This Manual has been developed by the Pacific Association of Supreme Audit Institutions (PASAI) as a resource for Supreme Audit Institutions (SAIs) to use when conducting performance audit in their respective jurisdictions. The Manual is designed as a reference tool based on international best practices as they existed at the time the Manual was produced. Use of the Manual is the responsibility of an individual SAI, having regard to its mandate, capacity, and country circumstances. PASAI disclaims any responsibility or liability, whether direct or indirect, as a consequence of the use or application of the Manual.
FOREWARD

In 2008, the PASAI Congress endorsed the Pacific Regional Audit Initiative (PRAI). The PRAI’s overarching objective is to raise public auditing in the Pacific region to uniformly high standards, which in turn is expected to improve transparency and accountability in managing and using public resources.

An output of the PRAI is to build and sustain public auditing capacity through the preparation of guidance and training materials. This includes best practice guidance materials for performance auditing. This manual intends to provide staff of Supreme Audit Institutions (SAIs) with a structured process for conducting performance audits. To be useful and relevant, these guidelines incorporate templates, checklists, and examples that serve as useful aids.

The guidelines were prepared by the following working group with technical guidance from PASAI consultants:

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PASAI expresses sincere gratitude to the working group for their tireless effort and also the SAIs for enabling the production of the manual. Additionally, PASAI acknowledges the contributions of the various SAIs in the region, the International Organisation of Supreme Audit Institutions (INTOSAI), and the Asian Organisation of Supreme Audit Institutions (ASOSAI) for sharing their materials.

PASAI hopes that its members will use this manual to enhance performance audit in their organisations.

Lyn Provost
Secretary-General of PASAI and Controller and Auditor-General of New Zealand
We dedicate this manual in remembrance of

*Sepiuta Alisi Maile Miniti Fotumaiafe Moala,*

1 Feb 1985 - 19 January 2011
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**Glossary**

Different SAI’s may use different terminology to describe the same things. Some of the real-life examples used in the manual come from SAI’s that use alternative terminology. In this manual the following terminology will be used:

**Asian Organisation of Supreme Audit Institutions (ASOSAI)**
An international and independent body that aims to promote the exchange of ideas and experience between Asian Supreme Audit Institutions in the sphere of public auditing.

**Audit Criteria**
Audit criteria provide the normative standards against which the audit evidence is judged. In other words, they are a set of reasonable and attainable standards of performance. Audit criteria provide the ‘what should be’ benchmark and are pitched at a high level.

The breakdown of criteria into more manageable statements that can be tested may also be called **sub-criteria, control objectives, normative controls, or key controls.**

**Audit Evidence**
Information that forms the foundation to support the auditor’s or SAI’s opinions, conclusions or reports:

- **competent:** information that is quantitatively sufficient and appropriate to achieve the auditing results; and is qualitatively impartial to inspire confidence and reliability;
- **relevant:** information that is pertinent to the audit objectives;
- **reasonable:** information that is economical in that the cost of gathering it is in line with the result which the auditor or the SAI is trying to achieve.

**Audit Mandate**
The auditing responsibilities, powers, discretions and duties conferred on a SAI under a constitution or other lawful authority of a country.

**Audit Objectives**
A precise statement of what the audit intends to accomplish and/or the question the audit will answer. This may include financial, regularity or performance issues.

**Audit Planning**
Defining the objectives, setting policies and determining the nature, scope, extent and timing of the procedures and tests needed to achieve the objectives.

**Audit Plan/Program**
A work plan, or test program, that provides guidelines for action during the execution phase of the audit. The audit program is developed through a two-step approach consisting of the initial audit program and the detailed audit program:
- **initial audit program** consists of particular line of enquiry; audit objective for which the audit program is to be developed; the audit criteria for the stated audit objective; the types of evidence required; the probable sources of evidence; and the audit techniques for gathering evidence;

- **detailed audit program** expands audit initial program and details the audit procedures (or action steps) with reference to each audit technique identified in the initial audit program. The audit procedures in the detailed audit program will sometimes require some further breakdown resulting in an audit test program;
  
  o **audit test program** is a step by step documentation of the precise actions to be taken to collect audit evidence. For example, whereas audit procedures may be to test vouchers for a particular control, the audit test plan will describe which vouchers, where and how they can be accessed, how many will be tested, how they will be selected and the specific tests that will be carried out on each voucher.

**Audit Procedures**

Tests, instructions and details included in the audit program to be carried out systematically and reasonably.

**Audit Proposal**

A document (provided for management consideration) that defines the specific issue to be studied, audit objectives, scope, design of the audit, quality assurance, timetable, and the resources required. In practice, these steps cannot always be strictly separated and they do not necessarily take place in the same order.

**Audit Scope**

The framework or limits and subjects of the audit. The scope can often detail what is not the subject for an audit.

**Auditing Standards**

Auditing standards provide minimum guidance for the auditor that helps determine the extent of audit steps and procedures that should be applied to fulfil the audit objective. They are the criteria or yardsticks against which the quality of the audit results are evaluated.

**Discussion Paper**

A discussion paper is a document that is used to summarise audit findings and conclusions for a specific segment of the audit. An example of a discussion paper is a management letter that contains audit observations for agency comments.
Due Care
The appropriate element of care and skill which a trained auditor would be expected to apply considering the complexity of the audit task, including careful attention to planning, gathering and evaluating evidence, and forming opinions, conclusions and making recommendations.

Economy
The relationship between the output, in terms of goods, services or other results, and the resources used to produce them.

Effectiveness
The extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity.

Efficiency
The relationship between the output, in terms of goods, services or other results, and the resources used to produce them.

Findings, Conclusions and Recommendations
Findings are the specific evidence gathered by the auditor to satisfy the audit objectives; conclusions are the statements deduced by the auditor from those findings; recommendations are courses of action suggested by the auditor relating to the audit objectives.

Generally Accepted Government Auditing Standards (GAGAS)
Professional standards and guidelines for conducting government audit issued by the Comptroller General of the United States. These standards apply to the insular states in the Pacific, and are sometimes referred to as the ‘Yellow Book’.

General Standards
The qualifications and competence, the necessary independence and objectivity, and the exercise of due care, required of the auditor to carry out the tasks related to the field and reporting standards in an efficient and effective manner.

Independence
The freedom of a SAI in auditing matters to act in accordance with its audit mandate without external direction or interference of any kind.

International Organisation of Supreme Audit Institutions (INTOSAI)
INTOSAI operates as an umbrella organisation for the external government audit community, providing and institutionalised framework for supreme audit institutions (SAIs) to promote development and transfer of knowledge, improve government worldwide and enhance professional capacities, standing and influence of member SAIs in their respective countries.
Opinion
The head of SAI’s written conclusions arising from audit findings determined over the course of a performance audit.

Pacific Association of Supreme Audit Institutions (PASAI)
An international and independent body which aims at promoting the exchange of ideas and experience between Pacific Supreme Audit Institutions in the sphere of public auditing.

Performance Audit
An audit of the economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities.

Quality Assurance
Policies, systems and procedures established by SAIs to maintain a high standard of audit activity.

Quality Control
The requirements applicable to the day-to-day management of audit assignments.

Report
The auditor’s written findings, opinion, recommendations and other remarks on completion of a performance audit.

Reporting Standards
The framework for the auditor to report on the results of the audit, including guidance on the form and content of the auditor’s report.

Strategic Audit Plan describes a multi-year program of audits. Some SAIs may also have an annual planning document called an annual work plan or a tactical work plan.

Supervision
An essential requirement in auditing which entails proper leadership, direction and control at all stages to ensure a competent, effective link between the activities, procedures and tests that are carried out and the aims to be achieved.

Supreme Audit Institution (SAI)
The public body of a state which, however designated, constituted or organised, exercises by virtue of law, the highest public auditing function of that state.


1. INTRODUCTION TO PERFORMANCE AUDITING

Purpose of the Manual

1.1 This manual provides assistance to performance auditors in the management and conduct of audits with the aim of:

- promoting consistent, economical, efficient and effective performance audit practice;
- establishing a basis for the further development of performance audit methodology and professional development; and
- setting out a basic framework within which auditors can make sound decisions in analysing performance and reporting conclusions.

1.2 Performance auditors are faced with considerable variety in their work and are often placed in a position where they need to exercise their professional judgement carefully in making planning decisions, developing test programs, forming conclusions and constructing recommendations. They must often become familiar with a wide range of organisational contexts and subject matters. They need the ability to write reports on complex subject matters in a manner that can be understood by a wide audience. This manual provides some assistance in these areas. But effective performance auditors must develop skills far beyond those that can be gained from any manual.

1.3 The manual should therefore be regarded as just a starting point in developing competence as a performance auditor. It may also be used by individual SAIs to amend their own specific performance audit manuals and instructions.

Definition and Scope of Performance Auditing

INTOSAI’s Performance Audit Guidelines, ISSAI 3000, 1.1 states:

‘The full scope of government auditing includes regularity and performance audit’, and ‘Performance auditing is concerned with the audit of economy, efficiency and effectiveness and embraces:

(a) audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;

(b) audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and

(c) audit of the effectiveness of performance in relation to achievement of the objectiveness of the audited entity, and audit of the actual impact of activities compared with the intended impact.’
1.4 Performance auditing is based on decisions made or goals established by the legislature, and it may be carried out throughout the whole public sector.

The ISSAI 3000, 1.1 defines a performance audit as ‘an independent examination of the efficiency and effectiveness of government undertakings, programs or organisations, with due regard to economy, and the aim of leading to improvements’.

1.5 These three terms are often confused. The overriding objective of any activity is effectiveness. It is also often the easiest to audit. Effectiveness is a measure of how well an audited activity achieves its objectives. These objectives may be specifically stated or they may be the outputs of the activity. For example, the principle objective of hiring a vehicle to move files from one building to another is that the files are moved to the other building. If this happens then the procedure appears to be effective. Effectiveness generally involves not just producing some sort of deliverable but doing so in a way that optimises the expenditure of public monies; considers all applicable regulations and other requirements; processes and reports on financial transactions accurately and manages the human resource elements of the activity appropriately.

1.6 The other elements of performance audit are logically, subsets of effectiveness, and are the objectives of the activity or program that are often unspoken. Any expenditure on an activity should be done in the most efficient manner. The program outputs being produced using the least amount of resources as possible to produce outputs of the required standard. It would not be efficient for example to hire a ten tonne truck to move a box of files from one place to another if there were smaller, cheaper vehicles available, even though it would achieve the desired result.

1.7 Economy is concerned with costs of input. In the example above if it is possible to hire two identical vehicles to move the box of files, and management chooses the more expensive of the two, then this is not economical.

1.8 The other elements that frequently arise as components of a performance audit are compliance with procedures and internal control requirements. These are often the domain of a financial statement audit. However, any activity has the objectives of complying with applicable laws and the procedures of the organisation, managing the resources of the organisation passing through its financial system in a secure manner and providing relevant and accurate financial reports.

The INTOSAI Performance Audit Guidelines, ISSAI 3000, 1.5 also stipulates ‘that standards concerning ‘environmental considerations’ and ‘equity requirements’ should also be taken into account in performance auditing.’

1.9 Going back to the vehicle hire example, if the organisation chooses to ignore occupational health and safety rules and get its employees to carry the heavy boxes of files from one building to the other then they are not achieving this component of their objectives.
1.10 Likewise a performance audit can consider issues of financial regularity, that is, the correct processing and reporting of transactions related to the activity. For example, if the financial systems are such that the vehicle hire firm is paid twice or the cost of the activity is under reported then this too can be reviewed and reported in a performance audit as a failure of internal accounting control.

1.11 The performance auditor may also be expected to address concerns relating to equity and ethics while assessing the effectiveness of a program/activity. Equity in the context of program management relates to fairness and impartiality in the use of public funds. Ethics in managing public expenditure includes the qualities of honesty and integrity in personal conduct and devotion to the duty as a manager of public funds. These are normally overall government objectives and the SAI performance auditor should be conscious of equity and ethics issues.

1.12 Performance audits may examine and report on:

- the quality of information and advice available to government for the formulation of policy;
- the existence and effectiveness of administrative machinery in place to inform the government whether or not program objectives and targets have been determined with a view to fulfilling policy objectives;
- if, and to what extent, stated program objectives have been met;
- the economy, efficiency, effectiveness and ethics of the means used to implement a program/activity;
- if laws and organisation procedures have been complied with;
- if internal accounting controls have been effective and transactions have been reported accurately; and
- the intended and unintended direct and indirect impacts of programs/activities; for example, the environmental impact of government activity.

1.13 Using the vehicle hire example, a performance audit may find any of the following:

- the files have gone missing or have not been transferred to the correct place;
- management may have hired a much bigger vehicle than necessary to move the files;
- management may have hired the correct sized vehicle but may not have hired the cheapest vehicle they could have;
- management may have allowed staff to ignore required occupational health and safety procedures in moving the files;
- a staff member has hired his brother’s vehicle to his personal benefit rather than following required procedure;
- internal control procedures may have broken down allowing for duplicate payment or overpayment of the supplier; and/or
• the financial transaction may have been misclassified resulting in the activity being seen to be more economical than it really was.

This list does not include all of the possible findings from a performance audit of this simple activity. Security over the files in transit may be an issue for example.

1.14 Auditors should not confine the audit to ‘what has been done’ but should also examine ‘what has not been done’ to endeavour to meet the policy objectives. Given the size, complexity and diversity of many entities, it is generally impracticable to attempt to assess the overall performance of departments or agencies. Consequently, performance audits are usually directed towards specific functions, activities, programs or operations of the agency. It is also common that an SAI may conduct an audit of a topic or theme across several agencies or even on a whole-of-government basis.

The INTOSAI Performance Audit Guidelines, ISSAI 3000, 1.2 states that ‘performance auditing is not overly subject to specific requirements and expectations. While financial auditing tends to apply relatively fixed standards, performance auditing is more flexible in its choice of subjects, audit objects, methods, and opinions. Performance auditing is not a regular audit with formalized opinions, and it does not have its roots in private auditing. It is an independent examination made on a non-recurring basis. It is by nature wide-ranging and open to interpretations. It must have at its disposal a wide selection of investigative and evaluative methods and operate from a quite different knowledge base to that of traditional auditing. It is not a checklist-based form of auditing.’

1.15 The special feature of performance auditing is due to the variety and complexity of questions relating to its work. Within its legal mandate, performance auditing must be free to examine all government activities from different perspectives.

Auditing Standards

1.16 In conducting a performance audit the auditor should follow applicable professional standards. Some SAIs in the Pacific will follow the INTOSAI Auditing Standards and others will rely on Generally Accepted Government Auditing Standards (GAGAS) set out in the Government Auditing Standards (the Yellow Book) issued by the US Government Accountability Office.¹ The principle, relevant INTOSAI Auditing Standards are set out below.

1.17 GAGAS are not codified in the same manner as the INTOSAI Auditing Standards although the main principles are similar to those in the INTOSAI standards. It is strongly recommended that any performance auditor working in a jurisdiction that applies GAGAS, familiarise themselves with the standards as discussed in the Yellow Book.

¹ Government Auditing Standards, issued by the Comptroller General of the United States, United States Government Accountability Office.
1.18 In other jurisdictions, which have a court of audit arrangement, other standards may apply and auditors in those jurisdictions should be fully conversant with those standards.

The **INTOSAI General Auditing Standards 200, 2.1 common** to SAIs which subscribe to INTOSAI standards are: ‘(a) the auditor and the SAI must be independent; (b) the auditor and the SAI must possess the required competence; and (c) the auditor and the SAI must exercise due care and concern in complying with the INTOSAI Auditing Standards. This embraces due care in planning, specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations’.

1.19 The performance auditor and SAI must be, and be seen to be, independent and objective in the conduct of audits.

The **INTOSAI General Auditing Standards 200, 1.2** note that SAIs should: ‘(a) recruit personnel with suitable qualifications; (b) develop and train SAI employees to enable them to perform their tasks effectively, and to define the basis for the advancement of auditors and other staff; (c) prepare manuals and other written guidance and instructions concerning the conduct of audits; (d) support the skills and experience available within the SAI and identify the skills which are absent; provide a good distribution of skills to auditing tasks and assign a sufficient number of persons for the audit; and have proper planning and supervision to achieve its goals at the required level of due care and concern; and (e) review the efficiency and effectiveness of the SAI’s internal standards and procedures.’

**Work Performed by Staff**

**INTOSAI Field Auditing Standards 300, 0.3 (b)** requires: ‘the work of the audit staff at each level and audit phase should be properly supervised during the audit, and documented work should be reviewed by a senior member of the audit staff’.

1.20 When work is delegated to members of the audit team, the auditor in charge should carefully direct, supervise and review this work.

1.21 When multi-disciplinary audit teams are used, adequate direction, supervision and review are necessary to ensure that the different perspectives of team members, their experience and specialties are appropriately used in the audit. All team members should understand the objectives of the audit, the terms of reference of work assigned to them and the nature of obligations imposed on them by applicable auditing standards. Adequate direction, supervision and review will assist in such an understanding.
Using the Work of an Expert

INTOSAI General Auditing Standards 200, 2.43 state: ‘if the SAI employs external experts as consultants it must exercise due care to assure itself of the consultants' competence and aptitude for the particular tasks involved; and

Obtaining advice from an external expert does not relieve the SAI of responsibility for the opinions formed or conclusions reached on the audit task’.

1.22 An expert is a person or firm possessing special skill, knowledge and experience in a particular field other than auditing. Because of the diverse range of activities subject to performance auditing, the auditor may need to obtain audit evidence in the form of reports, opinions, valuations and statements of an expert. Although the auditor may use the work of an expert as audit evidence, the auditor retains full responsibility for the conclusions in the audit report.

1.23 When using the work performed by an expert, the auditor should obtain sufficient appropriate audit evidence to ensure that such work is adequate for the purposes of the audit.

Professional Behaviour

The INTOSAI Code of Ethics and Auditing Standards, Chapter 5 requires that: ‘auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality.’

1.24 The auditor should comply with ethical principles and codes of conduct governing the auditor’s professional behaviour and responsibilities, which include:

- integrity;
- objectivity and fairness;
- confidentiality; and
- technical standards.

1.25 The auditor should comply with any code of conduct or ethical standards issued by the government or SAI for which they work. Although this manual sets out a coherent basis for conducting a performance audit, professional judgement remains an important ingredient in performance audit work.

1.26 As with any audit, the performance auditor should adopt an attitude of professional scepticism throughout the audit, recognising that circumstances may exist that could cause the information relating to performance to be irrelevant, misleading or incorrect.
**Reasonable Assurance**

1.27 A performance audit conducted in accordance with applicable auditing standards provides reasonable assurance that the conclusions drawn in the audit report may be relied upon.

1.28 Reasonable assurance relates to the accumulation of audit evidence necessary for the auditor to respond to the audit objective.

1.29 What is ‘reasonable’ is dependent on the facts of the situation including what evidence could reasonably be gathered and what conclusions could reasonably be drawn in the situation.

**Terms of the Audit**

The **INTOSAI General Auditing Standards 200, 2.26** provides that ‘In contrast to private sector audit, where the auditor’s agreed task is specified in an engagement letter, the audited entity is not in a client relationship with the SAI. The SAI has to discharge its mandate freely and impartially, taking management views into consideration in forming audit opinions, conclusions and recommendations, but owing no responsibility to the management of the audited entity for the scope or nature of the audits undertaken.’

1.30 The SAI should formally notify the auditee of the details of the audit, preferably before the commencement of the audit, to help avoid any misunderstandings. With some audits, the objective and scope of the audit and the auditor’s obligations are established by law. Even in those situations identifying the features of the audit may be useful to the agency and assist the auditor develop a productive working relationship with the agency.

1.31 Often during the course of an audit, findings will lead the auditor to broaden the scope of the audit or eliminate areas that were initially advised as being included. When this occurs the auditor should advise the auditee management of this change in scope well before the auditor issues the draft report. If an auditor reports on matters that the auditee was not even aware were included in the audit scope, the auditor may lose credibility and the value of the audit report can be compromised. If this happens useful recommendations may be rejected without due consideration. It is a good idea to discuss with senior management in the SAI any proposed changes to audit scope and seek their approval.

**Quality Assurance**

**INTOSAI General Auditing Standards 200, 1.27** states that: ‘The SAI should establish systems and procedures to: a) confirm that integral quality assurance processes have operated satisfactorily; b) ensure the quality of the audit report; and c) secure improvements and avoid repetition of weaknesses.’
1.32 Each SAI should have its own quality assurance procedures to meet this standard. The auditor should be familiar with these processes and conduct and document their audit with a view to meeting the quality assurance requirements. Additional information on this topic can be found in PASAI’s Quality Assurance Manual.

Accessing the INTOSAI Standards

1.33 The INTOSAI Auditing Standards may be found in a document on the INTOSAI Website (www.intosai.org) entitled INTOSAI Code of Ethics and Auditing Standards. The references in this manual are generally to the paragraph numbers in that document. The standards component of this document has also been broken down into individual standards, entitled International Standards of Supreme Audit Institutions (ISSAI) and each of these is numbered. For example ISSAI 300 is the number for Field Standards in Government Auditing, which corresponds to Chapter 3 of the Auditing Standards. The ISSAI documents may be found at www.issai.org.

Performance Auditing Mandate and Objective

[ISSAI 3000, 2.1 states: ‘the mandate of performance auditing should cover the state budget and all corresponding government programs. The auditor must be free to select audit areas within its mandate. Political decisions and goals established by the legislature are the basic frame of reference. A performance audit may, as a result of its findings, question the merits of existing policies. Performance audits are in general ex post audits that deal with current issues. High levels of quality in the work must be promoted and secured.’]

1.34 The mandate for SAIs to undertake performance audits varies from country to country. Some countries have a performance audit role specifically written into the legislation that creates the SAI. In other countries it may not be so specific. The head of the SAI could, for example, have the ability to report to the national parliament on performance issues he or she may come across in the course of their regularity work. Other SAIs may only be able to conduct performance audits at the behest of the government or parliament. Even others may have no wider performance audit mandate than is reflected in their accounts, records and reports on financial audits; that is, the performance aspects of financial regularity.

1.35 The interpretation of the breadth of the performance audit mandate is generally made by the head of the SAI. Performance auditors should plan and conduct their audits in line with this interpretation. Put simply, the objective of performance audit in the public sector is to improve public administration. At one level this is achieved by making sound recommendations based on sufficient evidence obtained in an audit planned and conducted to a professional standard.
1.36 The actual conduct of an audit can also lead an auditee to improve systems and procedures, particularly through audit interaction with management at an operational level. The performance audit process may provide the impetus for management to consider the activities they manage in a different perspective. They may make changes irrespective of the findings and recommendations of the audit. This is a very good outcome in terms of improving public administration.

1.37 It is also important that the performance auditor not pre-empt management’s right to manage. Management may develop their own plans to resolve the findings reported by the auditor. That is their prerogative and this too will improve public administration, even if the audit recommendations are not accepted, as long as the findings are based on solid evidence. It is often the case that audit recommendations are rejected but the entity fixes the problems in another way, which is more suitable to their operations.

1.38 Performance audits also have another role. They provide stakeholders such as senior management, members of the government and, if made publically available, the public with information and assurance about the quality of management of public resources. The emphasis placed on the assurance role of performance auditing as against the role of public sector improvement will vary between SAIs and is also decided by the head of the SAI.

**Performance Audit Process**

1.39 The stages in the performance audit cycle and the related layout of this manual are outlined in Figure 1 below.

1.40 The first stage in performance auditing is *strategic planning*, which requires the development and maintenance of information on the agency that will assist in identifying potential areas for audit. Potential topics can then be analysed and ranked to form annual audit strategy documents for each agency. Chapter 2 of these guidelines deals further with strategic planning. Once a topic has been selected for performance audit, an audit program is developed and this is gradually refined into a detailed audit plan. It sets out the audit procedures that will be applied in the conduct of the audit. A preliminary study may be undertaken to gather information on the topic and to identify significant issues for audit. Chapter 3 of these guidelines deals with *planning* the performance audit.

1.41 The *execution* stage of a performance audit is dealt with in particular in Chapter 4 of these guidelines and involves:

- development and execution of an audit program of procedures;
- collection and documentation of sufficient relevant and reliable evidence, including quantitative and qualitative analysis;
- formulation of audit findings, conclusions and recommendations; and
- development of discussion papers and confirmation of audit findings at an exit conference.
1.42 It should be noted that the audit program and detailed audit plan need to be reviewed continually throughout the audit to ensure that it remains relevant and sufficient. A report on the audit will then be drafted for consideration by the government, the legislature, the agency and the public.

1.43 Throughout each stage of the performance audit the emphasis should be on the production of a final report that is balanced and has value-added impact. The report-writing process should be viewed as a continuous one of formulating, testing and revising conclusions, if necessary, about the audit topic. Therefore, issues such as the expected impact and value of the audit, the likely improvements and savings resulting from it and methods of communicating its conclusions should be considered throughout the audit. Chapter 5 of these guidelines deals further with reporting.

1.44 Follow-up activities by the SAI provide impetus for the implementation of accepted recommendations. Management are more likely to focus on implementing recommendations if they are aware that the SAI could revisit the area. Follow-up procedures should identify and document the impact of the audit and the progress of the agency in implementing audit recommendations. The conduct of follow-up activity is also vital to provide feedback to the SAI, the legislature and the government on performance audit effectiveness in producing improvements in public sector management. Follow-up processes are dealt with in Chapter 6.

Figure 1. Stages in the Performance Audit Cycle

2. STRATEGIC PLANNING

Introduction

2.1 This chapter discusses the strategic planning process. A performance auditor new to the profession, the main audience for this manual, will presumably not be heavily involved in this process. However, all performance auditors should understand the process adopted by their SAI to undertake strategic planning and should be watchful for information they may accumulate during the course of their work that may inform or contribute to that process. Performance auditors should make themselves fully aware of their SAI’s strategic planning process and their role in that process.

2.2 The scope for undertaking a performance audit is almost limitless. Even if a business activity is currently performing well, there is generally the potential for some improvement. If performance audit resources were unlimited then audits would be undertaken on any activity where it was expected that the savings to be made would exceed the cost of the audit.

2.3 In reality, SAIs can only conduct a relatively small number of performance audits and the resources that can be devoted to them are very limited. Strategic planning, from a performance audit perspective, revolves around deciding which of the very large number of performance audit topics will yield the largest long-term gain, either in terms of savings or the improved achievement of the key objectives of programs and activities.

ISSAI 3000, 3.2 states: ‘strategic planning is the basis for the selection of audit topics. Linked to a SAI’s annual planning system, it may be a useful tool in setting priorities and selecting audits. It may serve as a mechanism for selecting future audit themes, and a basis for detailed planning. Finally, it may serve as an instrument for strategic policy decisions on the future direction of the audit. Planning might be carried out in the following steps: determining potential audit areas; establishing the selection criteria to be used; and identifying the main sources of information for the potential audits. The strategic planning exercise would normally result in a coherent and cogent audit program for the SAI and serve as a basis for operational planning and resource allocation.’

2.4 In order to determine which audits are to be undertaken the SAI needs to rank audit topics. The audits which are identified as having sufficient priority to warrant having resources allocated to them are documented in what is generally called a strategic audit plan (SAP). Different SAIs may call this by different names but for the purposes of this manual, a strategic audit plan is any plan to conduct a number of specific audits over a period. Three years is the most common planning period but some plans range over two years and others up to five years depending on the SAI. For ease of discussion a longer-term program of audits will be referred to in this manual as a SAP.
Objectives of Strategic Audit Planning

2.5 The objectives of strategic audit planning are to:

- provide a firm basis for the SAI management to give strategic direction for future audit coverage;
- identify and select audits with the potential to improve public sector accountability and administration;
- provide a platform for communication with agencies and the legislature on SAI audit strategies;
- produce a work program that can be achieved with expected available resources;
- understand agency risks and take them into account in audit selection; and
- provide a basis for SAI accountability.

2.6 In order to create a SAP, first the SAI must define the population of the audit topics that exist. Having done that, there are a number of variables to consider in developing a ranking of audit topics.

Identifying Potential Audit Topics

2.7 Identifying the complete population of potential performance audit topics in even a small public sector would be a very time consuming and resource-intensive task. Most SAIs make the assumption that information about the most significant programs and activities is already available to them. The sources of this information include:

- the auditee, and concerns information such as:
  - public documents including annual reports and media releases;
  - business plans;
  - financial statements and internal financial management reports;
  - performance reports;
  - internet sites.

- external stakeholders:
  - media reports;
  - academic papers;
  - publications from professional bodies;
  - papers issued by NGOs and donor agencies.

- other legislature information:
  - previous SAI reports;
• committee reports and evidence;
• transcripts of sittings;
• other reports to the legislature; and

• from other audit or inspection bodies:
  • work done by internal audit teams;
  • reports from other internal reviews;
  • material from financial auditors;
  • other Supreme Audit Institutions’ reports on similar activities.

2.8 In reviewing all of these sources the SAI is seeking to determine whether a performance audit will add value in some way. Rather than assembling a detailed map of all the performance audits that could be undertaken, it is more common for SAIs to rely on the accumulated knowledge of their auditors and the available information to identify potential audit topics. The range of audit topics identified in this way will be far greater than the available audit resources could realistically cover and the list must therefore be prioritised.

2.9 The SAI should also consider undertaking audits across more than one agency. This sort of performance audit, called perhaps an across-the-board or whole of government audit, or a cross-portfolio audit, examines a single activity in different agencies. It is particularly useful where a central department or ministry provides guidance, policy, procedures or rules to other agencies. A cross agency audit can assess how well the requirements are being followed and if they are effective at achieving what the central agency expects.

2.10 Cross agency audits can also examine activities which should be done in an efficient and effective manner in different agencies. For example, it is possible to review something like physical security, energy use or motor vehicle management to assess whether existing rules are being followed or, where there is no central guidance, whether some rules should be introduced.

Priorityising Audit Topics

2.11 In determining those audit topics which are likely to provide the best value for the audit dollar, there are a number of parameters the SAI may consider. These include the:

• issues that present key risks to public administration;
• significance of the activity in terms of materiality, sensitivity and impact;
• audit resources required to achieve the expected audit result and the availability of those resources.

2.12 In some countries, the legislature may pass legislation which requires the SAI to undertake particular audits. In these instances the SAI is obliged to conduct the audit and
it is allocated priority. Committees of the legislature may also make similar requests and this is taken into account when prioritising identified audits.

**Issues that Present Key Risks to Public Administration**

2.13 Some activities are inherently more risky than others, which means there is more chance of something going wrong. The riskier the activity, the greater the likelihood that a performance audit will be able to identify risks that could be managed better. For example, a project to develop a major computer system is far riskier than a project to customise a similar commercially available system that is itself riskier than acquiring a commercial system that needs no modification.

2.14 Risk will also be determined by the extent of past reviews of the activity. Any area that has recently been subject to an independent review will generally be less risky than one that has not. Initiating a performance audit in such an area may be a poor use of audit resources, particularly if all it does is duplicate the findings of the earlier review.

2.15 A performance auditor needs to have an excellent understanding of risk analysis and risk management techniques to be able to assess the risks associated with a potential audit topic and also to form a preliminary opinion on whether they are being managed or not.

2.16 These risk analysis skills are also very valuable during the conduct of an audit. Performance auditors responsible for strategic planning who don’t already have training in risk analysis and management should access training in these techniques as a matter of priority. Key aspects to consider in determining the significance of an audit include; materiality, sensitivity and impact.

**The Significance of the Activity - Materiality**

2.17 This parameter is generally the most straightforward to assess. It has two components, how much does the activity cost over time and how much is invested in it. It should be recognised that the overall size of an activity is not an absolute determinant of audit priority. A mature program that has been running for some years and has had various reviews done of it may be a poor candidate for audit, even though it expends hundreds of millions of dollars a year. This is because the likelihood of identifying any significant recommendations is limited. Alternatively, controls may have weakened over time and it is also possible that the audit could yield significant benefits. Clearly the auditor needs to know more about a program or activity than just the cost of it in order to decide whether it is a worthwhile subject for a performance audit.

**The Significance of the Activity - Sensitivity**

2.18 The objectives of any government activity will have a certain profile with the public and with the legislature. The more important an activity is in the eyes of its collective
stakeholders, the more suitable it is as a performance audit subject. This is because the stakeholders are, by definition, more concerned about the achievement of objectives and they benefit from being reassured about this achievement. This means that a small but sensitive program may be more suitable as a performance audit topic than a much larger routine one. Government advertising is one such topic where various stakeholders have a keen interest in the nature, cost and propriety of the activity, even though in overall terms it is not generally a major public expenditure.

2.19 Programs or activities that are particularly important from a national interest point of view also rank highly. Health and education programs, for example, are often allocated significant performance audit resources.

2.20 In deciding on the priority for an audit topic, the auditor should consider carefully the importance of the activity to the various key stakeholders.

The Significance of the Activity - Impact

2.21 The more complex an activity is, the greater the likelihood that some key management controls will not have been considered in the development of management systems. This means that there is more potential for a performance audit to add value, by identifying controls that may be put in place to improve the outcomes of the activity. For example, a distributed accounts processing system operating across a number of geographic sites is much more difficult to manage effectively than a system at a single site processing the same volume of transactions.

The Audit Resources Available

2.22 The number of auditors available to undertake performance audit work is one factor that will limit the number of audits that can be included in a strategic plan. Preparation of the SAP will require knowledge of the total number of auditors expected to be available to conduct audits over the period.

2.23 Another aspect of audit resources that needs to be considered is what the individual staff members, at their current stage of development, are capable of doing and what their development needs in terms of experience are. If some of the available auditors are inexperienced then there must be sufficient audit activity in the program that they are capable of doing.

2.24 It would be inappropriate to assign an audit, which would involve sensitive dealings with very senior management, to newly qualified auditors. Likewise it would not be an efficient use of resources to use highly experienced staff to undertake an audit of a simple line management activity.

2.25 Many larger SAIs have more than one performance audit team and assign areas of public sector activity to specific teams. A team may have responsibility for one or more discrete areas such as defence, social security or health. The audit resources assigned to these teams will be determined by how much priority the SAI assigns to that group of topic areas. If a SAI decides that it needs a team of 5 people concentrating on audits of
say, education, this is a strategic planning decision and the audit manager must then allocate priorities within that topic area. The assignment of staff to audit teams with specific responsibilities is therefore another consideration in the strategic planning process.

2.26 In preparing a strategic plan for performance audit, the SAI needs to consider the total audit resources available, the breakdown of those resources into functional areas and the skills and experience of the individuals involved. In practice, this generally becomes a collective assessment by all of the responsible audit managers who provide input to the strategic planning process.

2.27 Performance audits are often unable to commence at the expected time, mostly for auditee related reasons. So the plan should include enough audits to provide further topics if the highest priority ones are not able to be done for some reason. A prudent audit manager could have as much as 30% more audit hours planned than are actually available, to be sure that the audit team always has audits that can be commenced if a planned audit fails to start as expected.

Developing the Strategic Audit Plan (SAP)

2.28 Assembling a SAP from the available topics generally involves using the topic knowledge and management experience of the audit managers. They should each have a good understanding of their assigned areas and their staff, as well as of the stated priorities of the SAI. This is important because the senior management of the SAI may have taken a strategic decision to focus on a particular theme, such as procurement, or human resource management. This means that audit managers must take this component of the topic area into account in defining a possible audit and in assessing its importance.

2.29 A well-structured strategic planning process, based on a sound rationale, is necessary to ensure that the resources of the SAI are used in the most efficient and effective manner.

Documenting the SAP

2.30 The key deliverable of the strategic planning process is a document which is prepared for the SAI management to enable it to critically assess the proposed planning strategy for overall consistency with the SAI’s corporate objectives. The basic SAP document will be a list of audit topics in the various government agencies along with expected resource requirements for each audit and the proposed start and finish dates for the audit. The document will also assist management to make appropriate resource allocations and allow an assessment of the strategic planning process.

2.31 The strategic plan should be supported by working papers that may include:

- a description of the agency and its environment;
- an assessment of the risks to good performance of the agency’s programs and activities;
• a summary of the long-term strategic view of SAI performance audit directions in each agency; and
• recent SAI audits, recent and proposed enquiries by the legislature, and agency evaluations and internal audits.

2.32 The SAP will provide a list of audits proposed for the next two to five years. This list should reflect resource availability and should also distinguish between new performance audit topics, cross-agency audits and follow-up audits.

**Approving and Publishing the SAP**

2.33 The SAI should have procedures in place that allow the senior management of the SAI to sign off on the overall plan. This is important because it enables the head of the SAI to ensure the allocation of resources is appropriate across the whole. It may be that audits that rank as the most important in one branch or group may not be as important overall as some audits that have not been selected because the branch or group responsible for them has too many high priority audits. The senior management of the SAI may then need to reconsider the allocation of audits and staff to the various audit groups.

2.34 Once the SAP is approved it may be worthwhile to provide it to the relevant parliamentary committee or other government body charged with overseeing the work of the SAI. To provide transparency it could also be made available as a public document on the SAI’s website or through some other means. The SAP should also be made available to staff to provide some context and understanding of the performance audit work of the SAI.

**Modifying the SAP**

2.35 The SAI should also regularly review the SAP to ensure that all audits still maintain the same priority or whether the priority should change.

3. PLANNING THE PERFORMANCE AUDIT

Introduction

3.1 This chapter outlines the steps involved with initiating the performance audit: the purpose of a preliminary study; the approach to be considered in planning individual audits and the development of an audit program.

Standards for Planning Individual Audits

ISSAI 3000, 3.4 states that: ‘the auditor should plan the audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner’ and also identifies the following steps that are ordinarily included in planning an audit:

- ‘collect information about the audited agency and its organisation in order to assess risk and to determine materiality;
- define the objective and scope of the audit;
- undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later;
- highlight special problems foreseen when planning the audit;
- prepare a budget and a schedule for the audit;
- identify staff requirements and a team for the audit; and
- familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.’

3.2 Planning consists of developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit. The audit plan is a key document for controlling and monitoring audits in the SAI. Before executing the performance audit, it is consequently important to define the audit objectives, the scope and the methodology to achieve the objectives. The preparation of an audit plan is the necessary first step in audit planning as it is the document that the head of SAI will authorise so that the audit can proceed. It is important to remember that planning is not a single audit phase but that it will be necessary to revisit initial plans over the course of the audit. This will be to ensure that the audit team is on track, or as a result of unforeseen circumstances, it might be necessary to revisit and revise the audit plan and its underlying approach.

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2 INTOSAI Auditing Standards 3.0.3
3 INTOSAI Auditing Standards 3.1.4
3.3 A preliminary study is an important tool to ensure that the audit team is well acquainted with the activity to be audited and can develop a persuasive audit proposal for senior management ‘sign off’.

**The Role of a Preliminary Study/Survey**

3.4 Once a topic has been selected for audit, the SAI may often conduct a preliminary study so that it is better able to understand the context of the audit and judge the audit resources that are required. The preliminary study aims to explain why the audit should be carried out and provide sufficient justification to proceed with executing the performance audit.

**INTOSAI Performance Audit Guidelines 3000, 3.3** provide that: ‘if conditions do exist to continue on to the execution stage of the audit (main study), an audit proposal should be prepared. If a performance audit is not recommended, a preliminary study report should summarise the preliminary study conclusions. To finalise the preliminary study, an exit conference may be held with the agency management.’

3.5 If the head of a SAI decides to move from a preliminary study to a full audit, an audit proposal for management consideration and endorsement is the next step.

**Developing and Approving the Audit Proposal**

3.6 The steps involved in developing an audit proposal require that the auditors:
- understand the business of an auditee;
- determine audit objective;
- determine audit scope;
- determine audit criteria;
- identify key audit foci;
- determine the audit approach;
- estimate resources and timing; and
- approve the audit proposal.

3.7 These steps may be grouped together differently or sometimes done in different order, but in any case, these steps will allow for greater efficiency when developing a detailed work plan (also referred to as ‘audit program or test program’). It is through a well thought out plan that the auditor will be able to carry out the audit in an economic, efficient and effective way and in a timely manner and provide SAI management with the necessary assurance to approve the audit proposal.
Understanding the Business of an Auditee

3.8 It is important that the auditor develop a sound understanding of the auditee’s business to allow the development of more specific audit objectives and relevant audit criteria. This knowledge would include an understanding of:

- the mandate of the agency and the areas being audited within the agency;
- objectives of the agency and of programs related to the audit activity;
- programs and performance goals of the agency;
- organisational and accountability relationships within the agency;
- the internal and external environment of the agency and the stakeholders;
- external constraints affecting program delivery;
- agency management processes and operations; and
- the resources of the agency.

3.9 Sources of information to assist in understanding the agency include:

- enabling legislation and legislative speeches;
- ministerial statements, government submissions and decisions;
- recent audit reports, reviews, evaluations and enquiries into the agency;
- agency strategic and corporate plans, mission statement and annual report;
- budget statements;
- agency policy files, management committee and executive board minutes;
- agency organisation charts, internal guidelines and operating manuals;
- agency program evaluation and internal audit plans and reports;
- conference reports and minutes;
- discussions with agency management and key stakeholders; and
- management information systems.

3.10 Past audits and other reviews can provide an extremely useful source of information. If the SAI has maintained a permanent audit file, for either financial or performance purposes, then this should be a major source of information. They can help avoid unnecessary work in examining areas that have been under recent scrutiny and highlight deficiencies that have not yet been remedied. There is, however, no substitute for discussions with senior agency management to gain an overall program perspective against the background of the above information.

3.11 Performance monitoring, accountability and evaluation processes within the public sector are generally agency-based. However, there could also be a range of
information, which crosses agencies and which may also assist in the information-gathering stage, such as:

- studies by industry, professional or special interest groups;
- enquiries or previous reviews by the legislature;
- information held by coordinating agencies or by interdepartmental committees;
- research by academics;
- work undertaken by other governments overseas; and
- media coverage.

3.12 The purpose of understanding the business of the auditee is to allow the auditor to develop the objective and scope of the audit and to assist with the next planning component, which is the development of audit criteria. It is not a substitute for field-work in the agency and should be kept to the minimum required to develop the initial objective, scope and audit criteria. The appendix to this chapter discusses some key features of government agencies that may be taken into account in developing an understanding of the business of the auditee.

**Determine the Audit Objectives**

3.13 Audit objectives relate to the reasons for conducting the audit and should be established early in the audit process to assist in identifying the matters to be audited and reported.

3.14 The audit objective should address concerns of accountability and good governance and may focus on the economy, efficiency and/or effectiveness of program management as well as financial control where relevant. Compliance with legislation and financial regularity should also be considered where appropriate. For example, an audit objective may be ‘to determine whether capital procurement managed by the ministry is being managed to provide best value for money and in accordance with industry best practice.’

3.15 The audit objectives should be designed to maximise the benefits and impacts from the audit. It must be remembered that at this stage of the process, audit knowledge is relatively limited and all planning must be considered fluid depending upon what is found as further work is undertaken. In setting the audit objective the audit team should take into account the mandate of the SAI, and be careful not to exceed it, as well as the reasons for the audit as defined in the strategic audit plan.

3.16 It is good management practice for audit objectives and scope to be discussed with the agency management. In holding such discussions auditors should be careful not to compromise their independence.
About Audit Objectives

3.17 The purpose of the audit is to initiate improvements in public administration and/or to provide assurance to management that an activity is being managed effectively, economically and efficiently and in accordance with government policy and legislation.

3.18 A performance audit is an expensive activity so it is rare that an audit will be undertaken just to meet the assurance objective. In most cases such audits will arise from information coming to light that an activity is being badly managed in some way and the government has asked the SAI to review the program as a result. Even in these cases the auditor should be looking to add value in terms of initiating improvements in those things that may be able to be done better.

3.19 The objective of initiating improvements in administration is often unwritten but follows implicitly from the act of reviewing the activity. For example, the objective of the audit was to assess whether the procedures established to manage the program would ensure that government policy was followed. What is not stated is that if the auditor finds that these procedures do not ensure that government policy is followed then they will recommend changes to the procedures to achieve this end.

Writing the Audit Objective

3.20 The audit objective consists of two main parts, (a) what is being reviewed and (b) what is being used as a benchmark. In the example above ‘the program’ is being reviewed and ‘government policy’ is the performance benchmark.

3.21 The structure of a performance audit objective is therefore: To assess/determine/discover/report whether a specified activity/program/entity is being managed to provide the best result to the government in terms of economy/effectiveness/efficiency/probity/performance reporting/security over assets or information etc.. For example, in an audit of capital procurement, ‘the objective of this audit is to determine whether capital procurement managed by the ministry is being managed to provide best value for money and in accordance with industry best practice.’

3.22 When developing an audit objective, the auditor should seek to frame both parts of the objective in the clearest possible terms and as simply as possible. The objective of the audit may be written as a question. It is also possible to extend the objective into a series of associated questions which may be answered in the audit process. The above objective could be redrafted as:

‘the objective of the audit is to answer the question: does the ministry manage capital procurement so that it provides best value for money and is in accordance with industry best practice?’

3.23 Associated questions may be:

‘If not, what is the impact? If the impact is significant, what are the causes? What may be done to address these causes?’
Importance of Defining the Audit Objective(s)

3.24 It is very important to establish audit objectives clearly. It provides a sense of direction to the auditor and also justifies the purpose of the audit. Each and every audit conclusion reported must be made against the corresponding audit objective. Suppose the audit objective was to ensure whether the procurement of material was done at the lowest cost (economy) with due regard to appropriate quality. In that case, the auditor may come to anyone of the following conclusions:

- yes, the procurement of material was done at the lowest cost with due regard to appropriate quality; or
- no, the procurement of material was not done at the lowest cost with due regard to appropriate quality; or
- yes, the procurement of material was done at the lowest cost, however, appropriateness of quality was not considered at the time of the procurement decision; or
- yes, the procurement of material was done at the lowest cost with due regard to appropriate quality, however, excessive volume of material was procured in comparison to actual requirements.

3.25 After the audit work is complete, the auditor develops conclusions that respond to the audit objectives. So, if there is no audit objective, there can be no appropriate audit conclusion.

Determine Audit Scope

3.26 The scope of the audit defines the boundaries of the activity being reviewed and tends to narrow the ambit of the audit from the broad audit objective. In the example, the scope of the audit as it stands includes all of capital procurement in the ministry, but there may be some value in refining this in a separate scope statement.

For example:

‘The scope of the audit will include all procurement on construction projects, all other capital purchases exceeding $5 million and will consider issues of value for money and compliance with documented procedures. This narrows the scope from the original objective.’

3.27 In some cases the scope statement outlines the elements excluded from the scope as defined by the audit objective. For example, following the capital procurement objective above there could be a scope statement which reads: no procurement under $5 million will be included in the audit unless it is part of a building construction project.

3.28 The decision on the scope of the audit is made taking into account the areas of the activity where most benefit could be gained from the audit while considering the amount that can be covered in the time and resources available for audit field work.
3.29 Scope may be geographic, excluding some physical areas, where an activity is widely distributed. Scope is also time-related and the auditor should specify a time-period to be covered. The scope statement may also narrow the focus of the audit by specifying, for example, that the audit will only consider issues of effectiveness or compliance.

3.30 In some cases, where a performance audit has been requested, the scope may be extremely narrow. If, for example, there have been credible allegations about corrupt procurement practices in an agency, the SAI may be asked to conduct an audit to provide assurance that the allegations are groundless or action needs to be taken. The scope of such an audit would be restricted to procurement practices and may be further restricted to compliance with required procedures and the accuracy of financial reporting.

Changing the Scope

3.31 When the objectives and scope of an audit are defined, the auditor does not know as much about the activity being audited as he or she will after several weeks or months of field work. It may be that at some point in the audit the audit manager realises that there is significant value to be gained in changing or widening the scope to include areas that were not encompassed in the original audit plan.

The INTOSAI Performance Audit Guidelines, ISSAI 3000, 4.4 stipulates that ‘a performance audit may run for a long time, and there may be changes in knowledge and reality from the point in time when it started. In performance auditing it is often difficult to make a choice between the directions set out in the work plan and the description of the audit’s structure on the one hand, and the interest in studying questions that arise at a later date on the other. To avoid getting caught up in details and a flood of data, detailed assessments of the need for information must be made both before and during the audit. Based on experience, this makes it easier to eliminate extraneous detail and irrelevant approaches, and to sort or structure the information gathered. Again, however, the auditors must not be rigid and avoid all unplanned data gathering.’

3.32 Senior audit management should be involved in any decision to widen the scope of the audit. They may decide that this extra work should be identified as part of a future audit, rather than an extension of the current one. It is essential that the auditee is advised in writing that the scope of the audit is to be widened. Senior audit management may be involved in negotiations with the auditee. Where it is prudent to do so, the reasons for widening the scope should also be explained. The audit objectives and scope are closely interrelated, and since changes in one usually affect the other, they need to be considered together.
Lines of Enquiry

3.33 After selecting a suitable project for performance audit and establishing the audit objectives and scope, it is important to identify significant lines of enquiry or identifying issues of significance to pursue in the audit.

Factors for Identifying Key Areas

3.34 A rational approach to identifying key areas of a selected project involves analysis of entity information on the basis of valid factors. While there could be a variety of factors that may be considered by audit teams in different SAIs. Some of the more widely used factors are:

- significance;
- risk to management;
- likely impact of audit;
- audit-ability.

Significance

3.35 The significance of an audit area should have regard to the magnitude of its impact on the project as a whole. It will depend on whether the activity is comparatively minor or whether shortcomings in the area concerned could flow on to other activities within the project.

3.36 Financial materiality is an aspect of significance. This factor is based on an assessment of the total value of government assets, annual expenditure and/or annual revenue of the auditable area. The more material an area is, the higher is its priority for selection as a line of enquiry. It is analogous to financial materiality in financial audit. However, significance in performance audit is a wider concept than financial materiality.

3.37 Significance will rate highly where the activity is considered to be of particular importance to the success of the project and where improvement would have a significant impact on the operations of the project. A low ranking in relation to ‘significance’ would be expected where the activity is of a routine nature and the impact of poor performance would be restricted to a small area or be likely to have minimal impact.

3.38 Visibility is another aspect of significance. It is more the external impact of the activity. It is related to the social, economic and environmental aspects of the activity and the importance of its operations to the government and the public. In considering this factor, some weight would be attached to the impact of an error or irregularity in this area of activity on the management’s accountability to the public. It would also have regard to the degree of interest shown by the legislature and public in that area of activity.
Risk to Management

3.39 The auditor should assess the risk that the management of the area to be audited is deficient in economy, efficiency and effectiveness.

3.40 Evidence of risk to good management includes:
- management inaction in response to identified weaknesses;
- adverse comment by the legislature or media;
- non-achievement of stated objectives;
- high staff turnover;
- significant under spending or overspending;
- sudden program expansion;
- overlapping or confused responsibility relationships.

3.41 A project’s activity that is complex to manage and operates in an uncertain environment is more likely to increase risk to management. Some possible indicators of high complexity and uncertainty are:
- highly decentralised operations with a multiplicity of interested parties;
- use of rapidly changing and sophisticated technology;
- a dynamic and competitive environment; and
- controversial social and political debate surrounding the issue.

Likely Impact of Audit

3.42 Of major importance in identifying the lines of enquiry is the added value expected from the audit. A preliminary estimate of the likely benefits from a particular line of enquiry should be made at the planning stage itself. If detailed audit enquiry into a particular area of the selected project is not likely to have any significant impact, then audit recommendations are unlikely to generate appropriate action. While considering this factor, the question that the audit team needs to answer is ‘is the audit likely to make a difference?’ If detailed audit in the concerned area of the project is not likely to make a difference, then there would perhaps be no justification in applying limited audit resources in that area at the expense of other areas of the project also demanding audit investigation.

3.43 The following list of possible impacts classifies benefits by reference to economy, efficiency, effectiveness, planning, control and management and accountability:

Economy
- introduction of charges where none were previously imposed, or revision of charges;
- reduction in costs through better contracting, bulk buying, etc.;
• reduction in costs through economies on usage of personnel or other resources;
• rationalisation of facilities.

Efficiency
• greater outputs from same inputs;
• remedying duplication of effort or lack of coordination.

Effectiveness
• better identification/justification of need;
• clarifying objectives and policies;
• introducing better sub-objectives and targets;
• better achievement of objectives by changing nature of outputs or improved targeting.

Improved Planning, Control and Management
• introduction of or improvements to management planning;
• clearer definitions of priorities and better-defined targets;
• better-targeted incentives;
• better control and management of human resources, assets, projects and resources;
• tighter controls against fraud;
• improved financial accounting systems;
• better financial management information;
• better computer security.

Improved Accountability
• improved external control and monitoring by the department/ministry;
• better and/or more accurate performance indicators;
• better comparison between similar organisations;
• clearer and more informative presentation of information.

3.44 The greater the opportunities for audit impact, higher the priority to be given to that area of the project.

Audit-ability

3.45 Audit-ability relates to the audit team’s ability to carry out the audit in accordance with professional standards. A variety of situations may arise that may cause auditors to decide not to audit a particular area of a selected project even though it is significant. In reaching such a decision, auditors may consider:
- the nature of the activity is inappropriate; for example, it may not be practical to attempt to audit the technical considerations of a research facility;
- it does not have or cannot acquire the required expertise;
- the area is undergoing significant and fundamental change;
- suitable criteria are not available to assess performance.

3.46 The significance, risk, likely impact of audit and audit-ability of an area activity will influence prioritising in identifying lines of enquiry. If an area of the project is ranked highly on all or most of these elements, it would be identified as a key area for detailed audit enquiry.

3.47 The factors that we have described above are the basis for a systematic approach to assisting the auditor in applying judgement in selecting audit projects. Using these factors when supported by valid information and data will help auditors in allocating scarce resources for the audit projects.

3.48 Having done this it is useful, to set out the approach the audit team will use.

**Determine the Audit Criteria**

3.49 Audit criteria are a key component of a performance audit. Audit criteria are assertions that the activity being audited is being managed in a way that will achieve the various performance objectives. The specific objectives to be tested are determined by the scope of the audit but may include the explicit objectives of the program and also those of efficiency, economy, safeguarding of assets, security, probity, compliance and financial regularity. If the audit criteria are not set, there will be no basis for comparison or measurement and consequently no basis for arriving at audit findings, conclusions and recommendations.

3.50 The word ‘criteria’ is the plural of ‘criterion’ which means a rule, a standard or a test by which something can be judged. Audit criteria, therefore, are a set of reasonable and attainable standards of performance against which the achievement of program objectives can be assessed. In other words, audit criteria reflect a normative or desirable model for the subject matter under review. They represent good practice, a reasonable and informed person’s expectation of ‘what should be’.

3.51 Examples of simple criteria are ‘government assets should be used only for authorised purposes’ or ‘ministry financial instructions should be complied with.’ Specifying the audit criteria will enable the auditor to construct an audit test program that will allow the auditor to find out if reasonable expectations are met.

3.52 The use of audit criteria is similar to the use of hypothesis testing in financial statement auditing. In performance auditing the hypothesis being tested is ‘that this criterion is being achieved by the activity’.

3.53 Relevant criteria arising from laws or regulations carry the force of law. Policies and procedures of the agency are, by definition, accepted by the agency. For example, in
an audit of teacher absenteeism, a criterion might be ‘teachers should attend school in accordance with their conditions of employment’.

3.54 The selection or development of audit criteria becomes more complex where there are no appropriate readily available criteria. Other externally sourced criteria such as professional standards, industry best-practice, expert opinion or available bench-marks may require the auditor to demonstrate that they are applicable to the activity being audited.

3.55 Sometimes criteria are not as relevant as they seem to be. If, for example, compliance with existing financial instructions will not ensure value for money, then testing to determine whether instructions have been complied with is neither reliable nor sufficient to form a conclusion that value for money is achieved.

3.56 Likewise if the government rules regarding what use of government assets is authorised are vague or non-existent, then the auditor must analyse the activity to develop a more relevant criterion.

3.57 In developing audit criteria, it is also important that they are organised in a logical manner so that the audit examination can be conducted as rationally and efficiently as possible.

3.58 In framing audit objectives as questions, the audit criteria are included in the question. For example ‘are teachers attending school in accordance with their conditions of employment?’ Audit procedures should then be developed to allow the auditor to answer this question with confidence.

The Characteristics of Functional Audit Criteria

3.59 The auditor should be satisfied that suitable criteria have been identified to enable the auditor to assess the activities subject to audit and to achieve the audit objectives. Some characteristics of suitable criteria are explained below. Ultimately, the relative importance of the characteristics of the audit criteria is a matter of professional judgement.

<table>
<thead>
<tr>
<th>ISSAI 3000, Appendix 2 identifies the following characteristics of suitable criteria:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reliability</td>
</tr>
<tr>
<td>• Objectivity</td>
</tr>
<tr>
<td>• Usefulness</td>
</tr>
</tbody>
</table>

The auditor may also consider the following characteristics for determining the suitability of criteria:

• Relevance | Unambiguous/Understandable |
Reliability
3.60 Reliable criteria result in consistent conclusions when used by another auditor in the same circumstances.

The criterion ‘goods and services are only procured after an objective competitive evaluation of the most likely possible suppliers’ is reliable if another auditor can determine that the statement is the benchmark against which the auditee should procure its goods and services.

Objectivity
3.61 Objective criteria are free from any bias on the part of the auditor or management.

3.62 The auditor should examine every audit criteria with a critical eye to make a judgement as to whether or not they have been developed independently. The criterion ‘goods and services are only procured after an objective competitive evaluation of the most likely possible suppliers’ is objective because it is based on a widely accepted business principle that applies to any purchases where a competitive marketplace exists.

Usefulness
3.63 Useful criteria result in findings and conclusions that meet users’ information needs.

The criterion ‘goods and services are only procured after an objective competitive evaluation of the most likely possible suppliers’ would not be useful if an audit was requested of the effectiveness of the auditee’s contract administration process and not its procurement process.

Comparability
3.64 Comparable criteria are consistent with those used in performance audits of other similar agencies or activities and with those used in previous performance audits within the agency.

The criterion ‘goods and services are only procured after an objective competitive evaluation of the most likely possible suppliers’ is promulgated by laws governing public entities. Therefore, it is considered to meet the comparability characteristic.

Completeness
3.65 Completeness refers to the development of all significant criteria appropriate to assessing performance in the circumstances. To ensure that criteria have been established for all significant aspects of performance within the scope of the audit, the auditor should go through each significant aspect of the activity and map it against each
aspect of the audit scope. For example, in an audit of the delivery of education in determining the audit scope the auditor may identify human resource management, effectiveness of teaching, suitability of school facilities and access to teaching materials as the significant aspects of the activity and the audit may be reviewing effectiveness, economy and probity. The auditor would first examine human resources management and decide if criteria were needed for effectiveness and then for economy and then for probity.

3.66 As far as effectiveness is concerned the audit criteria would revolve around the hiring of suitably qualified staff and having an appropriate number of staff. As well, consideration would be given to their ongoing training and development, performance review and management and perhaps disciplinary or remedial procedures for poor performance.

3.67 The auditor should go through each significant aspect one by one, to ensure that they have identified the necessary criteria for each aspect of the activity, for each performance element in the audit scope.

Acceptability

3.68 Acceptable criteria are those to which the audited agency, legislature, media and general public are generally agreeable. The most acceptable criteria are those which the agency has already endorsed. It is difficult for an agency to argue that its own internal policies and procedures do not have to be complied with.

3.69 Making a case for accepting audit criteria often starts with ‘basic truths’ and logically constructing criteria from there. For example:

Basic truth: government purchases should provide the best value-for-money to the government. While this basic truth cannot be argued, some auditees will interpret ‘value-for-money’ as ‘cheapest’ and the difference between these two terms may need to be explained to the auditee. The statement is not suitable as a criterion, however, because ‘best value for money’ is too vague and difficult to determine and cannot be used as a benchmark in this form.

3.70 In theory, the way to get best value is to collect bids or prices from all suppliers who can provide suitable goods or services. Contacting all possible suppliers is generally neither possible nor economic so this is not suitable as a criterion. An audit criterion needs to be practical and this theory should be modified so it provides an acceptable benchmark. The entity should canvass a sufficient number of appropriate suppliers to be reasonably sure that there are no suppliers who are going to be able to provide the goods or services at a greatly reduced cost.

3.71 A more useful audit criterion then becomes, ‘goods and services are only procured after an objective, competitive evaluation of the most likely possible suppliers’.
Relevance

3.72 Relevant criteria link the audit objectives with the activity objectives within the scope of the audit. If the auditor is developing a criterion to assess the effectiveness of an activity then it would not be relevant to include aspects of cost or economy, which would have their own criteria.

3.73 In an audit of electoral education, for example, a criterion that would consider effectiveness would be ‘all potential voters have ready access to material which will allow them to know their rights and responsibilities in the electoral process.’ It may be that for reasons of cost, many voters do not have this access, but inserting the phrase ‘where it is cost-effective to do so’ would change the nature of the criterion and make it less effective. It is far better to have a criterion relevant to effectiveness and another relevant to cost.

3.74 The criterion ‘goods and services are only procured after an objective competitive evaluation of the most likely possible suppliers’ is relevant because it indicates one thing that should be done to ensure that procurement achieves value for money or economy.

Unambiguous/Understandable

3.75 Unambiguous criteria are clearly stated and are not subject to significantly different interpretations. If a criterion can be interpreted in more than one way, then it is possible that management and audit will see the same criterion differently. It is also possible that the audit team member making findings against the criterion will see things differently to the audit manager, so the manager will not get the audit he or she expected.

After drafting, every criterion should be closely reviewed to ensure that it means one thing and one thing only.

3.76 The criterion ‘goods and services are only procured after an objective competitive evaluation of the most likely possible suppliers’ is relevant because it is not subject to interpretation. The phrases ‘an objective competitive evaluation’ and ‘possible suppliers’ can only mean one thing. The use of the phrase ‘most likely’ is less specific and is subject to a reasonableness test, ‘who could reasonably supply these goods or services?’ but an independent person would mostly come up with the same answer to this question. These characteristics should be considered together when identifying criteria and deciding on their suitability.

Figure 2, a Model of Government Performance Expectations, includes descriptions of various types of performance measures that could be used as a basis for criteria.
Sources of Audit Criteria

3.77 The audit team will need to identify or develop audit criteria that are valid for the nature of the activity under review. These may include quantitative and/or qualitative measures. To avoid the necessity of creating criteria from first principles for each audit, the audit team should investigate the following sources:

- laws and regulations;
- legislative or executive decisions;
- historical comparisons;
- professional standards;
- key performance indicators of the auditee;
- independent expert advice;
- new or established scientific knowledge;
- criteria used previously in similar audits;
- agencies carrying out similar activities; and
• performance standards used by the agency, or previous enquiries by the legislature;
• general management and subject matter literature;
• the internal policies and procedures of the organisation;
• government-wide policies and procedures;
• professional organisations and standard-setting bodies;
• criteria published by other SAIs.

3.78 These sources provide a basis for the development of suitable criteria for the audit, but may require interpretation and modification to ensure their relevance to the agency (see Figure 3 below). One source of criteria can be internationally accepted good practice processes.

3.79 Criteria must be realistic and take into account the context of the agency. However, if the agency has established its own performance criteria, the auditor should examine these critically to assess whether they are suitable for audit use. Appendix 4 provides a listing of common performance objectives for government agencies and is a
useful starting point for developing audit criteria for some performance audits. The multifaceted role of criteria is also discussed in this Appendix.

**Determine the High-Level Approach to Audit**

3.80 In determining the audit approach, it is important to identify probable types and sources of evidence and how the audit team will gather this information for the previously determined audit criteria. These can be identified before the more detailed work plan is developed. See Chapter 4 on how this is done. At this stage, the audit approach is a basic skeleton to inform SAI decision makers of the team’s proposed approach to the audit. Figure 4 below, provides an Example of an Audit Approach.

**Figure 4. Example of an Audit Approach**

<table>
<thead>
<tr>
<th>Line of Enquiry:</th>
<th>Evaluation of Options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Objective:</strong></td>
<td>To determine if the need for the project was properly established to ensure that desired results were achieved at an appropriate cost</td>
</tr>
<tr>
<td><strong>Criterion</strong></td>
<td><strong>Type(s) of evidence required</strong></td>
</tr>
<tr>
<td>1. A formal project needs definition should be carried out prior to commencement of the project</td>
<td>Documentary; testimonial; Physical</td>
</tr>
<tr>
<td>2. The project needs definition should be carried out and reviewed by persons technically qualified for the task.</td>
<td>Documentary; testimonial</td>
</tr>
<tr>
<td>3. The project needs should be stated in specific measurable terms</td>
<td>Documentary</td>
</tr>
<tr>
<td>4. Adequate funds should be allocated for this stage of the project management project</td>
<td>Documentary; testimonial; analytical</td>
</tr>
<tr>
<td>5. Decision making in the needs definition process should follow an objective, rational approach.</td>
<td>Documentary</td>
</tr>
</tbody>
</table>
Estimate Resources and Timing

3.81 The estimation of resources and timing of the audit will be a task for the audit manager, who should prepare a budget and schedule for the audit. The proposed audit timing and budget should be approved by the relevant senior management, which in many cases will be the head of the SAI.

3.82 Once the audit proposal (with a work plan) has been prepared, the audit manager will review these estimates to ensure that sufficient time and resources are allocated to the audit to address the issues identified and respond to each of the audit criteria.

Staffing the Audit

3.83 Audit management will decide which particular auditors will be assigned to an audit and will take into account such things as:

- capability and experience of individual staff members;
- special expertise requirements;
- development needs of staff; and
- staffing combinations e.g. placing experienced and inexperienced staff together.

3.84 If the experience or expertise requirements of the audit cannot be met by available SAI staff, consideration should be given to engaging experts to work with the audit team. (See the PASAI Human Resource Manual for guidance on the use of consultants and outsourcing)

Approve the Audit Proposal

3.85 Senior SAI management should be kept informed of and involved in the development of the audit proposal. However, it is also necessary for the audit team to seek head of SAI approval to proceed with the audit. This formal approval is necessary not just for internal SAI quality assurance but also as a basis for the head of SAI to inform an agency that they will be the subject of an audit and provide them with the high-level specifics of the audit.
4. EXECUTING THE PERFORMANCE AUDIT

Introduction

4.1 The main purpose of the audit is to execute the audit program by conducting the audit in an efficient and effective way in order to achieve the audit objectives and criteria and, at the end, producing a high-quality report.

4.2 Once a decision has been made to conduct a full audit, the auditor should develop a detailed audit program/plan to specify how the audit criteria should be tested and identify possible means of collecting appropriate evidence against each audit criterion. This includes developing sub-criteria or control objectives. The auditor then develops tests to confirm whether or not these sub-criteria or control objectives have been met. The auditor must ensure that for every sub-criteria or control objective there is least one audit test.

4.3 The audit objectives and criteria in the detailed audit plan will normally be tested by appropriate audit methods that include:

- observing, interviewing and questioning;
- documenting, testing and checking; and
- analysing data.

4.4 During the implementation of the audit the processes evolve gradually through interaction with the auditee and through developing an improved understanding of the way the activity is managed.

Auditee Liaison

4.5 Establishing a professional working relationship and careful management of communication with the auditee while maintaining audit independence, is an essential facet of an effective audit. To enhance the good relationship, this includes not only the correspondences and consultations between the auditee and the auditors but also maintaining their cooperation throughout the process is important. The correspondence includes the following.

Formal Advice of the Audit

4.6 It is in the interest of both the auditor and the auditee that the auditor sends a letter or memo to the auditee before the start of the audit field work. This documentation is important to avoid misunderstandings about the proposed audit. This letter is similar in some respects to the engagement letter in a financial audit and some SAIs use this terminology. Other SAIs do not use the term ‘engagement letter’ but often provide a ‘terms of reference’ or just a letter or memo setting out what the auditee needs to know.

4.7 The letter should explain the mandate under which the SAI is performing the audit and the obligation of the auditee under the relevant legislation to cooperate with the SAI and provide access to records and staff and the objective and scope of the audit. This
letter should also advise the auditee of what will happen at the end of the audit and the consultation process for the discussion papers and the draft report. It is also useful to emphasise the positive nature of the audit and that the SAI will be seeking to develop recommendations which will assist auditee management. An example of a letter providing formal advice of the commencement of a performance audit is provided in Figure 5 on page 58.

**Entrance Meeting/Entry Conference**

4.8 Upon approval of the audit program the audit manager arranges with the auditee for a formal meeting prior to the official commencement. This is to communicate relevant information contained in the program to management. The objectives of the entry meeting/entrance conference are to:

- enable the audit team to meet the key auditee staff;
- discuss the audit program i.e. identifying the audit objective, audit scope and the audit work to be performed (a copy of the audit program should be supplied for the auditee);
- establish suitable liaison arrangements both at the management and working levels including arrangements for continuous cooperation between the parties;
- ensure the auditee clearly understands the audit processes, including a description of access powers and the steps taken to safeguard the confidentiality of the information obtained and the audit issues before issuing the audit opinion;
- outline the auditee’s responsibilities, clarify any queries or misunderstandings the auditee may have and inform the auditee of the expected timeframes of the audit.

4.9 Depending on the nature of the audit, careful consideration needs to be given to the level of the SAI and agency representatives at the entry meeting/entrance conference. The entry meeting/entrance conference must be documented.
Figure 5. Example of Formal Advice of an Audit

Source: Office of the Public Auditor, Guam, 2009
Consultation during Audit

4.10 Throughout the audit, a continuous constructive process of interaction between the parties should be properly maintained. This is to ensure the success of achieving the audit objective. It is good practice that the audittee is provided with regular briefings on the progress on the audit. This allows for a number of benefits which include:

- enabling management or the responsible officers to comment on or clarify any arising incongruity during the audit;
- providing the management with the opportunity to place a different perspective on audit findings;
- drawing on management’s experience in assessing recommendations for improvement;
- advising management of issues requiring early corrective action.

4.11 Allowing an audit to be carried out in such a cooperative manner means there is a much greater possibility of suggestions for improvement being seriously considered by audittee management. It is important that the audit team members maintain an objective, independent and professional attitude. They should also exercise professional judgement.

Developing the Audit Test Program

4.12 Audit test programs (referred to here as test programs) are guidelines for action during the execution phase of the audit. Test programs set out the detailed audit procedures for cost effective collection of evidence.

4.13 Developing test programs for carrying out audits provides assurance that there is a key link between the audit objectives and the conduct of an audit. In this respect audit programs serve as:

- a guide for gathering competent, relevant, sufficient evidence during the execution phase of the audit in a cost effective way;
- a framework for assigning work amongst the members of the audit team;
- a means of transferring knowledge to junior staff; and
- a basis for documenting the work done and the exercise of due care.

4.14 Test programs need to be developed after obtaining an understanding of the entity, defining audit objectives and scope, establishing audit criteria, and deciding on the audit approach because these constitute the key inputs of an audit program. At the same time, the test program should be developed before proceeding to gather evidence so that the actual evidence gathering process is efficient and effective. However, it must be remembered that in real life all these stages are iterative. In other words, we may have to revisit and partially modify our audit objectives, scope and audit criteria while developing the test program in order to make our test program more focused. We may also have to revisit our test program after commencing the execution phase if, for example, it is found
that certain sources of evidence suggested in the test program turn out to be inappropriate.

**Audit Techniques**

4.15 This refers to methods/techniques used by the auditor to gather evidence. Examples include (among others) documentation review, interviews, questionnaires, data analysis and physical observation.

**Audit Procedures**

4.16 Audit procedures refer to the action steps to be taken to execute an audit technique, systematically and reasonably. Figure 6, is a case example of the development of audit procedures that may be carried out for the audit technique ‘document review’ against the criterion ‘a formal project needs-definition should be carried out prior to commencement of the project’:

**Figure 6. Example of an Audit Procedure**

<table>
<thead>
<tr>
<th><strong>Name of the project:</strong></th>
<th>Road rehabilitation and maintenance project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Line of enquiry:</strong></td>
<td>Evaluation of options</td>
</tr>
<tr>
<td><strong>Audit objective:</strong></td>
<td>To determine if the need for the project was properly established to ensure that the desired results were achieved at an appropriate cost.</td>
</tr>
<tr>
<td><strong>Criterion:</strong></td>
<td>A formal project needs-definition should be carried out prior to commencement of the project.</td>
</tr>
<tr>
<td><strong>Audit technique:</strong></td>
<td>Documentation review</td>
</tr>
<tr>
<td><strong>Audit procedures:</strong></td>
<td>1. Review the project needs-definition segment of the project appraisal report.</td>
</tr>
<tr>
<td></td>
<td>2. Obtain information to verify whether survey of users was conducted, traffic volume statistics were collected and anticipated growth in traffic determined.</td>
</tr>
<tr>
<td></td>
<td>3. If verification at Step 2 above is positive, determine whether the data was gathered and reported in a systematic manner supported by appropriate methods.</td>
</tr>
<tr>
<td></td>
<td>4. Conclude whether the criterion has been met</td>
</tr>
<tr>
<td></td>
<td>5. Note any exceptions.</td>
</tr>
</tbody>
</table>
**Detailed Test Program**

4.17 The detailed audit program should:

- establish a clear relationship between audit objectives, audit methodology, and the anticipated field work to be carried out;
- identify and document the procedures to be performed;
- provide a basis for more detailed audit planning once the audit team has started to collect and analyse information; and
- facilitate supervision and review.

4.18 As a minimum, the detailed audit plan should set out and specify:

- objectives and sub-objectives of the activity being audited; these should include the explicit objectives of the activity but also the universal implicit ones of economy, compliance, financial regularity etc unless they have been excluded from the scope of the audit.
- audit criteria to be applied to test whether the objectives are being met;
- the timeframe of the activity to be covered;
- procedures/techniques for collecting the evidence;
- the allocation and timing of tasks to be performed by audit team members; and
- other specific requirements as necessary.

Figure 7 below is one example of a detailed audit program while Appendix 6 includes another sample of a detailed audit program.

**Figure 7. Example of a Detailed Audit Program**

<table>
<thead>
<tr>
<th>Line of Enquiry: Project options should be evaluated against project objectives</th>
<th>Done By</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Criterion:</strong> A formal project needs-definition carried out prior to commencement of the project</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Audit Procedures:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Review the project needs definition segment of the project appraisal report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Obtain information to verify whether a survey of users was conducted, traffic volume statistics were collected and anticipated growth in traffic determined.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- If verification at step 2 above is positive, determine whether the data was gathered and reported in a systematic manner supported by appropriate methods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Conclude whether the criterion has been met</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Note any exceptions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.19 As the processes evolve gradually throughout the audit, the auditor must perform further revision of the detailed audit program to ensure the validity (methods should measure what they are intended to measure) and reliability (findings should remain consistent if studies are made repeatedly in the same environment) of methods to be used to collect and analyse data.

4.20 The level of detail will depend on a number of factors:

- the number of criteria to be tested;
- the complexity of the audit issues to be tested;
- the extent of the audit. For example, for audit carried out in different geographical locations, a detailed plan will be required to ensure consistency; and
- the level of the staff carrying out the audit. Where junior staff have responsibility for carrying out fieldwork, a more detailed plan would normally be appropriate.

4.21 In carrying out planned audit procedures, additional information not explicitly covered by the audit plan may come to light. In this case, the auditor should identify and highlight the issues discovered and consult with audit management to assess whether the audit program should be modified.

4.22 It is also important that auditors weigh the cost of obtaining information and the additional value of the information to the audit. The auditor is intent on gaining enough evidence to support an argument that the control objective is being met, or that it is not. He or she should be careful not to gather more information than is needed to support this argument because this would be a waste of expensive audit resources.

4.23 In the Figure 7 example, the test program may be:

‘Select a sample of ten purchases over the threshold amount from the general ledger for the twelve months to 30 June.

Obtain the documentation for each purchase from the accounts payable section.

Review the tender board minutes for each purchase to ensure that each one has been through the tendering process.’

4.24 Once an audit is underway, new issues may arise that require further reconsideration and revision of the initial audit plan and specified criteria. However, before adding new issues, the likely impact on the audit budget and timetable must be considered. As noted previously, if these additions involve an increase in the scope of the audit, then the auditee should be formally advised.

Fieldwork

4.25 The main steps in the fieldwork stage of the audit are:

- gathering and verifying audit evidence;
- analysing audit evidence; and
• preparing audit working papers.

Audit Evidence

The INTOSAI Auditing Standards Glossary defines Audit Evidence as ‘Information that forms the foundation which supports the auditor’s or SAI’s opinions, conclusions or reports.’

Standard of Evidence

4.26 The standards for performance audits require that the auditor retain a record of the work in working papers, have procedures for their preparation, and support the findings and conclusions in the report through evidence.

Audit procedures should be aimed at fulfilling the INTOSAI Field Standards 300, 0.3(d), which states: ‘Competent, relevant and reasonable evidence should be obtained to support the auditor’s judgement and conclusions regarding the organisation, program, activity or function under audit.’

Evidence should also be sufficient for the auditor to form an opinion.

Competency of Evidence

4.27 Evidence is competent (valid and reliable) if it actually represents what it purports to represent. The reliability of evidence can be ensured and assessed by considering that corroboration of evidence is a powerful technique for increasing reliability. This involves the auditor looking for different types of evidence from different sources:

• evidence sourced from outside the agency is normally viewed as more reliable for audit purposes than information generated within the agency;
• documentary evidence is usually considered to be more reliable than oral evidence;
• evidence generated through direct auditor observation or analysis is more reliable than indirectly obtained evidence;
• the reliability of agency-generated information will be a function of the reliability of the agency’s internal control systems and its reliability will need to be assessed if audit teams use it as a source of evidence;
• oral evidence that is corroborated in writing is more reliable than oral evidence alone; and
• original documents are more reliable than photocopies (if originals are reviewed the auditor should note the source of the original and the date copied). Photocopies of evidence regarded as being of significant importance to an audit should, whenever possible, be certified by relevant authorities, unless the auditor has sighted the original document.
Relevance of Evidence

4.28 Relevance requires that the evidence bear a clear and logical relationship to the audit objectives and to the criteria. As noted in the previous chapter, one approach to planning for data collection is to list, for each sub-criterion, the nature and location of evidence that is needed, as well as the audit procedure that is to be implemented.

Reasonable and Sufficient Evidence

4.29 Reasonable evidence is economical in that the cost of gathering it is commensurate with the result which the auditor or the SAI is trying to achieve. Sufficient evidence would be that amount of information needed for a knowledgeable person to understand and accept the auditor’s conclusions. Auditors should prepare and maintain audit documentation in the form of working papers. Working papers which record the work done in planning, conducting, and reporting on the audit should contain enough information to enable an experienced auditor, who has had no previous connection with the audit, to understand the evidence that supports the auditors’ judgments and conclusions. Audit managers should ensure that working papers provide persuasive support for findings, conclusions, and recommendations before the report on the audit is issued.

4.30 Auditing standards require that the auditor should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit report. Auditors need to continually ask themselves two questions. ‘Does this evidence relate to audit criterion being assessed?’ and ‘Do I have enough evidence to form a conclusion?’

4.31 The first of these questions is simple to answer and is a matter of logic and judgement. The second is more complex and requires the auditor to consider whether the evidence would persuade a reasonable person that the finding should be accepted. In deciding how much weight the ‘reasonable person’ would place on the evidence, the auditor must take account of the status of the document. For example, first hand evidence is better than hearsay evidence, documentary evidence is more convincing than oral evidence, final documents are more conclusive than draft documents. The other factor to consider is how much evidence will be needed to persuade stakeholders of the validity of the finding.

4.32 The factors that dictate the strength of evidence required to support an observation in performance auditing include:

- level of materiality or significance of the observation;
- degree of risk associated with coming to an incorrect conclusion;
- experience gained in previous audit examinations on the degree of reliability of the agency’s records and representations;
- known agency sensitivity to an issue; and

...
• cost of obtaining the evidence relative to the benefits in terms of supporting the observation.

4.33 Evidence gathered during a performance audit may be predominantly qualitative in nature and requires extensive use of professional judgement. Accordingly the auditor would ordinarily seek corroborating evidence from different sources or of a different nature in making assessments and forming conclusions.

4.34 When planning the audit, the auditor would identify the probable nature, sources and availability of audit evidence required. The auditor should consider such factors as the availability of other audit reports or studies and the cost of obtaining the audit evidence.

Characteristics of Performance Audit Evidence

4.35 In performance audit terms, audit evidence concerns the facts or information used:

• to conclude whether an agency’s management and employees have carried out appropriate actions to conform to operational principles, policies or standards for using resources effectively, efficiently and economically; and

• to demonstrate to a third party that the auditor’s findings are credible and defensible.

4.36 Auditors need to be aware of potential problems or weaknesses with performance audit evidence. Potential problems include:

• evidence is based on a single source (this may impact on reliability, validity and sufficiency);

• oral evidence is not supportable by documentation or observation (reliability);

• evidence is time-sensitive, i.e. outdated and does not reflect changes (relevance);

• evidence is too expensive to obtain relative to benefits (relevance and sufficiency);

• the source of evidence has a vested interest in outcome (reliability);

• samples collected are not representative (relevance, validity, sufficiency);

• evidence may be related to an isolated occurrence (validity, sufficiency);

• evidence is incomplete, i.e. does not demonstrate a cause or effect (reliability, sufficiency); and

• evidence is conflicting (reliability).

Types of Evidence

ISSAI 3000, 4.3 categorises evidence as to its type - physical, documentary, testimonial, or analytical.
Physical Evidence

4.37 Physical evidence is obtained through direct inspection or observation of people, property, or events. The evidence can take the form of photographs, charts, maps, graphs, physical samples, memoranda summarizing the matters inspected or observed, and other sources. A picture of an unsafe condition is far more compelling than a written description.

4.38 When the observation of a physical condition is critical to achieving the audit objectives it should be corroborated. This may be achieved by having two or more auditors make the observation, if possible accompanied by representatives of the agency.

Documentary Evidence

4.39 Documentary evidence in physical or electronic form is the most common form of audit evidence. It may be external or internal to the agency. External documentary evidence may include letters or memoranda received by the agency, suppliers’ invoices, leases, contracts, external and internal audits and other reports, and third-party confirmations. Internal documentary evidence originates within the audited agency. It includes items such as accounting records, copies of outgoing correspondence, job descriptions, plans, budgets, internal reports and memoranda, statistics summarising performance and internal policies and procedures.

4.40 The reliability and relevance of documentary evidence should be assessed in relation to the objectives of the audit. For example, the existence of a procedures manual is not evidence that the manual is put into practice. As with testimonial evidence, the position, knowledge and expertise of the author or approver of the document may need to be assessed.

4.41 Documents that are the output of management information and control systems (e.g. the accounting system) will need to be assessed in the light of the internal controls that operate within that system. Auditors who intend to rely on such evidence should assess the system’s internal controls.

Testimonial or Oral Evidence

4.42 Testimonial evidence is obtained through responses to enquiries, surveys, or interviews that can provide important leads, not always obtainable through other forms of audit work. They can be made by employees of the agency, beneficiaries and clients of the program being audited, experts and consultants contracted to provide corroborating evidence on an audit, and by members of the general public.

4.43 Corroboration of testimonial evidence is required if it is to be used as evidence rather than simply as background. This could be by:

- written confirmation by the interviewee;
- weight of multiple independent sources revealing the same facts; or
• checking records later.

4.44 In assessing the reliability and relevance of testimonial evidence the auditor needs to have regard to the credibility of the interviewee; that is, the position, knowledge, expertise and forthrightness of the person being interviewed.

Analytical Evidence

4.45 Analytical evidence is compiled by the audit staff from other types of evidence. It includes computations, comparisons, rational arguments, interpretations, and the separation of information into components. The quality of analytical evidence depends on the accuracy and reliability of the data used, the level of detail, and the logic applied in the audit.

Gathering Evidence

4.46 Collection of evidence takes place during both the preliminary study and examination phases of an audit. Work done in the preliminary study phase also constitutes part of the overall evidence. Auditors should:

• examine the characteristics of data required;
• collect data relevant to the achievement of the explicit audit objectives;
• collect data based on the audit criteria outlined in the audit work program of the audit plan;
• collect data which is sufficient and persuasive to logically support the analysis, observations, conclusions and recommendations; and
• apply the standard of evidence to build a successful case ‘on the balance of probabilities’.

**INTOSAI Performance Audit Guidelines, ISSAI 3000, 4.2**, states that ‘data, information, and knowledge are, broadly speaking, similar, linked concepts. Data is the primary tool. Data, which has been compiled, is transformed into information. Information, which is analysed and understood, will become knowledge. Both qualitative and quantitative data may be collected for different purposes during an audit, whether as part of the learning process, or in order to describe and analyse an outcome or a problem.’

4.47 Types and sources of evidence are discussed in the following paragraphs.

Surveys

4.48 Surveys are a useful method of obtaining insight into the auditee’s activities. They can be conducted over a number of different respondents or the whole population to
obtain a different perspective on the auditee. For example, the survey population can be from within the agency such as the staff members, the management level or outsiders such as the suppliers, clients and others who work directly with the auditee.

**Quantitative Analysis**

4.49 Where applicable, the entire population should be analysed. Where this is not feasible due to cost and time constraints, sampling techniques should be used. The auditor should ensure that the sample selected should be examined to decide the most appropriate sampling methodology. When using either a statistical or a non-statistical sampling approach, the auditor should select an appropriate audit sample, perform audit procedures on the sample and evaluate sample results so as to provide sufficient audit evidence.

**Sampling**

4.50 Case examination provides an opportunity for in-depth studies while focusing on assessing the efficiency of various services by analysing a sample of cases to obtain an understanding of the precise workings of an activity (See Figure 8).

**Figure 8. Example of Sampling**

| In the Fiji Islands Revenue and Customs Authority, the auditor may take a sample of income tax assessments to evaluate the response time of the department to letters received from taxpayers. Data would be tabulated to show dates on which letters were received and processed and the dates of replies. |

*Source: The Fiji Performance Audit Manual*

4.51 Auditors should be aware that sampling is a complex tool and they should ensure they select a valid sample. For those who have not had training in sampling techniques, the PASAI Financial Audit Manual provides information on these techniques.

**Policy Statements and Legislation**

4.52 Auditors should gather policy documents, operating guidelines, manuals, ministerial directives, delegations, etc., and examine the background leading to their development and distribution. Auditors should also consider changes to legislation and the document trail leading to the need for change, for example, submissions, press clippings, complaints, case histories and speeches.
Published Program Performance Data

4.53 Published agency budget statements may provide evidence on the objectives and performance of agencies. They include an agency overview and also provide financial and other performance information.

Interviews

4.54 Interviews can be useful, but it is necessary to identify the appropriate people to provide information, and to corroborate the oral information. Solid preparation for the topic is essential and a pre-prepared list of questions is useful. In some cases, it may be effective to supply this list to the interviewee beforehand.

File Examination

4.55 Information obtained from files provides strong evidence to support audit findings and recommendations. A listing of files should be obtained from agency registry systems. In addition, file information of relevance to a particular work area may be found in that work area. Audit interviews may also give hints on which files to seek and review. Files which may prove useful for review include those on:

- strategic and operational planning;
- management control;
- executive meeting minutes;
- complaints and disputes; and
- reviews and audits.

4.56 File examination is time-intensive, and it is usually not possible to examine all files. Judgement must be exercised whether to examine a random selection or a selection based on the purpose of the investigation. Usually the latter approach would be adopted but, if time permits, a random sample of other files should be examined.

Management Reports and Reviews

4.57 Agencies usually generate a number of internal reports or reviews summarising for senior management the issues at the time, or proposing courses for action. Auditors should locate and analyse such reports. Ways of identifying these reports include interviews and examination of minutes of management meetings.

Databases

4.58 Most agencies have some form of management information system that collects relevant information for the conduct of operations. These systems can be important sources of evidence, especially in quantifying relevant audit matters.
Internet

4.59 Many agencies have their own internet website and intranet and much information may be located there. It is also possible to find documents and reports relating to an agency on the internet by using a web search engine e.g. Google, and appropriate search terms. Auditors should always check the validity of documents found on the internet, unless they are sourced from the agency’s own website or its intranet.

External Sources

4.60 Larger agencies may have sophisticated, specialist libraries relevant to their areas of responsibility. Literature searching on relevant topics and key words can be particularly useful.

SAI Sources

4.61 Evidence collected in previous audits or through the SAI strategic planning process should be used if it is relevant.

Observation

4.62 The value of direct observation should not be overlooked. Observation of the general demeanour of staff can give information about pressure, morale, or lack of work which can then be followed up if thought appropriate.

4.63 However, careful consideration needs to be given to selecting activities or facilities to be physically inspected. These should be representative of the area under examination. Auditors should also be aware that people perform differently when they are being observed.

4.64 This type of evidence can be regarded as ‘soft’ unless corroborated. Photographs and video recordings increase the value of direct observation. Detailed description of the results of the observations in written form is recommended.

Analysing Evidence and Developing Findings and Recommendations

**ISSAI 3000, 4.5** details the importance of analysing data and drawing conclusions. It is necessary to review audit evidence throughout the entire audit process to ensure that it meets the standards of competency, relevance and sufficiency so that the assessment, made by the audit team against the audit criteria, is soundly based.

4.65 Instances where the auditee performance exceeds the expected performance (as inferred from the audit criteria) are good practice and such findings should be reported.
4.66 The process of analysing evidence, developing findings and producing recommendations to resolve identified areas of underperformance is set out in Figure 9, below.

4.67 The detailed evaluation of audit findings is generally completed during the preparation of discussion papers for distinct segments of the audit or near the conclusion of the fieldwork. However, some evaluation may extend into the reporting phase, as some findings may be challenged by the agency and further evidence needs to be obtained to substantiate the findings. It is at this stage that a final decision is to be reached on the findings and recommendations and be ready for reporting.

4.68 Once an audit finding has been identified, two complementary forms of assessment take place. These are the assessment of the significance of the finding and the determination of the causes of increased performance or of the lack of performance where performance is below the expected level.

Figure 9. The Process of Developing Recommendations

![Diagram of the process of developing recommendations]

Source: ISSAI 3000, 4.3

4.69 The comparison of observed conditions (what the auditor actually finds as a result of the review) against audit criteria results in audit findings. Audit findings are based on the identification of performance gaps such as where controls are deficient or ineffective in mitigating risks.

4.70 Audit findings have often been regarded as containing the elements of criteria, condition, effect and cause when problems are found. However the elements needed for
a finding depend entirely on the objectives of the audit. Thus a finding or set of finds is complete to the extent that the audit objectives are satisfied. The elements of a finding contain the following:

- **criteria** - standards against which the adequacy of performance is assessed. They represent a reasonable and informed person’s expectations of ‘what should be’. When they are compared with what actually exists, audit findings are generated. Failing to meet the criteria would indicate that improvements could be made. Where possible, it is a good idea to identify the nature of such improvements or even how they might be achieved;

- **condition** - what the auditor actually finds as a result of his review. It should be compared to the criteria to assess if the condition falls short of the criteria;

- **effect** - impact of the gap or result of an event i.e. the consequences of the condition falling short of the criteria. The effect of a finding may be quantifiable in many cases such as making an estimation of the cost of expensive processes, expensive inputs or unproductive facilities. Additionally, the effect of inefficient processes, for example, idle resources or poor management may become apparent in terms of time delays or wasted physical and other resources. Qualitative effects as evidenced by a lack of control, poor decisions or lack of concern for service to taxpayers may also be significant. The effect should demonstrate the need for corrective action. The effect can also have occurred in the past, be occurring now or possibly in the future.

To make a finding stand, be certain that, if the effect occurred in the past, the situation has not already been remedied to prevent it from recurring. If observed deviation from a criterion is of a minor nature, and is not likely to affect, in a substantive way, over-all performance on accountability, the auditor may decide to omit it from the audit report. Ideally, the report should contain only matters of significance and matters that are worthy of attention;

- **cause** - reason(s) for occurrence of the gap/event. Identifying the cause provides information on accountability relationships and provides the means to initiate improvements. Some causes may be of a nature, which are beyond the control of management such as natural calamities like floods or unanticipated realignment of currencies leading to some distortions in comparing actual with budget;

- **finding** - this may be presented in discussion papers for comment by auditee management. Auditee responses can then be documented and analysed. Where the agency disagrees with the audit findings and recommendations, the reasons for such disagreement should be fully analysed.

4.71 The auditor should identify the cause of a finding, as this will also form the basis for recommendations. The cause is that which, if changed, should prevent similar findings in the future. As mentioned, the cause may be outside the control of the entity under audit, in which case the recommendation should direct attention outside the agency. However the agency concerned should be provided with the relevant part of the report
for comment. Figure 10 provides one model of the process of formulating findings. Figure 11 provides a sample of a way to present the elements of a finding.

**Figure 10. Model of the Audit Analysis Process**

```
<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>What Could or Should Be</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAUSE</td>
<td>How did it get that way?</td>
</tr>
<tr>
<td>CONDITION</td>
<td>What is</td>
</tr>
<tr>
<td>EFFECT</td>
<td>So What</td>
</tr>
<tr>
<td>RECOMMENDATION</td>
<td>What could be done</td>
</tr>
</tbody>
</table>
```

Source: USGAO training materials.

**Figure 11. Case Example on the Elements of a Finding.**

### Project Need Identification

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Condition</th>
<th>Cause</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. The minimum Internal Rate of Return (IRR) on project should be at least 10%.</td>
<td>a. The feasibility study of the project was carried out resulting in an IRR of 12%. However, on the basis of actual costs, estimated IRR of road A and D were 6.3% and 5.7% respectively.</td>
<td>a. All relevant costs were not considered during investment evaluation.</td>
<td>a. Ineligible road works were selected for rehabilitation.</td>
</tr>
<tr>
<td>b. The decision making in the need definition process should be based on objective and rational approach.</td>
<td>b. Selection of projects is done on the basis of best judgement of Director General of Department of Roads. (DOR). Needs identification is not based on specific procedures.</td>
<td>b. The DOR does not maintain detailed information on roads to identify/ prioritize the projects.</td>
<td>b. More beneficial and essential road projects might not have been selected.</td>
</tr>
</tbody>
</table>
Audit Documentation and Developing Working Papers

4.72 This section describes working papers, the purposes they serve, and the standards they must meet. It describes the nature of evidence and explains how working papers are organised, prepared, and reviewed.

The *INTOSAI Field Auditing Standards 300, 5.5 and 5.6* state that:

‘Auditors should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit…’ and that:

Adequate documentation is important for several reasons. It will:

- confirm and support the auditor’s opinions and reports;
- increase the efficiency and effectiveness of the audit;
- serve as a source of information for preparing reports or answering any enquiries from the audited agency or from any other party;
- serve as evidence of the auditor’s compliance with auditing standards;
- facilitate planning and supervision;
- help the auditor’s professional development;
- help to ensure that delegated work has been satisfactorily performed; and
- provide evidence of work done for future reference.’

4.73 The auditor should also comply with the specific documentation requirements of the SAI.

4.74 In summary, thorough documentation is a vital aspect of maintaining a professionally acceptable level of auditing because:

- there must be an adequate and defensible basis for the audit opinions expressed in a report;
- it enables auditors to explain audit findings better to the legislature;
- it provides an effective link between successive audits; and
- it provides a basis for quality assurance reviews.

*Working Papers*

4.75 Working papers are a record of work that is done on an audit. They include the administrative materials maintained by the supervisor and/or auditor-in-charge and the evidence collected and developed by audit team members during the project. They may take the form of documents, interview notes, analyses, tapes, films, electronic records, and other materials.

4.76 As used here, the term *working papers* refers to each document or piece of evidence, the summaries and analyses of these documents, and also the body of compiled evidence.

*Purposes of Working Papers*

4.77 The three primary purposes of working papers are to support the information presented in the written report, especially the findings and recommendations, to help
audit team members and supervisors and/or auditors-in-charge manage the work of the project, and to allow others to review the audit’s quality.

4.78 As a management and supervisory tool, working papers:
- document progress towards achieving project objectives and showing the work done, data collected, and methods used;
- assist supervisors and/or auditors-in-charge in monitoring the work and ensuring that it is accurate and timely;
- assist in planning for and carrying out follow-up work;
- help audit team members organise the materials;
- facilitate report preparation.

4.79 As supporting evidence and to allow for the review of audit quality, working papers:
- demonstrate that the project was performed in accordance with the required standards;
- demonstrate that the findings and recommendations in a report are based on facts and are reasonably concluded from the evidence;
- provide evidence to defend the audit against criticism;
- maintain the credibility of the SAI.

Preparation of Working Papers
4.80 The preparation of working papers should be adequately planned and supervised to ensure that the purpose and scope of the work performed is sufficiently documented to support the findings, conclusions and recommendations presented in the audit report. Working papers should be systematically arranged and organised to facilitate their use and supervisory review. Working papers should therefore contain at least three sections: planning; execution; and reporting.

Because working papers represent the accumulation of physical, documentary, testimonial, and analytical evidence gathered or developed during the course of an audit, they become the foundation for report preparation and substantiation.

4.81 Working papers serve as the connecting link between the fieldwork and the audit report and should be sufficiently complete and detailed to provide an understanding of the audit. Thus they should contain the evidence accumulated in support of the opinions, conclusions and analysis supporting recommendations in the report.

4.82 Working papers organise and facilitate access to the evidential documentation and thus:
- assist in the planning and performance of the audit;
- facilitate effective management of individual audits and the total audit task;
- assist in the supervision and review of the audit work; and
- record evidence resulting from audit work performed to support the audit opinion.
4.83 Set out below are several broad characteristics that working papers should have.

**Completeness and Accuracy**

4.84 Working papers should be complete and accurate. They should provide proper support for findings, conclusions and recommendations, and demonstrate the nature and scope of the examination performed.

**Clarity and Conciseness**

4.85 Working papers should be clear and concise. Without supplementary oral explanations, anyone using the working papers should be able to understand their purpose, the nature and scope of the work done, and the conclusions reached. The working papers should also contain a summary, indexed and cross-referenced to relevant documents.

**Ease of Preparation**

4.86 Working papers should be easy to prepare. This may be achieved by using agency-produced schedules, pre-printed standard audit stationery and automatically-generated standard working paper formats using databases or word processors.

**Legibility and Neatness**

4.87 Working papers should be neat and legible. If they are not, their use in report preparation will be restricted and they may lose their value as audit evidence.

**Relevance**

4.88 The information contained in working papers should be restricted to matters which are materially important, pertinent, and useful to the objectives established for the audit.

**Organising of Working Papers**

4.89 Working papers should be organised and exhibit a consistent structure. This is facilitated by a logical and easy-to-follow index. The filing and indexing of working papers as they are prepared, promote an efficient cross-referencing system that can help avoid the continual restatement of information throughout the file.

4.90 All supporting documentation should be cross-referenced to related working papers, where necessary, and also to the audit plan. This provides for easy access to all information concerning the audit. It is also important to index and cross-reference the information held in media other than print, relating to the audit.
4.91 Audit managers should explore, where necessary, the use of databases, search facilities in word processing packages, or other software packages, as these can assist in information storage and retrieval.

Multiple Uses

4.92 A particular working paper may document work completed under several objectives or be used as evidence for more than one statement in the audit plan, findings and recommendations, or office draft. Even when the working paper has multiple uses, it is identified by a single, unique index code.

Working papers should contain:

- the objectives, scope, and methodology, including any sampling and other selection criteria used;
- the audit staff’s determination that certain standards do not apply, that an applicable standard was not followed, the reasons, and the known effect that not following the applicable standard had, or could have had, on the audit;
- documentation of the work performed to support significant conclusions and judgments; and
- evidence of supervisory review of the work performed.

4.93 Ideally, the organisation of working papers ties together all the work of executing an audit. An experienced audit staff, having no previous connection with the audit, should be able to understand what was done, why it was done, and how the findings and conclusions follow as logical consequences.

Working papers are indexed to the tasks in the work plan. Organizing the working papers in this manner makes them easy to access and understand.

Sequence

4.94 Figure 12 shows a possible organisation of working papers and some suggested index codes.

**Figure 12. Organisation of Working Papers**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Index Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports and Responses</td>
<td>A</td>
</tr>
<tr>
<td>Project Control Checklist</td>
<td>B</td>
</tr>
<tr>
<td>Statements of independence</td>
<td>C</td>
</tr>
<tr>
<td>Approved Audit Plan</td>
<td>D</td>
</tr>
<tr>
<td>Approved Work Plan/Budget</td>
<td>E</td>
</tr>
<tr>
<td>Organisation’s Background Information</td>
<td>F</td>
</tr>
</tbody>
</table>
Auditors may use other methods to index material to tasks in the work plan. (For example, some auditors may prefer to have an indexing system that keeps all interview notes together.) The only requirements are that the indexing system and the sequence of material be easy to use and to understand and that the auditor-in-charge and/or supervisor agree to this indexing plan during the planning phase of each audit.

Table of Contents

There should be a table of contents listing all documents that are collected or prepared for working papers. During the course of work, auditors may want to list each item as it is received or developed. This ‘master list’ can be used to create the table of contents for each group of working papers and, eventually, the ‘notes’ (end notes) in the report.

Indexing and Cross-Referencing

All pages in the working papers should be indexed, as should every piece of other evidence. Where a whole document is included in the working papers, the cover page of that document should be given an index number, rather than every page of the document. The indexing system should be in line with the table of contents and should allow convenient accessing of every piece of audit evidence.

Where there is a link between two pages of the working papers, say between the audit plan and an audit test or between a finding and the audit report, there should be a reference on both documents to the other document. This would allow a reader to go from an item included in the report directly to the finding that supports it, or from the finding directly to the report to ensure that the finding has been reported.

Security

During the course of an audit, the supervisor and/or auditor-in-charge and team members are responsible for the safe custody of working papers. These materials must be protected from theft or destruction and be accessible only to authorized persons. As a general rule, working papers should not be left at the auditee work site unless they can be
secured under lock. As needed, sensitive or confidential material may be placed in locked cabinets. To safeguard their data, the SAI should back up computer data regularly and arrange for secure storage of the electronic material.

Retention

4.100 The auditor should follow the required procedures in the SAI to maintain the confidentiality and safe custody of the working papers and the working papers should be retained by the SAI for a period sufficient to meet the needs of the legal and professional requirements of record retention.

Quality Assurance

4.101 The SAI maintains and documents the quality of working papers through supervisory reviews and independent verification of the indexed report draft. The purpose of these reviews is to ensure that all tasks in the work plan have been completed and provide sufficient evidence for the written report.

Drawing Conclusions

4.102 Based on the findings, the auditor determines the audit conclusions. These are made in relation to the audit objectives. Conclusions should be clearly stated and not implied. Tentative findings and conclusions should be tested against accumulated evidence. Once this is done they can be discussed with the agency to obtain valuable input and to validate both correctness and completeness.

4.103 Recommendations are drawn out, based on the findings and conclusions. Recommendations should be directed at eliminating or correcting the cause(s) of performance (condition) failing to meet criteria. The recommendations made by the SAI regarding performance audit should be argued in a logical manner. Recommendations should be targeted at the person/position with authority to take action and should be measurable and reasonably attainable. They should indicate broadly what issues might be examined by management when seeking solutions and should focus on the more significant issues requiring attention. The less significant issues should be referred to agency management for action.

4.104 Recommendations require careful review to ensure that they are realistic and add value. The recommendations should address the objectives of the performance audit i.e. economy, efficiency and effectiveness or accountability as appropriate.

4.105 A good test for the auditor is to consider how the recommendation would be followed up, how the implementation of the recommendation could be tested and what specific actions the agency can undertake to implement the recommendation.

4.106 It is also important to recognise that all recommendations will have some sort of cost impact and that management have competing priorities for their resources. Management will also often try to use audit recommendations to obtain further resources
from the government. The SAI should ensure that its recommendations do not drift into the area of government policy making, recommending that extra resources be applied to one policy area that must ultimately be at the expense of another. If the audit reveals that it would be beneficial to obtain extra resources, the recommendation should respect government budgeting processes and recommend that the auditee try to obtain increased funding through the relevant process. The auditee may use the audit report as support for this proposal.
5. REPORTING

Introduction

5.1 The audit report is arguably the most important component of the entire audit process. It has several purposes:

- identifying structures and processes that aren’t working as well as they could be and bringing them to the attention of stakeholders so they can initiate change;
- presenting a case for change to improve the administration and management of the area or activity being audited by;
  - presenting the findings of the audit work
  - setting out the auditor’s conclusions, based on the findings, about the performance of the audited activity or area in terms of the audit criteria and
  - making recommendations as to the form any change(s) should take
- providing assurance to stakeholders about those areas and activities that are being well managed, where these are reviewed in sufficient detail to make this assessment;
- reporting on those activities and procedures that represent good practice which may be usefully adopted by other areas of the entity;
- providing a basis for follow-up work either by the auditor or by the entity to review the implementation of recommendations, or alternative action taken by the auditee;
- providing evidence about the work done by the auditor and validating the allocation and use of scarce audit resources on the audit topic.

5.2 The main steps in the reporting stage are:

- the preparation of issues papers/discussion papers/draft management reports;
- the conduct of an exit interview with the entity(s);
- the preparation of the final report; and
- the tabling or public release of the audit report.

ISSAI 3000, 5.1 states: The auditors should prepare written audit reports. Given the amount of reporting required during an audit, the reporting process may be facilitated by the use of a continuous report-writing process.

5.3 Readers should also note the INTOSAI Auditing Standards that provide a map of the headings which should be included in an audit report. Auditors should also examine
the GAGAS requirements⁴ if those apply to their SAI. The PASAI Reporting Guidelines Manual should also be referred to for further details.

**Reporting Standards**

5.4 INTOSAI Reporting standards 400 and ISSAI 3000, 5 provide some guidance applicable to the drafting of performance audit reports.

**ISSAI 3000, 5.2** states: ‘The audit report should be reliable. The report should be informative and, if provided, have logical and clear recommendations that are linked to the audit objectives and the findings. The auditors should report the audit objectives, scope, methodology and sources used, as well as audit findings, conclusions, and recommendations. It should be easy to understand the purposes of the audit and interpret the results. The report should be complete, accurate, objective, convincing and as clear and concise as possible.’

5.5 The standards further note that the form and content of all audit reports are founded on the following general principles.

**INTOSAI Reporting Standards 400, 8** states that the form and content of audit reports to are founded upon the following general principles:

- **Title.** ‘The opinion or report should be preceded by a suitable title or heading, helping the reader to distinguish it from statements and information issued by others.’

- **Signature and date.** ‘The opinion or report should be properly signed. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor became aware up to that date.’

- **Objectives and scope.** ‘The opinion or report should include reference to the objectives and scope of the audit. This information establishes the purpose and boundaries of the audit.’

- **Completeness.** ‘Opinions should be appended to and published with the financial statements to which they relate, but performance reports may be free standing. The auditor’s opinions and reports should be presented as prepared by the auditor. In exercising its independence the SAI should be able to include whatever it sees fit, but it may acquire information from time to time which in the national interest cannot be freely disclosed. This can affect the completeness of the audit report. In this situation the auditor retains a responsibility for considering the need to make a report, possibly including confidential or sensitive material in a separate, unpublished report.’

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⁴ Government Auditing Standards, issued by the Comptroller General of the United States, United States Government Accountability Office.
**Addressee.** ‘The opinion or report should identify those to whom it is addressed, as required by the circumstances of the audit engagement and local regulations or practice. This may be unnecessary where formal procedures exist for its delivery.’

**Identification of subject matter.** ‘The opinion or report should identify the financial statements (in the case of regularity (financial) audits) or area (in the case of performance audits) to which it relates. This includes information such as the name of the audited agency, the date and period covered by the financial statements and the subject matter that has been audited.’

**Legal basis.** ‘Audit opinions and reports should identify the legislation or other authority providing for the audit.’

**Compliance with the standards.** ‘Audit opinions and reports should indicate the auditing standards or practices followed in conducting the audit, thus providing the reader with an assurance that the audit has been carried out in accordance with generally accepted procedures.’

**Timeliness.** ‘The audit opinion or report should be available promptly to be of greatest use to readers and users, particularly those who have to take necessary action.’

### Attributes of a Performance Audit Report

5.6 If it is to achieve its objectives a performance audit report must be objective, concise, timely and persuasive. Because its aim is to bring about improved procedures and structures, it must establish its credibility by accurately reflecting the audit findings, presenting logical conclusions and making meaningful, practical and relevant recommendations.

5.7 The presentation and structure of the report should make the target audience motivated to read it promptly, understand it easily, accept what it has to say and support or implement the recommendations.

**ISSAI 3000, 5.3** states: ‘Good performance audit reports add value to the stakeholders and meet the objectives set. They contribute to better knowledge and highlight improvements needed. They are reader-based and well structured, and the language is not ambiguous. Findings are presented objectively and fairly. There are separate presentations of findings and conclusions, and facts are presented and interpreted in neutral terms. Different perspectives and viewpoints are represented, all relevant findings, arguments and evidences are included, and the reports are constructive; i.e. positive conclusions are presented.’

### Objective

5.8 In order to be seen to be objective, when drafting a performance audit report, the auditor needs to present any relevant evidence that is opposed to his or her opinion, not just the evidence in favour of it. There is a temptation to only present the evidence which supports the auditor’s opinion and let the auditee management come up with evidence to
refute it. This is not objective and when such countering evidence is produced, the auditor and the audit report lose credibility because it appears as if the auditor has not done sufficient work to gather and analyse all evidence on which to base audit conclusions.

**Concise**

5.9 An audit is often the result of many hundreds of hours work and involves perhaps thousands of pages of working papers and audit evidence. The role of the author of the report is to distil this material into as concise a report as possible.

5.10 To this end the performance auditor must develop his or her writing skills. They need to be able to review their words and find a way to express their ideas in the shortest possible way, replacing long words with shorter ones, and reducing the number of sentences in an argument without detracting from that argument.

5.11 The auditor should also go through the report carefully and test every point to see if they are all necessary. This test is simple; if this point was left out would the report be less effective at meeting its objectives.

**Timely**

5.12 An audit report should be drafted as quickly as possible after the completion of the audit field work. The process should commence during the fieldwork and finishing it should be a matter of urgency once the auditor has gathered all the required information. There are two reasons for this.

5.13 The first presumes that the audit report is going to result in improvement in processes and structures and those improvements are going to enable the entity to achieve its objectives more efficiently or effectively, or manage its assets more securely or even ensure its compliance with legislation. The sooner those changes are brought into being, the better.

5.14 The second reason is that a delay in producing the audit report makes the auditor appear to be inefficient. Where delays occur, senior SAI management need to communicate the reasons for this to the agency. As part of maintaining relationships with the auditee, it is important that they are fully acquainted with the audit process including the time needed to analyse audit evidence and consider what it means.

5.15 Performance audit report sections should be drafted when findings are identified. Then refined throughout the audit process as further information becomes available and should be completed as soon as possible after the end of audit fieldwork.

**Persuasive**

5.16 Basically a performance audit report is making a case for change. No matter how compelling the findings of the audit, it is best to assume that decision-makers will start from a position of being opposed to change. An auditor who believes that having strong
findings and drawing valid conclusions are all that is required to have management accept and implement the recommendations may be surprised when management choose to attack the credibility of the findings and reject the recommendations. Even if the auditor has put forward a persuasive and convincing report, there is no guarantee that the recommendations will be accepted, although it does greatly increase the chances of a good result.

5.17 In order for a report to be persuasive the author of the report must consider the point of view of the audience for the report and what will persuade them to take appropriate action to address the findings.

5.18 To be persuasive there must be clearly defined and logical links from the audit evidence to the findings, the conclusions and recommendations. If this chain of links is broken at any point, then the reader can dismiss the argument from that point on. If, for example, the findings do not necessarily lead to the conclusions drawn by the auditor, then the reader may reject the conclusions and the recommendations, even if the recommendations actually solve the problems highlighted by the findings.

**Balanced Reporting**

5.19 Auditees appreciate it when the auditor makes positive statements in the audit report about those things that the entity appears to have done well. Many SAIs believe this is worthwhile as well. The problem with this is that audits are expected to add value, and when an auditor comes across something that seems to be working well, there is very little value to add to the individual agency but it can serve as a demonstration of good practice to other parts of the public service.

5.20 An auditor should not be influenced by the desire of the SAI or the auditee for positive comments to make statements that he or she has not gathered enough evidence to support. And where an auditor does feel it is possible to make a positive comment about some aspect of the management of an activity, this statement should be supported by evidence. In public administration it is rare to find that all aspects of an agency’s management of a particular activity or program is working well. Equally it is rare to find that all aspects need to be improved. Where auditors find areas of good practice they should acknowledge this positively while focussing attention on developing recommendations to strengthen areas requiring improvement.

**The Reporting Process**

*Write as You Go*

5.21 As noted above, the drafting of the audit report should begin as findings have been identified and confirmed. Very little is written that is not improved by further thought and review. The sooner the auditor’s initial analysis about a finding are recorded, the more time there is to consider and review his or her report writing before the audit report has to be finalised.
5.22 The other reason an auditor should start writing the audit report as soon as possible is that it is more effective to do so. Once the auditor starts to construct an argument, they may find they need more or different evidence to support their conclusions. It is more efficient and easier to do this if the audit team is still in the field.

5.23 By the time the field work of any section of the audit has been completed, the auditor should have drafted the relevant paragraphs for the audit report, even though the final structure of the report is not yet decided. By the time the bulk of the field work is completed the auditor should be starting to formulate an overall structure for the report.

**Organise the Content**

5.24 The detailed content of an audit report can be organised in a variety of ways and the auditor should look at different parameters to decide which will work best. If, for example, the audit was based on a small number of criteria and there is roughly the same amount of material in relation to each of them, then the criteria could each be a chapter. The conclusion for each chapter would be whether or not that particular criterion was met.

5.25 Developing an audit report from evidence collected during the course of the audit is an exercise in critical thinking. There are many ways to go about this task. Graphical representation such as a spider diagram of the links between findings, brainstorming with the audit team or even copying the organisation of a similar audit done by another SAI are all possibilities. What is important is that the audit manager goes through a clear methodology to work out an appropriate way of assembling the content of an audit report so that it is clear and compelling.

5.26 One approach to organising the content of the report is to reframe the audit objectives as questions that have to be answered. The questions should be able to be answered using the material you have collected in the audit.

5.27 For example, in an audit of a construction project that is being managed on behalf of the government by a contractor, one of the audit criteria is to determine if the contract is being managed economically. The audit has found that the contractor is inflating the price of all contract variations partly because government is in a weaker negotiating position because of the contract but also because the project does not have robust procedures for investigating and analysing the cost of the proposed variations. When reframing the ‘economy’ audit criterion, one of the questions may be ‘what procedures are in place to ensure that government gets best value for money on contract variations and are they adequate?’

5.28 Once you have identified all of the questions that need to be answered to achieve the audit objectives, then these questions may be organised into a logical outline that presents the material in the most convincing manner.

5.29 In some audits where there are some very significant issues and a range of less significant ones, it is useful to develop a structure that has the more significant issues
towards the front of the report. This is helpful to readers and increases the impact of the report. A senior stakeholder reading the executive summary may wish to read more detail on the significant issues and this will be more prominent and easier to find towards the front of the report.

5.30 In the audit report, the auditor is telling the story of the audit and of the findings of the audit. The content of the audit report should be arranged so that it flows logically from one section to the next. The task of the auditor is to identify the best features of the audit or the activity being audited to anchor the various chapters and so make this flow as smooth and logical as possible.

Structure the Report

5.31 In most cases an SAI will determine a report structure which will be used for all its performance audit reports. If no such structure exists then the auditor will have to decide how the report is to be structured. All reports of more than a few pages should be layered so that readers can find out what they want to know by choosing as much of the report as they need to. The sections which should be in every report are an executive summary, key findings and recommendations. Detailed findings and appendices with relevant source documents can be added. Figure 13, Structure of the Report, sets out the key features or sections of an audit report.

Figure 13. Structure of the Report

<table>
<thead>
<tr>
<th>Section</th>
<th>Target audience</th>
<th>Purpose</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media release/brochure</td>
<td>Media/members of the public/members of parliament.</td>
<td>Interest people in accessing and reading the report.</td>
<td>A brief overview of the thrust of the report. About 500 words at most.</td>
</tr>
<tr>
<td>Executive summary</td>
<td>Ministers and ministerial staff, CEOs and other senior management personnel removed from direct operational control.</td>
<td>Provide enough information to senior stakeholders so they can make a sound judgement on the extent they need to get involved.</td>
<td>A summary of the objectives of the audit, the overall conclusion drawn by the auditor and the main issues that arose from the audit. The size of the executive summary should take into account the time pressures of senior stakeholders.</td>
</tr>
<tr>
<td>Key findings and recommen</td>
<td>Managers responsible for responding to the audit report or</td>
<td>To allow stakeholders to see at a glance the basis for the audit recommendations and what those recommendations are. Also to give</td>
<td>Recommendations and the findings that support them. Recommendations.</td>
</tr>
</tbody>
</table>
Media Release
5.32 Some SAIs also issue media releases or brochures to accompany audit reports. While technically not a part of the report, they are drafted as part of the same process and provide a summary which is even more abbreviated than the executive summary. This is designed to get people interested in the report so that they are motivated to look at it more closely.

The Executive Summary
5.33 The importance of an efficient and effective executive summary cannot be overestimated. If the report is to make an impact with stakeholders who can direct that action be taken, then the executive summary must grab their attention and tell them everything they need to know to make a decision to involve themselves in the resolution of the audit.
findings. These high-level decision-makers do not have time to read information that they do not need to know. If they start to read an executive summary that does not quickly get to the point, then they may not develop an interest in the findings and recommendations at all and will leave its resolution to people at a lower level.

5.34 A section providing relevant information about the auditee and a description of the audit should also be prominent in the report, either as a separate section or in the first chapter of the report.

The Body of the Report

5.35 The body of the report should itself be structured so that it provides the reader with a full understanding of the audit and its results. It should include:

- introduction - a brief description of the activity being audited and the main details of the audit. This should also give the reader a description of the report, providing a map of the rest of the body of the report;
- about the audit - a full description of the audit, its scope, objectives, resources and timeframes. This places the findings and conclusions of the audit into context for the reader. Any limitations on the scope of the auditor’s work and the reasons for this should be described here. A scope limitation occurs, for example, when the auditor is unable to audit key organisational units or systems or to perform necessary audit procedures due to factors beyond the auditor’s control. The scope of the audit can also be limited by the inability to identify suitable criteria. The auditor would consider whether it is appropriate to comment in the report on the implications of the lack of suitable criteria for the activity being audited;
- overall conclusion - is the activity performing well and what evidence caused the auditor to draw this conclusion? This is drafted with the audit objective in mind;
- chapters outlining the detailed findings of the audit - each chapter should provide details of what would constitute good performance, what the audit found in sufficient detail to establish the credibility of the findings and the conclusions drawn by the auditor. Positive aspects of performance should also be reported. In the conclusion to each section or chapter of the report, any recommendations relating to the findings discussed should also be provided.

The Use of Visual Aids

5.36 Judicious use of visual aids such as graphs, charts, and maps as well as relevant and informative photographs make the report much easier to understand for people who respond better to a visual presentation. With visual aids it is important to ensure that they are unambiguous and immediately draw attention to the point the auditor is trying to make. Sometimes in a bid to be efficient, an auditor will prepare a visual aid which addresses several points. This may obscure the point for some people and for others may mean that they have to analyse the visual aid closely.
What is true for sentences is true for visual aids, there should only be one idea represented. Many of the reports of the US Government Accountability Office (GAO) make excellent use of visual aids and auditors looking for examples on how to use visual aids in an audit report should examine recent reports on the GAO’s website (www.gao.gov).

General Points about Using Graphs

5.37 Tables include the raw data gathered during the audit. Some auditors are not interested in a graphical presentation of data and may be inclined to put any graphs in appendices. However, auditors are not writing the report for themselves, and there will be readers for whom the graphs provide a better understanding of the audit. Put any graphs in the body of the report, because putting them in an appendix requires the reader to go searching for them and this may mean they won’t be read at all. However, the raw data should be included in tables included in appendices.

5.38 Consider how the graph will look in the final document. If the report may be reproduced, it will probably be printed in black and white. In this case, print the report and see how the graphs look in black and white. Graphs may become difficult to interpret if there is little difference between shades of grey.

Thinking about Special Charts

5.39 Sometimes special charts can help clarify or even reduce the amount of text needed to explain something. For example, often a process or flowchart can help the report reader to understand a process or procedure. A well-constructed flow chart can also highlight unnecessary, overlapping, or repetitive steps. Likewise, readers can visualise an organisation very quickly when the report includes an organisation chart. Readers can often understand organisational issues when they can see reporting relationships.

Including Maps

5.40 In some cases having an understanding of where something is happening may be important to understanding the report findings. If the auditor suspects that readers may not be familiar with the area under discussion, and if that is important to the report message, then appropriate maps should be included in the report text.

Photographs

5.41 Photographs are very good for ensuring that all readers get a clear understanding of a particular situation when explaining it in sufficient detail to provide this understanding would take hundreds of words. Photographs are also good for ‘before and after’ presentations. Auditors
should take care to ensure that the picture really shows what they want it to show.

5.42 For example, Photograph 1 is a simple photograph that was used in an audit report on solid waste management to show a new tool introduced to collect waste. The introduction of this special trash cart made the process more efficient. It was more effective to include a photo rather than try to describe the cart.

5.43 Photograph 2 demonstrates the use of composting to reduce waste. Although this can be easily described, the photograph creates more impact for the reader.

**Photograph 2. Composting to reduce waste**

![Composting to reduce waste](Image)

*Source: Office of the Auditor-General of Tuvalu, Solid Waste Management Performance Audit Report, 2010*

5.44 Sometimes it is possible to make a significant impact by providing a photograph to illustrate a problem as well. Photograph 3 illustrates the unauthorised use of a government motor vehicle on the weekend.
5.45 Appendix 8 provides more detailed guidance on including visual aids in the audit report.

Presenting the Report

5.46 Presenting the report is a staged process beginning with discussion papers provided to the auditee at a local level to clarify issues and ending with the final public report. The exit or closing interview is the first formal part of this process.

Discussion/Issues Papers

5.47 During an audit it can be useful to develop discussion papers (also sometimes referred to as issues papers) to raise potential issues that have been identified through the audit field work. A discussion paper may be prepared for internal use and/or for comment by the agency. These papers can be used to inform the more senior audit management of the possible findings of the audit and also to test the likely findings with auditee management.

5.48 Discussion papers can be used to:

- put the findings of the audit to auditee management for their comment;
- test that the auditor has a correct understanding of the program; and
• explore the findings and recommendations with the auditee management to obtain its preliminary response or reaction before proceeding to the more formal audit report stage.

5.49 It is often useful to give auditee management the opportunity to identify weaknesses in audit findings and supporting evidence or logic at this stage rather than waiting to the final audit report when it is more difficult to revisit the evidence.

5.50 It is important to remember, however, that auditee management may have a vested interest in influencing the audit report so any particular component of the audit should be basically complete before raising significant issues with them. When auditee managers are aware of the thrust of the audit findings, particularly if they are highly protective of the image of the area or program, it is not unusual for documents to become hard to find or files to go missing temporarily and for staff to be unavailable to talk to.

5.51 Discussion papers bring together findings and conclusions for a specific segment or area of the audit. They must be clear, concise, simple and above all, logical. They should include sufficient information to describe adequately the issues and why they are being considered as significant audit findings. When writing a discussion paper it is important to keep the final report in mind. It is desirable that these papers be in the same logical structure as will be used in the development of the exit conference discussion paper.

5.52 It is important to ensure that there is enough detailed evidence in the discussion paper to support the conclusions. If there is not, then management will be justified in rejecting the issues raised and this will automatically damage the credibility of the final report in the eyes of that management.

5.53 Most of the ‘tips for writing effective reports’ in Chapter 6 also apply to the drafting of discussion papers although such papers need not be formatted in the same manner. Also, because they are operational documents that are meant to be read in full by the addressee and the issues raised may be subject to significant change, they should not have an executive summary.

5.54 Suggestions for improvement may be included if thought appropriate. This may lead to early implementation of SAI recommendations with an immediate effect on improving public administration. If this does happen the remedial action taken by the auditee should be acknowledged in the final audit report.

5.55 Discussion papers may improve communication between the audit team and the auditee management. They serve to confirm facts with the agency and to progress the development of audit findings and recommendations.

5.56 When presenting an agency with a discussion paper, it needs to be made clear that it is only a draft for comment and to facilitate discussion. It is not uncommon for agencies to overreact to a discussion paper. Some will treat the discussion paper as they would a formal proposed report. Others will regard it as an opportunity to get advance warning of audit findings so they may develop a strategy to counter the audit report. Close liaison with the agency on the purpose of the discussion paper, together with an appropriate
introduction, should enable the agency to provide a response appropriate to that stage of the report production.

Exit Conference/Interview

5.57 The exit meeting, conference or interview is a part of the reporting process. Although discussion papers may have been issued to the auditee through the course of the audit, the exit meeting is the first occasion where auditee management have the opportunity to discuss the whole report with SAI senior management and the audit team.

5.58 The purpose of the exit conference/interview is to:

- present an exit conference/interview discussion paper;
- communicate the audit in a positive light and explain the advantages to the agency;
- discuss the audit findings, conclusions and recommendations with agency management and obtain management comment on them;
- draw on management’s experience in the assessment of recommendations for improvement; and
- afford the agency the opportunity to correct misunderstandings and question the audit conclusions and findings.

5.59 Prior to the meeting, the auditee should be provided with a copy of the discussion/issues paper or the draft report. The auditor should provide the auditee sufficient time to review the findings of the audit and confirm them or provide additional evidence to dispute them. Many jurisdictions require the SAI to include the auditee’s comments in full in the final report. It is therefore in the interests of the SAI that the auditee be given every chance to review and analyse the findings before they reach the final report stage and to have an open and frank discussion with SAI management on areas that may be in dispute.

From Draft to Final

5.60 After the exit conference the SAI will prepare the final report taking into account the agency responses. The oral and written responses elicited from the agency by the exit conference discussion paper should be sufficient to complete the preparation of the proposed report.

5.61 In some jurisdictions a timeframe for the auditee to comment on the draft report may be included in legislation and in others there may be no requirement for the SAI to allow any set amount of time. The SAI should always give the auditee an appropriate amount of time to comment on the draft report before issuing a final report.

5.62 It is important that the auditor pay careful attention to the responses the auditee has provided to the draft report. If the auditee has dismissed some of the findings or disagreed with the conclusions the auditor needs to review the reasons for this. It just
may be that despite all of the careful preparation and attention paid to the audit work, the auditor has got it wrong. After all that work the auditor will be strongly wedded to his or her findings and conclusions, and needs to try and set aside this belief and consider them independently in the light of any new information provided by the auditee.

5.63 It may be a requirement of legislation or procedure that the auditee’s response be included in the final report. Even if this is not the case the SAI should give consideration to including them to provide balance in the report.

Review

5.64 Because of the potential for the auditor to be convinced of the correctness of their own work, before the final report is issued, the auditor’s supervisor should review the final report against the comments provided by the auditee in response to the draft report.

Cross-referencing to Working Papers

5.65 It is important that after production of the final report, a master copy of the report is thoroughly cross-referenced to the working papers so that if the report is questioned it is easy for the auditor to quickly find the relevant supporting evidence and analysis.

Natural Justice Considerations

5.66 Where an audit report names specific persons or organisations, procedural fairness requires that comments be sought from those parties whose reputations or interests may be adversely affected by the report. Only relevant parts of the report should be provided to such people and they should be given adequate notice and opportunity to respond to the material in the report.

Distribution of the Final Report

ISSAI 3000, 5.4 states: ‘Comprehensive reports and wide distribution of every report are keys to the credibility of the audit function. If possible, each performance audit should be published in a separate report.’

5.67 Some SAIs will have dedicated publications areas which handle everything about the publishing of the report. Others will have a less structured process because they produce far fewer reports. It is important that the auditor be aware of what they will have to do to get the report published once it has been finalised. If the report is to be printed professionally, for example, the printer may need some amount of notice to be ready for the print run. Or if a report has to be translated into other languages, this must be organised in advance.
5.68 Before the report is finished the auditor should research the current procedure in the SAI for publishing the audit report and make sure that all preparatory work is done.

**Fraud**

5.69 If a performance auditor identifies practices during the course of their work which may be indicative of criminal activity or fraud, they should immediately raise the matter with senior audit management. Fraud is a sensitive matter and the SAI will generally have a procedure to be followed when audit work indicates that fraud may have occurred.

5.70 Even if the SAI has no specified procedures for dealing with a possible fraud, the auditor should do nothing which may jeopardise a possible investigation, and raise the matter immediately with their supervisor.
6. QUALITY ASSURANCE

Introduction

6.1 The SAI should implement quality assurance/control policies and procedures. Quality assurance refers to policies, systems and procedures established by SAIs to maintain a high standard of audit activity. Quality control refers to the requirements applicable to the day-to-day management of audit assignments. The PASA Quality Assurance Manual should be referred to for any further details.

QA Standards

INTOSAI General Auditing Standards 200, 1.28 states that: ‘...it is desirable for SAIs to establish their own quality assurance arrangements. That is, planning, conduct and reporting in relation to a sample of audits may be reviewed in depth by suitably qualified SAI personnel not involved in those audits...’

6.2 As part of the SAI’s legal and professional obligations it must establish and support adequate systems of quality assurance. The systems comprise an organisational structure, policies and procedures designed to provide the SAI with adequate assurance that the work undertaken within the SAI meets professional requirements and standards.

6.3 A system of quality assurance should provide:

- indicators for recruitment and promotion;
- guidance for assignment of administrative and technical aspects of quality control to appropriate staff;
- a basis for communication of quality control policies, procedures and outcomes to all relevant staff; and
- adequate monitoring and review of the quality assurance systems.

6.4 Quality assurance mechanisms include:

- planning reviews - the planning of selected tasks may be reviewed by SAI management independent of the task to ensure adequate consideration has been given to all matters considered essential for the successful completion of the task at the planning stage;
- on-going review - the work on all tasks would be subject to continual review by supervisors and task managers. This review is essential to maintaining the quality of audit tasks and providing staff development through feedback and on-the-job training;
- task reviews - all completed tasks should be reviewed prior to signing any reports required as a result of the audit; and
• annual review program - a well-defined, independent review process of a sample of completed tasks to inform SAI management of any weakness in current methodology and practices of the SAI.

6.5 Planning and task reviews should generally focus on high risk or complex audit tasks. These reviews give added assurance that those tasks have addressed all key areas of the audit prior to signing the report.

Quality Assurance Review Program

6.6 A quality assurance review program is a series of independent peer reviews of activities undertaken within the SAI that assess the overall quality of the work performed. The results of the program should be reported to the SAI management at least annually. A quality assurance review may examine adherence to policy and procedures and identify areas where there is any scope for improvements in these policies and procedures, or it may assess the quality of work performed to meet specified objectives.

6.7 Quality assurance reviews will generally address both adherence to specified processes and the quality of the work performed on a selected task or group of tasks and may include an annual program of task reviews and ad-hoc reviews of any task undertaken at any time.

6.8 Tasks selected by SAI management should, as far as possible, be representative of the nature of all tasks undertaken by the SAI. The reviews would include a selection of high risk, large and complex tasks and some smaller and less complex tasks.

6.9 The report on the quality assurance review program should summarise the results of all the reviews including the tasks selected (number and type), the findings and any recommendations. The report should not focus on individual audits but be a summary of those findings identified during the review program.

6.10 Quality assurance reviews are generally undertaken using a questionnaire to ensure consistency across the reviewing teams but the approach would allow for the qualitative characteristics of audits to be assessed.

6.11 The quality of performance audits should be assessed against the relevant auditing standards. In short, the quality assurance review process reports whether there is sufficient, appropriate evidence to support the audit report.

6.12 Review team members will be selected by the SAI management on the basis of their knowledge and experience and should generally be at the audit manager level. The team members must be independent of the work they review.

6.13 The quality assurance review reports, in addition to identifying weaknesses in current methodology and practices, should accentuate positive findings and identify improved practices that may be introduced as office-wide best practice.

6.14 It is the responsibility of all audit managers to address the findings of the quality assurance reviews of their tasks. SAI management should be responsible for ensuring that
problems noted or recommendations made for improvements are adopted in appropriate changes to SAI methodology and practices.

Quality Control

6.15 Quality control procedures should be designed to ensure that all audits are conducted in accordance with relevant auditing standards. The objectives of quality control procedures should incorporate:

• professional competence;
• professional independence;
• supervision and assignment of personnel to engagements;
• guidance and assistance;
• auditee evaluation; and
• allocation of administrative and technical responsibilities.

6.16 The SAI’s general quality control policies and procedures should be communicated to its personnel in a manner that provides reasonable assurance that the policies and procedures are understood and implemented. Quality control requires a clear understanding of where responsibility lies for particular decisions. It is the responsibility of everyone involved in the audit to fully identify and understand his or her responsibilities.

6.17 The audit manager is responsible for the day-to-day management of the audit, including detailed planning, execution of the audit, supervision of staff, reporting to SAI management and overseeing preparation of the audit report. These aspects are covered in more detail below.

Planning the Audit

6.18 This includes establishing milestones, allocating resources (including the use of consultants), preparing timelines and generally, the use of project management principles as discussed above. The audit manager needs to take into account factors such as quality, resources and timing in planning the audit.

Budgeting and Monitoring

6.19 Audit plans/programs should contain a financial budget and a timetable for completion of the audit. The budget should consist of allocations for salaries, travel, consultants and any other direct costs that may be associated with the audit. The timetable should be formulated for the purpose of meeting the agreed date for completion of the audit report.
6.20 The budget and timetable should be documented in the working papers. Progress against these targets should be monitored and recorded. The audit manager and SAI management are responsible for ensuring the audit is completed within budget and on time and they should identify potential risks and develop contingency plans to minimise the impact on the audit. These contingency plans could include amending the scope and focus of the audit, swapping resources between sub-allocations within the budget, identifying cost-neutral solutions, or extending the budget where a case for the extension can be justified.

Using Consultants

6.21 The audit manager should ensure that staff with appropriate skills are selected for each audit. It is up to the SAI management to judge, in the particular circumstances, to what extent the SAI’s requirements are best met by in-house expertise or employment of outside experts. If the SAI, in the performance of its functions, seeks advice from external experts, the standards for exercise of due care and confidentiality of information will apply to such arrangements. Refer to the PASAI Human Resource Manual for further details.

6.22 Before a final decision is made to engage a consultant to assist with an audit, the agency being audited should be given the opportunity to advise whether, in its opinion, an actual or potential conflict of interest could exist in the event the consultant is engaged by the SAI. It is ultimately a decision of the SAI whether or not to engage a consultant to assist in the conduct of an audit, taking into account the views of the agency and of the consultant.

Executing the Audit

6.23 To ensure the smooth and efficient conduct of the audit, the audit manager will need to be aware of risks to the timely audit completion, such as lack of familiarity with the audit subject, lack of audit resources, changes occurring to the audited area, and lack of reliable agency data. The audit manager should also ensure audit work is relevant to the objectives and scope of the audit.

6.24 The audit manager is also responsible for identifying issues of importance. Where these issues are outside the original objectives and scope of the audit or have an impact on the team’s ability to complete the audit on time and within budget, the audit manager should identify options for dealing with these issues. These options include, but are not limited to:

- adjusting the scope and focus of the audit to take into account a revised outcome while remaining within budget and on time;

- identifying an important issue as forming the basis of a new audit to be conducted later; or
• preparing a case for extending the audit resources or completion date to cover the newly identified issue.

6.25 The audit manager is further responsible for ensuring that:

• the work performed and the results obtained have been adequately documented;
• no significant matters remain unresolved;
• there is adequate evidence to support findings;
• conclusions expressed are consistent with the results of the work performed; and
• the objectives of the audit have been achieved.

6.26 The audit manager is responsible for conducting regular discussions with agency management concerning the audit findings and clarification of issues arising during the audit.

6.27 The audit manager is responsible for supervising the preparation of discussion papers and draft report segments, management letters and the final report.

_Supervising_

6.28 The audit manager, in conjunction with SAI management, is responsible for the guidance, training and supervision of the audit team members.

6.29 The audit manager, in conjunction with SAI management, is responsible for overall quality control within the audit and should ensure that audit work is reviewed regularly and the results of the review are adequately documented. This review should specifically ensure that there is sufficient evidence to support the findings and recommendations. The reviewer should also provide feedback to the persons responsible for the audit work.

_Reporting Progress_

6.30 The audit manager should prepare regular reports to SAI management on the progress of the audit, with recommendations for corrective action should the audit not be progressing in accordance with the plan.

6.31 For the more complex audits the SAI may consider appointing a steering committee to guide the audit team and to monitor the progress of the audit.
APPENDICES
APPENDIX 1 - POTENTIAL IMPACTS OF PERFORMANCE AUDITING

The material in this Appendix is from the ASOSAI Guidelines on Performance Auditing and provides a useful introduction to the sort of benefits that may be gained through effective performance auditing.

Economy
- reduction in costs through better contracting, bulk buying, etc;
- reduction in costs through economies on usage of personnel or other resources;
- introduction of charges where none were previously imposed, or revision of charges;
- rationalisation of facilities.

Efficiency
- greater outputs from same inputs;
- remedying duplication of effort or lack of coordination.

Effectiveness
- better identification/justification of need;
- clarifying objectives and policies;
- introducing better sub-objectives and targets;
- better achievement of objectives by changing the nature of outputs or improved targeting;
- improved quality of service
  - shorter waiting lists;
  - reduced response times;
  - fairer distribution of benefits;
  - better access to information;
  - wider range of services and greater choice;
  - helping the public, clients, industry, etc;
  - improved equity in access to programs.

Improved Planning, Control and Management
- introduction/improvements to corporate planning;
- clearer definitions of priorities and better-defined targets;
- better targeted incentives;
- better control and management of human resources, assets, projects and resources;
- tighter controls against fraud;

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5 Fifth ASOSAI Research Project – Performance Auditing Guidelines. October 2000 Appendix B
• improved financial accounting systems;
• better financial management information;
• better computer security.

**Improved Accountability**

• improved visibility of procedures and outputs;
• improved accountability for expenditure to the legislature and to the public sector;
• improved forms of account, including commercial formats;
• improved external control and monitoring by departments;
• better and/or more accurate performance indicators;
• better comparison between similar agencies;
• greater information on sectoral performance; and clearer and more informative presentation.
APPENDIX 2 - FOLLOW-UP PROCESSES

The primary objective of the SAI’s work is to improve public administration. To achieve this, auditees need to be motivated to implement those audit recommendations that they do accept, and where they reject recommendations, to take action to solve the issues raised by the audit findings. Follow-up audit reports are one way of doing this.

Rationale for Follow-up Audits

Generally speaking, the fact that an audit has been completed means that the overall risk of that area or activity has been reduced. The attention of stakeholders has been drawn to issues which need to be addressed and management may have even accepted the audit recommendations and agreed to implement them. This means the strategic planning process discussed in Chapter 2 is more likely to allocate scarce audit resources to areas that have not been previously audited or have undergone significant change since they were last audited.

For the purposes of understanding how resources can be allocated to undertaking follow-up audits or other activity, these should be thought of as extensions of the original audit. They are done to ensure that the original audit is as effective as it could be. Also the fact that a SAI follows-up some of its audits means that in implementing recommendations auditees must bear in mind the fact that the SAI could return to see how well this has been done.

Occasionally the problems found in an audit are so significant that they raise the level of risk associated with an area or program and the SAI will follow-up the audit because the identified risks are more important than any other audit that could be scheduled. This may be true of audits of major defence, social security or health programs where the annual expenditure on a program may represent a sizable portion of government expenditure or the objectives of the program are of national importance.

At the time of concluding the original audit the auditee should be advised of the possibility that the SAI will follow-up the audit at some point in the future and that the audit will specifically target, amongst other things, the implementation of the accepted recommendations.

Follow-up audits can ensure that parliament and other stakeholders know that improvements are being made. Follow-up can also provide SAIs with an opportunity to assess the impact of their audit.

Objectives of Follow-up Activity

Follow-up activity should be directed to encouraging the implementation of recommendations, rather than finding examples of lack of action. The auditor should
focus on the correction of previously identified weaknesses. By the same token if management has taken little action to implement agreed recommendations then this is a matter for concern and should be reported.

Follow-up processes will provide feedback to the SAI and the government on performance audit effectiveness in producing improvements in public sector management. They will be especially useful in showing SAI effectiveness in those cases where recommendations were rejected by the agency at the time of the initial report but subsequently implemented. Such self-evaluation also adds to SAI credibility.

**Types of Follow-up Activity**

The three main types of performance audit follow-up activity are:

- keeping abreast of agency activity;
- more detailed review of agency activity, perhaps involving meetings with the agency. This is sometimes referred to as a desk review because it does not involve extensive fieldwork. This type of activity may be undertaken if the subject is particularly topical, sensitive or high-risk but only a short time has elapsed since the original audit; and
- a follow-up audit which involves fieldwork and the tabling of a report. It could be expected that no more than one follow-up audit would be conducted in a three-year period.

Depending on the results of the follow-up activity mentioned above, it may be decided that a full follow-up audit is not required. As with any audit, an audit plan should be prepared and the investment in a full follow-up audit would need to be justified.

**Planning for Follow-up Activity**

In many cases a decision will be made not to undertake any follow-up activity. Reasons for this may include that the audit was small or identified very few problems with the management of the activity.

As part of the initial audit process, auditors should make recommendations as to the nature, extent and timing of any follow-up activity so that this can be taken into account in future strategic planning. The auditor who has done the initial audit is best placed to inform the future planning process on the likelihood of a follow-up audit being a worthwhile use of the SAI’s resources. The auditor should document reasons for recommending a particular course of action in terms of follow-up activity.

**Assessing the Progress of the Recommendations**

Various sources of information are available to assist SAI staff to follow up on recommendations made. A useful start to any follow-up work is to write to the agency and ask for an assessment of the status of the implementation of each recommendation. The
response then provides a basis which can be used to decide what audit work needs to be done. For those recommendations which are reported as ‘implemented’ or ‘in progress’, the auditor can assess the extent to which this is true. For those recommendations which have been rejected or for which no implementation activity has commenced, the auditor can review the factors which allowed the original audit to report the findings that led to the recommendations. In other words the auditor should find out whether the conditions which first led to the recommendations still exist to see if the recommendations are still valid.

Results from the follow-up of audit recommendations should be recorded according to a ‘status of action’ category that best describes the actions taken. The reasons for the lack of action or non-completion of action on any recommendations should be documented and further action considered on significant recommendations that have not been acted upon. Where there are mitigating circumstances for the lack of action on a recommendation, for example lack of funding, these should be reported in the follow-up report.

Aside from providing impetus for the implementation of the recommendations, assessing the action taken on SAI findings and recommendations and also assessing the impact of the audit will help to measure the effectiveness of SAI performance audits. Impacts include examples of improved economy, efficiency, effectiveness, quality of service, planning, control and management, and accountability. Where possible the impact from performance audits should be analysed and recorded.

In identifying impacts, the costs of implementing the recommendations may also be assessed, to determine the ‘net’ benefits of the audit. These assessed benefits should be validated with the agency wherever possible. Isolating the impact of an audit report in the context of significant other changes can be very difficult and the key factor is ultimately whether the audit recommendations have been implemented. This may be the only measurable indicator of impact.

Auditors should also regard follow-up activity as an information gathering exercise, using the opportunity to add to the SAI body of knowledge about the auditee in general and the activity being reviewed as well as associated activities. This information should be fed into the strategic planning processes for performance and financial statement audits.

**Reporting Follow-Up Audits**

Deficiencies and improvements identified in the follow-up of audits should be reported to the legislature. Reporting options include a stand-alone report or portfolio report which may report on the findings of a number of follow-up audits as well as other small audits which may not individually warrant the publication of a report themselves.

Follow-up reports should follow reporting guidelines for performance audits. Agencies should be given an opportunity to respond and have their response, or part thereof, included in the report. Such action is important to ensure that a balanced report is presented to the legislature.
Where an agency has been successful in solving the problems identified in the performance audit, whether through implementing the audit recommendations, or through other action the agency has initiated, the follow-up report should give credit for this action.
APPENDIX 3 - UNDERSTANDING THE AUDITEE

Further Guidance
This material comes from the ASOSAI Guidelines on Performance Auditing and provides other matters that may be considered in developing an understanding of the business of the auditee.

Agency Objectives
The objectives of an agency may be expressed in financial terms (for example, in budgets or financial reports) and in non-financial terms (for example, expected outputs and impacts). An understanding of the agency’s objectives will assist the auditor in establishing or assessing the appropriateness of the audit scope.

The auditor should be alert to any conflicting objectives as these may affect the agency’s ability to achieve economy, efficiency or effectiveness.

Accountability Relationships
There are two types of accountability relationships; internal and external. The most important accountability relationships involve the governing body. The key external relationship is between the governing body and those who have an interest in the performance of the agency; for example, the legislature and the public at large in the public sector, and owners, creditors and employees in the private sector.

The governing body delegates to management the authority for acquiring and using the agency’s resources. Management is responsible for administering those resources and is accountable to the governing body for meeting the objectives set out in the agency’s governing charter.

Accountability relationships within an agency depend on the powers that the governing charter grants to management. Within those powers, senior levels of management hold their staff accountable for certain elements of the agency’s performance. The auditor should identify how and to whom authority is delegated within the agency, and the degree of decentralisation of that authority.

Resources
The auditor needs to understand the relationships between the agency’s resources and its objectives and performance goals.

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6 Fifth ASOSAI Research Project – Performance Auditing Guidelines October 2000, Appendix C.
The auditor should identify the resources that management has allocated among the agency’s programs, operations and activities and may compare such allocations with those in other similar agencies. These allocations may indicate priorities and the relative significance of specific divisions or branches or of specific programs or operations within an agency.

Physical resources include inventories and other assets. The auditor should determine the source, nature and value of the physical resources and how the agency uses its physical resources in its various activities.

Financial resources are reflected in the revenue, expenditure, assets and liabilities of the agency. Knowledge of the financial resources enables the auditor to understand the agency’s financial magnitude (e.g. the amounts of its transactions and balances) and its stakeholders (e.g. resource providers).

Information resources comprise both internally and externally generated information to which management has access. Access to relevant and reliable information and effective use of it are vital elements of performance for many activities.

Human resources include management and other employees of an agency. Human resources are affected by budgetary pressures and constraints on the capability of personnel which may in turn affect the agency’s controls and performance.

**Management Processes**

The auditor needs knowledge of the agency’s management processes to understand their suitability for the agency’s programs and operations and to identify the risks the agency faces.

The auditor should identify factors such as the elements of performance assessed by management, the nature and frequency of reporting, the performance criteria, the methods of data collection and analysis and the use of performance information. For example, the auditor should consider: (a) the systems and controls in place for safeguarding and controlling the agency’s physical, financial, information and human resources; and (b) the extent of internal audit involvement in performance auditing. This knowledge will enable the auditor to identify the probable nature, sources and availability of audit evidence.

**Performance Goals**

The auditor needs a knowledge of the agency’s performance goals to understand such matters as the relevance of the agency’s activities to its stakeholders, trade-offs among conflicting objectives, goals and inputs, quality, level of service and stakeholder satisfaction.

The auditor should assess the suitability of the audit agency’s performance goals. For example, when assessing the suitability of performance goals, the auditor should consider whether those goals are consistent with the governing charter.
Programs and Operations

A sound understanding of the agency’s significant programs and operations enables the auditor to determine whether the agency is operating within its powers and how it achieves its objectives and performance goals. The auditor should obtain information about the agency’s organisational structure and the characteristics and intended outputs, outcomes and impacts of the agency’s significant programs and operations.

The characteristics of programs and operations include the source, nature and amount of resources used in program delivery, the method of program delivery and the pricing or fee structures.

Outputs, such as the goods or services provided, may be defined by the objectives set out in the agency’s governing charter. Output may be subject to constraints imposed by competition or by regulation for service or pricing levels. Outcomes and impacts may be the positive or negative effects of a program or operation and they may be intentional or unintentional.

The organisational structure of the agency shows how its programs and operations are organised to fulfil its objectives and meet its performance goals. Understanding the agency’s organisational structure involves identifying its significant divisions and branches, and determining their responsibilities and degree of autonomy.

External Environment

The agency’s external environment includes factors over which management has relatively little control, such as economic, political and social influences. The auditor needs to acquire knowledge of the external environment because changes in that environment may significantly affect the agency’s objectives, accountability relationships, resources and management processes.
APPENDIX 4 - DEVELOPING AUDIT CRITERIA AND THE MULTI-FACETED ROLE OF CRITERIA

The Appendix lists key performance aspects of government activity and is a useful starting point to develop audit criteria and sub-criteria. It has been sourced from the ASOSAI Performance Auditing Guidelines.

Mandate
Has management obtained the approval of the competent authority (eg. legislature) for the program?

Objectives
Has management developed clear objectives?
Have the program objectives been appropriately determined to fulfil the policy objectives?
Are the objectives specific enough to enable outcome measurement?
Has management set specific targets to accomplish the program objectives within the scheduled timeframe?

Need
Has management identified and evaluated the nature and extent of the need for the program outputs?
Does the program continue to make sense in the light of the needs that it was originally set up to meet?

Implementation
Has management given proper consideration to alternative means of achieving the program objectives?
Are the design of the program and its components, and the level of effort expended, logical in the light of the program’s objectives?
Is the implementation timely?

7 Fifth ASOSAI Research Project – Performance Auditing Guidelines October 2000, Appendix D
Direction
Does the agency have understandable objectives, plans, targets for levels of service and organisational arrangements?
In short, does everyone understand what they are meant to be doing? One indicator of direction is the extent to which employees clearly understand the service priorities and targets of the current year.

Has management used resources economically and efficiently?
What is the relationship between costs, inputs and outputs?
Do systems procedures and practices promote accountability of program managers towards economic and efficient use of resources?

Finances
Has management monitored, reported and controlled its financial performance and position?
Are resources (budgets) commensurate with the targets and how realistic are the budgetary assumptions?
Are the financial and physical performance reports interlinked to enable an appreciation of the cost of delivery against the estimated cost as well as value for money?

Effectiveness
To what extent has the agency achieved intended objectives without any significant unintended adverse impacts?
To what extent have significant intended or unintended, adverse or beneficial consequences occurred?

Acceptance
Is the program outcome meeting the identified needs of its clients or customers?
Has management surveyed its clients to identify client expectations and satisfaction?

Responsiveness
Does the agency have mechanisms which enable it to respond appropriately to changing technology, competition, client demand and other environmental characteristics?
Human Resources

Is there an appropriate policy and practice for the development of human resources?

Do human resource practices facilitate development, initiative, commitment, safety and job satisfaction?

Economy and Efficiency

Is there an appropriate policy for the protection of key assets, ie. assets that are crucial to the success and perhaps survival of the agency? Such assets might include key people, sources of supply, intellectual property and machinery.

Are actual results monitored and reported against objectives and targets?

Do reporting formats facilitate effective monitoring of the program management and delivery of outputs?

Are the performance reports accurate and free from material misstatements?

Is action taken on the basis of the reports?

Does the program framework provide for clear accountability relationships?

Is the system of program management/delivery framed to ensure good value for money?

Are the controls reliable?

Are the systems and procedures as well as the delivery mechanisms transparent?

Does the program planning, execution and delivery fulfil the concept of good corporate governance?

Review

Has management established an effective internal audit unit, undertaken appropriate evaluation of programs (including an analysis of unintended impacts) and established procedures for assuring that it is managing with economy, efficiency and effectiveness?

Equity

Are outputs/services made available to intended groups without discrimination?

Does everyone have access to the benefits due to them?

Has management acted with fairness and impartiality?

Protection of Resources

Are resources protected from waste and loss?

Are there systems in place to ensure that any undue waste or loss is identified quickly?
Monitoring and Reporting Accountability Relationships

**Ethics**

Has management established procedures to ensure that public servants utilise public funds honestly?

Are the highest standards of integrity and devotion to duty ensured through adequate management systems, including a system of review of propriety in program management.

Are public servants motivated to optimise the outputs and subsequent outcomes of the program for the beneficiaries?

**Transparency**

Are the systems and procedures used in the management of public programs transparent and do they promote the concept of accountability and good governance?

**The Multifaceted Role of Audit Criteria**

Criteria can perform a series of important roles to assist the conduct of a performance audit as they can:

- form a common basis for communication within the audit team and with SAI management concerning the nature of the audit;

- form a basis for communication with the agency management in that the audit team will often solicit agency management understanding of, and concurrence with the criteria and eventual acceptance of audit findings in light of those criteria;

- link the objectives to the audit program carried out during the implementation phase;

- form a basis for the data collection phase of the audit, providing a basis on which to build procedures for the collection of audit evidence;

- provide the basis for audit findings, helping to add form and structure to audit observations; and

- some SAIs also utilize audit criteria to form the chapter headings for their audit reports.

The degree to which criteria are successful in serving these uses is often determined by their level of detail and the form they take. General audit criteria are developed during the early planning stages of the audit. If a preliminary study or survey is conducted, these criteria are usually expanded and made more specific during that study; otherwise this is done in the early stages of audit fieldwork. By the end of the preliminary study, the criteria should be sufficiently detailed to give clear guidance for the implementation stage of the audit, particularly in the development of specific audit programs to test the criteria.
It is always useful to find out what agency management believe are the appropriate criteria which apply to the activity being audited. In an ideal situation the beliefs of management and of audit will coincide so that criteria will be established very early in the consultation process and will be agreed by all concerned.

Unfortunately this often doesn’t happen and management may have some level of disagreement with the auditor about the criteria which will be used to assess the activity. Audit criteria would typically be exposed to the agency at the start of the main performance audit. Any disagreement with agency management about criteria can then be identified, discussed and, if possible, resolved at an early stage without impacting adversely on audit independence.

It is unrealistic to expect that activities, systems or levels of performance relating to economy, efficiency and effectiveness will always fully meet the criteria. It is important to appreciate that satisfactory performance does not mean perfect performance but is based on what a reasonable person would expect, taking into account agency circumstances. The general aim would, however, be high level performance within resource constraints.
APPENDIX 5 - FURTHER ISSUES ON LIAISON WITH AUDITEES

The development of good relations with the agency is a key factor in achieving an effective and efficient audit of an agency’s program or function. The progress and outcome of the audit will be enhanced if the audit team can obtain the cooperation of management and foster confidence by maintaining a fully professional approach during the course of the audit. The quality of the audit process will depend significantly on the careful management of consultation with the agency. The SAI should adopt a policy of ongoing communication with the agency during the audit.

It is important that the audit team take measures to avoid the development of an adversarial attitude by agency management. In order to facilitate good relations with the agency, the auditor:

- should be aware of any other audit activity currently being undertaken within the agency;
- should be able and willing to explain the role and responsibilities of the SAI in conducting performance audits;
- should ensure that discussions with the agency take place at an appropriate and responsible level;
- should prepare fully for all meetings with the agency;
- should emphasise improvement in the future rather than just criticism of the past and how the audit will assist in this process; and
- should ensure audit issues are discussed in context and recognition is given to external constraints and management-initiated improvements.

Audit managers should ensure there is regular contact with agency senior management to ensure that program objectives and issues are fully appreciated and potential audit recommendations are tested and properly targeted. Value will also be added to the performance audit if the agency is asked to specify the high-risk areas that they would like the audit to cover.

If the audit is conducted in a cooperative manner there is much greater likelihood of suggestions for improvement being seriously considered by agency management with a view to their implementation at an early date (even during the audit). A cooperative approach is to be taken but not at the expense of audit independence.

SAI staff should observe normal professional courtesies, seek to maintain good relationships with agencies, promote the free and frank flow of information and conduct discussions in an atmosphere of mutual respect and understanding. The SAI should use its powers of access to information tactfully and with due regard to the agency’s ongoing operational responsibilities as well as to the SAI’s statutory responsibilities.

The SAI should endeavour to give agencies reasonable notice of its intention to commence an audit and should discuss the general scope of the audit with relevant agency officers.
Depending on the nature of the audit, careful consideration needs to be given to the level of the SAI and agency representatives at the opening/entry conference. The opening/entry conference must be documented.

Once a decision is made to proceed with a full performance audit, details of the audit methodology and likely coverage should be provided to the agency.

At the conclusion of each audit an exit conference is arranged, preferably with the persons with whom the opening/entry conference was held. The exit conference must be documented.
APPENDIX 6 - SAMPLE DETAILED AUDIT PROGRAM

Another example of an audit program in a different format using different terminology is provided below.

This is an early draft of the audit plan for a performance audit conducted by the Office of the Auditor-General of the Solomon Islands

Example 1: Management of Teacher Absenteeism in Primary Schools, from the OAG Solomon Islands

Audit Criterion: The Ministry/Education Authorities should be identifying common factors that cause excessive teacher absenteeism and introducing measures to counter them.

Control Objective 1:

In areas where absenteeism is a problem the Ministry/Authorities should be attempting to identify common reasons for absenteeism.

Tests:

Identify any data collection and analysis activities by the Ministry/Education Authorities or individual schools in relation to the levels of absenteeism.

Type of test: Interview, review of data

Analyse available data to confirm problem areas and assess work done to enable authorities to manage these areas and minimise absenteeism.

Type of test: Interview, documentation review, analysis of data

Review any work done by the Ministry/Education Authorities or individual schools to identify reasons for excessive absenteeism by teachers by interviewing relevant managers and reviewing relevant files.

Type of test: Review of files, interview

Survey teachers, principals and community leaders in schools visited, by interview, to identify reasons for excessive teacher absenteeism.

Type of test: Survey by face to face interview.

Control Objective 2:

Where common reasons have been identified for excessive absenteeism the Ministry/Authorities should be developing strategies to alleviate the issues.

Tests:

Where the Ministries/Education Authorities have identified common causes of excessive absenteeism, review the plans made and work undertaken to remedy these causes.
Type of test: Review of documentation, interview

Where the audit has identified common causes of excessive absenteeism, identify action that may be taken to alleviate these causes and discuss with management in the Ministry/Education Authorities to formulate practical recommendations.

Type of test: Analysis of findings, consultation with management.

Control Objective 3:
The Ministry should be proactive in providing a working environment which encourages greater commitment from teachers (e.g. development of human resource management practices, job design, supervisory training and staff development etc;).

Tests:

Review relevant Ministry files and other formal documentation to assess the level of involvement by the Ministry in developing an improved working environment for teachers.

Type of test: Review of documentation.

Interview staff in the Ministry and the Education Authorities to determine the extent of development of the teacher’s working environment in recent years

Type of test: Consultation with management

Interview teachers to determine whether they feel the Ministry has taken note of any concerns raised by teachers over the working environment and the extent of development of the teacher’s working environment in recent years

Type of test: Survey (by interview).

Audit Criterion: The Ministry should have systems in place and operating that ensure that teachers attend school in accordance with their conditions of employment.

Control Objective 1:
Teachers’ conditions of employment should be clearly stated, setting out acceptable reasons for absences, documentation required for absences and penalties for non-compliance.

Tests: Review conditions of employment to ensure that hours of service, leave entitlements and absentee processes are documented

Type of test: Review of documentation

Analyse conditions of service to identify actions to be taken when teachers do not attend school

Type of test: Analysis of procedures
Determine if teachers have been provided with conditions of service

**Type of Test: Observation, interview or survey.**

*Control Objective 2:*

If teachers are absent from school they should comply with their conditions of employment

**Tests:**

In each school visited, observe and document procedures for noting absences from school

**Type of test: Observation, interview, documentation review**

Select a sample of teacher absences and for each instance of absenteeism recorded, determine if teachers have advised the school of the absence and the reasons for it.

**Type of test: Review of documentation**

Identify any instance of teacher absenteeism during audit visit to schools, and determine if teachers have advised the school of the absence and the reasons for it.

**Type of Test: Observation, interview**

Meet with members of school board or community leadership to identify the perceived level of teacher absenteeism and assess whether the recorded absences and the perceived absences are in accord with each other (i.e. is it likely that all absences are being recorded?)

**Type of Test: Interview**

*Control Objective 3:*

Procedures should be in place to ensure that any absences from school are recorded and recognised by the human resources system.

**Tests:**

In each school select a sample of recorded absences (as well as any absence observed by audit, if possible). Review documentation prepared by the school to inform the education authority of the absence.

**Type of test: Documentation review**

For each instance of absenteeism reported to the education authority ensure that it has been recorded and recognised appropriately.

**Type of test: Documentation review**
Control Objective 4:
Where teachers are absent from school and do not comply with the requirements of their conditions of employment, action should be taken which should include withholding of salary.

Tests:

Select a sample of instances from the records of schools where staff members have been absent from school without medical certification or approved leave.

Type of test: Selection of sample
Review the personnel/payroll records held by school authorities/ministries to determine if salary action has been taken for these absent days.

Type of test: Review of documentation.

Control Objective 5:
Where failure to comply with conditions of employment occurs with regularity, the system should ensure that disciplinary action is taken against the staff.

Tests:

Review school and authority records to identify instances of excessive absenteeism.

Type of test: Documentation review.
Select a sample of teachers who appear to be regularly absent without cause and review their personnel files to determine whether appropriate disciplinary action has been taken against them.

Type of test: File review
Discuss the situation about disciplinary action for excessive absenteeism, with human resources management and principals to identify actions which have been taken and where action has not been taken, identify reasons why it has not.

Type of test: Interview

Example 2: from the PASAI Solid Waste Management Cooperative Performance Audit
The audit program may take many forms or designs. Below is the sample skeleton of the audit program or as it is referred to below ‘audit test program’ from the PASAI Solid Waste Management Cooperative Performance Audit.
Case example

The case example was taken from the 1st Co-operative Performance Audit on the Effectiveness of Solid Waste Management performed by ten SAIs across the Pacific.

**Audit topic:** The Effectiveness of Solid Waste Management in Tongatapu

**Audit objective:** To assess the effectiveness of the management of solid waste (in a selected location) by auditing the existence of a legal and policy framework for solid waste management; the process by which the legal and policy framework is implemented (including whether risks to implementation have been considered) and compliance with the legal and policy framework, including monitoring arrangements.
APPENDIX 7 - PASAI COOPERATIVE AUDIT REPORT STRUCTURE

Figure 1. Typical Report Structure

ACCESS TO SAFE DRINKING WATER
Brief summary of the topic (Font in 9 Arial)

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1.0 EXECUTIVE SUMMARY (HEADING 1) ................................................................. 2
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6.0 CONCLUSION (HEADING 1) ............................................................................... 7
7.0 APPENDICES (HEADING 1) ............................................................................... 8
4. **Audit Methodology**

How the audit was conducted and which audit procedures were utilized during the audit (questionnaires, interviews, site visits etc).

5. **Findings & Recommendations**

Set out the criteria (what we expected to see) followed by the audit finding (what we actually saw), causes, implication, recommendation and management’s comments.

Following Management comments, identify (if not already done so) who is responsible for implementing the recommendation and the date for implementation.

6. **Conclusion**

This section must clearly address the objectives of the audit and summarise the key findings against the audit objective. This can be done using the heading of each LOE:
- the legal and policy framework to ensure access to safe drinking water;
- the implementation of the framework; and
- monitoring the effectiveness of the implementation of framework and that improvements can be demonstrated.

7. **Appendices**

Source: PASAI Cooperative Audit– Access to Safe Drinking Water.
APPENDIX 8 - GRAPHICS

The information box below contains some other general tips for using graphs in an audit report.

<table>
<thead>
<tr>
<th>Hints for better graphs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Titles should clearly state what the graph is. The graph should be referenced and easily connected to the relevant section of the text by either the title or the reference.</td>
</tr>
</tbody>
</table>

Graphs should avoid acronyms. Someone may have forgotten that MAPM is mean applications per month. Makes sure that both the X and Y axis are properly labelled and have enough values indicated to be able to see the relationship between the variables.

Include a total of items measured if it's relevant. For example, n = 638 indicates that your sample included 638 transactions.

Do not use a legend unless you cannot find a way to prepare a graph that does not need one. A legend requires the reader to take another mental step to translate the information.

As with the language in your report, you are creating a functional graph to convey a message, not a work of art. Don’t try to be too creative. Skewing, or twisting the bars to odd angles, may add visual interest, but can make it more difficult to understand or even change the meaning of the graph.

Use larger, simple fonts that are easy to read. Fonts without serifs, such as Arial or Calibri are less fussy than fonts like Times New Roman. If the words are taking up too much space on the page, find other words, don’t reduce the font size to a point where it maybe unreadable.

Avoid using clip-art and other amusing pictures. This material is fine for presentations where you are talking to people and trying to keep their attention. Its presence in reports makes the reports seem less serious and detracts from the overall effectiveness.

If you are printing your report in colour, avoid bright colours like lime green.
or hot pink; they are hard on the eyes and distract from the message.

8% of the male population are colour blind. The most important reader of your report may be one of those 8%. The most common form is an inability to distinguish red from green. If printing in colour, consider using colours that can distinguished by people who are colour blind or may suffer some other form of visual impairment.

Remove the grey walls and background lines from graphs unless they are needed to make the data more readable. White is the best background and the fewer lines on the graph that are not data lines, the easier it is to see what the graph is trying to communicate.

Make borders thinner and dark grey instead of heavy and black. This emphasizes the content of the chart rather than the border.

Make the y-axis in particular legible. Use larger increments in the y-axis using larger intervals so that the number of labels is reduced. Choose a font size that is easy to read and doesn't obscure the numbers above and below. Make the maximum number only slightly higher than the tallest bar to optimize use of space.

Always identify the source of a graph. If it is sourced externally, acknowledge the provider. If it is constructed from audit evidence, indicate where this evidence has come from.

Types of Graph and their Use

There are various types of graphs that may be used to present data. The most common types are pie charts, bar (horizontal representation) and column (vertical representation) graphs and line graphs (also called trend graphs). Various software applications such as Excel provide a variety of other types which are more complex versions of these four or are more specialised. These latter types may be more difficult for a reader to understand. An area graph for example is a three dimensional version of a line graph, adding a second variable. Many people will have difficulty understanding what this means. The auditor should keep graphs as simple as possible and never try to show too many variables at once.

Pie Charts

Pie charts show the parts of a whole. Pie charts are the most common form of graph used in business communication, because they are simple to understand. Their use in audit
reports is also common, particularly when the auditor is dealing with a relatively small number of items and some of those items are very large. They have been criticised because it is often difficult to differentiate between the size of smaller slices of the pie and auditors should be careful to put values in the chart if this is the case. Because of this, pie charts are generally better at showing that a particular population is dominated by one or two items rather than allowing a reader to gain an understanding of the makeup of the entire population.

If you want to show the different levels of purchases from five or six different suppliers, then a pie chart will enable you to clearly demonstrate that one supplier is being heavily favoured or that the purchase are being spread around.

Figure 1 shows which sectors of the population are responsible for waste generation, which support the development of appropriate waste reduction strategies and which have been implemented and monitored. Note, with pie charts it is important to use colour carefully; different colours may be hard to ‘see’ when the chart is copies into black and white.

![Figure 1 - Waste Generators by Percentage](image)


**Bar Charts/ Column Charts**

Bar charts and column charts show data at a "point in time" not unlike a snapshot. They are useful for showing comparisons and relativities between the various items which make up a population. They are designed to show the relationship between variables which have discrete values rather than being continuous. When the reader looks at a bar or column chart they can see that one item is bigger or smaller than another. If you want to show that the total number of machines parts bought in 2006 is greater than it was in 2005 and twice as much as it was in 2004, then a bar or column graph will show this most effectively.
Figure 2 shows how a bar graph has been used to show the change in a number of parameters from year to year. Because there are only five parameters and five years, it is cleaner and more effective than a line graph, which could also be used. If the period here was fifty years, a line graph would be more effective.

**Figure 2 - Waste Management Budget Allocation for the Fiscal Years 2006 – 2010, by Activity**


**Line Graphs**

Often called a trend graph, a line graph is used to show the way something has moved over time. It is also useful for those occasions where the auditor wants to demonstrate how related variables have moved over time, through using more than one line. One of the best examples of the use of multiple line graphs is with currency exchange rates. It is possible to plot the movement of multiple currencies against the American dollar on a single graph by using a line for each currency. Line graphs also provide a more useful facility for plotting two completely different variables against a third variable. For example, it may be useful to plot the number or volume of houses sold and the total sales of new cars against the unemployment rate, even though the sales of cars and the turnover in houses appear to have little to do with each other.

When creating line graphs it is important to limit the number of trend lines so they don't overlap and you can't tell which is which. A full-page chart can include more lines than a small one, which should have only a few.

It is also useful to make the lines heavier, with larger markers (the little triangles or boxes along the lines) so that they can be seen more easily. Care should be taken when using colours, lines such as those shown in Figure 3 would be hard to understand if copies were made in black and white.
Legends are more useful in line graphs than in other types of graph because it is often difficult to associate text boxes with the specific lines they describe. The graph below shows the electricity usages for an entity over three different years and enables the reader to easily see that it declined from 2008 but for some reason peak usage moved to later in the year.

**Figure 3 - Example of Use of a Line Graph to Show Trends for Different Time Period Activity**

Supporting Information for Graphs

It is helpful to provide the data that supports a graph, either in the relevant chapter or in an appendix to the report. This allows a reader to see precisely what data the graph is representing. Some readers will also be more comfortable with data in a tabular form than in a graph.

Formatting Graphs

All visual aids should have a title and a letter or number that can be used in the text. The title and/or reference letter or number should be used in the text (do not use words such as above, below, or on the next page when referring to the visual aid). Additionally, the visual aid should be placed as close as possible to the text in which it is referenced.

The source for each visual aid should be specifically identified. Usually the source is given at the bottom of the visual aid. It can be something provided by the auditee, it can be something developed by the audit team, or it may be something drawn from a public reference resource. Regardless of what it is, the source should be identified clearly.
**Reference Materials**

Performance Auditing Guidelines, 2010, ISSAI 3000 – 3100, INTOSAI
Pacific Regional Audit Initiative, 2008, PASAI
Performance Audit Guidelines, 2000, ASOSAI
Performance Auditing Guidelines, 2010, ISSAI 3000 – 3100, INTOSAI
Performance Audit Manual, 2008, Fiji
General Standards in Government Auditing, 2007, ISSAI 200, INTOSAI
Field Standards in Government Auditing, 2007, ISSAI 300, INTOSAI
Reporting Standards in Government Auditing, 2007, ISSAI 400, INTOSAI
INTOSAI Auditing Standards Glossary, 2007, INTOSAI
INTOSAI Code of Ethics and Auditing Standards, 1998, INTOSAI