2017

INTOSAI IDI DEVELOPMENT INITIATIVE

Guidance on Audit of Institutional Framework for Fighting Corruption

CONTENTS

PREFACE

The crippling effects of corruption in different spheres of governance and service delivery are well known. Reducing the leakage of resources through corruption will be paramount to the achievement of the United Nation's 2030 Agenda for Sustainable Development. Supreme Audit Institutions have a unique role in fighting corruption through strengthening the public financial management and the control systems related to governance and service delivery by the public sector. Oversight and audits can contribute to the prevention of corruption by making risks visible and building robust and effective internal controls. SAIs' role in preventing and detecting fraud and corruption was highlighted as one of the two themes at the XVI INTOSAI Congress held in Montevideo, Uruguay in 1998. Thereafter, the INTOSAI Working Group on the Fight against Corruption and Money Laundering (WGFACML) has been active in this field. The importance of the issue has been recognized through the cooperation that INTOSAI has had with the United Nations bodies and other international agencies in strengthening the SAIs role in fighting corruption. The INTOSAI Development Initiative (IDI) has also previously in the years 2000 and 2005 developed and delivered programmes supporting SAIs in fighting fraud and corruption.

The IDI Global Survey in 2014 again indicated the needs of SAIs for capacity development in this important area. Over the last couple of years, the IDI has engaged with different cooperation partners and stakeholders in planning the capacity development programme on 'SAI Fighting Corruption'. This guidance will form the core basis for supporting the SAIs in this programme on the component of 'Audit of Institutional Framework for Fighting Corruption'. This component focusing on the prevention of corruption involves an ISSAI based Performance Audit to be conducted by the SAIs at two levels – i.e. the whole of government and a specific sector selected by the SAI. The guidance has been illustrated using the Education sector and the accompanying ecourse has used a case study pertaining to the Health sector. A link has been established to target 16.5 (under Goal 16) of the Sustainable Development Goals.

I would like to thank our cooperation partners- UNDP Global Anti-Corruption Initiative, UN Department of Economic and Social Affairs, INTOSAI WGFACML, INTOSAI Regions, EUROSAI Task Force on Audit and Ethics and our financial partners- Department of Foreign Affairs Trade and Development Canada, Ministry of Foreign Affairs (MFA) Hungary, United States Agency for International Development , Office of Auditor General of Norway, Swedish International Development Cooperation Agency Sweden and MFA Finland for their contributions to this component of the programme. A special thanks also to the resource persons for this programme drawn from different SAIs who have prepared this guidance and the accompanying ecourse.

I hope that the performance audits undertaken by SAIs using this guidance and the ecourse will go a long way in strengthening the fight against corruption.

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PART 1: INTRODUCTION

1A: BACKGROUND

The 2014 IDI Global Survey indicates that many SAIs face considerable challenges in fulfilling their mandates of preventing, detecting and reporting on corruption. 98 SAIs and 7 INTOSAI regions have prioritized this area for support. The IDI's prioritization matrix also identifies this programme as a high priority to address the needs of SAIs in developing countries. In discussion with the different stakeholders, IDI has launched the programme on 'SAI Fighting Corruption'.

The main objective of the programme is greater effectiveness of SAIs in fighting corruption. The programme envisages achieving this objective by supporting participating SAIs in enhancing results in the following three areas:

- **SAI Leading by example in implementing ISSAI 30- Code of Ethics –** Even as SAIs contribute to the fight against corruption at the country level, they need to ensure that their own ethical practices are robust. Under this component, SAIs will gain an understanding of the revised ISSAI 30 through an eLearning programme. They will be expected to come up with an action plan for implementation based on this understanding and their current situation.
- A**udit of Institutional Frameworks for fighting corruption –** SAIs will be supported in conducting ISSAI based performance audits of institutional frameworks for fighting corruption. The IDI has also launched a separate programme on Auditing Sustainable Development Goals (SDGs). The SDGs are an UN Initiative. The SDGs, officially known as 'Transforming our world: the 2030 Agenda for Sustainable Development', are an intergovernmental set of aspiration goals with 169 targets. under the Auditing SDGs programme a decision has been taken to focus on Goal 16 (especially 16.5 related to fight against corruption) besides looking at the preparedness of overall government framework for implementation of SDGs. As such this audit component will be linked to the programme on 'Auditing SDGs'.
- **SAI-Stakeholder Platform for fighting corruption –** This aspect will be an engagement at the SAI level. Depending on the need and commitment of the SAIs, the IDI will support few SAIs in setting up or enhancing SAI-stakeholder platform for fighting corruption in the respective countries. This component would involve advocacy, dialogue with SAI's partners in fighting corruption and bringing together different stakeholders at the country level.

This guidance has been developed for the second component on the 'Audit of Institutional Frameworks for Fighting Corruption'.

1B: SCOPE OF THE GUIDANCE

This guidance is for supporting the user in undertaking an ISSAI based Performance Audit of Institutional Framework for Fighting Corruption. While the different concepts and precepts have been detailed in the subsequent chapters, the scope of the guidance is limited to the following:

a. It supports an ISSAI based Performance Audit of the Institutional Framework for Fighting Corruption.

b. This is relevant for addressing the preventive aspects of the fight against corruption.
c. This does not pertain to the detection or judicial functions of some SAIs in regards to addressing corruption.
d. In undertaking the performance audit, SAIs will try to obtain an assurance on the strength of the institutional framework for fighting corruption, thereby facilitating their respective countries' efforts at achieving the SDGs.
e. The guidance provides an integrated approach at auditing the institutional framework for fighting corruption in a country, which can be substantiated by undertaking a detailed examination of the strength of anti-corruption mechanisms in one or more sectors like health, education, defence, public works etc.
f. Besides the institutional Framework, this guidance considers the education sector in illustrating the performance audit process. Besides, there is a separate case study on the health sector in the eCourse prepared for this guidance. The SAIs selecting other sector(s) for substantive checks may develop audit design matrices relevant to the sectors selected by them.
g. The guidance only covers the issue of prevention of corruption. It does not look at related issues of fraud or money laundering. However, in course of conducting the audit, SAIs coming across any instances of suspected fraud or money laundering may follow up such cases internally as per their mandates or refer to the relevant agencies.

1C: HOW TO READ THE GUIDANCE

This guidance is organized into three parts. Each part leads on to the next.

Part One introduces the practitioner to the guidance and the background behind developing the guidance.

Part Two presents the theoretical perspective behind the guidance. Concepts related to types, causes, impact of corruption are presented along with concepts regarding anti-corruption efforts, systems and frameworks. The role of SAIs in fighting corruption is also introduced here with specific reference to performance audits in prevention of corruption.

Part Three details the Audit Model and the guidance regarding the performance audit process for auditing the institutional framework for fighting corruption. The five sub parts present the issues related to Audit Planning, Conducting, Reporting, and Follow-up. Quality Control is factored in the above steps & Quality Assurance is covered in the introduction to this chapter. Practical examples and situations related to a Performance Audit in the Education Sector illustrate the concepts.

Some concepts referred in brief in the above parts are detailed in the appendix.

PART 2: SAI FIGHTING CORRUPTION

2A: DEFINITION OF CORRUPTION

Despite the significant progress made globally in recent years, corruption continues to impede development and undermine democracy and rule of law. Evidence indicates that more money is lost due to corruption than ever before. For instance, a UNDP commissioned study on illicit financial flows (2010) shows that illicit financial flows from the Least Developed Countries (LDCs) increased from $9.7 billion in 1990 to $26.3 billion in 2008.[1] A December 2015 report from Global Financial Integrity[2], "Illicit Financial Flows from Developing Countries: 2004-2013," finds that developing and emerging economies lost US$7.8 trillion in illicit financial flows from 2004 through 2013, with illicit outflows increasing at an average rate of 6.5 percent per year—nearly twice as fast as global GDP.

Generally, corruption involves the government, politicians and public officials. Corruption reflects the outcome of poor governance. Likewise, it represents the misbehaviour to abuse public power for private benefit. Furthermore, it is manipulated through patronage, nepotism, clientelism, conflict of interest, etc. However, the question is what corruption is. How to define corruption?

Definition of Corruption

As per ISSAI 5700 Guideline for the Audit of Corruption Prevention (ISSAI 5700), The United Nations Convention against Corruption (UNCAC) does not contain a single definition of corruption. There are, however, several "working definitions". Corruption is the abuse of entrusted power for private gain. Corruption can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.

Source: Anti-Corruption Glossary by Transparency International

Corruption is the abuse of public funds and/or office for private or political gain.

Source: World Bank

Corruption as offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or the prospect thereof.

Source: The Civil Law Convention on Corruption by the Council of Europe

One central concept that is recurrent when talking about corruption, is **the notion of abusive misappropriation of a position, or the benefit from that misappropriation, for private gain**. Corruption

[1] UNDP Global Anticorruption Initiative (GAIN) (2014-2017), p.12

[2] http://www.gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/

is also often associated with fraud and money laundering, which this guidance is not covering, as it has been developed for the purpose of helping SAIs to address the preventive side of anti-corruption.

2B: TYPES, CAUSES AND IMPACT OF CORRUPTION

Types of Corruption

Corruption may exist in all sectors, for example, education, public health, military, judiciary, public procurements, municipal administration etc. **Corruption encompasses all actions or omissions that leads to undue benefits and lessens transparency of actions such as:** spontaneous offer or request of money or goods against a free service brokerage, forgery, extortion, bribery, abuse of office, influence peddling, insider trading, nepotism, tribalism, favoritism, purchasing benefits, biased law enforcement, blackmail or threat, money laundering, embezzlement, kickbacks, illicit enrichment, theft, obtaining money under false pretence, abetment of corruption, etc. However, many corruption studies, including a background research project carried out for developing this guidance[3], classify main types of corruption as shown in figure 1.

Grand Corruption	Petty Corruption	Systemic Corruption
• **Grand corruption** depending on the amounts involved, or levels of responsibility or high positions of the perpetrators of corruption usually occurs at the highest levels of government in a way that involves significant subversion of the political, legal and economic systems. Such corruption may involve major procurements, extraction of natural resources etc. at the country level.	• **Petty corruption** involves the payment of comparatively small amounts of money to facilitate official transactions, such as customs clearance or the issuing of building permits.	• **Systemic corruption** (endemic corruption) is corruption that is primarily due to the breakdown in service delivery system or weaknesses of an organization or its processes.

Figure 1 Types of Corruption

Government audit as exercised by SAIs helps create transparency, makes risk visible, and builds robust and effective internal controls to contribute specifically to the prevention of corruption in line with the spirit of the United Nations Convention against Corruption (UNCAC) (Sung Yongrak 2013)**. Through their**

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[3] Questionnaire based research was carried out in 25 SAIs across different INTOSAI regions. Background information was collected to assist in the development of this guidance. The research identified current status in terms of corruption, fighting corruption and provision of capacity development support at both SAI and country level in the selected SAIs.

audit and related functions, SAIs can act against these different types of corruption. However, these types of corruption are derived from different causes which government auditor should recognize in order to conceptualize the audit framework for preventing corruption.

Causes of Corruption

Causes of corruption can be considered under different approaches which might be reflected at both individual and structural levels. Under individual level, when people commit corruption or fraud, there are three key elements, which are normally present, namely: **Incentive/motivation/pressure; Opportunity;** and **Rationalization/justification/attitude.** In case of incentive, low salaries can be a major incentive for a public official to act in a corrupt manner. Likewise, organisational factors generally provide opportunities for public officials to engage in corruption. This relates to the adequacy and effectiveness of an organisation's structure and systems (Alexandra Mill May 2012).

Under rationalization concept, a public official decides to become corrupt when he/she considers to justify benefits from corruption over the likelihood of detection or punishment. Together, these three elements constitute the **Cressey Fraud Triangle**[4] (See figure 2). On the other hand, the causes of corruption could be explained under structural level as shown by Robert Klitgaard (1988) through an analytical system of studying corruption and recommendation on how to control it. He established a formula of corruption being **monopoly plus discretion authority minus accountability**: C = M + D – A. Monopoly refers to the "availability of rents" such as trade restrictions, industrial policies and the presence of scarce natural resources which allow public officials to exercise discretion and demand personal benefits (Mauro 1998). Monopoly power provides an opportunity for corruption. Opportunity for corruption is opened up by the presence of broad discretionary powers. Hence, Klitgaard recommended that for controlling corruption it is important to reduce monopoly, limit officials' discretion, and increase accountability.

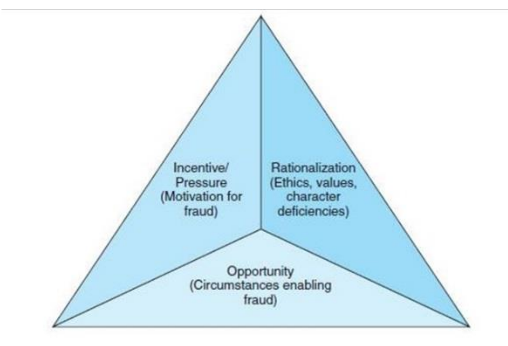

Figure 2 Cressey Fraud Triangle

Source: http://uccai.net/wp-content/uploads/2014/02/Triangle.jpg

SAIs can play a key role to reducing corruption opportunity, ensuring good governance, public accountability and transparency in public governance and thus contribute to the fight against corruption. Josef Moser (2013) pointed out that SAIs through their audit reports under independent, unbiased and reliable information to national parliaments, and by exercising their audit function on behalf of the citizens, they report whether the money entrusted to those in government has been spent economically, efficiently, effectively, and in compliance with applicable laws and regulations.

Impact of Corruption

[4] The fraud triangle is a model which developed by Donald Cressey (1970). This model explains the factors that cause someone to commit occupational fraud. It consists of three components which, together, lead to fraudulent behavior. Please see http://www.acfe.com/fraud-triangle.aspx

Corruption is a major barrier to development and diverts resources away from poverty-eradication efforts and sustainable development. **Many empirical studies show that it harms poor people more than other factors, impedes economic growth and diverts desperately needed funds from education, healthcare and other public services.** UN data brings out that corruption, bribery, theft and tax evasion cost some US $ 1.26 trillion for developing countries per year; this amount of money could be used to elevate those who are living under $ 1.25 a day for at least six years.

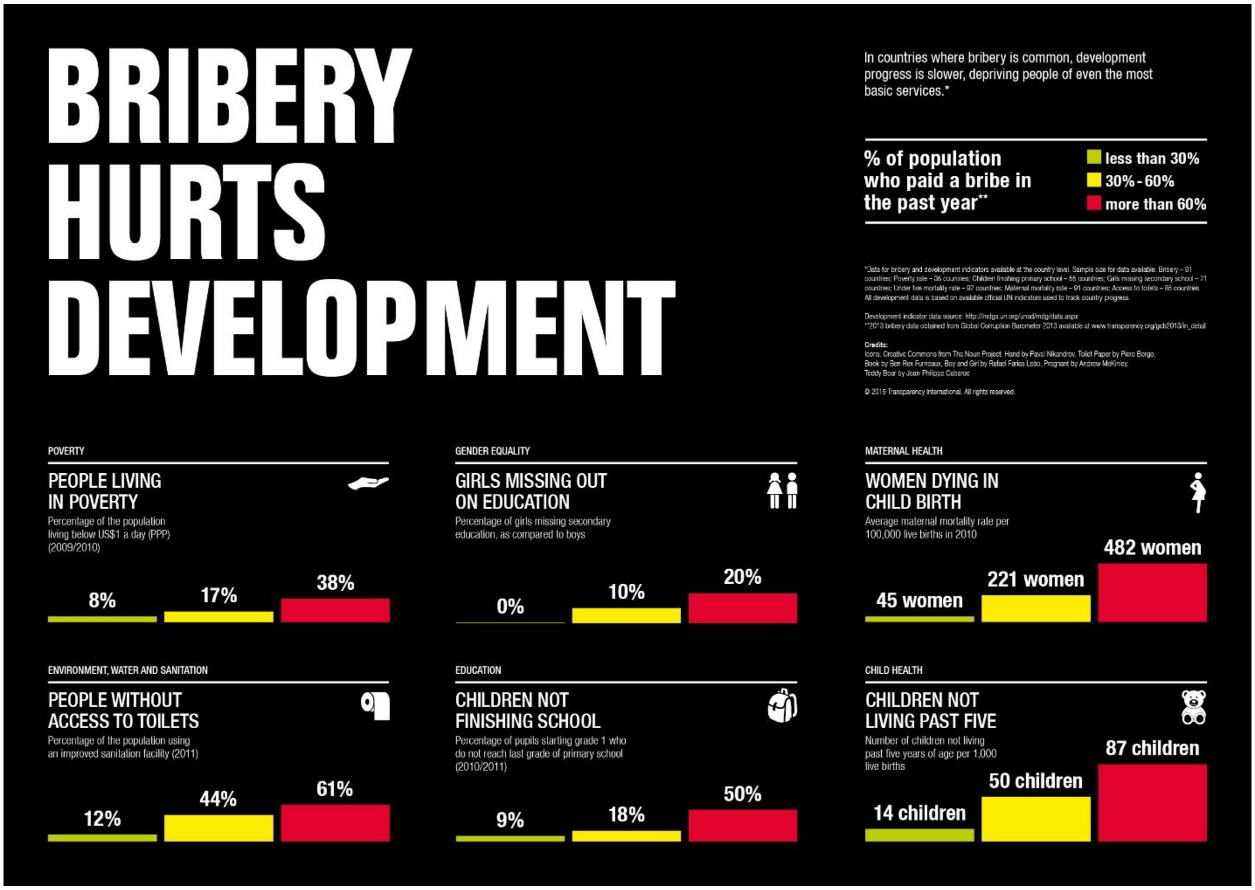

Figure 3 Infographic Bribery hurts development by Transparency International

Source: http://www.transparencyinternational.eu/wp-content/uploads/2016/02/Bribery-hurts-development.jpg

The infographic presents the survey findings about bribery in 91 countries. It shows that more than 60% of population paid a bribe in the past year. This Infographic explained the effects of corruption in economic development and social impact. Typically, it shows that in countries where corruption is common, development progress is slower, depriving people of even the basic services.

The UNDP (PACDE)[5] has reported based on evidence that corruption has proved to be a major hindrance in achieving the MDGs. It has listed the following evidence from different sources. US $1.8 trillion in illicit outflows (Global Financial Integrity Report 2010); Corruption is estimated to raise household price of water

[5] The 2008-2011 UNDP Global Programme on Anti-Corruption for Development Effectiveness (PACDE)

by as much as 30% and general price of goods by 20% (TI 2008); Malpractices of frontline providers such as absenteeism and low quality fertilizers estimated to have grave consequences on poverty reduction (WDI 2010); Petty corruption (e.g., in health or education services) imposes disproportionate costs on the poor. 50% loss in health funds – this is the estimated percentage of allocated funds that do not reach clinics and hospitals in Ghana. (TI, 2006 Global Corruption Report). Corruption and poor governance help explain why increased funding allocations, such as those aimed at meeting the MDGs, have not necessarily translated into tangible MDG achievements.

This experience is of tremendous relevance in the context of the countries moving towards achieving the SDGs in 2030 by preventing the drainage of resources owing to corruption. Transforming our world: the 2030 Agenda for Sustainable Development' is an ambitious and momentous resolution adopted by the United Nations at the seventieth session of the general assembly. The preamble of the resolution brings out the importance of the agenda for enabling prosperity in planet Earth for its people. The three dimensions of sustainable development – economic, social and environmental can be ensured through the implementation of the 17 Sustainable Development Goals (SDGs) detailed in 169 targets. Goal 16 ("Promote Peaceful and Inclusive Societies for Sustainable Development, Provide Access to Justice for All and Build Effective, Accountable and Inclusive Institutions at all Levels"), and in particular SDG "Target" 16.5 ("substantially reduce corruption and bribery in all their forms") is specifically relevant in the context of anti-corruption efforts. However, it is important to recognize the need for a strong anti-corruption system and framework that can prevent corruption at the level of each of the goals relevant to different sectors of governance.

2C: INSTITUTIONAL FRAMEWORK FOR FIGHTING CORRUPTION

This guidance focusses on the performance audit of the institutional framework for fighting corruption which incorporates different agencies and organizations for fighting corruption. An institutional framework is understood to mean the system of formal laws, regulations, and procedures, and informal conventions, customs and norms that broaden and restrain socio-economic activity and behaviour (Donnellan et al 2012).**The *institutional framework for fighting corruption* has also been introduced in the context of SAIs in ISSAI 5700 which mentions the institutional framework as one of the most important organizational actions taken by governments that seek to lay a firm foundation for the rule of law and to implement programmes for fighting corruption.** It is also the establishment of institutions for (a) fighting corruption, (b) promoting anti-corruption activities, and (c) enhancing the cooperation and integration among different institutions. These institutions include SAI, Anti-Corruption Agency (ACA) and Office of Inspector General etc. Hence, the institutional framework for fighting corruption shows that these agencies should work together with the policies, processes and procedures used by a single or multiple agencies that comprise such institutional frameworks.

Therefore, the most important question, regarding the formal legal and institutional framework, is to what extent such frameworks are effective in providing good governance and preventing corruption? To answer this question it is necessary to review and analyze the formal regulatory and organizational infrastructure that exists. The legal framework for fighting corruption might consist of national anti-corruption act, penal and criminal code, and international conventions like UNCAC. The institutional structure for combating corruption might comprise of a special anti-corruption agency or commission and other institutions involved in anti-corruption area such as police, prosecutor, ombudsman, courts and SAIs (UNDP 2005). Hence, enhancing transparency, accountability, and capacity of these institutions for preventing corruption is a fundamental starting point for developing good governance and fighting corruption.

In the last 20 years, several international organizations have developed and used tools for fighting corruption. For example, Transparency International developed Corruption Perception Index (CPI)[6] in order to reflect corruption situation around the world. The United Nations Development Program (UNDP) launched its Global Anti-Corruption Initiative or UNDP (GAIN) 2014-2017 which expected countries to develop systems, institutions and civic engagement mechanisms to better manage and deliver public resources and services. The GAIN employs a comprehensive approach that focuses on strengthening state/institutional capacity (the supply side of anti-corruption), facilitates the multi-stakeholder engagement with civil society, community, youth and women's groups to provide monitoring and oversight to these reforms (the demand side of anti-corruption), applies multidisciplinary approach to reduce corruption risks by integrating transparency, accountability and integrity measures in various areas of development, and strengthens advocacy, results and knowledge management (See figure 4).

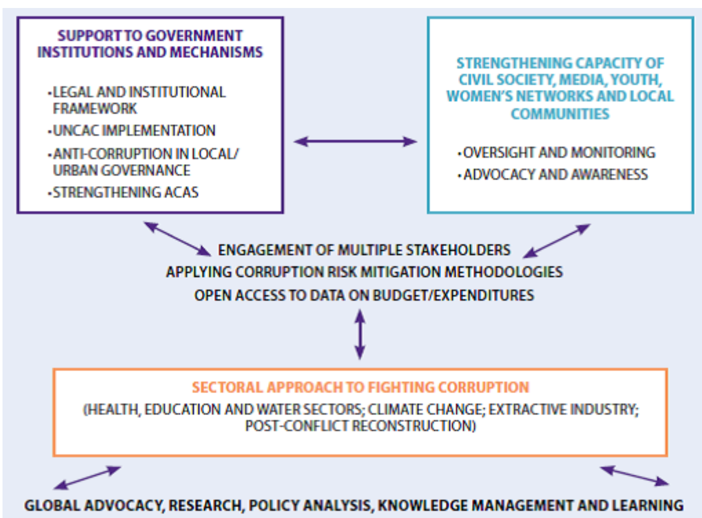

Figure 4 UNDP's integrated approach to anti-corruption

Source: UNDP Global Anti-Corruption Initiative (GAIN) (2014-2017)

In addition, **the concept of National Integrity System** also reflects the anti-corruption mechanism under institutional frameworks (See figure 2.5). Since 2000 the concept of National Integrity System (NIS) is feeding into the concept of good governance. Integrity system is based on the public accountability and curbing corruption which it is a comprehensive reform of civil services and government processes (Misic 2011, 6). The concept of NIS was developed by *Transparency International which* represented a comprehensive approach to focus on the inter-relationship among different institutions.

[6] https://www.transparency.org/research/cpi/

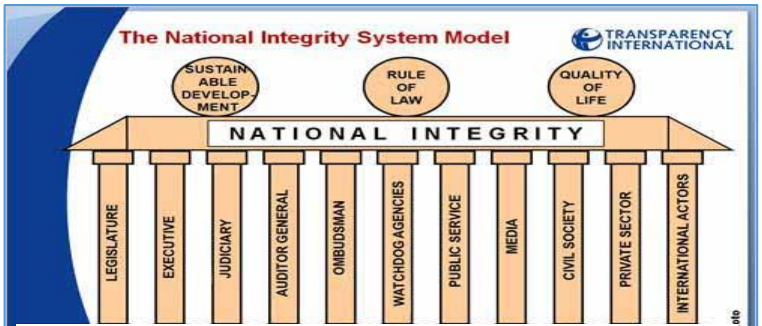

Figure 5 National Integrity System Model of Transparency International

Source: Transparency International

Figure 5 explains the NIS by using the model of Greek Temple. The temple consists of several pillars as integrity institutions. Each institution should harmonize in order to strengthen the NIS. **The ultimate goals of development include sustainable development, rule of law, and quality of life.** There are eleven institutions as integrity pillars of NIS, all propping up the roof of national integrity. All pillars are dependent on social awareness and value as the foundation of Greek temple. If the foundation is strong, all pillars will be strong. If all eleven integrity pillars are well-built, they will support a roof of national integrity. Finally, the national integrity will be based on the ultimate goals (Pope 2000).

Under NIS concept, Dye and Stapenhurst (1998) pointed that **SAI is one of the main pillars of NIS which can curb corruption and act as a potent deterrent to wastage and abuse of public funds. It helps to restrain any tendency to divert public resource to private gain. It can help reinforce the legal, financial, and institutional framework. Additionally, it can also expose non-transparent decision making that is not in public interest.**

These different models and frameworks can be related to the performance audit of institutional framework for fighting corruption. Figure 6 introduces this relation which will be further expanded in the subsequent chapters.

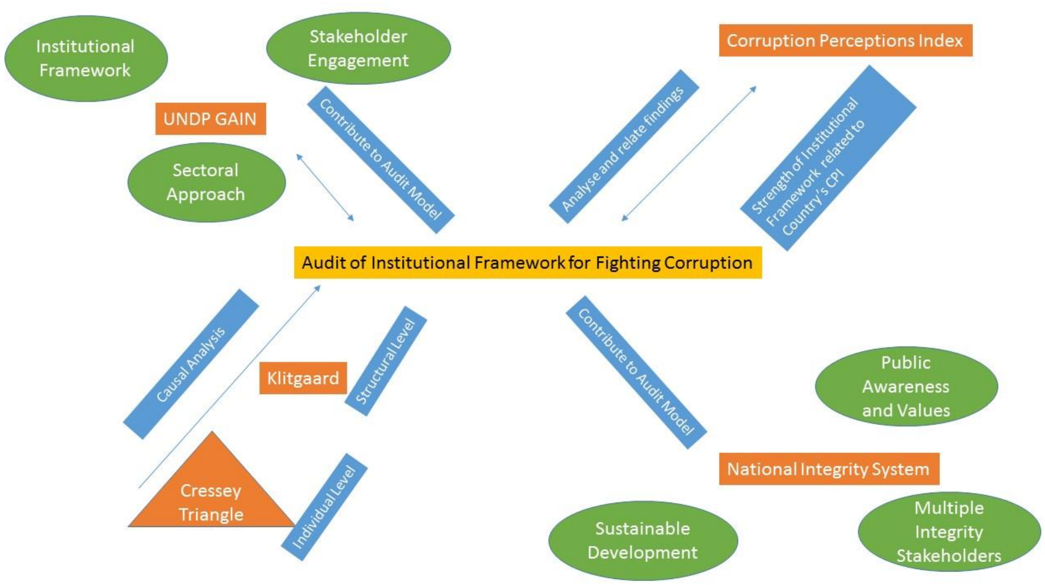

Figure 6 PA of Institutional Framework and Anti-Corruption Conceptual Frameworks

2D: ROLE OF SAIS IN FIGHTING CORRUPTION

The fight against corruption is broadly considered under different components like detection, prevention, enforcement etc. Detection and enforcement are narrower in focus in terms of being exercised against a specific case or a set of cases. Prevention on the other hand needs to have a wider and more systemic approach. It is important to understand the system and dynamics involved in the institutional frameworks for fighting corruption especially in the context of prevention of corruption. Depending on their mandate and jurisdiction, SAIs may exercise anti-corruption powers in terms of detection (forensic audits) and enforcement (judicial functions) in addition to their role in prevention of corruption.

ISSAI 5700 mentions four programme elements for preventing corruption which consists of (1) appropriate framework of standards and regulations, (2) code of ethics, (3) appropriate human resources management, and (4) appropriate internal control system. It also proposes some instruments of detection of corruption such as whistleblowing mechanism and internal audit. Recently, Dimitri Vlassis (2016), Chief, Corruption and Economic Crime Branch of United Nations Office on Drug and Crime (UNODC) suggested three ways[7] for preventing corruption in order to ensure the achievement of SDGs, that is, (a) focus on education; (b) create culture of integrity, and (c) build demand for accountability[8].

Prevention of corruption is covered by the coordination between both *horizontal accountability and vertical accountability*. Horizontal accountability consists of formal relationships within the state itself, whereby one state actor has the formal authority to demand explanations or impose penalties on another. Hence, its focus is on internal checks and oversight process. For example, executive agencies have to explain their decision to legislatures.[9] In case of vertical accountability, it involves enhancing the capacity of media, civil society and private sector in exposing corruption, putting pressure on enforcement, and promoting transparency and accountability.

SAIs' role in fighting corruption was first highlighted in the 16th INTOSAI Congress held in Montevideo, Uruguay in 1998. The focus was on (a) the role and experience of SAIs in preventing and detecting fraud and corruption and (b) methods and techniques for preventing and detecting fraud and corruption. Borge (2001) suggested that the central role of SAIs in combating corruption is the promotion of sound financial management and the encouragement of robust internal control mechanisms in public bodies. In particular, strong financial management systems, based on effective financial reporting and the disclosure of any deviations, have a dissuasive effect on those who might otherwise engage in corruption.

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[7] https://www.weforum.org/agenda/2015/01/three-ways-to-end-global-corruption/

[8] For any society to be successful at curbing corruption and sustaining a culture of integrity, there must be mechanisms in place that operate as a check on thinking or behaviour that would represent a backsliding to the previous corrupt ways of doing business in the public or private sectors. Such monitoring and oversight helps to positively reinforce integrity and professionalism while holding accountable those who choose to violate the positive societal norms. In order to create such institutions, however, it is up to the public to demand accountability from their political leaders, civil servants and private-sector actors. And this demand must be sustained through challenging times of political transition or economic downturn, when the temptations for engaging in unlawful and corrupt behaviour will be at their highest levels.

[9] Please see http://www.transparency-initiative.org/about/definitions

Hence, SAIs should focus on the preventive role in fighting corruption. They should encourage governments to strengthen their internal control systems, enhance staff resistance to attempts at bribery, and closely monitor areas prone to corruption. In many countries, SAIs can rely on anticorruption laws and regulations and audit compliance therewith. Among other things, SAIs verify whether proper procedures are in place for authorizing payments; whether there is a strict separation of needs specification, planning, contracting, and accounting and settlement in government procurement; and whether staff in areas prone to corruption (such as procurement, construction, and licensing) are being rotated. If anticorruption provisions have not been enacted or are being insufficiently implemented, SAIs can point out the losses that governments may incur because of legislative gaps and call for the adoption of anticorruption measures (Klaus-Henning Busse 2007).

Through their role of preventing corruption, SAIs can create value and benefit for citizens. They can strengthen accountability, transparency and integrity by independently auditing public sector operations and reporting on their findings. This enables those charged with public sector governance to discharge their responsibilities, in responding to audit findings and recommendations and taking appropriate corrective action thereby completing the cycle of accountability. **In fighting corruption, SAIs can demonstrate ongoing relevance by responding appropriately to the challenges of citizens, the expectations of different stakeholders such as Anti-Corruption Agencies (ACAs), head of administration, judiciary, ombudsman, media, and civil society organization** (See figure 7). Furthermore, to serve as a credible voice for beneficial change, it is important that SAIs have a good understanding of developments in the wider public sector and undertake a meaningful dialogue with stakeholders about how the SAI's work can facilitate improvement in the public sector.

Figure 7 Stakeholders relevant to SAIs in fighting corruption

It is essential that in order to exercise its role in a proper manner, the SAIs need to institutionalise their efforts against corruption in their long term strategy. In the context of understanding the ability of the institutional frameworks for fighting corruption to prevent corruption, it becomes essential to understand the system in its entirety. It is important to study the complexities involved in the working of the different agencies including their coordination and cooperation with other agencies; engagement with stakeholders both in the government sector as well as others like Civil Society Organisations, citizens, media, parliament, etc.; the implementation of the different policies and operation of the legislations etc.

In order to assess the efficiency and effectiveness of the institutional frameworks for preventing corruption, as compared to financial and compliance audit, performance audit (PA) appears as the most relevant audit approach. A PA will also result in relevant recommendations intended to address the shortcomings identified in the anti-corruption institutional framework. PA leads to better

understanding of how the public administration including the institutional frameworks for fighting corruption works, helps in developing a systemic vision and allows prioritizing control actions on risk activities. PA helps in identifying inefficiencies in the system.

The general benefit of performance auditing is contribution to improved economy, efficiency and effectiveness in the public sector. It also contributes to good governance, accountability and transparency. Further, performance auditing attempts to provide new information, analysis or insights and, where appropriate, recommendations for improvement (ISSAI 3000/20). However, the benefits of PA of the institutional framework for fighting corruption extends to ensuring transparency, establishing accountability, strengthening the institution of ACAs and other institutions, improving anti-corruption policy, and better performance (See table 1).

Table 1 Benefits of PA of the institutional framework for fighting corruption

Benefit	Explanation
Ensuring transparency	PA could produce audit reports and concrete performance figures that contribute to transparency and visibility.
Establishing Accountability	The performances in fighting against corruption should report on their activities, capacity problems, and results to those who fund their activities, that is, taxpayers, government, and parliament, and even to civil society (the demand side of anti-corruption). Therefore PA could provide reliable information on performance and helps to track progress more easily and systematically.
Strengthening institution for ACAs and other institutions	PA could represent governments to ascertain whether ACAs and other institutions are able to fulfil its mandate by tracking its performance and growth in capacity over a period of time. Also it allows that they could develop their capacities in fighting against corruption in different phases of institutionalization. Additionally, PA could give recommendation for strengthening institutional capacities (the supply side of anti-corruption) to prevent and combat corruption[10].
Improving anti-corruption policy	Under PA of the institutional framework, it could give the heads of ACAs and governments indications of whether a policy option is working as intended, by detecting operating risks and problems. Where do the problems originate? How is the agency's performance affected? What

[10] Reports about failed ACAs continue to make headlines. The rhetoric surrounding the performance of these bodies has changed radically from enthusiastic support to defeatism. After a honeymoon of political commitment and an initial launch with fanfare and high expectations, the story of ACAs is now told as one of stalemate, lack of credibility, and marginalization. In 2005, a United Nations report concluded, several countries have opted for or are currently considering creating an independent commission or agency charged with the overall responsibility of combating corruption. However, the creation of such an institution is not a panacea to the scourge of corruption. There are actually very few examples of successful independent anticorruption commissions/agencies (UNDP 2005, 5).

	capacities/resources are available to reduce those risks and problems and can those be strengthened?
Better performance	PA of institutional framework could lead to better performance of ACAs and other institutions in fighting corruption.

Source: Adapted from Jesper Johnsøn, Hannes Hechler, Luís De Sousa and Harald Mathisen. (2011).How to monitor and evaluate ACAs: Guidelines for agencies, donors, and evaluators

PART 3: PEFORMANCE AUDIT IN FIGHTING CORRUPTION

Performance auditing leads to better understanding of how the public administration including the institutional frameworks for fighting corruption works and will help to identify inefficiencies in the system. The overall purpose of PA is to contribute to improved economy, efficiency and effectiveness in the public sector by examining, analysing and reporting on the performance of public entities.

This guidance emphasises a PA with specific reference to *Prevention of Corruption*. The prevention roles emphasised are, (1) cooperation and collaboration, (2) enhancing stakeholder engagement, (3) follow up on results of their actions, and (4) Education and awareness raising.

The next part in this guidance introduces the Audit Model for conducting an ISSAI based PA of the Institutional Framework for fighting corruption focusing on the preventive aspect.

3.1: PEFORMANCE AUDIT MODEL & CONCEPTS

This audit will be an ISSAI based cooperative PA of the institutional frameworks for fighting corruption in different countries. The broad purpose is to conduct the audits to assess the institutional frameworks in their role in preventing corruption. However, the individual SAIs that take up these audits will frame their specific audit objectives. Framing of audit objectives for specific audits to be undertaken by the SAIs has been discussed in the subsequent part of this guidance.

This PA will address the whole of government institutional framework and then audit one or more specific sectors of the government as explained below.

Whole of Government

In terms of the institutional framework for fighting corruption, it has been discussed that the institutional framework incorporates the two components of the legal framework for fighting corruption and the different agencies involved in the fight against corruption. In terms of the agencies involved in the fight against corruption, most countries have either a ministry or specialized anti-corruption bodies. These specialized agencies need to interact and cooperate with other agencies involved in the prevention of corruption including parliamentary, administrative and judicial bodies besides the SAIs. These agencies are also required to act along with specialized agencies/sub-agencies that look after corruption and related issues at the level of provincial/ local governments or those that are associated with specific sectors of governance and service delivery.

At the Whole of Government level, the audit will seek to assess the overall legislative framework and the performance of these agencies and their interrelationships in terms of being able to prevent corruption.

The legal framework will be examined from two different aspects. We will begin by getting an overall understanding of the legal framework that is used by government to fight corruption and examine whether there is any incompatible legislation in regards to the roles and responsibilities not providing adequate segregation between the administrative arm of government and the political arm of

government. Secondly, we will assess the mechanisms for implementation of the anti-corruption legal frameworks and whether they are working efficiently and effectively or not.

Compliance issues with the legal framework and specific cases will be considered only in the context of their relevance to the PA.

The questions in the following areas are addressed in the guidance:

- ✓ Working of the specialized ACAs including functional autonomy and independence from government.
- ✓ Effectiveness of the agencies and related systems, policies and provisions in preventing corruption.
- ✓ Coordination and cooperation with other related agencies.
- ✓ Adequacy and implementation of the mandate of the agencies in terms of the following functions: investigation; prosecution; education and awareness-raising; prevention; and coordination. However, the investigation and prosecution functions are not of major relevance for this PA.
- ✓ Role of other agencies like the Prosecutor, Ombudsman, Civil Society Organizations, etc.
- ✓ Results and follow up mechanisms for prevention of corruption.

Specific sectors

The PA will also focus on the institutional arrangements for preventing corruption relevant to specific sectors of governance or service delivery. The participating SAI is free to select one or more sector(s) for assessing in detail institutional framework for preventing corruption in that particular sector.

The guidance provides an illustration regarding the relevant checks that can be applicable for the PA at one of the sector levels. Examples from the education sector are presented to illustrate the audit methodology. As presented in the appendix to this guidance, a detailed illustrative case study on the health sector has also been developed for use in the ecourse.

At the sector level, the PA will also examine the preventive functions relevant to the framework.

The questions in the following areas are addressed in the guidance:

- ✓ Adequacy of the accountability and anti-corruption mechanisms relevant to the selected sector(s) of governance.
- ✓ Adequacy of the accountability and anti-corruption mechanisms relevant to the selected sector(s) in regards to service delivery.
- ✓ Results and follow up mechanism for prevention of corruption.

However, any public agency should be accountable for its use of public resources. For this reason, a PA could promote accountability by assisting those with governance and oversight responsibilities to improve performance.

3.1A: PERFORMANCE AUDIT CONCEPTS IN FIGHTING CORRUPTION

PA can demonstrate lack of economy in resources allocated to the fight against corruption

While the focus of the PA in this guidance will be on assessing the efficiency and effectiveness of the working of the institutional frameworks, the audit will also look at the other two basic precepts of PA being economy and equity. Economy means minimizing costs of resources used in performing an activity, without compromising quality standards. It refers to the ability of an institution to properly manage its financial resources (ISSAI 3100). The principle of economy is about keeping the costs low. The resources used should be available in due time, in appropriate quantity and quality and at the best price.

Economy is also important in the context of the agencies involved in the fight against corruption leading by example in terms of optimising the use of the resources at their disposal.

Audits of economy in the field of institutional framework for fight against corruption may provide answers to questions such as:

- ✓ Have the human, financial or material resources been used economically to prevent corruption?
- ✓ Are the management activities performed by anti-corruption institutional actors in accordance with sound administrative principles and good financial management policies?

Examining economy may include verification of management practices, management systems, benchmarking of procurement processes and other procedures pertaining to the PA, while the strict examination of the legality of bidding procedures, genuineness of documents, efficiency of internal controls and other aspects should be the object of a compliance audit (CA). There may be some overlap between CA and PA. In such cases, the classification of a particular audit will depend on the primary objective of the audit (ISSAI 100/41, 2001).

PA can demonstrate lack of efficiency in systems and functions regarding institutional framework for fight against corruption

Efficiency is the relationship between products (goods and services) generated by an activity and the costs of inputs used to produce them in a certain period of time, maintaining the quality standards. The principle of efficiency is about getting the most from available resources. It is concerned with the relationship between resources employed, conditions given and results achieved; in terms of quantity, quality and timing of outputs or outcomes.

The main question is whether these resources have been put to optimal or satisfactory use or whether the same or similar results in terms of quality and turn-around time could have been achieved with fewer resources. Are we getting the most output – in terms of quantity and quality – from our inputs and actions? Therefore, efficiency is about maximum output obtained for a given level of input, or the minimum level of input required for a given level of output - spending well. Examples in PA of institutional framework for fighting corruption could be:

- ✓ Is the department or agency in charge of preventing or detecting corruption delivering the best services for the resources allocated?
- ✓ Are anti-corruption institutions or structures using their capacities (mandate, resources, etc.) to the maximum level?
- ✓ Do the anti-corruption policies or programme pay due consideration to the coordination of interventions and collaboration between several entities in order to avoid duplication of actions?

PA can emphasize lack of effectiveness of policies, programmes and government interventions designed to prevent or detect corruption

Effectiveness is essentially a goal-attainment concept. It **is concerned with the relationship between goals or objectives, outputs and impacts**. It refers to the relationship between the outcomes of an intervention or programme in terms of its effects on the target population (observed impacts), and the desired goals (expected impacts). It means verifying if the changes in the target population could be attributed to the actions of the evaluated program.

Concerning the PA of institutional framework for fight against corruption, the auditor must remain careful about results or impact which may not be attributable to the intervention of the audited entity or the subject matter concerned, as a policy or a programme.

Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity entails audit of the actual impact of activities compared with the intended impacts. In practice, such comparisons are usually difficult to make, partly because comparative material is often lacking. In such cases, one alternative is to assess the plausibility of the assumptions on which the policy is based. Often a less ambitious audit objective will have to be chosen, such as assessing to what extent objectives have been achieved, target groups have been reached, or the level of performance.

Effectiveness of a particular domain or branch of the institutional framework for fighting corruption could deal with issues like:

- ✓ Is the department or agency in charge of preventing corruption meeting its policy objectives?
- ✓ Is the department or agency in charge of preventing corruption achieving its programme objectives in all sectors of governance and service delivery?

PA can demonstrate distortions in terms of equity in government's anti-corruption initiatives

In addition to the 3Es that are commonly used, Equity is also increasingly being considered in Performance Auditing as the 4th E. So, in many audits, the PA or will also be expected to address concerns relating to equity while assessing the effectiveness of a program/activity.

Equity, which can be derived from effectiveness of public policy, is based on the principle that recognizes the difference among individuals and the need for differential treatment. To provide genuine equality of opportunity society must cater more to those born with fewer skills and those born in socially disadvantaged areas. Unequal treatment is fair when it benefits the neediest individual - fair inequality. Therefore, public policies of protection and social development play a key role in building equity (PA Manual – SAI Brazil, 2010/11).

Concerning anti-corruption programmes and policies, the examination of equity may involve, for example, research of criteria for resource allocation vis-à-vis the spatial distribution and the socioeconomic profile of target population; strategies adopted by the public administration to adjust the supply of anti-corruption services or benefits to different needs of the audience; strategies adopted by the manager that consider gender issues in corruption prevention measures; strategies that benefit minorities affected by corruption.

An example of government programmes that consider equity in fighting corruption would be Anti-corruption programmes that allocate more financial resources to measures targeting the most affected groups (women, youth, disabled, minorities, etc.)

3.1B: RELEVANT INTERNATIONAL STANDARDS FOR SUPREME AUDIT INSTITUTIONS (ISSAIS) FOR ASSESSING INSTITUTIONAL FRAMEWORKS FOR FIGHTING CORRUPTION

The ISSAIs form a hierarchy of four levels:

Level 1 - Founding Principles (ISSAI 1)
Level 2 - Prerequisites for the Functioning of Supreme Audit Institutions (ISSAIs 10-99)
Level 3 - Fundamental Auditing Principles (ISSAIs 100-999)
Level 4 - Auditing Guidelines (ISSAIs 1000-5999)

Level 4 ISSAIs are to be considered in conducting PA of institutional framework for the fight against corruption are ISSAIs 3000, 3100, 3200 and 5700.

ISSAI 3000 – **Standard for performance auditing**: It is the authoritative standard for performance auditing and consequently each of its requirements must be complied with if an SAI chooses to adopt it. It provides requirements for the professional practice of performance auditing followed by explanations in order to enhance the clarity and readability of the standard.

ISSAI 3100 – Guidelines on central concepts for performance auditing: it is intended to help the auditor interpret central concepts for performance auditing used in ISSAI 3000. Thus, the guidance provided in this document should make it easier to understand and implement the requirements in the standard for performance auditing.

ISSAI 3200 – Guidelines for the PA process: it is intended to help the auditor interpret the requirements set out in ISSAI 3000, and provides advice to the auditor on how to fulfil these requirements and how to apply professional judgment. ISSAI 3200 is structured according to the different phases in the PA process being planning, conducting the audit, reporting and follow-up.

ISSAI 5700 – Guideline for the Audit of Corruption Prevention: it is designed to help SAI auditors in preparing and conducting the audit of anti-corruption policies and procedures in government organizations within the scope of their mandate. It highlights anti-corruption policies, structures and processes in these organizations and can be used as an audit tool by the auditors. Given the enormous amount of information widely available on the subject, this guidance is not intended to be final or exhaustive but rather to explain and illustrate the relevant features and to present practical solutions for SAI auditors.

The guideline covers key areas of anti-corruption structures and procedures that may be found in government organizations. It also describes the setting up of anti-corruption-structures, the approaches for risk assessment and risk analysis and monitoring processes. The main emphasis is placed on the modules of an effective anti-corruption organization such as the delimitation of duties, job rotation, role of internal review, human capital including raising awareness and training of employees. The guideline does not cover fraud investigations, although some SAIs have investigative units.

INTOSAI GOV 9160 - Enhancing Good Governance for Public Assets: This guideline developed under the aegis of the WGFACML emphasises the importance of proper management of public assets in the context of prevention of corruption and good governance.

3.1C: PERFORMANCE AUDIT APPROACHES

Performance auditing generally follows one of the following three approaches:

- a system-oriented approach, which examines the proper functioning of management systems;
- a result-oriented approach, which assesses whether outcome or output objectives have been achieved as intended or programmes and services are operating as intended;
- a problem-oriented approach, which examines, verifies and analyses the causes of particular problems or deviations from criteria.

According to ISSAI 300/26, auditors should choose a result-, problem- or system-oriented approach, or a combination thereof, to facilitate the soundness of audit design. The overall audit approach is a central element of any audit. It determines the nature of the examination to be made. It also defines the necessary knowledge, information and data and the audit procedures needed to obtain and analyse them.

Therefore, in case of institutional frameworks for fighting corruption, the multiplicity of functions coupled with the multiplicity of agencies in several countries make it imperative to examine the functioning of these agencies in terms of the agencies and the anti-corruption framework working towards achieving their goals. The system-oriented approach is proposed as an option to this kind of evaluation.

The adoption of the system-oriented approach provides the following benefits:

- ✓ Getting an overview of the entire institutional framework for fighting corruption as relevant to a particular set-up whether at the central/ federal level or at other levels.
- ✓ Understanding the linkages and relationships between the different agencies

- ✓ Understanding the functional dynamics in the different agencies with respect to the different functions being performed by these agencies.
- ✓ Understand how the different agencies are tackling different types and manifestations of corruption.
- ✓ Getting to know the way in which the different policies and legislations are being implemented by the agencies.

In addition to considering the systems-oriented approach for such an audit, the issue of problem analysis is of importance in case of any anti-corruption effort. In order to take preventive action against corruption and to provide recommendations on strengthening the institutional framework for fighting corruption, it is necessary to identify the problems and causes leading to corruption. Analysis of the different reasons and enabling factors sustaining corruption in different countries provide an understanding of the control measures that are required to control corruption. The audit criteria can be developed on the basis of the identified issues and the extent of deviation from the criteria will provide an indication of the control measures that will have to be instituted for addressing the problem of corruption and strengthen the system for fighting corruption. Problem analysis provides the following benefits for this PA.

- ✓ Understanding the causes behind different types of corruption.
- ✓ Setting the audit criteria on the basis of the causes behind the different types of corruption.

Therefore, in order to meet the requirements of this audit, a mix of system-oriented approach along with problem-oriented approach is considered suitable. This mix has been considered in the subsequent part of this guidance where the audit process has been discussed.

3.1D: PERFORMANCE AUDIT - QUALITY CONTROL AND QUALITY ASSURANCE

Introduction

Conducting a high quality audit is often a major challenge for the SAIs. SAIs appreciate that quality audit work increase their credibility and reputation, and ultimately their ability to fulfill the mandate (ISSAI 40/1). SAIs establish and maintain a system of quality, which the auditors comply with to ensure that all quality requirements are met in an audit. For effective implementation of quality regime SAIs need to define the quality requirements and the process on how to comply with them.

Defining Quality Control and Quality Assurance

The terms Quality Control and Quality Assurance are distinct in their function, objective, scope and impact.

Quality Control

Quality Control (QC) helps SAIs to ensure that all phases of an audit process (planning, execution, reporting and follow-up) are carried out in compliance with the defined audit methodology which is based on the auditing standards and international best practices. Quality control procedures cover matters such as direction, review and supervision of the audit process. In essence, the QC process could be covered in a "checklist" that audit managers are required to complete while conducting the audit. It is therefore important for the SAI to first clearly define the characteristics of what constitutes a high-quality audit report.

The quality control process should be an integral part of the conduct of each PA to minimize the risks of error and ensuring consistency. Quality control functions can be carried out by the audit line managers before the issuance of the report. In this way, quality is built into the performance of the work of each SAI and the production of the SAI's reports, rather than being additional process once a report is produced (ISSAI 40/1).

Quality Assurance

Quality Assurance is a process through which SAI assesses and monitors the system of quality control with the intention to ensure that controls are working effectively and that individual audits are being carried out in compliance with SAI methodology, auditing standards, rules, practices and procedures.

A quality assurance is a post-issuance function and allows the audits to be independently assessed, after their completion, on a consistent basis against specific criteria. It provides an independent assurance to the Head of SAI that the established quality control systems and practices in the organisation are working effectively and that quality reports are being issued.

The main objectives of Quality Assurance are to ensure that SAI and its personnel have adhered to professional standards and applicable legal and statutory requirements. It also ensures that all necessary quality controls are in place and being properly implemented. It identifies potential ways of strengthening or improving quality controls.

Developing Quality Control and Assurance Functions in SAI

In public sector audit, SAI quality management involves a system composed of its auditors and the audit process - together to produce the output that fulfills the expectations of its stakeholders and the citizens. Therefore, developing a properly functioning system of quality control and assurance and ensuring that it is a part of SAI's strategy, culture, policies and procedures is one of the important elements in this context (ISSAI 3000/2.4). Based on their objective, scope and timing the QCA functions of the SAI can take the following forms:

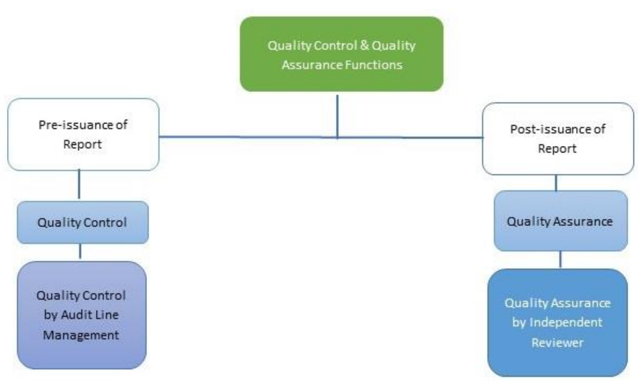


Figure 8 Quality Control and Assurance Functions

The pre-issuance quality control functions conducted by the audit line management whether the audit is being conducted according to standards and best practices with the aim to improve the quality of the final product. QC function is focused on methodology review. On the other hand, QA functions are conducted by experienced auditors, who are not related to the audit, after the issuance of the report. The QA reviewer checks whether the QC functions are working effectively (process check) and recommends for the improvement of future PA functions.

Based on the ISSAI 40 requirements, the SAI needs to establish and maintain a system of quality control that includes policies and procedures that address each of the following elements:

a. Leadership responsibilities for quality within the SAI: SAI communicate a vision of quality in PA.
b. Relevant ethical requirements: covers how the SAI ensures that auditors comply with the ethical requirements of integrity, objectivity, impartiality, professionalism, competence and professional secrecy.
c. Acceptance and continuance: that SAI should carry out audit when it is competent to do so.
d. Human resources: SAI has sufficient resources and staff with right competence to do the audit.
e. Engagement performance (quality control): SAI establishes policies and procedures to ensure that its PAs are carried out in accordance with the standards.
f. Monitoring (quality assurance): SAIs have a monitoring mechanism to check whether the procedures and policies are working effectively.

Aspects of Quality in a Performance Audit

PAs are often complex undertakings, requiring a wide range of skills, expertise, and experience. As a result, the system of quality control and assurance needs to address the following issues which are specific to PA (ISSAI 300/32):

i. **Creating working atmosphere of mutual trust and responsibility**
   The PA team gathers a large amount of information and exercises a high degree of professional judgment and discretion which must be taken into account during quality control. A working atmosphere of mutual trust and responsibility is needed as part of quality management where easy to manage quality control procedures are applied. It helps auditors to be more open to feedback provided by the supervisor regarding quality control.
ii. **Balanced and Unbiased Report**
   In performance auditing, even if the report is evidence-based, well-documented and accurate, it might still be inappropriate or insufficient if it fails to give a balanced and unbiased view, includes too few relevant viewpoints or unsatisfactorily addresses the audit questions. These considerations should therefore be an essential part of measures to safeguard quality.
iii. **Audit Specific QCA Measures**
   As audit objectives vary widely between different audit engagements, it is important to define clearly what constitutes a high-quality report in the specific context of an audit engagement. General quality control and assurance measures should therefore be complemented by audit specific measures.
iv. **Addressing Overarching Controls**

   In addition to adopting a good PA process, a number of overarching controls affect the quality at all stages of the audit process. These are:

a. An Audit Quality Management Framework as suggested in ISSAI 40.
b. Supervision of the work of audit staff at each level and audit stage.
c. Development of performance indicators and monitoring of audit operations against them.
d. Development and introduction of policies, methodology, manuals and tools to help institutionalize performance auditing.
e. Reviews to provide assurance on adherence to manual, policies, procedures and methodology.
f. Standard documentation developed and signed by relevant auditors.

Quality Control Function in Performance Auditing

As discussed earlier quality control is conducted before issuance of the audit report and focuses on the methodology and auditing standards followed to evaluate the products generated at the end of each audit phase. Quality control is conducted by audit staff using different tools.

Tools Used in Quality Control Assessment

Quality control assessments are accomplished with the support of certain techniques and routine procedures that make its implementation easier. The main quality control tools are:

Tools	Description
Quality checklists	Checklist verifies activities that were performed and their compliance with quality standards applicable to activities, working papers and audit products. Checklists can be used concurrently with or after the audit. When applied concurrently it facilitates supervision/quality control, as it allows the verification of implementation of key measures by the audit team in the several stages that comprise the audit work and the timely correction of the deficiencies.
Schedule	Schedule allows the audit team to plan and organise their activities. It also facilitates the allocation of team members according to the procedures provided and the time available.
Audit Design matrix	Audit Design Matrix records the goals as well as the questions that will be investigated and what are the possible conclusions. Thus it is a basis for discussing the work conception of the audit project. The tool systematizes and details the procedures provided for implementing the work, therefore it helps identify failures and lapses in planning activities. It also shows if the required information is sufficient to answer proposed questions and allows verifying if such information can be supplied by the identified sources and if they are coherent with the methodological strategy and with the collecting and analytical data methods.
Findings matrix	Findings matrix contributes to quality control reviews since it helps to systematize and analyse the audit results. The findings matrix is important in order to correctly

	prepare the audit report because it provides in a structured way the findings and its evidence, causes and effects, elements that are part of the main chapters of the report.

(*Brazilian Court of Audit PA Manual*)

Different Personnel Engaged in Quality Control

Quality Control Personnel	**Roles and responsibilities**
Supervisor	The role of the supervisor is essential to ensure the achievement of the audit goals and to maintain the quality of the work, regardless of the auditor's individual competence. It is noteworthy that in performance auditing, it is generally more important to support the audit teams in their efforts to achieve a good level of quality in their work than to supervise them in the traditional sense of the term. It is the supervisor's role to guide and review the audit technically. Guidance is a proactive activity and encompasses discussing with the team the merits of the work conception, of the audit project, of the conclusions as well as making available resources to carry out the audit.
Team leader /Audit Manager	The team leader/audit manager plays a critical role in ensuring quality in the planning, conduct and reporting of the PA. The roles that can be played are: • Encourage discussions within the audit team • Hold regular meetings with team • Ensure that audit process follows the set methodology from beginning to the end • Planning and budgeting and the use of consultants • Monitoring and executing the audit • Progress reporting and audit reporting
Experts panels	Expert panel is an important practice which enable audit quality control through the review of the planning and findings matrices. Both the planning and findings matrices could be validated in expert panels. The expert panel aims to evaluate the audit logic and the rigor of the methodology use. It also allows the team to be advised about flaws in the design and development of the procedures.

(*Brazilian Court of Audit PA Manual*)

Quality control issues in regards to the different stages of audit have been incorporated in the respective sections. Quality assurance has been covered in detail in part 3.5 after part 3.4 on Reporting.

3.1E: AUDIT COMPLEXITIES AND POLITICAL SENSITIVITY

There are many audit complexities and political sensitivities to consider when conducting this PA. There are major complexities in the institutional frameworks for fighting corruption and several factors which are of importance in conducting anti-corruption operations. These are manifested in the different types of corruption that can take place, the different factors and driving forces responsible for such different types of corruption and the different impact of such corruption has on society. In addition, corruption can manifest itself differently across the various sectors of government, which adds to the complexities of conducting a performance audit on fighting corruption. There may be multiple agencies involved in the fight against corruption.

Handling of these substantial complexities and the political sensitivity in conducting this PA is very important. There is a risk of the SAI not correctly handling highly complex and politically sensitive topics in its PA report, which could seriously undermine the credibility of the SAI and any ongoing corruption investigations. The ISSAI requirements that can help in mitigating this risk are:

- ISSAI 30/42 - the SAI must maintain both actual and perceived political neutrality. This would safeguard the SAI from allegations that the PA report is politically motivated, particularly when the report is on a politically sensitive issue. It is important that auditors maintain their independence from political influence in order to discharge their audit responsibilities in an impartial way.
- The moment auditors start asking whether the public commitment itself is feasible at all they will also have to be cautious not to go beyond their mandate by crossing the borderline into political territory. While PA can question the inputs provided or the process followed in formulating policies, it is desirable to refrain from questioning the policy itself due to political sensitivities.
- Wide consultation with different stakeholders during the entire audit process, engaging experts to handle complex issues, providing opportunity to the audited agency and the government to respond to audit findings and conclusions and having external review of audit report before publication are other good practices that can ensure that SAI correctly handles complex and politically sensitive issues.

Stakeholder Engagement

Key stakeholders for prevention of corruption include specialized anti-corruption bodies, key ministries, judicial authorities, SAIs and parliamentarians in addition to non-governmental stakeholders including businesses, civil society, and independent media, academic, research institutions and the citizens. It is essential to involve all stakeholders in assessing the functioning of the institutional frameworks for preventing corruption.

Objective 4 of UNDP (GAIN) aims to enhance civic engagement, youth and women's empowerment for increased transparency and accountability at national and local levels. Initiatives to enhance the ability of citizens and stakeholders to engage with public officials and policymakers in a more informed, direct and constructive manner have been getting more attention and support. Similarly, the importance of integrating transparency and accountability in local governance is ever increasing because of growing urbanization trends, a move towards more decentralized governance, and the emphasis on the role of local and other sub-national governments (municipalities, parishes, departments, provincial governments) in delivering public services such as health, education and water. Therefore, it is important to consider how stakeholders at the local government level can be engaged in fighting corruption and what impact that might have on the design of the PA.

It is widely acknowledged that the decentralization of power and resources without adequate oversight mechanisms to ensure transparency and accountability can increase the risk of corruption. On the other hand, since local governments are closer to their constituencies or communities, there are more opportunities to enhance citizen engagement and participation in decision making and providing oversight.

As part of the stakeholder engagement consideration of gender issues should also be included. Corruption affects women differently from men. The type of corruption may differ significantly between the sexes. Women's relatively low socio-economic status means that they generally engage in corrupt exchanges in different institutions than men. For example, women may pay bribes or be sexually exploited for the provision of basic public services rather than for business opportunities and licences. Therefore, strategies are needed to prevent corruption in the financing and delivery of the basic public services upon which women depend, with a particular focus on combating the abuses that take advantage of women's lack of knowledge of their rights and lack of power to protest. Particular effort is needed to combat sexual exploitation and extortion. [11] Therefore, in the context of carrying out a PA, gender issues need to be considered in the drafting of the questions and criteria used to evaluate the effectiveness of mechanisms used in preventing corruption.

3.2: PERFORMANCE AUDIT PROCESS- AUDIT PLANNING

Audit planning consists of developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit. Planning process consists of three main steps: selection of topic, pre-study on the topic and designing the audit. Selection of topic relates primarily to the SAI's strategic planning process. Designing the audit relates to the individual design of each audit, focusing on what to audit, what criteria to apply and what methods of data gathering and analysis to use.

Figure 9 shows the main steps of the PA planning process.

[11] Primers in Gender and democratic Governance Series 5 - Corruption, Accountability and Gender: Understanding the Connections, © 2010 UNDP and UNIFEM, p.23-24

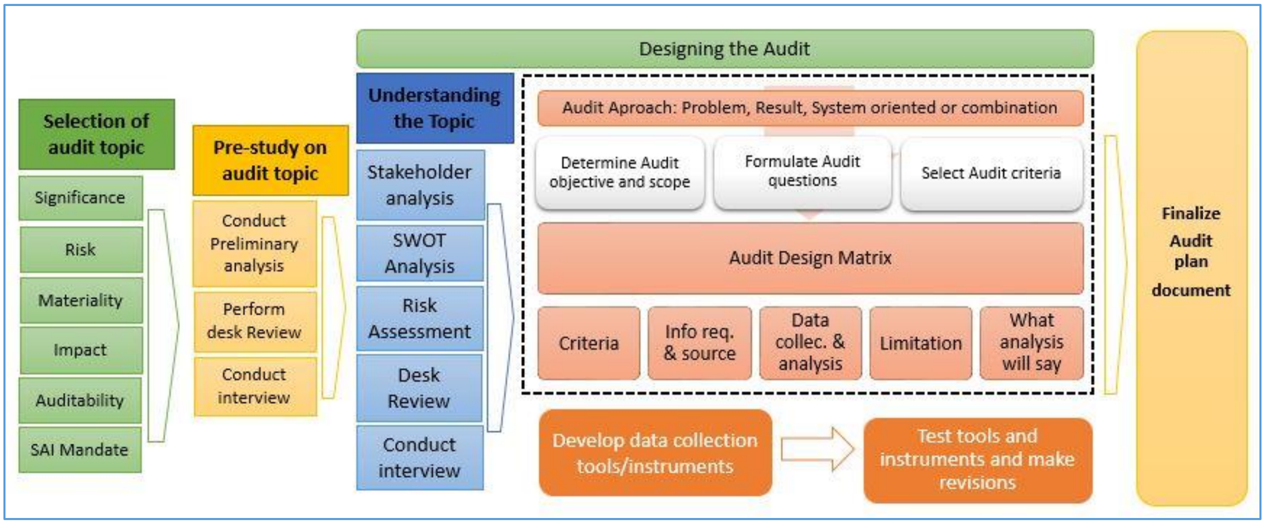


Figure 9 Planning Process

As shown in the figure above the audit planning process covers the following:

Step 1: Select audit topic
Step 2: Conduct pre-study on audit topic
Step 3: Designing the audit

a. Understanding the audit topic
b. Determine audit approach
c. Determine audit objective and scope
d. Formulate audit questions
e. Select criteria
f. Prepare audit design matrix

Step 4: Finalize the audit plan document

a. Quality control

3.2A: SELECTION OF AUDIT TOPIC

The audit topics are generally determined through the SAI's strategic planning process. In this process, SAI conducts research to identify major risks and problem areas, which are considered important for the country. SAI analyses the potential audit topics with respect to whether it will add value by conducting the audit in those areas. The SAI strategic plan normally covers several years and guides the auditor in the selection of topics, programmes or themes for PA. The strategic planning process will normally result in an operational audit plan of the SAI covering one or more years.

While selecting a PA topic, the auditor considers materiality (including the financial, social and political aspects of the subject matter), significance, risk, auditability, SAI mandate and impact (ISSAI 3000/83; 89-91). The SAIs can develop their own selection criteria and procedures, in line with the requirements of the auditing standards/ISSAIs.

As described in Part 3.1 of this guidance, the audit model proposes an integrated approach for auditing the institutional framework for fighting corruption. We will begin by examining the framework which covers the ACAs and the anti-corruption systems present in the country to help prevent corruption. We then examine the anti-corruption systems present at a particular sector level such as: health, education, water supply, defence, public works etc. Depending on the situation or the need of a country, the SAI can decide on the particular sector that it wants to audit.

This part of the guidance is about the PA process on auditing institutional framework for preventing corruption at the whole of government level and then in a particular sector. To determine the audit topic from the broader theme, it is necessary to narrow it down through a selection process, as mentioned above. **To explain the audit process and methodology, this guidance uses an example of anti-corruption audit at the whole of government level and then in the education sector. The audit topic selected for this example is "Is there an effective institutional framework at the national level for preventing corruption?"**

> In the following sections, this audit topic is used to explain the audit process.
>
> **Audit topic**: Is there an effective institutional framework at the national level for preventing corruption?

Setting up the audit team and involving external experts

Performance auditing is a knowledge-based complex investigative activity where professional expertise is needed. To conduct a PA properly, the auditor requires a range of skills in disciplines like research design, social science, scientific investigation, evaluation methods and communication (ISSAI 3100/74-81). Since performance auditing is a team effort and the issues involved are complex, it is suggested that a proper team may be constituted for the PA. While not all members of an audit team may possess all the required skills, the SAI shall ensure that the audit team collectively possesses all necessary professional competence to perform the audit (ISSAI 3000/63).

Depending on the nature of the specific audit, some specialised skills or expert knowledge of the subject matter may be required. In this case, experts can be used in the audit to complement the skill set of the audit team and to improve the overall quality of the audit. Before using experts, the auditor needs to ensure that the expert indeed has the necessary competence required for the purpose of the audit, and that he/she is informed about the conditions of the audit and the ethical requirements. When the performance auditor uses the work of an expert as evidence, the auditor retains full responsibility for the conclusions in the audit report.

3.2B: CONDUCT PRE-STUDY ON THE AUDIT TOPIC

To ensure the audit is properly planned and designed, the auditor needs to acquire sufficient knowledge on the programme, theme or audited entity's business before the audit work starts. Therefore, before starting the audit design, it is necessary to conduct some primary research work and preliminary analysis for building knowledge, deliberate possible audit designs, verify the auditability of the audit topic and examine whether the necessary is are available for the audit. This preliminary work is called a ‘pre-study on the topic’ (ISSAI 3000/99).

Pre-study on the audit topic: Is there an effective institutional framework at the national level for preventing corruption?

Based on the preliminary analysis and desk review performed, the auditor now has a basic idea about the issue.

Auditor performs the following procedures in pre-study:

a. Under the Goal 16 of the SDGs ‘Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels’ target 16.5 emphasizes to ‘substantially reduce corruption and bribery in all their forms’. Auditor reviewed the government initiatives to achieve the SDG 16.5 target and the role of the anti-corruption agencies in preventing corruption at the national level.
b. Consultation with sectoral advisors and outside organizations that deal with education e.g. UNESCO, (http://www.iiep.unesco.org/en/our-mission/ethics-and-corruption), UNICEF, UNDP and related UN agencies, donor organizations, civil society organizations to have a clear understanding on the education sector and related corruption issues that is prevalent in the country. Reviewed SDG 4: *Ensure inclusive and quality education for all and promote lifelong learning* in conjunction with SDG 16.5. Auditor also analysed the media reports on the education sector corruption, which is prevalent in the country in recent times.
c. Identification of best practices in the education sector with respect to corruption prevention. The UNDP GAIN tool (UNDP GAIN 2014-2017) identifies the measures to prevent corruption in different sectors of a country. This tool gives a framework of understanding the major issues in education sector and how to deal with that. It can provide a good source for developing audit criteria for preventing corruption.
d. Review of management and accountability reports on education sector prepared by the respective agencies. This gave the audit team a better understanding on functional and financial details of these agencies, which reveals areas of primary concern.

At the end of the pre-study, audit team concluded that the audit topic is auditable and the necessary data is available for the audit for making effective recommendations. The next step is designing the audit.

3.2C: DESIGNING THE AUDIT

Designing the audit covers the following sub-steps:

a. Understanding the audit topic
b. Determine audit approach
c. Determine audit objective and scope
d. Formulate audit questions

e. Select criteria
f. Prepare audit design matrix

The first activity in designing the audit is understanding the audit topic. This understanding will enable the audit team to identify the most important and critical issues regarding the audit topic and, from that, the audit team will determine the audit objective, audit scope, audit questions and audit criteria.

The next activity is to determine the methodological strategy to conduct the audit: what are the information/data required and its sources, the data collection and data analysis methods, the limitations foreseen in conducting the audit and the expected findings. All this information is compiled in matrix format, which is called an Audit Design Matrix. With the audit design matrix completed, the audit team will develop the tools and/or instruments for data collection (e.g. survey questionnaire, interview questions). The audit team should also test the tools for particular data collection and make revisions based on the test result.

The activity after designing the audit is to finalize the audit plan document, including the administrative aspects, such as: resource requirements, costs, and timeline.

a. Understanding the audit topic

It is important to develop a sound understanding of the audit topic that is sufficient to determine the audit objectives, facilitate the identification of significant audit issues and fulfil assigned audit responsibilities. This knowledge includes an understanding of:

- characteristics of the topic being audited (role and function, activities and processes in general, resources, development trends, etc.);
- performance goals of the entity;
- organizational structure and accountability relationships;
- internal and external environment and the relevant stakeholders; and
- external constraints affecting outputs and outcomes delivery of the entity.

Collecting data takes place during both the planning and the conducting phases of the audit. The audit team needs to be flexible and pragmatic in the choice of data collection methods. Practical considerations will also have to influence the audit programme. Sampling and surveys allow general conclusions to be drawn and case studies provide an opportunity for in-depth analysis and conclusions.

In understanding the audit topic a variety of data-gathering techniques can be used:

- Stakeholder analysis;
- SWOT analysis;
- analysis of the relationship between resource utilisation and results;
- assessment of risks facing the entity;
- internal control assessment;
- interviews with management and key stakeholders;
- survey with key stakeholders;

- consultation with advisors and outside organisations to identify best practices and opportunities for improvement;
- review of:
  - authorities, policies, directives, Cabinet documents, etc. ;
  - entity's plans, performance and accountability reports;
  - spending trends.
- observation and walk through of facilities, major systems and control procedures.

The sources of the information may include:

- legislation, legislative speeches, ministerial statements, government decisions;
- strategic and corporate plans, mission statements, annual reports;
- organization charts, internal guidelines, operating manuals;
- management information systems;
- discussions with audited entity management and staff, key stakeholders;
- viewpoints from experts in the field;
- previous audit reports, internal audit reports;
- reviews, evaluations and studies conducted;
- media coverage; and
- websites.

Step 3: Designing the Audit – Understanding the audit topic: Is there an effective institutional framework at the national level for preventing corruption?

Based on the pre-study information the audit team has a greater understanding of the topic. Understanding of the topic is done by the following steps:

- Stakeholder analysis
- SWOT analysis
- Risk assessment
- Desk review

Once all these steps are completed, at the end, the audit team will be able to determine the audit objective (or problem) and formulate audit questions based on the detail information available for the institutional framework at the national level.

Through the desk review and research, the audit team identified the following best practices in preventive role in anti-corruption at the national level and in government sectors:

1. Set up anti-corruption strategy or strategic programme
2. Promote good governance or anti-corruption in law and regulation
3. Strengthen internal control systems in the relevant agencies
4. Emphasize the proactive strategy or preventive approach by government
5. Utilize electronic system in critical agencies
6. Develop innovative tools or databases and reduce manual interventions
7. Create networks with ACAs or international agencies

8. Raise public awareness

Through stakeholder discussion and analysis the audit team determined the anti-corruption approaches in four main categories:

- rule of law (control and sanction);
- public administration and systems (corruption prevention);
- transparency and accountability (duty bearers and rights holders, non-state actors, information, awareness); and
- capacity development (individual, organizational and institutional capacity building).

Based on these four categories above, issues at the national institutional framework level and the education sector can be further analysed. In the analysis below, we have provided for a categorization of anti-corruption approaches in the education sector.

Please note that the approaches are to be considered in the context of the different sectors (e.g. in case of sectors like infrastructure, irrigation, etc. issues like asset management and procurement are very important). In such cases besides other sources, the guidance provided in INTOSAI Gov 9160 Enhancing Good Governance for Public Assets needs to be considered

Rule of law	Public administration and systems	Transparency and accountability	Capacity development
Policy Legislation Codes of conduct	▪ Whistle-blower/ complaint procedures ▪ Innovations addressing teacher absenteeism ▪ Systems' improvement – finances and accounts ▪ Systems' improvement – independence and externality ▪ Systems' improvement – technologies ▪ Systems' improvement – open procedures	▪ Public expenditure tracking surveys (PETS), service delivery and other surveys ▪ Information – use of the media and information technology ▪ Information – systems ▪ Participatory monitoring and social accountability ▪ Partnerships and alliances ▪ Anti-corruption education (in education or about the education sector) ▪ Advocacy and awareness-raising campaign ▪ Women's participation	▪ Institutional reforms ▪ Organisational development ▪ Training

(UNDP: Fighting Corruption in the Education Sector- Methods, Tools and Good Practices, New York, October 2011)

Team analysed the education sector with regard to the anti-corruption interventions and approaches in the education area.

	Rule of law			Public admin and systems			Transparency and accountability			Capacity development		
Education areas	Policy	Legislation	Codes of conduct	Whistle-blower/ complaints procedures	Innovations for teacher absenteeism	Systems improvements	PETS and other surveys	Participatory monitoring	etc.	Institutional reforms	Organisational development	Training
Education finance (school level upwards)												
Procurement (textbooks, infrastructure, etc.)												
Teacher certification, recruitment and deployment												
Institution accreditation												
Information systems												
Allocation of specific allowances												
School grants												
School management (general)												
School personnel behaviour												
Education aid												
Examinations, diplomas, access to university												

(UNDP: Fighting Corruption in the Education Sector- Methods, Tools and Good Practices, New York, October 2011)

For each education areas above the audit team determined the following corrupt practices:

Areas	Corrupt practices
Finance	• Transgressing rules/procedures • Inflation of costs and activities in budget estimates • Embezzlement
Specific allowances (fellowships, scholarships, subsidies, etc.)	• Favouritism, nepotism • Bribes • Bypassing criteria • Discrimination (political, social, ethnic, gender)

Construction, maintenance and school repairs	• Fraud in public tendering • Collusion among suppliers • Embezzlement • Manipulating data • Bypass of school mapping • Ghost deliveries
Distribution of equipment, furniture and material (including transport, boarding, textbooks, canteens and school meals)	• Fraud in public tendering • Collusion among suppliers • Siphoning of school supplies • Purchase of unnecessary equipment • Bypass of allocation criteria • Manipulating data • Ghost deliveries According to INTOSAI Gov 9160 for a government procurement, there are likely to be additional requirements that must be addressed and demonstrated explicitly, and that may be subject to external audit and oversight. They include: 1. value for money; 2. open and effective competition; 3. ethical behavior and fair dealing; 4. maximizing opportunities for local industry to compete; 5. environmental aspects; 6. quality assurance; 7. government sanctions against specified countries; 8. social justice policies.
Writing and assigning of textbooks	• Fraud in the selection of authors (favouritism, bribes, gifts) • Bypass of copyright law • Students forced to buy materials copyrighted by instructor
Teacher appointment, management, payment and training	• Fraud in the appointment and deployment of teachers (favouritism, bribes, gifts) • Discrimination (political, social, ethnic, gender) • Falsification of credentials/use of fake diplomas • Bypass of criteria • Pay delay, sometimes with unauthorised reductions

Teacher/school staff behavior (professional misconduct)	• Ghost teachers • Absenteeism • Illegal fees (for school entrance, exams, assessment, private tutoring, etc.) • Favouritism/nepotism/acceptance of gifts • Discrimination (political, social, ethnic, gender) • Private tutoring (including use of schools for private purpose) • Sexual harassment or exploitation • Bribes or favours during inspector visits
Information systems	• Manipulating data to misrepresent • Selecting/suppressing information • Irregularity in producing and publishing information • Payment for information that should be provided free
Examinations and diplomas, access to universities	• Selling exam information • Examination fraud (impersonation, cheating, favouritism, gifts) • Bribes (for high marks, grades, selection to specialized programmes, diplomas, admission to universities) • Diploma mills and false credentials • Fraudulent research, plagiarism
Institution accreditation	• Fraud in the accreditation process (favouritism, bribes, gifts)

In risk assessment, the audit team used the following mechanisms to identify corruption risks considering the corrupt practices existing in the education sector described above:

- establishing a list of potentially corrupt generic areas of activities;
- identifying corrupt generic provisions in departmental regulations;
- analysis of the list of corrupt generic positions in the government body with respect to corrupt generic areas of the body's activities;
- analysis of regulations related to the positions of state officials;
- analysis and identification of latent potential possibilities of the government system contributing to corrupt practices from the part of officials.

To obtain an overall picture of potential conditions and factors for corrupt practices inherent in the agencies and to assess the risks of corruption, the audit considered the following principal issues:

- sufficiency of regulatory legal framework to exercise powers imposed on the audited institution;
- organizational structure for the exercise of powers;
- clarity of procedures for officials to perform their duties;
- professional training;
- areas of possible conflicts of interests;
- sufficiency of control and clearness of decision-making processes;

- factors preventing corrupt practices;
- information on the facts of corruption that have taken place;
- sufficiency of control over employees and the results of their work.

Through the understanding, SWOT analysis, risk assessment and stakeholder discussion on education sector corruption areas and issues, the team has identified some major areas for audit:

- selection and disbursement of scholarships;
- Information systems;
- Construction, maintenance and school repairs;
- Teacher appointment, management, payment and training, teacher/school staff behavior (professional misconduct);
- Writing and assigning of textbooks and distribution of textbooks

Audit team formulated the audit objective and audit scope considering these major areas.

b. Determine audit approach

As explained in Part 3.1 of this guidance document, the audit approach in this audit is a combination of problem oriented and system oriented approach. While developing the audit questions for the audit design matrix these two approaches have been considered.

c. Determine audit objective and scope

Once the major areas of concern are known, the auditor needs to narrow down the audit topic or problem to be audited and establish the audit objective. It also relates to the reason for conducting the audit. The wording of the objective (or basic question or problem) is of great importance in the examination process. The wording is also important for determining the precise results of the audit. This is an important step that involves examining the subject matter in depth by studying relevant literature, documents and statistics, conducting interviews with major stakeholders and experts and analysing potential problem indications from various viewpoints.

The auditor can consider the following questions in defining the performance audit objective:

- What is the goal of the audit?
- Why are we conducting the audit?
- What do we wish to achieve at the end of the audit?
- What is the focus of our audit: is it output, or outcome, or impact?

While developing audit objective the auditor should frame the objective in as clearest and simplest possible terms as possible.

Step 3: Designing the Audit: Define Audit Objective and Scope

Audit objective: the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs**.**

The objective of the audit may also be written as a question. Usually the objective is extended into a series of associated questions to be answered in the audit process. The audit objectives and scope are interrelated and should be considered together.

Audit scope

The scope defines the boundary of the audit. It addresses such things as specific questions to be asked, the type of study to be conducted and the character of the investigation. The scope of an audit is determined by answering the following questions.

What?

- What specific questions or hypothesis are to be examined?
- What kind of study seems to be appropriate?

Who?

- Who are the key players involved and the audited entity?

Where?

- Are there limitations in the number of locations to be covered?

When?

Are there limitations on the timeframe to be covered?

Step 3: Designing the Audit: Define Audit Scope

Audit Scope: The audit focused on the anti-corruption initiative and measures undertaken by Government as a whole and the Ministry of Education during the financial years 2014 to 2016. Goal 16 of the SDGs and its target 16.5 aims to substantially reduce corruption and bribery in all their forms. The scope of the audit covers the government initiatives to achieve the SDG 16.5 target and the role of the anti-corruption agencies in preventing corruption in the Education sector. The audit team has scoped the audit areas as follows:

- Measures undertaken by government to reduce corruption
- Coordination efforts for information sharing between government agencies and/or private entities
- College scholarships awarded and disbursed for the financial years 2014 to 2016.
- Information system – audit considered the effectiveness of the system with regard to transparency and information flow.

- School construction, maintenance and repair occurred throughout the country, audit selected one County M for 2014.
- For distribution of textbooks audit covered the distribution of books to the schools in County N.
- For teacher appointment and teacher behaviour audit covered year 2014 recruitment for 10 schools in County P.
- For writing textbooks audit covered three subjects i.e. Science, Geography and Mathematics of grade 7.

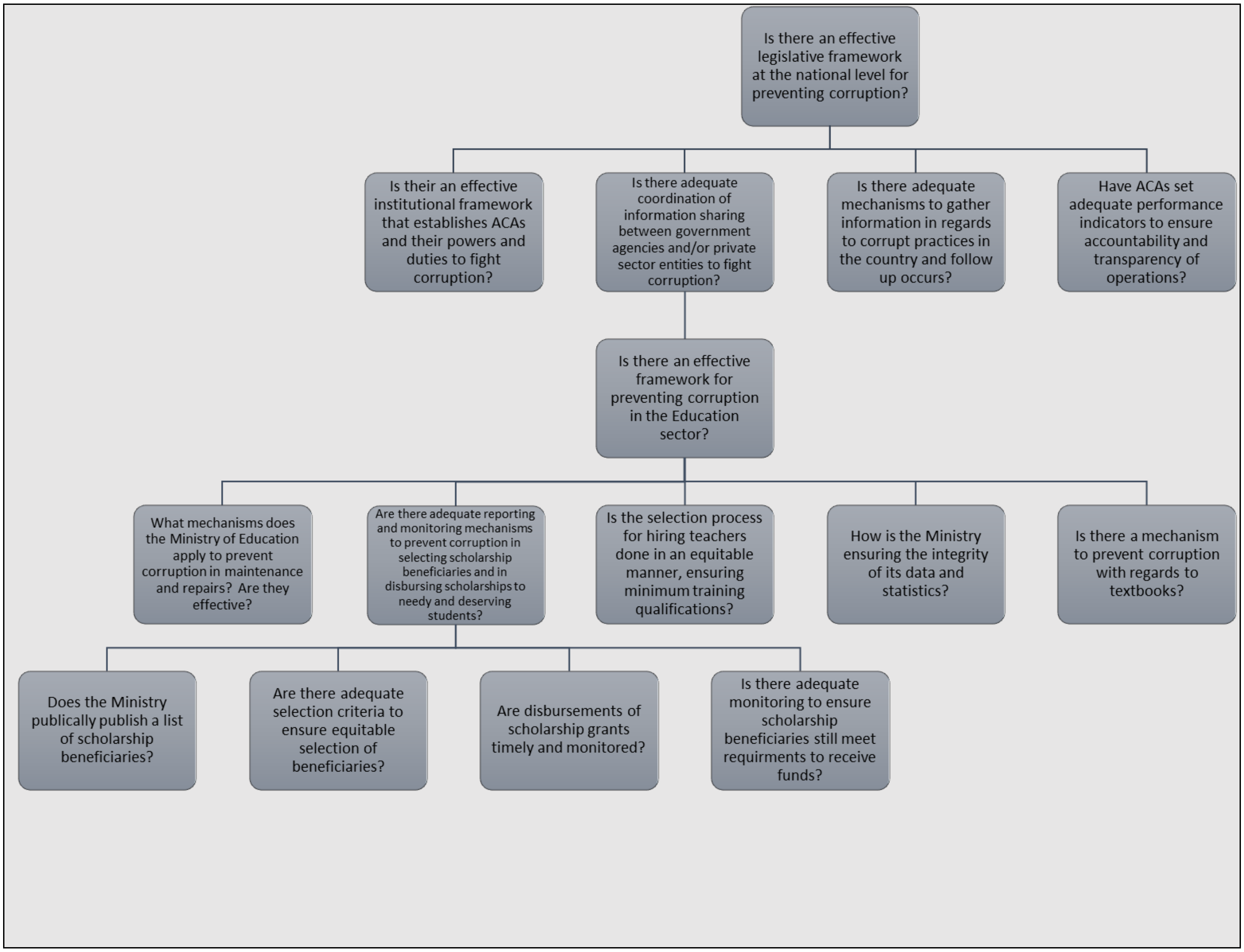
Limitations to the audit have been the unavailability of some of the documented information due to the fact that some employees had left the ministry.

d. Formulate audit questions

The proper formulation of questions is critical to the success of the audit, since it will have implications for decisions regarding the types of data to be collected, how data collection will be carried out, the analysis that will be performed and the conclusions that will be reached.

The 'Problem Tree' is one of the tools that could be used to determine the audit questions. Using this tool, the main objective/problem is divided into sub-problems, questions or causal factors. One way of developing those is to discuss with stakeholders and experts regarding possible causes closely linked to the problem. By sorting out the most likely, relevant, potential and testable problems or sub-problems, it is possible to develop a proper audit design.

Step 3: Designing the Audit: Formulate audit questions (indicative example)



e. Select audit criteria

The audit criteria represent the standards against which the audit evidence is judged. They are intended to help the auditor to answer questions such as 'On what grounds is it possible to assess actual performance?' 'What is required or expected?' (ISSAI 3100/55).

The audit criteria must be set objectively. The process requires rational consideration and sound judgment. For performance audits, the choice of audit criteria is normally relatively open and formulated by the auditor. When formulating the audit criteria, the auditor needs to have:

- a general understanding of the area to be audited, and be familiar with relevant legal and other documents as well as recent studies and audits in the area;
- good knowledge of the motives and the legal basis of the government program or activity to be audited and the goals and objectives set by the legislature or the government;
- a reasonable understanding of the expectations of the major stakeholders, and be aware of basic expert knowledge;

- a general knowledge of practices and experience in other relevant or similar government programs or activities.

Audit criteria can be obtained from the following sources:

- laws and regulations governing the operation of the audited entity;
- decisions made by the legislature or the executive;
- references to historical comparisons or comparisons with best practice;
- professional standards, experiences, and values;
- key performance indicators set by the audited entity or the government;
- independent expert advice and know-how;
- new or established scientific knowledge and other reliable information;
- criteria used previously in similar audits or by other SAIs;
- organizations (inside or outside the country) carrying out similar activity;
- performance standards or previous inquiries by the legislature;
- general management and subject-matter literature.

Audit criteria are established by the auditor. However, they must be discussed with the audited entity (and possibly with other stakeholders) during the planning phase, or at the latest in the conducting phase of the audit. Discussing the audit criteria with the audited entity serves to ensure there is a shared and common understanding of what criteria will be used as benchmarks when evaluating the audited entity. It is therefore important to clearly define the criteria that the audited entity will be assessed against (ISSAI 3100/60). It is also important to get confirmation from the audited entity that they are in agreement with the audit criteria, or to note where there are disagreements and the impact the disagreements may have on the audit.

Step 3: Designing the Audit: Select audit criteria

Audit Criteria are selected from following sources:

1. Country anti-corruption law, act
2. ACA strategic plan
3. Country procurement of goods and services law, act
4. Education sector employee work guidelines
5. Information technology law
6. Data protection law
7. Textbook board act
8. UNICEF guidelines (i.e. common guidelines for procurement)
9. UNDP GAIN
10. SDG 16
11. SDG 4

f. Audit design matrix

A design matrix is a tool for determining what to audit and how. It provides a structure for the basic design components. It outlines the requirements and procedures necessary to implement the audit objective and to make assessments against the audit criteria. Its main objectives are to:

- establish a clear relationship between audit objective, audit methodology and the anticipated fieldwork to be carried out;
- identify and document the procedures to be performed; and
- facilitate supervision and review.

The following table shows a format of the audit design matrix.

Audit topic:

Audit objective:

Audit question/sub-question – What do you want to know?						
Criteria	**Required information**	**Sources of information**	**Data collection procedures**	**Data analysis procedures**	**Limitation**	**What the analysis will allow us to say**
What is expected?	What information do you need to answer the audit question?	Where is the information?	How do you plan to obtain the information?	What do you want to do with the information?	What are the limitations regarding to: • methodological strategy adopted • access to people and information • quality of the information • operating conditions to perform the work	What do you expect to find?

The following table shows an example of a simplified audit design matrix for two audit questions – one at the national level and one at the Education sector level.

Audit topic: Is there an effective institutional framework at the national level for preventing corruption? **Audit objective:** the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs.						
Audit question/sub-question: Is there adequate coordination of information sharing between government agencies and/or private sector entities to fight corruption?						
Criteria	**Required information**	**Sources of information**	**Data collection procedures**	**Data analysis procedures**	**Limitation**	**What the analysis will allow us to say**
There is/are appropriate agencies for fighting corruption which coordinate efforts and information leading (UNCAC). The agency(ies) have well defined performance indicators for monitoring the receipt, processing (handling) and finalisation of the cases.	1. Legislation 2. Procedures outlining coordination efforts and information sharing 3. Documented performance indicators 4. Registers in place to track cases	ACA Act establishing ACA and its powers and duties; whistle blower legislation Memorandum of understanding (MOU) between ACA and Judiciary ACA & Judiciary strategic plan	Request legislation from Legislative Assembly (1) Interview (head of administrative arm of government, head of ACA, Solicitor General, Director of Public Prosecutions) (2, 3)	Review legislation to ensure adequate powers, duties, and protection are covered (1) Review MOUs to assess adequate protocol exists for coordinating efforts and sharing information between agencies (2)	People may not be available on time of the audit (2). Reports, MOUs, minutes may not be available or documented (2, 3, 4, 5). Access to case tracking system may be denied (4)	Whether the national institutional framework helps prevent corruption. (1, 2) Whether there are adequate safeguards for the whistle blowers (1). Whether the mechanisms in place are sufficient to prevent corruption (1, 2, 3, 4, 5).

Audit topic: Is there an effective institutional framework at the national level for preventing corruption? **Audit objective:** the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs.						
Audit question/sub-question: Is there adequate coordination of information sharing between government agencies and/or private sector entities to fight corruption?						
Criteria	**Required information**	**Sources of information**	**Data collection procedures**	**Data analysis procedures**	**Limitation**	**What the analysis will allow us to say**
	5. Media reports, minutes of half yearly meetings with CSOs and complaints register	ACA/Judicial electronic case tracking system. media scanning report by Government; Complaints hotline; Gov't and/or CSO meeting minutes	Request MOU from ACA (2) Request access to case tracking systems and/or reports from case tracking system (4) Request reports from Government re: tracking of corruption, minutes, complaints register (5)	Comparing the actual process with the suggested process to be followed (1, 2, 5) Electronic case tracking system to be reviewed for completeness of cases reported and followed up (4)		

Audit topic: Is there an effective institutional framework at the national level for preventing corruption? **Audit objective:** the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs.						
Audit question/sub-question: Is there adequate coordination of information sharing between government agencies and/or private sector entities to fight corruption?						
Criteria	**Required information**	**Sources of information**	**Data collection procedures**	**Data analysis procedures**	**Limitation**	**What the analysis will allow us to say**
Audit topic: Is there an effective institutional framework at the national level for preventing corruption? **Audit objective:** the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs.						
Audit question/sub-question: Are there adequate reporting and monitoring mechanisms to prevent corruption in selecting scholarship beneficiaries and in disbursing scholarships to needy and deserving students?						
Criteria	**Required information**	**Sources of information**	**Data collection procedures**	**Data analysis procedures**	**Limitation**	**What the analysis will allow us to say**
The College Education Department publishes the list of scholarship beneficiaries on their website or in prominent newspapers along with the selection criteria employed. A separate monitoring department (in case of larger entities) or a separate section within the College Education Department (Internal Audit or a peer department) reviews	1. Published selection criteria for scholarship beneficiaries 2. Applications for scholarships 3. Published list of scholarship beneficiaries	Website, Newspapers (1, 3) Application forms (2) Interview with Head of Scholarships section of College	Obtain published selection criteria and list of scholarship beneficiaries (1, 3). Document interviews held	Compare published list of selection criteria to list used in evaluating selection of beneficiaries to ensure consistent (1)	No published list of selection criteria and/or scholarship beneficiaries (1, 3) People may not be available on time of the audit (4).	Whether the mechanisms in place are sufficient to prevent corruption in selection of scholarship beneficiaries and in disbursements of scholarship funds.

Audit topic: Is there an effective institutional framework at the national level for preventing corruption? **Audit objective:** the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs.						
Audit question/sub-question: Is there adequate coordination of information sharing between government agencies and/or private sector entities to fight corruption?						
Criteria	**Required information**	**Sources of information**	**Data collection procedures**	**Data analysis procedures**	**Limitation**	**What the analysis will allow us to say**
the entire process of selection of beneficiaries. (UNDP GAIN) Timely disbursement of grants to beneficiaries is monitored by internal audit or a peer department	4. Report on selection process of beneficiaries 5. Report on timely disbursements of grants to beneficiaries. 6. Payment information to scholarship beneficiaries	Education Department, Internal Audit Director (4, 5) Reports from monitoring departments (4, 5) Payment Register for scholarship beneficiaries (6)	and confirm. (4) Obtain report on selection process and disbursements, review for adequacy of procedures.(4) [**TIP**: if no report on selection process and payments to beneficiaries, the SAI may consider obtaining the list of	Compare published list to payment register for scholarship beneficiaries to ensure completeness (2, 6) Review selection process report for any exceptions noted in the selection process and payments (4, 5)	No reports from monitoring department available for review (4, 5).	

Audit topic: Is there an effective institutional framework at the national level for preventing corruption? **Audit objective:** the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs.						
Audit question/sub-question: Is there adequate coordination of information sharing between government agencies and/or private sector entities to fight corruption?						
Criteria	**Required information**	**Sources of information**	**Data collection procedures**	**Data analysis procedures**	**Limitation**	**What the analysis will allow us to say**
			applications and payments register and select sample to test (2, 6).]	Review payments listing to ensure approved beneficiaries received payment and in a timely manner (5)		

3.2D: AUDIT PLAN

The audit plan document should contain:

- background knowledge and information needed to understand the entity to be audited;
- the audit objective and questions, audit criteria, scope and period to be covered by the audit, and methodology including techniques to be used for gathering evidence and conducting the audit analysis;
- an overall activity plan which includes staffing requirements, resources and possible external expertise required for the audit;
- the estimated cost of the audit, the key project timeframes and milestones, and the main control points of the audit.

3.2E: WORKING PAPERS FOR AUDIT PLANNING

1. Pre-study report summary
2. SWOT analysis
3. Stakeholders analysis
4. Risk assessment matrix
5. Audit design matrix
6. Interview guides and results
7. Desk review documentation
8. Data collection tools (e.g. questionnaire)
9. Quality control checklist

3.2F: QUALITY CONTROL

As discussed Part 3.1, quality control should be conducted throughout the audit and before issuance of the audit report. Quality control focuses on the methodology and auditing standards followed to evaluate the products generated at the end of each audit phase. Quality control is conducted by audit staff using different tools. Quality control activities in the planning stage are outlined in the table 2.

Table 2 Quality Control Activities

Phase	QC activities
Pre-Study/ Planning	▪ ***Check the comprehensiveness of the research done*** Proper research is a key issue at the planning stage. It's often fruitful to achieve both historical and global knowledge. The idea is to look for "red lights" or indication of problems and to explore and learn and to examine whether, when and how to conduct an audit. The auditor may have to check a broad spectrum of effectiveness and efficiency issues and examine them from various perspectives in order to define the objectives. ▪ ***Check if various perspectives and approaches were examined*** To see whether for instance the issue is of efficiency or effectiveness, and whether a system, result or a problem oriented approach ought to be applied.

- ***Check if scientists and experts were consulted and engaged where necessary***

  As performance auditors are no experts in the specific audit area it is important to have assistance from independent persons with proper knowledge in the audit area. It might often be scientists or other experts including earlier employed managers by the institutions concerned.

- ***Check if the work plan proposals were examined by top management***

  After discussion on the draft, it needs to be adjusted in accordance with the review comments. Some criteria or check list might help before proposed work plan is sent to the decision makers (often Auditor General) for a final discussion and approval.

- ***Checklist for approval of the Work Plan***

Context and motive	Design	Competence and Planning
i. Are there indications of material efficiency or effectiveness problems?	i. Is the problem defined and put in context?	i. Is the Audit Office able to conduct the audit?
ii. Is relevant information examined, are experts consulted, and experiences of stakeholders considered?	ii. Are objectives, audit questions, scope and methods adequate and in accordance with the standards; will the design provide objective and reliable answers to the audit questions and a proper analysis of the problem?	i. Is sufficient competence at hand and are reliable data and resources accessible?
iii. Is it an auditable topic and in accordance with mandate, policy and priorities?	iii. Will the audit and its potential recommendations add value?	i. Are quality assurance issues considered? Is the activity plan realistic in terms of time, budget and other resources?

(INTOSAI Performance Audit Subcommittee (PAS) Guideline on Safeguarding quality in the performance audit process)

3.3: PERFORMANCE AUDIT PROCESS- CONDUCTING THE AUDIT

3.3A: INTRODUCTION

After developing the audit design matrix and finalizing the audit plan, the next step is to conduct the audit, i.e. to do the audit fieldwork. While conducting PA, auditor obtains sufficient and appropriate evidence to support the findings and based on that auditor forms conclusions and makes recommendations. The main activities of this phase are the fieldwork to collect data and analysis of the collected data that becomes the evidence. In practice, data collection and data analysis are not disassociated activities. Except for surveys, generally data is collected, interpreted and analysed simultaneously. Depending on the methodology adopted in a particular audit, there may be variation in the fieldwork strategy for data collection and data analysis. Figure 10 outlines the audit fieldwork process.

3.3B: AUDIT FIELDWORK

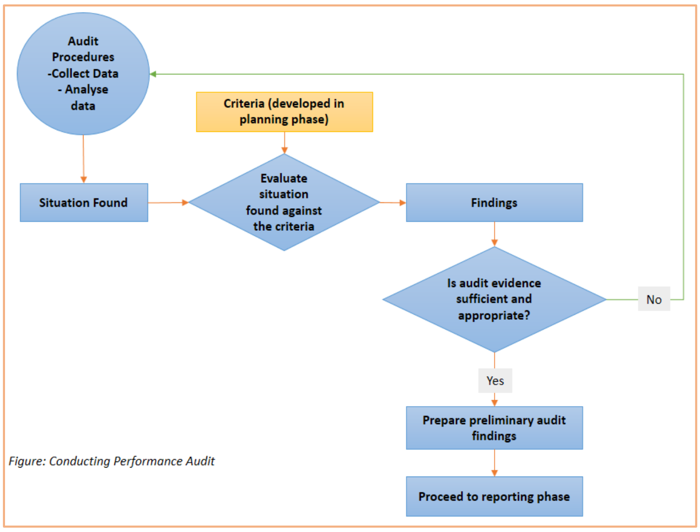


Figure 10 Conducting Performance Audit

The fieldwork consists of collecting data and information set out in the audit planning. All fieldwork should be planned from the perspective of gathering evidence intended to support the findings appearing in the final report. The types of data to be collected and sources of such data will depend on methodological strategy (e.g. for survey and for questionnaire the questions would be different and data sources would also be different) and established criteria. It is important that the auditor gathers the best possible information from different sources and seeks the help of experts. The auditor should look for the evidence needed to answer the audit questions and be careful not to divert the focus of the work or collect a large amount of information which is often unnecessary and irrelevant.

Advice on How to Conduct Fieldwork

- During the planning phase prepare everything that you will need in field.
- Don´t forget to:
  a) schedule visits, interviews and focus groups;
  b) prepare necessary material (presentation letters, copies of questionnaires; interviews, focus groups and direct observation guides; name, address, phone, e-mail of all the persons you will visit in the field).
- Begin the audit at the level of the ACA or other formations involved in anti-corruption at the national level that you have identified during your pre-study and audit plan.
- Thereafter visit the controlling ministry / administrative formation/ directorate governing the sector under consideration. E.g. Ministry of Education/ Directorate of School Education etc.
- Follow up with detailed examination in a field formation. E.g. University/ College/ school etc.
- Mind the time required to go from one place to another. Don't schedule many interviews or focus groups on the same day.
- Consider the need to follow up with entities visited previously
- Don´t rely only in electronic devices (recorders, computers etc.). Make some key notes.
- Start filling the findings matrix in the field.
- Fieldwork is time consuming, so don´t expect to deal with tasks that are waiting for you at the office.
- Be sure to collect all the material you need. Some information might be hard to collect after the fieldwork.

- ➢ Wear proper clothes. Meeting with authorities and managers usually require formal clothes. On the other hand, it is easier to establish rapport with beneficiaries (especially people with low level of education) if you are wearing casual clothes.

3.3C: GATHERING EVIDENCE

> The auditor shall obtain sufficient and appropriate audit evidence in order to establish audit findings, reach conclusions in response to the audit objective(s) and audit questions and issue recommendations when relevant and allowed by the SAI's mandate.
>
> *ISSAI 300/38; ISSAI 3000/106)*

Audit evidence is the information collected and used to support audit findings. All audit findings and conclusions must be supported by audit evidence. Evidence should be placed in context and all relevant arguments (pros and cons) and perspectives should be considered before conclusions and recommendations are drawn.

Audit evidence should be both sufficient (quantity) and appropriate (quality). Sufficiency is a measure of the quantity of audit evidence used to support the audit findings and conclusions. In assessing the sufficiency of evidence, the auditor should determine whether enough evidence has been obtained to persuade a knowledgeable person that the audit findings are reasonable. Appropriateness refers to the quality of audit evidence. It means that the evidence should be relevant, valid and reliable (ISSAI 3000/107-108).

Relevance refers to the extent to which the audit evidence has a logical relationship with, and importance to, the audit objective(s) and audit questions being addressed. Validity refers to the extent to which the audit evidence is a meaningful or reasonable basis for measuring what is being evaluated. Reliability refers to the extent to which the audit evidence is supported by corroborating data from a range of sources, or produces the same audit findings when tested repeatedly (ISSAI 3000/109-110).

Sampling Techniques

Auditors seldom have the opportunity to examine all units or all data, documents and records. It is therefore, necessary that a representative sample is selected. The central issue about the sample is that the sample selected has to be representative of the entire population, unbiased and sufficient to extrapolate the result to the entire population within the confidence levels.

To obtain more in-depth knowledge, the sampling selection methods may be supplemented with other information-gathering techniques, such as case studies. The auditor must make a judgment as to whether sampling is an appropriate way of obtaining some of the audit evidence required.

The different types of evidence are linked to different methods of data collection, as shown in table 3.

Table 3 Link between evidence and data collection methods

Evidence type	Data collection methods
Physical	• Direct observation • Inspection of objects

Testimonial	• Interviews • Questionnaires • Focus groups • Reference groups
Documentary	• File examination • Document review • Literature search • Using existing statistics • Using existing databases
Analytical	• Built by the auditor, using different types of data • The auditor can use any data collection method listed above or a combination of them

The different data collection methods are explained in appendix-1.

During the PA, the audit team can use different data collection methods for gathering evidence. The use of data collection methods for the different areas that can be selected under the audit planned in the previous chapter on Audit Planning is presented in table 4 showing the findings matrix.

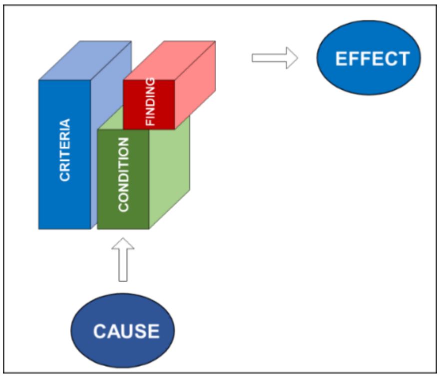
3.3D: EVALUATING EVIDENCE

Most audits involve some type of analysis in order to understand or explain what has been observed. A wide range of models and methods can be used. In fact, analyzing quantitative and qualitative data is an important step in all PAs. While analyzing the information collected, it is recommended that the auditor focus on the audit question and objective (ISSAI 3200/86).

The final stage in the data analysis involves combining the results from different types of sources. There is no general method for doing this, but it is of central importance that the auditor works systematically and carefully in interpreting the data and arguments collected.

A wide variety of data analysis techniques can be used in performance auditing. Some quantitative analysis techniques are: descriptive statistics, regression analysis, frequency tabulation, multivariate statistical analysis, data envelopment analysis. Some qualitative analysis techniques are: content analysis, alternative interpretations, negative case. Among these descriptive statistics, regressions analysis and content analysis are more commonly used techniques.

1. Regression Analysis



Regression analysis is a technique for assessing the degree to which variables are associated (correlated). Regression analysis may be used to:

- test a relationship that is supposed to hold true;
- identify relationships among variables that may be causally related that might explain outcomes;
- identify unusual cases that stand out among expected values;
- make predictions about values in the future.

2. Content analysis

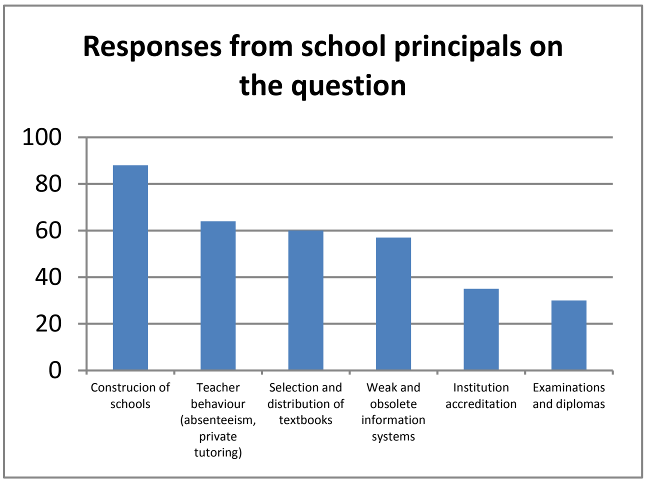


Figure 11 Example of Content Analysis

Content analysis is a set of communication analysis techniques that aims to obtain, through systematic and objective procedures of the contents description, indicators that allow the inference of knowledge. It is used to analyse interviews, focus groups and documents. The most commonly used content analysis method is category analysis. It is done by breaking up a content in different categories. The content analysis can be done on open questions (without pre-defined answers), which gives different views from the respondents, while analysing the answers of a questionnaire.

Example of a possible content analysis used in a PA is given in figure 11.

3.3E: AUDIT FINDINGS

Audit findings are information gathered by the auditor during the fieldwork that will be used to answer audit questions. Audit finding is the discrepancy between the existing situation and the criteria. The findings contain the following attributes: criteria (what should be), condition (what is), cause (why is there a deviation from norms or criteria) and effect (what are the consequences of the situation found). The audit finding occurs when the criteria are compared to the existing situation.

Audit criteria is the standard used to measure economy, efficiency and effectiveness of the audit topic. Its purpose is to determine whether the issues covered under audit reaches, exceeds or falls short of the expected performance. It can be defined both quantitatively or qualitatively.

Condition is the existing situation, identified and documented during the audit. Cause is the reason for the difference between the condition and the criterion. The cause will be the basis for the recommendations. Sometimes one cannot reliably identify the causes of the existing situation because such identification would require a sophisticated methodology, which would not be within the audit scope. Effect is the consequence of the difference between condition and criterion. The effect indicates the seriousness of the situation encountered and determines the intensity of corrective action. In many cases, the effect of a finding may be quantifiable, e.g. expensive inputs or processes, unproductive facilities, time delays, etc. However, qualitative effects, as evidenced in a lack of control, poor decisions or a lack of concern for service, will also be significant and need to be considered. Active dialogue should be maintained with the audited entity and potential audit findings discussed as they arise. Constructive discussion of initial findings with the auditee helps to establish the quantity and quality of evidence.

Drafting audit findings

Audit findings should be set out in a clear and logical framework to allow for an easy understanding of audit criteria applied, facts established by the evidence, and the analysis by the auditor of the nature, significance, and causes of the situation found. The impact in terms of economy, efficiency and/or effectiveness must also be considered, as this provides the basis to demonstrate the need for corrective action.

In stating the audit finding, the auditor must assess the degree of confidence in the audit finding, based upon the strength of the evidence. The assessment must be clearly reflected in the wording of the finding, with qualifying words (e.g. generally, frequently) used. PAs should focus on providing a balanced view of the topic, presenting not only deficiencies but also, when appropriate, positive findings and indications of good practice. The overall emphasis is to formulate audit findings in a constructive and balanced way.

Furthermore, the auditor will need to determine auditee management's awareness of the issue; if management is aware of the problem and already taking corrective action, this needs to be recorded and taken into consideration for reporting purposes.

3.3F: QUALITY CONTROL IN CONDUCTING AUDIT

The following are the important considerations for quality control in conducting audit.

- ***Check if the audit team provided audited entity with a proper introduction***

  A good communication with the audited entities throughout the audit process is of great importance for the quality and impact of the audit. It starts with an introduction where purpose, methods and process of the audit and required information are presented and discussed.

  This process is especially important for this audit because of the following reasons:

  1. Multiple stakeholders being involved including Anti- corruption agencies, head of the administrative arm of the government, of the concerned sector(ministry/ department etc.)
  2. Need to clarify the scope and coverage of audit so that there is no confusion or apprehension regarding the audit team demanding any confidential information on specific cases.

- ***Check if the audited entity was involved in the audit process and if the audit team gathered evidence from different perspectives***

  Contact persons and management from the audited entities should be well informed. Meet various stakeholders including the ACAs, Ombudsmen, Head of the administrative arm of the government, different sectors under consideration etc., and experts and try to understand their perspectives, knowledge, experience and arguments. Follow up on hints and to get statements and arguments reasonable verified.

- ***Verify if the communication channel with the management is proper and effective***

  Continuous communication with internal management is vital for a proper completion of a qualified report. A schedule for regular meetings should be included in the decision of a work plan and activity plan, not just for checking of budget and timetable but also for various issues concerning performance and completion of the audit.

  Checklist for supervisor and the management during the audit process

  i. Does the team follow the activity plan and the adopted methodology in a timely manner?
  ii. Has the team put into practice the correct tools, and are there problems with the data collection?
  iii. Are all relevant perspectives/viewpoints addressed, and are the analyses sufficiently done?
  iv. Do significant disagreements require management engagement?

v. Have indications for required change of the audit design appeared?

- ***Check if there was a clearance process***

  To minimize contradiction with the audited entity on collected and compiled findings, the team should follow a proper clearance process. The audit team should analyse and discuss comments from the audited entity with the PA manager and conduct adjustments to the draft reports.

  A proper discussion with the audited entity before publishing the report provides an opportunity to discuss and clarify various issues. This may prevent misunderstanding and unnecessary conflicts. It may also facilitate the impact of the audit.

3.3G: FINDINGS MATRIX

The findings and information obtained during the audit, the conclusions and recommendations are recorded in the findings matrix. The findings matrix is a useful tool to support and guide the preparation of the audit report, because it allows gathering the main elements that constitute the central chapters of the report in a structured way. The matrix enables members of the audit team and other stakeholders to have a homogeneous understanding of the findings and their components. The items of the findings matrix are presented in table 4.

Completion of the findings matrix should start during fieldwork, as findings are noted. The clarifications that may be necessary to get from the audited entity should be collected while the team is still in the field. This will help to avoid misunderstanding and possible further requests for information, with the consequent waste of efforts. The audit findings matrix follows the audit design matrix with regard to each audit question and tabulate the information gathered for answering the question.

Table 4 Findings Matrix Template

Audit objective: Clearly and objectively express what prompted the audit.							
Audit question (the same stated in the audit design matrix): For each audit question (or sub-question), the items mentioned below in the table should be repeated.							
Finding					Good practices	Recommendations	Expected benefits
Situation found	Criteria	Evidences and analysis	Causes	Effects			
Most relevant occurrences identified in the field work.	Pattern used to determine if the expected performance of the audited object is satisfactory, exceeds expectation or is unsatisfactory.	Result of application of the data analysis methods and its use in producing evidences. The techniques used to handle the information collected during fieldwork and the results achieved should be indicated.	Reasons for the situation found. May be related to operation or design of the audit object. May be out of the control of the manager. Recommendations should be related to the causes.	Consequences related to causes and to corresponding findings. It may be a measure of the finding relevance.	Actions identified that lead to good performance. May support the recommendations.	Proposals to address the main problems identified. Should related with the causes. Should be few.	Improvements expected when implementing the recommendations. May be quantitative and qualitative. Whenever possible, quantify.

The following table shows an example of part of an audit findings matrix showing three findings each for both the audit questions

Audit objective: the audit aims to verify whether the national and sectoral mechanisms are effective in preventing corruption for facilitating access to quality education in order to achieve the SDGs.							
Audit question: Is there an effective institutional framework at the national level for preventing corruption?							
Findings							
Situation found	Criteria	Evidences and analysis	Causes	Effects	Good practices	Recommend ations	Expected benefits

There are two agencies at the national level engaged in fighting corruption. One of them is responsible for looking at the government sector and the other at the private sector. There is no coordination or sharing of information between these two agencies. Both these agencies do not have prosecution powers. Compounding the fact, systems are not in place to ensure that all cases are transferred to the judiciary for prosecution. Though both the agencies have robust mechanism of gathering information from the media, Civil Society Organisations etc. in identifying corrupt practices, their follow up with government agencies	As per the provisions of UNCAC, there is/are appropriate agencies for fighting corruption which coordinate efforts and information leading (UNCAC) The agency(ies) have well defined performance indicators for monitoring the receipt, processing (handling) and finalisation of the cases	Document study: The reports and returns maintained by the two agencies were studied. There are no prescribed procedures for sharing information on cases between each other. There are registers in both the agencies for keeping a record of the cases sent to the judiciary. Agency A maintains this register as an online database. But the entries in these registers were incomplete. 21% of the cases in agency A and 18% in agency B were shown to have been sent to the judiciary for follow up. Both the agencies have a well established system of scanning media	Even though both the agencies have been set up in accordance with the National Anti Corruption Act in line with UNCAC, their operational laws and procedures are not clearly defined.	Cases are not properly followed up as most of the cases have an interface between the government and private sector. Cases are not taken to their logical conclusion in terms of prosecution Despite the agencies having a good system of receiving cases, they are not followed up properly leading to	Both the agencies have well established systems of collecting information on new cases by engaging with the media, CSOs and also citizens through a hotline.	Laying down detailed procedures and establishing systems for exchange of information between the two agencies. Establish system of Quarterly/ half yearly meetings between the two agencies for exchanging information on cases Establish a system and monitoring mechanism for each case to be	Information on different cases will be coordinated leading to quicker and effective finalisation of cases. Prosecution will lead to effective closure of the cases and strengthen the deterrence and prevention of corruption.

is not adequate. Neither of the agencies have defined their performance indicators.		reports, half yearly meetings with CSOs and a complaint hotline. These mechanisms help them in identifying cases for follow up. However 32% percent of cases in agency A and 37% in Agency B had not been followed up with the concerned government departments.		compromising the anti corruption efforts.		followed up within a fixed time with the relevant government department. Maintain the entries in the register detailing transfer of cases to the judiciary. Define Performance indicators for processing(handling) each of the received cases and finalising them by way of closure or transfer to the judiciary for prosecution.	

Audit question: Are there adequate reporting and monitoring mechanisms to prevent corruption in selecting scholarship beneficiaries and in disbursing scholarships to needy and deserving students?							
Findings							
Situation found	Criteria	Evidences and analysis	Causes	Effects	Good practices	Recommendations	Expected benefits
The College Education Department does not publish the list of scholarship beneficiaries in a transparent manner The process of selection of beneficiaries is not reviewed by any other entity either within or outside the College Education Department The timely disbursement of grants to the scholarship beneficiaries is not monitored	The College Education Department publishes the list of scholarship beneficiaries on their website or in prominent newspapers along with the selection criteria employed. A separate monitoring department (in case of larger entities) or a separate section within	Interview was conducted with the Head of the Scholarships section of the College Education Department. The discussions were recorded by the audit team and confirmed by the Head.	Operating rules/ procedures for setting up transparent and effective systems for monitoring the selection of scholarship beneficiaries and timely disbursement of scholarships are not in place.	Possibility of corruption not being prevented through effective reporting and monitoring in selection of beneficiaries and timely disbursement of scholarships **Tip for SAI:** In further audits or by referring to agencies involved in	None	The College Education Department may take immediate steps to publish the list of scholarship beneficiaries in a transparent manner on their website and prominent newspapers. Transparency in this regard will be an effective check against corruption.	Having strong reporting and monitoring systems for monitoring the selection of beneficiaries and disbursement of funds. This will prevent corruption that can benefit underserving students at the expense of poor or girl students who may be denied access to higher education despite

	the College Education Department (Internal Audit or a peer department) reviews the entire process of selection of beneficiaries. (UNDP GAIN) Timely disbursement of grants to beneficiaries is monitored by internal audit or a peer department			detection of corruption, the SAI may follow up on and material leads regarding corruption in selecting beneficiaries and individual cases of delay/ holding back of disbursement of scholarships		There should be regular review by internal audit or a peer section regarding the process of selection of scholarship beneficiaries. Internal Audit may conduct regular reviews to check whether scholarship grants are being disbursed in a timely manner to all beneficiaries.	government policies in place. This also prevents corruption regarding timely disbursement of scholarship amounts which may be held up owing to non payment of bribes or even demand of sexual favours from girl students.

PART 3.4: PERFORMANCE AUDIT PROCESS- REPORTING

3.4A: INTRODUCTION

The audit report is the end product of the entire audit process. A properly conceived (at planning) and implemented audit (at conducting) provides the basis for a good report. In the last chapter we discussed about conducting a PA. At the end of the conducting phase, the reporting phase begins with making a draft report containing preliminary audit findings. Based on the comments received from the audited entity on the preliminary audit findings the draft is then further developed into an audit report. All working papers should contain supporting documentations relating to the various tasks performed during the audit process.

The report-writing process should be considered as a continuous one of formulating, testing and revising ideas about the topic. This process may start at the beginning of the audit.

The purpose of audit report is to communicate the results of the audit to the legislative authority, the auditee and to the wider audience. The key to a good report is effective communication, with the report clearly and objectively setting out the main findings and conclusions on the audit questions, allowing the reader to understand what was done, why and how, and providing practical recommendations. Therefore, the contents of the report have to be widely disseminated to different stakeholders to achieve the desired impact.

3.4B: THE REPORTING PROCESS

A graphical representation of the reporting phase is illustrated in figure 12:

Figure 12 Reporting Process

Input

- While writing the audit report, the auditor should revisit the audit plan and the design matrix to ensure that all the key issues identified at planning stage had been covered during fieldwork.
- The audit memos and response to the memos and working papers on evidence gathered are a source of information for the audit report.
- Analyzing working papers while writing the report will give assurance that the audit findings and conclusions are supported by sufficient and appropriate evidence.
- The Findings Matrix is the basis for the audit report.

Process

> Audited entities should be given an opportunity to comment on the audit findings, conclusions and recommendations before the SAI issues its audit report. Any disagreements should be analysed and factual errors corrected.
>
> *(ISSAI 300/29; ISSAI 3000/129)*

- The communication with the audited entity to obtain comments on the preliminary audit conclusions can be done by holding exit meetings to discuss audit findings and conclusions and sharing the draft report with the audited entity, seeking for their response. In this case the audit findings need to be shared with different entities that have been considered during conducting the audit. These will include the head of the administrative arm of the government (responsible entity), ACAs, Administrative Units of the concerned government department (e.g. administrative unit of the education department), functional formation of the Government department(e.g. school or college which has been selected for the detailed audit. It is important to hold separate meetings since the recommendations will be specific for the different types of entities. It is important to record the minutes of these meetings.
- The response of the audited entity is examined and incorporated and necessary changes are made to the draft report, provided the evidence requirements are satisfied.
- The written report is sent to SAI internal teams who are independent of the audit engagement or external for pre-issuance quality reviews. Such reviews provide an independent assurance that the report is balanced.
- Necessary changes, if needed, are carried out to finalize the audit report.

Output

- The main output of this stage is the final audit report.
- The report is disseminated widely to various stakeholders as per the mandate of the SAI. Specific efforts may be made to ensure that the report has reached all the relevant stakeholders including the Parliament, anti-corruption agencies, different formations of the government which have been involved in the audit process including the head of the administrative arm of the government who will typically be the 'responsible entity' for the audit, CSOs, media and citizens.
- The diverse audience for this PA work suggests that SAIs should address different groups with different products. There may be a number of separate products in addition to the report, including summaries, leaflets, brochures, press releases and presentations.

> Please see the attributes of a good Performance Audit Report in the Appendix 2

3.4C: FORM AND CONTENTS OF A PERFORMANCE AUDIT REPORT

The content and structure of the PA report may vary depending on the actual audit undertaken by the SAI. However, the suggested content of a PA report may include (ISSAI 3000/117):

a) Title and subject matter

b) Table of contents

c) Executive summary

d) Introduction

e) Audit objective(s) and/or audit questions;

f) Audit scope and approach, audit time period covered

g) Audit methodology, source of data, data gathering and analysis applied;

h) Audit criteria and its sources

i) Audit findings/Observations

j) Conclusions

k) Recommendations.

A brief explanation on the contents of a report is as follows:

Audit Report Title	
Examples	Without the name of responsible entity: Preventing Corruption through effective institutional framework (2017 report of the Auditor General of X) With the name of responsible entity: Chief Secretary's Department: Preventing Corruption through effective institutional framework (July 2018, Office of the Auditor General of X)

a. Title and subject matter: The PA report should have a suitable title. The title could also indicate the audited entities responsible for the activities audited.

b. Table of Contents: This illustrates the structure of the report with details of sections.

c. Executive summary: The executive summary should reflect accurately and comprehensively what is in the report, and guide the reader to the significance of the audit questions and the answers thereto. It summarizes the background, major findings, conclusions and recommendations. It is a short summary designed for those who have little time to read the full report.

How to Write	
Executive Summary	• Build an executive summary from summary paragraphs within the main report – this will ensure that the summary is consistent with the report. • It is sometimes useful to think of the Executive Summary as being written for the Public Accounts Committee (PAC) or oversight legislative committee. The report as being written for the audited entities and the appendices as being written for those academics or specialist staff with an interest in the field and in the detailed methodology.

d. **Introduction***:* The introduction to the report sets out the context of the audit, helping the reader to understand both the audit and the observations. It comprises a description of the audit area or subject. The introduction should not be overly long and detailed. It should contain a statement but it should not contain audit observations. If further detail is considered as useful for the reader, it should be provided in an annex, and indications can be given of how the reader could obtain further information (e.g. references).
e. **Audit objective(s), audit questions**: A description of the audit objective(s), the audit questions should be included in the report, in a logical and interrelated way. Report users need this information to understand the purpose of audit, the nature and extent of the audit work performed and any significant limitations in audit objectives, scope and methodology.
f. **Audit scope and approach, audit time period covered**: The audit scope and approach is key to the reader understanding what to expect from the report, and thereby what use can be made of the results and conclusions and the degree of reliance to be placed thereon. Different readers have different needs and expectations from the audit. The approach refers to the problem, result or system oriented approach or a combination there of. Time period is related to the scope that defines which period is covered under the audit.
g. **Audit methodology of data gathering and data analysis applied**: A description of the audit methodology used for addressing audit objective(s) should be included in the report. The methodology can be described briefly, however, readers from the audit and academic community usually welcome more detail, in particular concerning the scope and methodology employed. Therefore, in concise form audit methodology and approach, sources of data, and any limitation to the data used, data gathering and analysis methods use should be mentioned. Detailed information should then be included in appendices, if necessary.
h. **Audit criteria and its sources:** It is essential to have suitable audit criteria for assuring the quality of a PA. Clarifying and developing the audit criteria might be part of the value added by the PA (ISSAI 3000/46). Therefore, it is important to state in the audit report, what are the audit criteria, how they were developed and what the sources were. Audit criteria are not always readily available in Performance Auditing. In such cases, the audit team needs to develop the criteria and agree with the audited entity. If the audited entity does not agree with the criteria, the auditor has the final responsibility to set it. The audit criteria are typically based on knowledge of best practice on how activities are carried out to be most economical and efficient (or what conditions are the most favourable for good performance and effectiveness).
i. **Audit Findings/Observations***:* Audit findings represent the difference between 'what should be' and 'what there is', also explaining the cause and the effect of this difference. It should clearly be related to the criteria and to the information gathered during fieldwork. The auditor shall ensure that the audit findings clearly conclude against the audit objective(s) and/or questions, or explain why this was not possible (ISSAI 3000/124). The findings could be organized according to the audit questions. Each audit question could be a chapter of the audit report, with its respective findings under it.

   A graphical representation on the relationship between the different attributes of PA and how the findings and conclusions are linked to the audit objective and audit questions is presented in figure 13.

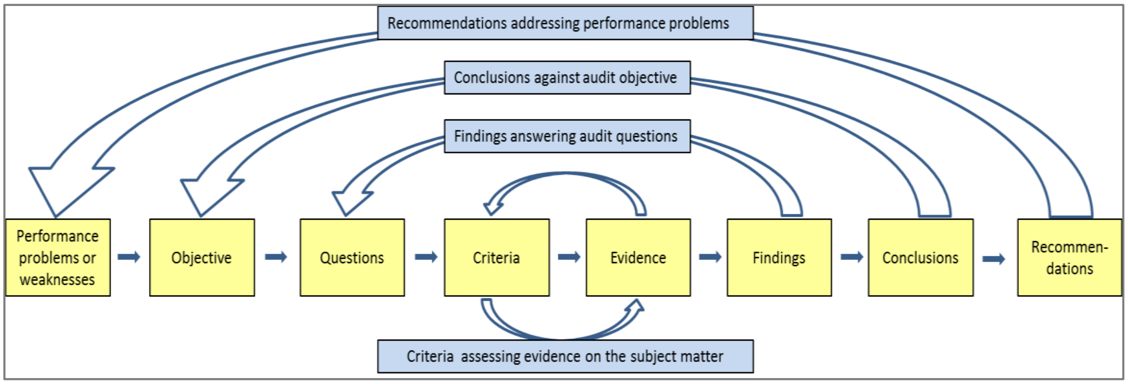


Figure 13 Findings and conclusions vs attributes of PA

When presenting audit findings/observations, the following elements should be clear to the reader:

Criteria	**The basis against which the actual situation was judged - performance or normal practice requirements, or standards set by management or by the auditor.**
Evidence and analysis	What was examined and why - the extent and scope of evaluation.
Situation found and causes	What was the situation found - including its cause - making apparent the source and extent of evidence.
Effects	What the finding means - including the effect on the entity - and why it is important.

j. Conclusions*:* Report conclusions are logical inferences about the subject matter based on the auditors' findings, not merely a summary of the findings. The strength of the auditors' conclusions depends on the sufficiency and appropriateness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are more compelling if they lead to the auditors' recommendations and convince the knowledgeable user of the report that action is necessary.

k. Recommendations*:* The auditor shall provide constructive recommendations that are likely to contribute to addressing the weaknesses or problems identified by the audit, whenever relevant and allowed by the SAI's mandate (ISSAI 3000/126). The report should recommend actions to correct deficiencies and other findings identified during the audit. It should help to improve programmes and operations when the potential for improvement in programmes, operations, and performance is substantiated by the reported findings and conclusions.

In the result-oriented approach, the recommendations are often aimed at eliminating the deviation between the finding and the criteria. In the problem-oriented approach, the cause of a finding forms the basis for the recommendation. Recommendations should be presented in a logical, knowledge-based and rational fashion, and be based on competent and relevant audit findings. Features of constructive recommendations (ISSAI 3200/127):

- directed at resolving the causes of weaknesses or problems identified;
- practical and add value;

- well-founded and flow logically from the findings and conclusions;
- phrased to avoid truisms or simply inverting the audit conclusions;
- neither too general nor too detailed. Recommendations that are general will typically risk not adding value, while recommendations that are too detailed would restrict the freedom of the audited entity;
- possible to implement without additional resources;
- addressed to the responsible for taking the actions and will clearly state the actions recommended.

Good Practice	
Writing Recommendations	• Think about potential recommendations early on the audit process. • Write the recommendations in a way that allows the auditor to evaluate whether or not they have been implemented. • Where possible, discuss with the audited entity to identify the necessary changes in the recommendation and practical ways of implementing them (ISSAI 3200/128). This will lead to realistic implementation of the recommendations.

Appendices*:* Appendices can be used to present detailed descriptions and findings and also may be used for comprehensive descriptions of the audited entities, statistical tables, detailed explanations of methods used, etc. This is a way to avoid the report to become too long and make it easier to read. It is also suitable to place a glossary of terms and a list of abbreviations in a list in the beginning of the report or in an appendix. Appendices are generally for those people at an operational level who need to implement the recommendations or develop alternatives. The information is not essential to understanding the report but provides further support to the findings.

3.4D: PUBLISHING AND DISTRIBUTING THE PERFORMANCE AUDIT REPORTS

> The SAI shall make its audit reports widely accessible taking into consideration regulations on confidential information.
>
> *(ISSAI 3000/133)*

SAIs are free to decide, within their mandate, what, when and how to audit, and should not be restrained from publishing their findings (ISSAI 300/12).

Some SAIs have dedicated publications department which deals with everything related to publishing of a report. Other SAIs may have a less structured process because they may produce fewer reports. It is important that the SAI is aware of their responsibility to get the report published once it has been finalized by the team.

Distributing audit reports widely enhance the visibility and credibility of the SAI's audit function (ISSAI 3000/134). Therefore, SAIs should decide on the mode of distribution of reports on the basis of their respective mandates. Each PA will normally be published in a separate report, either in print or online, or both. The reports must be distributed to the legislature and to the responsible parties. Unless prohibited by legislation or regulations, SAIs should make reports accessible to the public and to other interested stakeholders directly and through the media. If the SAI reports are available for public discussion and criticism it allows the SAI to act upon and improve its audit work (ISSAI 3200/137).

3.4E: COMMUNICATION STRATEGY

Good communication with the audited entity and relevant stakeholders is important during the entire audit process. There are several reasons why planning communication with the audited entities and stakeholders is of particular importance in PA. For example, as PAs are not normally conducted on a regular basis on the same audited entities, channels of communication may not already exist. Often there are no predefined criteria and thus an intensive exchange of views with the audited entity is necessary. Besides, the need for balanced reports requires an active effort to obtain insight into the points of view of the various stakeholders (ISSAI 300/29).

> Auditors should maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.
>
> *(ISSAI 300/29)*

It is a good practice for the SAI to develop a communication strategy or policy to provide guidance on how to relate to the audited entity and relevant stakeholders during the reporting process. This policy could address communication with the key stakeholders covering the following key issues:

The audited entity

The communication process between the auditor and the audited entity begins at the planning stage of the audit and continues throughout the audit process. It is important to note in case of this audit that there are multiple audit entities involved. To begin with there is the head of the administrative arm of the government whose office is the 'responsible entity'. Thereafter depending on the arrangements in different countries, the Anti Corruption Agency or other entity that has been considered for the audit at the Whole of Government level, then at the relevant sectoral level the ministry/ department and field formation. Auditors should notify audited entities of the key aspects of the audit, including the audit objective, audit questions, subject matter, audit criteria and the time period to be audited (ISSAI 3000/57). Audited entities should be given an opportunity to comment on the audit findings, conclusions and recommendations before the SAI issues its audit report (ISSAI 300/29). The audit team may meet with entity officials to discuss the entity's comments, to gain a full understanding of the comments, and/or to obtain any additional significant information related to the comments. If conflicts occur, efforts must be made to resolve contradictory opinions with a view to making the final picture as true and fair as possible.

Parliament/Legislative Body

Communication with parliament/legislative body is equally important as it is the Parliament that will use the SAI's reports to improve government management and accountability. If reports are ignored or messages are misunderstood, audit resources could be wasted and the SAI's credibility could be called into question. Generally, SAIs assists Public Accounts Committees (PAC) by debriefing members and providing relevant information regarding reported audit findings. In addition to prior communication, it is vital that representative(s) of the SAIs attend the PAC hearings where audit reports are discussed. The legislature should appreciate the fact that performance auditing is about identifying opportunities for improvement in economy, efficiency and effectiveness. The SAI should make it clear that naming and blaming individuals is not the purpose of performance auditing.

The media

As soon as the audit report is tabled in Parliament, it becomes public document. The report and news releases are posted in the media. The SAI must ensure that the information provided to the media is timely, accurate and clear. In providing the information, the SAI should be responsive, helpful, and informative, without compromising its independence or political neutrality, or offending parliamentary privilege. Following are important to ensure proper communication with the media with relations to the audit report:

- Responding to media inquiries;
- Developing news releases in conjunction with audit teams;
- Organizing and managing media events such news conferences, and interviews;
- Assisting staff in developing questions and answers and media lines;
- Providing staff with media training;
- Monitoring news and public discussions about the SAI;
- Informing senior management about emerging issues in the media;
- Conducting media analyses to assist in improving message development.

Citizens and other stakeholders

Citizens are, at the same time, a source of ideas for performance auditing, a source of demand for performance auditing, and the users of PA reports. They may be communicated directly or through non-government organisations that represent them. Depending on the circumstances within the country, this communication could include a mix of television interviews, articles, leaflets and use of the SAI's website. Other important stakeholders are representatives of the academic community. They have expert knowledge in specific audit areas, and may provide a more objective view, less restricted by personal interest. Non-government organisations can also be a useful source of ideas. They may have conducted their own research through surveys and case studies, and may have a range of relevant contacts. Civil society can be motivated to put pressure on the legislature to act, particularly if the SAI is providing high profile and relevant material that is of interest to them and to the society.

Use of the findings by the government

The government may use the findings for reporting on their progress on attainment of the Sustainable Development Goals. The strengths and weaknesses of the Institutional Framework for fighting corruption can be reported against target 16.5 'substantially reduce corruption and bribery in all its forms'. The findings in regards to the specific sector can be used in regards to the targets in the relevant sector. In the example considered in this guidance, two targets may be possibly addressed in regards to Goal 4.' Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all'. These targets are

4.b By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries

4.c By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States

The SAI may recommend the government regarding the use of findings in reporting on SDGs as may be relevant to their audit findings at the Whole of Government level as also in regards to the specific sector considered by them in the audit.

3.4F: QUALITY CONTROL DURING REPORTING

The following are the essential components of quality control during reporting phase:

- ***Submit a properly processed report draft to top management***

  After processing of the drafted report – internally and externally –audit team submits the draft to audit top management for final examination and decision.

  Checklist for the management before publishing the report

  i. Is the report understandable and the main messages objective and convincing?
  ii. Are findings reliable, put in context and supported by solid and fair evidence?
  iii. Does the executive summary reflect the tone and the findings?
  iv. Do the conclusions flow logically from the analyses and the findings and is it linked to the audit objective?
  v. Are disagreements with audited entities or experts or inconsistencies regarding facts analyzed?
  vi. Are the recommendations evidence based, clear and adding value?

- ***Check if the report is comprehensive and reader friendly***

  The audit report is the product on which the audit function will be judged by external actors. So the report should be well-founded, complete, accurate, objective, convincing and as clear and concise as possible. The report should be reader friendly, i.e. available for the interested but uninformed reader.

PART 3.5: PERFORMANCE AUDIT PROCESS- QUALITY ASSURANCE

As discussed in Part 3.1, the main objective of the quality assurance function is to assess how well the QC function is operating to ensure a quality audit. For the QA review the SAI can develop its own criteria, based on its particular circumstances. Examples of criteria-based questions are:

- To what extent does the report clearly describe the context within which the area examined is carried out?
- To what extent is the report well-structured and well written, and does it include an effective executive summary?
- To what extent is the rationale for the scope clearly set out?
- Is the audit methodology clearly set out?
- To what extent were the report's conclusions and recommendations balanced, logical, consistent and supported by the evidence quoted?
- To what extent has the audit been successful in concluding against its objectives and providing useful information to help improve public services?
- To what extent is there sufficient documentation on team competencies, audit procedures carried out, evidence to support findings, consultations done and disposition of comments received, and supervision?

Those carrying out the independent QA could be members of the QA unit, senior members of the performance auditing unit (who don't have any involvement in the conduct of the audit), or external members such as academics, other professionals, etc.

A quality assurance review may examine the adherence to policy and procedures and identify areas where there is an opportunity for improvements in these policies and procedures or it may assess the quality of work performed to meet specified objectives or specific stakeholder's perspectives. Quality assurance reviews will generally address both adherences to specified processes and the quality of the work performed. The report on the quality assurance review programme should summarise the results of all reviews including the tasks selected, the findings and any recommendations.

Tools Used in Quality Assurance Review

In conducting QARs, it is essential that the review team is aware of the different methods of gathering information as explained in table 5:

Table 5 Evidence gathering methods for quality assurance review

Evidence Gathering Methods	Explanation
Document Review	Information is gathered from reviewing various types of relevant documents. Documents likely to be required for document review could include:

	Constitutions, Audit Acts and other legislations, policies and procedures, standards, manuals, guidelines, annual report, strategic plan, corporate plan and business plan.
Interview	Questions are carefully planned and can be drafted in advance. The QAR team will ask the questions of relevant employees in the SAI to obtain their in-depth ideas and perception on the topic of interest. Interviews should be complemented with other data and information gathering tools.
Physical Observation	Physical Observation is a vital process in which what is observed is recorded in a checklist sheet. Observations may be on physical surroundings, ongoing activities, processes, or discussions. It is used to verify the existence and appraise sufficiency, adequacy, and convenience of the SAIs infrastructure, technology and support services. It may also give an insight into the behaviors of the SAIs staff for a particular process or activity.
Focus Group	A process of focused discussion on a given issue with group of people. Involves the use of a sequence of key questions. Useful for gathering information on the SAI's functioning, challenges and strategies.
Survey	Questionnaires are prepared and distributed to individuals to be filed and returned within a certain period after which an analysis is prepared.

[Quality Assurance Guidelines/4.34-4.35, (PASAI)]

Personnel Engaged in Quality Assurance Review

Table 6 Role of different personnel in the quality assurance process

Quality Assurance Personnel	Responsibilities
QA Team Manager	The QA Team Manager as the Head of the QA unit will: i. report to the Head of SAI; ii. be responsible for the overall aspects of the QA function; and iii. formulate strategies to carry out the QA functions
QA Team Leader	The QA Team Leader will assume the overall responsibilities in the following stages: Planning Stage i. establish review objectives, scope, time and targets; ii. formulate the review methodology; iii. delegate responsibilities to team members;

	iv. design review programme. Implementation Stage i. provide advice and necessary guidance to team members about the plan, objectives, and on conducting the review; ii. assure the QAR process is done in accordance with QA standards, policies and procedures; iii. analyze the findings and formulate the conclusions and recommendations. Reporting & Follow-up Stage i. write the QA report and present it to the Head of SAI; ii. follow up on QA report.
QA Team members	The QA team members will be responsible for: i. conducting the review, based on the plan agreed on in the planning stage and according to standards and procedures; ii. gathering evidence to support findings through interviews, documentation reviews, and observations; iii. preparing and documenting necessary working papers to support findings; and iv. preparing a QA report on the findings.

(PASAI Quality Assurance Guidelines/p-23-24)

Quality Assurance Review Process

Quality assurance review process are divided in the four phases of the audit process:

Phase	**QAR activities**
Planning Phase	This is where the review team plans the review before it takes place. At the SAI level QAR, the reviewer gathers information to understand the environment upon which the SAI operates. On the other hand, at the PA (PA) level, the review is intended to understand the PA environment. This initial step provides the reviewer inputs to be able to define the QAR objective and scope, identify the key areas for QAR at the SAI level or select appropriate audits for QAR at the PA level, decide methodology and define roles and responsibilities of the QAR team. The other inputs include the terms of reference, budgets and background information. The output of this phase will be a plan for conducting the review. This can be a long-term plan in the case of an SAI level review, and an annual plan in the case of a performance audit level review. The expected deliverable from this phase is a QAR plan. Once the plan has been approved, it becomes the input to the second phase.

Conducting phase	In the second phase, the review team conducts the review using the QAR plan to guide the gathering of evidence. A suggested first step in this phase is to conduct an entry meeting with the SAI top management concerned (for SAI level QARs) and the audit team that completed the audit (PA level QAR), to explain the objectives and scope of the QAR to be done. The outputs of this phase are the draft *findings* and *recommendations*. This should be discussed with the senior management in the case of the SAI level review, and with the audit teams and management for the individual audit level reviews to obtain feedback.
Reporting phase	The third phase is where the review team uses the outputs (preliminary findings and recommendations) of the conducting phase as inputs to prepare a draft QAR report. The findings and observations are discussed with audit management in an exit meeting. After soliciting their comments, the QAR report is finalised.
Follow-up	The final phase is where the review team uses the action plan prepared by the audit line functions as inputs, and assesses the extent of implementation of the QAR recommendations and reasons for non-implementation, if any. Appropriate follow-up actions are necessary to ensure that the agreed action plan is implemented or adequate steps are being taken to implement it. The output of this stage is a follow-up QAR report.

Source: IDI-ASOSAI Handbook on Quality Assurance in Performance Auditing

PART 3.6: PERFORMANCE AUDIT PROCESS- FOLLOW-UP

3.6A: INTRODUCTION

The primary objective of a PA is to improve public sector performance and accountability through the implementation of audit recommendations. Timely implementation of audit recommendations is the responsibility of the audited entity. Through a follow-up process the auditors monitor whether the audit recommendations have been implemented or considered for implementation by the audited entity.

As mentioned in the previous chapters, this audit involves more than one audit entity. Audit recommendations will be directed at the different levels of entities that have been considered for the audit and it is important to follow up on all recommendations.

Follow-up is an important tool to ensure the impact of the audit as well. At the same time, it helps to improve the future audit work by making better quality recommendations. A follow-up process will facilitate the effective implementation of recommendations. It provides feedback to the SAI, the legislature and the government on the improvements made by the audited entity as a result of the audit (ISSAI 3200/146). To achieve this, the SAI needs to establish a robust follow up system for all of its audit reports.

3.6B: PURPOSE OF AUDIT FOLLOW-UP

Following up on audit recommendations serves four main purposes (ISSAI 3200/147):

a) identify the extent to which audited entities have implemented changes in response to audit findings and recommendations;

b) determine the impacts which can be attributed to the audits;

c) identify areas that would be useful to follow-up in future work;

d) evaluate the SAI's performance.

When conducting follow-up of audit reports, the aim is to determine whether actions taken on findings and recommendations have remedied the underlying conditions identified in the audit. A follow-up is not restricted to the implementation of recommendations but focuses primarily on whether the audited entity has adequately addressed the problems and improved the underlying situation after a reasonable period (ISSAI 3000/140).

The acceptable period for follow-up activity by the SAI may depend on the context and nature of audit recommendations provided. Some recommendations may require longer period for implementation while some may require a shorter period. The timing of follow-up therefore, constitutes a key management decision to be taken by each individual SAI in accordance with its policies or mandate. The audited entity should be given sufficient time to take corrective measures. At the same time, it is important to make sure that they rather soon start to work on the implementation of audit recommendations.

3.6C: FOLLOW-UP PROCESS

When conducting follow-up of audit reports, the auditor should adopt an unbiased and independent approach. The SAI may prepare operational plan for follow-up process in relation to the audits conducted in the past. The follow-up process should be supported by data on major recommendations made in the past, recommendations stated to have been implemented but not tested through follow-up audit and recommendations not implemented by the audited entity.

The follow-up can be done using one or more than the methods below:

a) arrange a meeting with the audited entity after a certain time has elapsed to find out what actions have been taken to improve performance and to check which recommendations have been implemented. The audited entity must present documentation on the corrective measures and their effects;

b) request the audited entity to inform the SAI in writing about the actions they have taken to address the problems presented in the audit report;

c) use phone calls or limited field visits to collect information on the actions taken by the audited entity;

d) keep up to date on reactions from audited entity, the legislature and the media, and analyse whether problems identified have been appropriately addressed or not;

e) request financial and/or compliance audit teams to collect information about actions taken as part of their audit procedures;

f) carry out a follow-up audit, resulting in a new PA report.

The template shown in table 7 is used in the follow-up process in which the auditors assess the extent and the status of implementation of audit recommendations provided in the previous audit report. It is an effective way to confirm the status of action on each recommendation from the audited entity.

Table 7 Follow-up Desk Review Template

Audit Report:

Date of Issue:

Name of Agency(s):

No.	Recommendations	Action Taken (as per the detailed action plan/report submitted)	Status/ progress	Reasons for non-completion of action	Impact (if any)
1					
2					

Sometimes the follow-up processes may reveal significant issues for further review by the legislature or the audit recommendations may likely lead to significant benefits. It would therefore be appropriate to carry out a follow-up audit, resulting in a new PA report. In case SAI decides for such audit, planning is important for the follow-up audit, and takes a similar form as a PA with the purpose of follow-up, what has happened after the audit, and if the recommendation has been implemented or not and the reasons for that. The team that does the follow-up should indicate the recommendation, projected impacts and other relevant issues that will be examined. The extent of the proposed follow-up should be described. The course of the follow-up audit will thereafter follow the normal procedures for a PA.

3.6D: FOLLOW-UP REPORT

The results from the follow-up should be reported, to the audited entity as well as appropriate authorities/forums. The results may be reported individually, or as a consolidated report. Consolidated follow-up reports may include an analysis of common trends and themes across a number of reporting areas. Positive action in responding to the audit recommendations should also be reported, as this is a credit to both the audited entity and the SAI.

Reporting on follow-up audits should be done in line with the general reporting principles of the SAI. Whether or not it is suitable to table the follow-up audit report in parliament will depend on how the SAI assesses the significance of the findings, conclusions and impacts of the corrective actions taken.

3.6E: MODEL FOR FOLLOW-UP ON THE CURRENT AUDIT

The current audit will involve entities at different levels of government. The findings and recommendations are also expected to be relevant for the respective levels. While the SAIs are best placed to determine the best model for ensuring appropriate follow up on all findings and recommendations, the model shown in figure 14 may be considered.

The model proposes a multi level follow up on part of the SAI. The SAI follows up with the responsible entity which provides it with the overview of the action taken by the different formations. In order for the responsible entity to have the overview, it should receive the follow up details from the Anti-Corruption Agency (or other agency at similar Whole of Government level). The responsible entity also receives the follow up information from the controlling ministry or department at the sectoral level. This controlling ministry or department receives information from the functional unit like university, school etc. Besides following up with the responsible entity, the SAI also follows up with the other entities in course of its regular audits.

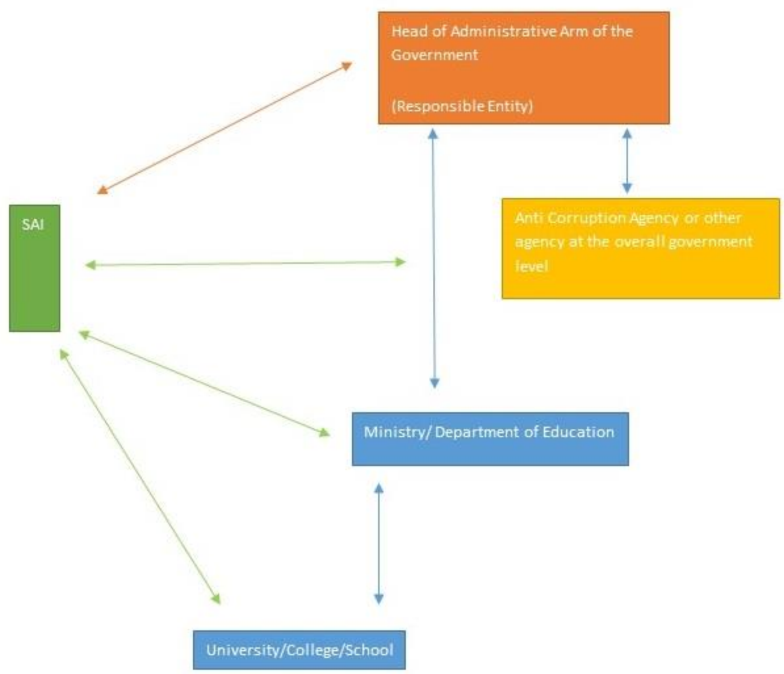


Figure 14 Model for follow up

APPENDICES

APPENDIX 1: DATA COLLECTION METHODS

1) **File examination** – is an important source of audit evidence and is used in many PAs, usually on a sample basis. Some examples are: annual reports, financial statements, project documents, correspondence, memoranda, reports, directions to staff, internal audit reports.
2) **Document review** – covers the review of documents gathered from the audited entity, general research reports, relevant publications (e.g. academic articles) and available studies conducted on the audit topic.
3) **Surveys** – is a systematic collection of information from a defined sample of population, usually done by means of interviews or questionnaires.

Advice on How to Write Questionnaires

- Start the questionnaire with general questions
- At the end, ask an open question where the respondent may give some general comments
- Avoid too many open-ended questions
- Ask only questions that will be used in analysis
- Don´t ask about two issues in one question
- Write clear, concise, accurate and objective questions
- Test the questionnaire with colleagues and experts
- Do a pilot test, in the real survey environment

4) **Case study** – is a method of learning about a complex issue, based on a comprehensive understanding of the particular instance. It is used to gather qualitative information.

Advice on how to select the location for Case Study

- Materiality – states and municipalities that have received more resources
- At least one state (or city) per region
- Typical case – location with characteristics similar to many others
- Good example and bad example – choose two similar locations: one with good performance and other with bad performance
- Locations where the services are being implemented for some time
- Locations with many complaints about the quality of the service delivered

5) **Interviews –** is basically a question and answer session to elicit specific information. A great deal of PA work is based on interviews. Conducting an interview isn´t a simple task. It requires discipline, preparation and communication skills. To obtain the broadest possible view of the audit topic, it is important to interview people with different positions, perspectives and insights.

Advice on How to Conduct Interviews

- Study the subject

- Prepare an interview guide
- Schedule date, venue, time and duration
- Assign roles to each person before the interview (avoid making interviews alone)
- Be punctual to start and don´t continue longer than the agreed duration
- Be attentive, observant, objective, respectful, impartial and secure
- Create a rapport with the interviewee – interview is not a cross-examination
- Don´t talk too much – listen and observe carefully
- Be flexible, but have in mind the objective of the interview
- Be brave enough to ask any kind of question – be frank and candid
- Avoid asking complex questions and demonstrating ego, possessing excess knowledge or attitudes of superiority
- In the case of evasive answers, use pauses or silence period to indicate waiting for more complete information
- Make notes on the key issues

6) **Seminars and hearings** – Seminars might be used for acquiring knowledge on a specialized area; discussing problems, observations, and possible measures; gathering arguments for and against different views and perspectives. The purpose of hearings is mostly to invite or call for interested parties and experts to give their views on a particular area to be audited.
7) **Focus group and reference group** – Focus group is a technique used to collect qualitative data. The source of data is the discussion and interaction among participants of a group brought together to discuss specific topics and issues. Focus groups are used to obtain information on the implementation and impacts of government programmes based on the perspectives of the beneficiaries and other stakeholders. Reference groups act as a frame of reference to evaluate the achievement or performance of other groups.

Advice on How to Conduct Focus Groups

- Prepare a focus group guide (usually with open questions) and test it
- Select the participants carefully. The group must be homogeneous, with similar experiences about the discussion topic
- Mind the time. The focus group should last no longer than two hours
- Be flexible, objective, respectful, impartial, secure, humorous
- Favour equal participation, moderate the debate, value diversity of opinions
- Ask permission for recording the session. This will be useful for data analysis
- Make notes on key issues

8) **Direct observation** – Is a technique for qualitative data collection that uses the human senses to understand certain aspects of reality. It´s not only about to see and hear, but also to examine facts or phenomena. It helps to identify and obtain evidence and to gather information about how a program actually operates, particularly the processes.

Advice on How to Perform Direct Observation

- Prepare a direct observation guide

- ➢ Establish rapport with people
- ➢ Choose the right period and time to conduct the direct observation
- ➢ Emphasize that the objective of direct observation is to know the work process, not to evaluate individual performance
- ➢ Try not to disturb the normal flow of work or people´s behaviour

APPENDIX 2: ATTRIBUTES OF A QUALITY PERFORMANCE AUDIT REPORT

The attributes of a good quality PA report are:

> Auditors should strive to provide audit reports which are comprehensive, convincing,
>
> timely, reader-friendly and balanced.
>
> *(ISSAI 300/39; ISSAI 3000/116)*

Comprehensiveness – An audit report needs to include all the information and arguments needed to address the audit objective and audit questions. At the same time, the report should be sufficiently detailed to provide an understanding of the subject matter and the audit findings and conclusions (ISSAI 3000/117). The report includes the audit objective, the scope and the methodology used to address the objective.

The report also includes the criteria used and provides the background information about the audit topic and the limitations of conducting the audit. Most importantly, the report should be backed by sufficient and appropriate audit evidence to support the findings and conclusions in relation to the audit objective (ISSAI 3200/110-114).

Convincing – To be convincing, an audit report needs to be logically structured and present a clear relationship between the audit objective and/or audit questions, audit criteria, audit findings, conclusions and recommendations. It also needs to present the audit findings persuasively, address all relevant arguments to the discussion, and be accurate. Accuracy requires that the audit evidence presented and all the audit findings and conclusions are fact-based and correctly portrayed (ISSAI 3000/118). One inaccuracy in a report can cast doubt on the validity of an entire report and can divert attention from the substance of the report. Inaccurate audit reports can damage the credibility of the SAI.

Good Practice:	
Reference to Third Party	Audit report often includes direct or indirect references to third parties (organizations, groups, and individuals that are not included in the scope of an audit), for example, a professional body that sets professional or industrial standards. In case of the audit under reference, some information about the transfer or receipt of cases at the judiciary from the ACAs may be relevant. The audit team may seek to corroborate the records maintained at the ACA with that of the secretariat of the judiciary. Third parties are notified and asked to verify the accuracy and completeness of statements concerning them. Communicating with third parties enables the audit to fulfill its duty of care to third parties to ensure that

	the references are accurate and fair, as well as promoting the objectivity and underlying evidence for the reports. *(OAG Canada, PA Manual)*

Timeliness – An audit report needs to be issued on time in order to make the information available for use by the management, government, the legislature and other interested parties (ISSAI 3000/119). The audit report is intended to result in improvement in processes and structures in the entity. These improvements are expected to enable the entity to achieve its objectives more efficiently or effectively. The sooner the reports are prepared, the better for all parties to achieve the desired results.

Reader-friendliness – The auditor should use simple, clear and unambiguous language in the audit report to the extent permitted by the subject matter. The report should be concise with adequate illustrations. It will ensure that the audit report volume is not larger than it is required to be, which will ensue clarity and helps to better convey the message of the report (ISSAI 3000/120). A key success factor for reader-friendly reporting is to know the audience, understand its needs and make the report accordingly (ISSAI 3200/121).

Good Practice:	
Writing clear and reader-friendly reports	• Use short, rather than long sentences • Use simple sentence construction (the simplest being subject – verb – object) • Break up the text with the use of headings • Use examples • Use non-text visual aid (such as pictures, illustrations, charts, graphs, maps) • Avoid technical jargon, complex, seldom used words • Avoid excessive use of cross-referencing and acronyms (*ISSAI 3200/122*)

Balanced – The audit report needs to be objective and impartial in its content and tone. All audit evidence needs to be presented in an unbiased manner. The auditor needs to be aware of the risk of exaggeration and overemphasis of deficient performance by the entity (ISSAI 3000/121).

Good Practice:	
Writing balance d reports	• Present findings objectively and fairly, in neutral terms, avoiding biased information or language that can generate defensiveness and opposition from the entity. • Present different perspectives and viewpoints on the topic. • Should be complete. Include both positive and need to improve points. Should give credit where it is due. Including positive aspects may lead to improved performance by other government organisations that has used the report. • Facts must not be suppressed, and minor shortcomings should not be exaggerated (ISSAI 3200/124).

GUIDANCE ON AUDIT OF INSTITUTIONAL FRAMEWORK FOR FIGHTING CORRUPTION

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