independence comprises independence in fact and independence in appearance. Independence in fact allows the auditor to perform activities without being influenced by factors that compromise professional judgement; to act with integrity and to exercise objectivity and professional scepticism. Independence in appearance is the absence of circumstances that would cause a reasonable and informed stakeholder, having knowledge of relevant information, to reasonably doubt the integrity, objectivity, or professional scepticism of the auditor, or conclude that they have been compromised. Additional guidance on independence is contained in INTOSAI-P 10, and on ethics, in ISSAI 130.

Another requirement is that the auditor shall take care to remain independent so that the audit findings and conclusions are impartial and will be seen as such by the intended users. The auditor must consider specific risks to independence that may be present in performance audits. The auditor has a particular role in identifying audit criteria, measuring against them, and formulating a balanced audit report. In this regard, the auditor needs to remain independent so that the audit

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[37] ISSAI 130:9.

[38] ISSAI 130:12–23.

[39] ISSAI 3000:21 and 23. See also the explanations in ISSAI 3000:22 and 24.

report is impartial and the ethical behaviour of the audit team is safeguarded. While it is important to consider the positions of relevant stakeholders and their interests and establish open and good communication with them, it is essential for auditors and the OAG to safeguard their independence.

OAG auditors should comply with the ethical requirements

Auditors in the OAG shall comply with the laws and regulations governing the operations of the OAG and comply with the ethical requirements in the following documents:

[Describe the elements in the SAI's ethics control system after considering the requirements in ISSAI 130, in particular ISSAI 130:12−23. List the external documents, internal policies and principles with ethical requirements. Consider the need to further specify the most important requirements by referring to values and statements in ISSAI 130 and/or the above text on requirements in the standards.]

The audit team and managers shall specifically consider the ethical requirements in each audit. In each audit, the auditors shall comply with the ethical requirements based on the five fundamental values and guiding principles presented in the box above. All these values should be considered not only prior to the audit but also continuously in the audit. Working paper WB11 *Code of ethics declaration,* which includes all these values, should be signed before starting an audit by not only each auditor or performance audit manager involved in the audit, but also the head of the PA unit. Top management involved in the audit should consider whether anything may impair their integrity and objectivity. If this is the case, the issues at stake should be documented in the audit file along with the measures taken to mitigate the envisaged risks.

[Add additional measures to be taken. Compare ISSAI 130:35 (b and c), 39 and 58.]

In addition to complying with the ethical values, staff need to take concrete action such as to:[40]

- Identify situations where their integrity, independence, and objectivity can be impaired.
- Inform management about relationships and situations that may present a threat.
- Maintain and develop their knowledge and skills.
- Raise the matter with their superior if their expertise is not sufficient to perform a specific task.
- Sign declarations of interests and conflicts to help identify and mitigate threats to independence.

[If the SAI has established procedures for performance auditing to prevent staff from developing close relationships with the audited entity that may, over time, threaten their independence and objectivity – these should be described in the manual. If not, consider whether such procedures are needed.[41] Performance auditors typically audit different entities and interact with different individuals in each audit. Usually, this means that the risk for developing close relationships with staff from audited entities is limited. However, such risks may exist for operational managers in SAIs with a high production of reports and units specialised in different sectors. In these cases, the risk can be reduced by rotating operational managers between different performance audit units. The risk may also exist for operational managers and auditors when SAIs frequently conduct

[40] See ISSAI 130:35, 39, 51 and 58.

[41] Compare ISSAI 130:39 (f).

standardised audits on the same topics, for example, construction projects. In such cases, the risk can be mitigated by ensuring that both the operational managers and auditors do not conduct these audits within the same entity for extended periods.

It is never a good idea to rotate performance auditors or managers away from the performance audit function as a measure to manage the risk of developing a close relationship with the audited entity.]

5.4 Audit standards and methodology (ICBF Domain 4)

ISSAI 3000 STATES

- ISSAI 3000 is the international *Standard for performance auditing* and should be read and understood in conjunction with the *Performance Audit Principles (ISSAI 300) and the Fundamental Principles of Public-Sector Auditing (ISSAI 100)*. * *ISSAI 3000:2*
- SAIs that choose to adopt ISSAI 3000 as their authoritative standard can make direct reference to it by stating: *We conducted our audit(s) in accordance with the International Standard of Supreme Audit Institutions for Performance Auditing (ISSAI 3000). ISSAI 3000:3, 13–14*
- A SAI that has adopted and refers to ISSAI 3000 as its standard shall comply with each requirement (unless it is not relevant in the circumstances). If some requirements have not been fulfilled, this should be disclosed with an explanation of the consequences thereof. *ISSAI 3000:13*
- The standard needs to be complemented with an appropriate level of detail to guide the auditor to follow good practices when conducting a performance audit. *ISSAI 3000:11*

** INTOSAI-P 1, 10, 12 and 20, as well as ISSAI 130 and ISSAI 140, also need to be considered as they provide an authoritative international frame of reference defining public-sector auditing. See ISSAI 100:3 and ISSAI 300:13.*

This Section addresses:

- Standards and guidance (5.4.1)
- Safeguarding quality in the performance audit process (5.4.2)
- Documenting in the audit file (5.4.3)
- Confidence and assurance in performance auditing (5.4.4).

5.4.1 Standards and guidance[42]

According to INTOSAI-P 10:3, SAIs should use appropriate work and audit standards, and a code of ethics, based on the official documents of INTOSAI, the International Federation of Accountants, or other recognised standard-setting bodies.

Professional standards and guidelines are essential to the credibility, quality, and professionalism of public sector auditing. ISSAIs support members in developing their own professional approach in accordance with their mandates and national laws and regulations. The *Performance Audit Principles* (ISSAI 300) seek to establish a common understanding of the nature of performance auditing, including the principles to be applied to achieve a high standard of audit. ISSAI 300 should be read and understood in conjunction with ISSAI 100, which sets out fundamental principles of public sector auditing in general.

[42] The first five paragraphs in this section refer to INTOSAI-P 10:3; ISSAI 100:1-2 and 7; ISSAI 300:1-6 and 8. See Section 5.4.4 on how to reference to ISSAIs in performance audit reports.

Standards for performance auditing should reflect the need for flexibility in the design of the individual engagements, for auditors to be receptive and creative in their work and for professional judgement at all stages of the audit process.

The OAG has adopted ISSAI 3000 as the authoritative standard for its performance audit work. This means that auditors must comply with all requirements relevant to the audit. If any requirements have not been fulfilled, this should be disclosed, with an explanation of the consequences.[43] All auditors and managers in the OAG have a responsibility to ensure the standards are well known and complied with both by themselves and by supporting and guiding colleagues as needed.

performance audit principles

The performance audit principles in ISSAI 300 give an overview of key aspects covered specifically for performance auditing in the standards. Ten principles are general in nature and applicable across all stages of the audit process; see the text box below.

GENERAL PRINCIPLES FOR PERFORMANCE AUDITING IN ISSAI 300:25–34

- *ISSAI 300:25 - Audit objective: Auditors should set a clearly defined audit objective that relates to the principles of economy, efficiency* and effectiveness.
- *ISSAI 300:26 – Audit approach*: Auditors should choose a result-, problem- or system-oriented approach, or a combination thereof, to facilitate the soundness of audit design.
- *ISSAI 300:27 – Criteria*: Auditors should establish suitable criteria which correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness.
- *ISSAI 300:28 – Audit risk*: Auditors should actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users.
- *ISSAI 300:29 – Communication*: Auditors should maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.
- *ISSAI 300:30 – Skills*: Collectively, the audit team should have the necessary professional competence to perform the audit. This would include sound knowledge of auditing, research design, social science methods and investigation or evaluation techniques, as well as personal strengths such as analytical, writing and communication skills.
- *ISSAI 300:31 – Professional judgement and scepticism:* Auditors should exercise professional scepticism but also be receptive and willing to innovate.
- *ISSAI 300:32 – Quality control:* Auditors should apply procedures to safeguard quality, ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions.
- *ISSAI 300:33 – Materiality: Auditors should consider materiality at all stages of the audit process. Thought should be given* not only to financial aspects but also to social and political aspects of the subject matter, with the aim of delivering as much added value as possible.
- *ISSAI 300:34 – Documentation*: Auditors should document the audit in accordance with the particular circumstances thereof. Information should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.

ISSAI 300 also presents seven principles related to different stages of the audit process, see the box below.

[43] ISSAI 100:10; ISSAI 3000:13.

PRINCIPLES RELATED TO THE PERFORMANCE AUDIT PROCESS IN ISSAI 300:36–42

- *ISSAI 300:36 – Planning - Selection of topics:* Auditors should select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to identify risks and problems.
- *ISSAI 300:37 – Planning - Designing audits:* Auditors should plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.
- *ISSAI 300:38 – Conducting – Evidence, findings and conclusions:* Auditors should obtain sufficient appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations.
- *ISSAI 300:39 – Reporting – Content of the report:* Auditors should strive to provide audit reports which are comprehensive, convincing, timely, reader-friendly and balanced.
- *ISSAI 300:40 – Reporting - Recommendations:* If relevant and allowed by the SAI's mandate, auditors should seek to provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit.
- *ISSAI 300:41 – Reporting – Distribution of the report:* Auditors should seek to make their reports widely accessible in accordance with the mandate of the SAI.
- *ISSAI 300:42 – Follow-up:* Auditors should follow up on previous audit findings and recommendations wherever appropriate. Follow-up should be reported on appropriately in order to provide feedback to the legislature, together, if possible, with the conclusions and impacts of all relevant corrective action.

5.4.2 Safeguarding quality in the performance audit process

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This section refers to standards and does not normally need to be customised.

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

Expectations and requirements in standards

REQUIREMENT ACCORDING TO ISSAI 3000

- The SAI shall establish and maintain a system to safeguard quality, which the auditor shall comply with to ensure that all requirements are met, and place emphasis on appropriate, balanced, and fair audit reports that add value and answer the audit questions. *ISSAI 3000:79*

In an information-based, professional activity such as performance auditing, it is generally more important to support audit teams in achieving a high level of quality in their work than to exercise detailed control over it.

ISSAI 140 provides general guidance on the system for quality management at the organisational level. In the conduct of performance audits, the following specific issues need to be addressed:[44]

- Audit teams gather a lot of information and exercise a high degree of professional judgement and discretion, which needs to be considered in quality management. The need to establish a working atmosphere of mutual trust and responsibility, and provide support for audit teams, should be seen as part of quality management. This may entail applying relevant, easy-to-manage procedures and ensuring that auditors are open to feedback during the quality review of draft reports. If there is a difference of opinion between

[44] ISSAI 300:32.

supervisors and the team, appropriate steps should be taken to ensure that the team's perspective is given sufficient consideration and that the SAI's policy is consistent.

- Even if the report is evidence-based, well-documented, and accurate, it might still be inappropriate or insufficient if it fails to give a balanced and unbiased view, includes too few relevant viewpoints, or unsatisfactorily addresses the audit questions. These considerations should, therefore, be an essential part of safeguarding quality.
- As audit objectives vary widely between audits, it is important to define what constitutes a high-quality report in the specific context of an audit. General quality management measures should, therefore, be complemented by audit-specific measures.

Control procedures at the individual audit level cannot guarantee high-quality performance audit reports. The quality management system should foster the team's ownership of its audit and encourage team members to be competent and motivated. As a complement, there is also a need for procedures that enable SAIs to identify instances where teams need support or guidance, as well as risks of sub-standard audits.

A focus on quality in performance auditing in the OAG

The credibility and effectiveness of the OAG are highly influenced by its ability to establish and maintain high quality in its audit products. ISSAIs 140, 300, and 3000 also provide standards to ensure quality in performance auditing. Audits should be conducted in accordance with the adopted standards and relevant policies. Top management of the OAG is responsible for the setting and functioning of the overall quality framework (from recruitment, planning, quality review, and reporting to ex post control). Operational management and the audit teams are responsible for day-to-day audit management and for the quality of audit work at the engagement level.

Many steps and measures can be taken to ensure high-quality audits. For individual audits, such measures are covered in Chapters 6–9.

5.4.3 Documenting in the audit file

Requirements on documentation

REQUIREMENT ACCORDING TO ISSAI 3000
• The auditor shall <u>document</u> the audit in a sufficiently complete and detailed manner. *ISSAI 3000:86*

Auditors should document the audit in accordance with the circumstances of the particular audit and thus provide sufficiently complete and detailed information to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was performed in arriving at the audit findings, conclusions and recommendations. The standards further emphasise that auditors should in all audits safeguard audit documentation to adequately record the planning, execution and findings of the audit. It is important to establish a system for documenting the actions taken and the communications that have taken place, as well as the audit evidence and analyses performed in the audit. This will make it possible for the auditor to have easy access to the information. It will also enable supervisors to review the work done as part of the SAI's quality control procedures as well as enable internal or external quality assurance reviews.[45]

Working papers are all relevant documents collected and generated during an audit. They serve as a link between the fieldwork and the report and should be sufficiently complete and detailed to provide an understanding of the audit. Thus, they should contain details of planning, results of the fieldwork, and audit evidence supporting all audit findings, conclusions, and recommendations in the report. They should not only confirm the accuracy of facts, but also ensure that the report presents a balanced, fair, and complete examination of the audit objective and questions. It might, for example, be necessary to document arguments not accepted in the report, as well as how different viewpoints were considered and addressed.

Documentation in the OAG

[Describe legal requirements of record keeping and OAG policy on documentation and confidentiality of information in performance auditing.] The team leader is responsible for the documentation and should normally review all working papers before entering them into the file. The team leader should also ensure that all team members get access to the key documents in the audit as well as the documents they directly need to complete the tasks assigned to them.

Hard copies and electronic documentation should be documented according to the activity structure for the main audit processes, see activity lists at the beginning of Chapters 6–9:

B – Planning the Audit

C – Conducting the audit

D – Reporting the audit

E – Follow-up of the report

5.4.4 Confidence and assurance in performance auditing

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Decide on how to convey the level of assurance in performance audit reports. A suggestion for this is included in red text.

Also consider audit risks – the risk of presenting inappropriate findings, conclusions, and recommendations – more systematically, in relation to the audit design and the level of assurance users need. See further WB9, section 6.5.

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Assurance in performance auditing

REQUIREMENT IN ISSAI 3000

- The auditor shall communicate assurance about the outcome of the audit of the subject matter against criteria in a transparent way. *ISSAI 3000:32*

ISSAI 300 states that:

[45] ISSAI 300:34; ISSAI 3000:86–88.

> "As in all audits, the users of performance audit reports will wish to be confident about the reliability of the information which they use for taking decisions. They will therefore expect reliable reports, which set out the SAI's evidence-based position on the subject examined. Consequently, performance auditors should in all cases provide findings based on sufficient appropriate evidence and actively manage the risk of inappropriate reports." *ISSAI 300:21*

This is the reason communication of assurance is required by ISSAI 3000. Assurance means that users can be confident in the reports' findings, conclusions, and recommendations. The auditor provides this assurance by explaining how findings, criteria, and conclusions were developed in a balanced and reasoned manner, and why the findings result in the conclusions and recommendations.[46] Put simply, intended users of assurance reports should be reasonably sure that the conclusion (and the findings it is based on) accurately reflects the underlying subject matter.

To achieve this, the conclusion(s) must be clearly linked to the audit objective(s) and audit criteria and written in a way that enhances the degree of confidence of the intended users about the evaluation of the underlying subject matter against the criteria. Reaching an audit conclusion is an inferential exercise involving considerable judgement. Because of this, it is important that:

- All aspects of the conclusion are supported by findings.
- All findings are considered in drawing the conclusion.
- All findings are based on sufficient appropriate audit evidence relative to the criteria.
- Any analysis of underlying causes is clearly supported by sufficient and appropriate evidence.

However, it is also important to make these links understood by the intended users. If this is done properly, the intended users can be confident about the validity of the conclusions. The auditor has then provided assurance.

Providing assurance involves managing audit risk to an acceptably low level; see further section 7.5.

How to communicate assurance

ISSAI 300:22 states that the auditor can convey the degree of economy, efficiency, and/or effectiveness achieved in the performance audit report in different ways:

- Through an overall view of aspects of economy, efficiency, and effectiveness, where the audit objective, the subject matter, the evidence obtained, and the findings reached allow for such a conclusion.
- By providing specific information on a range of points, including the audit objective, the questions asked, the evidence obtained, the audit criteria used, the findings reached, and the specific conclusions.

OAG communicates assurance in performance audits by explaining in the report how findings, criteria, and conclusions were developed in a balanced and reasoned manner, and why the findings result in the conclusions.

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[46] ISSAI 3000:32-33. See also ISSAI 100:32.

The auditor also needs to transparently communicate the audit objective(s), scope, methodology, and data gathered and any significant limitations in the report so that users will not be misled.[47] Auditors may include a description of the procedures performed as part of their assessment of the sufficiency and appropriateness of information used as audit evidence. Auditors should identify significant assumptions made in conducting the audit; describe comparative techniques applied; describe the criteria used; and, when sampling significantly supports the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

The auditor should ensure that the audit report does not mislead intended users as to the level of assurance provided. To meet this requirement, the performance audit report can include a statement to communicate assurance to intended users.

In OAG, the reference to the adopted standard and the level of assurance shall be communicated to the reader of performance audit reports by including the following text in the submission letter.

[Decide how to communicate the level of assurance in the report. One option is to combine it with the reference to the adopted standards by writing: [48]

> *We conducted our audit(s) in accordance with the International Standard of Supreme Audit Institutions for Performance Auditing (ISSAI 3000). This standard requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.]*

5.5 Communication in performance auditing (ICBF Domain 5)

This Section addresses principles for external communication (Section 5.5.1) and internal communication (Section 5.5.2). External communication as part of the audit process is primarily addressed in Chapters 6–9.

5.5.1 External communication

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

Describe the SAIs' overall principles for external communication in performance auditing, possibly referencing the source or content of a separate policy or decision. Consider presenting details as part of the audit process in Chapters 6–9.

ISSAIs explicitly mention that reports should be timely. Consider including the SAI's perspective on the appropriate level of principles governing the duration of the performance audit process. Avoid unnecessary overlaps with the text on operational management of efficiency in section 5.2.2. Also consider addressing, at the level of principles, communication with the audited entities, the PAC, and other stakeholders, while reserving the processes and details for conducting the audit to Chapters 6–9.

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[47] ISSAI 3000:34.

[48] Adapted from *Government Auditing Standards,* GAO, 2024, paragraph 9.03.

Expectations and requirements in standards

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall plan for and maintain effective and proper communication of key aspects of the audit with the audited entity and relevant stakeholders throughout the audit process. *ISSAI 3000:55*
- The auditor shall take care to ensure that communication with stakeholders does not compromise the independence and impartiality of the SAI. *ISSAI 3000:59*

ISSAIs expect SAIs to communicate their activities and audit results in a timely and widespread manner through the media, websites, and other means. SAIs need to be open with stakeholders, maintain public visibility, and encourage public and academic interest in key conclusions. They need to make their conclusions and recommendations from the audits public unless they are considered confidential.[49]

The head of the SAI should be prepared to promote the value of performance auditing to different stakeholders. The legislature should be made aware that performance auditing is about identifying opportunities for improvement in economy, efficiency, and effectiveness. Reform and improvement of government activities are more likely to happen if parliament considers the performance audit reports. It is also important to ensure that government authorities are made aware of performance audit procedures and understand the key requirements. 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 [50]

A prerequisite for establishing effective two-way communication throughout each audit is that the audit entities and other relevant stakeholders have been identified, their needs considered, and a constructive process of interaction has been established.[51]

OAG policy for external communication in performance auditing

The OAG uses the following principles for external communication in performance auditing:

[List overall principles for external communication in performance auditing or refer to a separate policy or decision.]

The procedures used in different phases of the audit process are described in Chapters 6–9.

5.5.2 Internal communication and monitoring meetings

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Consider which regular meetings are needed and indicate their frequency. The smaller the SAI and the performance audit function, the fewer types of meetings are needed. Do not be overambitious in aiming for a high meeting frequency. Additional meetings can always be arranged on an ad hoc basis when needed.

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[49] INTOSAI-P 20:7-8.

[50] GUID 3910, appendix, para. 21 and 25.

[51] GUID 3910, appendix, para 21.

Performance auditing requires well-functioning internal communication to enable employees to understand expectations and pursue the objectives. Performance audit managers must communicate the strategic direction and plans of the SAI, the audit methodology with professional and ethical requirements, the progress made with work, and important decisions taken in the SAI. The purpose of this is also to promote dialogue between management and staff and to motivate work.

Written documents and ad hoc meetings are important parts of internal communication. The main part of the communication within the audit team or within management, as well as between them, takes place informally as needed. Management should encourage a working culture where staff feel comfortable raising concerns and ideas for improvement and for addressing the conditions of operations. The open discussions need to be based on realistic assessments of the situation in the country and within the SAI, with a focus on providing the highest possible audit services.

To complement the informal daily communication between managers and staff, there is a need for some regular meetings to:

- Keep staff on track and focused on the goals and work at hand.
- Follow up and discuss plans for the next period.
- Forward information from top management
- Provide opportunities for staff to express their ideas and concerns.
- Provide group feedback on results.
- Involve staff in the group's overall achievement of results.

The following performance audit meetings should be organised regularly within the OAG, unless the chair decides to cancel or postpone a meeting. The meetings should be planned, have an agenda, and be documented in minutes.

PERFORMANCE AUDIT OPERATIONAL MANAGEMENT MEETINGS	
Frequency:	[Indicate the normal frequency]
Participants:	The Deputy Auditor-General and operational performance audit managers.
Chair:	The Deputy Auditor-General
Content:	Discussions on the general management of performance auditing in the OAG. Top management reports on initiatives and information outside the OAG relevant to performance auditing. Operational managers report on progress for each performance audit, including challenges related to audit methodology, quality, timelines, and budget. Meetings should also address other issues affecting performance auditing, such as strategy, annual planning, staffing, funding, training, and professional development of auditors and managers, participation in international conferences, seminars, etc.
Reporting:	The Deputy Auditor-General reports back to the Auditor-General or at top management meetings as appropriate. Operational managers disseminate relevant information to staff through e.g. regular meetings and written communications.

General staff meetings in performance audit Unit(s)	
Frequency:	[Indicate the normal frequency]
Participants:	All members of the unit.
Chair:	Operational managers, or when appropriate, the Deputy Auditor-General.
Content:	Information about important developments relevant to performance auditing, if any. This may include information from contacts with PAC, government entities, or other stakeholders as well as INTOSAI and AFROSAI-E. Reporting by top management on important issues in the OAG, along with discussion of auditors' concerns and proposals to be submitted to top management. Brief updates on progress for each performance audit.
Reporting:	The Deputy Auditor-General reports back to the Auditor-General or at top management meetings as appropriate. Operational managers disseminate relevant information to staff through e.g. regular meetings and written communications.

6 PLANNING THE AUDIT

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

Consider the requirements in the ISSAIs and adjust the structure and content of the plan for the pre-study, the pre-study memorandum, and the work plan to the preferences in your SAI. Also consider the need to customise the working papers. Please note that the normal size of the audit team is said to be 2–4 auditors, including the team leader. Normally, it should be possible to complete a performance audit report in 12 months, with around 1–3 months for a pre-study and 4–6 months for the main study.

Remember to specify who is responsible for different activities in the activity list. Remember that more than one actor can be responsible for the same activity.

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall explicitly identify the intended users and the responsible parties of the audit and, throughout the audit, consider the implication of these roles in order to conduct the audit accordingly. *ISSAI 3000:25*
- The auditor shall consider materiality at all stages of the audit process, including the financial, social and political aspects of the subject matter, with the goal of delivering as much added value as possible. *ISSAI 3000:83*

The planning of audit engagements is structured into the following 15 activities. Hard copies and electronic documentation should be documented according to the activity structure and information to be included.

	Activity	Information to be included	Responsible
B.1	Assigning responsibility for the pre-study to a team and a manager	[add document if applicable]	[add those responsible]
B.2	Developing a plan for the pre-study	WB1	
B.3	Conducting a quality review and deciding on the plan for the pre-study	WB2 and the signed front page of WB1	
B.4	Completing the Code of ethics declaration	Signed WB11	
B.5	Sending an introductory letter to the audited entity	WB3	
B.6	Having an entry meeting with the audited entity	Minutes WB4	
B.7	Collecting and analysing data	Requests (WB5, WB6) Interview guide (WB7) Minutes (WB4, WB8) Documents and analysis	
B.8	Regularly reviewing progress made with the pre-study	Progress meeting minutes	
B.9	Discussing a tentative focus of the audit with the OAG management	Minutes WB4	
B.10	Developing a pre-study memorandum and work plan	Draft(s) WB9	

	Activity	Information to be included	Responsible
B.11	Conducting quality review of the pre-study memorandum and work plan	Completed checklist WB10 and the team's considerations	
B.12	Revising the pre-study memorandum and work plan and submission thereof to management	Revised WB9	
B.13	Deciding whether to approve the pre-study memorandum and work plan	Signed front page of WB9	
B.14	Completing the documentation of the pre-study process and collected data in the audit file	[add document if applicable]	
B.15	Any new team members complete the Code of ethics declaration, others report to management if the signed declaration is no longer fully relevant	Signed WB11	

High-quality audits require auditors to develop a solid understanding of the area to be audited and its performance problems. Auditors must decide on an appropriate overall audit design, identify the need for information, and develop a strategy and design empirical studies and methods enabling them to establish findings, conclusions, and recommendations. Good project management is also essential to ensure audits are completed on time and conducted efficiently in accordance with the overall audit design.[52]

Good planning leads to good audits. In the OAG, the teams should normally carry out planning in the form of a pre-study documented in a working paper, *WB9 Pre-study memorandum and workplan*. The pre-study is an exploratory phase in which the auditors learn about the area and topic and examine different ideas on how to focus the main study. The result should be a realistic and well-thought-out plan for conducting a main study on the specified topic. The resulting plan should not be seen as unalterable. If insights obtained during the main study make it reasonable to adapt the plan, this should be allowed. The audit plan and significant changes to it should be approved by management. The approved work plan will guide the team in conducting the audit and provide a basis for management to regularly monitor progress.

Since pre-studies form the basis for management decisions, they may include a discussion of alternative focuses and their advantages and disadvantages. However, resources spent on exploring and comparing alternatives always need to be balanced so that the main part of allocated time and resources is earmarked for carrying out the main study for the chosen alternative. To avoid spending too much time on alternatives that the OAG will later decide not to pursue, it is important that managers are involved regularly during the pre-study, not just at the end, in making decisions on how to focus the main study.

The chapter will cover the following steps in the planning of a performance audit:

- *Planning the pre-study*, by deciding on the topics, appointing a team, developing a plan for the pre-study, and reviewing its quality (Section 6.1).

[52] ISSAI 300:37.

- *Collecting initial information* to develop an understanding of the audit area, the risks for and indications of performance problems, the factors assumed to contribute to them, and to get an overview of the conditions for conducting an audit (Section 6.2).
- *Describing the audit area* and mapping out actors and processes (Section 6.3).
- Preliminarily identifying problems by structuring preliminary indications of performance problems and factors assumed to contribute to them (Section 6.4).
- *Selecting a focus for the main study* by assessing and considering the main alternatives (Section 6.5).
- *Developing an overall audit design*, including objective, questions, scope, and criteria (Section 6.6).
- *Developing a strategy and designing empirical studies*, designing different empirical studies, and choosing methods for data collection and analysis (Section 6.7).
- *Developing an administrative plan* outlining the activities, budget, communication with stakeholders, monitoring of progress, and risks to the audit (Section 6.8).
- *Testing the design of the audit* by making preliminary observations based on the choices made to assess whether there is a need for adjustments and checking whether the necessary data are available (Section 6.9).

6.1 Planning the pre-study

In the OAG, *the topic* for a pre-study is usually identified during annual planning but may occasionally be decided on an ad hoc basis by management (see section 5.2.3). To start the work, the topic is selected, an *operational manager* is allocated the responsibility, and a *team leader with a team* is appointed to carry out the pre-study. Normally, the team will comprise two to four auditors, including the team leader. Factors to consider when appointing the team leader include the following:

- Skills and experience in leading teams and managing performance audits or demonstrated potential to take on such responsibilities.
- Sound knowledge of the subject matter being audited and the public sector in general.
- Personal strengths such as interpersonal, analytical, writing, and communication skills.
- Ability to demonstrate professional judgement and scepticism.
- Compliance with the ethical requirements in the specific audit.

The team should be selected with the objective of combining the right mix of skills, intellect, experience, and interpersonal skills, as the real value of a team lies in diversity and balance. Management should also consider how the audit can be used to further professional development of the auditors, while providing the appropriate support and supervision. Systematically considering how auditors can be assigned new challenging tasks, with support and supervision, is an effective way to enhance their professional skills.

The team members need to develop a shared understanding of the audit, the team's different roles, and what is expected of them, and commit to conducting the pre-study. Each team member and the responsible performance audit manager, including the head of the unit, should sign the working paper *WB11 Code of ethics declaration* before commencing the pre-study.

In the pre-study, the team will test different ideas and consider different options for how to focus the audit and which criteria and methods to use. Still, it is important to have a plan for how the pre-study will be carried out. Working paper *WB1 Plan for the pre-study* should be used to develop a brief plan for the pre-study [consider mentioning a maximum number of pages here and in the working paper, or just that it should not be too detailed, as the auditors at this stage usually do not have much knowledge of the audit topic]. It should not take a long time to develop a plan for the pre-study. The pre-study gives auditors an opportunity to explore the audit topic and consider how to audit it. This calls for auditors to be open-minded and flexible when following up important leads related to the topic, even if this was not initially planned.

The plan for the pre-study is prepared by the team leader in collaboration with the team and is subject to quality review by [describe the actors responsible for reviewing the plan] using the working paper *WB2 Quality review checklist – Plan for the pre-study*. Based on the review, [describe the actors deciding whether to start pre-studies] will decide whether to start a pre-study and document the decision on the front page of the working paper *WB2*.

6.2 Collecting initial information

Once the OAG has approved the plan and initiated a pre-study, the top management of the audited entity should be informed of the pre-study's purpose before data collection begins. This should be done by sending a letter to audit entities signed by [indicate on which level the introductory letter should be signed], using working paper WB3 Introductory letter (pre-study), requesting an entry meeting.

As the first step, in the pre-study phase the audit team should develop an understanding of the audit area, identify problems in the area, and identify the relevant entities to be audited (performance problems can be preliminarily identified at earlier stages, such as during area watching). This lays the foundation for subsequent steps in the planning process. Substantial background knowledge and information are required to assess problems and risks, identify potential sources of criteria and evidence, and determine auditability. Use WB4 and WB8 for data collection and analysis as appropriate.

All efforts are initially concentrated on gathering information from a wide range of sources. Auditors will typically need to study the legislation and identify which ministries, agencies, and other government bodies have responsibilities related to the topic of interest.

To understand these responsibilities, auditors will need to collect documents, such as laws and regulations, objectives, strategies, plans, budgets, monitoring and evaluation reports, statistics, and work procedures. Information from other written sources, such as academic research, government reports, and reports from international organisations and NGOs, can provide valuable insights. Auditors should always search the internet for available information early in the pre-study, for example, from government or international organisations. It is also useful to carry out exploratory interviews with managers and staff in audit entities, other government organisations, clients, scientists, subject matter experts, consultants, former employees, and other stakeholders. You can also try to find information about comparable cases, such as the same type of government programme in a neighbouring country. Other SAIs may, for example, have audited similar topics and made the report available on their website.

It may also be relevant to collect information about the environment in which government entities operate and the opportunities and limitations this may create for their performance.

Some fieldwork will usually be necessary at this early stage, including visiting key institutions at the central level. Visits to regional or local governments should typically be limited during the planning phase, concentrating efforts on generating sufficient knowledge to focus and design the audit rather than on collecting evidence for the audit report. There always needs to be sufficient time and resources left to carry out a systematic main study. While it may be possible to use some information collected during the pre-study in the audit report, the execution of the main study should not depend on reusing data gathered early in the planning stage. It must be possible to use lessons learnt during the pre-study phase to redirect the focus of the audit towards different methods for data collection than those used in the pre-study. Therefore, the use of resources for fieldwork in the pre-study phase always needs to be balanced against the need to save resources for fieldwork in the main study phase.

WHAT TO INCLUDE IN A PRE-STUDY MEMORANDUM

All information collected at this early stage will not necessarily be described in the pre-study memorandum. However, it is possible that some of the material gathered in this first stage will be useful both in describing the motivation for the audit and in other sections of the final report.

6.3 Describing the audit area and mapping out actors and processes

In the planning phase, the auditors should analyse and develop an understanding of the topic or area selected for the audit. The challenge is to analyse the topic and present the information necessary to make an informed choice about the focus of the main study. The pre-study memorandum needs to include an analysis of the audit area and the relevant systems and processes that are potential objects of the audit. This is often referred to as a description of the audit area.

Initially, the auditors need to get an overview of the whole area and gradually zoom in on the activities that might be covered in a main study – ones that seem to be related to significant performance problems and their reasons. There may be a need to present a brief overview of the selected audit area based on available descriptions of the sector. Auditors can use a flowchart to map out the relevant actors and the processes as they are supposed to work. This creates a foundation for checking if the entities/systems function as intended. The description will facilitate the collection of audit evidence that can later be linked to different actors or processes within the system. Flowcharts can also be used to identify bottlenecks, time-consuming activities and resources used for the different steps in the work. Generally, the processes and activities must be further elaborated in a narrative description. The auditors need to avoid providing too much detail on activities and processes that are unlikely to be covered in the audit.

To understand the workflow, the auditors may need to access written documents and conduct interviews with staff and management of the audit entities and representatives for clients and other stakeholders. When the auditors have produced a first draft flowchart describing the process, it is a good idea to ask the audit entities to comment on it.

The appropriate time to map the audited entities, systems, and processes is during the planning phase. However, as the auditors' knowledge increases during the main study, the initial descriptions of relevant systems and processes may need to be revised.

REQUIREMENT ACCORDING TO ISSAI 3000

- The auditor shall assess the risk of fraud when planning the audit and be alert to the possibility of fraud throughout the audit process. *ISSAI 3000:73*

The auditors need to make enquiries and perform procedures to identify and respond to the risks of fraud relevant to the audit objectives for the main study. Thus, the risk of corruption needs to be identified during planning since it may affect the audit design. As mentioned in Chapter 3, systems where corruption is widespread never meet the principles of the three Es. In case of risks for corruption, the auditors need to obtain a good understanding of the relevant internal control systems and examine whether there are any signs of irregularities that could hamper performance.[53] Performance auditing is not well designed to identify and investigate individual cases of fraud and corruption. On the other hand, the methodology of performance auditing is highly appropriate for analysing the functioning of systems in public administration in areas with performance problems largely affected by corruption. This can be a tool to strengthen the systems to better prevent corruption. For this reason, the risk of corruption needs to be considered in planning all performance audits, more specifically:

1. If there is a general high risk for corruption in the public administration
2. If there are specific significant risks for corruption in the area selected for audit
3. If it would be appropriate to address risks for corruption in the current audit
4. If it would be appropriate to report identified risks to other auditors or authorities.

[Consider specifying procedures auditors in OAG should use when developing their understanding of the audit area to, meet the OAG expectations and the requirements in the standards on considering the risks for fraud and corruption. In case significant risks are identified, the auditors are expected to describe in Section 3 of working paper *WB9 Pre-study memorandum and workplan* whether these are suggested to be addressed as part of the audit or to be reported to other auditors or authorities in. In several countries in the region, government entities are required to develop and implement an anti-corruption action plan. If this is the case, consider specifying if performance auditors should collect initial information on the existence and implementation of such a plan, or if this s done on a regular basis by financial- or compliance auditors.

You find a more elaborated discussion on fraud and corruption in relation to performance auditing in the AFROSAI-E Performance Audit Handbook, Section 3.4. There you also find examples on procedures that can be used as well as different ways to address risks for corruption in an audit.]

The description of the audit area often contains normative statements specifying expected results, what should be done, or how activities ought to function. When such statements are clearly linked to the three Es, they can provide a sound basis for audit criteria. That often creates an overlap between the description of the audit areas and the description of criteria in the overall audit design. Clarity in the use of the same information for different purposes helps to clarify the analytical framework. Audit criteria should be explicitly formulated, stand on their own, and be written in a way that allows them to be directly used as a basis for assessing performance. Understanding how activities are intended to function can help identify possible causes of the

[53] ISSAI 100:49; ISSAI 300:37; ISSAI 3000:73 – 74.

main performance problems established in relation to results-oriented criteria. When there are normative statements relevant for activities causing main performance problems linked to the results, such activity-oriented statements can be turned into criteria assessing the activities as problems in their own right – as a complement to that, they explain the main problems with the results.

WHAT TO INCLUDE IN THE PRE-STUDY MEMORANDUM

The presentation of a pre-study memorandum should focus on what is important for performance problems that may be covered by the main study (see Section 6.4–6.5) and not include all collected information. A common mistake is to include too much of the collected information by copying and pasting long texts from audited entities' documents. The result is often a text that is not relevant to the pre-study's purpose.

6.4 Preliminarily identifying problems

One of the most critical tasks for auditors during the pre-study is to identify the main performance problems related to the audit topic — that is, indications of or observed deviations between established criteria related to the three Es and actual performance — as well as their likely causes and consequences. When ministries, agencies, or programmes do not perform well, they put the economy, efficiency, and effectiveness of the public sector at *risk*. Problems can often be identified simultaneously with developing an understanding of the audit area. This is because what is worth including in the systems description – actors, processes, activities, and relations – depends on what main performance problems and their potential reasons OAG considers covering in the main study.

To select a focus for the main study, the auditors need to get an overview of the observations made and understand if and how different problems are related to each other. Information can be collected from a wide range of sources, from central government entities like administrative documents, statistics, and, where relevant, interviews at the regional or local levels. Other useful sources include research studies, reports from various organisations and media coverage.

Searching the internet reveals a multitude of techniques for problem analysis, several of which establish a structure for the information generated through brainstorming. The techniques themselves do not generate any knowledge but can help the auditors organise the knowledge they have obtained. The level of structure provided by different techniques varies. If the audit team does not find a particular method helpful, it is better not to use it. In OAG, it has been common to use [mention the preferred method for problem analysis].

Preliminary identification of main performance problems and their reason requires coherent and logical reasoning as well as some collection of information and data. Notably, the standards do not have any strict requirements for the evidence in a pre-study, and proving causal assumptions is not a requirement. The need to underpin assumptions with audit evidence and arguments is significantly lower than in the audit report. Usually, the information underpinning preliminary identified problems is a mix of known facts, indicators, logical reasoning, and reasonable hypotheses.

Auditors have collected and documented sufficient information when they are able to convince themselves and SAI management that there are convincing indications that material main performance problems exist. They should also have a good enough understanding of the likely reasons for the problems to plan a high-quality main study. Once this is accomplished, it does not necessarily add much value to collect more data or make more analysis in the pre-study.

Sometimes, the topic selected by management is so specific that it can also be suitable to use as the focus for the audit. In such cases, the auditors should not take the audit problem for granted. Instead, they should actively search for information that either supports or challenges the initial ideas. It is also recommended that the auditors, to some extent, consider whether there are other problems in the area that may be better to focus on.

In case there are significant risks for fraud and corruption causing performance problems, explicitly mention whether they are to be addressed in the audit or by reporting the information to other auditors or authorities.

WHAT TO PUT IN THE PRE-STUDY MEMORANDUM

The pre-study memorandum often includes a thorough description of problems related to the audit topic and the role that public entities play in solving these problems. This will help explain the motivation for the audit and will also provide a basis for management's assessment of the team's recommendation on the choice of focus, discussed in Section 6.5.

6.5 Selecting a focus for the main study

REQUIREMENT ACCORDING TO ISSAI 3000

- The auditor shall identify the subject matter of a performance audit. *ISSAI 3000:29*

Usually, the OAG carry out audits on areas or government undertakings where there are reasons to believe that material performance problems exist. When this is the case, the auditors should base their recommendations on how to focus the audit on an analysis of alternative audit problems based on the observations and indications in the pre-study.

According to ISSAIs, performance auditing is an examination of whether government performs in accordance with the principles of economy, efficiency, and effectiveness and whether there is room for improvement. Auditors should, in the overall planning, bear in mind that audit topics should be significant, auditable, and reflect the mandate of the OAG. The selection process for audit topics should aim to maximise the expected impact from the audit while considering audit capacities (e.g. financial and human resources and professional capacities). Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement.[54]

Auditors should consider *materiality* at all stages of the audit process. Thought should be given not only to financial but also social and political dimensions of the topic, with the aim of delivering as much value as possible. Materiality concerns all aspects of performance audits, such as the selection of topics, definition of criteria, evaluation of evidence, documentation and management of the risks of producing inappropriate or low-impact reports. Materiality can be understood as the relative importance of a matter within the context in which it is being considered. An issue will be considered material where the topic is considered of particular importance and where improvements would have a significant impact. It will be less material where the activity is of a routine nature, and the impact of performance problems would be restricted to a small area or

[54] ISSAI 300:9-10 and 36; ISSAI 3000:17-18 and 90-91.

otherwise minimal. Auditors should bear in mind that what is socially or politically significant varies over time and depends on the perspective of the relevant users and responsible parties.[55]

For many topics, the ultimate problem represents a long-term societal problem with many different factors influencing the problem. Some factors are often not within the control of government undertakings, while other factors are directly or indirectly influenced by government. Broad and complex problems are often material, but difficult to audit. Narrow problems are often easy to audit but may not be material. The auditors need to balance these dimensions against each other. Performance problems are usually more complex than initially envisaged. For this reason, it is usually better to choose an audit problem that is not too complex and not too heavily influenced by external factors. At the end, the topic must be something the government can control or has a substantial degree of influence over.

Problems that are mainly caused by a *shortage of resources* are normally *not suitable* as the main focus of an audit. The audit should rather focus on how the entity is utilising its resources. Based on the ISSAIs, the following criteria should be used for selecting the audit problem:

- Materiality of the subject matter (financial, social, and political)
- Risks for performance problems
- Auditability
- Potential for adding value and promoting change.

The auditors should always present a narrative analytical text of the main alternative audit problems that may be considered as a focus for the audit in the pre-study memorandum. As a complement, the team may score the extent to which different selection criteria are met.

Once the auditors have drafted a recommendation on the selection of a focus for the audit, a meeting should be arranged with [consider mentioning the level of management to be engaged at this stage]. The purpose of the meeting is to discuss the auditors' analysis and recommendation, and for management to give their views and directives before the team starts to develop a work plan. The final decision to carry out a certain audit cannot be taken at this stage, as the audit has not yet been designed and planned.

WHAT TO INCLUDE IN THE PRE-STUDY MEMORANDUM

As mentioned in Section 6.2, narrowing down the information in the pre-study to what may be relevant for a coming main study is advisable. However, the focus should not be too narrow. If the pre-study is to provide a basis for choosing between different alternatives for focusing the main study, it can be relevant to briefly present observations on different problems in the pre-study, even if they are not all related to each other.

6.6 Developing an overall audit design

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall set a clearly defined audit objective(s) that relates to the principles of economy, efficiency, and/or effectiveness. *ISSAI 3000:35*
- The auditor shall articulate the audit objective(s) in sufficient detail in order to be clear about the questions that will be answered and to allow logical development of the audit design. *ISSAI 3000:36*

[55] ISSAI 300:33; ISSAI 3000:83-85.

- If the audit objective(s) is formulated as audit questions and broken down into sub-questions, then the auditor shall ensure that they are thematically related, complementary, not overlapping and collectively exhaustive in addressing the overall audit question. *ISSAI 3000:37*
- The auditor shall choose a result-, problem-, or system-oriented audit approach, or a combination thereof. *ISSAI 3000:40*
- The auditor shall establish suitable audit criteria*, which correspond to the audit objective(s) and audit questions and are related to the principles of economy, efficiency and/or effectiveness. *ISSAI 3000:45*
- The auditor shall, as part of planning and/or conducting the audit, discuss the audit criteria with the audited entity. *ISSAI 3000:49*

**The audit criteria need to provide an appropriate and reasonable basis for assessing against audit objectives and enable the audit questions to be answered. ISSAI 3000:48*

The methodological design is in this section described as an overall design (objective, audit questions, scope, criteria) and design of empirical studies. The methodological design should ensure coherence between the audit objective, questions, scope, criteria, and a strategy and design of empirical studies. Together, this enables data to be collected and analysed to answer the audit questions and meet the audit objective. A clear and logical link needs to be maintained from the audit objective through the questions, findings and conclusions to the recommendations.

When the focus of the audit suggested by the team has been preliminarily discussed with management, a work plan for a main study is drafted by the team covering an overall audit design, strategy and design of empirical studies, and administrative planning. The draft work plan should be presented to management and, after review and revision, be approved by [mention who approves the work plan]. The purpose of the work plan is to plan and describe how the audit of the specific audit problem will be carried out during the main study. The work plan will help the team to structure their thoughts and guide them throughout the audit process.

Key actors responsible for managing the audited activities are defined in the overall audit design. Other responsible parties and the expected users of the report are defined in the expected results from the audit, while the responsible auditors and managers are defined in the administrative part of the plan.

The overall audit design covers (see further the guidance in working paper *WB9 Pre-study memorandum and work plan*):

- *Audit objective(s)* – Should be related to the three E's and encompass the main performance problems as well as their reasons.
- *Scope* – Relates to the audited entities, activities, time, and geographic area the auditors plan to conclude on, not where the information is collected. The report should be relevant when it is published, but different elements of data may cover different periods of time.
- *Audit questions* – Are addressed to the main performance problems and a few groups of their reasons. The main questions should normally not be more than four to six to maintain a clear focus of the audit and enable the report to focus on higher level findings supported by multiple issues, rather than separately reporting on many small weaknesses. When needed, the main questions can be further detailed in sub-questions.
- *Audit criteria* – Should be related to the three E's and must be used to establish main performance problems if there are opportunities for improvement. Criteria may also be used to assess explanatory factors as performance problems in their own right, provided these are clearly related to the main problems and supported by evidence or sound

arguments. However, criteria should rarely be applied at a detailed level to independently assess sub-questions.

For data where the development over time is important, at least three years need to be covered to establish a trend. But three years is often not sufficient to establish a clear trend, and it is recommended to use statistics for a longer period if it adds value to the analysis.

The audit should avoid using internal guidelines, manuals, etc., as governing sources for audit criteria. Extensive use of such criteria may easily turn the audit into a gap analysis with unclear relation to the three Es. Instead, the audit criteria should preferably be directly linked to results (quantity or quality of outputs, outcomes, and costs). Criteria can also be derived from overarching documents such as objectives or intentions in laws and other parliamentary decisions. Internal governmental sources may be used if they can be convincingly and logically linked to parliamentary decisions. Process-oriented audit criteria can be used if their relevance for the results can be established.

Instead, internal manuals and process descriptions and similar sources can be a valuable source for identifying potential reasons for the main performance problems.

6.7 Developing a strategy and designing empirical studies

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall acquire substantive and methodological knowledge during the planning phase. *ISSAI 3000:98*
- During planning, the auditor shall design the audit procedures to be used for gathering sufficient and appropriate audit evidence that respond to the audit objective(s) and question(s). *ISSAI 3000:101*

Besides the audit objective, scope, questions, and criteria, the auditors need to consider the availability of data, what empirical information is needed to convince the reader, and how this information is going to be collected and analysed. The auditors must carefully consider how different study designs, methods, and techniques for data collection and analysis can be combined to develop evidence to answer the audit questions. The strategy and methods for data collection must be developed specifically for each audit, depending on the context and overall audit design. It is also necessary to consider how data is going to be analysed already during the planning stage, even if the methods for data analysis are further specified during the main study.

This can be approached in several stages: which questions to ask, determining the level of observation (studying a process and/or individual files), deciding whether to analyse the whole population or a sample, and choosing data collection techniques. Data collection methods and sampling techniques should be carefully chosen. The planning phase should also involve research work aimed at building knowledge, testing various audit designs, and checking whether the necessary data is available. This makes it easier to choose the most appropriate audit methods.[56]

Planning should also allow for flexibility, so that the auditors can benefit from insights gained during the audit. Audit methods are expected to be chosen that best allow the gathering of audit data in an efficient and effective manner. The audit methods chosen should best allow audit data to be gathered efficiently and effectively. While the auditors should aim to adopt best practices,

[56] ISSAI 300:37; ISSAI 3000:101.

practical considerations such as data availability may restrict the choice of methods. It is, therefore, advisable to be flexible and pragmatic in this respect.[57] For this reason, performance audit procedures should not be overly standardised. Excessive prescriptiveness may hamper the flexibility, professional judgement, and high analytical skills required in a performance audit. In some instances – where, for example, the audit requires data to be gathered in many different regions or areas, or the audit is to be conducted by a large number of auditors – there may be a need for a more detailed audit plan in which detailed interview or research questions and procedures are explicitly defined.[58]

A combination of qualitative and quantitative data and a combination of primary and secondary data is used in performance audits to develop audit evidence. All methods have strengths and weaknesses and are complementary in verifying the main performance problems and analysing their reasons.

The auditors can use a combination of different study designs, methods, and techniques for data collection and analysis in the audit. It is important for auditors to establish an appropriate strategy, combining different methods in a way that enables them to answer the audit questions and meet the audit objective.

The collected data and analysis must provide sufficient, relevant, valid, and reliable audit evidence that covers the audit questions. Evidence used to support a finding is relevant if it has a logical, sensible relationship to that finding. The evidence must also be reasonable in terms of the time needed to collect it and the cost implications. This requires good judgement by the auditors as well as creativity. The strategy can be built on different methods for data collection, for example, using:

- Existing statistics or if needed a survey to get an overall picture and verify the main performance problems.
- File reviews combined with document analysis and interviews in local offices to detail the understanding of the problems and identify their main reasons in a selected number of cases.
- Interviews with clients, applicants, citizens, or other stakeholders to verify the problems they are facing.
- Document reviews and interviews at head office to analyse how the audited entities have, or have not, tried to influence the development through the operational and management systems.
- Observation and walk-through studies of main aspects of the operational and management systems to identify opportunities for improvements.
- Interviews with management, staff at different levels, and different stakeholders to verify findings and collect information on potential actions for improvement.

The auditors can also use several study designs in their audit that may include the use of different types of methods for data collection and analysis. See the following eight study designs described in the AFROSAI-E *Performance Audit Handbook*, Section 6.6.2.

1. Goal attainment, outcome-oriented studies, and impact studies

[57] ISSAI 3000:103.
[58] ISSAI 300:37.

2. Process studies
3. Cost-benefit studies and cost-effectiveness studies
4. Comparative investigations and benchmarking
5. Before and after investigations
6. Surveys and sampling investigations
7. Case study investigations
8. Quasi-experimental investigations

The different study designs can be used partially or fully in an audit, and different designs can be combined with each other and with additional elements. The challenge is to establish an appropriate strategy, combining study designs, methods, and techniques in the audit to suit the context, objective, questions, criteria, available skills and resources, and available data.

Performance audit reports should include a description of the methods used to develop them. This is important for the reader to be able to assess the credibility of the report. References to appropriate methods can increase the credibility of the report. However, a note of caution is needed here. The auditors should not use study designs and methods that they do not sufficiently grasp and are not able to apply appropriately. For example, using sampling techniques in the wrong way or in a way that is irrelevant to the empirical study at hand undermines the report's credibility when readers understand that this is the case. Similarly, referring to arguments based on the methods used that are irrelevant to the statements made in the report undermines the readers' confidence in the report. It is preferable for auditors to use their common sense rather than put the SAI's reputation at risk through inappropriate use of study designs and methods. The auditors can also look for methodological advice internally, from other government entities, such as universities or other actors they cooperate with. However, the ultimate responsibility always rests with the SAI.

As a user of the working paper WB9 Pre-study memorandum and work plan, elaborate on the strategy and design of empirical studies, and how each audit question is going to be answered using a combination of different types of studies, techniques, and methods for collecting and analysing data. The more elaborated and appropriate the ideas and knowledge you have about this at an early stage, the easier it will be to conduct the audit. On the other hand, as the knowledge increases during the audit, auditors may identify gaps or misjudgement in the planning stage. The auditors and managers must then be prepared to adjust or modify some of the planned methods or add others. Significant changes in the work plan should always be approved by the operational manager and, when appropriate, decided by top management.

All parts of the audit design need to be linked to each other. This means that the audit objective, scope, audit questions, sub-questions, and audit criteria must be congruent with each other. They must also be properly linked to the strategy and methods for data collection and analysis. After having elaborated on the methodological planning of the audit in the work plan, the design should be summarised into keywords in the *Audit design matrix* in working paper *WB9*. The design matrix is a tool to help the auditors get a full overview of the audit design, making it easier to test the completeness and logic in it. It also makes the design more easily accessible and understandable for managers and other reviewers.

To facilitate discussion on the importance of the audit and the relevance of its design, the auditors should also briefly outline the *expected results of the audit* in *WB9*. The performance problems for which the team expects to find sufficient and appropriate evidence in the audit should be described, as well as how the audit is expected to contribute to improved performance. This includes preliminarily defining who the expected users of the report will be, those who can initiate change and improved performance, as well as other users.

The audit design matrix is a practical tool for structuring and communicating the methodological design of the audit. The underlying logic of the matrix should be applied from the outset of the design phase. When the methodological design of the audit has been elaborated on, summarise it in a matrix structured according to the audit questions and sub-questions, as in the matrix below. The design matrix should normally be used in all work plans and used as a tool to get an overview and help management to clearly understand the design. The work on the matrix is iterative: developing the matrix may reveal gaps, inconsistencies, or weaknesses in the design which should be revisited and addressed. Auditors should avoid adding too many details in the matrix and focus on having a clear and concise presentation through keywords.

Try to structure the questions so you make it easier to relate the main performance problems to their causes and, when needed, consequences. To facilitate such an analysis, consider formulating one audit (or maybe two) question addressing the main performance problems clearly related to the results and the other audit questions addressing different groups of causes to and consequences of the main problems. This will help you to relate different performance problems to each other in the logic: causes – main performance problems – consequences. All performance problems need to be established by empirical information and rational arguments. At least one of the significant performance problems must be established in relation to criteria clearly related to the principles of the three Es – preferably described as the main performance problem. You may also choose to use explicit criteria for some other audit questions as long as you remember to convincingly show how they are related to the main problems. Compare with the text on *Findings* in Section 7.2.1).

6.8 Administrative planning

REQUIREMENTS ACCORDING TO ISSAI 3000

- The SAI shall ensure that, the audit team collectively has the necessary professional competence to perform the audit.* *ISSAI 3000:63*
- The auditor shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.** *ISSAI 3000:96*

**Relevant professional competence includes sound knowledge of auditing, social science methods, evaluation techniques, personal abilities (analytical capacity, writing and communication skills, creativity and receptiveness), knowledge of functions related to the subject matter and sometimes more specific expertise. ISSAI 3000:64*

***This involves planning, organising, securing, managing, leading, and controlling resources to achieve specific goals. ISSAI 3000:97*

Working paper *WB9 Pre-study and workplan* should be used for the administrative planning, covering:

- The responsible managers and auditors in the team, their competence and any measures needed to ensure that the team is able to carry out the audit with high quality, including the engagement of potential external experts where relevant.
- A timed realistic activity plan with key milestones.
- A budget showing the financial and other resources needed to carry out the audit.

- How supervision and review will be carried out.
- The risks for the implementation of the audit and the reputation of OAG, and measures to accommodate such risks.
- A description of the communication with the audit entities and other stakeholders.

The purpose of the administrative planning is to ensure that the audit is carried out efficiently and effectively and that the risks for development of incorrect or incomplete audit findings, conclusions, and recommendations, providing unbalanced information or failing to add value are considered. The audit risk needs to be brought down to an acceptably low level to enable OAG to provide the necessary level of assurance. See further on confidence and assurance in performance auditing in section 5.4.3. Examples of risks that need to be considered are the responsible manager's and the team's competence and experience, the resources that can be allocated, the relevance of the audit design, the availability of information, and appropriate audit methods.

Opportunities for professional development of the team members should also be considered. Each team member and the responsible performance audit manager, including the head of the unit, must consider whether the decisions on how to design the main study will change any statements made in the *Code of ethics declaration in WB11* signed before starting the pre-study. If so, this must be reported to management. If any changes are made to the audit team, new team members have to sign a *Code of ethics declaration* at this stage.[59]

6.9 Quality review and testing the audit design

REQUIREMENT ACCORDING TO ISSAI 3000
• The auditor shall submit the audit plan to the audit supervisor and SAI's senior management for approval.* *ISSAI 3000:104*
**The SAI's senior and operational management, as well as the audit team, need to be fully aware of the overall audit design. ISSAI 3000:105*

OAG's stakeholders must be confident that audit reports are balanced and reasonable, that findings, conclusions, and recommendations are correct and complete and that the reports add value to the users. This means that all reports must be of high quality. One part of quality management is to have competent and motivated auditors. There is a need to establish a working atmosphere of mutual trust and responsibility and provide support for audit teams. Supervisors also need to provide feedback on the performance of the teams. [60] In the OAG, the team leader is responsible for preparing the draft pre-study memorandum and work plan. This includes reviewing the overall quality of the draft as well as all contributions from team members. The draft pre study should also be reviewed by the operational manager and possibly be subject to peer review by colleagues within the OAG. Before quality review and a decision by top management, all performance audit reports should be subjected to independent quality review. Managers and independent engagement quality reviewers should use working paper *WB10 Quality review checklist – pre-study* as guidance for and documentation of the review. This does not mean that all reviewers necessarily review against all criteria, and it does not exclude other

[59] ISSAI 100:36; and ISSAI 130:39 (a).

[60] Compare ISSAI 3000:33, 52, 66–67 and 80.

issues or concerns to be raised by the reviewers. It is important, however, to document what has been reviewed.

When the review process has been completed and after one or several rounds of reviews, the working paper *WB9 Pre-study memorandum and work plan* should be confirmed by the team leader, performance audit manager, and independent reviewer on the front page of the working paper where the decision of top management is also documented.

Not everything needed to plan the audit necessarily needs to be described in full in the pre-study memorandum and workplan. The structure of the working paper *WB9* is outlined in the textbox below and further elaborated in the working paper.

THE STRUCTURE OF THE PRE-STUDY MEMORANDUM & WORKPLAN (see further working paper WB9**)**

PRE-STUDY MEMORANDUM

Introduction

Brief background and overview, putting the audit topic into context, as well as the motivation for selecting the topic. Also, present a brief outline of the purpose of the pre-study and how it was carried out, the issues covered, and the methods and sources of information used.

Description of the audit area

A brief overview to understand the area under review and how relevant systems, processes, and activities are supposed to function, to show the team's understanding of the area to the readers (managers and other reviewers) and enable them to understand the recommended audit. Such descriptions usually contain normative statements specifying expected results, what should be done, or how activities ought to function—which may be relevant for development of audit criteria, for example based on laws and other decisions made by parliament. Also consider whether activity-oriented normative statements can be used to preliminarily identify some causes of the main problems with the results. In both cases, these elements may also be reflected in the audit design. You should also consider the general and specific risks for fraud and corruption in the audit area and their relevance for performance.

Results of the pre-study

Brief description of observations or indications of performance problems and their reasons in the audit area. Also describe if there are significant problems with corruption in the area affecting performance and whether this should be addressed in the audit or be reported to other auditors or authorities.

Selection of the audit problem

Application of the selection criteria (materiality, risk for the three Es, auditability, and potential for change) to the main alternative audit problems. Recommendation to management on whether to proceed with a main study, and if so, which focus to choose.

WORKPLAN

Overall audit design

Design the audit in terms of audit objectives, questions, scope, and criteria. Consider if the design should be influenced by significant risks for fraud and corruption. Consider if it is appropriate to convert normative statements clearly related to the three Es in the description of the audit area to criteria for assessing performance. Activity-oriented normative statements can also be considered to identify potential causes of problems to examine further in the audit.

Strategy and design of empirical studies

Description of the strategy and methods for data collection and analysis, elaborating on where and how data and information shall be collected and analysed to answer the audit questions and meet the audit objective.

Expected results of the audit
Briefly outline the performance problems where sufficient audit evidence is expected, and how the audit may contribute to improved performance. Indicate the expected users of the report, both those who can initiate change and other relevant stakeholders.

Administrative planning
Description of the audit team and responsible managers, activity plan, budget, supervision and monitoring of progress, managing audit risks, and communication with stakeholders during the audit

Annex – Design matrix
Includes a design matrix showing the relationship between the different elements in the overall audit design and the study design.

There is a need to test the strategy developed for data collection and analysis, and the design of empirical studies to determine whether they work as intended or need to be modified. This can be done during a late stage of the pre-study or an early stage in the main study. For example, if case studies are made in three provinces, there is a need to consider the experiences and results from visiting the first province and to modify the methods used if there are reasons for this, possibly collecting any missing information from the first province.

7 CONDUCTING THE AUDIT

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

This section outlines the procedures for conducting the audit, including communicating with the auditee, collecting and analysing data, drafting the report, documentation, and project management. It needs to be customised in the following ways:

- The procedures for introduction of the main study to the audited entity need to be customised to represent the SAI's own procedures.
- The procedures for drafting the report may need to be customised to reflect the SAI's own procedures and structure of the draft report.
- The procedures for managing the audit project may be customised to reflect the SAI's own policy, including monitoring and supervision, communication during the audit process, and review of own work.
- The procedures, structure, and specific files to be used for documentation may also need to be customised to reflect the SAI's policy and procedures.
- Remember to specify who is responsible for different activities in the activity list. More than one actor can be responsible for the same activity.

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall be willing to innovate throughout the audit process. *ISSAI 3000:77*
- The auditor shall consider materiality at all stages of the audit process, including the financial, social, and political aspects of the subject matter with the goal of delivering as much added value as possible. *ISSAI 3000:83*

The procedure for conducting the audit is structured into the following 16 activities. Hard copies and electronic documentation should be documented according to the activity structure and information to be included.

	Activity	Information to be included	Responsible
C.1	Sending an engagement letter to audited entities	WC1—Engagement letter for main study	[add those responsible]
C.2	Holding an introductory meeting with audited entities	WC2 - Minutes from meeting	
C.3	Considering possible comments on the work plan from the audited entities and revising it when needed	Action plan document	
C.4	Deciding on a revised work plan, when needed	Approved revised workplan	
C.5	Collecting and analysing data	Documents and statistical analysis Minutes – WC2, WC3, and WC4- Summary of collected information	
C.6	Maintaining contact with the audited entity, including discussing preliminary observations	Email and correspondence with the contact person	
C.7	Assessing the evidence and developing preliminary findings	WC6- Findings matrix	
C.8	Developing a synopsis and agreeing on it with management	WC2 – Minutes from meeting Synopsis	

	Activity	Information to be included	Responsible
C.9	Drafting the audit report	WC7 -Draft audit report	
C.10	Managing the project	WC5 Audit progress report.	
C.11	Holding progress meetings with the team	WC2- Minutes from meetings	
C.12	Peer review of draft report	Comments from peers	
C.13	Expert review of draft report	Comments from experts	
C.14	Management reviews of the draft report	WC8 - Quality review checklist – Audit report – Management review	
C.15	Independent quality control review of draft report	WC8 - Quality review checklist – Audit report _Comments from Independent reviewer	
C.16	Documenting the audit process and evidence	Documentation checklist Cross-referenced report	

This chapter will cover the following steps in conducting a performance audit:

- Introducing the main study to the audited entity (Section 7.1)
- Collecting data and audit evidence (Section 7.2)
- Analysing data (Section 7.3)
- Drafting the report (Section 7.4)
- Managing the audit (Section 7.5)
- Quality review of draft reports (Section 7.6).

7.1 Introducing the main study to the audited entity

REQUIREMENT ACCORDING TO ISSAI 3000

- The auditor shall, as part of planning and/or conducting the audit, discuss the audit criteria with the audited entity. *ISSAI 3000:49*

Even if the contact with the audit entity was established during the pre-study, they should also be introduced to the main study using working paper *WC1 Engagement letter (main study).* The audited entity must be informed about the OAG's decision to launch the main study with an explanation of the purpose and key aspects of the audit. This should include information on the audit objective, audit questions, scope, criteria, the need for data, and the methods for data collection and analysis.[61]

The key aspects in general, and the criteria in particular, should be discussed with the audited entity. It is important to establish common grounds for the normative basis for the audit at an early stage. While defining and communicating criteria during the planning phase may enhance their reliability and general acceptance, this is not always possible in audits covering complex issues. In such cases, criteria will be defined during the audit process. [62] At the entry meeting, the

[61] ISSAI 300:29 and 3000:55−57.

[62] ISSAI 300:27; ISSAI 3000:45−46 and 49.

OAG should normally be represented by [specify the appropriate/minimum management level] together with the audit team.

The purpose of the entry meeting is to present the forthcoming audit. It is also important to request top management of the audited entity to appoint a contact person. The audited entity can provide comments on the draft audit criteria during the entry meeting, in a separate meeting or in writing. The meetings, and in particular comments and discussions on the criteria, should be documented using working paper *WC2*. If appropriate, the OAG should make the necessary adjustment to the audit criteria at its own discretion. It is important to search for a common understanding of the audit. Other comments from the audited entity on the design and plan for the audit should also be taken into consideration, to the extent deemed appropriate.

The entry meeting might be followed by a meeting between the audit team and the appointed contact person and other relevant officers, to discuss the implementation of the audit.

Throughout the audit, the contact person is expected to assist the audit team with required contacts and information, such as the necessary documents, and help to set up to appointments for interviews, etc. The team leader, on the other hand, is responsible for keeping the contact person informed about the progress of the audit, while it is up to the audited entity to decide who else needs to be informed in each situation. The contact person must also be consulted before the audit team visits the audited entity's regional or local offices.

Collecting data and audit evidence

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall obtain sufficient and appropriate audit evidence in order to establish audit findings, reach conclusions in response to the audit objective(s) and audit questions and issue recommendations when relevant and allowed by the SAI´s mandate. *ISSAI 3000:106*
- The auditor shall exercise professional judgment and scepticism and consider issues from different perspectives, maintaining an open and objective attitude to various views and arguments. *ISSAI 3000:68*

Collection, examination, and evaluation of audit evidence are key elements at this stage of the audit. The different types of audit evidence are linked to different data-collection methods, as illustrated in the box below. See further the AFROSAI-E Handbook, Section 7.1.2 on methods of data collection.

THE LINK BETWEEN TYPES OF AUDIT EVIDENCE AND DIFFERENT METHODS

Audit evidence	Methods of data collection
Testimonial evidence	Interviews
	Questionnaires
	Focus groups
	Reference groups
Documentary evidence	Document reviews
	File reviews
	Using existing statistics
	Using existing databases
Physical evidence	Observation of people
	Inspection of objects or processes

	Experiments, e.g. level of computer data security
Analytical evidence	Quantitative data collection methods, for example, descriptive statistics, Data Envelopment Analysis (DEA), regression analysis
	Qualitative data collection methods, for example, process tracking, case studies, and content analysis based on interviews or texts
	Computations, comparisons, separation of information into components, and rational arguments
Source: AFROSAI-E Performance Audit Handbook, Section 7.1.2. Inspired by GUID 3920:49.	

According to the standards, the audit evidence should be sufficient (quantity) to persuade a knowledgeable person that the findings are reasonable and appropriate (quality), i.e. relevant, valid, and reliable. The auditor's assessment of the evidence should be objective, fair and balanced. Preliminary findings should be communicated to and discussed with the audited entity to confirm their validity.[63]

Auditors should critically assess the reliability and relevance of all sources used. There are no sources of data or information that can be considered to always be good or bad. The relevance of a source depends on what the auditors want to know from it and how the information will be used in the audit. Source evaluation means examining the source critically to determine whether the information can be trusted, relevant, and good enough to be used in the audit report. When examining a source, the auditor should reflect on potential bias by considering the following questions:

- Who is providing the information? (What perspective, role or knowledge does the source bring?)
- What is being communicated? (Is the content credible, objective, and factually accurate?)
- Who is the intended audience? (Is the content suitable and relevant to the auditors' purpose?)
- Why is the information being shared? (Is the intent to present facts, persuade, market, or express opinion?)
- When was the information produced? (Does the timing align with the period or events being examined?)

The following presumptions are useful in assessing the sufficiency of evidence:[64]

- The greater the audit risk, the greater the quantity and quality of evidence required.
- Stronger evidence may allow less evidence to be used.
- Having a large volume of audit evidence does not compensate for a lack of relevance, validity, or reliability.
- More evidence is normally necessary when the audited entity has another opinion on the subject matter.

Different study designs' data provides opportunities for different types of analyses and development of analytical evidence. Examples are outcome-oriented studies, process-based

[63] ISSAI 100:51.

[64] GUID 3920:76.

studies, comparative investigations, case studies and surveys. Statistical analysis is also a method for developing analytical evidence. See the *Performance Audit Handbook* Section 6.6, 7.1.2 and 7.

Analysing data

REQUIREMENT ACCORDING TO ISSAI 3000
• The auditor shall analyse the collected information and ensure that the audit findings are put in perspective and respond to the audit objective(s) and audit questions; reformulating the audit objective(s) and audit questions as needed. *ISSAI 3000:112*

All audit findings and conclusions must be supported by sufficient appropriate evidence. This should be placed in context, and all relevant arguments, pros and cons, and different perspectives should be considered before conclusions can be drawn. The nature of the audit evidence required to draw a conclusion in performance auditing is determined by the subject matter, the audit objective, and the audit questions. The auditor should evaluate the evidence to obtain audit findings. The auditor should exercise professional judgement to reach a conclusion based on the findings. Findings and conclusions are the results of analysis in response to the audit objectives. They should provide answers to the audit questions.

Performance auditing involves a series of analytical processes that evolve gradually through mutual interaction, allowing the questions and methods employed to develop in depth and sophistication. This usually involves combining and comparing data from different sources, drawing preliminary conclusions and compiling findings to build hypotheses that can be tested, if necessary, against additional data. The whole process is closely linked to drafting the audit report, which can be seen as an essential part of the analytical process that culminates in answers to the audit questions. It is important for auditors to be goal-oriented and for them to work systematically and with due care and objectivity.[65]

Data analysis is an activity that permeates all stages of a study. Data analysis should:

1. Begin during the design of a study.
2. Continue as detailed plans are made to collect data from different sources.
3. Become the focus of attention after data have been collected.
4. Be completed only during the report writing and reviewing stages.

When analysing the data, auditors should focus on the audit objective(s) and questions, as this helps organise the data and provides a clear focus for the analysis.[66] The auditor shall analyse the collected information and ensure that the audit findings are put in perspective and respond to the audit objective(s) and audit question(s).[67] Because the analytical process is iterative, auditors may need to revisit the audit objective(s) in light of insights obtained during the audit and revise them in accordance with the relevant internal procedures.[68]

[65] ISSAI 300:38; ISSAI 3000:112−115.

[66] ISSAI 3000:114.

[67] ISSAI 3000:112.

[68] ISSAI 3000:114.

7.1.1 Quantitative and qualitative analysis

Performance auditors should make use of quantitative analysis (analysing numbers) and qualitative analysis (analysis of texts, statements, document interview notes and information in files or databases.

Quantitative analysis is often equated with statistical analysis. The kind of statistical analysis most frequently used in performance auditing is descriptive statistics. More advanced forms of statistical analysis, such as regression analysis, Data Envelopment Analysis (DEA) or variance analysis, are not described in this Manual, but can be valuable tools in certain audits for auditors who are acquainted with statistical theory and methods. The auditor can use descriptive statistics to describe the audit object or to present findings arising from the audit. Descriptive statistical information can be used to present the size of the audit object's personnel, resources, operations, degree of goal attainment, finances, etc.

When auditors use sampling, careful consideration is required. Statistically selected samples allow for numerical conclusions to be drawn about the population, but the confidence in these conclusions depends on the sample design, its size, and the population size. If the auditors use any type of sampling, there are many considerations to make.

Qualitative analysis is a broad term used to describe a wide range of methods for structuring, comparing, and describing qualitative data, often in the form of text. Qualitative analysis is commonly used when deriving analytical evidence from certain sources of data, such as interviews and documents. Qualitative analysis entails systemising the data, comparing it to find patterns in the data, like similarities or differences, and in that way extracting the main points.

Contrary to quantitative analysis, qualitative analysis does not build on the assumption that a number of units are examined in the same way for purposes of aggregation. Rather, it is often the case that different sources – interviewees, documents, secondary reports, etc. – provide complementary information on different aspects of the one unit of interest. Moreover, depending on the object of study and the questions asked, qualitative analyses may take many different forms. To keep the analysis focused and help readers follow the argument, it is important to relate collected data to the study object of interest. This entails considering whether data sources are comparable (interviews with several beneficiaries of a programme of interest) and when they are complementary (an interview with management and street-level bureaucrats of the same programme).

When analysing information from e.g. interviews and documents, the main challenge is to relate what has been stated to different categories or topics connected to the study object. What the relevant categories or topics are is often guided by the audit objective and questions.

A practical way to support this analysis is to use working paper *WC4 Summary of collected information*, which helps systematically organise and compare information from different sources to identify patterns, consistencies, and differences relevant to the audit questions.

The working paper consists of a matrix where, for example, audit questions can be recorded in the columns and different interviews or reviewed documents in the rows. Relevant observations, keywords, or short summaries of evidence are then recorded in the cells to support the analysis.

The difference between quantitative and qualitative analysis is often described as the difference between analysing numbers (quantitative analysis) and analysing texts or statements (qualitative analysis). Information that has been collected as text or statements can, in some cases, be systematically coded and transformed into numbers. One can, for example, go through documents to see how many of them include a positive statement about a certain issue. A calculation can then be made, expressing the percentage of investigated documents that include this type of positive statement. This approach requires clear coding rules, careful interpretation of the results, and attention to the context and nature of the document in which the statements appear.

It is also possible to use a few highly standardised questions in interviews to get answers according to pre-defined alternatives that can be compared across several interviews (which is similar to the use of questionnaires). Interviews can be used to quantify certain elements if structured carefully, but auditors must be cautious about population, sample and representativeness. When possible, auditors should strive to corroborate testimonial evidence with other types of evidence.

The purpose of case studies is usually to examine the material in depth, for example to analyse possible causes of problems. It is usually not possible to make statements regarding the frequency and extent of problems based on case studies, even when the cases are carefully chosen to represent different types within the population of interest or selected to illustrate general problems. For the purpose of determining frequency and proportions in larger populations, fifteen case studies are no better than five. To make estimates for the whole population, statistical probability sampling methods need to be used, and enough cases need to be investigated, usually counted in hundreds. However, in combination with other methods, case studies may allow some general conclusions to be drawn.

7.1.2 Corroborating data

Usually, audit evidence is developed by presenting data from different sources that have been collected and analysed using various methods. The final step in data analysis consists of combining information from the different sources to gain information and knowledge about the actual conditions on the ground, to develop findings verifying performance problems along with their underlying causes and consequences. This means that information from interviews may be combined with analysis of statistical records; information from case studies may be combined with information from surveys; some information may emanate from field studies in one province while other information refers to the head office. Combining information from different sources can be compared with laying a jigsaw puzzle, where the pieces are the different elements of information and analysis.

It is important that the auditor works systematically and carefully in interpreting the data collected. The audit team should be receptive to alternative views and arguments and seek data from different sources and stakeholders.[69] By combining data from a range of sources, methods, and analyses (corroborating data), the auditors seek to overcome the bias that can arise from using a single source of information. A finding that is confirmed by different types of data is generally much stronger. When possible, auditors should, for example, strive to corroborate testimonial evidence with other types of evidence. Information from a single interview is rarely

[69] ISSAI 3000:72.

sufficient as evidence. Also, when an observation of a physical condition is critical to achieving the audit objectives, it should be corroborated with other information.

Audit teams should also ensure that different findings are consistent with each other. When evidence from one source appears inconsistent with that obtained from another, the reliability of each remains in doubt until further work has been done to resolve or explain the inconsistency. When evidence from different sources and findings in related parts of the audit are consistent, it gives assurance that is higher than that attached to the individual parts.

7.2 Drafting the report

At the end of each audit, the SAI publishes a written report communicating the results to the audited entity, Parliament, government, and other stakeholders. The published reports are the products on which the SAI's performance audit function is judged by its stakeholders. Errors could be potentially damaging to the credibility of the report and to the SAI as such. It is therefore crucial that a great deal of attention be given to the accuracy, logic, and clarity of the report.

According to ISSAI 300:39 and 3000:116, performance auditors should provide audit reports which are comprehensive (i.e. include all information needed in light of the objectives and sufficiently detailed to provide an understanding of the audit area, the scope of the audit, the findings, and conclusions) and convincing (i.e. logically structured, presenting a clear relationship between audit objectives, criteria, findings, conclusions, and recommendations). The reports should also be timely, reader-friendly, and balanced.

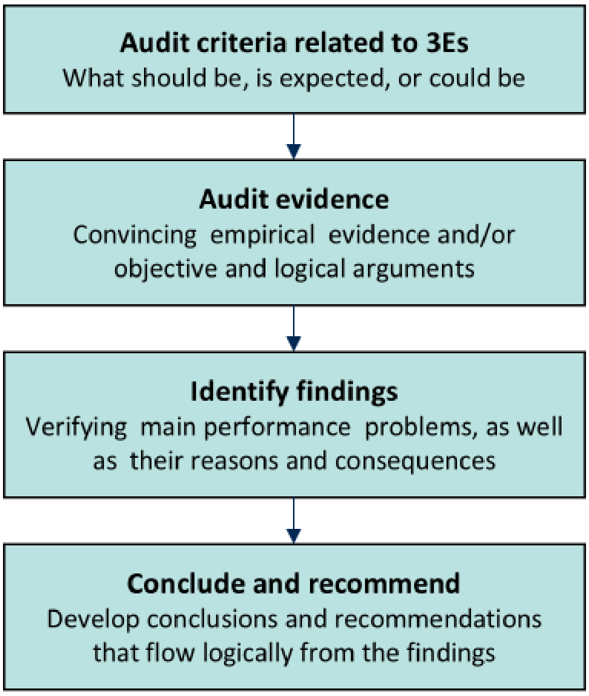
The sources of audit evidence and other important information should be indicated in the report and, when appropriate, also how the information has been collected.

Writing the report is largely an analytical process, and the audit will be facilitated by a continuous process of drafting the report. The report writing should start early, with the development of a synopsis of the report. Also, the introductory sections about the audited entities and the methodology used in the audit can be documented early in the process.

7.2.1 Developing audit findings, conclusions, and recommendations

Figure 7.1 illustrates the steps in using audit criteria and evidence to develop findings, which lead to the development of conclusions and recommendations.

Figure 7.1 Using audit evidence to develop findings, conclusions, and recommendations



Findings

Performance problems are presented and analysed in the findings chapter. In the analysis, a distinction is made between the main performance problems, their causes, and consequences depending on how the different performance problems are related to one another. To put government performance into perspective, the analysis may also present causes or consequences beyond the government's responsibility; these should not be interpreted as shortcomings in government performance. All performance problems need to be established based on sufficient and appropriate empirical evidence and rational arguments, either compared to criteria related to the three Es or because they are related to other performance problems established in relation to such criteria – being their causes or consequences.

The main performance problems, their causes, and consequences can be presented either as separate findings or as different elements in the same finding. The same finding may also include a chain of consequences, problems, and causes in several steps. What is important is that the logic and relations between different performance problems are clearly described in the report enabling readers to follow the analysis of the main performance problems, their causes, and consequences. Already, the main performance problems are 'consequences' in relation to the causes. Additional 'consequences' are not necessary in the analysis provided that the main problems are significant in relation to the principles of the three Es.

EXAMPLE WHERE PRESENTATION OF ADDITIONAL CONSEQUENCES ARE NEEDED

For example, consider the example where the main problem presented is that the audited entity does not carry out monitoring and evaluation as expected. If the report does not convincingly show how this has negative consequences for the results achieved that could be avoided, it is not clear if it is significant and not even if it is related to performance at all. Compare this to a report showing the main problem with the results to be that only 15% of students in secondary schools get grades in mathematics qualifying them to apply to universities. Most people would immediately understand this to be a serious problem related to performance even without establishing further consequences of it in the report.

According to the standards, all audit findings must be supported by sufficient appropriate evidence. This means that they must be based on relevant facts and sound, logical reasoning. It is necessary to consider the context and all relevant arguments, pros and cons, and different perspectives before conclusions can be drawn. The need for precision is to be weighed against what is reasonable, economical, and relevant to the purpose. Audit findings should be congruent with the audit objective and the conclusions in the audit. The findings should answer the audit questions, or when this is not possible, explain why, and be put into perspective. Congruence should be ensured between the audit objective, audit questions, findings, and conclusions. [70]

These requirements are equally relevant for presenting the main performance problems as their causes and consequences. It is not acceptable to present causes and consequences that are not based on sufficient evidence. See the further discussion in the *AFROSAI-E Performance Audit Handbook*, Section 7.3.4. Another thing is that the analysis of empirical facts and rational arguments presented in the report may not always provide sufficient support for establishing specific causes or consequences. This may, for example, lead to the conclusion that sufficient knowledge is not available to develop specific recommendations fully addressing the main problems, which could lead to recommendations to those responsible to make further analysis. Similarly, the analysis may lead to the conclusion that there are risks for significant negative consequences, which may lead to recommendations on preventive measures as a precaution or further analysis to determine if such measures are justified.

Audit findings are developed by comparing the factual situation (the *conditions*) with the *audit criteria* to verify the main performance problem as well as explaining their reasons and consequences. The discrepancies from the criteria are findings that may be considered as "main performance problems". If there are no discrepancies between the criteria used for the evaluation and the actual performance, the audited entity has, in principle, achieved or done what was expected of them according to the criteria used. While it is natural that performance audit reports focus on performance problems and their reasons, a balanced and fair assessment of performance requires the problems to be put into a broader perspective. In preparing a balanced and constructive report, it is useful to[71]:

- Present findings objectively and fairly, interpret facts in neutral terms, and avoid using biased information or language generating defensiveness.
- Present different perspectives and viewpoints, presenting different legitimate interpretations when appropriate and help the reader to follow the underlying arguments to better understand the conclusions.
- Be complete by including both positive and negative aspects and give credit where it is due.
- Report all information and arguments needed to promote an adequate understanding, not suppressing facts or exaggerating minor shortcomings. Consider the audited entity's explanations.

It is important for the audit team to assess whether the main performance problems are significant and identify their reasons. In the OAG's approach to performance auditing, the causes of the main performance problems are a crucial element of the audit, preliminarily identified already at the planning stage. As a complement, the auditors may in addition choose to evaluate

[70] ISSAI 300:38; ISSAI 3000:106, 115 and 124.
[71] GUID 3920:124.

the factors contributing to the main problems as performance problems in their own right by using additional criteria. The main audit problem is, by definition, a consequence of the causes to it which needs to be analysed in the audit. Sometimes it may be appropriate to perform further analyses of the consequences of some main problems.

It is common that auditors make many observations in an audit that can be used to assess performance using the criteria or explain reasons and consequences of the main problems. Often, several of these observations are related to each other, for example, different weaknesses regarding planning or working methods. As a performance audit is a direct reporting engagement, auditors should try to report on what the audited entities actually do and achieve. The task is then to assess what it is they do with the weaknesses in it that leads to the existence of significant performance problems: the problems of not meeting the principles of the three Es.

In reporting on the main performance problems and their reasons, and when needed, their consequences, …	
Strive to:	*Rather than:*
Develop a limited number of main findings on a higher level, supported by several observed weaknesses.	Reporting on the detailed weaknesses one by one.

Grouping observed detailed weaknesses into findings on a higher level makes the report focused on material areas, more interesting to read, and the messages about the main performance problems and their reasons easier to understand and remember. It can also create a foundation for developing recommendations that are likely to significantly contribute to addressing the weaknesses or problems identified by the audit, rather than just mirroring the detailed observed weaknesses (e.g. 'They have not…They should!').

Audit teams should, when possible, quantify the effects. For example, the cost of expensive processes, expensive inputs, or unproductive facilities can be estimated. Also, the effect of inefficient processes such as idle resources or poor management may become apparent in terms of time delays or waste of physical resources. When the effects cannot be quantified, the team may present examples of the effects of lack of control, poor decisions, or lack of concern for services.

Use the working paper *WC6 Findings matrix* to provide an overview of the preliminary findings. While the report should include elaborated narrative text about the findings, only key words should be included in the matrix. The matrix helps to make the findings and the relation between them explicit and enables the team and reviewers to determine whether each finding is directly or indirectly based on criteria and sufficient appropriate audit evidence, with the sources of the evidence made explicit.

Audit conclusions

The conclusions in the audit must be based on the audit objectives, criteria, evidence, and findings. Often the conclusion is phrased in short statements, summarising findings but also presenting the auditors' explanations and views based on the findings. They must specify the reasons why aspects of the three Es do not fully meet the used criteria. All analytical steps taken beyond the findings need to be explained and justified. When possible, the conclusions may convey an *overall view on aspects of economy, efficiency, and effectiveness* covered by the audit. When this is not possible, *specific conclusions* can be drawn for different elements of the audit.

This may include identifying a general topic, an underlying problem, or a certain pattern in the findings.[72]

In a performance audit, evidence may be persuasive ("points towards the conclusion that ...") rather than conclusive ("right/wrong"). It may require significant judgement and interpretation to answer the audit questions and formulate conclusions. It is necessary to consider the context and all relevant arguments, pros and cons, and different perspectives before conclusions can be drawn. The need for precision should be weighed against what is reasonable, economical, and relevant to the purpose. The involvement of senior management is recommended.[73]

Audit recommendations

- If relevant and allowed by the SAI's mandate, performance auditors should seek to provide constructive recommendations that are likely to contribute significantly towards addressing the weaknesses or problems verified in the audit. The recommendations must follow logically or analytically from the facts and arguments presented. The recommendations should:[74]
- Be clear and presented in a logical and reasonable fashion
- Be well founded, practical, and add value
- Be linked to the audit objective, findings, and conclusions
- Address the causes of main performance problems and/or weaknesses
- Be phrased in a way that avoids truisms or simply inverts the audit conclusions
- Not encroach on the management's responsibilities
- Be clear in who and what is addressed by each recommendation, who is responsible for taking initiative, and how they will contribute to better performance
- Be addressed to the entities competent and responsible for implementation.

This means that depending on the context, recommendations may be addressed to ministries, agencies, local governments, parastatals, or even the legislature. For recommendations to be practical, it is important that they are realistic, which in principle means that it should be possible to implement them within available resources. Other alternatives are that resources can be re-prioritised or generated through savings or increased revenue. Auditors should avoid recommending increased expenditure without including an analysis on how it can be funded. There is usually room to use the available resources better by reconsidering the mix of different resources or the prioritisation within the same entity/sector.

The auditors may make a thorough analysis of the expectations on what the audit entities are supposed to achieve in relation to the resources that are made available. There may be situations where the auditors can show how resources can be used better to improve the results, but also convincingly show that this will not be enough to meet the expectations. A main performance problem in this situation is that there is an imbalance between the expectations and the available resources. A recommendation can then be that those responsible for setting expectations and allocating resources should reconsider their priorities to better balance the two. It would neither

[72] ISSAI 300:21-23; GUID 3910. See also ISSAI 100:31−33.

[73] ISSAI 300:38; ISSAI 3000:115.

[74] ISSAI 300:16 and 40; ISSAI 3000:126−128.

be appropriate to recommend an increase in the budget allocation nor a reduction of the expectations on the results.

The auditors should avoid making recommendations too specific, as it poses the risk of taking over the management responsibility for the actions taken, and on the other hand, avoid making recommendations that are too general to provide directions or ideas for how the problems can be solved or reduced. While there are arguments for focusing recommendations on what needs to be improved, such recommendations may not be convincing without indicating that it can realistically be done.

One technique is to *recommend what should be done* and, as a complement, more in detail *discuss how this can be done*, possibly indicating different alternative options. Questions that may be considered in developing good recommendations are:

- What needs to be done and why?
- Where does it need to be done?
- Who is responsible for doing it?
- What example(s) on how this can be done can be elaborated in detail, convincing the audited entities that it is doable without necessarily excluding other alternatives to address the problems?
- What impact of proposed actions is expected?
- Could the implementation have negative effects?

7.2.2 The writing process

The process of writing the performance audit report can be broken down into four stages, namely:

1. Identifying your audience and their different needs
2. Developing a synopsis
3. Developing a draft report
4. Revising the draft report.

Identifying your audience and their different needs

In principle, all reports have the audit entities and Parliament as the main users. In addition, the reports are of interest for other stakeholders, such as civil society organisations, media and the general public since they contribute to transparency. For the report to communicate well and achieve the purposes, it is important to identify the audience and their different needs. This will help the team to decide on the structure and tone of the report. Some questions that can be considered are:

- What kind of information are the readers interested in?
- What are the reader’s likely attitudes towards the message?
- Will the decision-makers address the problem?
- Are the expected readers familiar with the subject matter?
- How do the readers view the OAG's credibility, expertise and authority?

Developing a synopsis

Before starting to draft the final report, the audit team should organise its work by preparing a synopsis. A synopsis is an outline or skeleton of the report. The synopsis sets out the main structure in the form of keywords or short sentences, with the intended content under each heading. The synopsis encourages a professional approach to writing, clarifies the team's organising principles, and facilitates the actual writing of the report. It can be useful to have a look at the audit questions and sub-questions to develop the structure.

The aim of the synopsis is to delineate the structure and broad content of the report and provide management with the opportunity to get an overview of and comment on the emerging messages and likely conclusions in the report before the team spends a lot of time on writing the full report.

In the synopsis, the audit team should:

- Sketch out a logical structure of the report.
- Indicate the findings, supporting evidence and conclusions to be included in the different sections.
- Indicate areas for recommendations.
- Indicate tentative tables, charts, or other graphical representations of information.
- Indicate necessary appendices.

A logically organised synopsis helps the team to decide what to keep, what to develop, and what to reject before writing any pages. In short, the team should have an idea of what main message it wants to deliver to the readers. When compiling the synopsis, the problem-tree technique as well as issue analysis and the input-output model could be used as tools for structuring the analytical process. See also the model for the intervention logic in government in the *AFROSAI-E Performance Audit Handbook*, Section 7.3.2.

The synopsis should be agreed with [indicate level of management to be engaged at this stage i.e.] before the detailed drafting starts. This will save time by reducing the need for revision and amendment at later stages of the drafting process. Often a preliminary version of the synopsis can be produced at an early stage of the audit, enabling the auditors to start drafting some sections early in the process. Auditors may need to revise the synopsis and structure of the report multiple times before its completion.

Developing a draft report

Once a synopsis has been produced and the readers have been identified, the audit team should start drafting the audit report in accordance with the structure in working paper *WC7 Audit report*, or as agreed with the operational manager. The structure may need to be changed during the drafting process.

The report should be objective and balanced in presenting performance as it is, considering strengths as well as weaknesses. When drafting, it will be useful to bear in mind "the qualities of a good performance audit report", as described in section 8.2.

The team leader is responsible for drafting the report but preferably assigns responsibilities for drafting different sections to different team members. It is imperative that the team regularly discusses the content of the full report and how different sections are related. The whole draft must be reviewed by the team leader before submission to operational management.

To shorten the production time, it is wise to start writing as soon as possible. Examples of parts that may be written at an early stage of the audit are the introduction, the audit design, criteria and methods used, as well as the description of the audit area. Also, it is important to remember that writing is a continuous process; it might be necessary to read and rewrite the different parts several times to ensure good readability.

Revising the draft report

After writing and compiling a first draft, the team should revise the document as needed, and potentially several times. When revising, the team should aim for clarity and conciseness. Consequently, the auditors should ensure that:

- The overall report is logically organised and structured
- The headings of chapters and sections are appropriate
- The sentences are not so long as to be difficult to understand and not too short as to be monotonous
- All irrelevant words and information not based on evidence are eliminated
- Technical terms are avoided or explained
- The style of writing is adapted to the intended readers
- The words are concrete, professional, and commonly known
- The spelling is correct, and the punctuation is appropriate.

The audit team can make use of peers to help revise the draft. This might highlight areas where the presentation could be improved. The team must also cross-reference the report – its findings, conclusions, and recommendations, supporting evidence, tables and charts, etc. – with the relevant working papers to check that everything therein can be justified. After revision of the draft report, the team leader should present the draft report to management for review. Management may, in turn, also let other persons or functions review the draft report and the audit file.

7.3 Managing the audit

Auditors shall actively manage audit risk to avoid development of incorrect or incomplete audit findings, conclusions, and recommendations. SAIs should apply sound management practices, including timely execution of the audit in line with the work plan, and management should regularly monitor progress (with major decisions on changing the plan explained and documented).[75]

To achieve good quality, managers also need to play a proactive, supportive, and visionary role in the audit work.

This section will cover:

- Managing the progress of the audit (Section 7.5.1)
- Communicating during the audit (Section 7.5.2)

[75] INTOSAI-P 20:6; ISSAI 100:48. See also ISSAI 300:37 and ISSAI 3000:52 and 96.

7.3.1 Managing the progress of the audit

REQUIREMENTS ACCORDING TO ISSAI 3000

- The SAI shall ensure that the work of the audit staff at each level and audit phase is properly supervised during the audit process. *ISSAI 3000:66*
- The auditor shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management. *ISSAI 3000:96*
- The auditor shall actively manage audit risk to avoid the development of incorrect or incomplete audit findings, conclusions, and recommendations, providing unbalanced information or failing to add value. *ISSAI 3000:52*

The audits should in general satisfy the requirements of good project management.[76] Performance audits are costly and time-consuming, as well as planned and partly carried out under uncertainty. The quality of the reports is crucial for achieving the objectives of the OAG and maintaining its credibility in society. This underlines the importance that OAG managers supervise and regularly monitor the progress made in the audits.

An open attitude to learning and an encouraging management culture are essential conditions for enhancing individual auditors' professional skills. There is a need to establish a working atmosphere of mutual trust and responsibility and provide support for audit teams.[77]

This section will cover issues related to supervision, progress meetings, management of efficiency and managing audit risk.

Supervision

Audit supervision involves providing sufficient guidance and direction to staff assigned to the audit. The need for this varies between different audits and audit teams. The more skilled, well-experienced, and reliable teams are, the less need there is for active supervision and support by the manager. More specifically, supervision includes to:[78]

- Ensure that all team members fully understand the audit objectives and the overall audit design.
- Ensure that audit procedures are appropriately carried out and that evidence is relevant, reliable, sufficient, and documented.
- Ensure adopted standards and OAG policy and practices are followed.
- Track audit progress to ensure that budgets, timetables, and schedules are met or revised as needed.
- Consider the competence and abilities of individual team members.
- Ensure that significant matters arising during the audit are appropriately addressed.
- Support the auditors when needed and provide hands-on support in solving issues.
- Identify matters for consultation or consideration by more experienced auditors.
- Review the audit work and documentation.

[76] ISSAI 3000:96.

[77] INTOSAI-P 20:6; ISSAI 300:30 and 32; ISSAI 3000:66–67 and 96.

[78] Inspired by GUID 3910:82.

The policy of OAG is that the team leader should review all the work of the team, all working papers, the documentation in the audit file, and cross-references between the audit file and the audit report. The operational manager should do spot-checks as needed to ensure that this has been done appropriately by the team leader and monitor the progress of the audit. When needed, supervisors/operational managers should also coach, support, guide, and direct auditors and teams in their work as appropriate to ensure audits meet the objectives with a report of high quality.

OAG managers should ensure that a realistic activity plan is developed and reviewed and updated when needed. Such a plan offers incentives to the auditors to meet planned milestones. It also provides managers a tool to monitor the progress of the audit and support the team when needed. As the audit progresses, knowledge of the audit topic and the problems increase. It is therefore necessary that the audit design and methodology are regularly discussed between the team and management and revised when appropriate.

Progress meetings

The managers should organise regular progress meetings [Indicate the minimum frequency of progress meetings with the operational manager] with the team in pre-studies as well as main studies. In the meeting, the teams should report on achievements, challenges to audit methodology and quality, and progress made with the audit in relation to the work plan and budget. In addition, data collected, analyses made, drafts developed, the relation to stakeholders and the development of the risks to the audits should be discussed in detail. Strategies for how to deal with deviations from the plan or expectations should be discussed. When appropriate, proposals to revise the work plan may be submitted to top management. Such decisions should be recorded in the file. The result of progress meetings should be documented in working paper *WC5 Audit progress report*. Operational management should inform top management of the progress made with the audit and recommend changes when appropriate.

Management of efficiency

While the time needed to complete a performance audit is usually long, there are frequently delays that can be avoided. The policy of the OAG is that staff and managers should consider the following measures to avoid unnecessary delays.

- Avoid complex audits without capacity to deal with them; different aspects of a complex topic can sometimes be addressed in different audits.
- Choose thematically related audits.
- Do not make the activity plan too detailed, so that it is easier to update.
- Adjust supervision and management of the teams to their experience and needs.
- Ensure regular monitoring of the progress of the audit by management.
- Ensure that reviews of pre-studies and draft reports are given priority and are not delayed.

Further, OAG should not accept situations in which representatives of the audited entities make themselves unavailable or repeatedly do not submit requested information. When this is the case, raise the problem with the supervisor, the audit manager and, if necessary, top management. There is always the possibility of contacting the audited entities at a higher level to try to obtain the requested information or meeting. Before reaching out to senior management, make sure you have tried all reasonable steps at the operational level.

Sometimes audit entities do not submit comments on draft reports within a reasonable time. In case they do not respond to repeated reminders, the issue should be brought up with top management. The [mention the appropriate top manager] may be willing to inform the audit entity that unless they respond within a set deadline, the report will be published anyway – together with the information that they have not responded as requested.

Managing audit risk

Audit risk is the possibility that the auditor's findings, conclusions and recommendations may be improper or incomplete, as a result of factors such as the insufficiency or inappropriateness of evidence, an inadequate audit process, or intentional omissions or misleading information due to misrepresentation or fraud.[79]

Examples of common audit risks are described in *AFROSAI-E Performance Audit Handbook*, Section 7.5.2. Actively managing audit risk includes anticipating the possible or known risks of the work envisaged, developing audit approaches to address those risks during planning, and documenting how they will be handled. Actively managing audit risk also includes considering whether the team has sufficient and appropriate competence to conduct the audit, sufficient understanding of the audit area, adequate access to accurate, reliable, and relevant good-quality information, and considering new information and alternative perspectives.

7.3.2 Communicating during the main study

Some main communication points during the main study are to:

- Inform audit entities about the audit in an *engagement letter* and conduct an *entry meeting* where the audit criteria normally are discussed.
- Keep the *contact person* regularly informed about the progress of the audit, and request assistance.
- Conduct *meetings* with senior managers or other government officials
- When appropriate, organise *meetings with stakeholders and experts* to collect information or discuss preliminary analysis.
- When appropriate, arrange meetings to *gain insight into the point of view of various stakeholders*, enabling development of a balanced report.
- *Communicate evidence, preliminary findings and conclusions* to the audited entities to check factual correctness and listen to their interpretations and views.
- Provide audit entities the *opportunity to comment* on a draft report and arrange an *exit meeting*.
- *Discuss recommendations* with the audited entities in accordance with INTOSAI-P 20:3.
- *Inform audit entities about the procedures and timetable* for publication of the report.

A sound dialogue throughout the audit process with the audit entities is pivotal in achieving real improvements in governance and may increase the impact of the audit. The auditor can maintain constructive interactions with the audit entities by sharing preliminary findings, arguments, and perspectives, as they are developed and assessed throughout the audit.[80] Teams may also

[79] GUID 3910:61

[80] ISSAI 3000:58.

informally discuss with other actors their relation to audit entities, challenges they meet, their ideas for potential solutions and how to overcome those challenges. However, the need for confidentiality needs to be appropriately considered.

It is important to maintain amicable and productive relations with the audit entities. The OAG should seek to create an understanding of its role and function. Good relations with different stakeholders can help the OAG to maintain a free and frank flow of information, in so far as confidentiality requirements permit, and to conduct discussions in an atmosphere of mutual respect and understanding.[81]

7.4 Quality review of draft reports

After receiving the draft report, the operational manager should review the quality of the draft and working papers. To meet the ISSAI standard of issuing reports in a timely manner[82] it is important to secure a swift review process. The purpose of this review is to ensure that the audit is of a high quality and meets the INTOSAI audit standards and the OAG's policy.

REQUIREMENT ACCORDING TO ISSAI 3000

- The SAI shall establish and maintain a system to safeguard quality, which the auditor shall comply with to ensure that all requirements are met, and place emphasis on appropriate, balanced, and fair audit reports that add value and answer the audit questions. *ISSAI 3000:79*

Quality must be built into the whole audit process, from planning and selection of audit topics to follow-up of completed audits. Quality review of draft reports forms an important part of the SAI's quality management system.

When the draft has been developed by the audit team, it could go through a *peer review*, meaning that other colleagues will review and comment on the draft report. This will provide an opportunity for the audit team to have their judgement tested against the collective experience and wisdom of their colleagues. These reviewers could be other experienced performance auditors or relevant in-house experts.

If possible, it can be useful to *ask subject matter experts* to *review* the draft report before it is published. These should be selected from among renowned experts in the field (professors at higher learning institutions, retired civil servants, or other experts who have no vested interest in the audited entity). This can provide assurance of the quality of the draft report and increase the credibility of the report externally.

The draft report should then be *reviewed by the operational management* to ensure that the quality of the audit report is appropriate. The reports should meet the quality requirements laid down in the standards. Line managers reviewing drafts should use working paper *WC8 Quality review checklist – Audit report* for their review. When all criteria in the working paper are not covered in the review, this should be documented in the working paper. The reviewers may also raise relevant concerns that are not explicitly mentioned as criteria in the checklist.

While the standards do not require independent quality review for all audits, SAIs are also expected to establish policies and procedures that identify if and when an engagement quality

[81] ISSAI 300:29.

[82] See INTOSAI-P 20:8; ISSAI 300:39; ISSAI 3000:116.

review is an appropriate response to address one or more quality risks.[83] [Describe the SAIs policy on if and when performance audit reports that should be subject to *engagement quality review* as described by ISSAI 140:56, bullet e) and how differences of opinion between the reviewer and the team or responsible manager should be documented and resolved. Indicate if independent quality reviewers also should use the checklist in working paper WC8.]

Between the different reviews, the auditors need to set aside time to consider the comments and opinions on the draft received through the different reviews and consider how to incorporate them into the draft audit report.

The need to establish a working atmosphere of mutual trust and responsibility and provide support for audit teams should be seen as part of quality management. This may entail applying quality review procedures that are relevant and easy to manage and ensuring that auditors are open to feedback received from the reviews.

Finally, the report is *reviewed by top management* before it is sent for comments to the audited entities.

[83] ISSAI 140:56 e).

8 REPORTING ON THE AUDIT

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

This section outlines the procedures for reporting. You need to customise:

- The requirements for a good report to reflect the SAI's requirements
- The procedures for review and quality control to reflect the SAI's requirements
- The procedures for submission to the auditee and incorporating the response to reflect the SAI's own procedures
- The procedures for distribution, including submission of the final report to the PAC, government, and stakeholders to reflect the SAI's policy.

Also, the procedures for support to the PAC need to be customised to reflect the policy and procedures in the SAI.

Remember to specify who is responsible for different activities in the activity list. Remember that more than one actor can be responsible for the same activity.

ADVICE FOR CUSTOMISATION – DELETE THIS BOX IN THE SAI MANUAL

The procedures for reporting are structured into the following 8 activities. Hard copies and electronic documentation should be documented according to the activities and information needed.

	Activity	Information to be included	Responsible
D.1	Requesting comments on the draft report from audited entities (and possibly other key stakeholders) and holding an exit meeting.	WD1 Letter requesting comments on draft report.	[add those responsible]
D.2	Finally, considering the received comments and opinions, completing the final report and developing an outline of follow-up procedures.	WD2 Examination of the audited entity's comments	
D.3	Deciding on the audit report, after having resolved any internal differences of opinion, and signing the submission letter.	Decision on the audit draft WD3 WD4-Submission letter	
D.4	Formally submitting the audit report to the relevant authorities.	WD4 Submission letter	
D.5	Developing and issuing a press release, and when appropriate, arranging a press conference.	Press release	
D.6	Disseminating the audit report to relevant stakeholders, media, and AFROSAI-E.	WD4-Submission letter WD5- Distribution of the audit report	
D.7	Documenting the experience and lessons learned from the audit work.	WD6 – Experience and lessons learned	
D.8	Assisting with deliberations on the audit report in relevant parliamentary committees and providing support in drafting committee reports to the legislature.	PAC briefs	

This Chapter covers:

- Requirements of a good report (Section 8.1)
- Deciding on the audit report (Section 8.2)
- Submission and distribution of the report (Section 8.3)
- Reviewing the lessons learned in the audit (Section 8.4)
- Supporting the public accounts committee (Section 8.5).

8.1 Requirements of a good report

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall provide audit reports, which are: a) comprehensive, b) convincing, c) timely, d) reader friendly, and e) balanced. *ISSAI 3000:116*
- The SAI shall clearly communicate the standards that were followed to conduct the performance audit. *ISSAI 3000:61*
- The auditor shall communicate assurance about the outcome of the audit of the subject matter against criteria in a transparent way. *ISSAI 3000:32*
- The auditor shall identify the audit criteria and their sources in the audit report. ISSAI 3000:122
- The auditor shall ensure that the audit findings clearly conclude against the audit objective(s) and/or questions or explain why this was not possible. *ISSAI 3000:124*
- The auditor shall provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit, whenever relevant and allowed by the SAI's mandate. *ISSAI 3000:126*

Performance audit reports should address principles of economy, efficiency, and effectiveness. Performance auditors should strive to provide audit reports which are *comprehensive*, *convincing, timely, reader-friendly* and *balanced.* As a whole, the reports should be constructive, *contribute to better knowledge* and *highlight any necessary improvements*.[84]

Comprehensive reports

To be comprehensive, a report should include all information needed to address the audit objective and audit questions, while being sufficiently detailed to provide an understanding of the subject matter, findings, and conclusions. Due to the diverse topics possible in a performance audit, the content and structure of the audit report will vary. Typically, for reasons of transparency and accountability, the minimum content of a performance audit report includes the:[85]

- Subject matter
- Audit objective(s) and/or audit questions
- Audit criteria and their sources
- Audit-specific methods of data gathering and analysis applied
- Time period covered
- Sources of data
- Limitations to the data used
- Audit findings

[84] ISSAI 300:39; ISSAI 3000:116.
[85] ISSAI 3000:117.

- Conclusions and recommendations, if any.

The standards require the auditor to identify the audit criteria and their sources in the audit report, because users' confidence in the audit findings and conclusions largely depends on the criteria. The auditor shall conclude against the audit objective and present findings that answer the audit questions, or when this is not possible, explain why. The audit findings have to be put into perspective, and congruence must to be ensured between the audit objective(s), audit questions, audit findings, and conclusions. Conclusions are the statements deduced by the auditor from the audit findings.[86]

The report should explain why and how problems noted in the findings hamper performance to encourage the audited entity or other users of the report to initiate corrective action. It should, where appropriate, include recommendations for improving performance.

Convincing reports

A report is convincing if it is logically structured and presents a clear relationship between the audit objective, audit questions, audit criteria, findings, conclusions, and recommendations. All relevant arguments should be addressed.[87]

The conclusions and recommendations should follow logically or analytically from the facts and arguments presented. Facts should be presented separately from opinions, i.e. findings should be clearly separated from conclusions. The language used should not be suggestive, and the information presented should be sufficient to convince the readers to recognise the validity of the findings, the reasonableness of the conclusions, and the benefits of implementing the recommendations. Different arguments and opinions should be represented.

The report should only include information that is relevant to the audit objective and the audit questions. Users should be able to trust the reliability and validity of the reported results, and the evidence provided should be sufficient to support findings and conclusions. The data-collection methods applied can contribute to more reliable and valid reports. The audit design should be such that the conclusions arising from the findings and the analysis are based on verified facts and other information from various sources.

The report also needs to present the audit findings persuasively, address all relevant arguments to the discussion, and be accurate. Accuracy requires that the audit evidence is presented, and all the audit findings and conclusions are correctly portrayed. Accuracy assures readers that what is reported is credible and reliable.[88] For the report to be accurate, the evidence provided needs to be true and comprehensive, and all findings correctly portrayed. Auditors should question the reliability of data used and eliminate conflicting or rival explanations. One inaccuracy in a report can cast doubt on the validity of the whole report, which could damage the reputation of the OAG.

[86] ISSAI 300:39; ISSAI 3000:112 and 122–125. The standards clarify that auditors may consider reformulating the audit questions to fit the evidence obtained and thus arrive at a position where the questions can be answered. Reasons may be increased knowledge and the availability of data.

[87] ISSAI 300:39; ISSAI 3000:118.

[88] ISSAI 3000:118.

Timely reports[89]

Being timely requires that an audit report needs to be issued on time to make the information available for use by management, government, the legislature and other interested parties.

In the OAG, performance audit reports should normally be completed within 12 months from the commencement of the pre-study.

Reader-friendly reports

To be reader-friendly, the auditor needs to use simple language in the audit report to the extent permitted by the subject matter. Other qualities of a reader-friendly audit report include the use of clear and unambiguous language, illustrations, and conciseness to ensure that the audit report is no longer than needed, which improves clarity and helps to better convey the message.[90] Reports should be easy to read and understand, avoiding jargon and with clear definitions of technical and unfamiliar terms. Auditors must keep in mind that one of their objectives is to be persuasive; this can be best done by avoiding language that generates defensiveness and opposition.

Information that the reader really needs should be included; redundant information should be omitted. However, if your reader needs complex, legal, or technical information, do not omit it just to make the document simpler. Sometimes, reports that are complete but concise are likely to achieve greater results. However, writers should bear in mind that reports are not only written for technical specialists. More information and explanation may be required to help the readers without detailed knowledge to understand the subject.

Balanced reports

Being balanced means that the audit report needs to be impartial in content and tone. All audit evidence needs to be presented in an unbiased manner. The auditor needs to be aware of the risk of exaggeration and overemphasis of deficient performance.[91] All relevant findings, arguments, and evidence should be included. Facts must not be suppressed, and the auditors must not exaggerate minor shortcomings. Different perspectives and viewpoints should be represented. Explanations from audited entities must always be sought and critically evaluated. Explanations or opinions of an audited entity may be relevant to include in the report even when the auditor disagrees with them. Such statements should be presented in a factual manner, that is, stating that they represent the opinion of management of the audited entity.

The auditor should explain the causes and the consequences of the main performance problems in the audit report because it will allow the reader to better understand the significance of the problem and enable the auditor to develop recommendations addressing the causes of the problems. This will in turn encourage corrective action and lead to improvements by the audited entity. The credibility of the report is significantly enhanced when the evidence is presented in an unbiased manner. The report should be fair, not misleading, and put the audit findings into perspective. While it is natural that performance audit reports focus on performance problems

[89] See INTOSAI-P 20:8; ISSAI 300:39; ISSAI 3000:119.

[90] ISSAI 300:39; ISSAI 3000:120.

[91] ISSAI 300:39; ISSAI 3000:121.

and their reasons, a balanced and fair assessment of performance requires the problems to be put into a broader perspective, also covering positive achievements by the audited entity.

Reports contributing to better knowledge and highlighting improvements needed

The report should be constructive and contribute to better knowledge and highlight improvements.[92] The report can provide new knowledge that is valuable in itself, as it may cause the responsible actors to initiate change. Usually, recommendations are also identified to add value and promote change. See Section 7.4.1 on developing recommendations.

8.2 Deciding on the audit report

The audited entities should be able to comment on the draft report. Once comments have been reviewed and the draft report amended and changed as appropriate, top management formally decides on issuing the report.

8.2.1 Sending a draft report to the audited entity

REQUIREMENTS ACCORDING TO ISSAI 3000
• The auditor shall give the audited entity the opportunity to comment on the audit findings, conclusions and recommendations before the SAI issues its audit report. *ISSAI 3000:129* • The auditor shall record the examination of the audited entity's comments in working papers, including the reasons for making changes to the audit report or for rejecting comments received. *ISSAI 3000:130*

When top management is satisfied with the quality, the draft report is sent to the audited entities together with working paper *WD1 Letter requesting comments on draft report*. The full draft report should be sent to the audited entity, including the descriptive parts, findings, conclusions and recommendations. It is essential that the audited entities get the opportunity to check and verify the facts as well as to check and comment on the OAG's interpretations when formulating its conclusions and recommendations. This contributes to a fair and balanced report and minimises the risk of disagreements about facts in front of the PAC. The audit report needs to reflect the views of the auditor but also show the perspective of the audited entity. The recommendations should be subject to discussions and responses from the audited entities. [93]

An exit meeting with the audited entities should be requested, where the revised report is presented and discussed. The purpose is to determine whether there are any remaining differences of opinion on factual information in the revised report, and if the audited entity can add important information that may influence the audit conclusions and recommendations. The objective should be to reach a mutual understanding of the viewpoints of different actors. [Consider specifying the lowest level of manager that should lead the delegation from OAG.]

[92] ISSAI 300:39.

[93] INTOSAI Principles 20:3, page 5 (on discussing recommendations).

8.2.2 Finalising and authorising the report

Internal finalisation

The audit team should carefully consider comments on the draft expressed by the audited entities or other stakeholders. The considerations and reasons for making changes or rejecting comments should be documented in working paper WD2.[94] This includes comments documented in the minutes of exit meetings (or similar) where the draft report was discussed. The team should verify data that has been contested and, if necessary, collect additional data. Auditors should consider contradictory opinions with a view to making the final report as true and fair as possible. It might also be necessary to ensure, once again, that all findings and conclusions are based on sufficient and appropriate audit evidence. Where differences of opinion between the auditors and the audited entities cannot be satisfactorily resolved, performance auditors and managers should consider whether this should be highlighted in the report. It is important to ensure that enough time is planned for the internal finalisation in order not to compromise the quality of the report.

After the team has amended the report, it should be reviewed by the operational management and top management before final approval. The team leader and managers should recommend whether to issue the report by signing the front page of the working paper *WD3 Decision on the audit draft* before submitting the final version to top management for decision. Comments or differences of opinion related to the final version of the draft report should be documented in working paper *WD3*. This is important information to the decision maker.

In the case of differences of opinion between supervisors and the audit team, appropriate steps should be taken to ensure that the audit team's perspective is given sufficient consideration and that the SAI's policy is consistent.[95] It is also important to develop consistent policies and procedures that are communicated to all staff, which can be used to resolve differences of opinion between supervisors and audit teams.[96]

Deciding on the audit report

When the draft report has been subject to quality review, and the appropriate changes have been made, the decision to issue the report is taken by [specify who decides on performance audit reports, usually the Head of SAI].

The decision to issue the report should be documented on the final version of the audit report in working paper *WD3.* This includes providing brief information on how differences of opinion within the OAG, if any, have been resolved before issuing the report.[97] Working paper *WD4 Submission letter* is used to address the report to the legislature, those responsible for managing the government undertaking, and those responsible for taking action for improvement as appropriate. In line with the requirements in INTOSAI-P 20:3, the submission letters include a statement on the standards for performance auditing adopted by the OAG. See the statement in section 5.4.4 and *WD4.*

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[94] ISSAI 300:29.

[95] ISSAI 300:32.

[96] ISSAI 3000:80.

[97] ISSAI 300:32.

It is imperative that everyone within the OAG make efforts in their daily work to live up to this demanding assurance we give our stakeholders.

8.3 Submission and distribution of the report

REQUIREMENT ACCORDING TO ISSAI 3000

- The SAI shall make its audit reports widely accessible, taking into consideration regulations on confidential information. *ISSAI 3000:133*

Once the performance audit report has been authorised by top management, it should, without unnecessary delays, be submitted to the intended users identified in the audit, normally including the audited entities and [specify to whom the reports normally are sent, possibly specifying the channel for sending them]. The audit team drafts a submission letter using working paper *WD4.* for signature. Performance audit reports become public documents [describe when, referring to the source]. As mentioned above, however, it is customary for the OAG to provide the audited entity with a copy of the report shortly before it is released.

Comprehensive reports and wide distribution of the reports are important to develop and maintain credibility of the performance audit practice. The policy of the OAG is to make performance audit reports publicly available and widely distributed, within the limits of the legislation. Reports should therefore be distributed to [add the relevant institutions for example: the audited entities, the executive, and the legislature.]. The report should also, when relevant, be made accessible to the general public, the media, and other interested stakeholders,[98] for example: [add stakeholders that are relevant, for example:

- All Parliamentarians
- Other government entities or stakeholders concerned
- Civil society organisations
- Selected development partners
- Selected academic institutions
- Selected libraries
- Local governments (when relevant).]

When possible, performance audit reports should also be sent to other interested parties. Also, people who have contributed to the audit may be supplied with a copy. Once the report has been published, it should be posted on the OAG's website.

To spread the audit report's message and avoid misinterpretations, the OAG should provide the media with adequate and well-balanced information in the form of press releases or even press conferences when the report is released. A press release is often drafted when an audit report is about to be published. The content, form and style of a press release are essential to make the media interested in covering the report.

[98] ISSAI 3000:134.

WRITING A PRESS RELEASE ON A PERFORMANCE AUDIT REPORT

- The press release should have a headline. The headline should be brief, correct and to the point, and should state the main message in the report.
- Start with the most important facts or news items. Start with the main point and conclusions, and then move on to further details and background information.
- The tone of the press release should be factual. Keep sentences short and the language comprehensible. Avoid technical language.
- Use phrases and quotes from the report which the journalists can use in their articles.
- The more accessible you make the text in the press release, the more likely it is that the journalist will use your own words in the article or report.
- Keep the press release brief, not more than one page.
- Date the press release and include the names of persons who can be contacted for further information.

In some instances, it can also be relevant to prepare and hold a press briefing on the performance audit report. Remember that the main purpose of performance audits is to create change/improvements; securing press coverage is not the main purpose. On the other hand, media is an important channel to inform the general public about the audit.

A distribution list should be prepared not only to ascertain copies of the report but also to distribute them.

8.4 Reviewing the lessons learned in the audit

The experiences gained in completing performance audits are invaluable as a basis for further development. Successes, mistakes, and failures in audits are important sources for learning. All teams should reflect on what worked well and what could have been done better in planning and conducting the audit, and what the lessons for the future are. This should be documented in Working paper *WD6 Experience and lessons learned from the audit* immediately after finalising the report, while memories are still fresh.

Experiences gained by the team should be made available and communicated to the rest of the performance auditors in the form of seminars, internal memos, postings on the website, etc.

In addition to the internal follow-up by the audit team, the OAG may also follow up on the usefulness of completed audits, and the views of the audited entities and other stakeholders.

8.5 Supporting the public accounts committee

[Describe the processes for Parliament to receive and table and performance audit reports, with reference to the source if applicable.] The reports are then referred to the PAC for deliberations. Through the examination of performance audit reports, the PAC may choose to challenge public officials on a variety of issues relating to the economy, efficiency and effectiveness of operations. PAC hearings and the process followed before, during, and after the hearing to produce the committee report have a crucial role in the effectiveness of the committee. It is important that the OAG offers the PAC assistance in dealing with performance audit reports to help them better understand the findings, conclusions, and recommendations and support PAC in coming up with recommendations presented to Parliament.

A key factor in promoting an effective PAC hearing is that the chairperson and the members of the committee are properly briefed regarding the audit report. Briefing should include the subject of the audit report and the questions that could be asked of witnesses to elicit further information on the conclusions and recommendations made.

A close professional relationship should be established between the OAG and the PAC, which will provide benefits to both parties. The assistance to the PAC should be developed over time in cooperation with the committee. Depending on the needs and preferences of the PAC, the following assistance may be provided:

[Consider and document what support the SAI should provide to the PAC and its members in dealing with performance audit reports and who is responsible for doing so. Consider specifying the following:

- If and how the chairperson and members of PAC can or will be briefed about the report in a meeting before hearings, and who within the SAI should participate
- If the chairperson and members of the PAC should be assisted in the development of questions to witnesses
- Who represents the SAI at PAC hearings, and how this person is expected to act and can be assisted by the team leader and possibly other team members
- If the SAI, as a temporary measure, may assist the clerk of the PAC in developing the PAC report, in case of lack of capacity
- If the SAI will comment on draft PAC reports if requested
- Responding to other appropriate requests supporting the PAC in dealing with the audit report.]

9 FOLLOW-UP ON THE AUDIT REPORT

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- Decide when follow-up normally should start in the SAI. The audited entities need sufficient time to implement corrective actions. At the same time, it is important to ensure that they start to act rather soon.
- Consider and possibly customise the outlined procedures for follow-up regarding decisions on further action, recording the follow-up and reporting to Parliament.
- A lot of the descriptions about the process and content of the follow-up are covered in working papers WE1 to WE4 – which means that the SAI need to consider how to customise them.
- Remember to specify who is responsible for different activities in the activity list. Remember that more than one actor can be responsible for the same activity.

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The follow-up of audit findings and recommendations is structured into the following five activities. Hard copies and electronic documentation should be documented according to the activities and information needed.

	Activity	Information to be included	Responsible
E.1	Plan the follow-up	Approved follow-up plan	[add those responsible]
E.2	Sending a letter to the audited entity to enquire about the status of the implementation of the issued observations and recommendations	WE1 Letter on follow-up of audit report	
E.3	Assessing the response of the audited entity, and, where necessary, obtaining additional information from other relevant sources to ensure sufficient information, and documenting the follow-up work conducted in an internal memo including suggestions for further action.	WE2 Follow-up internal memorandum	
E.4	Compiling the results from all follow-up activities in a report to Parliament.	WE3 Consolidated follow-up report to Parliament	
E.5	Informing the audited entity on what is the next step	WE4 Letter - Result of follow-up	

Follow-up refers to the situation where the SAI examines to what extent actions have been taken by the audited entity based on the findings and recommendations in previous performance audit reports.

This Chapter covers:

- Expectations in the standards (Section 9.1)
- Steps in follow-up of audit reports in the OAG (Section 9.2).

9.1 Expectations in the standards

REQUIREMENTS ACCORDING TO ISSAI 3000

- The auditor shall follow up, as appropriate, on previous audit findings and recommendations and the SAI shall report to the legislature, if possible, on the conclusions and impacts of all relevant corrective actions. *ISSAI 3000:136*
- The auditor shall focus the follow-up on whether the audited entity has adequately addressed the problems and remedied the underlying situation after a reasonable period. *ISSAI 3000:139*

Follow-up is an independent activity that increases the value of the audit by strengthening the impact and laying the basis for improvements to future audit work. It also encourages the audited entities and other users to take the reports seriously as well as provides the auditors with useful lessons and performance indicators.

More specifically, the purpose of follow-up of audit reports is to:

- Increase the effectiveness of audits – the prime reason for following up on audit reports is to increase the probability that recommendations will be implemented or other actions taken to address the underlying problems.
- Assist the government and the legislature – following up may be valuable in guiding the actions of the legislature.
- Ascertain the impact through the effect of corrective action taken by the responsible parties or through the influence of the audit over governance and accountability.
- Evaluate the SAI's performance – following up provides a basis for assessing and evaluating SAI performance.
- Create incentives for learning and development – following up may contribute to better knowledge and improved practices within the SAI.

Follow-up of reports is not restricted to the implementation of recommendations but focuses primarily on whether the audited entity has adequately addressed the problem. Also, the PAC's recommendations and the debate and decisions that may be made in Parliament because of an audit should be followed up.

The SAI should follow up after a "reasonable period of time", allowing responsible parties who can initiate change to take appropriate initiatives. When following up on reports, the auditor should adopt an unbiased and independent approach. The focus should be to determine whether actions have been taken on findings and recommendations that are still relevant, to address the problems and remedy the underlying conditions.[99]

9.2 Steps in follow-up of audit reports in the OAG

The OAG uses the following steps in follow-up performance audits:

- Plan the follow-up.
- Request information from audit entities.
- Consider whether additional data should be gathered from other relevant sources.
- Analyse the information received and suggest further action.

[99] ISSAI 300:42 and ISSAI 3000:139.

- Inform audit entities about decisions taken on potential further follow-up.
- Submit a consolidated report on follow-up to the Parliament.

Plan the follow-up

As part of the finalisation of the audit, the team conducting the audit should have made a preliminary plan for when it is appropriate to start to follow up the audit. The follow-up of performance audit reports in the OAG should normally start [indicate a principle for when to start to follow-up reports in the SAI], but exceptions can be made by performance. In case the audited entity has submitted an action plan, the follow-up can be aligned to this plan. The annual planning of performance auditing should also include a plan for how to follow up previous audits during the year.

The first task for a team assigned to follow up on a particular audit is to review the preliminary plan developed when the audit was finalised to determine whether any changes are needed. This should be the basis for the follow-up work to be done on each audit. Before starting a follow-up audit, a follow-up work plan specifying the necessary data collection methods, data analysis, and administrative plan to be developed should be prepared.

Requesting information

It is necessary to collect information on what measures the audited entity has implemented based on the audit. A letter should be sent to the audit entities requesting such information (using working paper WE1), signed by [specify on what level the letters should be signed]. The audited entities should be requested to inform the OAG in writing of the actions taken to address the observations and recommendations in the audit report and the PAC report, as well as the status of the implementation of actions and the improvements achieved.

When writing the request, the auditors must consider changes that may have taken place in the area affecting the relevance of some observations or recommendations.

In follow-up, it may be necessary to obtain data from sources other than the audited entity. This can, for example, be needed where the entity's own information is limited in scope, level of detail, or perspective. Additional sources, such as other public authorities, stakeholders, or independent data, can be considered to follow up on the progress made, provide complementary perspectives, and strengthen the understanding of the development.

Analyse the information received and suggest further action

The auditors need to consider the responses and analyse the submitted information to determine whether the implementation of measures and their effectiveness are satisfactory enough to allow the case to be closed. It might be necessary to collect additional information and evidence. This can be done by:

- Organising a meeting with the audited entity, requesting additional documentation or explanations of actions taken and their effect.
- Making telephone calls to some stakeholders to enquire about the situation.
- Making telephone calls to regional officials or operational public officials other than those at head office responding to the initial request.
- If necessary, carry out limited field visits to collect and analyse data on whether identified problems have been appropriately addressed.

- Obtaining additional information by requesting financial and compliance auditors to collect evidence during their fieldwork.

Examples of potential evidence for actions taken are:

- Copy of decisions taken
- Copy of studies or analysis made (for example based on the entities' follow-up of results)
- Statistics showing changes/improvements
- Name, positions and contact information of persons who can confirm actions taken.

The follow-up analysis of specific audits should be documented in an internal memorandum (use working paper *WE2*). Based on the analysis, the OAG must consider whether further follow-up is required or not. As further elaborated in working paper WE2, different options are to:

- *Stop the follow-up* because *reasonable action has been taken*
- *Stop the follow-up* because *reasonable action is not likely to be taken* by the audit entities, so the Parliament needs to be informed and consider the need for them to act
- *Stop reporting to Parliament*, but request financial and compliance auditors to continue to follow up
- *Continue the follow-up next year* and report to Parliament
- As a rare exception, *carry out a new audit*.

Reporting to Parliament on follow-up activities

To meet the expectations in standards on reporting the follow-up activities to the Parliament, OAG annually submits an individual or a consolidated report, where a summary of the follow-up for each audit should be presented (using working paper *WE3).*

Inform audit entities about decisions taken on potential further follow-up

The audited entity should be informed in a letter on the decision whether to continue to follow up the audit or not, using working paper *WE4*.

APPENDIX 1: Working papers

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Consider which working papers add value and make the audits easier or better. Avoid overloading the manual with working papers.

In customisation, you can number the working papers based on different processes. As long as the purpose, intended use and name of the working paper remain the same, there is normally no need to change the main text even if working papers are customised.

If the numbering system is changed or working papers are excluded or renamed, search in the main text for the respective working paper number to find the text that needs to be changed.

Put the working papers that are letters (working paper WB3, WB5, WB6, WC1, WD1, WD4, WE1, and WE4) on the SAIs letterhead. For the rest of the working papers, *replace the AFROSAI-E header* with a header for the SAI.

Replace working papers. If you already use working papers and template letters, consider continuing to use them instead of the corresponding working papers in the template. Review the AFROSAI-E working papers anyway, to see whether you find ideas for improvement of your own.

Refer to the use of the working paper in the appropriate processes and activities in the manual.

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List of working papers

Old	New	Name of the Working Paper
Overall planning		
WP29	WA1	Overview of internal factors
WP1	WA2	Sector assessment
WP2	WA3	Proposal for audit topic
WP3	WA4	Scoring of proposed audit topics
WP4	WA5	Prioritisation of proposed audit topics
Planning the audit		
WP5	WB1	Plan for the pre-study
WP6	WB2	Quality review checklist - Plan for the pre-study
WP7	WB3	Introductory letter (pre-study)
WP8	WB4	Minutes from Meetings
WP9	WB5	Letter requesting initial information
WP10	WB6	Letter requesting an interview
WP11	WB7	Interview guide
	WB8	Minutes from Interviews
WP12	WB9	Pre-study memorandum and work plan
WP13	WB10	Quality review checklist - pre-study
WP14	WB11	Code of ethics declaration
Conducting the audit		
WP15	WC1	Engagement letter
	WC2	Minutes from Meetings
	WC3	Minutes from Interviews
WP16	WC4	Summary of collected information
WP17	WC5	Audit progress reports
WP18	WC6	Findings matrix
WP19	WC7	Draft Performance audit report
WP20	WC8	Quality review checklist - Audit report
Reporting on the audit		
WP21	WD1	Letter requesting comments on draft report
WP30	WD2	Examination of the audited entity's comments
	WD3	Decision on the audit draft
WP22	WD4	Submission letter
WP23	WD5	Distribution of the audit report
WP24	WD6	Experience and Lessons learned from the audit
Follow-up on the audit report		
WP25	WE1	Letter on follow-up on audit reports
WP26	WE2	Follow-up internal memorandum
WP27	WE3	Consolidated follow-up report to Parliament
WP28	WE4	Letter - Result of follow-up