

# Performance Audit

ISSAI Implementation  
Handbook

Version 1, August 2021





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## Acronyms and abbreviations

<b>3i Audit Programme</b>	ISSAI Implementation Initiative Programme
<b>AFROSAI-E</b>	African Organisation of English-speaking Supreme Audit Institutions
<b>GAO</b>	Government Accountability Office
<b>GPG</b>	Global Public Good
<b>GUID</b>	INTOSAI Guidance
<b>IDI</b>	INTOSAI Development Initiative
<b>IFPP</b>	INTOSAI Framework of Professional Pronouncements
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>INTOSAI-P</b>	INTOSAI Principles
<b>ISAM</b>	IDI's SDGs Audit Model
<b>ISSAI</b>	International Standards of Supreme Audit Institutions
<b>LNOB</b>	Leave No One Behind
<b>NAO</b>	National Audit Office
<b>PAS</b>	Performance Audit Subcommittee
<b>SAI</b>	Supreme Audit Institution
<b>SAO</b>	State Accounting Office
<b>SAO</b>	State Audit Office
<b>SDG</b>	Sustainable Development Goal
<b>TCU</b>	Tribunal de Contas da União (Federal Court of Accounts)
<b>UNDP</b>	United Nations Development Programme
<b>WoG</b>	Whole of Government

## Quality Statement for Performance Audit ISSAI Implementation Handbook Version 1 (8 June 2021)

INTOSAI Goal Chairs and IDI's joint paper on 'Quality assuring INTOSAI public goods that are developed and published outside due process' identifies three levels of quality assurance, as follows:

### **QUALITY ASSURING INTOSAI PUBLIC GOODS THAT ARE DEVELOPED AND PUBLISHED OUTSIDE DUE PROCESS – Levels of Quality Assurance**

**Level 1:** Products that have been subjected to quality assurance processes equivalent to INTOSAI due process, including an extended period of transparent public exposure (90 days)

**Level 2:** Products that have been subjected to more limited quality assurance processes involving stakeholders from outside the body or working group responsible for the products' initial development. Quality assurance processes might, for example, include piloting, testing and inviting comments from key stakeholders, although not go as far as full 90-day public exposure

**Level 3:** Products that have been subjected to rigorous quality control measures within the body or working group responsible for their development

Different levels of Quality Assurance may be appropriate for different Global Public Goods (GPG). This GPG has been developed according to quality assurance level 1.

### **Quality Assurance Protocol: Version 2.0<sup>1</sup>**

IDI's Protocol for Quality Assurance (QA) of IDI's Global Public Goods defines measures to ensure quality based on the three levels of quality assurance above. For quality assurance level 1, these measures include: approval by the IDI Board to create the GPG; formation of a competent product development team; peer review by experts external to the development team; modification based on review; proofreading, editing and translation of the document by competent persons; public exposure for a period of 90 days/consultation with relevant stakeholders representing views from most regions, most models of auditing, developed and developing countries, and from the perspective of global bodies; modifications of the document based on comments received during public exposure; and due approvals for the GPG version 1.

### **Updates to this GPG**

To ensure that this GPG stays relevant, IDI will undertake major revision of this Performance Audit ISSAI Implementation Handbook whenever there are changes in performance audit ISSAIs. Major revisions will follow IDI's Protocol for Quality Assurance. In addition, light touch reviews may be undertaken as per need. Such light touch reviews will not normally be subject to this Protocol.

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<sup>1</sup> The protocol is available at <http://www.idi.no/en/idi-library/global-public-goods>



This GPG is owned by IDI's Professional SAs work stream, which is responsible for maintenance of this GPG.

### **Quality Assurance Review Process**

Shourjo Chatterjee (Strategic Support Unit, IDI) has undertaken a QA review of the process followed for the development of this GPG, against QA Protocol Version 2.0. The QA reviewer is familiar with IDI's protocol for QA of GPGs and was not involved in development of the GPG. This QA review process is designed to provide all stakeholders with assurance that the IDI has carried out the quality control measures stated above, designed to meet quality assurance level 1.

### **Results of the Quality Assurance Review**

The QA review of the process followed in developing this GPG concluded that the Protocol has been followed as required for quality assurance level 1 in all respects.

### **Conclusion**

Based on the QA review, IDI assures the users of this GPG that this document has been subjected to a quality assurance process equivalent to Due Process for INTOSAI Framework of Professional Pronouncements (IFPP), including an extended period of transparent public exposure.



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INTOSAI Development Initiative  
8 June 2021



## About the handbook

### Background

In its **ISSAI**<sup>2</sup> Implementation Initiative (**3i programme**<sup>3</sup>), in 2014, the INTOSAI Development Initiative (IDI) developed the first Performance Audit ISSAI Implementation Handbook. It was based on the standards in place at that time. These standards then provided the basis of the audit methodology described in the first performance audit handbook.

The **INTOSAI** framework has also changed since the first IDI Performance Audit ISSAI Implementation Handbook was published. The INTOSAI Framework of Professional Pronouncements (IFPP) is currently organised into principles, standards, and guidance. More information can be found at [www.issai.org](http://www.issai.org).

In 2016, INTOSAI approved the new Performance Audit Standard – ISSAI 3000. As the authoritative standard for performance audit, the new ISSAI 3000 contains major changes from earlier ones. It is organised in requirements and explanations and has a different structure, comparing to the previous version. The INTOSAI Performance Audit Subcommittee (PAS) has also developed guidance documents for performance audits: GUID 3910 (Central Concepts for Performance Auditing) and GUID 3920 (The Performance Auditing Process).

Subsequently, in its support for implementing the PA ISSAI in Supreme Audit Institutions, the IDI initiated the revision of the PA ISSAI Implementation Handbook to reflect the changes in the ISSAI. This handbook is the result of that process, as it incorporates the current ISSAI 3000-based audit methodology that is applicable to performance audits carried out by Supreme Audit Institutions (SAIs). Moreover, the IDI also received feedback that SAIs needed a handbook that the performance auditor could use in conducting ISSAI compliant audits.

### What is the purpose of the handbook?

The handbook contains explanations of the ISSAI performance audit process and audit working-paper templates that are designed to facilitate the application of ISSAIs in practice. It is not a manual or a prescriptive performance audit methodology. The handbook intends to provide guidance and to present one of the possible ways in which you can implement Performance Audit

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<sup>2</sup> International Standards of Supreme Audit Institutions.

<sup>3</sup> The International Organisation of Supreme Audit Institutions' (INTOSAI's) Strategic Plan and the ISSAI Rollout Model (approved by INTOSAI's Governing Board in October 2011) mandated IDI to 'support ISSAI Implementation'. In keeping with this mandate, IDI launched a comprehensive capacity development audit programme called the ISSAI Implementation Initiative – 3i.

ISSAIs. SAIs may need to design and develop additional guidance and working-paper templates to meet any other requirements imposed by their laws, regulations and practices.

The handbook may be used and adapted by all public sector performance auditors. The methodology suggested in the handbook extensively covers the audit work to be performed and documented at an audit engagement level.

The handbook may also be used by organisations supporting SAIs in developing audit methodology for performance audit.

### **How was the handbook developed?**

This handbook was developed as per the requirements of IDI's Protocol for Quality Assurance of its Global Public Goods V2.0.

It has been written by an IDI/PAS team which included PAS members from the U.S. Government Accountability Office (GAO) and United Kingdom National Audit Office (UK NAO), PAS Chair from Office of the Auditor General of Norway and INTOSAI Development Initiative team. More than 40 SAIs and key stakeholders have reviewed and provided feedback during the public exposure or provided examples to illustrate some of the concepts in the handbook.

While the PAS was heavily involved in this version 1 published in June 2021, any subsequent reviews or changes to this version will not be subject to the PAS review. The maintenance of this handbook will be the sole responsibility of IDI, who will place mechanisms for regular review and updates to the handbook in consultation with key stakeholders.

The IDI acknowledges and appreciates the strong partnership and valuable contribution of the PAS Chair from the Office of the Auditor General of Norway and PAS members from the U.S. GAO and UK NAO in the development of this handbook.

### **Contents of the handbook**

This handbook is developed from the ***auditor's perspective***. It is meant for auditors who want to use ISSAIs when conducting performance audits. It includes ISSAI-based audit methodology intended to address the requirements of ISSAI 3000 – the international standard for performance auditing – which applies to performance audits conducted by Supreme Audit Institutions (SAIs) in a public-sector environment. It also includes information related to SAIs, to the extent, it is relevant for the auditor work.

The handbook promotes global best practice. It is not an interpretation guide to performance audit ISSAIs. It provides practical advice on how SAI auditors can comply with ISSAI requirements

and add value through high-quality performance audits. In using this handbook, SAIs will need to adapt the methodology described to suit their local needs.

There are eight chapters in this handbook, covering:

- what performance auditing is;
- key principles of a quality performance audit;
- how to select a performance audit topic;
- how to design a performance audit;
- how to conduct a performance audit;
- how to develop findings, conclusions, and recommendations;
- how to write a performance audit report; and
- how to follow-up on a performance audit.

As audits are iterative processes, care was taken to maintain the linkage between different audit stages when writing each chapter and developing associated working-paper templates, guidance and examples. Cross-referencing related templates also ensures that users understand the need to maintain such linkages in an actual performance audit.

The readers of this handbook may also like to refer to other IDI global products, which complement this handbook. These include the SAI's Performance Measurement Framework 2016<sup>4</sup>, the ISSAI implementation needs assessment tool (iCAT)<sup>5</sup> and IDI's SDGs Audit Model (ISAM) 2020<sup>6</sup>.

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<sup>4</sup> <https://www.idi.no/elibrary/well-governed-sais/sai-pmf>

<sup>5</sup> <https://www.idi.no/work-streams/professional-sais/gpgs/issai-icats>

<sup>6</sup> <https://www.idi.no/work-streams/relevant-sais/auditing-sdgs>

## Chapter 1

### What is performance auditing?

Before beginning a performance audit, it is important to understand what a performance audit is and how it differs from other types of audits, such as financial and compliance audits. This chapter presents the definition and purpose of performance audits in the public sector and identifies the value that such audits can add. The chapter also provides definitions and examples of the dimensions we use to assess performance – economy, efficiency and effectiveness, collectively known as ‘the 3Es’.

This chapter will answer the following questions:

- What is performance auditing?
- What are the objectives of a performance audit?
- What is the relationship among the 3Es?
- What value do performance audits bring?
- What types of reports result from performance audits?
- What is the difference between performance audit and other types of public audits?
- Who are the three parties in a performance audit?
- What is subject matter and subject matter information?

### What is performance auditing?

#### Performance auditing

Performance auditing carried out by SAIs is an independent, objective, and reliable examination of whether government undertakings, systems, operations, programmes, activities, or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

Source: ISSAI 3000/17

A performance audit is one of three main types of public-sector audits defined in the International Standards of Supreme Audit Institutions (ISSAI) 100/22. It is distinct from the other two main types, financial audits and compliance audits, as discussed later in this chapter.

Performance audits typically test if a government is making good use of resources to effectively deliver its policy goals and achieve its intended impact. Such audits often intend to examine the implementation of a policy or policies. SAIs may use tests to examine government performance against suitable criteria, then try to find the reasons for any under-performance. Conversely, performance audits may also identify what is working well within audited entities or measure



how performance has improved due to certain changes the entities have made to policy or operations.

A performance audit covers the full range of government activities, including organisational, financial and administrative systems (INTOSAI-P-1, Section 4). A performance audit may focus on a single programme, policy, entity or fund, or may focus on outcomes or systems, looking across programmes, policies and entities that contribute to the outcome or system. It can focus on:

- Activities, for example, procurement policies across government.
- Outputs, for example, productivity levels in government-owned industries.
- Outcomes, for example, reductions in carbon footprint due to energy efficiency policies in government buildings.
- Delivery of services, for example, speed and quality of particular government service.

## What are the objectives of a performance audit?

The main objective of performance auditing is to constructively promote economical, effective and efficient governance and to contribute to accountability and transparency. Performance auditing seeks to provide new information, analysis, or insights and, where appropriate, recommendations for improvement (ISSAI 300/12, ISSAI 3000/18). By providing new analytical insights, making information more accessible to stakeholders, providing an independent and authoritative view or conclusion based on audit evidence, and providing recommendations based on an analysis of audit findings, performance audits deliver new information, knowledge and value (ISSAI 300/10).

### What are the 3Es – economy, efficiency and effectiveness?

**Economy, efficiency** and **effectiveness** are central to performance auditing. They are also a good way of distinguishing a performance audit from a compliance audit. These principles are defined in ISSAI 300/11, and GUID 3910/35-48 elaborates on their meaning. The requirement, according to ISSAI 3000/35, states that “the auditor shall set a clearly-defined audit objective(s) that relates to the principles of economy, efficiency and/or effectiveness.”

## Economy: Keeping the cost low



### The Standard

Economy is minimising costs of resources used in performing an activity. The resources used should be available in due time, in and of appropriate quantity and quality and at the best price.

Source: ISSAI 300/11

Auditing **economy** focuses the audit on how the audited entities succeeded in minimising the cost of resources (input), taking into account the appropriate quality of these resources. This part of the audit focuses only on the input by asking: “Are the resources used available in due time, of appropriate quantity and quality, and at the best price?” (GUID 3910/38).

When conducting audits of economy, the auditor may provide answers to such questions as<sup>7</sup>:

- Have the best prices been obtained for consultancy services?
- Is there potential for reducing the cost of sickness absences?
- Are there procedures in place to ensure that transport costs of food aid are the lowest available?
- Has there been a waste of resources in achieving an output?

Considerations of economy often lead to examining processes and management decisions regarding the procurement of goods, works and services.

## Efficiency: Making the most of available resources



### The Standard

Efficiency is getting the most from available resources. It is concerned with the relationship between resources employed (the inputs) and outputs delivered in terms of quantity, quality and timing.

Source: ISSAI 300/11

**Efficiency** assesses the relationship between inputs and outputs. Auditing efficiency means asking whether the inputs have been put to optimal or satisfactory use or whether the same or similar outputs (in terms of quantity, quality and turnaround time) could have been achieved with fewer resources. In other words, “Are we getting the most output – in terms of quantity and quality – from our inputs?” (GUID 3910/39). Therefore, efficiency is about the maximum output obtained for a given level of input or the minimum level of input required

<sup>7</sup> Adapted from ECA Performance Audit Manual, 2017.

for a given output level. Quality is an important concept on the input side, both in efficiency and economy (GUID 3910/38).

Efficiency is a relative concept, meaning that a process, instrument or programme is either more or less efficient than another. For an audit on efficiency, you, need to conduct some comparison. You may, for example, compare similar activities in comparable entities; one process (in one entity) with the same process at an earlier point in time; a process before and after the adoption of a policy or procedure; the efficiency of an organisation with an accepted set of characteristics of efficient organisations. Audits of efficiency can also examine the processes leading from input to output to expose shortcomings in these processes or their implementation. This can lead to a better understanding of why processes are efficient, even without measuring efficiency itself. (GUID 3910/41)

In audits of efficiency, you might ask questions such as<sup>8</sup>:

- How does the cost per job created by a training programme for the unemployed compare with similar costs per job elsewhere?
- Could project X have been implemented differently that would have resulted in improved timeliness and quality?
- Are adequate procedures and criteria for prioritising and selecting transport infrastructure projects to ensure maximum impact in place?
- Are schools maximising the use of their information technology equipment?

When the audit objective of efficiency considers outputs, you will usually focus on processes by which an organisation transforms inputs into outputs.

## Effectiveness: Achieving the stipulated aims or objectives



### The Standard

Effectiveness is meeting the objectives set and achieving the intended results.

Source: ISSAI 300/11

**Effectiveness** deals with outputs, results or impacts. It is about the extent to which policy objectives have been met in terms of the generated output. It is concerned with the relationship between goals or objectives on the one hand and outcome on the other. The question of effectiveness consists of two parts: first, to what extent the objectives are met

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<sup>8</sup> Adapted from ECA Performance Audit Manual, 2017.

and second, if this can be attributed to the output of the policy pursued (GUID 3910/42). It focuses on questions such as:<sup>9</sup>

- Have infrastructure projects contributed to increased traffic flow while improving safety and reducing journey times?
- Have suitable measures to monitor and mitigate the environmental impact in sector X been set up and properly implemented?
- Are departments or entities achieving their objectives for all sectors of the community?

Audit of effectiveness will concentrate on outputs, results or impacts. When assessing effectiveness, SAIs consider whether and how a government policy, programme or activity is meeting its goals. Sometimes SAIs may split effectiveness into two distinct aspects:

- The attainment of specific objectives in terms of *outputs* (this is called *efficacy* in some SAIs).
- The achievement of intended results in terms of *outcomes*.

For example, you may be auditing a Ministry of Education programme designed to improve the skills of students who have left school to fill anticipated skills gaps in the workforce. If you focus purely on outputs, your focus will probably be on the changes in indicators, such as the number and proportion of students leaving school with the target qualifications. A more ambitious audit, looking at outcomes, might consider more complex questions such as:

- Has the policy led to any change in the skills gap in the labour market?
- How well is the Ministry able to predict and respond to gaps in the labour market?

In that case, when you look at effectiveness in terms of outcomes, it would be necessary to look at connections among entities and institutions. You need to consider a larger environment. The expected outcome will not depend just on one programme or initiative. In the example above, it might involve entities related to employment, transport, finance, besides the entity directly responsible for the programme.

SAIs working on effectiveness can benefit from approaches drawn from disciplines such as programme evaluation – the activity of examining the implementation and impacts of policy interventions to identify and assess their intended and unintended effects and costs. Where appropriate, SAIs and audit teams have to consider the impact of the regulatory or institutional framework on the performance of the audited entities.

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<sup>9</sup> Adapted from ECA Performance Audit Manual, 2017.

Auditing the effectiveness of performance in relation to the achievement of the audited entities' objectives entails auditing the actual impact of activities compared with the intended impacts.

Effectiveness can be measured by various methods. The most sophisticated methods compare the situation being addressed before and after the introduction of the policy or programme and involve measuring the behaviour of a control group, which has not been subject to the policy or programme (the counterfactual) through a randomized trial or as a quasi-experiment.<sup>10</sup> However, this type of method is not always feasible. Sometimes more qualitative methods are better suited to gain insight into causal relations between policy or programme and effect. When concluding the causal relation between policy or programme and effects, it is important to clearly communicate the strengths and limitations of the methods used. There are various documents providing guidance in choosing the right methods (GUID 3910/45).

In practice, it will be difficult for you to make these comparisons, partly because suitable comparative material is often lacking, and it can be extremely difficult to isolate the impacts of the policy or programme being audited from other outside factors. More commonly, you could assess the plausibility of the assumptions on which the policy is based. This is sometimes called testing the programme theory. You could also assess if earlier steps in the programme – especially steps necessary for the final impact – have been achieved. Often, a less ambitious audit objective will need to be chosen, such as assessing to what extent the entities' objectives have been achieved, target groups have been reached, or the desired level of performance has been attained.

## **What is the relationship among the 3Es?**

An audit will often focus mainly on one of the 3Es. It is, however, advisable not to examine aspects of economy, efficiency or effectiveness of activities in total isolation. For example, looking at economy without also considering the outcome of a policy might lead to inexpensive but ineffective interventions. Conversely, in an audit of effectiveness, the auditor may also wish to consider aspects of economy and efficiency. The outcomes of an audited entity, activity, programme, or operation may have had the desired result, but were the resources very costly? (GUID 3910/47)

When you use the 3Es in your performance audit, you will often look at more than one area, and the relationship between them is important to understand. You will often be looking at

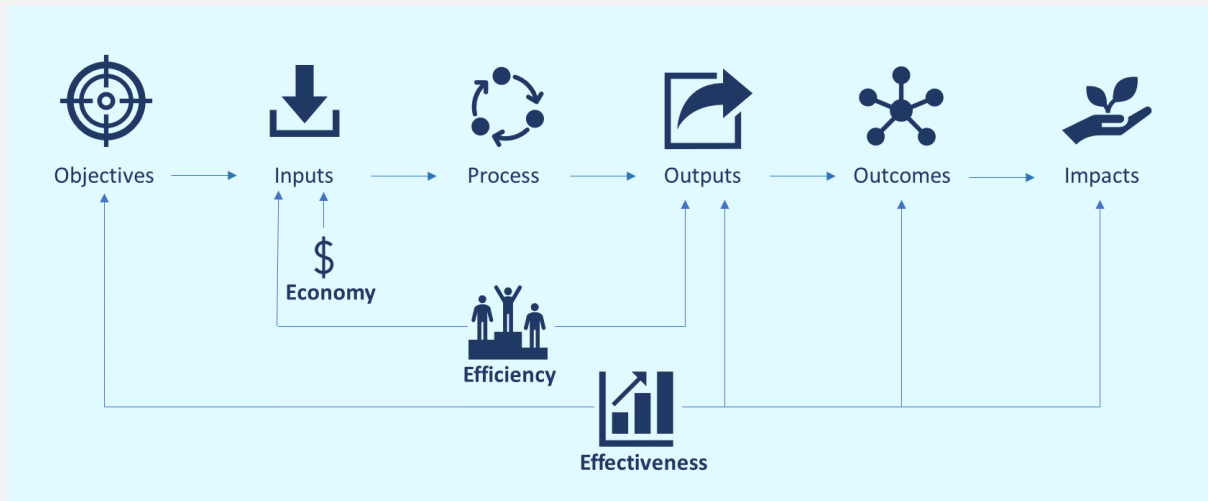
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<sup>10</sup> A quasi-experiment studies the impact of an intervention on a target population, but uses methods other than random assignment to select which members of the population are chosen for participation in the study.



resources being used over a given period to achieve an objective or set of objectives. It is important to understand the relationship between the intervention and its objectives, inputs, processes, outputs, and outcomes, including results and impacts. **Figure 1** explains the relationship between the 3Es with regard to inputs, outputs and outcomes. It can be helpful to use and apply this model to the object of your performance audit.

**Figure 1: Relationship among the 3Es**



Source: Adapted from European Court of Auditors

### How does performance auditing promote accountability and transparency?

Performance auditing promotes accountability by helping those with governance and oversight responsibilities understand the actions needed to improve performance. It can bring to light hidden issues or problems by examining if decisions by the legislature or the executive are economically, efficiently and effectively prepared and implemented and whether taxpayers and citizens have received value for money (GUID 3910/9). It does not question the intentions and decisions of the legislature or policy but examines whether any shortcomings in their implementation have prevented the specified objectives from being achieved. (ISSAI 300/12)

Performance auditing promotes transparency by giving an insight into the management and outcomes of different government activities. The outputs of this work will be of interest to:

- government and legislative bodies;
- taxpayers and other sources of public finance;
- those targeted by government policies; and
- in some cases, the media.

Thus, performance auditing directly contributes to providing useful information to citizens while also serving as a basis for learning and improving the public sector. (ISSAI 300/12, GUID 3910/9)

Performance audits also help the legislature hold government accountable for performance. A performance audit is often addressed to the legislature, although some countries may have different arrangements. Depending on the constitutional arrangements in each country, the SAI's report may well be the basis of further discussion or hearings at the legislature. In this way, performance audits promote both accountability and transparency.

## **What value do performance audits bring?**

Performance auditing focuses on areas in which it can add value for citizens and which have the greatest potential for improvement and provides constructive recommendations for the audited entities to take appropriate action to improve performance. (ISSAI 300/12)

### **What value do performance audits add?**

Public sector auditing, as championed by the SAI, is an important factor in making a difference to the lives of citizens. The auditing of government and public sector entities by SAs has a positive impact on trust in society because it focuses the minds of the custodians of public resources on how well they use those resources. Such awareness supports desirable values and underpins accountability mechanisms, which in turn leads to improved decisions.

Once SAs' audit results have been made public, citizens can hold the custodians of public resources accountable. In this way, SAs promote the efficiency, accountability, effectiveness and transparency of public administration.

Source: INTOSAI-P-12

Generally, performance audit offers benefits such as identifying:

- waste and inefficiency in delivering public services;
- opportunities to maximise return on investment in public services;
- risks to the achievement of policy goals; and
- matters of social and economic concern to citizens.

INTOSAI-P-12 explains ways in which SAs can make a difference in the lives of citizens. Figure 2 shows the specific contributions that performance auditing can make.

**Figure 2: How performance audits can add value**


Performance audit activity that adds value	Relevant INTOSAI-P-12 principle	How might the Supreme Audit Institution (SAI) perform this activity?
<b>Integrity</b> Providing independent assurance on success claimed by government	2 - Carrying out audits to ensure that government and public sector entities are held accountable for their stewardship over, and use of, public resources.	Examining whether government financial intervention in the housing market has encouraged buyers who would not have otherwise entered the market. Help to Buy: Equity Loan scheme – progress review. National Audit Office (UK), 2019.
<b>Accountability</b> Helping to hold the executive to account for its performance	2 - Carrying out audits to ensure that government and public sector entities are held accountable for their stewardship over, and use of, public resources.	Assessing whether government negotiates a good deal when purchasing medical equipment.  Performance audit report on procurement of medical equipment and surgical instruments by the Department of Clinical Services. Office of the Auditor General Botswana, 2012.
<b>Transparency</b> By publishing new information, the SAI can shine a light on how public resources are used	4 - Reporting on audit results and thereby enabling the public to hold government and public sector entities accountable for performance.	Publishing regional performance data that had only been available internally.  NHS waiting times for elective and cancer treatment. National Audit Office (UK), 2019.
<b>New insights</b> Applying analytical techniques that have not yet been used by government	7 - Being a credible source of independent and objective insight and guidance to support beneficial change in the public sector.	Using multiple regression analysis to see which factors have a statistically significant effect on employee performance.  Federal Workforce: Additional Analysis and Sharing of Promising Practices Could Improve Employee Engagement and Performance. Government Accountability Office, 2015.
<b>Sharing best practice from home and abroad</b> Offering insight based on experience of auditing similar activities in other departments. SAs may analyse their individual audit reports to identify themes, common findings, trends, root causes and audit recommendations, and discuss these with key stakeholders. SAs may also use their engagement in the international public-sector auditing profession to draw lessons from other countries	7 - Being a credible source of independent and objective insight and guidance to support beneficial change in the public sector.	Comparing how different countries manage the same activity.  Healthcare across the UK: A comparison of the NHS in England, Scotland, Wales and Northern Ireland. National Audit Office (UK), 2012.  L'accès des jeunes à l'emploi : construire des parcours, adapter les aides (Employment access for young people – building pathways, adapting state support), Cour des comptes. (French Court of Auditors), 2016.
<b>Making practical recommendations</b> Including recommendations in performance audit reports that enable the audited entity to improve its performance	3 - Enabling those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action.	Assessing the root causes of shortfalls in performance, then basing their recommendations on this evidence to suggest how to perform better.
<b>Clarifying complexity</b> Providing an easy-to-digest summary of complex topics	4 - Reporting on audit results and thereby enabling the public to hold government and public sector entities accountable.	Writing performance audit publications in a simple and clear manner, using language that is understood by all intended users.

It is important for you as the auditor to think early about whether and how you can aim to provide value through your performance audit. These considerations will help you design methods, analyses and communication strategies that maximise the impact of your work.

### **What types of reports result from performance audits?**

The objectives of performance audits – promoting the 3Es and addressing accountability and transparency – mean that the potential scope of a performance audit may be wide. However, some themes appear more frequently than others. **Figure 3** illustrates some of the common themes you will likely find in performance audits.

**Figure 3: Themes that appear in performance audits**

Theme	Example of an audit objective	Example of a Supreme Audit Institution (SAI) report addressing this theme
 <b>Preparedness for implementation of SDGs</b>	Assessing the extent to which the actions implemented by the Government of Jamaica at the national level, since the endorsement of the 2030 Agenda in September 2015, are adequate to support preparedness for the achievement of the SDGs.	Jamaica's Preparedness for Implementation of Sustainable Development Goals (SDG). Auditor's General Department of Jamaica, 2018.
 <b>Effective procurement</b>	Determining whether a Health Ministry uses effective procurement procedures to obtain medical consumables or equipment at reasonable quality and price when compared with other countries.	Performance audit report on procurement of medical equipment and surgical instruments by the Department of Clinical Services of the Ministry of Health. Office of the Auditor General (OAG) Botswana, 2012.
 <b>Coordination across government</b>	Determining how well public bodies are working together to address the environmental challenges posed by the changing climate.	Green public procurement – is management effectively helping to achieve the climate objective? Swedish National Audit Office (SNAO), 2012.
 <b>Economic outcomes</b>	Assessing whether government support and training for small businesses has led to economic growth, and whether the benefits have been shared equitably.	Has European Regional Development Fund support to small- and medium-sized enterprises in e-commerce been effective? European Court of Auditors, 2014.
 <b>Regulation</b>	Examining the extent to which gambling regulation effectively and proportionately protects people from gambling-related harms and addresses emerging risks.	Gambling regulation: problem gambling and protecting vulnerable people. NAO UK, 2020.
 <b>Social outcomes</b>	Assessing whether the responsible ministry is adequately addressing the issue of leakages in the domestic water supply network.	The management of water distribution in urban areas. NAO Tanzania, 2012.
 <b>Environmental and sustainability outcomes</b>	Assessing whether the responsible ministry is effectively promoting sustainable management of fish resources.	Sustainable management of fish resources in natural waters. OAG Zambia, 2015.



 <b>Gender equality</b>	<p>Assessing whether the implementation of Women's Plan of Action, in particular on elimination of violence against women, is effective by examining: the existing legal and policy framework; the process by which the framework has been implemented; the monitoring and reporting arrangements over the implementation of the framework, and whether improvements can be demonstrated.</p>	<p>Elimination of violence against women. SAI Fiji, 2019.</p>
 <b>Infrastructure</b>	<p>Assessing whether the government, through Rural Agricultural Development Authority (RADA), had in place an effective management system for the rehabilitation of Jamaica's farm road works. Further, whether RADA was working to maximise adherence to excellence through the practice of quality standards in the rehabilitation/ maintenance of roads and minimise the risk of poor quality of road works.</p>	<p>RADA's management of the rehabilitation of farm roads. SAI Jamaica, 2019.</p>
 <b>Education</b>	<p>Determine the extent to which the Government Assistance to Students and Teachers in Private Education (GASTPE) Programme achieved its goals and objectives; whether the Department of Education ensured the neediest were prioritised and ensured proper administration of the programme.</p>	<p>GASTPE. SAI Philippines, 2018.</p>
 <b>Health, education and gender equality</b>	<p>Determining whether the services provided to prevent pregnancy among adolescents are effective.</p>	<p>Prevention services on pregnancy of adolescents. The services are provided by Ministers of Women and Vulnerable Population, Health and Education. SAI Peru, 2018.</p>

Source: IDI/PAS Development Team

## What is the difference between performance audit and other types of public audits?

Performance auditing is a specific discipline with its own standards and conventions. It is important to understand the differences between performance auditing and the other two main types of public sector audits: financial audits and compliance audits.

It is usually easy to distinguish a financial audit from a performance audit. A financial audit involves determining, through the collection of audit evidence, whether an entity's financial

information is presented in its financial statements following the financial reporting and regulatory framework applicable (ISSAI 200/7). SAls conduct financial audit annually, in which auditors certify an audited entity's financial statements. A financial audit adds value by providing the intended users of the financial statements with confidence in the reliability and relevance of information presented in the audited statements.

It can be more challenging to understand the difference between a compliance audit and a performance audit because they sometimes overlap. Compliance audits cover a broad spectrum of audits, with different characteristics, examining activities, financial transactions or information.

Compliance auditing is the independent assessment of whether a given subject matter complies with applicable authorities identified as criteria. Compliance audits are carried out by assessing whether activities, financial transactions and information comply, in all material respects, with the authorities which govern the audited entity (ISSAI 400/12). These authorities may include rules, laws and regulations, budgetary resolutions, policy, established codes, agreed terms or the general principles governing sound public-sector financial management and the conduct of public officials. (ISSAI 400/29)

Some performance audits can include compliance questions to the extent that these are necessary and relevant to examining 3Es of the subject matter.

A performance audit is a direct reporting engagement (ISSAI 100/29-30). In direct reporting engagements, the auditor selects the subject matter and criteria and measures or evaluates the subject matter against the criteria, considering risk and materiality. The outcome of the measure is presented in the audit report in findings, conclusions, recommendations, or an opinion. (ISSAI 100/29)

The other type of engagement is attestation engagement, where the responsible party measures the subject matter against the criteria and presents the subject matter information. The auditor gathers sufficient and appropriate audit evidence to provide a reasonable basis for expressing a conclusion. Financial audits are always attestation engagements, and compliance audits may be attestation or direct reporting engagements, or both at once. (ISSAI 100/29-30)

## **How does being classified as a direct reporting engagement influence the conduct of performance audits?**

As performance auditing is a direct reporting engagement, it will be part of your role as auditor to select and define the subject matter of your report and conclusion. It is also part of your role to identify the relevant criteria, and it will be your task to measure or evaluate the subject matter against these criteria in order to elaborate an audit report that provides relevant and reliable information to the users of your audit. You will have a much more active role in asking the relevant audit questions and in selecting and applying the methods that are relevant for obtaining audit evidence for the subject matter.

A performance audit may include some checking of the procedures of the audited body, but you should make sure that the whole audit does not just become a 'box-ticking' exercise. Testing procedures to identify gaps in them does not provide the necessary understanding for assessing performance. Measuring performance is the process of assessing what the audited entities do to implement policies. In doing so, you may well need to explain how the procedures you are checking contribute to a successful outcome. For example, a performance audit assessing how a Ministry procures vehicles for official use might check that staff follow procurement procedures. However, it would go on to collect evidence on outcomes, such as:

- How often are the vehicles left unused?
- Did the Ministry pay a fair price for the vehicles?
- Are private businesses able to acquire vehicles more cheaply than the Ministry?
- How can the Ministry reduce the costs of maintaining its vehicles?
- Would it be more cost effective to hire vehicles as and when they are needed?

In a direct reporting engagement, the onus is on you, the auditor, to communicate to the reader:

- what the objective(s) of the performance audit is (are);
- what criteria you have chosen, and why;
- what evidence you have gathered;
- what strengths and weaknesses exist in performance;
- what has caused the weaknesses and why;
- how compelling the evidence is;
- what conclusion you have reached and why;
- what is the impact or consequence of the finding reported; and
- how much assurance the reader can place on the conclusion.

## Who are the three parties in a performance audit?



### The Standard

The auditor shall explicitly identify the intended users and the responsible parties of the audit and throughout the audit consider the implication of these roles in order to conduct the audit accordingly.

Source: ISSAI 3000/25

The three parties in public-sector audits are the auditor, responsible party and intended users. They may assume distinct characteristics in performance auditing.

The auditor's role is fulfilled by the Head of the SAI and by persons to whom the task of conducting the audits is delegated (ISSAI 100/25). This definition elapses from the different SAI models. In the Westminster model, the SAI is usually called National Audit Office and the reports are signed only by the Auditor General, who takes responsibility for the audit. In the Court model and Board (or Collegiate) model, auditors conduct audits under the supervision of management level. Thus, the rules have to be interpreted according to these institutional designs (TCU, 2020).

Auditors in performance audits typically work in a team offering different and complementary skills (ISSAI 300/16).

The responsible party may refer to those responsible for the subject matter, for providing the auditor with information, and also for addressing the recommendations. In performance audits, this role may be shared by individuals or organisations. A responsible party may also be an intended user, but it will typically not be the only one (ISSAI 100/25; ISSAI 300/17; ISSAI 3000/27).

Intended users are the individuals, organisations or classes thereof for whom the auditor prepares the audit report. The legislature, executive, government agencies, third parties concerned by the audit, and the public are examples of intended users. (ISSAI 100/25; ISSAI 3000/26)

It is important that you, the auditor, consider the needs and interests of the intended users and responsible parties. It will help the audit report to add value and to be understandable to these entities. However, this should not undermine your independence and objective attitude throughout the audit. (ISSAI 3000/28)

## What is subject matter and subject matter information?



### The Standard

The auditor shall identify the subject matter of a performance audit.

Source: ISSAI 3000/29

Subject matter refers to the information, condition or activity that is measured or evaluated against certain criteria. The subject matter relates to the question 'what is audited' and is defined in the audit scope, which is the boundary of the audit. The subject matter of a performance audit may be programmes, undertakings, systems, entities or funds. They may comprise activities (with their outputs, outcomes and impacts) or existing situations, including causes and consequences. The subject matter is determined by the audit objective and formulated in the audit questions. (ISSAI 100/26; ISSAI 300/19; ISSAI 3000/30)

Subject matter information refers to the outcome of evaluating or measuring the subject matter against the criteria (ISSAI 100/28). In performance audit, it is the auditor who produces the subject matter information. It is different in a financial audit, where the responsible party presents the subject matter information (the financial statements). The auditor then obtains audit evidence to support an opinion. (TCU, 2020)





## Chapter 2

### What are the key principles of quality performance audits?

This chapter will discuss the eight principles that are necessary for conducting a quality performance audit. According to ISSAI 100/36-43, these principles are :

- quality control;
- independence and ethics;
- professional judgement and scepticism;
- audit team competence;
- materiality;
- audit documentation and audit supervision;
- audit risk and assurance; and
- communication with audited entities, external stakeholders, media and the public.

Given the focus and nature of performance auditing, these principles are critically important to SAIs and you as an auditor. Without these principles, SAIs and auditors will not be well-positioned to effectively execute performance audits and thus achieve improvements in **economy, efficiency** and **effectiveness** (the 3Es). It is important that your SAI has policies and procedures in place that explain the requirements related to each of these principles. It is your responsibility to follow them. This chapter touches briefly on SAI-level policies that need to be in place to implement these concepts' principles. Still, it is mostly focused on how you, the auditor, can ensure you are taking the appropriate steps to follow them.

The chapter also has a section on IDI's considerations to mainstream inclusiveness and maximise the impact of performance audits.

## What is quality control?



### The Standard

SAIs should establish and maintain appropriate procedures for ethics and quality control.

Source: ISSAI 100/35

An SAI's quality control policies and procedures should comply with professional standards, the aim being to ensure that audits are conducted at a consistently high level. Auditors should perform the audit following professional standards on quality control. (ISSAI 100 and ISSAI 140)

SAIs should be consistently focused on delivering high-**quality** audits and other work. The quality of work performed by SAIs affects their reputation and credibility, and ultimately their ability to fulfil their mandate (ISSAI 140).

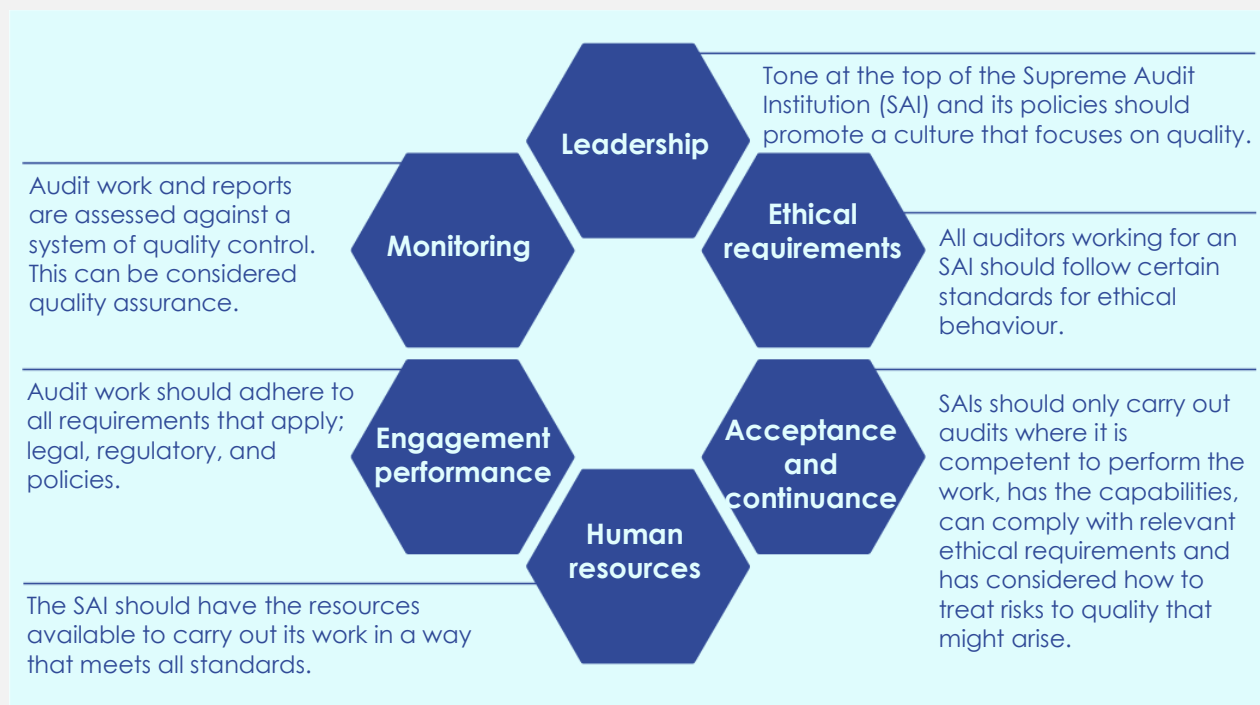
**Quality control** is a system of policies and procedures put in place by an SAI to ensure that the audit reports are appropriate, balanced, fair, add value, and are following ISSAIs. Quality control should be present in all phases of the audit process: planning, execution, reporting, and follow-up. Such policies and procedures should be set by the head of the SAI, who retains overall responsibility for the system of quality control (ISSAI 140).

**Quality assurance** refers to establishing a monitoring process designed to provide the SAI with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively in practice (ISSAI 140/6). The purpose of quality assurance is to conduct the review to ascertain if the audit was conducted following ISSAIs.

Reviews, procedures and checks taking place before the report is issued are part of the SAIs quality control system, to ensure that the reports are of high quality. These reviews can be done by managers or external reviewers. Quality assurance, on the other hand, involves checking if the appropriate quality control systems have been put in place and if they are appropriately implemented. It is not done by line managers and includes reviewing already published reports. (AFROSAI-E PA Handbook, 2016)

The six key elements of quality control are shown in **Figure 4**. Additionally, Appendix 1 provides an example of an SAI quality assurance framework.

**Figure 4: Key elements of quality control for performance auditing**



Source: ISSAI 140

For a system of quality control to be effective, it needs to be part of an SAI's strategy, culture, policies and procedures. In this way, quality is built into the performance of the SAI's work and the production of the SAI's reports, rather than being an additional process once a report is produced (ISSAI 140). Quality control procedures should cover matters such as the direction, review and supervision of the audit process and the need for consultation to reach decisions on difficult or contentious matters. (ISSAI 100/38)

It is not enough that an SAI puts policies and procedures in place; the functioning of the quality control system needs to be monitored through a regular assessment of audit work and reports. This is important to determine whether the system is suitably designed and operating effectively and if policies and procedures are being followed. This monitoring can be conducted through both internal and external reviews. Monitoring, such as periodic peer reviews or other types of review activities, helps SAIs assure that the work performed and the resulting reports meet standards and are of high quality.

Your SAI needs policies and procedures that codify the actions and behaviours expected of you according to each element of a quality control framework. The SAI should ensure these are clearly communicated to all auditors.

## What are independence and ethics?

Adhering to **independence** and **ethical** requirements is a prerequisite to conducting performance audits and is emphasised in the INTOSAI Framework of Professional Pronouncements (IFPP). The following sections present important concepts regarding independence and ethics.

### Independence



#### INTOSAI's ISSAI 130:

Code of Ethics provides a detailed discussion of independence and ethics. The code provides SAs and the staff working for them with a set of values and principles on which to base behaviour. Furthermore, the code, recognising the specific environment of public-sector auditing (often different from that of private sector auditing), gives additional guidance on how to embed those values in an SA's processes and audit work.

Source: IDI/PAS Development Team

**Independence** means being free from circumstances or influences that compromise, or maybe seen as compromising, professional judgement, and acting in an impartial and unbiased manner.

It is important that your SAI and you, the auditor, understand what potential threats exist that could affect independence and undermine the effectiveness of an audit. There are six major threats to independence during a performance audit, as shown in **Figure 5**.

**Figure 5: Six major threats to independence during a performance audit**

<b>Self-interest</b>	The threat that a financial or other personal interest will inappropriately influence an auditor's judgement or behaviour.
<b>Bias or advocacy</b>	The threat that an auditor will, as a result of political, ideological, social or other convictions, take a position that is not objective.
<b>Familiarity</b>	The threat that personal relationships with family, friends, etc. in the audited agency will cause the auditor to take a position that is not objective.
<b>Intimidation or undue influence</b>	The threat that external influences or pressures will impact an auditor's ability to make independent and objective judgements.
<b>Self-review</b>	The threat that an auditor or audit organisation that has provided services to the audited agency will use that experience to affect its conclusions.
<b>Management participation</b>	The threat that results from an auditor crossing the line from being an external auditor to being a part of the internal management structure of the audited agency.

Source: GUID 3910/14

SAIs and audit teams should apply control mechanisms that eliminate or reduce a threat to independence to an acceptable level, such as those listed in the box below.

SAIs should also ensure their personnel do not develop too close of a relationship with the entities they audit, so they can remain objective. SAIs, while adhering to the laws enacted by the legislature that apply to them, should also be free from direction or interference from their legislature or government in the:

- selection of audit topics, if applicable, as some SAIs must perform audits of certain topics based on their mandate. Regardless, it is important that the SAI and auditor maintain independence in conducting audits;
- planning, programming, conducting, reporting and following-up of their audit;
- organisation and management of their office; and
- enforcement of their decisions where the application of sanctions is part of their mandate.

As an auditor, it is important to remain independent so that your report will be impartial and be seen as such by the intended users. Your ability to maintain independence is important in the context of a performance audit, as many decisions must be made based on your professional judgement and audit evidence.

Common decisions made by the auditor (which are discussed in later chapters) in which a lack of independence could negatively affect a performance audit include:

- identifying and deciding on an audit topic;
- establishing the audit objective(s) and questions;
- identifying the applicable criteria;
- determining the methodological approach to the audit;
- assessing audit evidence and forming conclusions;
- deciding on audit criteria and findings, after independently assessing them and discussing them with the entity or entities that are the focus of the audit;
- assessing the positions of various stakeholders; and
- writing a fair and balanced report.



Auditors can maintain independence by:

- avoiding participating in audits in which the auditor has a financial or personal interest;
- not accepting gifts, bribes or other payments that would create the appearance of bias or advocacy;
- recusing themselves of audits in which family or friends have invested interests in the outcome of the audit;
- avoiding involvement in external activities that could be seen as having an undue influence on an audit's outcomes; and
- avoiding becoming too close to the audited entity and its management, resulting in bias or advocacy.

Source: IDI/PAS Development Team

### What are some control mechanisms that can safeguard against threats to independence?

- ✓ Involve another person to review the work done or advise as necessary without compromising the auditor's independence.
- ✓ Consult a third party, such as a committee of independent directors, a professional regulatory body, or a professional colleague.
- ✓ Rotate personnel to performance audits of different entities after a few years to counter the familiarity threat.
- ✓ Ensure that all individuals working on an audit confirm their independence before commencing work on the audit and consider their independence throughout the audit.
- ✓ Remove a person from the audit team when that person's financial interests, relationships, or activities threaten independence.

Source: GUID 3910/19

## Ethics

**Ethics** are the moral principles of an individual that include integrity, professional competence and due care, professional behaviour and confidentiality, as defined below:

- *Integrity*: To act honestly, reliably, in good faith and the public interest.
- *Professional competence*: To acquire and maintain knowledge and skills appropriate for the role and act in accordance with applicable standards and with due care.
- *Professional behaviour*: To comply with applicable laws, regulations and conventions, and avoid any conduct that may discredit your SAI.
- *Confidentiality and transparency*: To appropriately protect information, balancing this with the need for transparency and accountability.



It is important that an auditor remains free of conflicts of interests, both real and perceived, and maintains independence of mind and independence in appearance.

Accordingly, an auditor must avoid both conflicts and the appearance of a conflict or any other situation where an objective, knowledgeable third party might have reason to question whether the auditor can make objective and impartial judgements.

Source: IDI/PAS Development Team

Each of these principles is discussed in more detail below. INTOSAI's *ISSAI 130: Code of Ethics* provides in-depth guidance for both the SAI and the auditor regarding each of these principles.

SAIs should have policies and procedures that address ethical requirements and emphasise the need for compliance by each auditor. Ethical requirements of the SAI has to include requirements set down in legal and regulatory frameworks that govern the SAI. SAIs need to consider: written declarations from personnel to confirm compliance with the SAI's ethical requirements; and to put procedures in place for personnel to report breaches of ethical requirements.

### **Integrity**

SAIs should have policies and procedures in place that:

- emphasise, demonstrate, support and promote integrity;
- ensure the internal environment is conducive for staff to raise ethical breaches; and
- ensure responses to integrity breaches are taken in a timely and adequate manner.

You, the auditor, need to act honestly. You also need to be alert to circumstances that might expose you to integrity vulnerabilities and avoid disclosing them as appropriate. These circumstances may involve:

- personal, financial or other interests or relationships that conflict with the SAI's interests;
- the offer of gifts or gratuities from the audited entities;
- the opportunity to abuse power for personal gains;



- involvement in political activities, or participation in pressure groups, lobbying, etc.;
- access to sensitive and confidential information; and
- the use of SAI resources for personal or other purposes.

## Professional competence

SAIs need to adopt policies and procedures to ensure performance audits and related tasks are conducted by staff with the appropriate knowledge, skills and abilities to successfully conduct their work. Such policies and procedures can include:

- putting in place competence-based recruitment and human resources practices;
- assigning work teams that collectively possess the expertise required for each assignment;
- providing staff with appropriate training, support and supervision;
- providing tools to enhance knowledge and information sharing, and encourage staff to use these tools; and
- addressing challenges arising from changes in the public sector environment.

In assessing and maintaining professional competence requirements, you, as an auditor, can:

- understand your role and tasks to be performed;
- know the applicable technical, professional and ethical standards to be followed;
- work competently in a variety of contexts and situations, depending on the requirements of the job or task; and
- acquire new knowledge, skills and abilities, updating and improving them as needed.



Auditors exhibiting professional competence and behaviour are important to the execution of performance audits. For example, **auditors have to:**

- be objective, neutral, non-partisan, and fact-based;
- use methodologically sound approaches to address audit objectives; and
- be able to effectively apply SAI policies and procedures regarding professional behaviour and norms.

### **Auditors cannot:**

- select sites to visit as part of the audit based on personal reasons;
- post personal opinions on social media about issues relevant to an ongoing performance audit;
- misuse their position to obtain information for personal use; and
- engage in outside activities that would create a conflict of interest on the part of the auditor or SAI.

Source: IDI/PAS Development Team

## Professional behaviour

Your SAI should be aware of the standards of **professional behaviour** expected by its internal and external stakeholders, as defined by the laws, regulations and conventions of the society in which they operate, and conduct business accordingly and in line with its mandate. To promote the highest standards of professional behaviour and to identify activities that are inconsistent with that standard, SAIs have to provide direction on expected behaviour and implement controls to monitor, identify and resolve deviations from it.

It is important that you, the auditor, take steps to ensure your behaviour, both within and outside the working environment, abides by professional norms, such as:

- knowing SAI policies and procedures relating to professional behaviour, such as applicable professional standards, laws, regulations and conventions of the society in which the SAI resides;
- understanding the impact of your actions on the SAI's credibility, and considering how your behaviour, both within and outside the working environment, might be perceived by colleagues, family and friends, auditees, the media and others. For example, work or volunteering you do outside your SAI activities could be seen as a conflict of interest or impact your impartiality. Some SAIs have a reporting mechanism for reporting outside activities. See Appendix 2 for an example of an SAI form for documenting participation in outside activities;
- being aware that common expectations include acting according to ethical values, adhering to the legal and regulatory frameworks in place, not misusing your position, applying diligence and care in performing your work, and acting appropriately when dealing with others; and
- applying appropriate prudence and care to help ensure your actions or opinions do not compromise or discredit the SAI and its work, for example, when using social media.

## Confidentiality and transparency

SAIs should have policies and procedures to ensure that it balances the **confidentiality** of audit-related and other information obtained during a performance audit with the need for **transparency** and accountability. The SAI should also have an adequate system in place for maintaining confidentiality as needed, especially about sensitive data. Further, SAIs should ensure that any parties contracted to carry out work for the SAI are subject to appropriate confidentiality agreements.

As an auditor, it is important to be aware of any related legal obligations and your SAI's policies and procedures concerning confidentiality and transparency. You are also responsible for protecting the information you collect during the audit and not disclose it to third parties unless they have proper and specific authority or there is a legal or professional right or duty to do so. Examples of controls and safeguards you can apply to help ensure confidentiality and transparency include:

 SAls can take the following steps to help ensure transparency:

- Adopt audit standards, processes, and methods that are objective and transparent to the audited entities.
- Make public the results of their work, including their methodology(ies) for conducting the work.
- Communicate timely and widely on their activities and audit results through the media, websites and other means.

Source: IDI/PAS Development Team

- Use professional judgement to respect the confidentiality of information collected as part of an audit. In particular, keep the confidentiality of information in mind when discussing work-related issues with other SAI employees.
- If you are in doubt about whether suspected breaches of laws or regulations have to be disclosed to appropriate authorities or parties, consider obtaining legal advice from within your SAI to determine the appropriate course of action.
- Do not discuss information related to your audit outside the work environment, including on social media.
- Secure electronic data devices, such as laptops and portable data storage devices, and ensure all audit information, such as audit-related documents and papers, are secured appropriately. You could do this by ensuring that information is stored in locked areas, such as cabinets or offices, and also by controlling access to the office space to ensure the protection of all audit-related information, both electronic and hard-copy documents and papers. For electronic information, steps need to be taken to prevent loss through backing up data and servers, as appropriate.

### Mitigating or resolving independence and ethical concerns

SAIs and auditors have responsibilities to mitigate and resolve independence and ethical concerns. SAIs should have an ethics control system to identify, analyse and mitigate ethical risks, support ethical behaviour and address any breach of ethical values, including protecting those who report suspected wrongdoing. An ethics control system's main components could be a code of ethics, leadership and 'tone at the top', ethics guidance, and ethics management and monitoring (for more information on SAI responsibilities, see ISSAI 130).

As an auditor, you need to take concrete action to mitigate or resolve independence and ethical issues, such as by:

- identifying situations where your independence and ethical requirements can be impaired, and understanding the potential impacts of such situations;
- signing declarations of interests and conflict to help identify and mitigate threats to independence and ensure both your own integrity and that of the SAI. See Appendix 3 for an example of an independence statement;
- informing your management about relationships and situations that may present a threat;
- maintaining and developing your knowledge and skills to ensure a full understanding of behavioural norms and expectations, professional competence, and the protection and confidentiality of information related to the audit; and
- informing your supervisor if your expertise is not sufficient to perform a specific task to ensure professional competence and integrity.

You should be aware of your own biases and opinions regarding topics and organisations. Police your behaviour to ensure you are upholding the independence and ethical requirements. Consider any independence and ethical threats at many points throughout the planning and execution of the audit. If you have questions about what might be a threat to ethics and independence, trust your instincts that there may be an issue and review your SAI’s policy and raise the issue to your superiors when appropriate. Additionally, be aware of the behaviour of other auditors and colleagues because the reputation of your SAI rests on all of its auditors upholding independence and ethical requirements. Many SAIs have procedures for reporting observed misconduct. If in doubt, check with your supervisor.

What are professional judgement and scepticism?

**The Standard** . . . . .

The auditor shall exercise professional judgement and skepticism and consider issues from different perspectives, maintaining an open and objective attitude to various views and arguments.

Source: ISSAI 3000/68

Exercising *professional judgement* and *scepticism* are critical to ensuring an effective performance audit.

Professional judgement is the act of applying knowledge, skills, and experience – in a way that is informed by standards, laws and ethical principles – to develop an opinion or decision on an issue. Professional scepticism means maintaining a professional distance from the entity or entities

being audited and an alert and questioning attitude when assessing the sufficiency and appropriateness of audit evidence obtained throughout the audit.

SAIs need to have policies and procedures to guide auditors to consistently apply professional judgement and professional scepticism. For example, using professional judgement is important to auditors in applying the conceptual framework to determine independence in a given situation. As such, SAI policies and procedures need to include guidance for identifying and evaluating any threats to independence, including threats to the appearance of independence and related safeguards that may mitigate the identified threats.

SAIs should also ensure that auditors understand the importance of professional judgement and scepticism and can apply it appropriately within a performance audit. To achieve this end, SAIs could require auditors to participate in periodic training that focuses on, for example:

- the types of evidence – documentary, testimonial, physical and analytical – and their strengths and weaknesses;
- the standards – appropriateness and sufficiency – used in assessing evidence; and
- the importance of corroborating evidence to ensure the conclusions reached by auditors are reasonable and logical.

You, as an auditor, should exercise professional judgement and scepticism, consider issues from different perspectives, and maintain an open and objective attitude toward various views and arguments. This open-mindedness is essential if you are presented with

contradictory information that needs to be assessed and considered in conjunction with other evidence collected during an audit. Exercising professional judgement and scepticism allows you to be receptive to a variety of views and arguments and be better positioned to consider different perspectives.

Performance audits require significant judgement, interpretation and scepticism because evidence associated with performance audits is typically persuasive rather than conclusive, requiring constant reassessment. Professional judgement and scepticism are key for you to effectively and critically assess the audit evidence obtained during an audit. Rather than approaching audit work in a ‘tick the box’ mentality, you must challenge the information and evidence obtained. You need to step back, look at the wider context and ask, “does that make sense?”.



Auditors need to use their professional judgement and scepticism throughout a performance audit, including in:

- developing audit questions that are objective and neutral;
- selecting appropriate scope and methodologies;
- conducting interviews with officials;
- assessing the evidence collected during the audit; and
- developing a message for the written report that is balanced.

Source: IDI/PAS Development Team

Some examples of how you can apply professional judgement during performance audits include:

- determining the required level of understanding of the subject matter;
- determining the nature, timing and extent of audit procedures and methodology;
- determining which findings are significant enough to report;
- evaluating whether sufficient and appropriate audit evidence has been obtained; and
- determining the recommendations to be made, as appropriate, to address root causes of the problems identified.

### How might professional scepticism be applied?

✓ Question responses to inquiries and other information obtained from the audited entity.

✓ Corroborate testimonial or evidence from a single source with secondary sources of evidence.

✓ Revise your risk assessment as a result of identified material or significant inconsistent information (discussed later).

✓ Evaluate the reliability of data to be used during the audit.


✓ Assess the reliability of the source of the documents obtained.

✓ Be alert to audit evidence that contradicts other audit evidence obtained.

Source: GUID 3910/88-89

As an auditor, you can help to improve the strength of the evidence obtained by exercising professional scepticism (by asking questions to test the accuracy of evidence), following up when things do not make sense, and not accepting what the audited entities’ management tells you without corroboration. Professional scepticism is critical to ensuring you can answer the audit questions and make conclusions with a high level of assurance.

### What is audit team competence?

 **The Standard**

The SAI shall ensure that the audit team collectively has the necessary professional competence to perform the audit.

The auditor shall maintain a high standard of professional behaviour.

Source: ISSAI 3000/63 and ISSAI 3000/75



Effective audit teams include team members that collectively have:

- teamwork and collaboration skills;
- critical thinking skills;
- quantitative and qualitative analytical skills;
- interviewing skills; and
- oral and written communication skills.

Source: IDI/PAS Development Team

Conducting an effective performance audit requires putting in place a team that has all the skills needed for carrying out the necessary tasks required during an audit.

The quality of an audit is dependent on the skills, abilities and knowledge of the audit team. Performance auditing is a team effort. Performance audit issues are often complex, and not all team members need to possess every needed skill. Rather, the audit team has ideally be comprised of team members with a variety of skills, abilities and knowledge to ensure it is positioned to carry out the audit work.

SAIs should ensure their audit teams collectively have the necessary professional knowledge, skills and abilities before performing the audit. For example, SAIs could recruit staff with the appropriate qualifications to include areas of study and knowledge of needed disciplines. Once hired, SAIs can also require or suggest a specific curriculum of training to ensure their auditors have the necessary skills and abilities. Training can include classroom instruction, individual study and on-the-job training based on individual needs and the SAI's curriculum, among other initiatives. Further, a prescribed amount of continuous learning can be required by an SAI.

It is also important for SAIs to ensure that the experience levels of the auditors, supervisors and managers are appropriate for the audit. For example, if there are some inexperienced auditors on the audit team, it is important to balance them with experienced supervisors and managers. A team lacking the necessary skills, abilities, knowledge and experience may carry out an audit in a less than efficient and effective manner and produce a report that does not appropriately address the audit topics.

Subject matter experts, who are stakeholders either internal to the SAI or contracted by the SAI to assist the audit team, are often used in performance auditing to complement the skill set of the audit team and to improve the quality of the audit. For example, stakeholders internal to an SAI could be legal, methodological or technical experts that are not full-time members of a specific audit team but provide their input



Ways for auditors to exhibit professional behaviour during a performance audit:

- Treat audited entity officials as professionals and with respect.
- Respond promptly to inquiries from representatives from the audited entity.
- Be on time for meetings with officials from the audited entity and other stakeholders;
- Dress professionally and in accordance with SAI policies.
- Abide by SAI policies and procedures in conducting the audit.

Auditors can maintain knowledge of professional behaviour norms and expectations by:

- completing periodic training on audit processes, procedures, and requirements; and
- participating in conferences and seminars to (1) stay abreast of technical and professional standards and (2) expand knowledge in the public policy issue area that the auditor works in.

Source: IDI/PAS Development Team



and expertise as needed throughout an audit in order to improve the quality of the work. Before consulting with these stakeholders, the SAI and you, the auditor, should ensure the expert has the necessary competence required for the audit and that they are informed about the conditions and ethics surrounding the audit process. This also applies to experts that are not part of the SAI. See below for examples of areas where different types of expertise can be useful for a performance auditing team.

Once the audit team has been assembled, and initial stakeholders identified, it is important that all involved maintain a high standard of professional behaviour. You should comply with all legal, regulatory and professional requirements, and avoid all conduct that might discredit your work. Maintain individual professional skills and competence by keeping abreast of, and complying with, developments in professional standards and pertinent legislation. It is important that all these professional behaviours are maintained throughout the audit process, from topic selection and audit planning through data collection, analysis, reporting and follow-up. These commitments help ensure that a quality audit is conducted.



When an audit is initiated and the audit team is being assembled, SAs can:

- identify the appropriate areas of expertise within the SAI that are necessary to carry out the audit as well as the roles and responsibilities for the individuals representing these areas of expertise for the audit; and
- assign staff to the audit team that ensures the necessary skills, abilities and knowledge across the members of the audit team to effectively conduct the audit.

Source: IDI/PAS Development Team

In addition to maintaining a high standard of professional behaviour, ISSAI standards state that auditors have to also be willing to innovate throughout the audit process, such as by being willing to suggest or try new methods or ideas. By being creative, flexible and resourceful, you will be in a better position to identify opportunities to develop innovative audit approaches for collecting, interpreting and analysing information.

### What types of expertise can be useful for performance auditing team members, project managers or outside experts?

- |                                  |   |
|----------------------------------|---|
| ✓ Research design.               | ✓ Organisational management.  |
| ✓ Scientific evaluation methods. | ✓ Specialised expertise depending on the topic of the audit, such as information technology, cyberspace or engineering. |
| ✓ Legal.                         |   |
| ✓ Social sciences.               |   |

Source: IDI/PAS Development Team

## What is materiality?



### The Standard

The auditor shall consider materiality at all stages of the audit process, including the financial, social and political aspects of the subject matter with the goal of delivering as much added value as possible.

Source: ISSAI 3000/83

**Materiality** can be defined as the relative importance (or significance) of a matter within the context in which it is considered (ISSAI 3000/84). It can influence the decisions of users of the report, such as legislatures or executives, to deliver as much added value as possible. In addition to monetary value, materiality includes social and political significance, compliance, transparency, governance and accountability. It is important for the auditor to keep in mind that materiality can vary and can depend on the perspective of the intended users and responsible parties.

The inherent characteristics of an item or group of items may render a matter material by its very nature. A matter may also be material because of the context in which it occurs. Materiality considerations affect decisions concerning the nature, timing and extent of audit procedures and the evaluation of audit results. Considerations may include stakeholder concerns, public interest, regulatory requirements and consequences for society. The selection of audit topics and the audit itself needs to consider the concept of materiality.

Another consideration in determining materiality is inclusiveness. Inclusiveness is the practice or policy of including people who may otherwise be excluded or marginalised, such as those with physical or mental disabilities and members of minority groups. It is essential for governments to ensure social inclusiveness, equal opportunity and equity. Given this, public auditors need to consider inclusiveness as a dimension in the audit. See the end of this chapter for more information on inclusiveness.

The principle of materiality has to be included in SAI policies and procedures guiding all aspects of performance audits. Specifically, materiality needs to be considered in selecting audit topics, identifying and defining criteria for the audit, evaluating audit evidence and documentation, and managing the risks of producing inappropriate or low-impact audit findings or reports.

Ultimately, the auditor's consideration of materiality requires the application of professional judgement. Specifically, it is up to you and your audit team to distinguish the material and

immaterial. ISSAI 3000 identifies concepts to be considered in making decisions related to materiality when selecting audit topics, such as:


- indications or risks to economy, efficiency and effectiveness;
- financial significance, socially and politically;
- maximising the expected impact;
- auditability; and
- falling within the SAIs mandate.

As an auditor, keep materiality in mind throughout the audit, such as when designing audit questions and criteria, when collecting and assessing evidence associated with the audit, and formulating audit findings and recommendations that significantly contribute to improved performance. For example, the entirety of audited entities’ operations is more than likely not material to your audit, so you should concentrate your effort on the topic that is material and the focus of the audit. You could spend immeasurable time collecting documents about a topic, but to make the best use of available resources, always consider the materiality of a document or discussion when conducting the work. The next chapters provide more detail about the principle of materiality as it pertains to all phases of the audit process.

**What are audit documentation and audit supervision?**

This section describes the importance of audit **documentation** and audit **supervision**. While these topics are introduced below, they are discussed in detail throughout this handbook as we discuss the various phases of a performance audit.

Audit documentation

 **The Standard**

The auditor shall document the audit in a sufficiently complete and detailed manner.

Source: ISSAI 3000/86

Audit documentation records audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as ‘working papers’ or ‘audit trail’ are also sometimes used).

## What should an experienced auditor be able to understand from audit documentation?

- ✓ The nature, time and extent of the work conducted.
- ✓ The findings of the audit work and the evidence obtained.
- ✓ Significant matters that arose during the audit (for example, changes in the scope or approach of the audit, decisions regarding a new risk factor identified during the audit, actions taken as a result of disagreement between the audited entity and the team, etc.).
- ✓ The conclusions reached as a result of the aforementioned significant matters.
- ✓ Significant or key decisions made in reaching those conclusions.

Source: IDI/PAS Development Team

It is important that SAIs have policies and procedures that define the basic standards of audit documentation required for audits performed by the SAI. These policies and procedures define the standards for the types of files that must be maintained and for how long once the audit is completed. SAIs should provide training to auditors regarding how documentation for audits will be compiled and maintained. The policies, procedures and training help ensure that audit documentation collected for each audit provides evidence of the auditor's basis for a conclusion about achieving the overall objective(s) of the audit. The policies, procedures and training also aim to help prove evidence that the audit was planned and performed in accordance with SAI's requirements and applicable legal and regulatory requirements.

As an auditor, you should take steps throughout the audit to ensure that proper audit documentation is being collected and maintained according to SAI policy. You also need to ensure that the documentation collected is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand decisions made and how the audit results were obtained. Documentation starts at the very beginning of a performance audit when the audit team is first assembled. You will need to consider documenting the following as you begin your audit:

- How the audit topic was selected.
- Any pre-planning that was conducted.
- How stakeholders were identified.
- Any communication with the audit entities.

- Any initial decisions by the team and management.
- Any risks that were identified.

Documentation will continue to be very important as you move to conduct and report on the audit, and documentation should be completed promptly. You should document:

- the evidence and your team's analysis of that evidence;
- how you arrived at the findings; and
- internal reviews, communication with the audited entities and the considerations for making (or not) changes based on comments received and other key decisions made as you develop a message and draft report.

It is important your audit team begins its audit documentation set at the very beginning of the audit in order that all information collected and decisions made are properly documented. The audit team needs to reach an agreement about the organisation of the audit documentation as well as any processes and approaches that will be used by the audit team to document the audit. For example, many types of documents in an audit are easier to organise and manage when filed electronically in a clear folder structure for the project. To the extent allowed by your SAI policy and procedures, electronic documentation can replace physical copies of documents provided the electronic documentation is sufficiently backed up. Some evidence collected as part of the audit may not be able to be stored electronically but still needs to be saved and stored to ensure the proper documentation of the audit. For example, you may collect physical objects as part of the audit that cannot be stored electronically in a computer-based storage system. These physical objects have to be maintained as part of the audit documentation set. Lastly, follow your SAI's guidance for keeping audit documentation for an adequate period of time.

Your audit team could consider establishing an approach to cross-reference the evidence collected throughout the audit with the team's analysis. Alongside collecting and cross-referencing documentation, you can ensure that proper procedures are used to maintain the confidentiality and safe custody of documentation and working papers.



There are many types of documents that auditors need to maintain as part of the audit documentation. These documents include, but are not limited to:

- an index for the information included in the file;
- a memo of all key decisions and communications that documents the decisions, performed activities, and internal and external communication during the audit;
- statements of independence for the auditors;
- the audit plan that identifies the scope, methodology and plans to collect the evidence for the audit;
- documentation of meetings with the audited entity, such as the initial meeting to discuss the audit and meetings near the end of the audit during which findings are discussed;
- interview records to document testimonial evidence from officials;
- evidentiary documentation, such as the audited entity's policies and procedures, memos, briefings on the programme, and data;
- records of file reviews, observations or inspections;
- answers to questionnaires;
- records of discussions during focus groups and reference groups;
- records of analyses;
- documentation of key stakeholder and management reviews of drafts reports; and
- the final report cross-referenced to the evidence in the file, either by notes written in a copy of the final report or in a separate document explaining the evidence that was used for the main findings and where this evidence is available in the file.

Source: IDI/PAS Development Team

Below is a sample of a basic electronic file structure for a performance audit. The structure can be adapted based on the needs of the team and SAI policy.

### **Audit documentation folders**

- Administrative documents.
- Background materials.
- Planning materials.
- Evidentiary materials (for example, interview records, documents obtained).
- Analyses of evidence.
- Draft reports.
- Follow-up.

### **Audit supervision**



#### **The Standard**

The SAI shall ensure that the work of the audit staff at each level and audit phase is properly supervised during the audit process.

Source: ISSAI 3000/66

Generally, the audit supervisor is responsible for ensuring that all audit policies and procedures are followed throughout the audit process.

**Audit supervision** involves providing sufficient support, guidance and direction to staff assigned to the audit to ensure the audit objective(s) are addressed, methodologies are applied appropriately, evidence and analysis are sufficiently documented, and the report is of high quality. Supervisors must stay informed about significant problems encountered during the audit and continually review the work performed to ensure a quality audit. An important part of audit supervision is providing effective on-the-job training to members of the audit team so that all auditors are developing their capacity to carry out audits effectively.

### What does audit supervision consist of?

- |   |   |
|---|---|
| ✓ Ensuring that all team members fully understand audit objective(s) and audit questions.       | ✓ Considering the competence and capabilities of individual members of the engagement team. |
| ✓ Ensuring that audit procedures are adequate and properly carried out.                         | ✓ Addressing and handling significant matters that arise during the engagement.             |
| ✓ Ensuring that audit evidence is relevant, reliable, sufficient and documented.                | ✓ Supporting the auditor when needed to overcome challenges.                                |
| ✓ Ensuring international and national auditing standards are followed.                          | ✓ Providing hands-on support in solving issues that arise.                                  |
| ✓ Tracking progress of the engagement to ensure that budgets, timetables and schedules are met. | ✓ Identifying matters that require more experience to review.                               |
|   | ✓ Reviewing and approving the audit work.   |

Source: GUID 3910/82

It is important that SAIs provide guidance, and supervisors have to provide coaching and review during all phases of an audit to ensure that the audit:

- complies with professional standards;
- achieves the intent of the audit's objectives;
- documentation is complete and supports the audit's findings and recommendations; and
- staff members develop their professional competence.

Some SAIs have a central office that reviews the outputs of all audits for compliance with audit standards after supervisory review. The central office review ensures, for example, that the findings, conclusions and recommendations are sufficiently and appropriately supported by evidence and are clearly presented.

The degree to which supervision is needed depends on multiple factors, such as the size of the audit organisation, the experience of the auditors and the significance of the work. For example, an audit involving issues with a high degree of materiality, such as audit topics that require large amounts of governmental funds for operation or issues that are extremely sensitive from a political or societal perspective, is likely to necessitate a greater degree of supervision and oversight within the audit team and the SAI. Regardless of these factors, audit work needs to be reviewed by a senior member(s) of the audit team and SAI management throughout the audit process, especially before the audit report is finalised.

As an auditor, ensure that you adhere to your SAI's requirements regarding supervision. For example, provide audit documentation to your supervisor for their review and input. You also have to be receptive and respond appropriately to any direction, coaching, monitoring and feedback provided by your supervisor, and seek to continuously improve your professional competence and performance.



## What are audit risk and assurance?



### The Standard

The auditor shall actively manage audit risk to avoid the development of incorrect or incomplete audit findings, conclusions, and recommendations, providing unbalanced information or failing to add value.

The auditor shall communicate assurance about the outcome of the audit of the subject matter against criteria in a transparent way.

Source: ISSAI 3000/52 and ISSAI 3000/32

SAIs and auditors should actively manage **audit risk**. The management of risk should allow an SAI and audit team to provide **assurance** that the intended users can be confident about the reliability and relevance of the information provided by the audit, and that the results can be used as the basis for making decisions.

There are numerous risks associated with performance auditing, as shown in **Figure 6**. The SAI and its auditors must provide assurance to its users that these risks are appropriately minimised and managed.

**Figure 6: Common risks in performance auditing**

<b>Incorrect or incomplete conclusions</b>	Auditors reach incorrect or incomplete audit conclusions and make recommendations that are not focused on the necessary or appropriate issues. This can occur as a result of numerous factors, such as an inadequate assessment of the evidence and not following appropriate and necessary audit procedures.
<b>Unbalanced information</b>	Auditors fail to include and evaluate contrary evidence, clearly identify which audit criteria are met, or report on good practices. Achievements of the audited entity are not discussed, and contributing factors to the deficiencies identified are not disclosed. For example, shortfalls are highlighted without explaining the challenges or constraints under which the entity operates, or the audited entity's performance is assessed without reference to acceptable standards.
<b>No or limited added value to the users as a result of the audit</b>	Auditors fail to provide new information or knowledge from the audit. Specifically, the auditors do not add new analytical insights (broader or deeper analysis or new perspectives) or make information accessible to various stakeholders.
<b>Difficulties in obtaining quality information</b>	Auditors do not have access or have limited access to needed information. Additionally, the information may not meet quality standards (that is, the data are not reliable). As the audit findings and conclusions rely greatly on the quality of information and data collected, it is essential to assess the risk of not having access to good-quality information and data when planning and conducting an audit.
<b>Insufficient analysis</b>	Auditors do not conduct sufficient analysis due to the lack of expertise, audit criteria or access to information. If due care is exercised during the planning stage, risks due to a lack of expertise and audit criteria can be mitigated during the audit.
<b>Omission of relevant information or arguments</b>	Auditors do not identify all of the key issues at the planning stage that will be covered during the audit, fail to consider relevant pieces of evidence or fail to counter important arguments in the audit's conclusions.
<b>Presence of fraud, abuse of resources and/or irregular practices</b>	Auditors do not assess whether the risk of fraud is significant within the context of the audit objective(s) and/or fail to communicate fraud and irregularities promptly. If fraud exists, the auditor is encouraged to follow SAI procedures regarding fraud.
<b>Substantial complexity or political sensitivities</b>	Auditors do not appropriately handle highly complex and politically sensitive topics. This could seriously undermine the credibility of the audit report and the SAI.

Source: IDI/PAS Development Team

The concept of audit assurance is inseparable from the concept of audit risk. Performance auditors are not normally expected to provide assurance as an overall opinion, comparable to the opinion on financial audits, on the audited entities' achievement of economy, efficiency and effectiveness (ISSAI 300/21).

The users of an audit report should be confident that the report conclusion is reliable and valid. According to GUID 3910/27, reliable and valid information requires that the conclusions on the subject matter are logically linked to the audit objective(s) and criteria and are supported by sufficient and appropriate evidence. The conclusions must be written in a way that enhances the degree of confidence of the intended users about the evaluation of the underlying subject matter against criteria.

It is important for the auditor to make the links clear between the audit objectives, criteria, and findings based on solid evidence. This is done by being clear on how findings, criteria and conclusions were developed in a balanced and reasonable manner and why the combinations of findings and criteria result in a certain overall conclusion or set of conclusions. If done properly, the intended users can be confident about the validity of the conclusions, and the auditor has then provided assurance (GUID 3910/32). The assurance provided to the intended user has to be communicated transparently.

As an auditor, you need to assess audit risk and take steps to provide assurance. Specifically, you need to:

- (1) identify the risks;
- (2) assess those risks;
- (3) develop and implement strategies to prevent and mitigate the risks; and
- (4) monitor audit risk and mitigation strategies throughout the audit and make adjustments as needed to changing circumstances.

Audit risk and the level of assurance are affected by numerous factors, but particularly important is your audit team's ability to:

- develop a quality audit design that comprises the scope of the audit and the appropriateness of the evidence-gathering procedures;



Audit teams and auditors have to strive to manage audit risk and provide assurance by ensuring:

- the audit is within the SAI's scope of authority, and the scope is defined in an appropriate manner;
- the human capital with the necessary and appropriate skills and knowledge are available within the auditing entity to execute the audits;
- the design of the audit effectively accounts for and manages risks;
- there is access to the records and data needed to perform the audit;
- the records and data are reliable and complete;
- the level of investment to develop a quality product is commensurate with risks; and
- clear responsibility and accountability for all levels are established for managing quality throughout an engagement, including engagement design, staffing, stakeholder involvement, message development and product review.

Source: IDI/PAS Development Team

- sufficiently understand the subject matter to actively manage audit risk and design. The audit teams have to consider the conditions of the subject matter and the level of confidence needed by the intended users of the audit report; and
- effectively exercise the use of professional judgement and professional scepticism in assessing risks, as each audit topic is unique. You have to research and learn carefully about the topic being audited and document your understanding of the subject matter in a way that provides confidence that you have properly understood it.

More details about assessing and mitigating audit risks are provided in Chapters 4 and 5.

## What does communication with audited entities, external stakeholders, media and the public involve?



### The Standard

The auditor shall plan for and maintain effective and proper communication of key aspects of the audit with the audited entity and relevant stakeholders throughout the audit process.

The auditor shall take care to ensure that communication with stakeholders does not compromise the independence and impartiality of the SAI.

The SAI shall clearly communicate the standards that were followed to conduct the performance audit.

The auditor shall, as part of planning and/or conducting the audit, discuss the audit criteria with the audited entity.

SAIs adopt audit standards, processes and methods that are objective and transparent, including procedures for obtaining comments on audit findings and recommendations from the audited entity.

Source: ISSAI 3000/55, ISSAI 3000/59, ISSAI 3000/61, ISSAI 3000/49, and INTOSAI-P-20, Principle 3

Your audit team does not work alone in conducting a performance audit. You and your audit team should maintain effective and proper **communication** with the audited entities to obtain the necessary information to conduct your analysis and reach appropriate conclusions. An audit may focus on one audited entity or several entities. Communication with all relevant entities

involved is important. In addition to consulting with stakeholders internal to your SAI, such as lawyers, methodologists and technical experts, it may also be useful to enlist the help of those external to the SAI. For example, SAIs may contract out work to subject matter experts in trade organisations or research firms for assistance with the audit. However, it is important to maintain independence if seeking this type of assistance and not allow the expert to inappropriately influence the audit conclusions. Lastly, a strategy to outreach to the media and the public may need to be considered (especially for high visibility or controversial audits) for those SAIs who interact with the media about their work.

### Communicating with audited entities

It is important that the audited entities be kept engaged regarding all relevant matters about the audit. This is important for developing a constructive working relationship and helping to ensure that the audit team can achieve the audit objective(s) and conduct a high-quality audit. Communication can include obtaining information relevant to the audit and providing management and those charged with governance with timely observations about potential findings and conclusions. SAIs may provide general minimum requirements to their auditors regarding communication with audited entities. For example, SAI guidance could direct when auditors have to communicate with audited entities and the type or level of detail to be discussed. Or, for example, SAI policy and procedures may require that recommendations made to an audited agency may not be so prescriptive and detailed that the SAI might be seen as consultants as opposed to independent and impartial auditors.

It is recommended that your audit team communicate with audited entities at regular intervals throughout the audit. Specifically, your team could:

- begin the communication process with the audited entities at the planning stage of the audit, and continue throughout the audit. As audited entities may not have prior knowledge of performance auditing, it is important to introduce the purpose and process of performance auditing to them;



Auditors can conduct effective communication with the audited entity through:

- face-to-face meetings with audited entity officials;
- teleconference meetings; and
- written communication, such as letters and email.

Audit teams need to meet with the audited entity or entities at key points during the audit, including holding:

- an initial meeting to discuss the audit objective, the audit questions, scope and methodology, information requirements and timeframes;
- working meetings to obtain information and data from the audited entity(ies) and update the audited entity on the progress of the audit; and
- a meeting near the end of the audit in which draft audit findings are discussed, and there is an opportunity for the audited entity to provide comments and additional information.

In their communication with the audited entity, it is important for auditors to:

- be professional, respectful, courteous and receptive; and
- ensure that they maintain their independence and impartiality.

Source: IDI/PAS Development Team

- engage the audited entities during the early stages of the audit when developing the: audit subject matter; audit objective(s) and questions; audit criteria; the period to be audited; and government undertakings, organisations and/or programmes to be included in the audit. Access to documentation, data, the confidentiality/sensitivity of the information that will be shared and how it can be used and disclosed in the final audit report are key matters to discuss with the auditee(s) early in the audit process, preferably during audit planning;
- hold update meetings with the audited entities throughout the audit process and consider its feedback. Audits often evolve as the audit team learns more about the topic and information is obtained and analysed. You should keep the audited entities informed of any significant changes to the key aspects of the audit, such as any changes to the audit questions or criteria. Effective communication can help improve your access to information and data, help gain better insights into the perspectives of the audited entities; and
- provide the audited entities with an opportunity to comment on the audit findings, conclusions and recommendations. Additionally, the audited entities' comments can be used for correcting factual errors and considering the need to make other changes to the final reports. The remaining differences of opinions or other important comments, along with the SAI's responses, may be published as part of the report.

A sound dialogue throughout the audit process that involves the audited entities is important in achieving meaningful improvements in governance and may increase the impact of the audit. In this context, you can maintain constructive interactions with audited entities by sharing preliminary audit findings and perspectives as they are developed and assessed throughout the audit. However, remember that you must also always maintain proper independence and impartiality while effectively communicating and working with audited entities.

### Communicating with external stakeholders

We discussed the importance of the SAI assembling audit teams that collectively have the knowledge and skills necessary to conduct the audit and consult with stakeholders within the SAI, such as experts or methodologists, through all audit phases. It is also appropriate to engage with stakeholders external to the SAI. Potential stakeholders outside your organisation may include:

- academic and business communities;
- international bodies;
- internal auditors;
- citizens and their representatives;
- research institutions;
- civil society organisations (CSOs);

- professional institutions;
- representatives of vulnerable groups;
- other non-government organisations; and
- legal experts, if expertise does not exist within the SAI.

Stakeholder communication is important for both SAI leadership and audit teams. For example, SAIs need to cultivate good relations with various organisations to promote productive collaboration.

In addition, you, the auditor, should strive to maintain good professional relationships with all stakeholders involved in the audit. In doing so, promote a free and frank flow of information as far as confidentiality requirements permit and conduct discussions in an atmosphere of mutual respect and understanding of the respective role and responsibilities of each stakeholder. While stakeholder communication is important, it is essential that this communication does not compromise the independence and impartiality of the audit or the SAI. For example, your SAI may have policies and procedures that dictate the types of details about the audit or audit documentation that can be shared with stakeholders external to your SAI.

#### Communicating with the media and the public

A strategy for outreach to, and communication with, the media may be important to inform the public of the outcome of audit work. It is good practice to make reports accessible to the public and other interested stakeholders through the media unless prohibited by legislation or regulations. Reporting audit results publicly, unless specifically limited, make the results less susceptible to misunderstanding and facilitates follow-up to determine whether appropriate corrective actions have been taken. It is important that SAIs make reasonable efforts to consider the needs of the public and the media in their requests for information about the SAI's work. SAIs' treatment of all media – whether print or electronic, local or national, domestic or international – should be balanced and equitable.

As an auditor, it is important that you follow your SAI's guidance or rules concerning communicating with the media and the public. For example, SAI guidance might direct what level of officials within the SAI can participate in media interviews.



**The principles for conducting a quality performance audit span the entirety of your work, so remember to always ...**

... understand and act in accordance with your SAI's quality control and assurance framework;

... consider independence, be aware of possible threats to independence, and report them if necessary;

... adhere to all ethical standards and requirements of your SAI;

... exercise sound professional judgement and scepticism;

... ensure your audit team collectively has the necessary professional competence to perform the audit;

... determine the materiality of audit topics and findings, appropriately document the evidence and decisions in the audit, and ensure effective supervision of the audit;

... assess audit risk and put in place strategies to provide assurance in the audit;

... plan for and maintain effective and proper communication of key aspects of the audit with the audited entity and stakeholders; and

... keep in mind that performance audits require significant judgement, interpretation and scepticism because evidence associated with performance audits is typically persuasive rather than conclusive, requiring constant reassessment.

Source: IDI/PAS Development Team

## IDI's considerations to mainstream inclusiveness and maximise the impact of performance audits

Besides the general principles coming from the performance audit ISSAIs, we would like to highlight two cross-cutting considerations for performance audits: audit impact and inclusiveness. These considerations are not performance audit requirements, i.e. the performance audit can still be ISSAI compliant if these actions are not carried out. However, IDI recommends that SAIs mainstream audit impact and inclusiveness considerations throughout the performance audit process to enhance the value and benefit delivered by the SAI.

### Impact driven performance audit process

IDI describes 'audit impact' as the contribution of SAI audit work to long-term positive effects on people and the planet (a society/on a group/area), especially those left behind. Such audit impact is achieved through a value chain of SAI outputs and SAI outcomes. **Figure 7** is an illustration of what such value chain could look like in case of performance audits.

**Figure 7: Value chain of SAI outputs and SAI outcomes**



While SAIs have control over SAI outputs, there are many factors that affect SAI outcomes and contribution to impact. SAIs are a part of an ecosystem. The social, economic, political context in the country and multiple stakeholders such as legislative bodies, executive, civil society organisations, professional bodies, academia, media etc., play a role in achieving audit impact.

Though a SAI may not have control over these, a SAI does have influence. To maximize the possibility of SAI contribution to impact through performance audits, we recommend that the

SAI incorporate audit impact considerations throughout the audit process. This can be done by asking and answering some key questions during different phases of the performance audit.

### Key questions

- What is the envisaged audit impact of this performance audit?
- Will the topic selected contribute to desired audit impact?
- Will the audit design framework lead to desired audit impact?
- Are key stakeholders engaged throughout the audit process?
- Will the audit recommendations lead to a positive impact, including for those left behind?
- Are key messages conveyed to all relevant stakeholders?
- Are there processes in place for appropriate follow-up and facilitation of audit impact?

Source: IDI/PAS Development Team

Some tips for enhancing audit impact are presented below.

### Tips for enhancing audit impact

- ✓ Engage with SAI Leadership
- ✓ Communicate continuously with audited entities
- ✓ Create a stakeholder coalition
- ✓ Communicate the value of your work
- ✓ Reflect on audit impact throughout the audit process
- ✓ Follow ISSAIs

Source: IDI/PAS Development Team

### Mainstream inclusiveness considerations into performance audits

Millions of people across the world continue to live in poverty and are denied a life of dignity. There are enormous disparities of opportunity, wealth and power. Gender inequality remains a key challenge. The current pandemic has sharpened inequalities. People get left behind when they lack the choices and opportunities to participate in and benefit from government processes and outcomes. People can be vulnerable and left behind due to many factors like gender, ethnicity, age, class, disability, sexual orientation, religion, nationality, indigenous, migratory status, socio-economic status, geographical remoteness, conflict etc. In each national context, it

is important for those charged with governance to ensure that government policies, programmes and institutions are inclusive and responsive to the needs of the marginalised.

Inclusion of the marginalised is important in both outcomes and decision-making processes of government. As performance audit seeks to contribute to effective governance and service delivery, it is important to examine if those charged with governance have been inclusive and responsive to the needs of marginalised groups in their national context.

You can examine inclusiveness in performance audits by:

- **Examining inclusiveness as a part of every performance audit topic.** For example, in auditing strong and resilient national public health systems, one of the topics examined could be the preparedness of such systems to respond to the needs of marginalised sectors of the population during an emergency. For example, people with disabilities, migrants and refugee populations.
- **Selecting topics that directly impact the marginalised.** Based on national priorities, you can decide to select high priority topics that directly impact the marginalised. For example, if you are in a country with very high rates of violence against women, you could select the elimination of violence against women as a performance audit topic.
- **Engaging with stakeholders and beneficiaries from marginalised sectors.** The audit process itself can be inclusive by engaging with civil society organisations (CSO) that represent relevant marginalised groups or reaching out to the marginalised sectors. Such engagement would have many benefits, such as contributing to a better understanding of the subject matter, ensuring that the voices of these sectors are heard and considered in all phases of the audit. Such engagement would also be beneficial for the ability to formulate relevant audit recommendations.
- **Understanding the impact of the audit on marginalised sectors.** Inclusiveness could also be considered in understanding the impact of your audit. What difference will your audit make to the marginalised sectors?
- **Communicate key messages from your audits to create greater awareness of issues faced by the marginalised sectors.**

## Questions you could ask to examine inclusiveness

- ✓ How are marginalised groups identified by the government and considered in the implementation of policies?
- ✓ Who is being left behind, and what are the underlying reasons for their vulnerability?
- ✓ What disaggregated sources of data are available, and what are the data gaps?
- ✓ What actions are being taken to determine the needs of the marginalised?
- ✓ How does the government ensure that marginalised groups are included in decision-making processes?
- ✓ How does government ensure that marginalised groups are informed about government decisions and actions?
- ✓ What action has the government taken on SAI recommendations related to marginalised and vulnerable populations?

Source: IDI/PAS Development Team

# The Performance Audit Process

*Important steps and concepts*



## Cross cutting considerations

Quality control

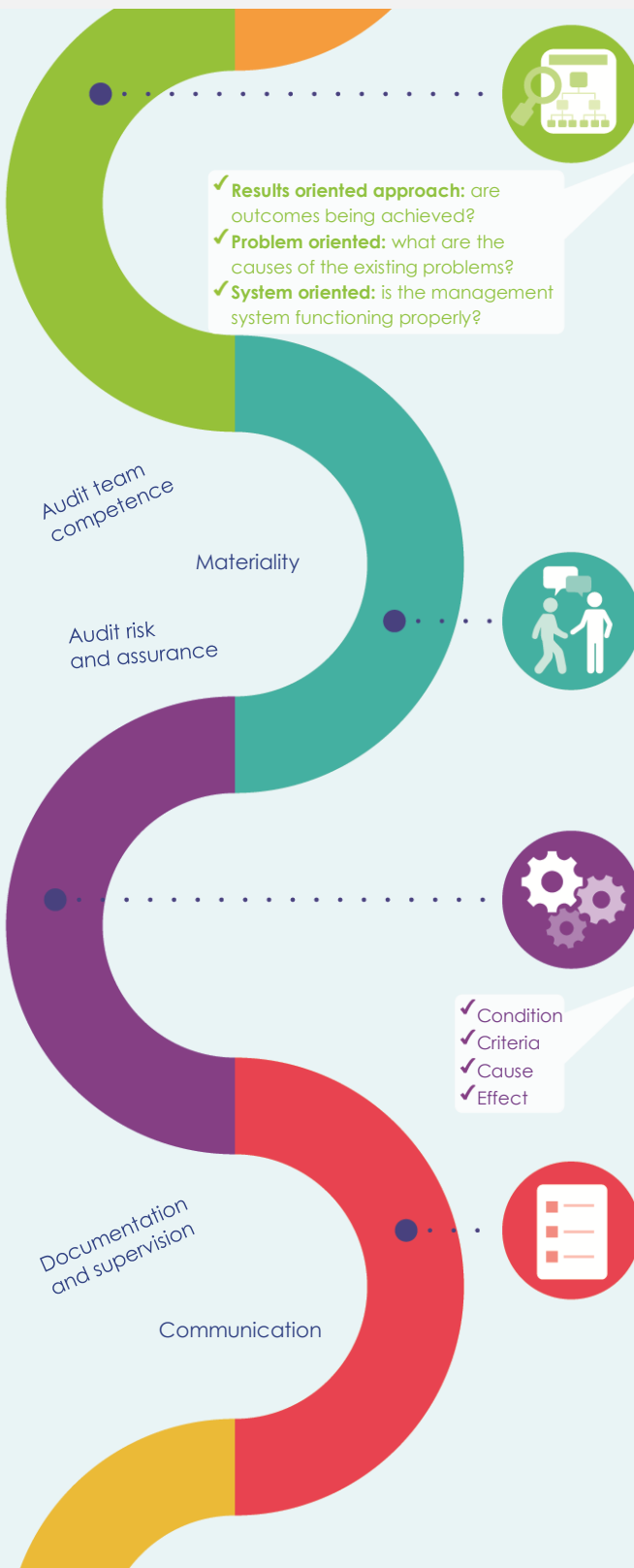
Independence and ethics

Professional judgement and scepticism



## Selecting an audit topic

- **Understand interests and priorities** from the ministry, legislature, government, or other stakeholders such as civil society organizations or the public.
- Use **selection criteria** to ensure audit topics are significant, auditable, and consistent with the SAI's mandate.
- **Scan the audit environment** by conducting risk, financial, and policy analyses.
- **Prioritize audit topics** and determine the SAI's highest priorities.
- **Select a topic** for the audit team.



## Designing the audit

- Conduct a **pre-study** to better understand the audit topic.
- Determine the **audit approach**.
- Develop the **objective(s)** to establish the reason for the audit.
- Formulate **audit questions** to guide the specific areas of the audit.
- Identify suitable **audit criteria** to measure the audited entity's performance against what is expected.
- Develop the **methodology** to guide the collection and analysis of information.
- **Document** the design, such as with a matrix, and develop a project schedule.

## Conducting the audit

- Understand the importance of collecting **sufficient** and **appropriate** evidence.
- Gather information and data by **employing** the approved **methodology**.
- **Analyse** the collected information and data using qualitative and quantitative methods.

## Developing findings, conclusions and recommendations

- Identify **findings** of the audit.
- Develop the **message** with appropriate balance on positive and negative findings.
- Draft **conclusions and recommendations**, if applicable.

## Writing the report

- Establish a report structure that will **effectively communicate** the audit results.
- **Draft** the report in accordance with your SAI guidance.
- Obtain the **audit entity's comments** on the draft report.
- After receiving SAI management approval, finalise and **publish** the report.
- **Communicate** the audit results to the relevant parties.



## Following up on audit results

- Determine **progress** on the audit findings and recommendations.
- Assess if the problems found were **addressed**.
- Determine financial and non-financial **benefits**.
- Identify areas for **future audits**.

## The 3Es of auditing performance



**Economy**  
Keeping costs low



**Efficiency**  
Making the most of available resources



**Effectiveness**  
Meeting objectives and achieving intended results

## Tips

Seek expertise from stakeholders internal to the SAI as well as external experts.

Communicate with the audited entities throughout the audit.

Use professional judgement by applying knowledge, experience, and scepticism to each audit phase.

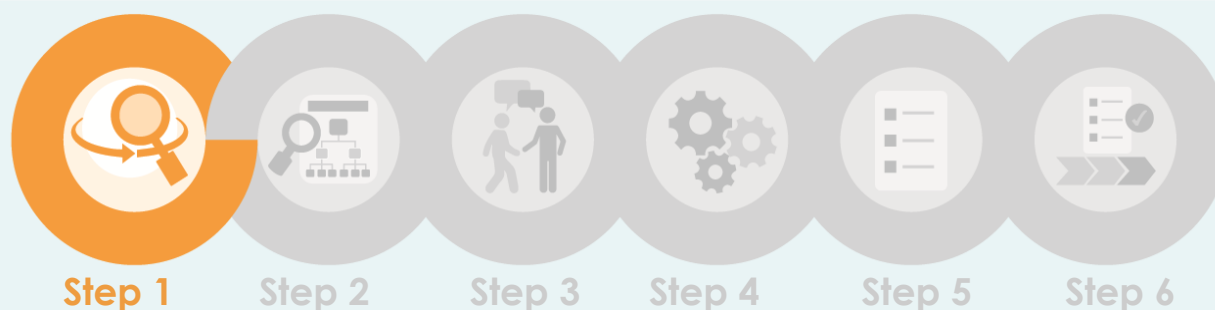
Consider inclusiveness when designing, conducting, and reporting.

Consider balance by reporting positive results as well as deficiencies.



## Chapter 3

### How do you select performance audit topics?



### Selecting an audit topic

- **Understand interests and priorities** from the ministry, legislature, government, or other stakeholders such as civil society organisations or the public.
- Use **selection criteria** to ensure audit topics are significant, auditable, and consistent with the SAI's mandate.
- **Scan the audit environment** by conducting risk, financial, and policy analysis.
- **Prioritise audit topics** and determine the SAI's highest priorities.
- **Select a topic** for the audit team.

According to ISSAI 3000, performance audit planning has two parts: selection of topics and designing the audit. This chapter is about selection. It explains how Supreme Audit Institutions (SAIs) can choose which topics to audit. Chapter 4 is about performance audit design.

The selection process may vary between SAIs. It is important for you, the auditor, to understand how topic selection occurs as you conduct your work. This chapter offers general guidance based on the requirements of performance audit International Standards of Supreme Audit Institutions (ISSAI) and common SAI practices.

This chapter will answer the following questions:

- What is the strategic planning process?
- How do SAIs scan the audit environment to identify possible topics for performance audits?
- How do external stakeholder requests arise?

- Why might a SAI consider auditing a topic that is not the responsibility of a single audited entity?
- What criteria do SAIs use to select topics for performance audits?

## What is the strategic planning process?



### The Standard

The auditor shall select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to identify audit risks and problems.

Source: ISSAI 3000/89

Strategic planning is the process of determining the long-term goals of the SAI and identifying the best possible approach to achieving them.<sup>11</sup> The SAI's strategic planning process may be understood as the first step in topic selection because it comprises the analysis of potential areas for audit and defines the basis for the efficient allocation of audit resources (ISSAI 3000/92). As part of this process, the SAI researches to identify major risks and problem areas considered important. The SAI analyses these subjects to identify which performance audits are of most interest to the public, government and the legislature; and which ones can add the most value.

The strategic planning process used varies between SAIs. Plans normally cover several years and guide SAIs in selecting topics for performance audit. The strategic plan will normally result in a lower-level operational audit plan, indicating which topics will be addressed in the next one or more years.

<sup>11</sup> This is different from an operational or organisational strategic plan. The strategic audit plan will, however, inform the organisational plan.

## The objectives of a strategic audit plan are usually to ...

... provide a firm basis for the SAI's senior management to set the direction for future audit coverage;

... understand the risks facing audited entities and take these risks into account in audit topic selection;

... identify and select performance audits with the potential to improve public sector accountability and administration;

... communicate the SAI's performance audit priorities to audited entities and the legislature;

... produce a work programme that can be achieved with the available resources; and

... provide a basis for SAI accountability.

Source: IDI/PAS Development Team

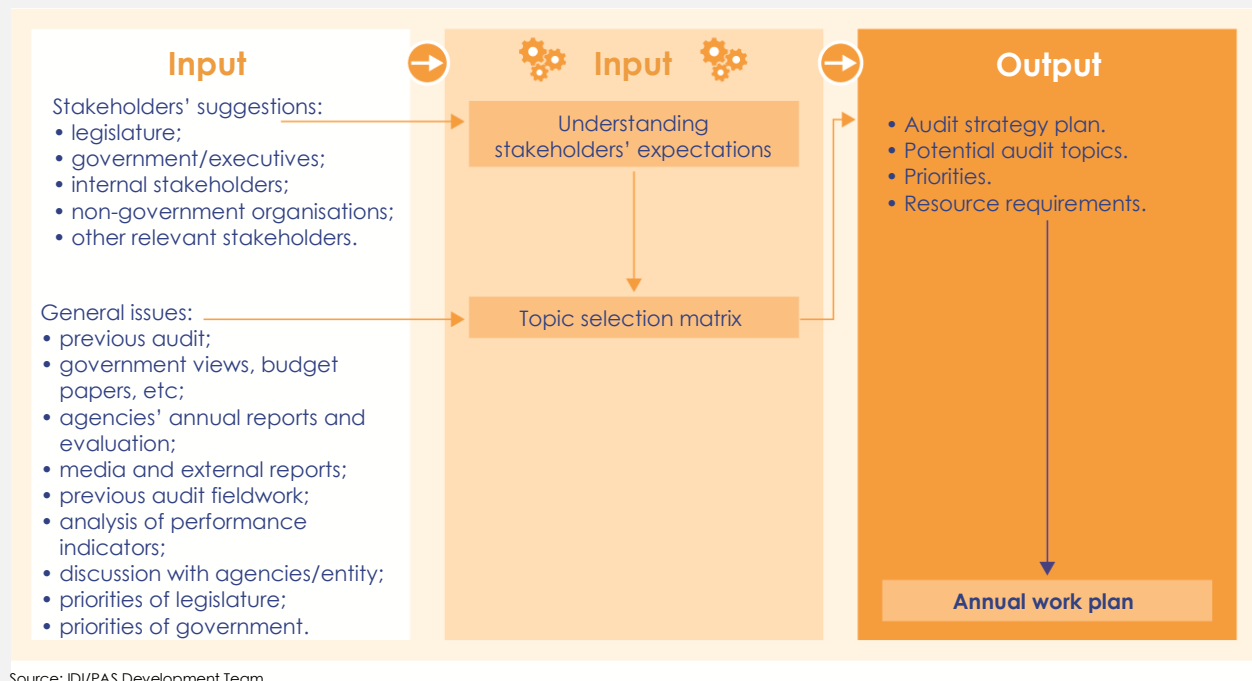
## How do SAIs gather information for the strategic planning process?

Audit topics derive from two main sources:

- General issues that the SAI identifies through scanning the audit environment.
- Requests or suggestions from stakeholders.

**Figure 8** is an example that shows how these two sources can help the SAI select audit topics.

**Figure 8: How SAIs could select audit topics**



Source: IDI/PAS Development Team

## How do SAIs scan the audit environment to identify possible topics for performance audits?

SAIs normally treat the identification of new performance audit topics as an ongoing process rather than a discrete activity. Fruitful ideas can arise at any time and from many sources. Your SAI and you, the auditor, have to remain alert for new challenges, risks and events that affect government entities.

Audited entities face internal and external pressures that might make their work appropriate for a performance audit. Examples of typical pressures include:

- budgetary constraints;
- economic, social and demographic trends;
- launch of new and complex programmes;
- availability of sufficiently-skilled staff;
- media focus on the entities' activities; and
- changes in senior management.

It is important that SAIs evaluate changing and emerging risks in the audit environment and respond to these in a timely manner (INTOSAI-P-12/Principle 5). During the strategic planning process, techniques such as risk analysis or problem assessments can help structure the process. However, they need to be complemented by professional judgement to reflect the SAI's mandate and to ensure that significant and auditable audit topics are selected (ISSAI 3000/93). If you identify risk early and, through a performance audit, make recommendations to mitigate it, you will hopefully have a significant impact on the effectiveness of your audited entities. Chapter 4 provides more details on how to identify and assess risks.

Many SAIs carry out an annual programme of updating risk assessments for the entities they audit. This process helps them identify topics where they are likely to have a positive impact. There are many different techniques for identifying possible audit topics. **Figure 9** lists some of the most common ways, while **Figure 10** describes how the process operates at the SAI in Zambia.

**Figure 9: Methods of identifying possible audit topics**

<b>Scanning the public sector environment</b>	<p>SAls monitor key issues in the public sector to keep abreast of developments that might merit further scrutiny via a performance audit. For example, you might:</p> <ul style="list-style-type: none"><li>• read relevant publications and previous reports relating to performance, financial and compliance audits;</li><li>• listen to the experience of other auditors;</li><li>• review transcripts of parliamentary debates;</li><li>• attend conferences and seminars;</li><li>• have discussions with colleagues, stakeholders and specialists; and</li><li>• consider media coverage of issues.</li></ul> <p>Area watching is a continuous process that ensures that you and the SAI are always in possession of updated information about what is happening in society and what areas may require further examination.</p>
<b>Reviewing official announcements</b>	<p>SAls look out for official announcements and publications that will affect their audited entities. The following list of information might be inspected by you:</p> <ul style="list-style-type: none"><li>• The international community's sustainable development goals (SDGs).</li><li>• Resolutions by the country's Committee on Public Accounts or comparable committee.</li><li>• A speech from the Head of State that marks the opening of the parliamentary year.</li><li>• Legislation and legislative speeches.</li><li>• National budgets and guidelines.</li><li>• Other public policy documents (for example, ministerial strategy papers, white papers).</li><li>• Annual reports of audited entities.</li><li>• Global developments, such as themes identified by INTOSAI.</li></ul>
<b>Financial analysis</b>	<p>Basic financial analysis includes being aware of how money flows into and out of the audited entity. You may choose to look more closely at material features such as:</p> <ul style="list-style-type: none"><li>• complex financial arrangements;</li><li>• new sources of income and expense; and</li><li>• areas where spending is high or changing rapidly.</li></ul>

## Media monitoring

SAs monitor the media (for example, newspaper articles, broadcast news and social media) to identify concerns that the public or commentators are raising about public services. It is important for you to consider a wide range of media so that you can detect issues that may only affect certain segments of the population. For example:

- Publications aimed at older people may provide clues to emerging issues in areas such as pensions or treatment of health conditions that are more prevalent among the elderly.
- Regional publications may draw more attention to the allocation of funding from central government for activities such as public transport, sanitation and telecommunications.
- Publications aimed at specific genders, ethnic groups or other similar segments of the population may identify public service issues (such as health outcomes) that are having a disproportionate impact on their readers.

## General overviews

A general overview (also known as a general survey) typically provides you with an understanding of an audited entity's objectives, main activities, and the level and nature of resources used in carrying out its functions. You can assemble and evaluate information on the background, objectives, activities, plans, resources, procedures and controls in the entities or areas concerned.

The general overview aims to:

- identify and review those areas absorbing a significant level of resources;
- identify potential risks to achieving optimal use of resources;
- highlight areas for continuing audit attention; and
- propose areas or subjects for auditing.

You may carry out general overviews that cover:

- a whole audited entity;
- a group of related activities; and
- major projects or programmes of expenditure or receipts.

The general overview can be a valuable source of reference when making proposals for inclusion in the strategic audit plan. When you gather information in your general survey work, it is important to record all relevant facts and assessments in easily-accessible working folders and keep them up to date.

A general overview typically covers:

- Background information on the audited entity.
- Significant legislative authority.
- Objectives of the audited entity.
- Organisational arrangement.
- Accountability relationships.
- Activities carried out.
- Nature and level of resources used.
- Procedures and control systems in place.

<b>Consideration of views of citizens</b>	<p>SAIs aim to be aware of how citizens view the performance of the audited entity and how their interests are affected by this performance.</p> <p>Citizens can be a source of ideas for performance auditing, a source of demand for performance auditing and, at the same time, the users of performance audit reports. SAIs aim to maintain relevant information outlining the views of the public on the operation of government organisations or programmes.</p> <p>In your analysis, you should consider inclusiveness – consider how the performance of the audited entity affects different sectors of society. For example, when looking at a programme to promote business skills, you could consider whether men and women have similar access to the programme and how male and female participants feel about their experience of the programme. If you identify material differences in the experiences and outcomes for different social groups, you could then investigate whether there are any changes that would make the services more inclusive.</p> <p>When considering whether a study topic is material, you might consider stakeholder concerns, public interest, regulatory requirements, and consequences for society.</p>
<b>Liaison with other external stakeholders</b>	<p>SAIs can build relationships with external stakeholders and interact with them frequently to identify and discuss possible audit topics.</p> <p>You may obtain input on audit topics from subject experts, relevant parties in government and the audited entity's internal auditors.</p> <p>The academic community contains people with expert knowledge in specific audit areas. Such academics may provide a more objective view, less restricted by personal interest. Academics may thus serve as suitable discussion partners and sometimes also consultants at all stages of an audit.</p> <p>Non-government organisations can be a useful source of ideas. They may have conducted their own research through surveys and case studies and may have a range of relevant contacts.</p>
<b>Internal discussions and assessments within the SAI</b>	<p>You can engage with other performance, financial and compliance auditors within your SAI to identify possible audit topics. For example, financial auditors may have found financial weaknesses that suggest that a programme has not been implemented effectively.</p>

Source: IDI/PAS Development Team

**Figure 10: How SAI Zambia scans the environment to identify potential audit topics**

### SAI Zambia – using risk assessment in annual planning

SAI Zambia uses area watching as a primary basis for conducting performance auditing. The objective of area watching is to assess areas in the various sectors where there are reports of dissatisfaction by the public with services or goods provided by public entities or where there are performance-related problems by entities. They also use compliance and financial audit reports to identify potential areas for performance audit investigation.

They allocate the responsibilities for area watching of certain sectors to groups of three auditors, at most. The task for the auditors is to keep abreast of developments and problems in the sector during the year. Area watching is a continuous process where the auditors collect information through, for example, strategic and

annual plans, debates in Parliament, decisions made by the executive, allocations in budgets, the media, and public discussions by subject matter experts and other stakeholders.

The sector assessments are later compiled into an overall risk assessment, where selected possible performance audit topics in different sectors are presented and prioritised.

Depending on the results of the assessments, they determine whether the areas are auditable or not, considering the materiality, availability of information, potential for change, issues of public interest, etc.

Source: AFROSAI-E Performance Audit Handbook, 2016

## How do external stakeholder requests arise?

A ministry may ask the SAI to take an early look at how well a new programme works. SAIs may also receive specific requests for investigations or audits from the legislature. In responding to external stakeholders, the SAI is normally free to accept suggestions. However, while respecting the laws enacted by the legislature that apply to them, the SAI must ensure that it retains its independence. Unless specified otherwise by national law, the ultimate choice on whether to conduct an audit and how to define the key research objectives of the audit should always lie with the SAI, not the external stakeholder. (INTOSAI-P-10/Principle 3)

It is important for you, the auditor, to consider the needs and interests of your audit report's audience as you consider external requests. By taking these requirements into account, you can ensure the audit report is useful and understandable. For example, you have to consider which issues and findings are material to readers of the report. As noted earlier, materiality can be defined as the relative importance or significance of a matter within the context in which it is being considered. Besides monetary value, materiality includes social and political significance, compliance, transparency, governance and accountability. (ISSAI 3000/84)

To deliver as much value as possible, the auditor shall consider materiality at all stages of the audit process, including the financial, social and political aspects of the subject matter (ISSAI



3000/83). A matter can be judged material if knowledge of it would be likely to influence the decisions of the intended users. Determining materiality is a matter of professional judgement and depends on the auditor's interpretation of the users' needs. Your judgement may relate to an individual item or a group of items taken together.

### **Why might a SAI consider auditing a topic that is not the responsibility of a single audited entity?**

The strategic audit plan may include topics that are not easily assigned to a single audited entity. A performance audit may focus on a single programme, policy, entity or fund, or may focus on outcomes or systems, looking across programmes, policies and entities that contribute to the outcome or system. Following an assessment of the complexity of the subject matter and mapping of responsible entities (including the relationship between them), the SAI has to decide on the objective and scope of the audit. This activity may or may not happen already at the strategic planning stage.

In some cases, there will be more than one entity responsible for the audit topic. For example, a programme to use new technology to improve the productivity of agriculture might involve the ministries that cover farming, the environment, finance, training and international trade and will need them to coordinate to achieve the intended results.

The risk of performance problems is greater when different organisations with at least partly different objectives contribute to the implementation of the same policy or activity. When you consider the 3Es (economy, efficiency and effectiveness), this translates into a heightened risk of underperformance. For instance, consider the case of a government that wants to enhance public health by increasing the protein intake of the population. To do so, two ministries – health and agriculture – will need to work together. It is quite possible that the Agriculture Ministry wants to enhance earnings for farmers by selling meat products abroad, whereas the Health Ministry wants the meat to be consumed domestically. It is easy to see how these tensions might undermine the efficiency and effectiveness of the overall government policy.

When considering the audit topic across programmes, policies or entities, it is important to adjust the audit process accordingly, from identifying the audited entities and their responsibilities to establishing scope, criteria and methodology.

By taking care to identify these activities as viable audit topics, SAIs can:

- meet expectations that performance audits will cover all public bodies responsible for spending public money and other public resources;

- promote closer collaboration between public bodies; and
- identify topics where no one is taking responsibility. To help find these gaps, a useful exercise can be to map out the lines of responsibility that exist for a given activity or theme. You can use RACI analysis to do this.<sup>12</sup>

SAIs will also want to consider whether their selection of individual topics fits in with any longer-term strategy the SAI may have, such as providing balanced coverage across government. The SAI may also aim to cover one large topic in several reports. For example, both the International Organization of Supreme Audit Institutions (INTOSAI) and the United Nations have stressed, as countries start to implement the SDGs, that SAIs can contribute to the success of the Sustainable Development Agenda by auditing preparedness to implement the SDGs and tracking progress. To do so effectively, SAIs might, for instance, produce a series of performance audit reports that make timely recommendations.

## What criteria do SAIs use to select topics for performance audits?



### The Standard

The auditor shall select audit topics that are significant and auditable, and consistent with the SAI's mandate.

The auditor shall conduct the process of selecting audit topics with the aim of maximising the expected impact of the audit while taking account of audit capacities.

Source: ISSAI 3000/90-91

Once the potential audit topics are identified, the SAI prioritises them to deploy its resources and time efficiently and effectively. In selecting a performance audit topic, ISSAI 3000 states that the SAI has to consider:

- the significance (including the financial, social and political aspects) of the subject matter;
- the auditability of the chosen topic;
- whether the SAI has the resources and skills to carry out the audit;
- whether the audit topic would be consistent with the SAI's mandate; and
- how to maximise the impact (financial or otherwise) of the audit.

<sup>12</sup>A RACI analysis is a tool that identifies, for a set of activities, who is **R**esponsible, who is **A**ccountable, who has to be **C**onsulted, and who has to be **I**nformed.

SAIs can develop their selection criteria and procedures in line with the requirements of the ISSAIs. Two such methods – using a scoring matrix and comparing short summaries – are described below.

#### Using a scoring matrix to select audit topics

A scoring matrix uses scores, supplemented naturally by professional judgement, as one indicator of which audit topics might be chosen. The SAI chooses selection criteria, then scores each potential audit topic against those criteria.

The criteria presented in **Figure 11** are examples that may be considered in prioritising and selecting the most viable audit topics. Please note that the criteria discussed here may not be exhaustive or necessarily relevant to all SAIs. The relative importance of each criterion will depend on the unique circumstances and context of each SAI.

**Figure 11: Illustrative list of selection criteria for audit topics**

<b>Materiality</b>	Relative importance (or significance) of a matter in the context in which it is being considered. In addition to monetary value, materiality includes issues of social and political significance, compliance, transparency, governance and accountability.
<b>Auditability</b>	Can the topic be audited? Is it practical to audit? Does it fall within the legal mandate of the SAI? Does the SAI have the capability to audit the topic (for example, does it have access to experts who understand the audit topic)?
<b>Possible impact</b>	Will the topic have a powerful effect on enhancing the economy, efficiency and/or effectiveness of government undertakings?
<b>Risks to the SAI</b>	Is there a strategic or reputational risk if an audit topic was not examined?
<b>Legislative or public interest</b>	Will auditing the topic address a legal concern or be to the advantage of the community? For example, will the audit help to promote inclusiveness?
<b>Relevance</b>	Does the topic have some bearing on, or importance for, real-world issues, present-day events or the current state of society?
<b>Timeliness</b>	Is this the right or appropriate time to audit the topic? For example, is it too early to examine progress of a new activity?
<b>Previous audit work</b>	Has the topic been audited in the past? Is it worth auditing it again? Is there a new audit approach you could take?
<b>Other major work planned or in progress</b>	Is other work being planned or done on the topic?
<b>Request for performance audits</b>	Have any special requests been made for performance audits to be done? Consideration should be given to the source of a request to determine its importance, for example, requests from parliament, beneficiaries or other external stakeholders.

Source: IDI/PAS Development Team

Based on the criteria discussed above, the potential audit topics can be ranked and prioritised. It is important to highlight the need for your **professional judgement** in the selection process. Appendix 4 provides an illustration of audit topic selection using an audit topic selection matrix. The mathematical score presented there is a tool that can help to identify important topics to audit, but it is not a substitute for your professional judgement.

### Comparing short summaries of each possible audit topic

This approach does not use a scoring system. Instead, audit teams prepare simple, short summaries of the possible audit topics using a standard template. Senior management can then easily review each option to see which ones fit with their strategic priorities. **Figure 12** illustrates how a summary can be used.

**Figure 12: Sample summary of an audit topic**

<b>Title</b>	Waste management
<b>Context</b>	Solid waste management is a vital quality-of-life and health issue for citizens. The government is spending an increasing amount on it, often dealing with private sector providers.
<b>Rationale</b>	SAI has not looked at the topic in the last eight years. The government has recently awarded a large contract for the next five years to a company that has performed poorly in other public service contracts and is in a weak financial position.
<b>What the audit could achieve</b>	The audit would look at whether the ministry is getting good value from its contracts with private sector suppliers, with important lessons for the future. For example, we would examine the efficiency of the procurement process. Early intervention might also lead to improving health outcomes for citizens.
<b>Key risks</b>	<ul style="list-style-type: none"> <li>• Our audit may be seen as coming too early in the life of the new contract.</li> <li>• Our in-house expert on commercial contracting is shortly due to go on a one-year secondment, so will not be available to assist with the audit.</li> <li>• We already have two audits planned at the ministry, so they may feel that the audit burden is too high.</li> <li>• We will need to find a convincing international comparator against which we can benchmark performance.</li> <li>• When assessing performance, it may be challenging to estimate what would be a 'fair' price for the services, as the ministry has never provided the services in-house. As mentioned above, we would need to find a suitable international comparator.</li> <li>• When estimating the cost to public health of service failure, we will need to provide strong evidence of a direct causal link between poor waste management and national disease levels. We need to be very alert for other factors that may contribute to increased incidence of disease.</li> </ul>
<b>Public Accounts Committee/ Parliamentary interest</b>	Parliament is very interested in the topic. Several members of parliament have mentioned in recent debates that the current system is poor and they frequently get complaints from their constituents about poor customer service and failure to carry out vital repairs.
<b>Type of output</b>	Performance audit
<b>Indicative budget</b>	\$300,000
<b>Indicative timing</b>	Audit will take nine months, reporting by September 2020.

Source: IDI/PAS Development Team

### When selecting performance audit topics, remember to ...

*... select audit topics through the SAI strategic planning process by analysing potential topics and conducting research;*

*... ensure that audit topics are significant, auditable and consistent with the SAI's mandate;*

*... select audit topics that would maximise impact while taking into account the SAI's audit capacities;*

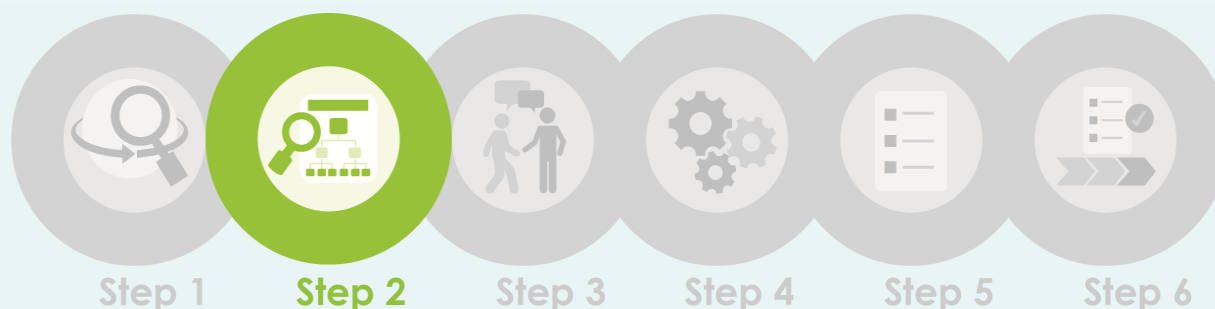
*... use a wide source of information to scan the environment to select the most appropriate audit topics; and*

*... use appropriate criteria to help you evaluate and select audit topics.*

Source: IDI/PAS Development Team

## Chapter 4

### How do you design a performance audit?



### Designing the audit

- Conduct a **pre-study** to better understand the audit topic.
- Develop the **objective(s)** to establish the reason for the audit.
- Determine the **audit approach**.
- Formulate **audit questions** to guide the specific areas of the audit.
- Identify suitable **audit criteria** to measure the audited entity's performance against what is expected.
- Develop the **methodology** to guide the collection and analysis of information.
- **Document** the design, such as with a matrix, and develop a project schedule.

After selecting the audit topic, the second step of the audit planning is the audit design. Audit design is a key step in completing a performance audit and is a critical component of implementing an SAI's **quality control framework**. It is also one of the most important aspects of a performance audit, as the design will help ensure you obtain the knowledge you need to complete your audit work.



#### The Standard

The auditor shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner, and in accordance with the principles of good project management.

Source: ISSAI 3000/96

Effective design consists of establishing a strategy for completing the audit and writing a detailed audit plan that includes the audit type, timeline, resource requirements (people and money), an overview of audit topic, scope (and limitations), objective(s), questions, criteria, risks, and



methodology. Developing a good audit plan is critical to laying the foundation for assessing economy, efficiency and effectiveness in a performance audit.

As described in this chapter, audit design includes many sequenced steps; however, aspects of it have to be revisited throughout the audit in response to changing information, resources and timelines.

This chapter will answer the following questions:

- How do you conduct a pre-study of the audit topic?
- How do you determine the approach for a performance audit?
- How do you develop audit objective(s)?
- How do you formulate audit questions?
- How do you determine the scope of the audit?
- How do you select audit criteria?
- How do you develop the audit methodology?
- How do you manage risk during audit design?
- How do you determine the time frames and resources for a performance audit?
- How do you document the audit plan?
- How do you involve internal and external stakeholders and management when designing a performance audit?

## How do you conduct a pre-study of the audit topic?



### The Standard

To ensure the audit is properly planned, the auditor needs to acquire sufficient knowledge of the audited program or audited entity's business before the audit is launched. Therefore, before starting the audit, it is generally necessary to conduct research work for building knowledge, testing various audit designs and checking whether the necessary data are available. This preliminary work can be called pre-study.

Source: ISSAI 3000/99

As an auditor, you need to take steps to ensure your audit is properly designed. To do this, you will need to gather information on the audit topic and the audited entities' business. You can start by conducting preliminary work to build knowledge, think about possible audit designs and assess whether the topic is auditable. Although your SAI already considered whether the topic was auditable when selecting audit topics (as discussed in Chapter 3), circumstances could have since changed, or you may reach a different conclusion after you conduct your preliminary work. This preliminary work can be called *pre-study*. During the pre-study step, you will try to establish whether conditions for a successful audit exist.



An internal control is a process that helps an entity achieve its objectives related to things such as running its operations efficiently and effectively, reporting reliable information about its operations and complying with applicable laws and regulations.

Source: IDI/PAS Development Team

Specifically, as assessed during the selection of the audit topics phase, you will need to determine whether the audit is still expected to add value to your SAI's strategic objectives; enhance the audit topic's economy, efficiency and effectiveness by strengthening internal controls; and uncover fraud, waste and abuse. It is also important to develop an understanding of what is not working well – the performance weaknesses or problems that the audit may address. SAIs approach pre-study differently. Some consider it to be a full-scale study conducted prior to designing the audit, while others consider it to be a part of the design phase of the audit. You need to conform to your SAI's approach when completing this step.

It is important to develop a sound understanding of the audit topic, as well as its context and possible impacts, to facilitate the identification of significant audit issues and to fulfil assigned audit responsibilities. Performance audit is a learning process involving the adaptation of methodology as part of the audit itself. (ISSAI 3000/100).

This pre-study has to be done in a manner that conforms to your SAI's processes and be appropriately documented.

To determine whether conditions for a successful audit exist, you will need to build on work completed when you selected your audit topic; that is, by collecting additional information that enables you to understand:

- the organisational structures, roles and functions, stakeholders, activities and processes, resources and trends;
- the organisational goals;
- applicable internal controls;
- the internal and external environmental factors that affect the entities and programmes under review;
- the external constraints affecting the delivery of outputs and outcomes;
- what is working well and not working well within the entities and programmes under review;
- the criteria that exist or can be developed to assess performance; and
- the extent to which the activities are inclusive of all affected parties.

You will need to collect this information throughout the audit process; however, most of this basic information has to be collected early in the audit during the design and conducting audit work phases. Keep in mind that you and your audit team will need to be flexible and pragmatic

in the collection methods you use to obtain this information. In conducting the pre-study, you will likely need to collect information from various sources, including those identified in **Figure 13**.

**Figure 13: Information sources**



During the pre-study, it is also critical to ensure your team has documented its **independence** and begins to work directly with stakeholders inside and outside your SAI, as appropriate. To do so effectively, you may need to complete stakeholder analyses so that you can identify internal stakeholders (for example, legal experts, methodologists and technical experts), their role and interests, the anticipated degree of their involvement in the audit, and how important they are in terms of the information they can provide. You may also need to do this for external stakeholders, such as trade groups, associations and experts outside your organisation. For an example of these analyses, see Appendix 5.



**Involving internal stakeholders like legal experts, economists or individuals with technical expertise early in an audit can enable you to quickly identify information and data sources, points of contact, and methodologies that can help you in planning your audit. It is critical that you document key decisions that your team reaches when meeting with these stakeholders and that you maintain them in your audit files.**

Source: IDI/PAS Development Team

After identifying internal stakeholders, some SAIs bring them together to participate in an initial meeting. During this meeting, you will discuss with your stakeholders the possible approaches you will use, the audit objective(s), audit questions, design options, and potential points of contact who know about the audit topic. If you hold this meeting, you might consider whether to provide documents to stakeholders in advance to help facilitate the meeting discussion. For example, if the audit is complex or involves new issues or subject areas, the team may decide that it would be useful to provide additional materials or background information to aid the meeting's participants. By holding this meeting during pre-study, you may find that stakeholders are better able to contribute to the development of your audit's scope and

methodology. It is critical that you document the key decisions your team reaches due to the meeting and maintain them in your audit files.

It is important that audit teams meet the audited entities before starting to collect information or data. During the initial meeting with the audited entities, your team will discuss the reason for your work, introduce your team to officials, provide your information needs for the audit, and discuss offices and site locations where you anticipate conducting your work, among other things. Meeting with officials from the audited entities during the pre-study enhances your ability to obtain the information you need to determine whether the topic is auditable and whether conditions exist for a successful audit. These meetings also enable your audit team to hear and take account of officials' perspectives and input early in the audit. As with initiation meetings, it is important that you document the results of this meeting and any key decisions your team reaches during the discussion. See Appendix 5 for a sample agenda used to guide this type of meeting.



Initial meetings with the audited entity can enable you to leverage the expertise of officials to quickly identify relevant information and refine the objective(s), scope and methodology for your audit. It is critical that you document key decisions your team reaches as a result of the meeting and maintain them in your audit files.

Source: IDI/PAS Development Team

## Steps that you can take when conducting the pre-study

- ✓ Review previous work on the topic by your Supreme Audit Institution and conducting background research by reviewing documentation produced by the audited entity, including policies and performance reports.
- ✓ Consult with advisors and outside organisations that have experience with the topic of the audit. Organisations could include the United Nations, donor organisations, civil society organisations, non-government organisations and others with specialised expertise.
- ✓ Analyse media reports on issues relevant to the audit topic.
- ✓ Review relevant government initiatives to understand their goals, approaches and funding.
- ✓ Review performance and accountability reports on the programme prepared by the responsible agencies. This can give the audit team a better understanding of functional and financial details of these agencies and reveal areas of primary concern.
- ✓ Hold 'initiation meetings' with key internal stakeholders to discuss possible approaches, research questions, design options and potential points of contact with knowledge of the audit topic.
- ✓ Hold a meeting with the audited entity to discuss your information needs and enhance your understanding of whether the topic is auditable or whether conditions exist for a successful audit.

Source: IDI/PAS Development Team

## How do you determine the approach for a performance audit?



### The Standard

The auditor shall choose a result-, problem- or system-oriented audit approach, or a combination thereof.

Source: ISSAI 3000/40

The overall audit approach is a central element of any audit, and it is an important link between the audit objective(s) and the audit questions. There are three common approaches to conducting a performance audit: a result-, problem-, or system-oriented approach. It is important that you consider whether you anticipate using one or a combination of approaches when developing your audit objective(s) and audit questions.



A result-oriented approach seeks answers to questions like:

- What results have been achieved?
- Have the audited entities met their objectives?

Source: IDI/PAS Development Team

A **result-oriented audit approach** assesses whether an outcome or output objectives have been achieved or services are operating as designed. In this approach, you will express the findings in the form of a deviation from your performance criteria. Your recommendations will aim to eliminate these deviations by addressing their cause(s). In the result-oriented approach, you will study performance in the economy, efficiency and effectiveness, and relate your observations to the goals, objectives, regulations or audit criteria. If the criteria are difficult to determine, you may need to work with experts to

develop credible criteria.

A **problem-oriented audit approach** generally begins with a preliminary problem that may or may not need to be further verified during the audit. Accordingly, this approach places a special emphasis on examining, verifying and analysing the causes of performance problems. You can use this approach when there is a clear consensus on a problem, even if there is no clear statement of the desired outcomes or outputs. If you use this approach, your conclusions and recommendations will be based on the process of analysing and confirming causes using criteria that allow you to assess how specific factors contribute to the identified problem. A major task in the problem-oriented audit approach is to analyse the causes of the problem from different perspectives.



A problem-oriented approach seeks answers to questions like:

- What are the causes of the problem?
- To what extent can the government solve the problem?

Source: IDI/PAS Development Team



A system-oriented approach seeks answers to questions like:

- What are individuals' roles and responsibilities?
- What are relevant information flows?
- Is there a good-quality monitoring system?
- Are processes evaluated periodically and properly?

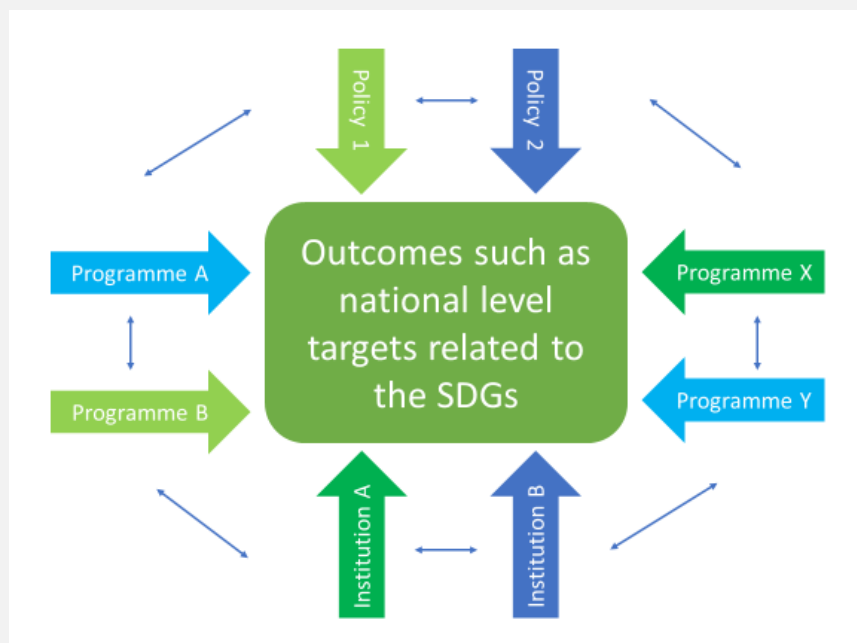
Source: IDI/PAS Development Team

A **system-oriented audit approach** examines the proper functioning of management systems. If you use this approach, you may find that performance benchmarks and principles of good management will be helpful as criteria in assessing the conditions for the economy, efficiency or effectiveness, even when there is a lack of a clear consensus on a problem or when outcomes or outputs are not clearly stated. To help the users of reports understand the significance of weaknesses on the performance of management systems, it is important to identify reasons for the weaknesses and establish plausible links to how weaknesses affect operations. Well used, this type of audit seeks to answer a wide variety of questions to describe how the activities are functioning, the cause of any weaknesses, and the extent to which things could be improved.

As stated in ISSAI 3000/40, it is also possible to combine audit approaches. For example, an audit of the implementation of SDG targets would be a combination of result and system-oriented audit approaches. Such audit will use the Whole of Government (WoG) approach. The WoG shifts the focus of government performance towards the results that government seeks to achieve to address a societal problem or challenge rather than the operations of any single programme, agency or entity. In this case, you will have a situation shown in **Figure 14**.<sup>13</sup>

<sup>13</sup> You can find more information on WoG at ISAM (<https://www.idi.no/en/isam>) and [https://www.effectiveservices.org/assets/CES\\_Whole\\_of\\_Government\\_Approaches.pdf](https://www.effectiveservices.org/assets/CES_Whole_of_Government_Approaches.pdf)

**Figure 14: Relations when auditing more than one entity**



Source: Some considerations on external audits of SDG implementation (Le Blanc, David and Montero, Aránzazu Guillán, 2020)

## How do you develop the audit objective(s)?



### The Standard

The auditor shall set a clearly defined audit objective(s) that relates to the principles of economy, efficiency and/or effectiveness.

Source: ISSAI 3000/35

**Audit objective(s)** establish the reason(s) for conducting the audit. The objective(s) provide the starting point for developing the audit questions that will guide your work. As a result, the wording of the objective(s) is important and can influence the audit results. The audit objective(s) should be designed to maximise the benefits and impacts from the audit, incorporate the concept of **materiality**, and seek to evaluate **economy**, **efficiency** and **effectiveness** of the audit topic (see GUID 3910/35-42 and GUID 3920/24-30). In setting the audit objective(s), you need to consider the mandate of your SAI and the reasons for the audit.

You can think of the audit objective(s) as a neutral statement of the goal(s) for the audit. It provides the basis for developing audit questions (discussed later in this chapter). Depending on the needs of your audit, you have the flexibility to state your objective(s) as a phrase or to write

them as questions. Either way, you need to consider the following factors when developing your objectives:

- Are the audit objectives framed in clear and simple terms?
- Are the objectives specific, feasible, fair and objective, policy-neutral and measurable?
- Are the objectives framed in a way that allows you to come to an unambiguous conclusion?
- Do the objectives provide sufficient information to audited entities and stakeholders to easily understand why you are conducting the audit, the audit's focus and the audit's goal?



**Figure 15: Examples of appropriately and inappropriately-formulated audit objectives by audit approach**

Audit approach	Examples
<b>Problem-oriented approach</b>	<p><b>Protecting fish habitat</b></p> <ul style="list-style-type: none"> <li>• <b>Appropriate:</b> Determine why the fisheries and environment department did not enforce key fisheries statutes and habitat policy.</li> <li>• <b>Inappropriate:</b> Determine how the fisheries and environment department has failed. <i>This objective does not provide the audited entity and stakeholders with sufficient information to understand why you are conducting the audit, the audit's focus, and the audit's goal.</i></li> </ul> <p><b>K-12 education: Public high schools with more students in poverty and smaller schools provide fewer academic offerings to prepare for college</b></p> <ul style="list-style-type: none"> <li>• <b>Appropriate:</b> Examine why public high schools with more students in poverty and smaller schools provide fewer academic courses.</li> <li>• <b>Inappropriate:</b> Examine why schools in impoverished areas are providing vocational training instead of preparing students for college. <i>This objective implies that vocational training is a poor solution to the problem of educating poor students and does not provide the basis for coming to clear and unambiguous conclusions.</i></li> </ul>
<b>Results-oriented approach</b>	<p><b>Assessment of officers in the entertainment sector</b></p> <ul style="list-style-type: none"> <li>• <b>Appropriate:</b> Assess the extent to which officers have implemented key income tax provisions.</li> <li>• <b>Inappropriate:</b> Assess entertainment sector compliance with the provisions of income tax rules. <i>This objective does not clearly identify who is being audited or the basis for the audit. It is also broadly scoped and does not position the audit to arrive at clear and unambiguous conclusions. It is more of a compliance audit than a performance audit objective. Finally, this objective does not enable the auditor to distinguish between societal problems and problems with government performance.</i></li> </ul> <p><b>Farmers' income stabilisation: Comprehensive set of tools, but low uptake of instruments and overcompensation need to be tackled</b></p> <ul style="list-style-type: none"> <li>• <b>Appropriate:</b> Assess the extent that risk and crisis management tools have been implemented and are delivering intended results.</li> <li>• <b>Inappropriate:</b> Assess which risk and crisis management tools have been best able to deliver results. <i>This objective seeks to complete a result-oriented analysis without adequate criteria to quantify 'best deliver results'. Scope is overly broad and objective may not be achievable.</i></li> </ul>
<b>Systems-oriented approach</b>	<p><b>Assessment of use of government grants for education and monitoring of grant recipient activities</b></p> <ul style="list-style-type: none"> <li>• <b>Appropriate:</b> Assess the extent that agency systems include controls needed to monitor how grant recipients use funds.</li> <li>• <b>Inappropriate:</b> Assess whether agencies are monitoring grant recipients to ensure that funds are being used appropriately. <i>This objective does not clearly establish the scope of the review and introduces subjectivity in the terminology it uses that may be difficult to support using objective criteria.</i></li> </ul> <p><b>Assessment of management system response to the tsunami disaster</b></p> <ul style="list-style-type: none"> <li>• <b>Appropriate:</b> Assess the extent to which management systems and procedures permit a sufficiently rapid and appropriate response to the tsunami disaster.</li> <li>• <b>Inappropriate:</b> Assess whether additional steps could have been taken to respond to the tsunami disaster more effectively. <i>This objective presupposes that there was a poor response and does not specify the target of the audit, making it too broadly scoped to be actionable.</i></li> </ul>

Source: Adapted from the Office of the Auditor General of Canada; Comptroller and Auditor General of India; and US GAO

## How do you formulate audit questions?

After developing your audit objective(s) and approach, you will formulate specific audit questions to guide your audit work. Audit questions should flow from the overall audit objective(s) and typically are more specific to address the topics you will describe or evaluate during the audit. The aim is for your audit questions to cover all aspects of the audit objective(s). Each of the approaches described above may lead you to formulate your audit questions differently. As was the case when developing your audit objective(s), it is critical that your team thinks carefully about the wording of the audit questions because it will have implications for your decisions, the types of information you will collect, your information and data collection methods, your analytical approach, and the types of findings and conclusions you will reach. If you choose to decompose your audit questions into sub-questions, ensure they are complementary, not overlapping, and collectively exhaustive in addressing the overall audit question (GUID 3000/37).

Audit questions are either descriptive (meaning they describe a condition) or evaluative (meaning they evaluate a condition against criteria and can be normative or analytical) (GUID 3920/31-37). Descriptive audit questions can take multiple forms. Some are easily answered, while others are more difficult. For example:

- What are the characteristics of recipients of the rural school programme?
- What is known about the number of workers involved in activity X, both those employed directly by the government and those employed by companies contracted with the government?
- What are the institutional arrangements put in place by the government to achieve vertical and horizontal coherence of the activities related to sustainable public procurement?
- How is the government engaging with non-government stakeholders to implement initiatives related to the elimination of violence against women?

Evaluative audit questions can vary widely, ranging from assessing a programme's current economy to prospective analysis of future events. There are five types of evaluative audit questions, as shown in **Figure 16**. The use of such audit questions is not mutually exclusive. For example, a performance audit with a question to evaluate effectiveness may also include evaluating internal controls.

**Figure 16: Types of evaluative audit questions by audit approach**

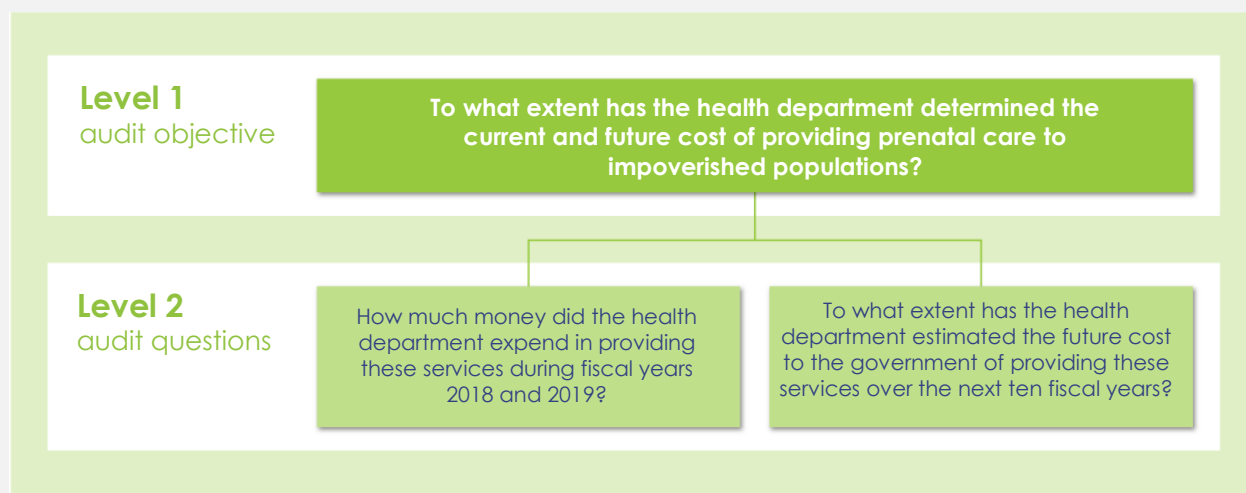
Type of question	Description	Audit approach and example
1 Programme economy and efficiency	Questions that focus on economy and efficiency address the costs and resources used to achieve programme results.	<b>Problem-oriented approach:</b> <ul style="list-style-type: none"> <li>What factors explain the variation in costs of patient care among public hospitals?</li> </ul>
2 Prospective analysis	Prospective analysis questions provide analysis or conclusions about information that is based on assumptions about events that may occur, along with possible actions that the audited entity may take in response to future events that may affect economy, efficiency or effectiveness.	<b>Problem-oriented approach:</b> <ul style="list-style-type: none"> <li>What challenges, if any, will students in high-poverty schools face when preparing to attend college in the next 20 years?</li> </ul> <b>Results-oriented approach:</b> <ul style="list-style-type: none"> <li>How might proposed federal standards for youth camp safety affect overall rates of child injury and illness?</li> </ul>
3 Programme effectiveness and results	Questions that focus on programme effectiveness and results typically measure the manner and extent to which a programme is achieving its goals and objectives, and thus may also examine the quality of programme implementation.	<b>Results-oriented approach:</b> <ul style="list-style-type: none"> <li>To what extent do international school food aid programmes follow good practices for these programmes established by the United Nations?</li> </ul> <b>Systems-oriented approach:</b> <ul style="list-style-type: none"> <li>To what extent have management systems and procedures permitted a sufficiently rapid and appropriate response to the disasters?</li> </ul>
4 Internal controls	Internal control questions relate to an assessment of an organisation's system of internal control that are designed to provide reasonable assurance of achieving effective and efficient operations and reliable financial and performance reporting.	<b>Results-oriented approach:</b> <ul style="list-style-type: none"> <li>To what extent do established internal controls help ensure the achievement of desired results?</li> </ul> <b>Systems-oriented approach:</b> <ul style="list-style-type: none"> <li>To what extent does the Ministry of Labour ensure that performance measures for its employment training programmes are valid, reliable and complete?</li> </ul>
5 Compliance	Compliance questions relate to compliance with criteria established by laws, regulations, contract provisions, grant agreements and other requirements that could affect the acquisition, protection, use and disposition of the entity's resources and the quantity, quality, timeliness and cost of services the entity produces and delivers. As discussed, a performance audit may include elements of a compliance audit.	<b>Systems-oriented approach:</b> <ul style="list-style-type: none"> <li>To what extent have projects funded under the Highway Emergency Relief Program complied with federal programme eligibility requirements?</li> </ul>

Source: Office of the Auditor General of Canada; Comptroller and Auditor General of India; and US GAO

There are several techniques you can use to craft audit questions. One way is to prepare an issue analysis pyramid, such as the one modelled in **Figure 17**. The purpose of this tool is to break the audit objective into a number of more detailed questions to form a pyramid. This allows you to consider all dimensions of your audit questions. The audit objective, shown at Level 1, seeks to

evaluate the extent to which the health department has identified current and future costs of providing prenatal care to impoverished populations. Level 2 identifies the audit questions the team will need to answer during the audit to address the audit objective.

**Figure 171: Example of issue analysis**



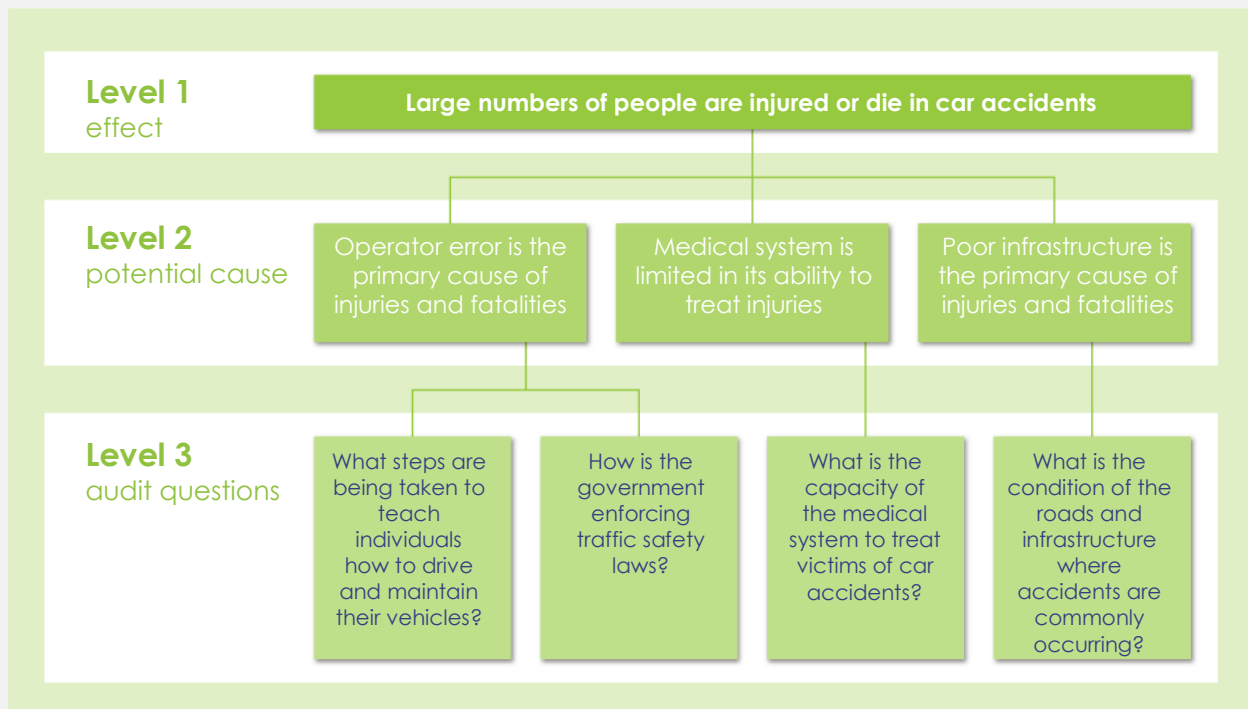
Source: IDI/PAS Development Team

This technique can enable you to assess the feasibility of answering the audit question(s) and develop the logic underlying your audit activity.

A second technique is to complete a cause-effect problem analysis, such as the one modelled in **Figure 18**. Depending on your audit, this may entail completing two discrete steps. The first step is to determine whether the expected results have been achieved or if a system is operating as expected. If this is not the case, there may be a performance problem, and you would need to consider whether the analysis could be brought a step further to hypothesize and analyse the causes. In the problem-oriented approach, the main performance problem and preliminary identified main factors causing it can be part of the original audit design.

The effect, shown at Level 1, provides the starting point for evaluating hypothesized causes identified at Level 2. Potential causes provide the basis for developing audit questions, which are identified at Level 3.

**Figure 18: Example of cause-effect problem analysis**



Source: AFROSAI-E Performance Audit Handbook, 2016

The formulation of audit questions is an iterative process in which you repeatedly specify and refine the questions, taking into account known and new information of the subject and the feasibility of obtaining answers. It is important that you allow your audit to evolve to obtain additional information and further insights into sub-problems and causes. In doing so, it is also critical that you document when, how and why you modify your audit questions so as to provide a complete record of your audit. If significant changes are made, it is necessary to inform the audited entities about the changes.

### **How do you determine the scope of the audit?**

The scope defines the boundary of your audit and addresses such things as specific questions you intend to ask and the type of study you will complete. In particular, the audit scope defines the subject matter the auditor will assess and report on, the documents or records to be examined, the period reviewed, and the locations that will be included. The scope is directly impacted by the audit's objective(s) and questions. As a result, you may need to modify the scope as you collect information and become more knowledgeable about the subject of the audit. You will also need to consider the impact that any changes in your audit objective(s) or questions may have

on the scope of your audit. Developing the scope of your audit is a critical part of audit design. See GUID 3910/24-26 and GUID 3920/21-23 for additional information.

You can establish the scope of your audit by answering the questions listed in **Figure 19**.

**Figure 19: Scope questions**

<b>What?</b>	<ul style="list-style-type: none"> <li>• What specific questions or hypotheses are being examined?</li> <li>• What are the key processes relevant to your audit?</li> <li>• What is the subject matter that will be assessed and reported on?</li> <li>• What resources are available to complete the audit?</li> <li>• What questions, processes, and resources will not be covered?</li> </ul>
<b>Who?</b>	<ul style="list-style-type: none"> <li>• Which agencies and organisations have responsibilities or perspectives relevant to the audit?</li> <li>• Who within relevant agencies and organisations is best positioned to provide appropriate and sufficient evidence to answer the audit questions?</li> <li>• Who is responsible for assuring the reliability of information and data that are relevant to your audit?</li> <li>• Which organisations or persons will be excluded?</li> </ul>
<b>Where?</b>	<ul style="list-style-type: none"> <li>• What are the locations to be covered?</li> <li>• Where are the documents and records that need to be examined?</li> <li>• What locations will be excluded?</li> </ul>
<b>When?</b>	<ul style="list-style-type: none"> <li>• What is the timeframe to be covered?</li> </ul>

Source: IDI/PAS Development Team

You will also need to consider many additional factors when deciding on the scope of your audit. For example, you may need to limit your scope based on the availability of reliable sources and data. You may also need to refine your scope based on:

- the resources available to execute the audit, including access to auditors with the skill sets needed to implement complex methodologies, such as methodology experts;
- access to subject matter experts;
- the costs associated with travel; and
- the time constraints of the audit.

The scope of your audit may include any issues that led to recommendations in prior audit reports if those issues remain relevant. The examples of scope below are adapted from various published performance audit reports.

## Examples of audit scope

**1. Protecting Fish Habitat from 2009 Spring Report of the Commissioner of the Environment and Sustainable Development.** Report of the Office of the Auditor General of Canada, 2009.

The audit included the Administration of Fish Habitat Protection, the pollution prevention provisions of the Fisheries Act, and the two policies (the Habitat Policy and the Compliance and Enforcement Policy) that set out the government's intentions relating to these provisions. The audit included the policies, programmes and activities of fisheries and oceans programme and certain arrangements with others that support the administration and enforcement of these provisions. The audit did not focus on the environmental assessments required by the Environment Assessment Act that may be triggered by ministerial authorisations under the provisions of the Fisheries Act.

**2. Managing the expansion of the Academies Programme.** Report of the National Audit Office UK, 2012.

The audit evaluated the Education Department's implementation of the programme expansion since May 2010 and the adequacy of its funding and oversight framework across the academic sector (including academies established before May 2010). The expansion was still in an early phase, and there was limited trend data on how schools had performed academically since joining the expanded programme. The audit examined this aspect of academies' performance as part of the future value-for-money programme. The report did not cover capital funding nor assess in depth the impact of the expansion of local authority finances or services.

**3. Management of Consumer Complaints.** Report of the Office of the Auditor General of Botswana, 2008.

The audit focused on the activities undertaken by the Consumer Protection Office to manage consumer complaints during the financial years 2003-2006. The audit coverage was nationwide. Consumer complaints data for 2003-04 financial years were not available.

Source: IDI/PAS Development Team

## How do you select audit criteria?



### The Standard

The auditor shall establish suitable audit criteria, which correspond to the audit objective(s) and audit questions and are related to the principles of economy, efficiency and/or effectiveness.

Source: ISSAI 3000/45

Once you have determined your scope, it is time to consider the criteria that will allow you to measure the audited entities' performance against what is expected.

## What are audit criteria?

Audit criteria identify the required or desired state or expectation with respect to an audit topic, representing reasonable and attainable standards of performance against which you can assess the **economy**, **efficiency** and **effectiveness** of activities. In short, they are the standards against which your audit evidence should be judged. In this sense, criteria provide a context for evaluating evidence and understanding the findings, conclusions and recommendations of an audit report (see GUID 3910/55-60 and GUID 3920/38-43).

Criteria are needed in all audits where performance is being evaluated. As stated, such evaluations may include aspects of compliance when it is relevant to the performance of the audited entities. Audit criteria can represent an expectation of 'what should be' according to laws or regulations, 'what is expected' according to best practice or 'what could be' given better conditions. Accordingly, criteria can be qualitative or quantitative, general or specific, or a normative model (that is, norms related to aspects of compliance, when relevant to performance, or economy/efficiency) for the subject matter under review. Examples of criteria include:

- laws and regulations applicable to the operation of the audited entities;
- goals, policies and procedures established by the audited entities;
- technically-developed standards or norms;
- expert opinions;
- procedures for a function or activity;
- defined business practices;
- contracts or grant agreements;
- benchmarks or performance indicators set by the SAI, the audited entities or other relevant entities or sectors;
- prior periods' performance; and
- criteria used in similar audits or by other SAIs. (Note: You will need to ensure these criteria are still valid.)

## How do you choose audit criteria?

When selecting performance audit criteria, it is important to do so objectively. The process requires rational consideration and sound **professional judgement**. Sometimes audit criteria are easy to define, such as when the goals set by the legislature or government are clear, precise and relevant. However, this is not always the case. For example, relevant criteria may not be apparent at the outset of the audit, and applicable performance goals may be vague,



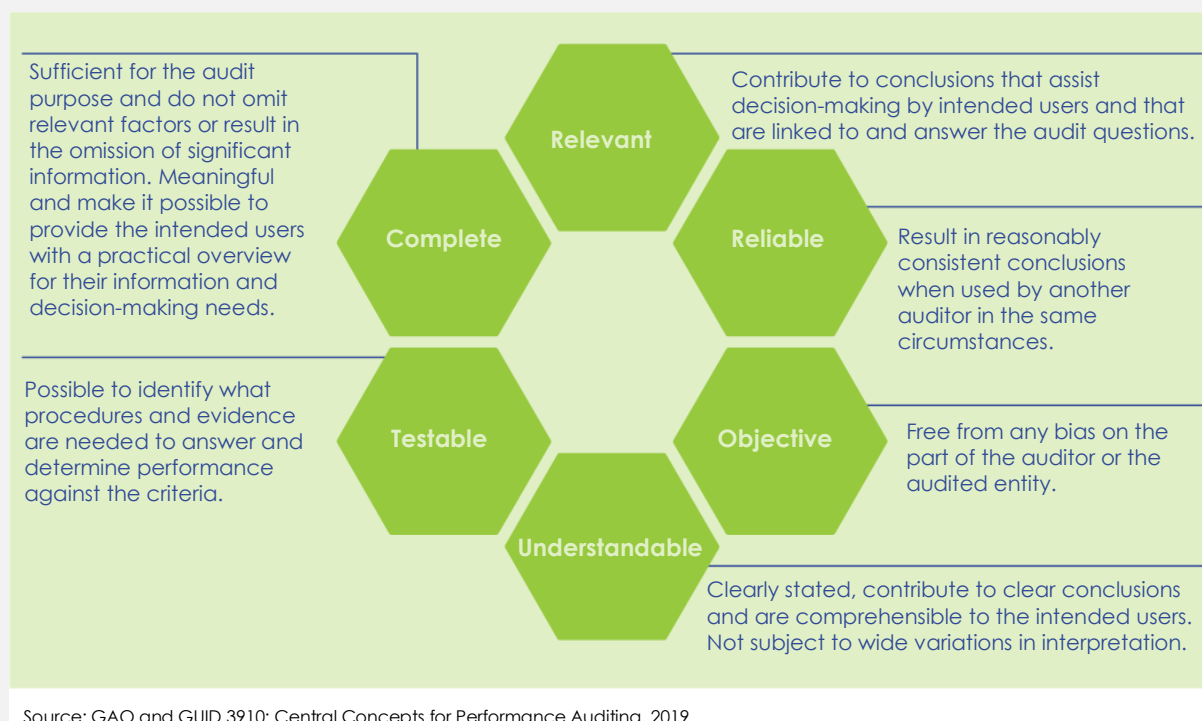
conflicting or non-existent. Similarly, you may find the criteria or standards set by the audited entities do not equal good performance, requiring you to select, adapt or even develop additional criteria that can provide more appropriate benchmarks of performance. In many cases, you may find that a mixture of criteria from the audited entities and other sources provides the right framework for assessing performance. However, in all such instances, it will help if you perform some audit work before selecting your criteria in order to ensure materiality and to enable you to become more knowledgeable about the issues and associated best practices.

To objectively select audit criteria, it is important to have:

- a general understanding of the area to be audited and familiarity with relevant legal and other documents, as well as recent studies and audits in the area to be audited;
- good knowledge of the motives and the legal basis of the audit topic and the goals set by the legislature or the government; and
- a general knowledge of practices and experience in other relevant or similar government programmes or activities.

It is essential that the criteria you select are suitable to the audit topic and objective(s). Suitable criteria are relevant, reliable, objective, understandable, testable and complete. The relative importance of these characteristics is a matter of ***professional judgement*** that should be considered during the selection process. These attributes are shown in **Figure 20**.

**Figure 202: Attributes of suitable criteria**



Some criteria may be highly legitimate in the eyes of the audited entity, such as its own goals, policies or procedures. However, you must be critical when considering the suitability of such criteria and not assume that the entity meeting its own standards is a sign of good performance. Organisations may set internal standards too low in order to achieve them. In such cases, look for additional criteria to assess performance, such as relevant benchmarks used in the sector.

Source: IDI/PAS Development Team

According to ISSAI 3000/49, the auditor shall discuss the selected audit criteria with the audited entities as part of designing and conducting the audit. Doing so helps to ensure a shared and common understanding of what criteria will be used as benchmarks when evaluating the subject matter. It can help address questions regarding their legitimacy and applicability. Such discussion can be especially helpful in instances where you select criteria different than those used by the audited entities to measure their own performance. However, while transparency and obtaining relevant input from the audited entities are important, it is ultimately the auditor's responsibility – not the audited entities' – to select suitable criteria for the audit based on the nature of the audit and the audit questions.

Figure 21 shows examples of audit criteria in relation to their corresponding audit questions.

**Figure 21: Criteria and corresponding audit questions**

Audit question	Criteria
To what extent is the environmental management agency meeting the requirements of the Water Act?	Under the Water Act, the agency is required to prepare an annual report to Parliament on the operation of the Act.
To what extent is the education agency meeting timeframes for awarding contracts?	The agency has established internal timeframes for awarding different types of contracts.
To what extent has the agricultural management agency established processes to ensure that assistance payments are properly awarded?	The agency's policies require that processes be established to determine the eligibility of potential payment recipients and recoup any monies erroneously awarded.
To what extent is the health agency ensuring that potable water providers are performing water quality testing, as required?	Water testing regulations prescribe the type and required outcomes of tests on water intended for human consumption.
To what extent is the information technology office of the defence agency taking steps to safeguard sensitive employee information?	Technically-developed standards dictate steps the agency should follow to safeguard sensitive employee information.
To what extent has the justice ministry's grant programme contributed to desired outcomes within the target population?	Programme goals describe desired outcomes and associated measures to assess progress in achieving such goals.
To what extent has the environmental agency's carbon reduction programme achieved target reductions in carbon emissions?	Carbon emissions reduction targets specify the desired levels of reductions across a period of five years.
Are there established mechanisms to raise stakeholders' awareness and ownership of the SDGs and 2030 Agenda in the country?	According to the 2030 Agenda reference guide, the countries should establish various communication strategies to engage/inform different segments of the society as well as integrate the public.

Source: IDI/PAS Development Team

As noted earlier, sometimes criteria do not exist, are not appropriate or are not readily measurable. In such cases, you may adapt or develop new criteria. New criteria are usually not created from scratch; rather, they are often derived from existing criteria, existing principles of social science research or standards of professional practice. For example, you can: look for and potentially adapt existing criteria used in similar audit topics or operations; review existing literature and identify the measurement criteria used by experts in the field; or meet with officials, experts, consultants or focus groups to determine performance benchmarks based on circumstances and comparable practice, including in the international environment. When you develop criteria, they need to be valid and convincing to a reasonable reader. Validating the criteria you develop is usually accomplished by obtaining the views of independent, experts broadly representative of the field.

It is important to also discuss the criteria with the audited entities, explaining why the additional criteria were needed and how they were validated. The audited entities may have views regarding their applicability or identify other relevant information regarding the appropriateness of the criteria you may not be aware of. It is also helpful to obtain the audited entities' feedback on the use of the criteria, as it may increase the likelihood that the entities will agree with the findings and recommendations of the report and take actions accordingly. Should the audited entity not agree with the criteria you selected, you may wish to involve third party experts to reconcile the different perspectives. However, while engagement and feedback from the audited entities are important, remember that it is ultimately the audit team's responsibility to develop suitable criteria. Accordingly, in sustained disagreement, the audit team may choose to retain its criteria and disclose its rationale in the audit report.



If you choose to develop criteria, be sure to consult with internal and external stakeholders, as appropriate. Also, consider the time and staff resources to develop and validate new criteria and whether they are proportionate to the audit's overall cost and importance.

For example, if you are developing criteria based on expert opinions, it is especially important that the process of selecting them is transparent and defensible. Factors to consider as part of this process include:

- how the audit team will identify and collect information from the experts (for example, panels, surveys, focus groups, etc.);
- the appropriate mix of experts to ensure the desired mix of perspectives, organisations or sectors;
- the experts' certifications, reputation and experience;
- the experts' actual and perceived level of independence based on potential conflicts of interest relating to position, affiliation, assets, sources of income and other relevant circumstances; and
- factors the expert will consider in forming their opinion.

Source: IDI/PAS Development Team

## How do you develop the audit methodology?



### The Standard

During planning, the auditor shall design the audit procedures to be used for gathering sufficient and appropriate audit evidence that respond to the audit objective(s) and question(s).

Source: ISSAI 3000/101

Once you have determined your audit objective(s), questions, criteria and scope, you will need to consider what methodologies are appropriate for your audit, as well as the time and resources available. Your methodology has to describe how you will collect and analyse information to answer your audit questions. You can use a range of methods, the most common of which are discussed in **Figure 22**.

**Figure 22: Benefits and considerations of select information collection methods**

Method	Benefits	Considerations
<b>Interview</b> Discussion with one or more people, by phone, internet or in person, to obtain their perspectives on a programme or activity.	<ul style="list-style-type: none"> <li>• Enables in-depth understanding of the interviewee's perspective.</li> <li>• Can be oftentimes set up and completed relatively quickly.</li> <li>• Enables information collection on sensitive topics.</li> <li>• Can allow flexibility to quickly pursue information in response to statements made during the interview.</li> </ul>	<ul style="list-style-type: none"> <li>• Needs to be carried out thoughtfully to ensure consistency and enable comparison.</li> <li>• Does not support statistical analysis.</li> <li>• Takes time to identify and analyse patterns or trends across several interviews.</li> </ul>
<b>Document collection</b> Review of documents gathered from the audited entity and other sources.	<ul style="list-style-type: none"> <li>• Generally considered to be more reliable than testimonial evidence collected during interviews.</li> <li>• Usually provides good depth and range of information.</li> </ul>	<ul style="list-style-type: none"> <li>• Source integrity, authenticity, authority, and reliability must be carefully considered (more info on Chapter 5).</li> <li>• May encounter difficulty gaining access to information wherein the audited entity does not readily provide documentary evidence.</li> </ul>
<b>Direct observations and inspection</b> Physical observation of programmes, people, property and events related to the audit to collect qualitative information.	<ul style="list-style-type: none"> <li>• Allows you to directly observe the programmes, people, property or events related to your audit.</li> <li>• Can provide context for the issues related to the audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Observations intended to directly or partially answer your audit question(s) may be complex.</li> <li>• Requires detailed planning and careful scheduling.</li> <li>• The observation could affect the behaviour of the person or situation being observed.</li> <li>• May require significant resources for travel and staff participation.</li> </ul>
<b>Surveys</b> Approach to information or data collection that is used to collect evidence from a population using a standard set of questions.	<ul style="list-style-type: none"> <li>• Way to gather information from multiple people.</li> <li>• Data can be used for different types of analysis.</li> <li>• Data on selected variables may be generalisable and precise.</li> </ul>	<ul style="list-style-type: none"> <li>• Resource and time intensive.</li> <li>• Requires careful planning and testing.</li> <li>• Can require time consuming analysis.</li> </ul>
<b>Site visits</b> Involves travel to a geographic location to perform audit methods.	<ul style="list-style-type: none"> <li>• Can combine different methods including interviews, document review and direct observations or physical inspections.</li> <li>• Can improve cost efficiency by combining multiple methods during one visit.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires detailed advanced planning and careful scheduling.</li> <li>• May require significant resources for travel and staff participation.</li> <li>• Requires detailed understanding of how the audited entity or subjects of the visit(s) are organised.</li> </ul>
<b>File reviews and structured observations</b> Information or data collection instruments used to systematically record observations and information extracted from records.	<ul style="list-style-type: none"> <li>• Results in a structured and reliable data set that can be used to support quantitative or qualitative analysis.</li> <li>• Effective tool for collecting the data needed to assess compliance with legal or regulatory requirements.</li> <li>• Can provide data that may be generalisable to a programme or population.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires significant time and resources to execute this approach.</li> <li>• Requires detailed advanced planning and the development of valid data collection tools.</li> <li>• May not enable the determination of the cause of identified deficiencies.</li> </ul>
<b>Small group methods</b> Collection of information from a group of people using tools like focus groups (facilitated small group conversations) and panels of experts.	<ul style="list-style-type: none"> <li>• Discussion can reveal issues not addressed in individual interviews.</li> <li>• Adaptable for a variety of audit needs.</li> <li>• Experts can provide consensus perspectives on issues or activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be costly in terms of travel or fees to convene expert panels.</li> <li>• Analysis can be difficult and time consuming due to volume and diversity of information.</li> </ul>

Method	Benefits	Considerations
<b>Secondary data</b> Data collected by someone else, such as government agencies, universities or research organisations.	<ul style="list-style-type: none"> <li>• May be faster than other data collection methods.</li> <li>• Data may be more complete than if you collected it yourself.</li> <li>• Quality checks may have already been completed.</li> </ul>	<ul style="list-style-type: none"> <li>• Data may not match the audit objective.</li> <li>• Data may be difficult to access.</li> <li>• May require significant time to assess the reliability of the data.</li> </ul>
<b>Case studies</b> In-depth collection of data for one or more complex events, incidents or locations that seeks to answer complex 'why' or 'how' questions.	<ul style="list-style-type: none"> <li>• Can enable in-depth assessment of activities, facilitate the analysis of similarities and differences between operations in different localities, or illustrate aspects of processes or the consequences of flaws in programmes using specific 'real-world' examples.</li> <li>• Enables collection of more in-depth information about a topic or complex events.</li> <li>• Approach can enable corroboration of evidence and increase the reliability and validity of findings.</li> </ul>	<ul style="list-style-type: none"> <li>• May require substantial time and resources.</li> <li>• Analysis can be time-consuming.</li> <li>• Case study selection will significantly impact information collection and findings.</li> </ul>

Source: IDI/PAS Development Team

Once information and data are identified, you will need to give some thought during the planning phase to how you intend to analyse the data. There are some analysis methods that you can consider in developing your methodology, including those discussed in **Figure 23**.

**Figure 23: Benefits and considerations of select data analysis methods**

Method	Benefits	Considerations
<b>Content analysis</b> Method for structuring and analysing complex qualitative information obtained from multiple sources, such as interviews or a large number of documents.	<ul style="list-style-type: none"> <li>• Enables the identification of patterns or trends in data that are meaningful for the audit questions and objectives.</li> <li>• Allows data to guide the development of analytic categories.</li> <li>• Can be used to inform the use of other methods.</li> <li>• Enables unstructured data to be summarised, analysed and reported.</li> </ul>	<ul style="list-style-type: none"> <li>• Labour and time intensive.</li> <li>• Can lead to unusable results if implemented incorrectly.</li> <li>• Requires planning and training of staff.</li> </ul>
<b>Statistical analysis and modelling</b> Use of software and computer models to identify trends, patterns and correlations in large data sets.	<ul style="list-style-type: none"> <li>• Enables the identification of patterns and correlations in large quantities of data.</li> <li>• Provides an efficient and structured means of analysing large amounts of quantitative data.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires significant expertise in the use of data analysis software.</li> <li>• May require significant time and resources to structure the data so that it can be analysed using data analysis software.</li> <li>• Typically does not identify the cause of patterns or correlations.</li> </ul>

Source: IDI/PAS Development Team

When designing your data collection and analysis methods, you will need to ensure the approaches you use will enable your team to obtain evidence that addresses your audit objective(s) and answers your audit questions. Additionally, you will need to consider risks and limitations that result from your team's expertise, cost and time limitations, and the availability and reliability of the data (see the Managing risk section below for more information). In most instances, you will find it beneficial to use multiple methods to collect and analyse data to help you corroborate information from multiple sources.



Remember, although you will make initial decisions about your audit methodology during the planning phase, you may need to refine or adjust your methodology as you perform the audit. This will be discussed in greater detail in Chapter 5.

Source: IDI/PAS Development Team



## Examples of applying audit methods

### **The Packaging Recycling Obligations; 2018.**

In completing this audit, the audit team used a number of information collection and analysis methods including:

- 1. Interviews** with stakeholders to understand their view of the purpose of the scheme, its performance, the level of fraud and error present, and the oversight government has had over it.
- 2. Direct observation** of the Environment Agency's central packaging compliance team to develop an understanding of how the scheme operates and is monitored.
- 3. Content analysis** of legislation, policy papers, department briefing notes, audit reports, industry reports and relevant published audit reports.
- 4. Statistical analysis** of the National Packaging Waste Database to determine the number of companies registered and accredited with the scheme, the amount of revenue reported as generated through the system and trends in the reported weight of packaging recycled.

### **Federal Monitoring and Evaluation Guidelines Incorporate Most but not All Leading Practices; 2019.**

In completing this audit, the audit team used a number of data collection and analysis methods including:

- 1. Content analysis** drawing upon documentation and interviews to agency guidelines against 28 leading practices.
- 2. Content analysis** and document review of agency policies, guidance and operating procedures against requirements established in government guidelines.
- 3. Interviews** with agency officials.

Source: IDI/PAS Development Team

Ultimately, you will need to not only consider how you will collect evidence and how you will analyse it to address your audit questions but also how you will assess the evidence to ensure it is reliable. Collectively, these steps establish the methodology for your audit, something we discuss in greater detail in Chapter 5.

## How do you manage risk during audit design?



### **The Standard**

The auditor shall actively manage audit risk to avoid the development of incorrect or incomplete audit findings, conclusions and recommendations, providing unbalanced information or failing to add value.

Source: ISSAI 3000/52

It is important to manage risk throughout the audit design process. A key purpose of audit design is to identify, mitigate and plan for major risks; accordingly, all design decisions have to be risk-based.

**Audit risk** is the possibility that the auditors' findings, conclusions or recommendations may be incorrect or incomplete due to factors such as inadequate audit processes, insufficient or inappropriate evidence, resource or data limitations, or intentional omissions or misleading information because of misrepresentation or fraud (GUID 3910/61). This includes the risk that auditors will not detect a mistake, inconsistency or significant errors – or fraud in the evidence supporting the audit. Risk involves the probability of an event occurring combined with the seriousness of the event if it occurs.

#### How do you identify and assess risk?

Identifying and assessing risk during audit design requires sound, up-to-date knowledge of the audit area, including a thorough understanding of the audit topic objectives, policy and processes, along with key stakeholders and controls. The identification of audit risk involves consideration of both qualitative and quantitative factors, including time frames, complexity and sensitivity of the work; the size of the activities in terms of financial value and number of citizens served; adequacy of the audited entities' systems and processes for preventing and detecting inconsistencies, significant errors or fraud; and auditors' access to records.

You should identify and assess risks for the audit overall and each potential audit approach so that you have a clear understanding of the costs, benefits and limitations of potential methodologies. Risk identification and assessment can take many forms but may generally be addressed by considering the following questions (GUID 3920/61):

- Does the audit team possess sufficient skills and knowledge for the audit (including specialised knowledge for specific tasks)?
- Are the time frames and resources needed to conduct the audit available and feasible (for example, travel funds, opportunity cost impact on other audits)?
- Is the audit topic sensitive, highly visible or controversial (for example, political sensitivity, media sensitivity)?
- Is the audit and subject matter highly complex, or does it involve areas traditionally prone to risk (for example, IT systems, procurement, health and environmental issues)?
- Are there real or perceived threats to the independence of the auditors assigned to the audit?
- Is there risk related to management integrity or relations with the audited entities?
- Are there enough data available and are the data of good quality (for example, data access and reliability)?

In identifying and assessing risk, you may benefit from evaluating whether the audited entities have taken appropriate corrective action to address findings and recommendations from previous audits that are significant in the context of the current review. This information can be used to determine the nature, timing and extent of current audit work, including how testing the implementation of corrective actions applies to the current audit.

Once you are aware of risks, you have to carefully consider your **risk tolerance** – that is, the acceptable level of variation in audit performance relative to the achievement of your audit’s objectives. Risk tolerance should also be balanced against the benefits of undertaking the task. For example, if conducting a survey, you need to consider your tolerance for risks – such as a low response rate or limited access to staff with the expertise needed to properly design and administer the survey – about the potential benefits of the survey.

When determining your tolerance for risk, focus on the risks most likely to affect the audit’s critical path, which comprises the tasks that will delay the completion of the project if they are not performed as expected and on time.



Plan the steps you will take to assess data quality. Possible steps include:

- reviewing information about the data from reports, studies, system manuals and knowledgeable parties;
- testing the data (for example, checking the total number of records, testing for missing values or elements, looking for invalid or duplicate records and following-up on anomalous data such as extremely high values or dates outside of valid time periods);
- assessing internal controls of the data system; and
- tracing a sample of data to the source documents to ensure accuracy.

See Chapter 5 for additional information on assessing data quality.

Source: IDI/PAS Development Team



Key risks can be captured in the design matrix, and sufficient time should be included in the project schedule or work breakdown structure for risky tasks and to further assess risk as the audit evolves. The project schedule can also help you determine which tasks are critical and therefore most in need of mitigation. See the ‘How do you document the audit plan?’ section for additional information on these important design tools.

Source: IDI/PAS Development Team

Your approach to assessing risk during the audit design phase can vary and is a matter of **professional judgement**, depending on the audit’s circumstances and approach. See Appendix 5 for tools that can enhance knowledge of the subject matter and facilitate the analysis of audit risks.

### How do you mitigate audit risk?

After identifying and assessing audit risks and tolerance levels, it is important to manage any significant risks by planning steps to reduce them or mitigate their effects (GUID 3920/62). This can be accomplished through various actions, including:

- increasing or reducing the scope of work;
- adding specialists (for example, methodologists), reviewers or additional senior staff;
- increasing resources;
- regularly monitoring or tracking progress against interim milestones by updating audit plans, holding meetings or producing status reports;
- building in extra time, if possible, for particularly risky tasks;
- changing the method to obtain additional evidence, higher-quality evidence or alternative forms of corroborating evidence;
- aligning the findings and conclusions to reflect the evidence obtained; and
- increasing supervisory or management review.

For example, if your team has concerns about data quality, you could plan to mitigate the risks associated with its use by: collecting additional evidence from other sources to supplement or corroborate the data; and including information in the report about the source and quality of the data, along with any associated limitations in its use or interpretation. Remember, you should only use data that you determine to be sufficiently reliable for the intended purpose of your audit.

When considering ways to mitigate risks, remember that risks and mitigating steps associated with audit approaches should always be balanced against the benefits of those approaches in order to clearly understand their value and optimise the return on invested resources. Chapter 2 discusses the broader process of managing risk across the entirety of the audit.



Your plans for mitigating key risks can be captured in the audit design matrix, which is described in the 'How do you document the audit plan?' section.

Source: IDI/PAS Development Team

## How do you determine the time frames and resources needed for a performance audit?

When designing your audit, it is critical that you determine realistic time frames and resource needs so that the work can be performed in an economical, efficient, effective and timely manner, in accordance with the principles of good project management. To perform a high-quality audit within a limited time frame, it can be helpful to think of the audit as a project because it involves planning, organising, securing, managing, leading and controlling resources to achieve specific goals. In particular, this requires that you:

- determine realistic time frames for the audit and individual tasks that need to be completed. These have to be based on the planned methodology and other relevant factors, including

internal audit processes, past audits, stakeholder perspectives, anticipated access to information, and the availability of resources;

- identify and align a sufficient number of auditors, supervisors, and internal and external stakeholders with specific tasks to meet expected time frames for completing the work. This process has to account for their collective knowledge, skills, abilities, independence and developmental needs. See Chapter 2 for additional information on ensuring **audit team competence**; and
- determine costs associated with travel, training, equipment and external subject matter experts, and other ancillary costs. Internal staff resources are typically budgeted in terms of working days and tracked through an internal recording system, whereas external stakeholders may involve separate costs.

## How do you document the audit plan?

### What is an audit plan?

It is important that auditors prepare a written audit plan to guide their work and ensure the audit is properly designed (see GUID 3920/56-58). The intent of an audit plan is to synthesise and document the design efforts discussed earlier, tying together all design considerations and components. The form and content of an audit plan may vary among audits but often includes a design matrix, project schedule and any other appropriate **audit documentation** of key decisions about the audit objectives, scope and methodology, and the auditors' basis for those decisions. This could include a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) and Risk Verification Diagram (RVD), the results of the audit pre-study and data collection plans and tools, among other items (see Appendix 5). Collectively, these items should encompass:

- background knowledge and information needed to understand the subject matter and the entities being audited;
- the audit objective(s), questions, criteria and scope, including the period to be covered;
- results of the risk assessment;
- methods for gathering evidence and conducting audit analysis;
- the plan for conducting the work, including key tasks, time frames, milestones, resources (including team members and need for external expertise) and control points; and
- the estimated cost of the audit, with or without staff costs depending on the planning system of the SAI.

A written audit plan provides an opportunity for your SAI management to supervise audit design and to determine, among other things, whether: the proposed audit objectives and questions

are likely to result in a useful report; the audit adequately assesses risks; the proposed scope and methodology are adequate to address audit objective(s), and the available evidence is likely to be sufficient and appropriate for the audit.

The plan is also a tool to help management determine whether sufficient staff, supervisors and specialists with adequate collective professional competence and other resources can conduct the audit and meet expected time frames. Therefore, it is important to submit audit plans to SAI management for approval, as discussed in the *How do you involve internal stakeholders, external stakeholders and management when designing the performance audit?* section below. The approved plan will then guide your team in the audit and provide the basis for management to regularly monitor its progress. To do so effectively, the plan has to allow for flexibility so it can be adjusted as circumstances change and knowledge deepens during the audit.

#### How do you develop the design matrix?

The audit design matrix is a key tool for providing an overview of and documenting the audit design. It provides a structure for synthesising and linking the elements of your audit design, enabling a more systematic and directed design process, as well as communication with internal stakeholders within your SAI about the audit approach. The design matrix helps document and link your audit scope, objective(s), criteria and methods, assuring a logical chain of reasoning between the audit's approach and likely results. It provides the basis for stakeholders to develop a common understanding of the audit's design and ultimately agree on the planned approach. While the matrix is initially to be prepared during the design phase, it is a living document reviewed and updated, as necessary, as the audit work progresses.

The main goals of the design matrix are to:

- document and formalise the audit approach;
- present a summary overview of the audit design;
- identify and document the 'why, what, and how' of the work by establishing a clear relationship between the audit's scope, objectives and methodology;
- link the work performed to its expected results; and
- facilitate stakeholder interaction, audit supervision and review.

When preparing the matrix, make sure to explicitly identify the intended users of the report so that their needs and interests can be considered. Doing so will help ensure the report is useful and understandable to its intended audience. However, such considerations should in no way undermine the independence and objective attitude of the audit team, which remains responsible for conducting a well-balanced and independent performance audit.

**Figure 24** provides an example design matrix template, along with instructions for completing each section.

**Figure 24: Design matrix template**

<ul style="list-style-type: none"> <li>• Put the issue into context; state why it is important.</li> <li>• State why the audit is being conducted.</li> <li>• Identify the audit team and intended users of the audit report.</li> <li>• Introduce the overall audit objective(s).</li> </ul>				
Audit question(s)	Criteria and information required and source(s)	Scope and methodology including data reliability	Limitations	Expected results of the work
<p>Identify key audit questions.</p> <p>Audit questions may be descriptive or evaluative.</p> <p>Ensure each question is specific, objective, neutral, measurable and doable. Ensure key terms are defined.</p> <p>Broad questions followed by more pointed sub-questions sometimes help to clarify scope and develop more substantive findings. Limit the number of sub-questions to no more than three.</p> <p>As the audit nears its conclusion, audit questions may be refined to reflect your findings more accurately.</p>	<p><b>Criteria:</b> Identify the criteria or plans to collect documents that will establish the criteria to be used.</p> <p>As discussed, this can include laws, regulations, policies, best practices or other credible standards for how things should be.</p> <p><b>Information required and sources:</b> Identify the information required to answer the audit questions and the sources of this information, including documents, programme officials, databases, subject matter experts, etc.</p> <p>When the first column contains sub-questions, precise one-to-one linkage is not strictly necessary. Consider what it will take to answer the question and avoid repetition.</p>	<p><b>Scope:</b> Identify the planned scope of the work associated with the research objective. Scope will define the boundaries or time frame of your work for the objective.</p> <p><b>Methodology:</b> Describe strategies for collecting required information or data, such as document review, data collection instruments, questionnaires, focus groups and case studies. Address the planned scope of each strategy, including time frames, locations and sample sizes.</p> <p>Describe the analytical techniques to be used to analyse the information collected, such as content analysis, case study summaries or regression analysis.</p> <p>Describe steps to be taken to assess the reliability of data sources.</p>	<p>Identify any limitations associated with the information required, planned methodology or your general ability to answer the audit question. Limitations could include questionable data quality or reliability, inability to access some information, constraints on staffing or travel funds, or inability to generalise or extrapolate findings to the universe.</p> <p>Discuss how each limitation may affect the product and describe steps to be taken to mitigate the associated challenges.</p> <p>If the limitations are so severe that they will materially affect your ability to answer the audit question, consider rewording the question and/or altering the scope to decrease that risk.</p>	<p>Describe the expected results of the work by summarising what the audit team will likely be able to say as a result of the work performed.</p> <p>The expected results should answer the audit question in the first column.</p>

Source: US GAO

The design matrix can also be documented in other formats. One such format is the design paper, which presents the same information in narrative form outside a structured matrix. The design

paper itself can take multiple forms, depending on audit circumstances and staff/management preferences. If used, see the checklist in Appendix 6 to help ensure your design paper includes the necessary information.

### How do you develop the project schedule and a work breakdown structure?

The project schedule and work breakdown structure create a roadmap for performing the work and answering the detailed questions of ‘how’ the work is being conducted, ‘when’ the work will be conducted and ‘who’ will conduct the work. Like the design matrix, the project schedule and, if used, a work breakdown structure (a work breakdown structure is not always necessary) has to initially be prepared during the audit design phase. However, since the auditing process is not static, you have to continuously monitor your schedule and work breakdown structure and take corrective actions, when appropriate, to ensure the plans reflect the work being performed and that the audit proceeds in an efficient manner.

Collectively, the project schedule and work breakdown structure will help you define and document:

- the specific tasks the team will perform;
- when tasks will occur (timing and sequence) and how long they will last;
- how the tasks relate to each other;
- who is needed and available, and for what periods;
- other required resources (for example, travel funds, training costs);
- milestone dates (that is, key decisions or progress assessment dates); and
- the detailed activities associated with each major task.

The project schedule and work breakdown structure are similar tools, but they provide different types of information and varying levels of detail. Specifically, the project schedule – which is typically developed for all audits – focuses on the audit’s key activities, durations and associated staff, allowing you to define and sequence audit tasks, allocate resources and closely monitor their usage. Alternatively, the work breakdown structure allows you to divide the work into distinct increments and describe the tasks that will be performed to the level of detail necessary to define the scope of work and enable its oversight. Unlike the project schedule, the work breakdown structure generally does not emphasise time frames associated with the work. This may be particularly useful when you need to define in detail the work associated with a major line of effort, such as developing a survey and focus oversight on the execution of specific detailed steps instead of overall timeliness. Whether you choose to use a work breakdown



structure or just the project schedule, it is important to carefully monitor audit progress, along with the expenditure of staff time and budgeted resources.

See Appendix 7 for templates, examples and detailed descriptions for the project schedule (basic and detailed variants) and work breakdown structure.

## **How do you involve internal and external stakeholders and management when designing a performance audit?**

Effective **communication** with internal stakeholders (that is, technical experts, legal experts, methodologists) and your management, as well as external stakeholders – such as the audited entities, legislature, the media and other concerned actors – is essential in order to properly plan and conduct your audit.

### How do you communicate with internal stakeholders and management?

Your ability to develop and maintain a sound audit plan depends to a large degree on the extent to which you communicate with internal stakeholders and SAI management throughout the initial and ongoing design processes. As discussed, your audit plan needs to be developed in conjunction with internal stakeholders and submitted to SAI management for approval. As part of this process, it is helpful for the audit team, supervisor, internal stakeholders, and management to collectively discuss and reach an agreement on the audit plan, as documented in the design matrix, project schedule and other chosen tools. Doing so will help ensure all parties agree on the approach and accept the audit risks that may exist because the audit plan has not yet been tested. Often this is accomplished through a formal meeting that is required by SAI policy.



Key decisions, communications and changes made to the audit plan need to be documented in the audit plan or other documentation, as appropriate.

Source: IDI/PAS Development Team

As discussed throughout this chapter, design is a continuous process. It is therefore important that you plan to have regular meetings with your management to inform them of audit progress and the use of assigned resources. This will allow management to guide any necessary changes to the audit plan and continuously ensure that assigned resources are adequate to successfully conduct the audit. Similarly, it is equally important that you plan to consult often with internal stakeholders, drawing upon them for their expertise. This can be accomplished through periodic meetings, milestone discussions, status checks and ad hoc consultations.

As the audit unfolds, your ongoing communication with both stakeholders (such as methodologists and legal experts) and management should focus on the execution of the audit plan and the emerging preliminary findings. Accordingly, tools such as the project schedule, design matrix and work breakdown structure provide mechanisms for coordinating continuous stakeholder and management involvement.

### How do you communicate with external stakeholders?



#### The Standard

The auditor shall plan for and maintain effective and proper communication of key aspects of the audit with the audited entity and relevant stakeholders throughout the audit process.

The auditor shall take care to ensure that communication with stakeholders does not compromise the independence and impartiality of the SAI.

Source: ISSAI 3000/55 and ISSAI 3000/59

When designing your audit, it is important that you also communicate with external stakeholders – which include the audited entities, the legislature and other relevant government offices – and, when appropriate, non-government stakeholders such as the media.

Communication with the audited entities should begin during the audit planning stage and continue throughout the audit process (GUID 3910/64). It is important that you engage the audited entities early to discuss the audit subject matter, objective(s), criteria, audit questions and information needed, along with the period to be audited and the government activities, organisations and/or programmes to be included (GUID 3910/65). Discussing these key aspects will provide a clear picture of what the audit is about and why you are doing it, what the result might be, and how the audit will affect the audited entities. Further, it creates a basis for exchanging views, avoiding misunderstandings and facilitating the audit process. This does not mean that the audited entities dictate conditions or in any way control the audit process. Rather, it helps establish a constructive process for interacting with the audited entities that are essential to performing an effective audit. (GUID 3910/66)

Determining the form, content, and timing/frequency of communication with management or those charged with governance of audited entities is a matter of **professional judgement**. However, a combination of written communication and in-person meetings are generally preferred. For example, you may wish to use a letter to inform the audited entities of key information as the audit is initiated and hold a meeting to discuss key aspects of the audit, as

discussed. Additionally, some SAIs prefer to provide the audited entities with detailed information on the design of the study as early as possible to help reassure the audited entities about the nature and scope of the audit, while other SAIs prefer to provide such information only after the audit plan has been approved by management. Organisations accustomed to working with SAIs and participating in the audit process may have established protocols they want you to follow when working with them. For example, audited entities may want you to send requests for information through specific points of contact. Similarly, many SAIs have established protocols that clearly define policies and practices for how you are to engage with the entities you are auditing. The exact timing of such communications is a matter of professional judgement and the requirements of your SAI; however, it is helpful to consider providing the audited entities with as much information as early as possible to develop a mutual understanding of the audit's purpose and scope.

Communication with other external stakeholders during the design phase is shaped by each party's role, needs and interests, and internal SAI protocols. For example, if the audit is being conducted at the request of the legislature, it may be helpful to contact the requesters when initiating the audit in order to obtain clarifying information, follow-up to explain the audit design and schedule, and provide periodic briefings on the status of the audit and preliminary findings. It is also important to gain the trust of the audited entities to ensure cooperation throughout the audit. See GUID 3910/70-73.

While communication with the media generally occurs after an audit report is issued, the SAI or audit team may need to be prepared during the design phase to respond to media enquiries or even develop a strategy for engaging the media as needs dictate, such as when the audit topic is controversial or high-profile. For ongoing work, it is generally appropriate to share only a limited amount of information with the media such as: the audit objective(s), scope and methodology; the source of the work; and the expected completion timeframe. Audit details or potential findings are usually not shared with the media until work is completed and the audit report is issued.

## When designing a performance audit, remember to...

... communicate with the audited entity and other knowledgeable actors to obtain the information necessary to develop a sound audit plan;

... develop sufficient understanding of the audit area, weaknesses and challenges in it, what data will be available during the audit, the materiality of the audit questions and what criteria will be considered for assessing performance;

... consider resource availability and audit team competence when determining the who, when and how work will be conducted;

... communicate continuously with internal stakeholders (and external stakeholders as appropriate) to ensure the audit plan reflects legal, subject matter and methodological expertise;

... consider the independence of audit team members to ensure that work plans are objectively constructed and can be soundly executed;

... assess the risks associated with different audit questions and methodologies (for example, time, data quality) and take appropriate mitigating steps (for example, adding reviewers, obtaining corroborating information) to ensure that efforts will produce findings, conclusions or recommendations that are accurate, complete and add value. Remember that all design decisions are risk-based decisions;

... apply professional judgement to all planning decisions to ensure sound decision-making based on relevant factors; and

... document key planning considerations and decisions via tools such as the design matrix, project schedule and work breakdown structure.

Source: IDI/PAS Development Team

## Chapter 5

### How do you conduct a performance audit?



### Conducting the audit

- Understand the importance of collecting **sufficient** and **appropriate** evidence.
- Gather information and data by **employing the approved methodology**.
- **Analyse** the collected information and data using qualitative and quantitative methods.

The purpose of conducting a performance audit is to obtain sufficient and appropriate evidence to develop findings that answer the audit objective(s) and questions. As discussed in Chapter 4, the audit questions should guide your audit work; thus, the information you collect and analyse should directly address the audit questions.

This chapter will answer the following questions:


- How do you determine the sufficiency and appropriateness of evidence?
- How do you gather information for a performance audit?
- How do you analyse information?
- How do you document and safeguard information?

These activities can occur sequentially or concurrently, depending on the audit and the types of methodologies your team has decided to use. In practice, information is often collected, analysed and evaluated for sufficiency and appropriateness simultaneously. It can also be helpful to begin to identify the elements of potential findings while you are still collecting data. Doing so can help you identify any gaps in your evidence and the need for additional data collection. This is usually an iterative process.

During data collection, your audit team may also need to revisit some of the decisions made during the planning phase of the audit. For example, as you identify new potential sources of

information that can be used as evidence or if you determine that some of the information collected is not reliable or helpful in answering the audit questions, you may need to adjust the audit scope, questions, the application of criteria, and methods for information collection and analysis. Remember to obtain your management’s approval for any material changes to your audit plan and keep your internal stakeholders and the audited entities informed. (GUID 3920/44-47, 72)

**How do you determine the sufficiency and appropriateness of evidence?**



### The Standard


The auditor shall obtain sufficient and appropriate 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.

Source: ISSAI 3000/106

Audit findings must be supported by evidence, so the quantity and quality of the evidence you obtain is important. This means you will need to continuously consider and evaluate the evidence you are: (1) planning to obtain; (2) are in the process of obtaining; or (3) have already obtained, for sufficiency and appropriateness (GUID 3920/69-77). Before we present various methods to collect and analyse information and data, it is important to understand the differences between information and evidence. When qualitative and quantitative information is collected that can be used to support a point you wish to establish related to the audit questions; it becomes audit evidence. Though all the information collected during the audit can help you develop your understanding of the audit topic. Often the evidence you will use to support your findings emerges through your analysis of the collected information.

Sufficiency refers to the quantity of evidence collected (see **Figure 25**). Do you have enough evidence to persuade a knowledgeable person that the findings are reasonable? For example, information obtained from only one source, such as an interview or a single document, will likely not be enough to support a finding but may still be relevant to use as a general illustration. It is important that findings be supported and corroborated by multiple sources and types of evidence.

**Figure 25: Sufficiency of evidence**




**Sufficiency** is a measure of the quantity of the evidence you use to support findings and conclusions related to your audit objective(s) and questions.

Have you obtained enough evidence to persuade a knowledgeable person that the findings are reasonable?

Source: IDI/PAS Development Team

How much evidence is sufficient depends in part on the appropriateness of the evidence? Appropriateness refers to the quality of the evidence. Is the evidence relevant, valid and reliable? It is important to consider the source, content, and timing of your evidence when making these determinations. **Figure 26** contains more information on these important concepts.

**Figure 26: Appropriateness of evidence**



**Appropriateness**

**Relevant evidence** has a logical relationship with, and importance to, the issue being addressed. For example, if you are auditing the procedures for customs inspections at airports, information about the parking procedures at the airport would not be relevant.

**Valid evidence** is based on sound reasoning or accurate information. For example, information obtained from the website of a political party may not be a valid source of evidence because the source of the information could be biased.

**Reliable evidence** means results are consistent when information is measured or tested and must be verifiable or supported. For example, quantitative data that you obtain from an information system may not be reliable if you find that users do not enter the data into the system consistently or check it for errors. Evidence collected from different sources and at different times should be consistent.

Source: IDI/PAS Development Team

You need to obtain your data from knowledgeable and reliable sources using accepted methods.

In performance audits, evidence will typically be persuasive (that is, pointing toward a conclusion) instead of conclusive (that is, definitively stating 'yes/no' or 'right/wrong') (GUID 3920/71). Ultimately, determining whether you have sufficient and appropriate evidence for your findings will require ***professional judgement***. In making such determinations, you will need to be aware of the potential strengths and weaknesses of your evidence and consider the source of the evidence, as some sources may be more credible or reliable than others. Find below useful tips to consider when assessing the sufficiency and appropriateness of your evidence.



## Sufficiency and appropriateness of evidence

### Sufficiency

- ✓ The greater the audit risk, the greater the quantity and quality of evidence required.
- ✓ The more important the finding, the greater the quantity and quality of evidence required.
- ✓ Stronger evidence may allow less evidence to be used.
- ✓ Having a large volume of audit evidence does not compensate for a lack of relevance, validity or reliability.
- ✓ More evidence is normally necessary when the audited entity(ies) or other stakeholders have different opinions on the subject matter.

### Appropriateness

- ✓ Ensure that your evidence is relevant – that is, of importance to your audit topic.
- ✓ Ensure that your evidence is valid – that is, based on accurate information and logical analysis.
- ✓ Ensure that your evidence is reliable – that is, results are consistent and able to be verified.
- ✓ Documentary evidence is often more reliable than testimonial evidence, but the reliability varies depending on the source and purpose of the document.
- ✓ Testimonial evidence that is corroborated in writing is more reliable than oral evidence alone.
- ✓ Evidence-based on many interviews is more reliable than evidence based on a single or a few interviews.
- ✓ Testimonial evidence obtained under conditions in which people may speak freely is more valid and reliable than evidence obtained when people may feel intimidated.
- ✓ Evidence obtained from a knowledgeable, credible and unbiased third party is more valid and reliable than evidence obtained from the management of the audited entity or others who have a direct interest in the audited entity.
- ✓ Weak internal controls can affect the reliability and consistency of evidence across an organisation. Thus, evidence obtained when internal control is effective is more reliable than evidence obtained when the internal control is weak or non-existent.
- ✓ Evidence obtained through the auditor's direct observation, computation and inspection is more reliable than evidence obtained indirectly.
- ✓ Original documents are more reliable than copied documents.

Source: Adapted from GUID 3920/75-76 and Government Auditing Standards (US GAO)

Thoughtfully assessing and ensuring the sufficiency and appropriateness of your evidence throughout the audit is a critical responsibility of your audit team. It will require that you apply **professional judgement** and critical thinking skills. (GUID 3920/77)

If you find limitations or uncertainties in your evidence, there are steps you can take to try to mitigate the **audit risks**. These steps include:

- seeking independent corroborating evidence from other sources;
- presenting the findings and conclusions so that the supporting evidence is sufficient and appropriate for the purposes used. You also need to describe in the report any related limitations or uncertainties with the validity or reliability of the evidence if such disclosure is necessary to avoid misleading the report users about the findings or conclusions;
- redefining the audit questions or the audit scope to eliminate the need to use the specific evidence that is causing concern. Remember to inform the audited entities about any significant changes; and
- determining whether to report the limitations or uncertainties as a finding, including any related significant internal control deficiencies.

The results of your evaluation of the sufficiency and appropriateness of evidence and any mitigations may not be clear cut, and you may have to make difficult determinations as an audit team and with your management. When making these determinations, it is important to remember that evidence is not sufficient and appropriate when:

- using the evidence carries an unacceptably high risk that it could lead you to reach an incorrect or improper conclusion;
- the evidence has significant limitations, given the audit questions and its intended use; and
- the evidence does not provide an adequate basis for addressing the audit objective(s) and questions or supporting the findings and conclusions.

As you move forward with your information collection, remember that a healthy **scepticism** about what people tell you and the information from documents you obtain – not simply accepting things at face value – is extremely important for you to do quality work. This is called **professional scepticism**, and it is a key component of two audit concepts – **independence** and **professional judgement**, as discussed in Chapter 2.

For example, as you collect testimonial evidence, it is important that you consider the credibility of the people being interviewed – what is their position, knowledge, expertise and forthrightness? Descriptions of the person's actions and other people's actions may or may not be reliable, and it is therefore important that it be considered from all angles. For instance, there

are often tensions and different interests within an organisation, such as between departments and between managers and staff. While this may motivate people interviewed to share information with the auditors, it is imperative for the auditors to be mindful of these tensions and assess the reliability of the information because it may represent vested interests rather than fact.

Even when the person interviewed describes the situation with honesty or a document they share with you addresses the audit topic, the information may not fully and correctly describe the real situation because different people and organisations may have different perspectives and preferences and thus interpret the reality in different ways. All individuals are experts on their own role, perspective, knowledge and opinions – but may not know the full ‘story’ and may not be able to see issues from other equally relevant perspectives. It would be extremely rare that sufficient and appropriate evidence could be obtained from a single interview or document. There may be specific circumstances where the individual being interviewed or the document used is uniquely authoritative in relation to the audited activity, but it is important that you apply considerable caution and professional judgement when evaluating such circumstances. Using multiple interviews with staff in different positions and roles, on the other hand, can enable the auditors to develop an understanding and analysis of the organisation going beyond what people in it have been aware.

Keeping the sufficiency and appropriateness of the evidence in mind as you conduct audit work will help you ensure that you have enough quality evidence to develop strong audit findings.

## **How do you gather information for a performance audit?**

### How do you work with the audited entities?

As with planning, gathering information will generally require you to coordinate closely with the audited entities and any other organisations from which you will need to obtain information (GUID 3910/63-69).

Below are some general tips for communicating with the audited entities as you conduct audit work to help ensure smooth and efficient information collection.

## Communicating with the audited entities

- ✓ Agree with the audited entities on the procedures that you will follow to schedule interviews and site visits and to request information to avoid miscommunication and delays. A 'no surprises' approach is generally wise.
- ✓ Plan ahead! Recognise that the audited entities are busy carrying out their primary mission. The more advance notice that you provide the audited entities about your requirements for the audit, the better chance you have of obtaining the information that you need within your desired time frames.
- ✓ Identify agreed-upon points of contact within the different offices at the audited entities to facilitate direct and responsive communication.
- ✓ Agree with senior management in audited entities on who you will keep informed about the progress of the audit, making further dissemination of such information the responsibility of the entity itself.
- ✓ Notify the audited entities as early as possible of the interviews and site visits that you plan to conduct and within what general timeframes.
- ✓ Give the audited entities sufficient time to respond to your information requests. The precise time frames will vary depending on the complexity of the request but understand that large requests for information may take the audited entities additional time to pull together.
- ✓ Keep the audited entities informed of your progress on the audit and any significant changes to your audit plan and timeframes.
- ✓ Escalate early to your management any challenges you encounter in obtaining information from the audited entities so these issues can be quickly resolved.
- ✓ Communicate and work to resolve these issues with the audited entities.
- ✓ Be professional, courteous, and fair in all your dealings with the audited entities.
- ✓ Discuss emerging preliminary findings with the audited entities during the audit to get their feedback and input.
- ✓ Revisit audit protocols with the audited entity if you encounter challenges or delays and adjust as necessary.

Source: IDI/PAS Development Team

Chapter 4 discusses meeting with audited entity at the beginning of your audit. After the initial meeting, during the planning phase, it is important to continue to communicate with the audited entities throughout the audit about your planned work and time frames to ensure that the officials understand the scope of the audit, your plans and your progress. Regular discussions with the audited entities can be useful to identify additional sources of evidence or to obtain perspectives that may inform the development of findings. It is also important for you to discuss with the audited entities the methods your audit team will use to collect information so that the audited entities are prepared to support your efforts.

Most audits will also include a meeting with the audited entities at the end of the audit. Your audit team can confirm that the key facts support your findings and discuss your findings, and any potential recommendations, with the audited entities. This meeting is sometimes referred to as an exit conference. The exit conference is an opportunity for you to share a preliminary draft of your audit report and discuss the audited entities' perspectives on your preliminary

findings and recommendations, as applicable. It presents an opportunity for you and your team to make any needed changes before providing the formal report to the audited entities for official review and comment. These steps are discussed in more detail in Chapter 7.

A sound dialogue throughout the audit process with the audited entities is pivotal in achieving real improvements in governance and may increase the impact of the audit. In this context, the auditor can maintain constructive interactions with the audited entities by sharing preliminary audit findings, arguments and perspectives as they are developed and assessed throughout the audit (ISSAI 3000/58). Typically, you will not present the SAI's findings to the audited entities until the end of the audit – first at the exit conference and then when you publish a final report. However, as you are conducting your work, if you find issues that require immediate corrective action – such as evidence of fraud or significant internal control deficiencies that could lead to fraud (see below) – it is important that you communicate these issues to your management as soon as possible (GUID 3910/91-93). It is recommended that you also discuss with your management how and when to inform the audited entities of these issues.

## Fraud

Fraud involves an individual or entity obtaining or attempting to obtain something of value through wilful misrepresentation.

For example, an entity that misstates or misrepresents programme information or results to obtain government funding may be committing fraud.

As an auditor, it is not your responsibility to uncover fraud or to determine whether an act is fraud. This is the responsibility of a judicial or other adjudicative system.

But you need to continuously assess the risk of fraud related to your audit objective(s), including factors such as:

- individuals' incentives or pressures to commit fraud;
- the opportunity for fraud to occur; and
- attitudes that could increase the risk of fraud.

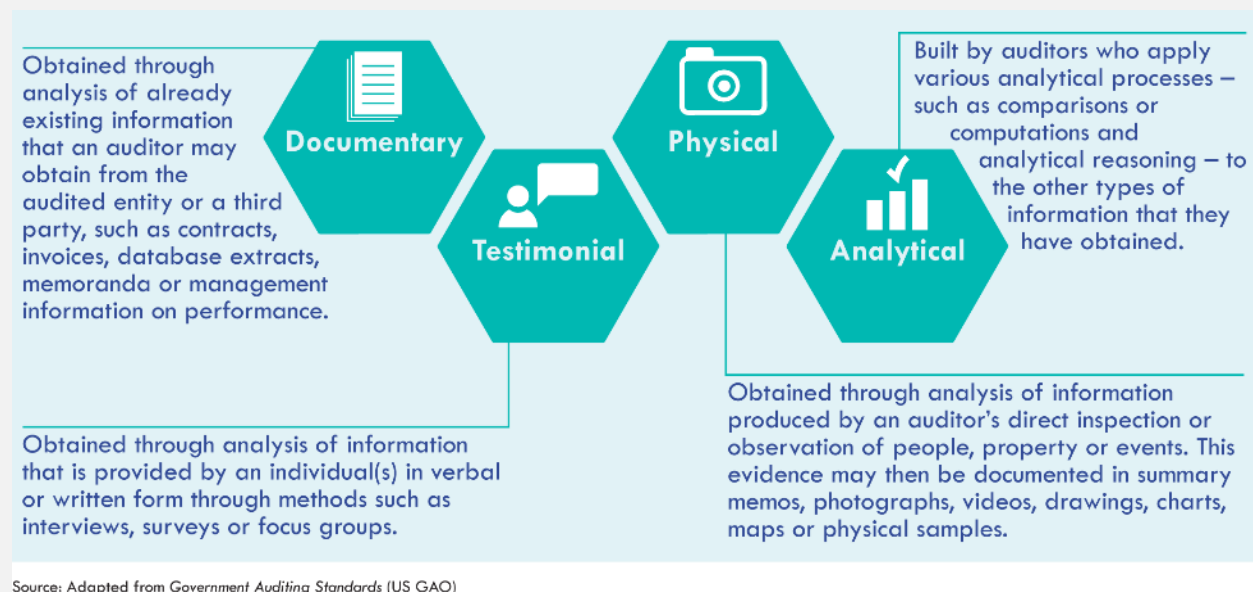
If information comes to your attention during the audit indicating that fraud, significant within the context of your audit objective(s), may have occurred, consult with your internal stakeholders, such as a legal expert, and with SAI management to (1) determine its effect on the audit findings; and (2) the appropriate next steps to take based on your SAI's procedures.

Source: IDI/PAS Development Team

### How do you gather information using various methodologies?

There are numerous methods that audit teams can use to gather information. Still, all audit work has to be conducted with the goal of obtaining sufficient and appropriate evidence to support the findings of the audit. It is important that you ensure the audit you conduct will produce evidence to support the development of findings and provide new information or analysis and potentially support recommendations. There are multiple types of evidence, as discussed in **Figure 27**.

**Figure 27: Types of evidence**



There are many different methods that audit teams can use to collect information and, ultimately, produce evidence. This chapter will cover four common methods used for information collection in detail:

- interviews;
- document collection;
- direct observations and inspection; and
- surveys.

The type of evidence that is most appropriate will vary depending on the audit questions and how the evidence is used in the report (See GUID 3920/44-50). It is often beneficial to use multiple types of evidence to support your findings and conclusions. Ultimately, it is important to apply professional scepticism when collecting and analysing data, as the strength of your evidence will rely on the reliability of the combined data in sum.

As you collect information, consider whether your audit work could provide insights related to the economy, efficiency, and/or effectiveness of the audited entities. This means your audit work could not just focus on what the audited entities did, but on how effective and efficient they were in doing so and with what resources. It is also important to keep in mind the concept of **materiality** as you determine what information to collect and how to collect it to better ensure that your eventual findings will be of value. As discussed in Chapter 4, it is important to describe in the audit plan the methods and information sources the audit team will use to gather evidence.

Depending on the complexity of the method, keep in mind that you may need to bring in stakeholders, such as methodologists, subject matter experts, or consultants from inside or outside your SAI to help you implement your chosen audit plan or provide advice as you conduct audit work (GUID 3910/81). If you do not have access to experts that can assist you with complex methods, then it is important for your audit team to select data collection methods that your team has the training, competency, and resources to carry out (GUID 3910/79-80). Finally, it is also recommended that you carefully consider the data that a method may yield and any limitations before beginning data collection.

## **Interviews**

Interviews are an important evidence-gathering tool for performance audits and will generally be your primary means of gathering testimonial evidence. An interview is a question-and-answer session that is designed to elicit specific information – and, in the case of a performance audit, appropriate evidence. Interviews also provide a good opportunity for you to gain insights about potential sources of documentary evidence. An auditor’s ability to interview effectively and then accurately document the information provided during the interview will influence the quantity and quality of the evidence collected. A well-designed and executed interview can yield:

- the perspective and observations of the person(s) being interviewed;
- documents and information or data provided by the person interviewed; and
- referrals to other people or offices for additional information.

There are two general types of interviews – unstructured and structured.

- Unstructured interviews are designed to elicit a full discussion of the interviewee’s observations and knowledge about the interview topics. The questions are not prescribed, and how you ask them is flexible and dependent on the interview. The responses are also not defined – that is, the interviewee can answer the questions any way that they would like instead of selecting from a list of potential answers. Examples of open-ended questions that an auditor might ask during an unstructured interview include:
  - Please briefly describe the state’s activities regarding the prevention of domestic violence against women.
  - What are the state’s main obstacles, if any, to correctly applying the laws protecting women from domestic violence?
  - Based on your experience, what can be done to improve the service for women victims of domestic violence?



- Structured interviews are designed for an auditor to ask a prescribed set of questions uniformly, usually offering a defined set of possible responses. It is recommended that you consider your audit questions and the evidence you have already collected to develop reasonable and likely response options for a structured interview. This approach is useful when you want to quantify responses. That is when you want to say, “Of [the number of] people we interviewed, [this number of people] said ... .” It is often used when conducting interviewer-administered surveys, such as telephone surveys. An example of a closed-ended question that an auditor might use in a structured interview is below:
  - Example: What problems, if any, do the police face in delivering services to women victims of violence?
    - ( ) Insufficient staff
    - ( ) Lack of capacity to listen respectfully and without prejudice
    - ( ) Lack of proper reception
    - ( ) Few police officers with skills in gender issues
    - ( ) Inadequate facilities
    - ( ) Lack of standards
    - ( ) Lack of information about women’s rights
    - ( ) Other. Which? \_\_\_\_\_

For example, the European Court of Auditors conducted an audit using both result-oriented and system-oriented approaches to examine the degree to which the European Union’s (EU) efforts to mitigate risk in the agricultural sector were efficiently implemented and were effectively delivering results. As part of this review, the audit team conducted interviews with 105 farmers in 17 different EU member states to discuss, among other things, the causes of production losses for the farmers (for example, climate events, pests), the preventive measures taken at farm level (for example, crop rotation, sanitary measures) and the degree to which farmers are insured against the risk of loss. The interviews included structured questions, which allowed the audit team to effectively quantify the responses. For more details about how this method was used to support the audit team’s findings, see [Special Report no 23/2019: Farmers’ income stabilisation: comprehensive set of tools, but low uptake of instruments and overcompensation need to be tackled](#).

An interview can also be semi-structured, meaning that your set of questions includes both prescribed and flexible questions. The approach you choose will depend on how you want to use the responses. The typical interview will likely include both open-ended and closed-ended questions.

### Tips for effective interview questions

- ✓ Ask objective, neutral questions without the implication of bias.
- ✓ If you seek an open-ended response, avoid questions that can be answered with a 'yes' or a 'no'.
- ✓ If you seek a closed-ended response, ask questions that restrict answers to a 'yes', 'no' or other specific response.
- ✓ Keep your questions simple, clear and concise.
- ✓ Do not try to cover two issues in one question.
- ✓ Use probing questions to encourage further discussion about important topics without biasing responses. For example, "Could you tell me more about that...?" or "I am not sure I fully understand the process. Could you elaborate?"

Source: IDI/PAS Development Team

To be effective, interviews must be planned well, conducted with care and skill, and documented fully and accurately. Also, remember to consider people outside the audit organisation with relevant and valid knowledge about it (for example, clients, civil society organisations, experts and other government entities). There are generally three phases involved in carrying out effective interviews – planning, conducting and documenting the results:

1. **Planning the interview** involves the necessary research, administrative and logistical activities you need to conduct before you can effectively interview an official:
  - Identify the office or individuals to be interviewed. If you are unsure, ask your primary contact at the audited entities to identify these individuals.
  - Plan the logistics for the interview, including working with the audited entities to schedule the time and location of the appointment. Good practice is to have at least two members of the audit team present at all interviews so that each member of the team can corroborate the other members' understanding of what was discussed.
  - Conduct pre-interview research to ensure you are knowledgeable about the topic and the role of the individual(s) you will be interviewing.
  - Develop questions for the interview based on the information you need to elicit. If you are interviewing an individual from the audited entity, make sure your questions include enquiries about the degree to which the entity is achieving its objectives (**effectiveness**), the resources it requires to carry out its mission (**economy**) and the relationship between resources employed and outputs delivered (**efficiency**). If you have well-defined criteria that are relevant to the interview topics, it may be useful to derive questions from these criteria to make it easier to analyse the information later. Depending on the situation, you may want to send these questions to the audited entities ahead of time so that they can ensure the correct individuals are present and prepared to respond to your questions. It is also useful to think about potential follow-up questions so that you are prepared to probe the interviewee further during the interview as necessary.

2. **Conducting the interview** involves carrying out the planned interview to elicit the information you need, including collecting related **audit documentation** and data:
- Determine who will lead the interview. It is common practice for one person to lead the interview and the other members of the audit team to be responsible for taking notes.
  - At the outset of the interview, provide introductions of the audit team and interviewees, a statement of purpose for the interview and background information on the audit.
  - When interviewing officials, ask relevant questions and take careful notes of their responses. It is important that you ask follow-up and probing questions to improve the quality and depth of your evidence. For example, a useful probing question is, “Can you give me an example of that?” It is also important to probe for and evaluate any contrary evidence that may exist to help you to understand the full picture and avoid incorrect conclusions. Be prepared to adjust or go beyond your planned list of questions if other issues relevant to the audit objective(s) are identified during the interview.
  - Maintain control over the interview to keep the conversation focused on the topics of the interview.
  - Request related documentation and information to corroborate or expand upon the testimonial information provided by the officials. Explain to the interviewees how the information you are gathering is relevant and needed for the audit.
  - At the close of the interview, summarise key information gathered and the documents or data the individuals have agreed to provide to your audit team. Address any final questions or comments from the interviewees, and thank them for their assistance. You may also want to let the interviewees know that you may need to follow up with them as the audit progresses.

## Tips for conducting effective interviews

- ✓ Be prepared. Study the subject and understand the role of the individual(s) you are interviewing.
- ✓ Prepare a list of the questions to be asked during the interview in advance.
- ✓ Schedule the date, time, duration and location of the interview in advance.
- ✓ Bring more than one person from your audit team to the interview.
- ✓ Assign roles to each person before the interview, such as who will ask the questions and who will take notes. Avoid doing interviews alone if possible.
- ✓ Start and end the interview on time.
- ✓ Be attentive, observant, objective, respectful, impartial, sensitive and confident.
- ✓ Create a rapport with the interviewee: an interview is not a cross-examination.
- ✓ Don't talk too much – listen and observe.
- ✓ Be flexible but have in mind the goal of the interview.
- ✓ Be brave enough to ask difficult questions if relevant to the audit; be frank and candid.
- ✓ Avoid asking complex questions, demonstrating ego and displaying excessive knowledge or attitudes of superiority.
- ✓ In the case of evasive answers, use pauses or silence to indicate that you are waiting for complete information.
- ✓ Take accurate and comprehensive notes.
- ✓ Consider bringing an audio recorder, if appropriate.
- ✓ Document the interview as soon as possible after conducting it.

Source: Adapted from AFROSAI-E Performance Audit Template Manual, 2013; SAI Brazil – Interviews in audit

3. **Documenting the results of the interview** involves creating an accurate written record of the information that was obtained during the interview in a way that facilitates analysis and **quality control** (GUID 3920/100). See Appendix 8 for a template to document the interview:
- Be as accurate as possible. You will be editing, summarising and synthesising information as you develop the interview record. Still, it is important that you ensure your paraphrases and changes are true to the information provided.
  - Organise the written record in a way that will help your team analyse the information obtained. For example, you could organise the record by audit question or topic area and use subject headings to draw attention to different areas.
  - Document the names of the individuals you interviewed and their titles and contact information. This is essential for maintaining an accurate record of the interview.
  - Differentiate between the official position of the audited entity that the interviewee may have provided and the interviewee's opinion on a matter. This is a significant consideration in determining the appropriateness of the information.
  - It is useful to reference and electronically link the documents that were provided by the interviewee in the interview record where relevant. This will help to clearly explain the documentation in context with the interviewees' statements.

- Take steps to verify and confirm the accuracy of the interview record. Some audit teams share their interview notes with the individual drafting the interview record to ensure they have a comprehensive set of notes from the meeting. Other audit teams have one person draft the record based on their notes and then have the other team members review it for accuracy based on their notes. You can choose the approach which works best for your team, but it is important to ensure your teammates who attended the interview review the record to confirm its accuracy. It is recommended that you follow up with the interviewee if you are unsure or do not understand any of the information they provided. In some instances, you may also be able to record and transcribe the interviews. When appropriate, audio-taping the interview can make it easier for you to listen closely to what the individuals are saying, as you will not need to concentrate on taking notes. If you decide to record the interview, ask for the interviewee's permission and keep in mind that recording the interview might prevent the interviewee from speaking freely on sensitive issues. It is recommended that you consult your organization's policy on audio-taping interviews because practices vary widely by SAI.

To obtain a comprehensive view of the audit topic, it is important to interview people with different positions, perspectives and insights. Since the results of your interviews will be testimonial evidence, conducting many interviews with different people or offices can help increase the strength of your evidence. Conducting interviews is resource-intensive, though, so limit your interviews to what is necessary. One way to determine this is to consider whether conducting additional interviews will add relevant new or interesting information that you cannot obtain from other sources, such as from documents. It is important to remember that the reliability of testimonial evidence obtained through interviews is dependent on the person who provides it and their level of knowledge or bias. It is recommended that you corroborate the information obtained whenever possible with documentation or another form of evidence to mitigate **audit risk**, as discussed in Chapter 4. See Appendix 8 for an interview guide that contains more details about how to plan, conduct and document interviews.

## Document collection

The typical audit will rely upon a wide range of documentary evidence to support its findings and conclusions. Thus, document collection is a very important method of obtaining evidence.

Documentary evidence is generally considered to be more reliable than testimonial evidence. It is important to have documentary evidence to corroborate the testimonial evidence you obtain (see **Figure 27** and GUID 3920/74-77). You can collect documents from many different sources. However, whether you can use the documentary evidence you collect as evidence depends on its authenticity and the integrity of the sources and systems producing the information (see side bar). This is discussed in more detail below.



When evaluating if documentary evidence is appropriate, these questions are useful to consider:

- Does the document represent the official position of the audited entity?
- Is the document a draft or the final version?
- Is the document incomplete or outdated?
- Was the document developed by the most knowledgeable source?
- Does the source of the document have any biases that could affect its reliability?
- Is the information accurate?
- Was the methodology used to develop the document sound?

Source: IDI/PAS Development Team

### Audited entities

For most audits, the audited entities are the primary source of relevant documentary evidence. Be sure to request from the audited entities documents that provide evidence to answer your audit questions. This documentation could be either qualitative or quantitative. Examples include:

- policies, guidance and organisational charts;
- contracts, invoices, accounting information and budgetary data;
- quantitative data about the performance of the topic being audited; and
- research or studies related to the audit topic.

At the beginning of the audit, it is useful to ask the audited entities for documentation to provide you with information about its organisation, operations and guidance related to the relevant topic area. Collecting and reviewing this information early in the audit will help prepare to effectively conduct interviews, surveys, additional document collection and inspections as the audit progresses.

Remember to ask for documentation that substantiates officials' statements, establishes relevant facts and provides insights into how effective and efficient the audited entities are in performing its role relevant to the audit objective(s) and questions.

As you collect documents from the audited entities, it is your responsibility to assess if the information is appropriate. You cannot assume, just because a document or data was provided

by the audited entities, that it is relevant, valid and reliable. For example, the audited entities may not have accurate information or have performed accurate analysis itself, or it may provide you with information that presents a biased or incomplete view of the situation. Make sure you understand how data and information was developed, and that information in the documents is consistent with what you have been told by the audited entities. For example, you can ask the same questions of multiple people about the origin of the information and collect similar types of information from different sources to corroborate what is provided by the audited entities and to ensure you have a complete picture. You may also want to ask to review the source data, cases or files that underpin an audited entities' analysis or conclusions so that you can verify the results yourself. Also consider the timing of the documents that you are reviewing. Specifically, if you are examining documents related to a specific event, determine whether the document was prepared at or close to the time of the event. For example, were the meeting minutes prepared the same day or six months later? This could affect the validity and appropriateness of the audit evidence.

It is useful to maintain a register to record and control all documents you collect during the audit. This will assist you in keeping track of the documents you have requested, what the audited entity has provided, and what documents are still outstanding.

Depending on the audited entity and sensitivity of the topic, you may face challenges obtaining documents or information from the audited entity. If an audited entity is trying to prevent you from obtaining information that is relevant to your audit questions, it is recommended that you notify your supervisor immediately so these issues can be quickly escalated and resolved in accordance with your SAI's policies and legal rights.

## Challenges obtaining information from the audited entity and how to address them

Based on the laws of the country, each Supreme Audit Institution (SAI) has to have the legal right to access relevant government documents and information to support the audits they undertake. Developing a positive relationship with the audited entity, including communicating frequently about the information you need and why it is needed to support the audit, can help you obtain information more easily.

However, some audited entities may not readily provide access to the information you request. If you are having difficulty obtaining information to which you believe your SAI is legally entitled, such as through significant delays or denials to information:

- ✓ notify your supervisor immediately so they are aware of the issue and can escalate it to senior SAI management, as appropriate;
- ✓ consult a legal expert within your SAI to ensure the information you are requesting is information to which your SAI is entitled, and for advice on how to frame your request for the information;

- ✓ ensure your request for information has a direct relationship to specific audit questions;
- ✓ explain the nature of the request to the audited entity as specifically as possible and link it to your specific audit question(s);
- ✓ set specific due dates for receiving requested information or meetings;
- ✓ if the requested information is legitimately sensitive, work with SAI management and the audited entity to determine if there is an alternative source of information that would meet the needs of the audit or if an acceptable accommodation, such as reviewing the information on-site, can be reached; and
- ✓ document the attempts you have made to obtain the information and maintain a log of your requests.

Your audit team will need to work closely with SAI senior management to determine how to resolve the issue.

Source: IDI/PAS Development Team

### Third-party sources

Relevant third-party organisations – such as clients, experts, civil society organisations, contractors, professional organisations, research organisations or other government entities – which are not the primary subject of the audit, can also be useful sources for documentary evidence. For example, a contractor may be able to provide you with information about its performance relative to a contract. Or a research organisation may have conducted a relevant study about the audit topic. As described in Chapter 4, it is always useful at the beginning of an audit to conduct a literature search of general research reports, books or papers related to the audit area to help you identify relevant sources.

Ensure that you understand the context, the third party's role relevant to the topic and any potential bias or motivations of the third party when considering whether the source is appropriate to use as evidence.

Collecting information from a knowledgeable and relevant third party can be especially useful if you doubt the trustworthiness or openness of the audited entity. In such circumstances, information from a third party can help to either corroborate the information provided by the audited entity or help you develop a complete picture of the audited activity.



### File reviews

File reviews involve reviewing many similar types of documentary records, such as personnel files or contracts, to extract information. File reviews need to be structured and systematic to allow for the issues or questions to be addressed across files. Similar to direct observation, it is important that you identify the information you need to collect and develop a data collection instrument before beginning information collection. See Appendix 9 for an example of a comparison between two files.

### Web-based sources

Audit teams will often use web-based sources to obtain information. Sources may include the websites of government agencies, legislative bodies, trade associations or media outlets. Using information from certain websites is associated with a higher risk that the information is not appropriate. For example, information from blogs, wikis and personal websites is not recommended to be used as evidence because these sources do not have any identifiable, recognisable authority, or their authenticity cannot be verified. Other websites – such as those related to trade journals or newspapers – may be authentic but not necessarily authoritative or reliable. Use professional judgement when using information from these sites.

You will need to carefully consider whether the website you are using is a reliable source to use for the specific information you are considering using from the site. Ask yourself these questions about web-based sources:

- Is the source authentic?
- Is the source authoritative on this topic?
- Is the source reliable?
- Is the source unbiased?

If using information from web-based sources, it is also important that you report on what date you retrieved the information because web-based information can change. Ultimately, using your **professional judgement** and applying **professional scepticism** will be critical in deciding whether to use web-based sources and the information derived from them.



A well-defined data collection instrument is important to a successful file review. Ensure that you:

- understand the contents of the files before developing your data collection instrument;
- carefully develop the questions that will help you capture the desired information from the files; and
- test the data collection instrument on a small number of files to ensure it captures the needed information.

Source: IDI/PAS Development Team

### Computer-processed data

Audit teams frequently obtain computer-processed data as a source of documentary evidence, such as data extracts from databases or software applications, data maintained in spreadsheets, data collected from forms and surveys on web portals.

As with any data source, you cannot assume the data are reliable. If the data are not reliable, you cannot trust that the information is valid. If the data you obtain are expected to materially affect findings, conclusions or recommendations, you will need to take a few additional steps to ensure the data are complete and accurate. Completeness refers to the extent that the data records you need are available and that data fields in such records are populated appropriately. Accuracy refers to the extent that the recorded data reflects the source information.

There are some potential steps you can take to assess the reliability of your data source. The extent of your assessment will depend on how significant the data are to your findings. Potential steps include:

- interviews with knowledgeable officials about the data sources and how data are collected, processed and validated;
- electronic or manual data testing for missing data, outliers or obvious errors;
- reviews of related internal controls, such as processes and procedures related to entering and validating data; and
- a traced selection or random sample to or from source documents.

Some of these steps can be complex to implement. You may want to consider bringing in a stakeholder, such as a methodologist or an auditor with previous knowledge of the topic, with expertise in assessing data reliability for advice or assistance in determining what steps to take and how to conduct the assessment.

It is recommended that you begin to assess the reliability of your computer-processed data as soon as possible after identifying the data as potentially material evidence. See Appendix 10 and Appendix 11 for a template for assessing data reliability and an example of data reliability questions for the audited entities. Audit teams often analyse computer-processed data to develop analytic evidence. It is recommended that you assess the reliability of the data before conducting an extensive analysis of the data because analytic evidence is only as reliable as the underlying data.

You will find that computer-processed data are rarely perfect. However, you will need to determine if the data are sufficient for the specific ways you plan to use them. Considering the risks of using the data is important, such as the sensitive or controversial nature of the data or whether using the data might have a significant negative impact on the decisions of those who read your audit report. It is also useful to consider the strength of your corroborating evidence,

as strong corroborating evidence could help to mitigate some of the risks of imperfect data. Conversely, if your corroborating evidence is limited and you are relying heavily on the computer-processed data as the sole basis for your findings, then the importance of its validity and reliability is further amplified. The decisions you make about the reliability of computer-processed data may require the collective **professional judgement** of your audit team, management and data experts within your organisation.

Remember, you should only use computer-processed data if you determine that the data are sufficiently reliable for the purposes for which you are using it. Also, when reporting computer-processed data in your final audit report, it is recommended as a **risk assurance** step that you disclose some methodological information about the data you obtained, how you obtained it and any limitations of the data.

### **Direct observation and physical inspection**

It is important that you get away from your desk and observe the people, activities, procedures, property or events related to your audit. These methods of information collection are referred to as direct observation and physical inspection. Evidence obtained through direct observation and physical inspection is known as physical evidence. It is generally considered to be one of the strongest forms of evidence and more reliable than indirect evidence – that is, evidence provided to you by the audited entities or third party.

These methods can be very useful if your audit questions relate to the condition of items or property, accounting for inventory or whether an operation is being conducted as intended. Using these methods can help you understand the context of the issues related to the audit and how the related areas are working.

For example, the European Court of Auditors conducted a result-oriented audit of animal welfare in the EU. The audit team selected a sample of five EU member states based on the size of their livestock sectors and the existence of weaknesses in their animal welfare compliance that had already been identified. In each member state, the audit team conducted direct observations of animal welfare inspections of farms, animal transport and animal slaughter. In addition, the audit team conducted on-the-spot checks for farmers' effective compliance with requirements associated with their receiving payments and grants, such as whether animals have the legally required grazing space and appropriate nutrition. For more information, see [Special Report No 31/2018: Animal welfare in the EU: closing the gap between ambitious goals and practical implementation](#).

**Figure 28** provides some additional examples of audit topics that may benefit from direct observation or physical inspection and related observations or inspections you could consider.

**Figure 28: Examples of direct observations or physical inspections**

<b>Maintenance of government-owned facilities by a contractor</b>	Conduct site visits to relevant properties to physically inspect the buildings based on criteria established in the contract. Take photographs and document the conditions you observe.
<b>Procedures for customs inspections at airports</b>	Visit relevant airports and observe how customs inspections are being conducted. Record your observations so that you can compare what you observe to the audit entity's procedures for conducting inspections. This may help you determine if inspections are being conducted according to the specified procedures and the level of resources that are required to conduct such inspections. You could also consider during your observations whether there are ways for the audited entity to be more efficient in the way they conduct their inspections.
<b>Approvals for large purchases of equipment</b>	Inspect relevant files to check for the signatures and credentials of the approving officials in accordance with legal requirements. You could also use this type of information as part of a broader review to help you determine whether the guidance and training for approving officials is sufficient to ensure they comply with legal requirements or to determine whether the audited entity has sufficient internal controls in place to ensure the law is followed.
<b>Chemical hazards in food</b>	Observe controls in place at border inspection sites to inspect food to determine whether states effectively comply with food safety policies by conducting the appropriate physical checks of imported products of animal and non-animal origins and with what resources.

Source: US GAO; European Court of Auditors Special report no 02/2019: Chemical hazards in our food: EU food safety policy protects us but faces challenges, 2019

Some direct observations are simple and may just require a few photographs or a video as you are touring a warehouse or site. For example, you may interview an official about the damage caused by flooding at a government site. You could then take photographs of the damage to corroborate the official's statements.

However, direct observations or physical inspections that are intended to directly answer or partially answer your audit questions need to be conducted systematically. Consider talking to a stakeholder with expertise in this area, such as a methodologist, for guidance or assistance in implementing these methods.

Below are general steps to be taken to ensure the information you collect from your observations and inspections are relevant, valid and reliable:

1. **Determine what you will observe or inspect.** Determine what sites, people, events or files you will observe or inspect. If the universe is small, you may be able to conduct observations or inspections at all or most of the sites or events. However, if you have a large potential

population to consider, you may have to select a sample of sites. If this is the case, it is recommended that you talk to a methodologist to help you determine which sites or events are best to observe or inspect to obtain the most appropriate evidence for your audit and how those results can be used.

2. **Determine what condition should exist.** Determine the condition that ‘should’ exist – that is, your criteria – before conducting your observations or inspections. The source of these criteria will depend on your audit objective(s) and questions. Still, it could be determined through a review of contracts, inventory records of the audited entities or required procedures. Chapter 4 discusses audit criteria in detail.
3. **Determine what evidence you will collect and how.** Based on the criteria you have determined, develop a structured set of questions for you and your audit team to answer as you conduct the observations or inspections. This may be referred to as a data collection instrument. See Appendix 12 for a sample data collection instrument. This set of questions has to be simple for you and the audit team to consistently answer at each observation or inspection, even if conducted separately. The information you intend to collect can be quantitative (for example, numbers of items) or qualitative (for example, descriptions of an event or condition). Seek evidence that will help you evaluate the **economy, efficiency and effectiveness** of the audit topic. For example, if you are observing how customs inspections are being conducted, you do not want just to determine that they are being conducted. You may also want to assess how quickly (efficiency) and thoroughly (effectiveness) they are being conducted and with what resources (economy). In addition, determinations that you make about how you will conduct your observation – such as conducting a covert vs. an overt observation or observing a process as a participant – can affect the quality of the evidence. For instance, customs officials who are aware that you are observing their inspections may follow procedures more closely than those who are not aware.
4. **Document the results.** Carefully and accurately document the results of your observations or inspections – that is, what exists – by answering the questions you have developed as you conduct the inspection or observation (GUID 3920/100). Keep in mind when, where and how the inspection or observation occurred and ensure it is recorded or documented in a way that fairly represents the facts. For example, if an emergency event occurs during your observation, the audited entities’ response to that event may not reflect typical operations for the entities. It is also important that you record what you observe rather than your interpretation of what you observed. Analysis of this information should come later. See Appendix 13 for a sample template for documenting direct observations or physical inspections.

### Conducting site visits

The typical audit requires many types of evidence and methods for collecting information. When conducting an audit, you often may have less time, staff resources and money than desired. This, as well as needing to use your SAI's resources wisely, necessitates that you collect information in the most efficient way possible. One technique that most auditors use to do this is by conducting a site visit that combines multiple interviews, document collection and direct observations or physical inspections in a single visit to a site or geographic location. Here is an example of how a site visit could be used to support an audit related to the management of training for customs inspectors.

**Sample site visit to assess the sufficiency of training for customs inspectors.** For a system-oriented audit question related to the management of training for customs inspectors, an audit team could potentially conduct the following information collection in a multiple-day site visit to the city where the training programme is located:



#### **Day 1**

Visit the academy that provides customs inspection training to new inspectors to conduct interviews of the programme administrators, the officials who develop the training curriculum and the officials who provide the training.



#### **Day 2**

Return to the academy to observe training and to take photographs or video of training and associated training aids.



#### **Day 3**

Visit the local airport to observe inspectors conducting customs inspections and to interview inspectors and supervisors.

Source: IDI/PAS Development Team

Scheduling a comprehensive site visit will require planning, careful scheduling and an understanding of how the audited entity or subjects of the visit are organised. However, the extra effort to do so will allow you to collect far more evidence in a short period than if you conducted interviews and physical observations on separate visits to the location.

### **Surveys**

Surveys are another information collection method that audit teams can use to obtain evidence. A survey is a systematic collection of information from a defined population that can provide you with self-reported information about existing conditions or programmes. Surveys may be self-administered by questionnaire (for example, mail, email or web surveys) or interviewer-

administered (for example, face-to-face or telephone surveys). A survey could be a useful method to consider for your audit if you need to gather detailed and specific information from a comprehensive group of people, offices within an organisation, or organisations, such as to measure the level of satisfaction of a targeted user population with regard to public services rendered.



If you plan to survey members of the public, traditional or social media could provide you with effective options to reach your intended audience.

For example, US GAO recently used social media to survey members of the US population who have lived in privatised military housing.

If you use the media to contact survey populations, take care to ensure you are using methods that are inclusive – that is, methods that will reach all subpopulations of your intended audience – so that you do not inadvertently bias the results.

Source: IDI/PAS Development Team

For example, the United States' (US) Government Accountability Office (GAO) conducted a review of early childhood education programmes provided by each of the 50 US states. The audit teams took a system-oriented approach and sought to determine the number and characteristics of these programmes, how they are funded and the degree to which they overlap with federal and other state programmes. As part of its review, the audit team conducted two surveys. Each survey was sent to early childhood education programme officials in each state. The first survey identified state programmes providing early learning or childcare services to children in the 0-5 age group. The second survey gathered more information about the programmes identified in the first survey, including their characteristics and funding sources. The audit team then analysed the survey data to determine which characteristics state programmes shared with federal and other state programmes, as well as the benefits and challenges of using multiple funding sources. For more details about these surveys and the results, see [\*Child Care and Early Education: Most States Offer Preschool Programs and Rely on Multiple Funding Sources \(GAO-19-375\)\*](#).

It is important to note that designing and administering a survey that produces objective, credible and reliable information is a complex and time-consuming. A considerable amount of upfront work is required to develop and test the survey. This work, and the time commitment it entails, is often overlooked by audit teams when considering this method. Before embarking upon a survey, ask yourself whether there are alternative sources of information available that could be used effectively instead of the survey or as corroborating evidence with the testimonial information collected from the survey.

Some of the key steps in administering a survey are briefly highlighted below and discussed in more detail in Appendix 14. If your audit team is considering a survey, it is recommended that you seek out a stakeholder within or outside your SAI with expertise in the design and administration of surveys to provide guidance and assistance.

1. **Identify the survey population.** You need to identify the population you will survey, including whether you will survey the entire population or a sample. In doing so, you have to ensure

that the individuals or organisations are the best sources of the information you seek. The box below provides only a brief introduction to the concept of sampling, but there is much more to learn about sampling and how it can be used. It is recommended that you seek the advice of an expert and review academic literature when considering a sample.

## Sampling

Sampling can be a powerful tool for estimating the characteristics of a population when you cannot collect information on the whole population. A sample is a group of people, sites, objects, items, or documents taken from a larger population for measurement. An audit team could use sampling as a tool for multiple data collection methods, including document reviews, physical inspections, or surveys. There are two general types of samples: probability and non-probability.

### Probability sample

A probability sample uses random sampling techniques to create a sample. Every member of a population has a known and equal chance of being selected for such a sample.

Well-designed probability samples allow analysts to make statements about an entire population and measure the accuracy of their estimates.

### Non-probability sample

Non-probability samples are simpler but more restrictive in what they will allow you to say. Such samples may use random or non-random processes, like auditor judgement or convenience sampling. Random processes, if possible, are preferable, though they will not allow you to generalise your results across the population in this type of sample.

Non-probability samples can be useful when you need descriptive information about your sample or if you are trying to establish the existence of an attitude or error rather than prevalence. They are not recommended as the sole support for findings involving estimates of variables.

Source: US GAO

2. **Select a method for administering the survey.** There are multiple methods you can use to administer a survey, including face-to-face or telephone interviews, web-based surveys, paper surveys via mail, electronic surveys via email, or in-person self-administered paper surveys. The method you choose will affect the response rate to your survey if the target population cannot easily respond to the survey or if you do not have the staff resources to administer it as planned.



## Survey response rate

The survey response rate may affect how you can use the information provided in a survey – for example, whether the responses can be generalised across the whole population or whether the responses can be used only in a more limited scope.

If you do not receive enough responses to your survey from certain subpopulations, there is a chance that your results could be biased.

Keep in mind how varying response rates from different geographic locations, offices or demographic groups could lead to bias or error in the results of the survey.

There is no minimum threshold for an acceptable response rate. You will likely need to work with a subject matter expert to ensure that you have a sufficient response rate in total and across subpopulations for the intended use of the results of your survey or to assess and adjust for nonresponses.

Source: US GAO

3. **Analysing the survey responses.** You will need to analyse the information obtained from the survey to use it as evidence. The type of analysis required will be dependent on the types of questions you asked and how you want to use the information. Potential techniques for analysing evidence is covered in more detail later in this chapter.
4. **Documenting the survey results.** You will need to carefully document how you conducted the survey, the survey responses and any analysis performed on the survey results.

Conducting an effective survey will require far more guidance than this handbook provides. Remember to seek out assistance from a methodological expert, either internal or external to your SAI, before attempting to conduct a survey.

## Tips for conducting effective surveys

- ✓ Write clear, concise, accurate and neutral questions.
- ✓ Do not cover two issues in one question.
- ✓ Avoid ambiguous or vague questions.
- ✓ Only ask questions that will be used for analysis.
- ✓ Start the questionnaire with easy questions.
- ✓ Avoid too many open-ended questions.
- ✓ Conduct pre-tests of the survey questions with members of the target population.

Source: IDI/PAS Development Team

## Other potential methods for collecting information

There are many methods you can use to collect information besides those this chapter has covered. Below are two additional methods that are more commonly used.

### Case studies

Case studies are an in-depth, detailed examination of one or more complex events, incidents or locations. You could use this approach to examine processes over time, as well as the relationships between processes and outcomes. The goal of a case study is often used to answer complex 'why' or 'how' questions. Case studies are time-intensive and often involve multiple methods of data collection and sources of information. Because case studies are focused on a single or limited event, the information obtained will not represent all events. In fact, case study subjects are often purposefully selected because they provide particular or unique perspectives. You can avoid bias in such cases by including subjects that offer multiple perspectives and describing the differences objectively. Information obtained from case studies works well in combination with or supplementing other data collection methods.

### Focus groups

Focus groups are moderated discussions with groups of participants to explore concepts or obtain information about their experiences related to the topic (for example, the perspectives of customs inspectors regarding the quality of their training). A focus group is different from a group interview because it also aims at observing and exploring the interaction among the participants. As with many data collection methods, the individuals chosen to participate could affect the appropriateness of the information you obtain, so choose carefully to avoid biasing the results.



Site selection for case studies has a direct impact on the data you will be able to collect and your resulting findings. Ensure that:

- case study selections are well-thought-out, defensible and documented; and
- you choose sites that contain a range of the characteristics of interest. For example, choose sites from rural and urban areas, large and small cities, or areas with lots of activity and areas with little.

Source: IDI/PAS Development Team



The goal of a focus group is to have a robust discussion among the participants. To encourage this:

- keep groups small – about eight to ten participants;
- assure participants of their anonymity; and
- create homogenous groups so that participants feel free to express their perspectives honestly (for example, managers with managers and employees with employees).

Source: IDI/PAS Development Team

## Important factors to keep in mind while gathering information

- ✓ For most audit topics, there will be far more information available than you can gather and analyse. It is important to set realistic expectations about the information that is needed and can be collected during the time frames of the audit.
- ✓ As you collect data, you may find discrepancies or disagreement between information obtained from the various sources. It is your responsibility to resolve these discrepancies to ensure that the evidence you use to develop your findings is relevant, valid and reliable.
- ✓ Remember that it is your responsibility to exercise professional judgement and scepticism and consider issues from different perspectives. This will require you to maintain an open and objective attitude to various views and arguments.

Source: IDI/PAS Development Team

## How do you analyse information?



### The Standard

The auditor shall analyse the collected information and ensure that the audit findings are put in perspective and respond to the audit objective(s) and audit questions, reformulating the audit objective(s) and audit questions as needed.

Source: ISSAI 3000/112

You will need to perform analysis of the information you have collected to understand and explain what you found and ultimately to produce evidence. The goal of analysis is to use the information collected to assess **economy**, **efficiency** and/or **effectiveness** and to answer your audit questions. Focusing on the audit questions will help you organise your information and ensure that your analysis will help you get the answers you need.

As discussed earlier in this chapter, information collection and analysis are often conducted concurrently during the audit. Continuous analysis of your information throughout the audit will help you identify if you are collecting enough of the right information to answer your audit questions. This is part of your responsibility and enables you to actively manage audit risk and avoid the development of incorrect or incomplete audit findings, conclusions and recommendations or provide unbalanced information.

There are many different types of analytical methods you can use to analyse the information collected. The methods you choose will depend on your audit questions and the nature of the information (GUID 3920/86). Some common qualitative and quantitative methods of analysing information and data are briefly discussed below.

What are key qualitative methods of analysing information?

Qualitative analysis includes a wide range of methods for structuring, comparing, compiling and describing information that supports logical reasoning and arguments related to the evidence. You would typically conduct qualitative analysis of evidence from interviews, documents and surveys.

Specifically, you will have conducted many interviews and collected many documents throughout your audit that contains evidence to help you answer your audit questions. Your audit questions may provide a basic structure for analysing the qualitative information you have collected to identify key evidence. Beyond this, there are many different qualitative approaches you can use to analyse the documents, ranging from simple to complex methods that require planning. **Figure 29** provides some examples of common methods of qualitative analysis that can be used in analysing information from interviews or documents.

**Figure 29: Examples of common types of qualitative analysis**

Direct	This type of analysis involves extracting information directly from documents or interviews provided, such as information about the entity's official plans and actions or information related to the performance of the audited topic. This is the simplest type of qualitative analysis, but it is important for you to corroborate this information with other evidence you obtain.
Topical	This type of analysis involves reviewing documents or interviews with a focus on topical information that is relevant to your different audit questions. Searching for common themes, similarities or differences can be useful in the development of audit findings.
Chronological	This type of analysis involves reviewing documents or interviews with the purpose of establishing the order in which a series of events took place or to establish the steps of a process.
Thematic	This type of analysis involves identifying and counting the frequency of certain expressions or themes in documents or interviews; for example, how often summaries from management meetings include discussions on how to provide more developmental opportunities for employees. This type of analysis will require you to develop a clear methodology before you begin, including clearly defining what will be counted and how.
Content	This type of analysis involves structuring and analysing complex qualitative data with the intent of distilling it into quantitative information. This is one of the most complex types of qualitative analysis and will require you to develop a clear methodology before you begin. See below for more information on how to effectively implement this type of analysis.

Source: US GAO

### Analysing documents

When analysing the documents that you have collected, the qualitative method(s) you use and the complexity of the analysis required will depend on your audit objective(s), questions, and the types of documents or other sources of information that you have. For example, if your audit questions are related to the customs inspections requirements the audited entity has established in agency guidance, and the audited entity has only one related guidance document. You may be able to extract information directly from that one document – a method referred to as direct analysis. However, if the audited entity's requirements for customs inspections are contained in 10 different guidance documents, your analysis will need to be more complex to systematically account for the guidance in all the documents. The more complex methods of qualitative analysis discussed in **Figure 29** above, such as content analysis, often require careful planning and clear methodologies to effectively implement. See Appendix 15 for more information about content analysis and an example.

### Analysing interviews

The interviews you have conducted will also likely comprise a significant amount of your evidence. You will need to select an approach to analyse your interviews to identify common threads of information or topics, things that fit together, or examples of the same underlying problem, issue or concept. For example, if one of your audit questions is related to the effectiveness of training for customs inspectors, you could conduct a topical analysis by reviewing each of your interview records and extracting all the information pertaining to the effectiveness of training for analysis. The box below describes some simple steps of how such a topical analysis based around your audit questions could be carried out.

## How do you analyse interviews based on the audit questions?

1. Choose a method for structuring the information from the interviews, using audit questions as the first choice; and sub-questions, actors, regions, etc, as the next choice if it is not meaningful to structure the information only in line with the audit questions.
2. Read the interview notes again and focus on the structure. If interviews are to be organised according to audit questions, make a note in the margin when something is relevant for question number one, two, etc.
3. Go through all the notes regarding audit question number one. If there are many relevant remarks, make a written summary. If necessary, choose a new factor to structure the remarks. Key players could be used as such a structuring factor.
4. Compile and analyse the answers of each type of key player, one at a time.
5. Compile and analyse the answers of all types of key players together.
6. Look for similarities and differences between the answers of different categories of key players.
7. Summarise the information and judge how the interviews can contribute to answering the audit questions and developing recommendations.
8. Continue with the next audit question.

Source: AFROSAI-E Performance Audit Handbook, 2016

It is important to document what you find as you analyse the interviews. One common approach is to develop a summary document to compile the information from the interviews related to each audit question or factor. See Appendix 16 for a document summary example. At a basic level, this involves grouping and labelling similar evidence in a way that makes it easy for you to understand and evaluate. Having all the information organised and documented in one place will help you understand the totality of the relevant evidence related to the topic. If you develop a summary document, include the source information of each piece of the evidence – such as a link back to the original interview documentation – to ensure the evidence trail is clear. Your SAI may have access to software programs you can also use for this type of data analysis. This is discussed in more detail below.

You have a unique opportunity to compile data from many different sources and listen to the knowledge and views of many different members of staff on many levels within the audited entities and third parties. As noted earlier, keep in mind as you are analysing the interviews that the individuals whom you interviewed may have different perspectives on the issues and only a partial view of the facts or the causes of a problem. It is your job as an auditor to evaluate all the information provided to you in the interviews to come up with a more objective and comprehensive picture of the performance of the audited entities.

## What are key quantitative methods of analysing data?

Quantitative analysis ranges from simple (for example, calculating an average) to complex (for example, statistical modelling) methods. In performance auditing, quantitative analysis can help you uncover important patterns and relationships in your data and identify areas that need attention or improvement. This section will briefly describe the types of quantitative analysis you may want to consider in your performance audits.

### Statistical analysis

Statistical analysis is the science of uncovering patterns and trends in data. It can range from simple descriptive statistics to complex analysis like regression analysis (see below) that requires sophisticated techniques and software.

### Descriptive statistics

In performance audits, you will most often use descriptive statistics to help you understand, summarise and describe distributions in the data you have collected in a meaningful way, such as in analysing the audited entities' achievement of performance targets by site or income distribution in a population. **Figure 30** describes some basic concepts in descriptive statistics and when they can be useful.

**Figure 30: Basic concepts in descriptive statistics**

Concept	Definition	When to use
<b>Mean</b>	The sum of a set of values divided by the number of values; also known as average.	Useful when data points are symmetrically distributed. Use caution if you have data points that are extreme outliers – that is, unusual when compared to the rest of your data.
<b>Median</b>	The middle value when the values are arranged in order of size; the 50th percentile.	Useful when extreme scores or outliers may distort the mean.
<b>Mode</b>	The most frequent value of a set of values.	Useful when you are looking for the most common category, popular option or typical value.
<b>Range</b>	The difference between the highest and the lowest observation.	Useful to complement the mean and median to discuss how data points are distributed.
<b>Variance</b>	Quantifies the extent to which elements of a population are spread out from each other; average of the squared distance between the single observation and the mean value.	Useful to complement the mean as a measurement on how scores are distributed.
<b>Standard deviation</b>	Measure of the dispersion or spread in the data; the square-root of the variance.	Useful to complement the mean as a measurement of how data points are distributed; use caution if the data have significant outliers.
<b>Percentage</b>	A measure of a part or proportion relative to the whole, expressed in hundredths.	Useful to understand the size of a part of population relative to the whole, such as the number of 'yes' answers in relationship to the total number of responses on a survey.
<b>Index</b>	Measure of changes in a representative group of individual data points; a compound measure that aggregates multiple indicators.	Useful to compare the development of variables over several years, or to compare different years, such as an inflation index.

Source: Adapted from AFROSAI-E Performance Audit Handbook 2016:119

You may need to use multiple descriptive statistics to present a full picture of your data set because a single figure – like the mean – may be misleading if there are outliers in the data set. **Figure 31** shows how some of these descriptive statistics could be used to describe the incomes of staff at a factory.



**Figure 31: Incomes of staff at a factory**

Staff	1	2	3	4	5	6	7	8	9	10	11
Salary	\$12k	\$14k	\$15k	\$15k	\$15k	\$16k	\$18k	\$20k	\$22k	\$70k	\$95k

**Mean:** \$28k  
**Median:** \$16k  
**Mode:** \$15k  
Note: 'k' equals a thousand.

Source: IDI/PAS Development Team

If you are asked to report on the typical salary at this factory, using only the mean could provide a skewed view because of the two workers who have large salaries. The median and mode, in this case, provide better measures of the typical salary of the workers at the factory. Providing the percentage of workers in your data set who make less than a certain value could also be useful in describing this data set. For example, nearly 82% of the workers earn a salary of less than \$25k.

Some of these concepts – variance and standard deviation, for example – can at times be challenging to calculate and interpret. Software spreadsheet programs can assist with the calculation. Though if you do not have experience applying these concepts in a performance audit, it is recommended that you talk to an internal stakeholder with subject matter expertise if you think such analysis would benefit you in answering your audit questions.

### Regression analysis

Regression analysis is a statistical technique for assessing the degree to which variables are associated with one another (for example, correlated).

Regression analysis can be useful in performance auditing if you are trying to:

- test a relationship that is supposed to hold true;
- identify relationships among variables that may be causally related, which can help explain outcomes;
- identify unusual cases that stand out among expected values; or
- make predictions about values.

For example, the US GAO conducted an audit in 2018 that examined factors that affect university preparatory course offerings at high schools in the US. The audit team took a problem-oriented approach that began with the premise that poverty can adversely affect academic and other outcomes in many ways. The audit team examined how high school students of different poverty levels are offered courses to prepare them academically for college. To do this, GAO developed

a regression model to test the relationship between the offerings of university preparatory courses and school characteristics, including poverty levels of students, school size, population density of the area (that is, rural versus urban) and ethnic make-up of the student population. Among other things, GAO's regression analysis showed that schools with high poverty rates among their students were less likely to offer the mathematics and science courses that most public four-year universities expect students to take in high school. For a more detailed explanation of this example and the audit team's methodology, see [\*K-12 EDUCATION: Public High Schools with More Students in Poverty and Smaller Schools Provide Fewer Academic Offerings to Prepare for College \(GAO-19-8\)\*](#).

Appendix 17 includes a very simple application of regression analysis to illustrate its potential usage. As with all types of modelling, regression analysis can be complicated and may require specialised software for certain data sets or complex analyses with many variables. If you do not have experience with this type of analysis, seeking out training, academic literature, or guidance from a methodologist or subject matter expert can help you appropriately interpret and describe the results of regression in your audit.

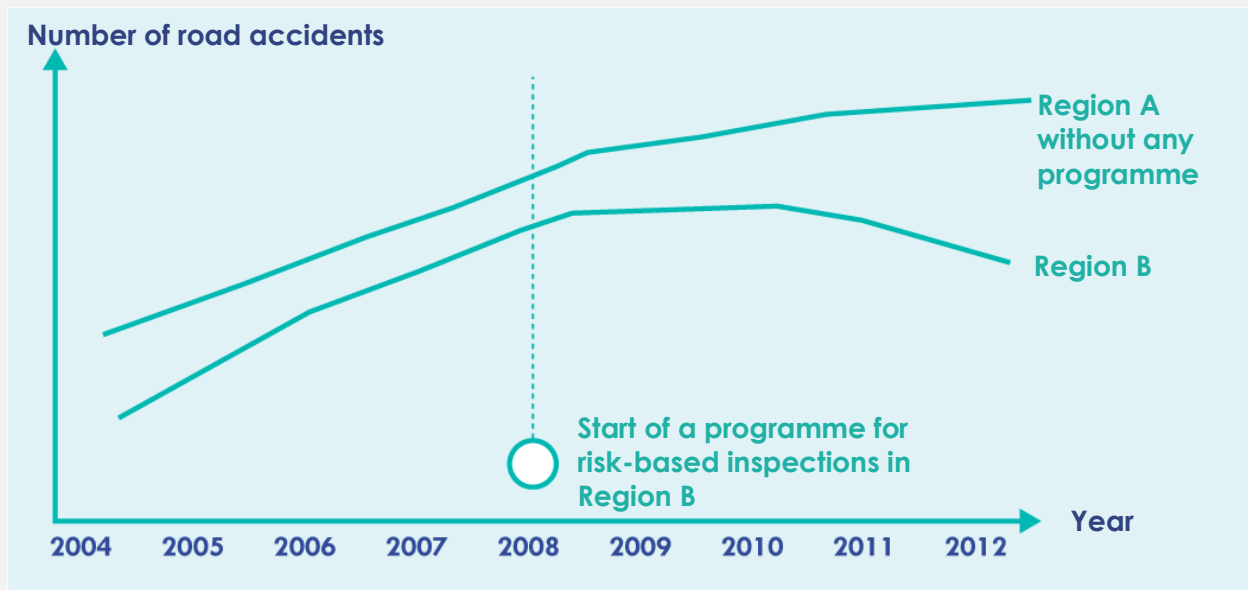
### Trend analysis

Trend analysis is useful if you are looking for patterns or changes in your quantitative data. At its simplest, trend analysis involves collecting data from multiple time periods, plotting that data on a graph so that you can see how the data has changed and then determining the factors that led to the change.

In performance auditing, trend analysis is frequently used to look at changes in budgets, costs and programme performance. It may also help you examine the effect of a change in the environment – such as a new law, programme or resource – on a specific variable.

For example, an SAI was examining the number of road accidents in different regions. This was a problem-oriented approach in that the preliminary problem of road accidents was known, but the causes and mitigations were not known. One region in the study – Region B – implemented a programme to conduct risk-based traffic inspections, while Region A did not implement such a programme. The auditors analysed the number of road accidents before and after the inspection programme was put in place in 2007, as seen in **Figure 32**.

**Figure 32: Road accidents in regions with different types of inspections**



Source: IDI/PAS Development Team

As you can see from this analysis, the number of road accidents began to change in Region B shortly after the inspection programme was implemented. A few years later, the number of accidents even began to decrease in Region B. The rate of increase in the accidents in Region A also slowed down, despite having no programme for risk-based inspections.

While compelling, the data analysis alone did not tell the whole story. To complete their trend analysis, the auditors had to do further investigation and analysis to determine whether there were other factors that could explain the differences in road accidents in Regions A and B and the decrease in accidents in Region B. For instance, in their investigation, they found that a national campaign on road safety was launched around the same time as the inspection programme in Region B. Thus, this was a contributing factor that the audit team had to consider when determining the effect of the inspection programme on road accidents. This is also a good example of how an audit team could use trend analysis to focus on questions of efficiency and effectiveness – that is, what inputs were required to achieve the desired outcomes.

As with this example, determining ‘how has X changed?’ is often just the starting point in a trend analysis for further examination to understand ‘why did X change?’. For this reason, make sure that any findings and conclusions that you develop based on trend analysis consider the many factors that could be contributing to the observed trends in the data.

You can learn more about the data collection and analytical methods discussed in this chapter — and others — by reviewing academic or evaluation literature.

## Using software for data analysis

A wide variety of commercial software applications are available that can assist you in conducting both qualitative and quantitative data analyses. These applications range from commonly used word processing and spreadsheet programs to more expensive and complex systems. For example, you can use software programs to manage, organise and analyse large amounts of qualitative data, including conducting content analyses. There are also many software programs available that support analysis of large sets of quantitative data, advanced statistics and modelling.

The use of these sophisticated tools can enhance your audit work and analyse much larger sets of data than you can manage and conduct manually. Remember that the quality of the data is a critical consideration when using such software programs. Software programs can only produce reliable results if the underlying data are reliable.

Check with your internal methodologists and subject matter experts to find out what software applications your SAI has access to that may support your work. Many companies also provide open versions or trial versions of their software programs for free; this may be a useful option for your audit team to consider if your SAI does not have a paid licence for a program you wish to use.

## Using graphics to analyse and visualise data

Using graphics to analyse or visualise data is commonly referred to as data visualisation. Simply put, data visualisation is the presentation of data in a picture or a graphic to visually communicate a quantitative message to help with analysis. Its goal is to enable auditors, as well as decision-makers, to grasp difficult concepts and identify new patterns.

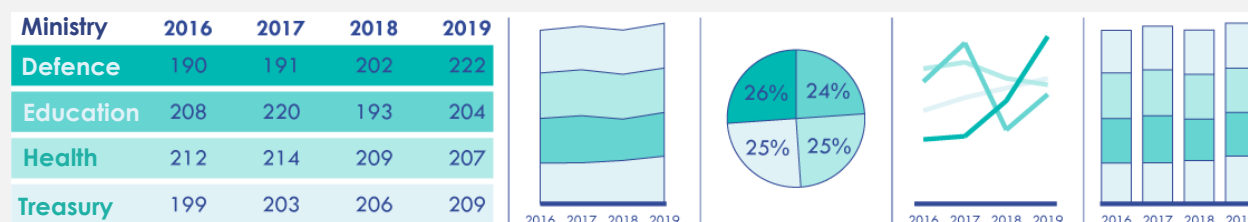
Data visualisation in its most simple form includes basic graphs and charts, such as the trend analysis and scatter diagram shown in the examples above. In its more complex forms, it can include the visualisation of millions of lines of data using sophisticated software.

If you have quantitative data, consider using data visualisation as an analytical method. Creating charts of that data can enable you to more quickly and easily see the connections between data points, make comparisons and understand causality than reading lines of text and numbers.

**Figure 33** shows examples of the types of charts you can use in your analysis to display the same information.

**Figure 33: Examples of charts that can be used for data visualisation**

**Total budget for fiscal years 2016-2019**



Source: IDI/PAS Development Team

Common commercial software applications have capabilities that can assist you in creating different visualisations. Still, your SAI may also have specialised software that can assist you in visualising large data sets. Talk to an internal stakeholder with subject matter expertise to determine what resources are available.

It is important to remember that data visualisation must be easy to understand for the reader to be effective. The best graphics are self-explanatory, though in some cases, you may need to provide the reader with some background information in table notes to give the information appropriate context. Graphics are also intended to be complementary to the text of the report and not repetitive – meaning that you do not need to repeat in the text the information that the graphic provides.

Once you have completed your analysis and developed your findings, data visualisation can also be extremely valuable for communicating the results of your audit. The United Kingdom's National Audit Office and the US GAO have created websites to share the interactive data sets they have recently produced. Check out these links for some examples of how you can use data visualisation in your audit reports:

[www.nao.org.uk/search/publication\\_type/data-visualisations/](http://www.nao.org.uk/search/publication_type/data-visualisations/)

[www.flickr.com/photos/usgao/](http://www.flickr.com/photos/usgao/)

And check out this blog post on why you may want to do so:

[www.nao.org.uk/naoblog/visualising-data/](http://www.nao.org.uk/naoblog/visualising-data/)

## How do you document and safeguard information?

As you collect and analyse your information, it is important to document or show your work in a timely fashion and to safeguard the documented information. As discussed in Chapter 2, it is important your audit team creates and uses a cross-reference system that establishes

understandable and transparent links between the documentation obtained during an audit. A documentation system should: provide you with easy access to the information; enable supervisors to review the work as part of their **quality control** procedures throughout the audit (and reflect this review after it is conducted), and facilitate internal or external **quality assurance** reviews.

As mentioned in the sections above, be sure to document what you are doing to collect the information, how you are analysing the information and the results of your analysis. It is helpful to do this while you are taking these steps so that the process is fresh in your mind and you can recollect all the pertinent details. You must establish adequate documentation to provide a clear understanding of the audit work that you carried out. In practice, this means that your documentation should enable an experienced auditor with no prior knowledge of the audit to understand the nature, timing, scope and results of the audit work that you performed and the audit evidence that you obtained to support the audit findings, conclusions and recommendations, and the reasoning behind all significant matters that required you to exercise professional judgement (ISSAI 3000/87). Prompt supervisory review of your **audit documentation** will also ensure that individual documents are complete, accurate, clear and understandable. This is an important **risk assurance** step because it can also alert supervisors to any problems with the audit (such as insufficient evidence or insufficient documentation of information gathered that weakens its usefulness as evidence). (GUID 3910/82-84)

It is helpful to group your collected information and analyses, either electronically or paper-based, by establishing an understandable folder system.

#### Protecting personal or sensitive information

Throughout the audit, you may collect personal (such as personally identifiable information) or sensitive information from the audited entities. If this type of information is collected, you must ensure it is adequately safeguarded. When you think you may begin collecting this type of information or if you have begun to collect it, it is suggested that you contact the audited entities to discuss whether and how you can report on this information and ascertain that you are safeguarding the information in a manner that meets the audited entities' and your SAI's standards. For example, sensitive information could include personally identifiable information about an individual, such as a national identification number or a birth date. In another example, certain information may be classified or otherwise prohibited from general disclosure by law or regulations. In such circumstances, you may need to publish a separate, classified or limited-use report containing such information and distribute the report only to those authorised by legislation or regulation to receive it.

## When conducting a performance audit, remember to...

- ... continue to assess and manage risk, and ensure the quality of the audit work, through analysis of the evidence for sufficiency and appropriateness; communication with internal and external stakeholders; developing detailed audit documentation, and supervision of the audit work;
- ... continue to assess the independence of the audit team to ensure that you avoid bias, or the appearance of bias that could cause others to call into question the impartiality of the audit team;
- ... frequently communicate with the audited entity to collect data, ensure analyses are comprehensive and verify that the factual basis for the findings are accurate and fair;
- ... communicate with internal, and as appropriate, external subject matter experts and stakeholders to get advice, support or alternative perspectives in collecting information and conducting analysis to enhance the quality of the works;
- ... continuously apply professional scepticism as you collect information through consideration of the credibility of the individuals whom you interview and the data you collect – probe for and evaluate contrary evidence, do not take things at face value;
- ... focus your information collection and analysis on the economy, efficiency and/or effectiveness of the audited entity relative to the audit objective(s) and questions;
- ... ensure that evidence and other audit documentation is sufficiently complete and detailed to establish the work performed and evidence obtained to support significant judgements;
- ... consider the materiality of the information you are collecting and potential results of the analyses you are conducting and apply professional judgement to ensure that your audit work is focused on significant activities of the audited entity; and
- ... ensure that information is collected specifically from vulnerable populations so that data is inclusive of all affected parties.

Source: AFROSAI-E Performance Audit Handbook, 2016

## Chapter 6

### How do you develop findings, conclusions and recommendations?



### Developing findings, conclusions, and recommendations

- Identify **findings** of the audit.
- Develop the **message**, with appropriate balance on positive and negative findings.
- Draft **conclusions** and **recommendations**, if applicable.

The purpose of developing audit findings is to compare the audit criteria to your condition, determine cause and effect (if relevant), assess your evidence, ensure your findings are based on sufficient and appropriate evidence and develop conclusions and recommendations (if applicable).


This chapter will answer the following questions:

- What is an audit finding?
- How do you compare audit criteria to condition?
- How do you determine cause and effect?
- How do you assess your evidence?
- How do you develop conclusions and recommendations?
- How do you prepare for drafting your report?

Developing your audit findings can occur simultaneously while you are collecting your evidence or sequentially after you have collected it. It can be helpful to begin to identify the elements of potential findings while you are still conducting audit work because this can help you identify any gaps in your evidence and the need for additional audit work.



# What is an audit finding?



## The Standard

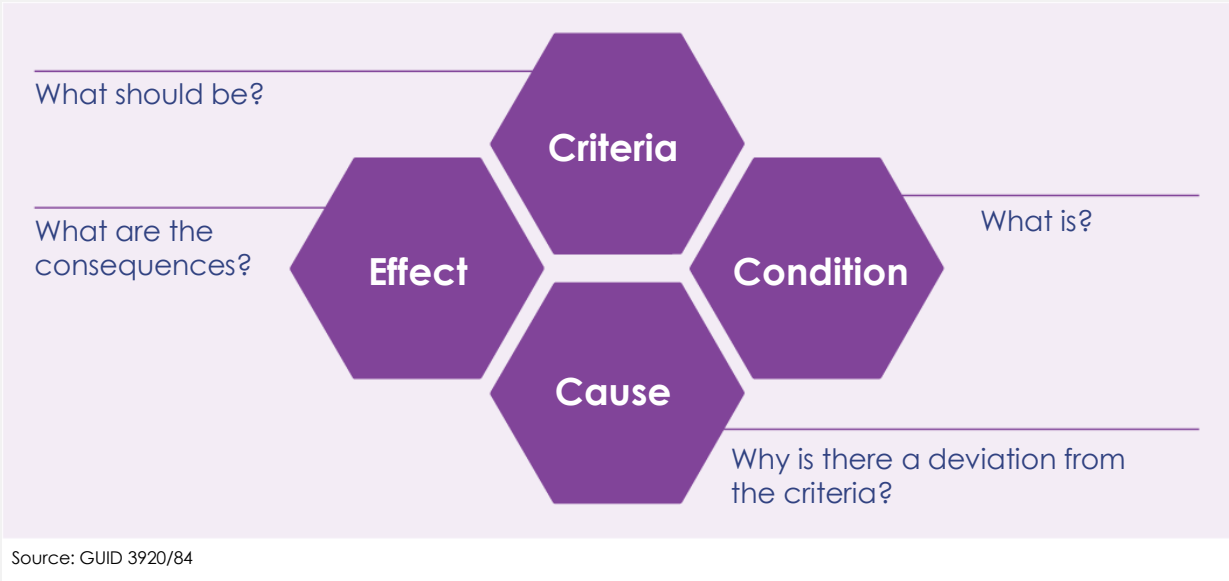
The auditor shall analyse the collected information and ensure that the audit findings are put in perspective and respond to the audit objective(s) and audit questions, reformulating the audit objective(s) and audit questions as needed.

Source: ISSAI 3000/112

Once you have collected and analysed your evidence, it is important to turn your attention to assessing the evidence to develop audit findings. According to GUID 3920/79, the audit finding is ‘what is’ compared to ‘what should be’.

Throughout the audit, the analytic process involves continuously analysing and assessing the evidence and how it relates to the audit questions. This creative, iterative and collaborative analytic process will help your team develop quality audit findings. Some audits address different thematically-related issues, where the full story on each issue can be presented as one finding. In these cases, an audit finding can be described as containing four elements, as shown in **Figure 34**.

**Figure 34: Elements of a finding**



However, when different findings are linked to each other, the full story may be presented in the audit report as a whole, as opposed to individual findings. In such cases, it is the report as a whole that needs to cover the four elements.



In developing a finding, you need to ensure the finding: (1) is consistent with the evidence on which it is based; and (2) answers the audit question.

Your audit questions can also help organise the information you have collected, and your analysis of that information can help you determine what it all means.

The nature and significance of a finding will often determine the type of evidence needed. The more significant a finding is, the stronger the evidence that is needed to support it.

Source: IDI/PAS Development Team

It is important to consider these four elements throughout your audit. They can provide a framework that helps inform how much evidence needs to be collected and how it can be analysed. Also, once you begin assessing your evidence, you will need to determine what information is most pertinent to your audit questions and how the separate pieces of information relate to each other. This evidence assessment helps you determine what the evidence means. It is important that teams consider and refine potential audit findings, as needed throughout this process.

Audit findings have to be constructed using a clear and logical framework that will allow for your supervisor, management and stakeholders to easily understand the audit criteria applied as well as the conditions and the analysis of the nature, significance and causes of the situation found. Do not forget to consider your findings in the context of **economy, efficiency** and/or **effectiveness**,

as this can provide a way to demonstrate the need for corrective action. Your findings should also be objective and fair.

To ensure the audit report is complete, it is important to include both good and bad points and give credit where it is due. This is because findings should be placed in context: assessing an audited entity's activities or programmes will usually mean that some things work well. An objective and fair assessment must reflect this totality and not solely focus on deficiencies.

It is also important to consider **materiality** and apply **professional judgement** throughout this process (these elements are discussed in greater detail in Chapter 2). As stated in International Standards of Supreme Audit Institutions (ISSAI) 3910/112, findings are considered material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions taken by intended users on the basis of the auditor's report. The auditor's consideration of materiality is a matter of professional judgement and is affected by the auditor's perception of the common information needs of the intended users.



Balance is important in developing the audit findings. Ask yourself these questions to ensure you are providing a fair and balanced picture:

- What would a reasonable person expect the audited entity to be able to achieve?
- What is the audited entity doing well relative to the audit questions?
- What positive actions has the audited entity taken to address any negative circumstances found through the audit?

Source: IDI/PAS Development Team

## Example of an audit finding

**Finding statement.** There is a shortage of psychiatric inpatient beds in most of country X's regional areas.

**Criteria.** The number of needed psychiatric inpatient beds established by the World Health Organization is 0.43 per thousand inhabitants.

**Condition:**

- The country has an average of 0.37 psychiatric inpatient beds per thousand inhabitants.
- Uneven distribution of beds between geographic regions (the south eastern region has 0.53 beds per thousand inhabitants, while in the northern region, the rate is 0.04) means their number of beds does not meet the World Health Organization's population criteria.

**Causes.** Country X did not consider how many beds it was distributing in each geographic region because it does not have municipal and state mental health plans.

**Effects:**

- Deficiency of service in places with low bed rates.
- Migration of people with mental disorders among municipalities or states, complicating the planning of healthcare.

Source: IDI/PAS Development Team

## How do you compare audit criteria to condition?



### The Standard

The auditor shall identify the audit criteria and their sources in the audit report.

Source: ISSAI 3000/122

The backbone or core of your audit findings is the criteria and the condition. Condition is the situation found, the most relevant occurrences identified in the fieldwork. To develop findings, you will need to:

1. review the totality of information collected during your audit;
2. decide which items are most important to answering the audit questions; and
3. determine how the items logically relate to each other.

This evidence assessment process consists of combining information from the different data sources to gain information and knowledge about the actual conditions. This means that: information from interviews may be combined with analysis of statistical records; information from case studies may be combined with information from surveys, and some information may come from field studies in one province while other information refers to another province. Combining this information is like completing a jigsaw puzzle, where the pieces are the different

elements of information and analysis. Assessing your evidence allows you to compare your criteria to the factual situation or condition.

If there is a deviation between the criteria and the condition, then an audit finding that could lead to a recommendation is generated. For example, if your evidence assessment shows the audited entity or entities are not meeting the criteria, this could indicate an area where improvement is needed. It is important to base the comparison of the criteria to your condition on what a reasonable person would expect, considering the audited entities' circumstances.

If there is no discrepancy between the condition and the criteria, then the audited entity has done what was expected based on the criteria. If your assessment of the criteria and the condition shows the audited entity is meeting or exceeded the criteria, then that could potentially indicate a positive finding. It is important to include positive findings in your report when your evidence supports them.

However, if a deviation between the criteria and the condition is identified, or the audited entity is not acting consistent with the criteria to which you assess them. The next step after this assessment is to analyse and confirm causes – that is, why there is a deviation from the criteria. This could lead to a potential recommendation. For example, for an audit question related to the sufficiency of training for customs inspectors, if you find that customs inspection training given to new inspectors does not meet the training curriculum guidance, this could indicate an area where the audited entity needs to improve.

Sometimes, the lack of information about your audit objective(s) or questions can be a finding in itself. For the same audit question related to sufficient training for customs inspectors, you may find that the audited entity does not collect information about whether the customs inspectors that took the training believe the training prepared them for their jobs. This could then indicate that the audited entity may need to collect this information so that it can make more informed decisions about the training.

### **How do you determine cause and effect?**

Ideally, you will have sufficient and appropriate evidence for determining cause and effect (or consequences). To some extent, you can also use evidence on performance problems as a springboard for determining both cause and effect. The cause is the factor or factors responsible for the difference between the condition and the criteria and may also serve as a basis for recommendations for corrective actions. Common factors include poorly-designed policies,

procedures or criteria; inconsistent, incomplete or incorrect implementation; or factors beyond the control of programme management. It is important to note that establishing cause and effect does not necessarily imply causation. It will be necessary to use enhanced analytical techniques to answer questions on cause and effect. Because determining cause and effect is very challenging from a methodological standpoint, it is important to consult with a methodological expert or statistician during this process.

Correctly identifying the cause will sometimes require you to develop a causal 'chain' – that is, moving further and further backward in your analysis until you can identify the specific thing that most needs to be fixed. For example, ascribing poor evidence to inadequate planning may be insufficient. What was the reason for inadequate planning? Was it misplaced priorities? Something else? If you do not believe the cause is reasonable or credible, you may want to explain your concerns to the audited entities and hold further discussions. Frequently asking the question 'Why?' during data collection can enable you to identify and analyse causes for identified performance problems.

You can determine the effect by comparing the actual condition to the ideal situation, had the criteria been met. You can identify effect as either what has already occurred or a likely future impact based on logical reasoning. You can also identify positive effects (by doing this action, the audited entities will be able to achieve a particular economy, efficiency and effective outcome) or negative effects (without doing this action, the audited entities will not be able to achieve a particular economy, efficiency and effective outcome). Do not forget that other external factors can also influence the observed effect.

It is also important to understand the nature of any relationships that may exist between cause and effect. For example, it is not always the case that inadequate funding causes worse conditions. It could be due to the poor quality of care that funding was reduced for a particular organisation.

## Different types of relationships between cause and effect

- **Direct cause-and-effect relationship:** for example, if a university has a set number of students it can take each year and increases its intake of part-time students, it must reduce its intake of full-time students.
- **Reverse cause-and-effect relationship:** for example, poor examination results could be due to poor attendance, but equally, poor attendance could be due to poor examination results.
- **Coincidence:** for example, there may be a relationship between the quality of healthcare in a local authority and examination results in that same area, but it is difficult to know whether one causes the other.
- **Confounding effect:** for example, the relationship between quality of health care and exam results could be due to effective use of resources within the local authority, which may not have been considered part of the fieldwork.

Source: Adapted from GUID 3920, Box 7

## How do you assess your evidence?

There are several techniques you can use to assess your evidence. The nature of your audit and the information collected will help you determine the most appropriate way to do so. Your audit team must work systematically and carefully in interpreting the evidence and the data collected. As stated in Chapter 5, assessing and ensuring the sufficiency and appropriateness of evidence is also critical throughout the audit. It is an important first step before you assess your evidence to help determine findings. In addition, combining data from a range of sources, methods and analysis (corroborating data) allows you to overcome any bias that can come from using a single source of information. This section describes some common methods for assessing evidence.

### Grouping and labelling evidence

One technique to assess evidence is to group and label information to identify logical categories. To group information, you would place information into logically related groups so that the information in each group all closely relates to each other. Grouping helps you identify ways in which information collected from different sources may be connected.

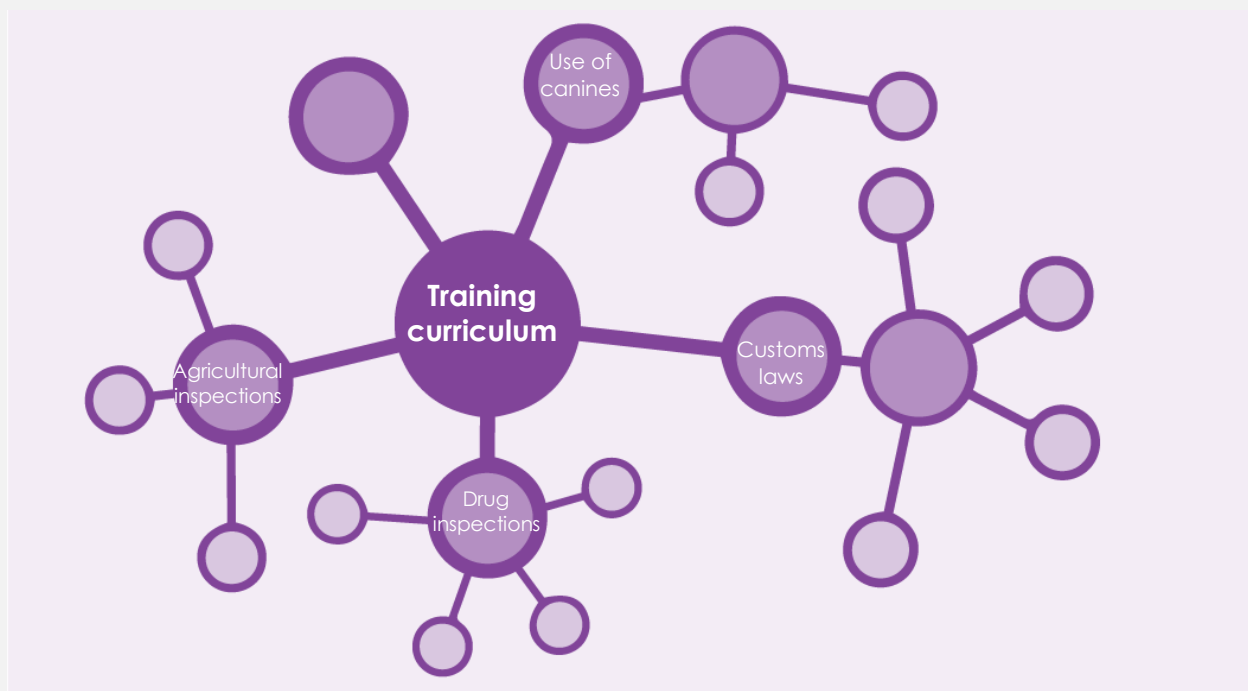
After analysing the relationship between the information in a group, you can then label each group with a heading: either a phrase or a sentence that expresses this relationship as the main theme. A label can simply be a heading that expresses what the individual information adds up to.

Your audit documentation can be used to help you populate this information. For example, for information collected to answer an audit question related to the sufficiency of training for customs inspectors, you could potentially group the information collected into categories such as ‘resources’, ‘benefits’ or ‘challenges’. To label the information, you could review the information contained in that group to say: “Attendance is low at the inspection training academy.”

### Using visual displays or linkages

Another technique is to use visual displays to make connections within and across audit questions. Options include a mind map, a fishbone chart, or an organisational chart. See **Figures 35, 36 and 37**, which have a portion of the information completed to give you an understanding of how you might go about populating the boxes based on your evidence. These options can also be used during other audit phases, such as the design phase.

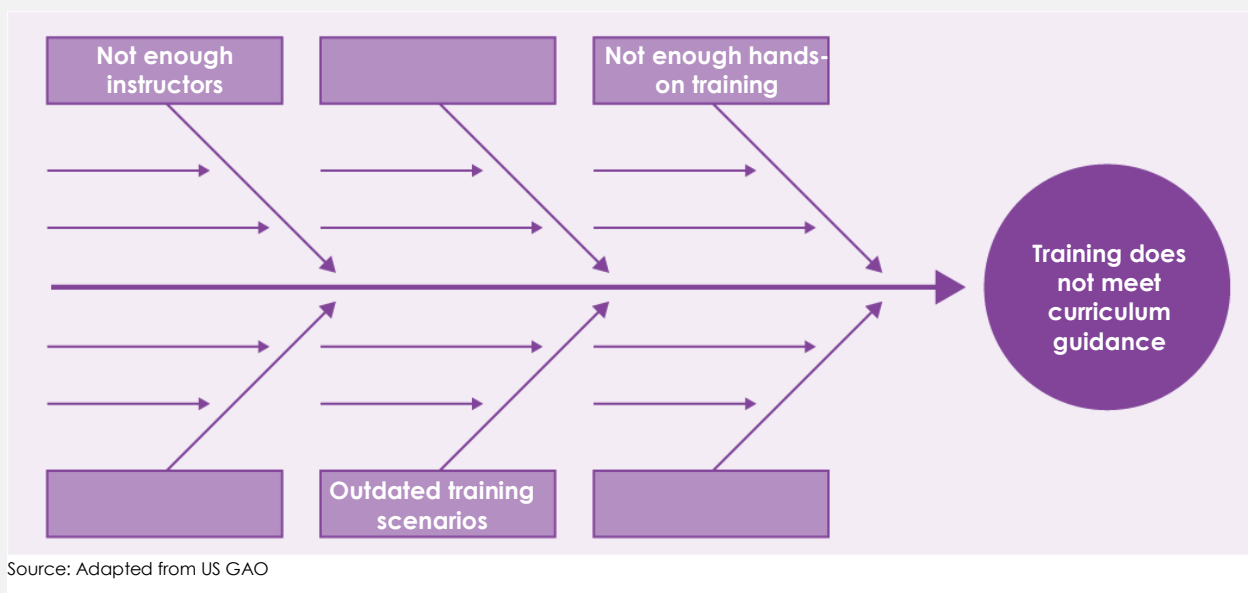
**Figure 35: Mind map**



Source: Adapted from US GAO

A mind map helps visualise and display all the information related to a specific topic or question. For example, for an audit question related to the sufficiency of training for customs inspectors, you could use the topic of training curriculum as the central anchor or idea and use each surrounding box to display one of the topics the curriculum covers.

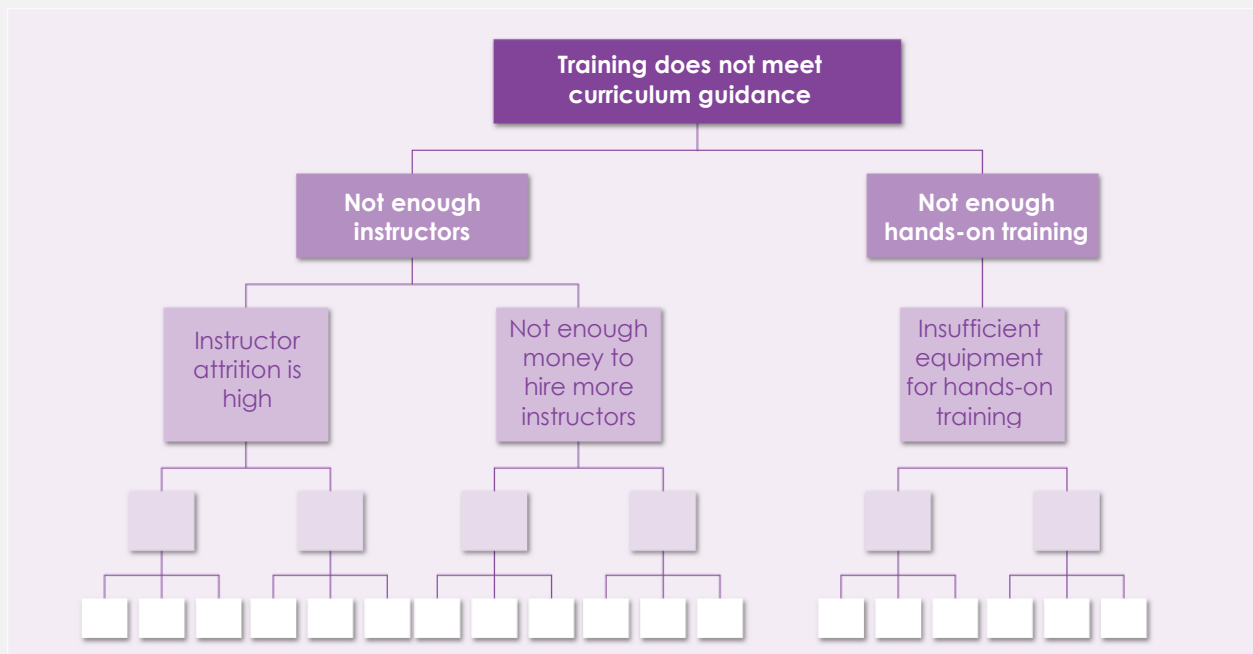
**Figure 36: Fishbone chart**



A fishbone chart can be used to graphically identify and organise possible causes of a problem so that you can develop recommendations aimed at the root cause. Taking the previous example of the sufficiency of training for customs inspectors, you could use the problem statement that customs inspection training given to new inspectors does not meet the training curriculum guidance. You can then use the bones of the chart to describe potential causes, such as challenges associated with personnel, equipment or policies.



**Figure 37: Organisational chart**



Source: Adapted from US GAO

An organisational chart can help you display how each piece of evidence is related to the others. Using the previous example, you could use the problem statement that customs inspection training given to new inspectors does not meet the training curriculum guidance at the top of the organisational chart. You could use the next level of boxes to describe the different instances of how the training does not meet the guidance.

## Writing on walls

Another way to assess the evidence as a team is a technique sometimes referred to as ‘writing on walls’. This is a technique where the entire team and its internal stakeholders and supervisor assemble in a room (or gather virtually). With the help of a trained facilitator, the team talks through their audit questions and what evidence they have collected that addresses each of those questions. Teams then visually display the evidence, using sticky notes on a wall or via a computer, so everyone on the team can see the weight of evidence and what themes develop from that evidence. Over a few days, the team then discusses the various evidence, often moving around the notes and developing a visual display of the audit findings. The facilitator plays an important role in asking the team and stakeholders about the supporting details of the evidence, the reasons (causes) for any deficiencies and the effects.



Tips for preparing for a writing on walls session:

- Allow at least two weeks between data collection and holding a writing on walls session so that all documentation is collected and reviewed prior to the session.
- Review all of your audit documentation to be familiar with materials and pay particular attention to those you believe may be particularly relevant to your audit questions.
- Try to keep an open mind: it is best not to come to the writing on walls session with preconceived notions of the findings and recommendations.

## **How do you develop conclusions and recommendations?**

Source: IDI/PAS Development Team

Assessing your evidence may lead to audit findings and, based on these findings, you may be able to reach conclusions and recommendations. Findings and conclusions must be supported by sufficient and appropriate evidence.

## How do you develop conclusions?



### **The Standard**

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.

Source: ISSAI 3000/106

Conclusions allow you to make a concise and persuasive argument that action is needed to address a deficiency or take advantage of an opportunity for improvement and set up the basis for any recommendations. Conclusions also allow you to: present your opinion anchored in your evidence; clarify and add meaning to the specific findings, and go beyond restating the findings that will be presented in your audit report. The conclusions also reflect the auditor's explanations and opinion based on these findings; for instance, conclusions might include identifying a general topic or a certain pattern in the findings or an underlying problem that explains the findings

(adapted from GUID 3920/93). When drafting conclusions, it is vital that the audit team critically consider the conclusions in relation to the audit findings, evidence, and audit criteria. It is also important to link the conclusions with the audit objective.

Communication is essential for developing your findings because it is important for the auditor to consider the context, all relevant arguments, and different perspectives before conclusions can be drawn. For this reason, the auditor needs to maintain effective and proper communication with the relevant stakeholders within your SAI and the audited entities (adapted from GUID 3920/100-124). This communication is discussed later in this chapter and in Chapter 7.

## Conclusions

### Check that the conclusion:

- ✓ states the degree of economy, efficiency and/or effectiveness through an overall view on aspects of the 3Es or by providing specific information on a range of points related to the 3Es;
- ✓ is clear and concise – you do not need to repeat all of the findings in the conclusions section;
- ✓ reflects the audit criteria;
- ✓ is quantified where possible (for example, states how far performance has fallen short of the expected or ideal standard);
- ✓ reflects changes over time (for example, states whether risk to performance is due to increase soon due to new developments);
- ✓ is balanced in tone, is deduced from the audit findings and reflects fairly the audit findings;
- ✓ provides a clear linkage to the recommendations of the report. Some SAIs may not require all conclusions to be directly linked to a recommendation.

Source: IDI/PAS Development Team

## Tips for developing effective conclusions

- ✓ Link the conclusions back to the audit objective and explain why the audit is important.
- ✓ Ensure that the conclusions are balanced, highlighting the significance (positive and negative) of the audit findings and the audited entity's progress (if any) in dealing with problems raised.
- ✓ Make sure that the conclusions flow logically from the audit findings.
- ✓ Do not merely summarise or restate the findings, but explain their significance and why recommendations are needed.

Source: Adapted from US GAO

## How do you develop recommendations?



### **The Standard**

The auditor shall provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit, whenever relevant and allowed by the SAI's mandate.

Source: ISSAI 3000/126

ISSAI 3000 addresses recommendations in the reporting stage of an audit. Still, we have included developing recommendations in this section to help auditors understand the connection between findings, conclusions, and recommendations.

Recommendations to correct deficiencies and other findings identified during the audit are developed if needed. It is helpful to show the linkage between your audit findings and recommendations by using consistent keywords and phrases. The features of a good recommendation can be represented by the acronym SMART: Specific, Measurable, Attributable, Relevant and Time-bound. In some circumstances, discussions with the audited entity can help the team determine the 'Time-bound' piece of SMART or timeframes for implementation of a recommendation.

Any recommendations developed should address causes of the deficiencies identified and help to improve the audited entities' programmes, operations and performance, without encroaching on the audited entities' management responsibilities. You should also discuss your potential recommendations with the audited entities before drafting the report, as discussed further in this chapter and in Chapter 7.

Recommendations are often aimed at eliminating the deviation between the evidence and the audit criteria. Recommendations are most effective when they clearly demonstrate that they are worthy of action, reasonable and cost-effective. Such constructive recommendations are (adapted from GUID 3920/127):

- directed at resolving the causes of weaknesses or problems identified;
- practical;
- value-added;
- well-founded and flow logically from the findings and conclusions;
- phrased to avoid truisms or simply inverting the audit criteria or conclusions;

- neither too general nor too detailed. Recommendations that are too general will typically risk not adding value, while recommendations that are too detailed could restrict the necessary flexibility of the audited entities. Additionally, SAI policy and procedures may require that recommendations made to an audited agency may not be so prescriptive and detailed that the SAI might be seen as consultants as opposed to independent and impartial auditors; and
- addressed to those responsible for taking the actions, and clearly state the actions recommended.

When possible, consider:

- if any of the recommendations could take priority (be implemented first) over others;
- what resources might be needed to carry out the recommendations;
- if the benefit to be derived from the recommendation is worth the cost to implement;
- how to follow up the recommendations. See Chapter 8 for more information on follow-up.

### Recommendation

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>✓ Think about potential recommendations early in the audit process and frequently ask actors what can be done to improve performance.</li> <li>✓ Write the recommendations in a way that allows the Supreme Audit Institution to evaluate whether they have been implemented.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Discuss recommendations with the audited entity to identify the necessary changes and practical ways of implementing them. This will lead to a realistic implementation of the recommendations.</li> </ul> |
|---|---|

Source: IDI/PAS Development Team

### Audit findings matrix

One tool you can use for assessing your evidence and developing conclusions and recommendations is an audit findings matrix, as shown in **Figure 38**. This tool allows you to determine whether your findings and recommendations, if applicable, are based on sufficient and appropriate evidence. A well-developed audit findings matrix can also help as you write your report.

**Figure 38: Audit findings matrix template**

**Audit objective:** Clearly and objectively express what the audit is about.

**Audit question (the same stated in the audit design matrix):** For each audit question (or sub-question), repeat each of the items mentioned in the table.

Finding	Situation found (Condition)	Most relevant occurrences identified in the fieldwork.
	Criteria	Information used to determine if the expected performance of the audited object is satisfactory, exceeds expectation or is unsatisfactory.
	Evidence and analysis	Result of applying data analysis methods or assessing your evidence. The techniques used to handle the information collected during fieldwork and the results achieved can be indicated.
	Causes	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. Any recommendations should be related to the causes.
	Effects	Consequences related to causes and corresponding evidence. It may be a measure of the finding's relevance.
Is the evidence sufficient and appropriate? If not, what remaining work is necessary to address any gaps?		Consider the evidence you have for each element of the finding and whether it is sufficient and appropriate.  If your current evidence is not sufficient and appropriate for each element, what remaining work is necessary to address any gaps in the evidence?
Good practices		Actions identified that lead to good performance. May support the recommendations.
Recommendations		Proposals to address the causes (or deficiencies) identified.

Source: Adapted from US GAO and SAI Brazil

**Figure 39** shows an illustration of one finding of an audit findings matrix for a performance audit.

**Figure 39: Illustration of one finding of an audit findings matrix**

**Audit objective:** Examine growing concerns about sexual violence – unwanted sexual acts – in the United States, particularly involving populations such as university students, incarcerated individuals and military personnel.  
**Audit question:** To what extent are government agencies addressing any challenges posed by the differences across existing data collection efforts on sexual violence?

Finding	Situation found (Condition)	Agencies' efforts to lessen differences between data collection on sexual violence have been fragmented and limited in scope.
	Criteria	The Committee on National Statistics' <i>Principles and Practices for a Federal Statistical Agency</i> requires federal agencies that produce similar federal statistics with different missions to: (1) coordinate and collaborate to meet current information needs; and (2) provide new or more useful data than a single system can provide.
	Evidence and analysis	There are five agency efforts that are intended to increase harmonisation across data collection efforts. Coordination for these efforts is bilateral (generally involve two of the ten data collection efforts at a time), and scope is limited.
	Causes	Office of Management and Budget does not plan to form an interagency group on harmonising data on sexual violence. They cited that they plan to focus on other priorities instead, such as redesigning the National Crime Victimization Survey.
	Effects	Sexual violence data is inconsistent, incompatible and there is confusion about the data. There is a lack of understanding about the scope of sexual violence in the United States.
Is the evidence sufficient and appropriate? If not, what remaining work is necessary to address any gaps?		Yes.
Good practices		None.
Recommendations		To the Director of the Office of Management and Budget to establish an interagency group on sexual violence statistics that considers the differences across the data collection efforts to assess which differences enhance or hinder the overall understanding of sexual violence in the United States.

Source: Adapted from a US GAO audit

## How do you prepare for drafting your report?

### Discussions within your SAI

After you have developed your findings, conclusions and recommendations, as applicable, it is helpful to describe these findings, refine the key messages and themes you want to emphasise, and reach an agreement within your SAI to prepare for drafting your report. You may want to consider holding a meeting with all the auditors, internal stakeholders and managers that have worked on the performance audit so that agreement is reached about the audit findings. Another option is to discuss emerging findings as part of your ongoing work and interaction with the members of the audit team, internal stakeholders and managers.

To reach an agreement about your audit findings and prepare for report drafting, the audit team can discuss the findings for all audit questions, considering the strength and reliability of evidence for each answer, and identify and address any ambiguities or uncertainties within the evidence. For any uncertainties, it may be necessary to collect additional evidence.

### Discussions with the audited entities

As a final step before you begin to draft your report, it is important that you **communicate** and discuss your audit findings with the audited entities. This may help you determine if any refinements may be necessary based on the audited entities' perspectives and any actions that have occurred since you collected your evidence. If you have been in close communication with the audited entities during the study, this step will likely be smooth, as there would probably not be any surprises.

You can use the audited entities' initial reaction to:

- gauge if your conclusions are reasonable;
- request additional evidence, as needed;
- identify and correct any factual errors in the draft audit findings;
- add new material to the draft audit findings to reflect the audited entities' view; and
- refine any recommendations (if they could be more specific, feasible and thereby more likely to be implemented by the audited entity).

Keeping your **independence** and **professional scepticism** in mind, you may need to make changes to your prospective draft report following these discussions with the audited entities and the receipt of any additional evidence. This is not a bad thing – it is all part of the process of producing a high-quality report. It is essential that all such changes are based on good-quality evidence.



## When developing audit findings, conclusions and recommendations (if applicable), remember to:

... reconsider the initial assessment of risk in light of the evidence collected and determine if additional audit work needs to be performed;

... work systematically and carefully to analyse your evidence and the data collected, ensuring that the audit findings are put in perspective and respond to the audit objective(s) and audit questions;

... ensure that audit findings are objective, fair and balanced – maintain independence, include both good and bad points and give credit to the audited entity when it is due;

... consider the materiality of the findings and apply professional judgement in interpreting how the findings affect the audited entity's performance;

... analyse and confirm causes – why there is a deviation from the criteria – if a mismatch between the criteria and the evidence was identified;

... identify either positive or negative effects if a mismatch between the criteria and the evidence was identified;

... ensure that any conclusions and recommendations you develop (if applicable) flow logically from the audit findings and are balanced and reasonable; and

... communicate and discuss your preliminary findings, and your conclusions and recommendations (if applicable), with the audited entity(ies).

Source: IDI/PAS Development Team

## Chapter 7

### How do you write a performance audit report?



This chapter explains how you prepare and draft a performance audit report. The purpose of a performance audit report is to communicate the results of the audit to the legislative authority, the audited entities and the wider audience. Whether you are publishing in print or only in electronic form, the same high-level principles will apply.

This chapter will answer the following questions:

- How do you develop a performance audit report?
- What are the main attributes of a performance audit report?
- How do you create a logical report structure?
- How do you ensure the quality of the report?
- How do you consider audited entities or third party comments?
- How do you publish the final report and communicate the results?

### How do you develop a performance audit report?

A good audit report clearly and objectively lays out the material findings and conclusions of the audit questions, and if appropriate, provides practical recommendations. The report should be easily intelligible to the intended reader, who should clearly understand what was done to perform the audit, why it was done, and how. They should also be able to understand the context of the audit topic.

SAls take different approaches to allocating the task of drafting the report itself. Some SAls may divide the work between members of the audit team, while others have team members who specialise in drafting. The person who drafts the report will not always be the person who collected the audit evidence. If you have prepared a clear report structure that shows where each audit finding fits, the process will be smoother and less prone to error.

If more than one person prepares the draft, you need to allow sufficient editing to ensure the entire report is consistent in style and tone. It is important that your supervisor review the draft, looking in particular for areas where the evidence or logic appears weak. You might also consider a review from someone outside of the team to ensure the evidence and logic clearly support the conclusions. Reviews from outside the team can also help ensure clarity and independence.

## What are the main attributes of a performance audit report?



### The Standard

Auditors should strive to provide audit reports that are comprehensive, convincing, timely, reader-friendly and balanced.

Source: ISSAI 300/39

As you write the report, you need to keep in mind the five main attributes of performance audit reports. These attributes have to be present in a performance audit report regardless of the structure chosen. You can find further guidance in GUID 3920/108-124.

### Comprehensive

It is important to be comprehensive in that you include all the information and arguments needed to address the audit objective and audit questions in the report. At the same time, the report has to be sufficiently detailed to understand the subject matter and the audit findings and conclusions (ISSAI 3000/117). Most importantly, you should make sure the report has sufficient and appropriate evidence to support the findings, conclusions and recommendations (if applicable) about the audit objective(s) (GUID 3920/114). These elements are discussed in more detail later in this chapter.

### Convincing

The reader has to be convinced by your argument in the report that leads to the conclusions and recommendations (if applicable). To be convincing, a performance audit report needs to

be logically structured and present a clear relationship between the audit objective(s) and audit questions, audit criteria, audit findings, conclusions and recommendations. Chapter 6 provides more details on developing findings based on sufficient and appropriate evidence. The report also needs to present the audit findings persuasively, address all arguments relevant to the discussion and be accurate. Accuracy requires that the audit evidence presented and the audit findings and conclusions are presented in a neutral, fact-based manner. (ISSAI 3000/118)

The SAI has two main goals when aiming to produce a convincing performance audit report:

- **Logic.** You have to map the logic of the argument that leads to the conclusion and recommendations (if applicable). There should be a clear linkage from the audit criteria via findings to the conclusions and recommendations.
- **Accuracy.** Inaccurate reports can damage the credibility of the SAI. One inaccuracy in a report can cast doubt on the validity of the entire report (or even the SAI) and can divert attention from the substance of the report.

### **Timely**

A performance audit report needs to be issued in a timely manner to make the information available for use by management, government, the legislature and other interested parties (ISSAI 3000/119). In some cases, the SAI may also choose to report early on a new programme, with plans to return to the topic to assess progress.

The audit report is intended to result in improvements within the audited entities. These improvements are expected to enable the entities to achieve its objectives more efficiently or effectively.

### **Reader-friendly**

SAIs should report objective, fact-based information simply and clearly, using language understood by all their stakeholders (INTOSAI-P-12/Principle 4). While specific communication styles and preferences may vary between different countries and cultures, aim to always keep the tone of your report professional and neutral.

The report needs to be concise but with sufficient evidence (see the discussion on comprehensiveness earlier in this chapter). Conciseness will ensure that the volume of the report is no longer than it needs to be, which will ensure clarity and help to more effectively convey the message of the report (ISSAI 3000/120). A long report, however well-written, can

be intimidating or off-putting to readers. If a lengthy report is unavoidable, you may want to consider using appendices or publicising a standalone summary of the main points.

To produce a reader-friendly report, it helps that you know the audience, understand its needs and write the report accordingly (GUID 3920/120). As discussed earlier, consider using readers outside the audit team to check if the report is easy to understand. You can also use simple automated readability analysers to get a basic assessment of the complexity of the text. These tools use metrics such as average sentence length and sophistication of the vocabulary to suggest the reading level needed to understand the report. They can be found in open source or as part of word-processing programs.

### Reader-friendly











- ✓ Use short rather than long sentences.
- ✓ Use simple sentence construction (the simplest being subject – verb – object).
- ✓ Use active voice.
- ✓ Break up the text with the use of headings.
- ✓ Use non-text visual aids (such as pictures, illustrations, charts, graphs, maps).
- ✓ Avoid technical jargon and complex, seldom-used words.
- ✓ Avoid excessive use of cross-referencing and acronyms.

Source: IDI/PAS Development Team

Another way to be reader-friendly is to include graphics or visuals throughout the report. Including visual displays of information can help the reader quickly understand complex concepts or see how ideas relate to each other. They can also eliminate the need to write out extensive descriptions of processes or events. Photographs may also be useful to include if they are pertinent to the subject matter. A busy reader will find a report filled with visual displays of information easier to read. **Figure 40** provides examples of visuals in performance audit reports.

**Figure 40: Examples of visuals displays of information in performance audit reports**

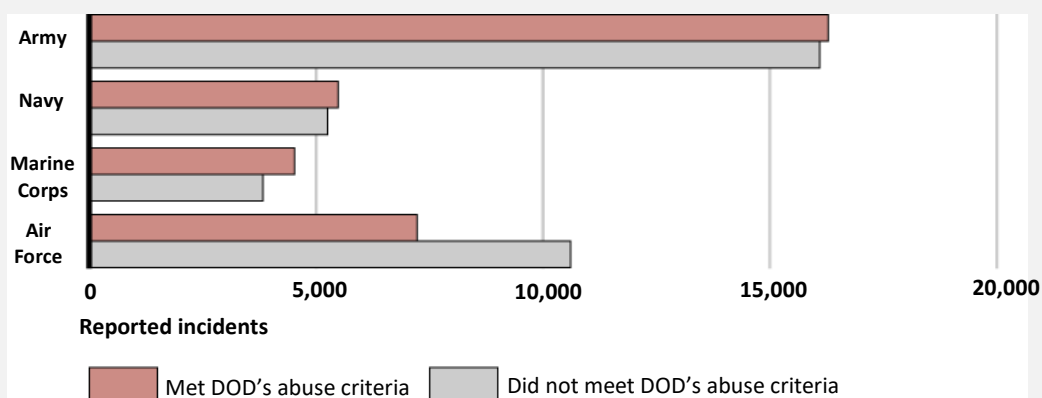
*Commercial airport categories for United States (US) airports based on boardings of US passengers (2017)*

Commercial airport category	Minimum required percentage of total annual passenger boardings	Annual passenger boardings per airport category		Number of airports
 Large hub	1% or more	 72.0%	617,598,283	30
 Medium hub	At least 0.25%, but less than 1%	 16.2%	138,949,064	31
 Small hub	At least 0.05%, but less than 0.25%	 8.3%	71,157,137	70
 Nonhub	More than 10,000, but less than 0.05%	 3.4%	28,881,284	255
 Commercial service non-primary	At least 2,500 and no more than 10,000	 0.1%	627,545	125

Source: GAO analysis of the Federal Aviation Administration's 2017 enplanement data, AIRPORT INFRASTRUCTURE: Information on Funding and Financing for Planned Projects, 2020, GAO-20-298

Note: The term 'hub' is defined in federal law to identify commercial service airports as measured by passenger boardings, and the airports are grouped into four hub categories. (49 US Code Sections 40102 (29), (31), (34) and (42).)

*Reported incidents of child abuse (physical, sexual or emotional abuse or neglect), by Department of Defence (DOD) criteria for abuse, fiscal years 2014–2018*



Source: GAO analysis of Family Advocacy Program data, CHILD WELFARE: Increased Guidance and Collaboration Needed to Improve DOD's Tracking and Response to Child Abuse, 2020, GAO-20-110

Inclusiveness is also an important component of reader-friendliness. Readers will tend to give more credibility to your report if they see that you have addressed their particular concerns. For example, if you are dealing with a programme that has differing impacts in different parts of your country, you can draw readers in by using maps and other graphics to show this varying impact across different regions or sectors of society.

## Balanced

Being balanced means that the performance audit report is impartial in content and tone. You should present all audit evidence in an unbiased manner and be sure to report both positive and negative findings. Often, auditors tend to focus on problems, which lead to recommendations for improvement. Explaining the impact of such problems does help the reader understand the significance of the problems, which encourages corrective action (GUID 3920/123). While this process is important, it is equally important to provide the full picture of the audit topic or activity. If the audited entity is doing something well, be sure to report that and areas in need of improvement. Be aware of the risk of exaggeration and overemphasis on deficient performance by the audited entities. (ISSAI 3000/121)

### Balance

- ✓ Present findings objectively and fairly, in neutral terms, avoiding biased information or language that can generate defensiveness and opposition from the audited entity.
- ✓ Present different perspectives and viewpoints on the topic.
- ✓ Be complete. Include points both positive and needing improvement. Give credit where it is due. Including positive aspects may lead to improved performance by other government organisations that use the report.
- ✓ Facts must not be suppressed, and minor shortcomings should not be exaggerated.

Source: GUID 3920/124

## How do you create a logical report structure?

Considering the five main attributes, you will need a logical report structure to communicate your audit findings, conclusions and recommendations to readers. In some cases, each of your audit questions will map neatly to a separate chapter in the audit report. However, this does not happen in all instances. For example, if the findings from two separate audit questions are interrelated, it may be more appropriate to present them in the same chapter. In other instances, you may choose a logical order structure based on the materiality of different findings or the chronological order of events.

Regardless of the structure chosen, it is always good practice before drafting to map out an outline for the report. This approach will strengthen the logical flow of the report and reduce the risk for needless duplication of content. An effective structure will grab the reader's attention, communicate complex issues clearly, and provide a clear interpretation of the results (GUID 3920/121). The report will also need enough context or background information for the reader to understand the subject. For example, the reader may need to understand the roles and responsibilities of those involved in the audit topic, the amount of money spent and the government's goals for the audited area.

Report formats will take many different shapes and forms, depending on the SAI and the audit work. You need to keep the audience in mind as you develop an appropriate report structure. Some SAIs find it helpful to use a ‘Dinner Party’ approach to build a reader-friendly report structure. The Dinner Party approach imagines that you are speaking to fellow guests and only have a short time to hold their attention. What are the main things they need to know about what you have found during your audit? Once you have established these interesting conclusions, you can build up the finer detail that supports these conclusions. (GUID 3920/121)

The information below discusses common segments of a report.

## Title

A good title communicates the topic (or the message) of the report. In some message-oriented titles, the title may preview the recommendations:

- **An example of a descriptive title:** *U.S. Efforts to Combat Trade-Based Money Laundering* (GAO-20-314R).
- **An example of a message-oriented title:** *Weaknesses in Cybersecurity Management and Oversight Need to Be Addressed* (GAO-20-199).

You may also want to decide whether or not to mention the name of the audited entities in the title. For example, if your report covers the work of several different ministries, you might omit their names from the report title for the sake of brevity.

### Audit report title

#### Without the name of the responsible entity

Protecting Canadian Critical Infrastructure Against Cyber Threats (2012 report of the Auditor General of Canada)

#### With the name of the responsible entity

Inland Revenue Department: Managing child support debt (2010 report of the Auditor General of New Zealand)

Source: GUID 3920/124

## Table of contents

A good table of contents displays the report's structure, allowing readers to easily find the sections in which they are interested. **Figure 41** shows one such approach.



**Figure 41: Contents page using question-based headings**

<b>Heading</b>	<b>Page</b>
Summary and recommendations	7
Background	7
Conclusion	8
Supporting findings	8
Recommendations	10
Summary of entity response	10
Key messages from this audit for all Australian Government entities Audit findings	11
Audit findings	13
<b>1. Background</b>	
The Australian Taxation Office's (ATO) compliance, dispute and debt collection activities for small business	14
Rationale for undertaking the audit	14
Audit approach	19
<b>2. Organisational arrangements for managing small business tax debt</b>	
Does the ATO have strategies and processes to support the effective management of small business debt?	19
Does the ATO have effective processes for coordination across small business compliance, dispute and debt activities?	21
Does the ATO use international practice, stakeholder views and continuous improvement to inform changes to debt strategies and processes for small business?	21
<b>3. Consistent management of small business debt</b>	
Does the ATO have processes that support consistency in progressing debt towards firmer, and stronger action?	28
Does the ATO have effective controls to ensure consistent firmer and stronger debt action for small business tax debt?	36
<b>4. Performance monitoring and reporting</b>	
Is there effective monitoring and reporting of small business tax debt, including tax debt arising from compliance activities?	39
Does the ATO have a sound performance framework in relation to the effective, efficient and consistent recovery of small business tax debt, including debt arising from compliance activities?	44
<b>Appendices</b>	
Appendix 1 Australian Taxation Office response	54
Appendix 2 ATO firmer and stronger actions	54
Appendix 3 Issues raised by the ABC Four Corners investigation	58
Appendix 4 ATO Quality measures and indicator	69
	70

Source: Management of Small Business Tax Debt, Australian National Audit Office, 2019

In **Figure 41**, the SAI used question-style headings for the parts of the report that cover audit findings. Some SAIs prefer to use the contents page as a summary of findings. To do so, they use headings that are one-sentence summaries of their audit findings. **Figure 42** provides an example of this approach.

**Figure 42: Contents page using descriptive headings**

<b>Heading</b>	<b>Page</b>
Summary	5
Recommendations	11
<b>Part 1</b>	
The Welsh Government has a plan for waste prevention but has focussed more attention and resources on recycling	13
The Welsh Government has focussed successfully on increasing municipal recycling, but waste prevention has generally had a lower profile despite some important initiatives	14
While the Waste Prevention Programme reflects common practice, there are opportunities to learn from approaches elsewhere and to make further use of legislation and financial incentives	17
The Welsh Government has provided councils with significant funding for their municipal waste management services, but this has mostly supported recycling, with very little of it spent on waste prevention	23
Between October 2015 and September 2018, the Welsh Government gave £13 million to three not-for-profit organisations with objectives that include, but are not necessarily limited to, waste prevention	26
<b>Part 2</b>	
The data used by the Welsh Government to measure performance against its ambitious waste prevention targets is of variable quality and indicates mixed progress	30
The Welsh Government has good data on municipal waste, but the data it has on most other wastes is limited	31
The data that is available on the amount of waste produced indicates mixed progress to deliver the Welsh Government's ambitious waste prevention targets	35
<b>Appendices</b>	
Appendix 1 – Audit methods	43
Appendix 2 – Key elements of the Welsh Government's Waste Prevention Programme and the waste sector plans	44 45

Source: Waste Management in Wales – Preventing Waste, Wales Audit Office, 2019

## Executive summary

The executive summary is a short chapter designed to provide a quick synopsis of the main points and key messages of the report. Many people only read this section of the report; thus, it is important that it is written clearly and that it concisely summarises the most important parts of the report. Typically, an executive summary includes an explanation on why the audit was carried out, brief information on the subject of the audit and the audited entities, the audit objective and questions, the scope, the methodology, the key findings, the conclusions and the recommendations.

Not all SAIs use an executive summary; some summarise the audit report in other ways. For example, the US GAO uses a one-page abstract instead (see Appendix 18). Where used, a good summary will:

- reflect accurately what is in the rest of the report;
- be concise without omitting important audit findings;
- guide the reader as to the significance of the audit questions and their answers;
- show the reader which parts of the main report support each key audit finding;
- work as a standalone document;
- only include material covered in the main report; and
- mention important contextual information such as previous audits or the legislature's coverage of the topic.

When appropriate, the executive summary may include a graphic or visual to help convey the message.

An effective executive summary answers the fundamental questions the reader will have about the audited topic and the SAI's assessment of performance. For example, the United Kingdom's National Audit Office guidance on drafting audit summaries asks auditors to answer the following list of questions, as appropriate:

- **Assessing performance.** What would good value look like in the context of this study? What comparator or counterfactual has been used?
- **Where the comparator is operational good practice.** How has good practice been determined?
- **Quantification.** Are the total resources at stake and achievements quantified? Are costs and benefits presented in a way that supports the conclusion on performance?
- **Causality.** Is it possible to attribute value or benefits in the system to the specific spending being examined? In interpreting data, what other factors may have affected outputs and outcomes?
- **Uncertainty.** What are the risks and uncertainties relating to data used in the report? All data is subject to uncertainty, and it is reasonable to state explicitly the level of uncertainty.

The length of the executive summary is usually proportionate to the length and complexity of the main report. However, a typical summary tends to be less than three pages long. Appendix 19 illustrates an executive summary.

## Executive summary

- ✓ Build an executive summary from summary paragraphs and sentences 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 or oversight legislative committee; the report as being written for the audited entity; and the appendices as being written for those academics or specialist staff with an interest in the field and the detailed methodology.

Source: IDI/PAS Development Team

## Introduction

The introduction of the report provides the context of the performance audit, helping the reader to understand the audit. Typically, SAIs use the introduction section of the report to describe the audit topic but not to provide audit findings.

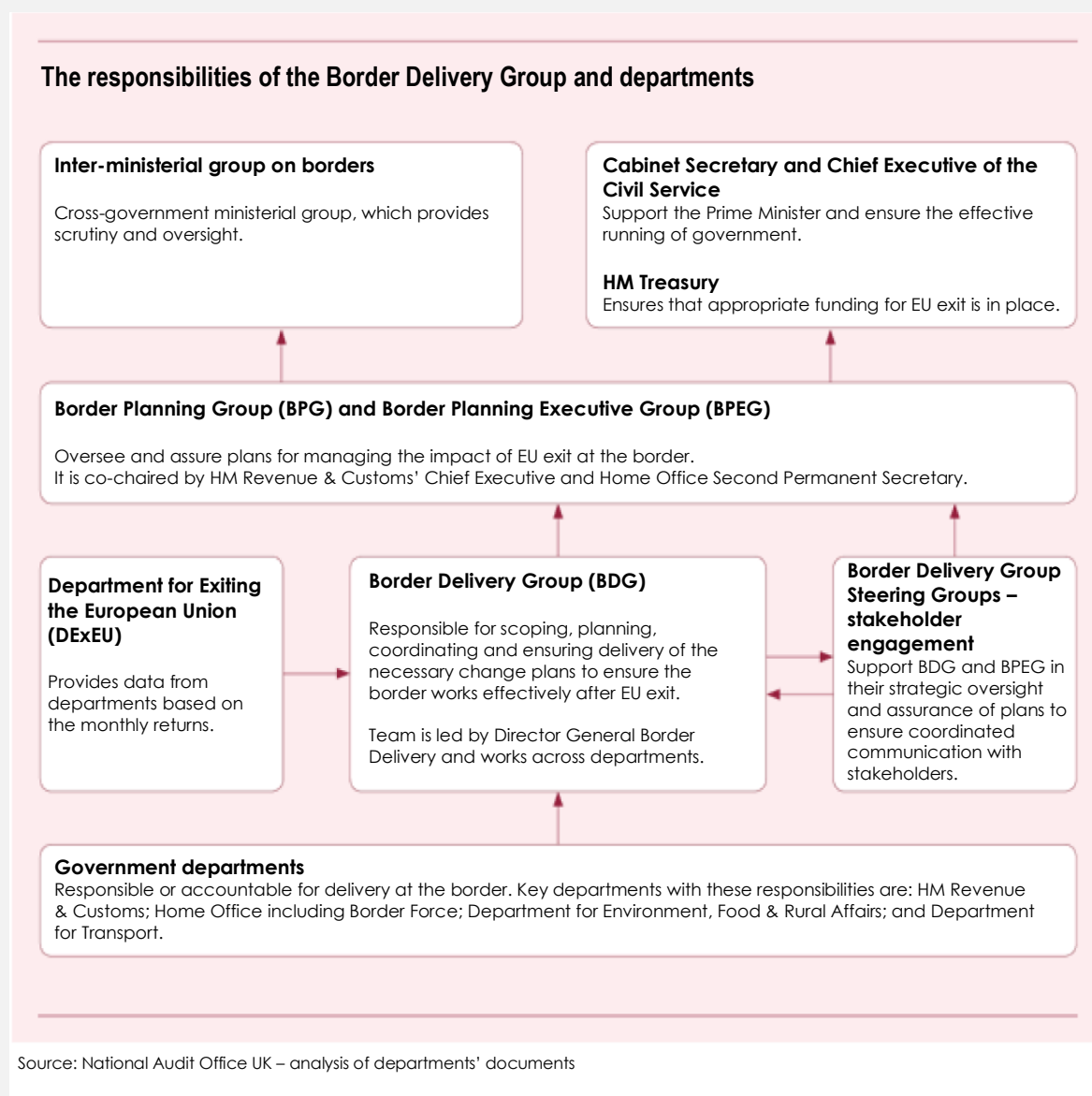
The introduction does not need to be overly long and detailed. For example, **Figure 43** shows how you might use a simple graphic in the report's introduction to quickly explain the responsibilities of various audited entities. If the reader needs more detail, you can provide it in an appendix or in a separate background section; or you can indicate where the reader can obtain further information.

## Introduction

- ✓ Include sufficient context for the reader to know how the audited activity works and is managed, but not so much detail that they are tempted to skip the section.
- ✓ Consider using a simple diagram to illustrate who is responsible for which audited activity.
- ✓ Tell the reader why you are reporting on this activity now.
- ✓ Use appendices, cross-references or a bibliography section to point reader towards further details.

Source: IDI/PAS Development Team

**Figure 43: Using a simple graphic to illustrate the responsibilities of audited organisations**



## Audit objective(s) and questions

It is important that your performance audit report has to describe the audit objective(s) and the audit questions. Readers need this information to understand the purpose of the audit, the nature and extent of the audit work performed, and any significant limitations on the audit objectives, scope and methodology. See Chapter 4 for examples of audit objectives and questions.

## Audit scope and methodology

Different readers have different needs and expectations from the audit. The audit scope helps the reader understand:

- what to expect from the report;
- what use can be made of the findings and conclusions; and
- the degree of reliance they can place on the findings and conclusions.

Be sure to tell the reader about what is in and out of scope in your audit approach, what time period or geographical area is covered, and who is the subject of the audit. It is important to tell the reader if the report focuses on a narrower set of audited activities than might be implied by the report title. For example, if a report entitled *Protecting Wetlands* does not cover activities in all national wetlands, you will need to explain the particular focus of the report.

Also, describe the audit methodology used to address the audit objective(s).

### An excerpt of a description of a performance audit report methodology

"To examine the characteristics of Federal Aviation Administration-certificated mechanics and repairmen, we analyzed cumulative FAA data as of December 2018 for demographic characteristics such as age and sex. To examine the employment characteristics of aviation maintenance workers – such as wages and unemployment – we analyzed Bureau of Labor Statistics Current Population Survey data for selected labor market indicators from 2013 through 2018, and we reviewed all 50 states' most recent Workforce Innovation and Opportunity Act plans."

Source: US GAO report AVIATION MAINTENANCE: Additional Coordination and Data Could Advance FAA Efforts to Promote a Robust, Diverse Workforce, 2020, GAO-20-206

You may describe the methodology briefly in the report body, with more details in an appendix. See Appendix 20 for a description of the mentioned report's scope and methodology.

The main body of the report has to mention at a minimum and in a concise form:

- the audit methodology and approach;
- the sources of data;
- the data gathering and analysis methods used; and
- any limitation on the data use.

It is often important to provide more details to the reader about the methodology or any data used in the report. Thus, providing more details, often in an appendix, could be appropriate. For example, you may provide information on:

- what you have done to establish the reliability of the data;
- if there are methodological limitations that the reader should know about, for example, limitations in the data and analysis and how they should be interpreted;
- if there were limits on the data and other evidence you could access; and
- if any trends you identify in your quantitative analysis are statistically significant.

## Audit criteria and sources

It is important to state what the audit criteria are, how they were developed and what the sources were. By drawing attention to the audit criteria, you clarify the standard against which you are judging performance. If you are clear about your sources, audit criteria, methods and assumptions, you will help the reader to judge how much weight to give the evidence and conclusions in your report. (GUID 3920/115)

Audit criteria are not always readily available in performance auditing. In such cases, the audit team needs to develop the criteria and discuss them with the audited entities. If the audited entities does not agree with the criteria, the SAI has the final responsibility to set them. In case of significant disagreement on criteria developed by the SAI, the auditors need to consider the risk that the audited entities will dispute findings where the auditors only can refer to themselves as the source of criteria. This topic is discussed in more detail in Chapter 4.

## Audit findings



### The Standard

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.

Source: ISSAI 3000/124

As discussed in detail in Chapter 6, it is important when you draft the report that the reader understands how the audit findings relate to the audit criteria and the evidence gathered during fieldwork. Many reports make this linkage clear by organising the findings according to the audit questions. Each audit question becomes a section or a chapter of the audit report, which contains the relevant findings. If different findings are interlinked or not, it can be appropriate to develop conclusions in the same chapter or as a separate chapter. Regardless of the organisation method chosen, it is important that the reader clearly understands the condition, criteria, cause and effect for any findings, as discussed in Chapter 6.

### Example of a description of a finding in a performance audit report

We identified deficiencies associated with the Drug Enforcement Administration's drug diversion efforts, including the following:

- **Limited proactive and robust analysis of industry-reported data.** While DEA's current data systems are not designed to conduct real-time analysis, and it conducts some analyses of industry-reported data, such as in response to requests from its field division offices, DEA could conduct more analyses using automated computer algorithms to help identify questionable patterns in the data. For example, DEA could analyse data to identify unusual volumes of deleted transactions or unusual volumes of drugs disposed of rather than sold. It could also analyse data to identify trends in distribution or drug purchases in a given geographic area. Other analysis DEA could perform is to look for unusual patterns when comparing drug orders in one geographic area with other nearby areas. These analyses could potentially help DEA proactively identify suspicious activities or registrants that may warrant investigation.

- **No data governance structure to manage all drug transaction data.** Although DEA has guidance, policies and procedures for the use of some information systems, it has not established a formal data governance structure to manage all data it collects and maintains, which are integral to its diversion control activities. A data governance structure is defined as an institutionalised set of policies and procedures for providing data governance throughout the life cycle of developing and implementing data standards. Industry and technology councils, domestic and international standards-setting organizations, and federal entities endorse the use of a governance structure to oversee the development, management, and implementation of data standards, digital content, and other data assets. While DEA began efforts to develop a governance structure, it is in the early stages of development and does not have additional details or documentation of its efforts. An effective data governance structure could help DEA ensure its important data assets are consistently and fully utilised.

Source: US GAO report DRUG CONTROL: Actions Needed to Ensure Usefulness of Data on Suspicious Opioid Orders, 2020, GAO-20-118

Also, as discussed earlier, using graphics and tables can significantly enhance the readability of the report.

### Conclusions

Many reports include conclusions that summarise the findings and information presented in the report, as discussed in Chapter 6. There are many ways to write this section, depending on the SAI's report style and the audience's needs. **Figure 44** presents illustrations of audit report conclusions from three different SAIs.



**Figure 44: Illustrations of audit conclusions**

Performance audit report from 2021 on European Union humanitarian aid for education. European Court of Auditors, 2021.	<p><b>Audit objective.</b> To assess whether EU humanitarian aid for education was effective in helping children and was delivered efficiently.</p> <p><b>Audit conclusion.</b> Overall, EU aid helped children in need and projects achieved their expected results. However, they did not reach enough girls. In addition, most of the projects in our sample were too short compared to children's educational needs, decreasing efficiency. The findings from our examination of 11 projects are summarised in Annex II. 68 projects were relevant and well-coordinated, and the commission addressed the problems it identified during monitoring visits. Projects achieved most of their planned results. However, the commission made limited use of the results of its Enhanced Response Capacity projects. In addition, the commission did not target enough girls, even though they faced greater disadvantages. Furthermore, several of the projects did not reach the targeted proportion of girls.</p>
Performance audit report Moving towards sustainable artisanal fishery in Mauritius. SAI Mauritius, 2018.	<p><b>Audit objective.</b> To assess whether measures implemented by the ministry were effective to support sustainable artisanal fishery.</p> <p><b>Audit conclusion.</b> The ministry has taken laudable initiatives in devising and maintaining a wide range of interventions targeting artisanal fishermen individually, collectively at community and national level through preservation and protection of lagoon ecosystems. All these interventions are aligned to SDG 14B and the FAO Code of Conduct for Responsible Fisheries, which promote sustainable artisanal fishery.</p>
Performance audit on the hygiene control in meat production process. SAI Tanzania, 2016.	<p><b>Audit objective.</b> To assess whether the Ministry of Agriculture, Livestock and Fisheries (MALF), President's Office Regional Administration and Local Government (PO RALG) and the Ministry of Health, Community Development, Gender, Elderly and Children (MoHCDGEC) have efficient and effective hygiene practices and control mechanism in meat production process to ensure safe and wholesome meat is delivered to the public.</p> <p><b>Audit conclusion.</b> There is no assurance that the meat delivered to the public in some of the visited slaughter facilities is safe for human consumption, as meat inspection and sanitary controls in many slaughter facilities are unsatisfactory. This is because the hygiene control mechanisms are not effectively and efficiently managed by (MALF), (PO RALG) and (MoHCDGEC).</p>

Source: ECA, SAI Mauritius and SAI Tanzania

## Recommendations

Many reports contain recommendations to the audited entities. You will need to balance the way that you describe the recommendation; it needs to be clear enough to avoid ambiguity but not so specific that it encroaches on management's responsibility. Chapter 6 discusses the development of recommendations in detail. More guidance on recommendations can be found in ISSAI 3000/127-128 and GUID 3920/125-128. **Figure 45** provides examples of SAI recommendations.

**Figure 45: Examples of recommendations in select SAI performance audit reports**

<b>Improvements in trauma networks</b>	<p>The Department is supporting the introduction of trauma networks by strategic health authorities. However, given the lack of progress made in improving major trauma services over the last 20 years, we recommend the following actions:</p> <ul style="list-style-type: none"> <li>a. Primary care trusts and ambulance trusts develop and implement triage protocols to determine which emergency departments seriously injured patients have to be taken for treatment. This work has to be coordinated by strategic health authorities.</li> <li>b. Primary care trusts use their commissioning powers to require all acute and foundations trusts with emergency departments that receive trauma patients to submit data to TARN. The purpose is to use the data collected to inform the ongoing development of trauma networks.</li> <li>c. Strategic health authorities with hospital trusts develop protocols for the transfer of patients requiring specialist care or surgical procedures not available at the receiving hospital.</li> </ul>
<b>Coordination of actions on elimination of violence against women</b>	<p>We recommend to the Ministry of Women to:</p> <ul style="list-style-type: none"> <li>a. Strengthen its governance systems by revising the legal framework governing the elimination of violence against women, improving coordination between NGO's and relevant government authorities and improving government commitments to international agreements.</li> <li>b. Coordinate effectively with key relevant stakeholders to strengthen the application of the legal framework on violence against women.</li> <li>c. Improve and strengthen its monitoring and reporting arrangements.</li> </ul>
<b>Decision making for domestic violence cases</b>	<p>For informed decision making while responding to the domestic violence cases, we recommend to the Ministry of Women to ensure:</p> <ul style="list-style-type: none"> <li>1. Access to the background information (if the violator had been convicted, use of drugs, possession of firearms etc.) of the domestic violence case for the responding police officer, to ensure correct risk assessment on the spot and due protection of the victim.</li> <li>2. To aggregate defending as well as restraining orders in the same database to enable swift and effective response to the violations.</li> <li>3. For early detection of domestic violence, the commission with the responsible parties to elaborate and implement early detection system for domestic violence cases within the activities of routine medical checks for children, screening for women etc.</li> </ul>
<b>Government Assistance to Students and Teachers in Private Education (GASTPE)</b>	<p>The SAI recommends that the Department for Education:</p> <ul style="list-style-type: none"> <li>a. crafts appropriate performance indicators to determine the extent the programme improved access to quality education and decongest the public schools;</li> <li>b. ensure that the programme prioritises the underprivileged;</li> <li>c. establish the GASTPE Composite Team and, thereafter, a dedicated and functional office to manage the Program;</li> <li>d. develop its Information Systems Strategic Plan in order to integrate all the relevant Information Technology (IT) systems, including those purportedly owned by Private Education Assistance Committee.</li> </ul>

Source: NAO, SAI Fiji, SAO Georgia, and SAI Philippines

## Abbreviations

For some topics, you may find it difficult to avoid using unfamiliar abbreviations and technical terms. You can help the reader by providing a glossary of terms and a list of abbreviations at the beginning of the report or in an appendix.

## How do you ensure the quality of the report?

Quality control procedures need to be an integral part of the conduct of each performance audit to minimise the risk of error and drive consistency in conduct (GUID 3910/102). There are several ways that SAIs can help ensure that the reports they produce are of high **quality**. These include a process to map the evidence of the report back to other sources, obtaining reviews of the report and obtaining comments from the audited entities before publishing the final report. ISSAI 140 provides additional guidance on quality control.

### How do you map evidence to sources?

It is good practice to produce a data reconciliation or equivalent audit trail that shows the source of all the numbers, facts and judgements that appear in your published report before publication. Doing so will reduce the risk of error in the report and make it easier to respond if the facts are questioned by reviewers, audited entities or third parties. This should be kept as part of your audit work papers. **Figure 46** shows an example of how to prepare a data reconciliation for your report.

**Figure 46: Example of a data reconciliation document for a performance audit report**

Paragraph	Reference	Explanation/source
2.3	In June 2019, the Minister for Education announced that other planned schemes to construct new colleges would be paused.	In her address to Parliament on 3 June 2019, the Minister for Education said, "It is this Government's priority to build the best possible colleges for our students. Some faults have been identified in the first of the new wave we have built. We are therefore going to learn the lessons from these early problems before we proceed with building the remaining facilities." [Parliamentary Transcripts, June 2019]
2.4	The delay will cost the Ministry \$15 million.	Figure 8 provides the breakdown of this \$15 million total. The source is the Ministry's Project Plan v3.7 of May 2019.  The \$15 million total comprises ...

Source: NAO, SAI Fiji, SAO Georgia, and SAI Philippines

### What is the report review process?

In Chapter 2, we discussed the need for SAIs to operate quality checks as part of their quality control and assurance framework. Before publication, SAIs put their revised draft reports through internal quality controls. SAIs will have their preferences regarding quality review procedures, but the review is typically conducted by:

- managers at different levels within the SAI;
- communications experts;
- an internal SAI office that is independent of the audit team; and
- possibly, an external expert. For example, you might request a review by an academic professional, a methodologist or another expert with in-depth knowledge of the activity you are auditing.

Such reviews provide you with independent assurance that the report is fair and balanced. Reports that are fair and balanced:

- treat the gathered evidence objectively, avoiding bias and prejudice;
- give due weight to both positive and negative evidence that is relevant to the audit objective(s) and questions; and
- present the evidence in a way that is not misleading or likely to have the reader draw an inaccurate inference from it.

It is important that the reviewers have the necessary skills to make an independent **professional judgement**. Chapter 2 provides more details on applying professional judgement and professional scepticism.

As discussed earlier, SAIs also commonly pass their final draft through reviews by senior management, copy editors, and communications specialists. **Figure 47** shows how one SAI organises quality control of its draft reports.

**Figure 47: How NAO Tanzania carries out quality control reviews of its audit reports**



During this process, it is important for reviewers to reconsider carefully the chain of logic that leads from the raw findings to the analysis and then to the audit conclusions. They need to consider different perspectives and all relevant arguments before drawing the conclusions. In particular, it is important that a reasonable reader would reach a similar conclusion from the same evidence. These kinds of review should be recorded and placed in the audit file. It is

important for the audit team to document how they have responded and how any disagreements were resolved.

## How do you consider audited entities or third party comments?

As described in Chapter 6, it is very important that the team discuss the findings with the audited entities (GUID 3920/129-136). In addition, before finalising the report, it is important to obtain the audited entities' and third parties' views and incorporate any appropriate changes into the report prior to publication (GUID 3920/136). Some SAIs also publish the audited entities' formal comments and an analysis of the comments in the final report for full transparency.



### The Standard

The auditor shall give the audited entity the opportunity to comment on the audit findings, conclusions and recommendations before the SAI issues its audit report.

Source: ISSAI 3000/129

When you formally provide the audited entities with a copy of your report, they may provide comments on:

- the factual accuracy of the report;
- how you have interpreted the facts and draw conclusions; and
- the implications of recommendations you have made.

It is important to examine the audited entities' response carefully and consider making appropriate changes to the draft report based on evidence standards. You will already have discussed your emerging findings with the audited entities, as mentioned above. Nevertheless, sometimes audited entities respond differently when they have seen your findings in a report format.

As part of your audit trail, keep a formal summary of how and why you have incorporated any amendments the audited entities have suggested, as well as a copy of the audited entities' comments.



### The Standard

The auditor shall record the examination of the audited entity's comments in working papers, including the reasons for making changes to the audit report or for rejecting comments received.

Source: ISSAI 3000/130

In addition, audit reports often include direct or indirect references to third parties (organisations, groups and individuals that are not included in the scope of an audit). For example, your report may refer to a charity or other social grouping representing people who use public services.

We recommend that you notify such third parties and ask them to verify the accuracy and completeness of statements concerning them. This process enables the SAI to ensure that references to third parties are accurate and fair.

## How do you publish the final report and communicate the results?



### The Standard

The SAI shall make audit reports widely accessible, taking into consideration regulations on confidential information.

Source: ISSAI 3000/133

Distributing audit reports widely can promote the credibility of the audit function. Therefore, audit reports need to be distributed to the audited entities, to the executive and the legislature, and to other responsible parties. The reports also need to be made accessible to other stakeholders and the general public directly and through the media, except for reports that contain sensitive or classified information (ISSAI 3000/134). If you exclude sensitive or classified content from the published report, you should disclose in the report that certain information has been omitted, plus give the reasons for the omission. (GUID 3920/138)

SAIs should publish and distribute their reports consistent with their specific mandates (GUID 3920/137). Practices may vary among SAIs. The primary audiences for performance audit reports is the legislature, executive, government agencies and the public. A good performance audit enables the legislature to effectively oversee government and agency performance and influence decision-makers in government and the public service to make changes that lead to better performance outcomes. However, there are also the general public and other stakeholders, such as the private sector and the media, who can have an interest, but possibly a different focus, in the outcome of a performance audit (ISSAI 3000/135). It is important to communicate to all relevant parties, and you may want to consider generating additional products. (GUID 3920/141)

### When writing a performance audit report, remember to ...

- ... develop a logical and sensible report structure;
- ... write recommendations using the SMART (Specific, Measurable, Attributable, Relevant and Time-bound) framework;
- ... ensure that your report is comprehensive, convincing, timely, reader-friendly and balanced;

- ... make sure the report is independently reviewed to ensure that Supreme Audit Institution standards are met, and evidence supports the findings and conclusions; and
- ... provide sufficient time to obtain and consider comments from the audited entity and relevant third parties.

Source: IDI/PAS Development Team



## Chapter 8

### How do you follow-up on audit results?



- Determine **progress** on the audit findings and recommendations.
- Assess if the problems found were **addressed**.
- Determine financial and non-financial **benefits**.
- Identify areas for **future audits**.

This chapter discusses the importance of following up on performance audit findings and recommendations and when to do so.

This chapter will answer the following questions:

- What is performance audit follow-up?
- How do you conduct follow-up?
- When do you conduct follow-up?
- How do you determine the impact of the audit?
- How do you report the results of follow-up?

### What is performance audit follow-up?



#### The Standard

The auditor shall follow-up, as appropriate, on previous audit findings and recommendations and the Supreme Audit Institution shall report to the legislature, if possible, on the conclusions and impacts of all relevant corrective actions.

The auditor shall focus the follow-up on whether the audited entity has adequately addressed the problems and remedied the underlying situation after a reasonable period.

Source: ISSAI 3000/136 and ISSAI

Follow-up refers to your examination of the corrective actions taken by the audited entities, or another responsible party, on the findings and recommendations of a performance audit. Follow-up is the last phase of the audit cycle and typically begins after sufficient time has passed for the findings to be addressed and recommendations implemented. It is an **independent** activity that increases the value of the audit process by strengthening the impact of the audit.

A primary objective of a performance audit is to improve public sector performance and accountability through the implementation of audit recommendations (see Chapter 1). Addressing findings and the timely implementation of audit recommendations is the responsibility of the audited entities. Through a follow-up process, you can monitor whether and how the problems or findings have been addressed, if the underlying situation has been remedied, and if the audit recommendations have been implemented by the audited entities. Remember that it is possible that the auditee has taken other actions to address the finding rather than implementing the recommendation made. If the intent of the recommendation is successfully achieved through these actions, the issue should be considered addressed.

According to INTOSAI P-12, reporting on the follow-up measures taken with respect to audit findings and recommendations is a way to help ensure that those charged with public sector governance discharge their responsibilities and take appropriate corrective action. Depending on the SAI's mandate and wider constitutional arrangements, stakeholders may include the legislature, its committees and audited entities' management and governing boards.

In most countries, audited entities are not legally required to implement recommendations made by SAIs. In addition to providing many benefits, as discussed throughout this handbook, developing a good relationship with the audited entities can increase the likelihood that it will address the deficiencies found during the audit and implement the recommendations. During the audit process and within the report itself, it is important that you provide persuasive evidence that addressing the findings and implementing the recommendations will bring considerable benefits to the audited entities, public institutions and the citizens. It is also important that you follow up on these findings and recommendations to determine whether they have been implemented and what effects they have had. Follow-up should focus on whether the audited entity has adequately addressed the deficiencies identified after a reasonable period of time (ISSAI 3000/140). You as an auditor have to assess in each case what is a reasonable timeframe for implementation of recommendations, as you cannot realistically measure results too early following the audit.

Following up on audit findings and recommendations serves several purposes (GUID 3920/146-147):

- **Identify the extent to which audited entities have implemented changes in response to audit findings and recommendations.** Follow-up can help you determine what actions the audited entities has taken to remedy any weaknesses identified as a result of the audit.
- **Determine the impacts which can be attributed to the audit.** The follow-up can reveal cost savings and non-financial improvements that can be attributed to the audits.
- **Identify areas that would be useful to follow up in future work.** Following up on findings and recommendations from previous audits can help the SAI identify cases where it would be worthwhile to conduct a new audit to determine how performance has changed.
- **Evaluate the SAI's performance.** Follow-up provides a basis for assessing and evaluating SAI performance and may contribute to better knowledge and improved practices in the SAI. In this respect, following up on audit results can serve as a quality assurance tool.
- **Provide feedback to the legislature and government on the impact of the audit.** Follow-up can provide information on the performance and improvements made by the audited entities in response to the audit.

## How do you conduct follow-up?

It is important that SAIs develop a process to follow up on findings and recommendations made from past performance audits. The audit documentation plays a crucial role in follow-up because, in many cases, the auditors who conduct the follow-up are not the same as those who carried out the audit.

When conducting follow-up, it is important for you, as the auditor, to adopt an unbiased and **independent** approach for determining whether the audited entity has taken appropriate actions to address the findings and recommendations. In making this determination, you should use the same standards and methods used by the team who conducted the performance audit.

GUID 3920/152 refers to different methods that may be used specifically to follow up on findings and recommendations. The methods to apply will depend on the procedures and priorities established by your SAI. Such methods may include the following:

- Arrange a meeting with the audited entity after a certain period of time has elapsed to find out what actions have been taken in response to the audit findings and recommendations. In addition to the information gathered during the meeting, the audited entity representatives have to provide documentation supporting the corrective actions taken and their effects.
- Request the audited entity to inform the SAI in writing about the actions it has taken or will take to address the findings and recommendations presented in the audit report (see Appendix 21 for an example of obtaining actions in writing).
- Conduct phone calls or limited field visits to collect information on the actions taken by the audited entity. Both need to be documented.
- Keep up to date on reactions from the audited entity and other responsible parties, the legislature and the media to help you determine whether problems identified have been appropriately addressed.
- Request financial and compliance audit teams from your SAI to collect information on the actions taken in response to your findings and recommendations as part of their audit procedures and analyse the information and documents received.
- Carry out a new performance audit if needed. The SAI should decide if it is necessary to conduct a follow-up audit, considering the relevance of the topic and the impact the new audit might achieve. A follow-up audit could also be a way to evaluate situations when a problem remains, even when the recommendations have been implemented.



#### Tips on conducting follow-up

After the audit report is approved by the Head of the Supreme Audit Institution (SAI), the audit team leader could send an action plan template to the audited entity to be filled out and returned to SAI. The action plan should include the types of actions the audited entity has taken or intends to take to address the findings and recommendations, as well as time frames and points of contact. If needed, the audit team can meet with representatives of the audited entity to discuss and clarify the information to be included in the action plan. It is advisable to establish a deadline for the audited entity to complete and return the action plan.

Source: IDI/PAS Development Team

The procedures you use for developing your audit working papers should also be used to document evidence gathered during follow-up (see Chapter 2 for more information on organising audit work papers). It is also helpful for you to have a framework for assessing evidence and determining whether the findings have been addressed and the recommendations implemented. Appendix 21 contains an illustration that can be used to conduct this assessment. With such a framework, you can assess and document the extent and status of implementing your findings and recommendations. When reviewing evidence on whether the audited entity has fulfilled an audit recommendation, it can also be helpful to

have a system for categorising the extent of implementation. For example, you might use the following categories:

- **Fully implemented.** The audited entity has taken actions that address the intent of the recommendation. It is possible that the audited entity addressed the problem with other actions than those recommended.
- **Partially implemented.** The audited entity has taken some actions but has not yet fully implemented the recommendation.
- **Not implemented.** The audited entity has not taken action to implement the recommendation after sufficient time has passed. For example, the deadline identified by the audited entity for the implementation of the recommendation has passed, and the audited entity did not address the recommendation.
- **No longer relevant.** A recommendation has been overcome by events or circumstances and is no longer appropriate.
- **Could not be verified.** The status of the implementation of the recommendation could not be determined. As mentioned, sometimes, the follow-up process may reveal significant issues for further review. If further review is needed, it may be appropriate to carry out a new performance audit. If your SAI decides to conduct a new audit on the same topic, it is important to determine why the previous findings and recommendations have not been addressed. In some cases, other factors may have changed the underlying situation, thus making the recommendations irrelevant or, for reasons unrelated to the audit, the problem no longer exists. All of these are considerations for you to make, along with the appropriate timing for the audit follow-up.



It is important to report the positive action in responding to the audit recommendations, as this is a credit to both the audited entity and the SAI.

It can be an extra motivation for auditors and SAIs to perform follow-up activities and can have positive impacts on the SAI's image, reputation and credibility.

Source: IDI/PAS Development Team

## When do you conduct follow-up?

Follow-up is typically done periodically as deemed appropriate by the SAI. The priority of follow-up tasks is usually assessed as part of the overall SAI's audit strategy. Sufficient time has to be allowed to the audited entity to implement appropriate actions. (GUID 3920/148)

Your audit team should begin thinking about follow-up during the course of the audit, and especially as you are drafting the findings and recommendations. In drafting the recommendations, as discussed in Chapter 6, your team has to be mindful to ensure they can

be appropriately implemented by the audited entity and that the benefit to be derived is worth the cost to implement them. In addition, toward the end of the audit, it is useful for your audit team to have some high-level conversations with the audited entity's senior management to determine procedures that will be followed for contacting the entity for follow-up on the findings and recommendations.

For example, the SAI might work out a process with the audited entities. When discussing the recommendations with the audited entities, it could be helpful to ask them to provide a timeline for implementing the recommendations. This can be valuable, both for the audited entity and the SAI, as it can help in planning the follow-up schedule and the actions to be taken to implement the recommendations. The audited entities can also propose an action plan.

ISSAI 3000/139 requires the auditor to focus the follow-up on whether the audited entities have adequately addressed the problems and remedied the underlying situation after a reasonable period. This reasonable period may depend on the context and nature of audit recommendations provided. Naturally, some recommendations may require a longer period to be implemented, while others may require a shorter period. You also have to consider what type of data can be generated at what time. For example, the effect of the implementation of the recommendations may only be measured after a sufficient time has passed.

Some findings and recommendations may no longer be applicable. As such, when following up, you need to concentrate on those that are still relevant. (GUID 3920/151)

The timing of follow-up constitutes a key management decision to be taken by each individual SAI in accordance with its policies or mandate. For example, the SAI may have a policy of carrying out follow-up work annually regarding the implementation of audit recommendations. This practice may help report results systematically, but there may well be little evidence of impacts in the first year after the publication of the audit report. Whichever reporting period it chooses, the SAI needs to be clear on any inherent limitations of its analysis and report accordingly.

For example:

- In **SAI Brazil**, the follow-up schedule is decided after the analysis of the action plan, which is completed by the audited entity. Time frames for follow-up are determined according to the deadlines identified by the audited entities to implement the recommendations.
- In the **United States GAO**, after conducting and reporting the results of a performance audit, the auditor's follow-up on the audited entities at least once a year, for four years. They also measure their effect on improving the government's accountability, operations

and services by tracking the percentage of recommendations implemented within four years.

- In **SAI Georgia**, auditors strive to follow up on recommendations twice a year, based on action plans provided by the audited entities. They are also developing an electronic recommendation monitoring system to simplify the process. For important audits, they consider following up on the audits after several years, as appropriate.
- In **SAI Philippines**, auditors enclose in the transmittal of the performance audit report a request for the audited entities to prepare an action plan based on the recommendations embodied in the report. The audited entities complete and provide to the SAI a standardised action plan form within 60 days of receipt of the report. Follow-up on the status of implementation of recommendations is undertaken at year-end.
- In the **European Court of Auditors** and **SAI Norway**, follow-up normally takes place three years after the publication of the performance audit report. This allows sufficient time to pass for the audited entities to implement, if relevant, the audit recommendations.

### How do you determine the impact of the audit?

One of the reasons to follow-up is to determine the impact the audit has had on improving public policies and service delivery. There are different ways to measure the impact of the implementation of your recommendations. The following examples are adapted from SAI Brazil and GAO:

- **Financial.** Benefits related to reductions in expenses or increases in revenues. For example, the implementation of a recommendation to close a maintenance facility with a low workload resulted in savings of US \$50 million.
- **Qualitative and quantifiable.** Benefits related to improvements in performance that can be quantified. For example, the implementation of a recommendation resulted in a 15-day reduction in the waiting time for lung cancer treatment.
- **Qualitative and non-quantifiable.** Benefits related to improvement in performance that cannot be quantified. For example, the implementation of a recommendation resulted in enhanced safety procedures for personnel handling hazardous materials.

The audit impact has to be considered throughout an audit, from the selection of the audit topic through audit follow-up. During the follow-up process, the impact of the audited entities' implementation of the recommendations can be assessed and measured in different

ways. For example, you could compare the situation found during the follow-up with the situation found during the audit to determine any changes. It is important to separate the effects caused by the implementation of the recommendation from changes caused by other factors.

The audited entities may also calculate the impact of the action taken or contract out studies to determine the impact. You could find that an external organisation has independently evaluated the impact of your findings and recommendations.

For example, in the United Kingdom's National Audit Office, when an audit team was following up on the findings and recommendations of an audit conducted on major trauma centres, they found that an academic study had since been conducted which had measured the impact of the changes made as a result of their audit report. If such studies exist, you can analyse them and assess whether it is possible to use the results as evidence of the impact of the recommendation.



#### Example of results of audit follow-up

In 2019, based on follow-up, the Government Accountability Office's (GAO's) work yielded US \$214.7 billion in financial benefits – a return of about US \$338 for every US dollar invested in GAO. It also identified 1,418 other benefits – those that cannot be measured in US dollars but led to programme and operational improvements across the government.

Source: IDI/PAS Development Team

A survey done by EUROSAI has identified six factors that influence audit impact (EUROSAI, 2021). They are:

- Audit report quality.
- Constructive relationship between auditor and audited entities.
- Existence of follow-up system.
- Parliamentary involvement.
- Report the results of the follow-up system.
- Use of the follow-up results for the performance monitoring system and the risk assessment.

## How do you report the results of follow-up?

SAIs may benefit from a system for reporting on the results of follow-up work. Reporting publicly on the benefits derived from an SAI's performance audits plays an important role in showing the value the SAI has brought. This can be helpful for an SAI in justifying their budget or resource request and can positively enhance their reputation and credibility.

The results of your follow-up efforts may be reported individually or as a consolidated report which brings together the results of all or portions of your SAI's follow-up work. Consolidated



follow-up reports may include an analysis of common trends and themes across several reporting areas. Whatever the form, all follow-up reports must be balanced, and findings presented objectively and fairly. (GUID 3920/155)

A follow-up report could have the following structure:

1. **Introduction.** Explanation on why the audit was done and information on previous follow-up activities, if any.
2. **Overview.** Brief explanation on the audit topic.
3. **Methodology.** How the follow-up was done.
4. **Audit findings.** This is the main section of the report. It can contain the findings, the respective recommendations and the conclusion on the situation found during the follow-up regarding the implementation of the recommendations.
5. **Comments from the audited entities.** Summary of the comments made on the draft follow-up report.
6. **Conclusion.** Overview of the recommendations' situation.

**Figure 48** has an illustration of an adapted portion of a follow-up report from SAI Brazil of a performance audit done on a Brazilian programme called 'Brazil on High-Performance Sports'.

**Figure 48: Adapted portion of a follow-up report**

### Excerpt of a follow-up report

#### ... III.4 Socio-educational support to athletes after career

The expression 'career transition' is commonly found in the literature to refer to the moment when an athlete prepares to withdraw from training and competitions. Several reasons can lead to the end of the career, including the decline in performance due to advancing age, injuries, or even the search for other occupations in life. This process, therefore, can be planned or compulsory.

In Brazil, the Sectorial Policy for High Performance Sports establishes as one of its objectives to provide athletes and para-athletes, in the course of their sports careers, the possibility of intellectual and professional training.

##### III.4.1 What was reported on the audit

In the audit carried out, it was pointed out that the athlete's post-career theme was not included in the agenda of actions carried out by the government.

The SAI recommended to the Secretary of High Performance Sports to structure a strategic plan to reshape the support system to athletes and former athletes, to provide them conditions to stay on sports area after closing their careers as athletes.

##### III.4.2 Situation found during follow-up – recommendation not implemented

In the action plan, there is no concrete proposal to implement the recommendation. When asked about the matter, the audited entity informed there is a project being designed. The objective is to provide online training to professionals to perform functions related to sport management. That was the only action mentioned related to the recommendation.

During the follow-up, the SAI conducted a survey, and one conclusion was that the theme is little addressed in the planning of federations and confederations, with no consolidated strategies aimed at the socio-educational support of athletes.

With regards to initiatives aimed at supporting the athlete's education or professionalization in an alternative career, most leaders of confederations (67%) and federations (57%) who answered the questionnaire classified their entity's plans as non-existent or incipient. Regarding the availability of training programmes, 76% of federations and 67% of confederations pointing out that there is no planning for this purpose.

When asked about factors that could motivate the desire to abandon their career in the short term, 42% of the athletes who answered the questionnaire pointed out the item 'lack of perspectives regarding my professionalization as an athlete'. This situation ends up influencing the level of satisfaction and motivation of part of the athletes.

Because of the situation found, the recommendation is considered not implemented.

...

Source: Adapted from a follow-up report from SAI Brazil

An SAI may also report on the results of their follow-up in other ways. For example, the US GAO maintains a publicly available database of its recommendations and their status. They use this database, in addition to other mechanisms such as their annual Performance and Accountability Report, to help communicate the status of their follow-up and the impact of their work. GAO also publicly reports the percentages of their total recommendations made within the last four years that have been implemented.

The reporting of follow-up has to be conducted in accordance with the established procedures of the SAI. Whether or not it is suitable to issue the follow-up audit report to the

legislature will depend on how the SAI assesses the significance of the findings, the conclusions and the impacts of the corrective actions taken.

#### When following up on a performance audit, remember to ...

... monitor whether your findings and recommendations have been addressed;

... report the positive actions taken in responding to the audit recommendations, as this is a credit to both the audited entity and the Supreme Audit Institution (SAI). It can have positive impacts on the SAI's image, reputation, budget and credibility;

... adopt an unbiased and independent approach for determining whether the audited entity has taken appropriate actions to address the findings and recommendations;

... think about follow-up during the audit, and especially as you are drafting the findings and recommendations;

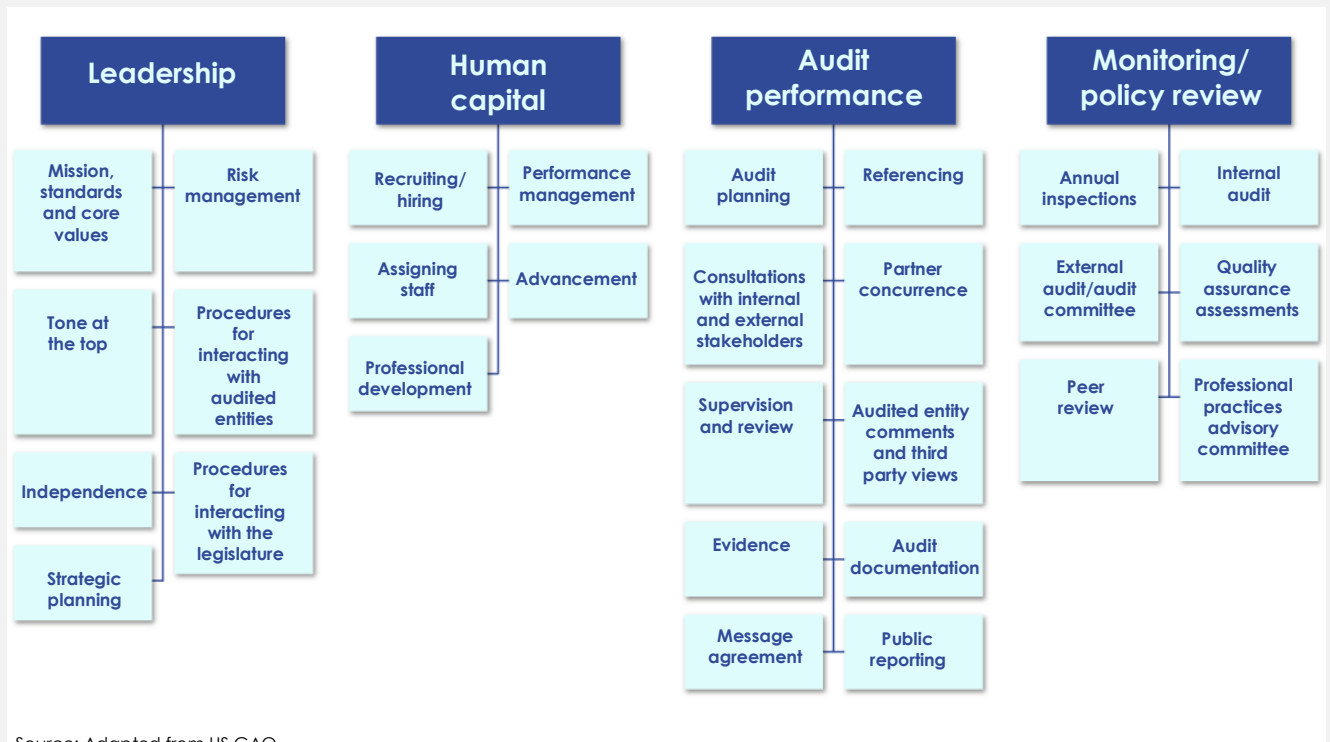
... assess whether the audited entity's actions in response to the findings and recommendations are consistent with the same standards and in the same manner you assess evidence collected during the audit; and

... document the audited entity's actions in your audit work papers and ensure supervisory review.

Source: IDI/PAS Development Team

# Appendices

## Appendix 1: Example of an SAI QA framework for assuring compliance with applicable standards



## Appendix 2: Example of a permission to engage in outside activities form

### Sample form: Permission to engage in outside activities<sup>1</sup>

<b>1. Name:</b>	<b>2. SAI unit/office:</b>	<b>3. Position/title</b>
<b>4. Outside employer, publisher or organisation:</b>		<b>5. Business or activity:</b>
<b>6. Description of your role, work, or product/services you will provide:</b>		<b>7. Does SAI work in this area?</b>  <b>Do you work in this area?</b>
<b>8. Hours to be worked or volunteered?</b>		<b>9. Compensation?</b>
<b>10. Describe business relation, if any, between SAI and outside activity:</b>		
<b>11. If a publication or speech, describe subject and list any related SAI products:</b>  <b>Note: The text of any outside publication or prepared speech must be reviewed by the appropriate unit or office before publication or delivery.</b>		
<b>12. As provided in SAI Order 123, I request SAI's permission to engage in the outside activity described above. I will not engage in the activity during my hours of official duty.</b>		
<b>Auditor signature and date:</b>		
<b>13. Supervisor's recommendation</b>  ____ Approve ____ Approve with conditions (attach summary of conditions) ____ Disapprove (attach summary of reasons)  <b>Signature of supervisor:</b>		
<b>14. Signature of approving official</b>		
<b>Approval expires in 3 years, unless earlier date is entered here:</b>		

<sup>1</sup>SAI employees can use this form to request permission to engage in outside activities, which may be required before: (1) engaging in an activity for which compensation, salary or fee is received in exchange for the individual's personal time, effort or talent (excluding reimbursement for travel or other expenses actually incurred in performing the activity or employment); (2) engaging in an activity for which compensation, salary or fee is customarily received, even if the employee performs the activity gratuitously; (3) speaking or writing, even if the outside speaking is or is customarily performed gratuitously; (4) serving as an officer, director, trustee or spokesperson for an association or organisation; and (5) running for elective office, where permitted by SAI order.

## Appendix 3: Example of an independence statement

### Sample form: Statement of auditor independence

In all matters relating to SAI's audits, the SAI, its employees, and others involved must be free from circumstances that would cause a reasonable and informed third party to doubt their integrity, objectivity or professional scepticism, and must maintain independence of mind and in appearance.

Threats to Independence include, but are not limited to,

- a. Self-interest threat - the threat that a financial or other interest will inappropriately influence an auditor's/investigator's judgement or behaviour.
- b. Self-review threat - the threat that an auditor or audit organisation that has provided nonaudit services will not appropriately evaluate the results of previous judgements made or services performed as part of the nonaudit services when forming a judgement significant to an audit.
- c. Bias threat - the threat that an auditor will, as a result of political, ideological, social or other convictions, take a position that is not objective.
- d. Familiarity threat - the threat that aspects of a relationship with management or personnel of an audited entity, such as a close or long relationship, or that of an immediate or close family member, will lead an auditor to take a position that is not objective.
- e. Undue influence threat the threat that external influences or pressures will impact an auditor's ability to make independent and objective judgements.
- f. Management participation threat the threat that results from an auditor's taking on the role of management or otherwise performing management functions on behalf of the entity undergoing an audit
- g. Structural threat the threat that an audit organisation's placement within a government entity, in combination with the structure of the audited entity will impact the audit organization's ability to perform work and report results objectively.

Completing this form underscores the importance to adhere to standards of independence and objectivity, and must be annually certified by all SAI employees involved in audits. Individuals who are unable to make this certification or believe a threat to their independence that could require safeguards may exist must notify a senior manager involved in their current assignment to discuss their situation.

**I certify that there are no impairments to my independence, and I will promptly notify a senior manager on my current assignment if a threat to my independence that may require safeguards should arise.**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Source: Adapted from US GAO

## Appendix 4: Example of an audit topic selection matrix

### Audit topic selection matrix

The SAI identified four possible audit topics via its strategic planning process:

1. Solid waste management
2. Climate change adaptation
3. Sustainable fisheries
4. Maternity services in public hospitals

The following table illustrates an example of how scoring is assigned, and audit topics prioritised based on selected criteria. (The topic selection criteria and their weights will be chosen in accordance with the ISSAI and based on their relevance and importance to the SAI).

CRITERIA	WEIGHTS	Identified alternative audit topics							
		Topic 1		Topic 2		Topic 3		Topic 4	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
1. Materiality	15	3	45	3	45	2	30	2	30
2. Auditability	15	3	45	1	15	2	30	2	30
3. Possible impact	15	3	45	2	30	2	30	2	30
4. Risks to the SAI	10	3	30	1	10	3	30	3	30
5. Legislative or public interest	10	3	30	3	30	0	0	3	30
6. Relevance	10	3	30	3	30	2	20	3	30
7. Timeliness	5	3	15	3	15	1	5	2	10
8. Previous audit work	5	2	10	3	15	2	10	2	10
9. Other works planned or in progress	5	2	10	1	5	1	5	1	5
10. Request for performance audit	10	3	30	0	0	3	30	2	20
<b>Aggregate weighted score</b>	<b>100</b>		<b>290</b>		<b>195</b>		<b>190</b>		<b>225</b>
<b>Rank</b>			<b>1</b>		<b>3</b>		<b>4</b>		<b>2</b>

Note: Not applicable = 0, Low = 1, Medium = 2, High = 3

Comments:

1. Materiality:.....(state here the reasons/justifications for specific score for each topic)
2. Possible impact:.....
3. Relevance:.....
4. ....

The above assessment indicates Topic 1 (Solid waste management) as the first priority, Topic 4 (Maternity services in public hospitals) as the second priority, Topic 2 (Climate change adaptation) as the third priority and Topic 3 (Sustainable fisheries) as the fourth priority.

- ✓ Weights are assigned to each criterion and aggregate to 100%. The assignment of weight to each criterion will depend on the importance of the criterion to the SAI's management, the legislature, the government and the public in general.
- ✓ The auditor should exercise professional judgement while assigning a score of 'not applicable', 'low', 'medium' and 'high'. However, their judgement should be backed with appropriate justifications and documentation.
- ✓ The product of 'weights' and 'score' would give the 'weighted score'. The aggregate of weighted score would result to 'aggregate weighted score' for each topic.
- ✓ The topic scoring highest 'aggregate weighted score' can be ranked as the first priority. Hence, it would generally be accorded the highest priority for audit resources, and subsequently be prioritised for audit. The numbers of audit topics chosen to be audited in a given period will depend on the availability of audit resources. The topics chosen will be based on priority determined through rank combined with professional judgement.

Note: This example uses weighted scores, but SAIs may choose not to use weights if all criteria seem to be of equal importance.  
Source: IDI/PAS Development Team



## Appendix 5: Sample design documents

### Stakeholder analysis

During the pre-study, it is critical that you work with stakeholders inside and outside your SAI. Examples of internal stakeholders are methodologists or legal experts. Examples of external experts are subject matter experts that specialise in the subject of the audit. To do this effectively, you may find it beneficial to complete a stakeholder analysis. **Figure 5.1** provides an example of an analysis of stakeholders completed as part of an audit examining issues of domestic violence and violence against women.

**Figure 5.1: Sample stakeholder analysis for a performance audit**

Stakeholder	Roles	Interests	Priority for the audit
Victim/survivor	<ul style="list-style-type: none"> <li>• Report physical, psychological, sexual, patrimonial and moral aggression.</li> <li>• Request support and shelter (if needed).</li> <li>• Be aware of procedural acts concerning the offender.</li> </ul>	<ul style="list-style-type: none"> <li>• Receive proper care and treatment.</li> <li>• Feel safe.</li> <li>• Go back to normal activities.</li> <li>• Don't suffer violence.</li> <li>• Know that the perpetrator will be punished.</li> </ul>	High
Perpetrator	<ul style="list-style-type: none"> <li>• Seek help to stop being violent.</li> </ul>	<ul style="list-style-type: none"> <li>• Receive proper care and treatment.</li> <li>• Change behaviour and attitudes.</li> </ul>	High
Children/family/dependents	<ul style="list-style-type: none"> <li>• Report physical, psychological, sexual, patrimonial and /or moral aggression.</li> </ul>	<ul style="list-style-type: none"> <li>• Receive proper care and treatment.</li> <li>• Feel safe.</li> <li>• Go back to normal activities.</li> </ul>	Medium
Centre of government	<ul style="list-style-type: none"> <li>• Coordinate and integrate the policies of multiple ministries/departments.</li> <li>• Set out plans to address for SDGs implementation.</li> <li>• Review and refine implementation of policies linked to SDGs.</li> <li>• Assess how well policies are being implemented.</li> <li>• Provide information.</li> <li>• Ensure inclusiveness in implementation plans to 'leave no one behind'.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the nationally agreed targets linked to the SDGs.</li> </ul>	High
Ministry of Women	<ul style="list-style-type: none"> <li>• Formulate and coordinate policies for prevention and protection of women victims of violence.</li> <li>• Prepare national plan on gender equality.</li> <li>• Promote gender equality.</li> <li>• Develop and implement awareness-raising campaigns about violence against women.</li> <li>• Articulate, promote and implement cooperation initiatives with national and international public and private entities to help the implementation of policies for women.</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease of violence against women in the country.</li> </ul>	High
Regional/local gov. institutions responsible for actions of EIPV	<ul style="list-style-type: none"> <li>• Implement plans on gender equality.</li> <li>• Promote gender equality.</li> <li>• Develop and implement awareness-raising campaigns about violence against women.</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease of violence against women in their area.</li> </ul>	High

Ministry of Health	<ul style="list-style-type: none"> <li>• Establish rules, guidelines and protocols for care of victims of IPV.</li> <li>• Provide multidisciplinary teams (nurses, doctors, psychologist, social workers) to care for victims of IPV.</li> <li>• Prevent sexually transmitted diseases to victims of IPV.</li> <li>• Provide services for legal abortion in cases of IPV.</li> <li>• Support technically and financially the organisations responsible for EIPV.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure to victims of IPV all the necessary support for the restoration of their health.</li> </ul>	High
Ministry of Justice	<ul style="list-style-type: none"> <li>• Establish policies and plans to provide the necessary services to those impacted by IPV (victims, perpetrators, families).</li> <li>• Coordinate the implementation of policies and plans among the institutions responsible for EIPV (police stations, legal system, judges, public prosecutors, district attorneys).</li> </ul>	<ul style="list-style-type: none"> <li>• Good service provided to those impacted by IPV.</li> </ul>	High
Ministry of Education	<ul style="list-style-type: none"> <li>• Promote educational campaigns to raise awareness against IPV.</li> <li>• Review school curriculum to ensure that they are free from gender stereotypes.</li> <li>• Develop capacity programmes for teachers and other professionals responsible for education focusing on gender equality and EIPV.</li> </ul>	<ul style="list-style-type: none"> <li>• Successful education activities to decrease IPV.</li> </ul>	High
Ministry of Social Welfare	<ul style="list-style-type: none"> <li>• Establish policies and plans to provide the necessary services to those impacted by IPV (victims, perpetrators, families).</li> <li>• Support technically and financially the organisations responsible for EIPV.</li> <li>• Coordinate the implementation of policies and plans among the institutions responsible for providing services to those impacted by IPV.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the welfare of victims and their families.</li> </ul>	High
Police Department	<ul style="list-style-type: none"> <li>• Ensure police protection to the victim, if needed.</li> <li>• Refer the victim to the hospital, if needed.</li> <li>• Refer the victim to the prosecutor, if she wants to press charges against the perpetrator.</li> <li>• Request protective measures from the judge, if needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide good services to victims.</li> <li>• Contribute to EIPV.</li> </ul>	High
National Statistical Office	<ul style="list-style-type: none"> <li>• Develop and maintain a data system for collect, compile and analyse data on IPV.</li> <li>• Receive and compile data about IPV received from states and municipalities.</li> <li>• Assess the integrity of data received.</li> <li>• Develop and communicate reports with statistical information about IPV.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide reliable and good quality statistical information about IPV.</li> </ul>	High
CSOs that work with EIPV	<ul style="list-style-type: none"> <li>• Mobilise society on the issue of IPV.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the welfare of victims of IPV.</li> </ul>	Medium

	<ul style="list-style-type: none"> <li>• Claim actions and measure to improve care for victims of IPV and their children.</li> <li>• Inform and educate victims about their rights.</li> <li>• Assist victims of IPV and their children in the areas of education, physical and mental health, employment, housing, access to justice.</li> </ul>		
UN agencies	<ul style="list-style-type: none"> <li>• Mobilise governments and society on the issue of IPV.</li> <li>• Claim actions and measure to improve care for victims of IPV and their children.</li> <li>• Inform and educate victims about their rights.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure women rights.</li> <li>• Decrease of violence against women.</li> </ul>	Medium
Experts	<ul style="list-style-type: none"> <li>• Conduct studies and researches on EIPV.</li> <li>• Provide qualified information to governments and CSOs on IPV.</li> <li>• Support government agencies in formulating and implementing policies on EIPV.</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease of violence against women.</li> </ul>	High
Women's association (national, province, municipality, village)	<ul style="list-style-type: none"> <li>• Mobilise society on the issue of IPV.</li> <li>• Claim actions and measure to improve care for victims of IPV and their children.</li> <li>• Inform and educate victims about their rights.</li> <li>• Assist victims of IPV and their children in the areas of education, physical and mental health, employment, housing, access to justice.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure welfare and safety of victims of IPV.</li> </ul>	Medium
Judges	<ul style="list-style-type: none"> <li>• Grant protective measures.</li> <li>• Inform prosecutor about requirement of protective measures.</li> <li>• Order the perpetrator's custody, if needed.</li> <li>• Revoke custody, if applicable.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure welfare and safety of victims of IPV.</li> </ul>	High
Public prosecutors	<ul style="list-style-type: none"> <li>• Request police protection for victims of IPV.</li> <li>• Request health, education, social welfare and other services for victims of IPV.</li> <li>• Supervise public and private establishments that provide the necessary services to those impacted by IPV (victims, perpetrators, families).</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure welfare and safety of victims of IPV.</li> </ul>	Medium
District attorneys	<ul style="list-style-type: none"> <li>• Provide specific and humanised legal service to victims of IPV.</li> </ul>	<ul style="list-style-type: none"> <li>• Allow access to justice for victims of IPV.</li> </ul>	Medium

Source: IDI's SDGs Audit Model (ISAM)

### Initial meeting agenda

Some SAs find that it is helpful to gather internal stakeholders (for example, legal experts, economists, individuals with technical expertise) to participate in an initial meeting at the beginning of the performance audit. During this meeting, you will discuss with your stakeholders possible approaches, audit questions, design options and potential points of contact who have knowledge of the audit topic. The following is a sample agenda from GAO that can guide this type of meeting.

## Sample initial meeting agenda

SAI management	Audit team	Stakeholders
<u>Group 1</u>	Juan Baldéz, Auditor in Charge	<u>General Counsel</u>
Sara Peck, Managing Director	Alessandra Engle, Auditor	Rebeca Sanchez, Legal Expert
Maita Subramanian, Director		
Ling Liu, Audit Manager		<u>Methodologist and Data Analysis Support</u>
		Melissa Ngumo (methodologist)
		Takano Watanabe (data analyst)

### Discussion of audit (5 minutes)

Basis for the audit (law, request or other).

Estimated resource requirements.

Risks for weaknesses in performance.

Challenges in meeting the principles of economy, efficiency and effectiveness, including being able to comply with laws and regulations.

Internal controls.

### Internal/external coordination (10 minutes)

Summary of meetings with internal stakeholders and audit teams working on related topics or with the audited entity.

Summary of meetings with external stakeholders, including other audit organisations, research groups or those who have examined the topic of the audit.

Known ongoing activities at the audited entity pertaining to the substance of the audit.

Planning to schedule meeting with relevant subject matter experts.

### Proposed audit objectives (15 minutes)

What have been the trends in ... ?

To what extent does the division ... ?

How consistently and adequately is the division ... ?

### Potential methodologies (15 mins)

Data analysis: Analyse data from the ... fiscal years.

Interviews with knowledgeable officials at ... offices.

Site visits at ... locations.

### Discussion of stakeholder roles (10 minutes)

### Recap of key decisions made at the meeting and post-meeting action items (5 minutes)

Document decisions.

Hold initial meeting with audited entity.

Source: US GAO

## Agenda for initial meeting with the audited entity

Audit teams typically meet with the audited entity prior to starting information and data collection. During this meeting, teams meet with officials to introduce their work and identify

their information needs for the audit, among other things. The following is a sample agenda from the GAO.

### Sample agenda for initial meeting with the audited entity

Date/time:

Location:

Dial-in information:

#### Attendees

Name	Title	Email	Phone
Joan Smith	Director		
Ling Liu	Audit Manager		
Juan Baldez	Auditor-in-Charge		
Alessandra Engle	Auditor		

Source of work: (for example, request from oversight committee, part of the SAI's ongoing audit topic, etc.)

Scope of work: This work includes efforts to assess the management of the government's [describe audit objective and audit questions.] As this audit proceeds, our information needs may expand, and additional information may be needed. We will inform you of these changes as they are identified.

Offices and locations that the SAI has initially identified to conduct work include:

#### Time frames

- We plan to begin our work immediately and seek to have a draft report completed by ... 20XX.

Source: US GAO

### Tools for enhancing subject matter knowledge and analysing risk

#### **SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis**

The purpose of the SWOT analysis is to identify and categorise strengths, weaknesses, opportunities and threats associated with the internal and external environments of the audited entity. **Figure 5.2** shows the SWOT template, while **Figure 5.3** provides a sample SWOT analysis.

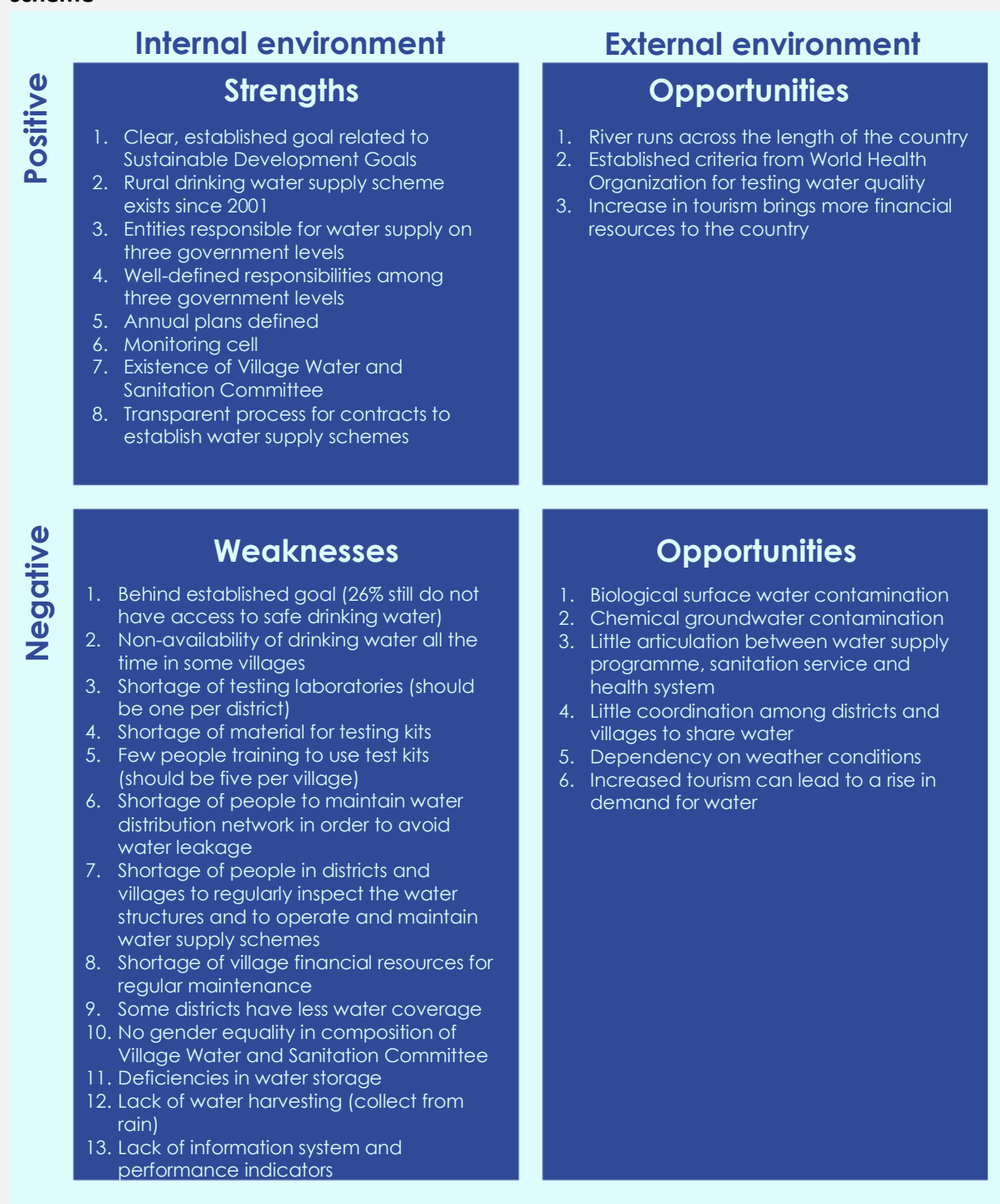
Figure 5.2: SWOT template

	Internal environment	External environment
Positive	<b>Strengths</b> Identify and list strengths related to the internal environment of the audited entity.	<b>Opportunities</b> Identify and list opportunities that exist in the external environment of the audited entity.
Negative	<b>Weaknesses</b> Identify and list strengths related to the internal environment of the audited entity.	<b>Threats</b> Identify and list threats that exist in the external environment of the audited entity.

Source: IDI/PAS Development Team



**Figure 5.3: Sample SWOT analysis for a performance audit on a rural drinking water supply scheme**



Source: IDI/PAS Development Team

### **Risk verification diagram (RVD)**

To develop the RVD, make a list of the risks associated with the weaknesses (w) and threats (t) you identified in the SWOT analysis, evaluate them for probability and impact,

and then place them accordingly in the diagram. **Figure 5.4** shows a sample RVD based on the rural drinking water supply scheme SWOT analysis above.

**Figure 5.4: Sample RVD for audit of a rural drinking water supply scheme**



## Appendix 6: Design paper checklist

The design paper could be used as an alternative to the design matrix. It allows audit teams to document their audit's design in narrative form outside a structured matrix. The design paper can take multiple forms, depending on the audit's circumstances and team or management preferences. **Figure 6.1** can help ensure your design paper includes the necessary information.

**Figure 6.1: Design Paper Checklist**

Checklist for design paper	✓
<p>(a) Does the design paper identify either: i) the criteria to be used to evaluate the matters you are auditing; or ii) the planning to be undertaken to identify the criteria needed to evaluate the matters you are auditing?</p> <p>Examples of possible criteria include: the purpose, goals, policies or procedures prescribed by law or regulation or set by management; technically developed standards or norms; expert opinions; prior years' performance; performance of similar entities; performance in the private sector; or best practices of leading organisations.</p>	
<p>(b) Does the design paper include sufficient information to provide context for the audit (for example, the nature of the issue, the significance of the programme, the potential problem or concern and its magnitude, the political environment, key players and potential users of the audit product)?</p>	
<p>(c) Does the design paper identify the audit questions?</p>	
<p>(d) Does the design paper identify the sources for the information needed to answer the audit questions and where that information will be obtained or how you plan to identify potential sources of data that could be used as audit evidence?</p>	
<p>(e) Does the design paper identify how you are going to follow-up on known significant findings and open recommendations identified in previous audit reports that relate to the audit's objectives?</p>	
<p>(f) Does the design paper include the overall design strategy or methodology for answering the audit questions and the types of analysis to be used? Methodologies could include case studies, structured interviews, focus groups, file reviews, visual inspections, sampling or use of computer-based data.</p>	
<p>(g) Does the design paper document the limitations to the work (for example, difficulty gaining access to records, staffing and travel constraints, or data quality or reliability issues) and their effect on the product?</p>	
<p>(h) Does the design paper include what you expect the analysis will allow you to say?</p>	

Source: US GAO

## Appendix 7: Project schedules and work breakdown structure

### Basic project schedule

To complete the basic project schedule, enter tasks and milestones in their general order of occurrence. Tasks may be undertaken concurrently. For each task, identify the start and end dates, along with the audit team member(s) assigned. The project schedule is structured to group tasks by phase, in alignment with the Supreme Auditing Institution's (SAI) audit process. **Figure 7.1** shows a sample basic project schedule. The sample is abbreviated for illustration purposes; the number of tasks and milestones have to be modified to fit the audit plan.

**Figure 7.1: Sample basic project schedule**

Paragraph	START	END	STAFF ASSIGNED
	DATE	DATE	
Phase 2 – Designing the Audit (structure tasks around SAI internal audit process)			
Task 1 (e.g., conduct pre-study of audit topic)			
Task 2 (e.g., develop proposed audit objective(s), scope, and methodology – and identify criteria)			
Task 3 (e.g., assess design risk)			
Task 4 (e.g., prepare audit plan)			
Phase 2 Milestone (e.g., reach consensus on audit plan)			
Phase 3 – Conducting the Audit (structure tasks around SAI internal audit process)			
Task 1 (e.g., gather evidence)			
Task 2 (e.g., analyze evidence)			
Task 3 (e.g., evaluate evidence for sufficiency and appropriateness)			
Task 4 (e.g., develop audit finding)			
Phase 3 Milestone (e.g., reach consensus on report message)			
Phase 4 – Reporting (structure tasks around SAI internal audit process)			
Task 1 (e.g., draft report)			
Task 2 (e.g., verify facts and obtain audited entity comments)			
Task 3 (e.g., finalise and obtain SAI management approval)			
Phase 4 Milestone (e.g., disseminate report)			

Source: US GAO

When building your project schedule, remember that the plan must be realistic to effectively guide the audit process. Planning the sequence and duration of activities can be challenging, particularly as the audit unfolds and new information or factors emerge. In addition, auditors frequently spend time on non-audit activities, such as other SAI responsibilities, training and holiday. As a result, it is common for auditors to be overly optimistic when estimating the duration of the audit and its key activities, such as information gathering, analysis, report writing and review. The audit risks you identified (see Chapter 4) will provide an added layer of ambiguity that must be accounted for when you allocate to related tasks. For these reasons, it is helpful to avoid being overly detailed when developing your schedule. This will help to limit the time you spend modifying the plan as the audit matures.

### Detailed project schedule

A detailed project schedule allows you to closely define and link the work, task dependencies, durations and resources. While you can create and manage a basic project schedule on paper or using basic software applications, a detailed project schedule is more easily managed using project management software, which may be purchased or found open source.

Like the basic project schedule, you complete the detailed schedule by entering tasks and milestones in their general order of occurrence. For each task, identify the duration, resources and any task dependencies by sequentially linking tasks. For example, if an interview must be conducted before completing an analysis, the interview will be linked to the analysis as a predecessor task. However, tasks will often run concurrently or overlap to varying degrees.

While you may enter specific dates for an activity that must occur at a precise time, it is generally preferable to allow the audit duration and activity dates to be shaped by each activity's duration and dependencies, including the predecessor and successor activities is linked. When adding resources, the detailed schedule also allows for the allocation of specific hours, which may aid in more accurately determining the workload associated with tasks.

The sample shown at **Figure 7.2** is abridged to show the possible detail and sequencing of activities in the planning phase only. You can replicate this model for all other audit phases to build a comprehensive project schedule.

**Figure 7.2: Sample detailed project schedule for the planning phase**

	Name	Duration (days)	Start	Finish	Predecessor task	Resources
1	<b>Audit Name</b>					
2	<b>Phase 2 - Planning</b>	<b>29</b>	<b>1/2/2020</b>	<b>2/12/2020</b>		
3	<b>Conduct pre-study and consider audit approach</b>	<b>11</b>	<b>1/2/2020</b>	<b>2/17/2020</b>		
4	Review previous work on the audit topic and perform background research	5	1/2/2020	1/9/2020		Auditor 1; Auditor 2
5	Discuss the topic with the audited entity	3	1/9/2020	1/14/2020	4	Auditor 1; Auditor 2; Audit Mgr
6	Identify and engage with internal stakeholders	8	1/2/2020	1/14/2020	4 same start (ss)	Auditor 1; Auditor 2; Audit Mgr
7	Determine audit approach	3	1/14/2020	1/17/2020	5	Auditor 1; Auditor 2; Audit Mgr
8	<b>Develop objectives, scope and methodology</b>	<b>13</b>	<b>1/17/2020</b>	<b>2/5/2020</b>		
9	Determine scope and objectives of audit	1	1/17/2020	1/18/2020	3	Auditor 1; Auditor 2; Audit Mgr
10	Determine audit questions	2	1/20/2020	1/22/2020	9	Auditor 1; Auditor 2; Audit Mgr
11	Identify audit criteria	3	1/22/2020	1/27/2020	10	Auditor 1; Auditor 2; Audit Mgr
12	Determine time frames and resource needs	5	1/17/2020	1/24/2020	9ss	Auditor 1; Auditor 2; Audit Mgr
13	Determine audit methodology	7	1/27/2020	2/5/2020	10;11	Auditor 1; Auditor 2; Audit Mgr
14	<b>Assess design risk</b>	<b>5</b>	<b>1/22/2020</b>	<b>1/29/2020</b>		
15	Prepare SWOT analysis and RVD	2	1/23/2020	1/27/2020	13ss-2days	Auditor 1; Auditor 2
16	Determine risk tolerance	2	1/22/2020	1/24/2020	15ss-1 day	Auditor 1; Auditor 2; Audit Mgr
17	Identify steps to mitigate design risk	2	1/27/2020	1/29/2020	15;16	Auditor 1; Auditor 2; Audit Mgr
18	<b>Prepare audit plan</b>	<b>11</b>	<b>1/28/2020</b>	<b>2/12/2020</b>		
19	Prepare design matrix	10	1/28/2020	2/11/2020	10;13ss+1day	Auditor 1; Auditor 2
20	Prepare basic or detailed project schedule	5	1/28/2020	2/4/2020	19ss	Auditor 1; Auditor 2
21	Prepare work breakdown structure (optional)	5	1/28/2020	2/4/2020	19ss	Auditor 1; Auditor 2
22	Obtain management approval of audit plan	1	2/11/2020	2/12/2020	3;8;14;19;20;21	Auditor 1; Auditor 2; Audit Mgr; SAI mgmt

Source: IDI/PAS Development Team

While not required, one benefit of a detailed project schedule is that it will enable you to more easily determine the critical path. As discussed in Chapter 4, the critical path is the path of longest duration through the sequence of activities in your schedule. Establishing the critical path determines the audit's earliest completion date and allows the team and management to focus attention on the activities that could cause audit timelines to slip. Accordingly, it is generally preferable to include the audit's most important activities on the critical path.

### Work breakdown structure

A work breakdown structure is often best used when trying to define the various specific tasks associated with a certain method, such as a survey. It can be developed using basic word processing applications or project management software. To develop the work breakdown structure, create a hierarchical tree structure starting with the main task. You will then subdivide the main task into subordinate tasks, which should in total constitute

fulfilment of the main or ‘parent’ task. Tasks can be subdivided to the extent necessary and reasonable, culminating in the terminal task – which is the last task that is not subdivided. Responsible parties could also be associated with each task to clearly define who is performing the work.

**Figure 7.3** shows a simplified work breakdown structure for conducting a survey. Additional tasks and subtasks can be added to this structure at each level to achieve the desired level of detail. Further, if desired, a smaller work breakdown structure could be placed within a broader one covering the entire design phase or entire audit.

**Figure 7.3: Work breakdown structure sample**



Source: IDI/PAS Development Team

While these are optional, work breakdown structures can help you better define the scope of effort for a major method and break the work into smaller, more manageable components. By doing so, you may also enable the audit team to more accurately identify and tally costs and labour hours associated with the method.

## Appendix 8: Interview guide

### Planning the interview

Step 1: Complete pre-interview research:

1. Identify purpose and goals.
2. Develop sufficient background.
3. Identify who will be interviewed.
4. Identify other sources of information needed.

Step 2: Prepare questions:

1. Determine what you want to know.
2. Draft questions.
3. Have your supervisor review the questions you have drafted.

Step 3: Prepare logistics:

1. Schedule the time, place and location of the interview.
2. Inform the person being interviewed about the purpose and goals of the interview.
3. Decide how many staff will attend. Try to have more than one interviewer attend.

### Conducting the interview

Step 4: Open the interview:

1. Be punctual and dress appropriately.
2. Consider conducting some small talk, if appropriate, to put officials at ease.
3. Provide introductions, purpose of the interview and background on the audit.
4. Explain desired outcomes.

Step 5: Conduct the interview:

1. Ask the questions you have prepared.
2. Practice active listening.
3. Ask probing questions:
  - Don't just accept statements at face value – ask for elaboration and supporting documentation.
  - Ask what the problems are, why they exist and how the people interviewed would change the audit topic; ask who, what, where, when, how and why.
4. Ask for reasons and examples to support the information provided.
5. Be prepared to ask follow-up questions that may not be on your predetermined list of questions.
6. Follow new lines of enquiry when topics or responses are presented that you did not anticipate.
7. Clarify ambiguous responses.
8. Ask people being interviewed to spell out any acronyms with which you are not familiar.



9. Ask for definitions of key terms and technical jargon.
10. Take detailed notes of the responses to your questions.
11. Maintain a list of documents to be obtained.
12. Maintain control of the interview.
13. Focus the interview on relevant information.
14. Watch for topics that officials try to evade.
15. Respect time limits.
16. Ask for related documentation and referrals.

**Step 6:** Close the interview:

1. Summarise key information obtained.
2. Explain how the information will be used.
3. Address any questions or comments from the person interviewed.
4. Ask if it would be appropriate to contact the person interviewed with any follow-up questions.
5. Thank the people interviewed for their time and information.

**Debriefing the interview**

**Step 7:** Debrief the interview:

1. Did you accomplish what you set out to do? If not, why not?
2. What could you have done differently?
3. Where does the audit team need to go from here?
4. Did everyone on the audit team hear the same information?

**Step 8:** Complete post-interview activities:

1. Write up the interview record as soon as possible after the meeting (see additional guidance below).
2. Send the draft interview record to your supervisor for review.
3. Obtain identified documentation from the people you interviewed.
4. Schedule follow-up interviews as needed.

**Documenting the interview**

The purpose of documenting the interview is to: document the facts of what was said in the interview and by whom; and organise these facts to help you develop findings.

1. Prepare the interview record as soon as possible after the meeting to document the testimonial evidence obtained as completely and accurately as possible:
  - Use your notes and the notes from team members who also attended the meeting to record it as accurately as possible.
  - Generally, it is useful for interview records to be organised logically by topic, preferably with the most important material being presented first. Keep in mind that while the record is to be as detailed as possible, it is not a transcript of the interview.

- Cross-reference all documents referred to in the record.
  - Resolve all open remarks or unanswered questions:
    - Use auditor notes to help explain context, circumstances, prejudice or other contributing factors to the interviewees' statements.
    - Define all acronyms and abbreviations when they are first discussed.
2. Keep the audit objective(s) and questions in mind as you prepare the record:
    - Assess whether you are gathering the data you need to address the audit questions.
    - Use headings/sub-headings in the record to organise the information whenever possible.
    - If necessary, ask your supervisor if it would be useful for you to confirm any information you gathered during the interview.
  3. Ask your supervisor if it would be useful for other team members who attended the interview to review your document for accuracy.
  4. Provide the draft interview record to your supervisor for review.

### **Additional guidance**

Interviewing is both a data-gathering tool and a data-analysis tool. When you conduct an interview, you are gathering evidence to support potential findings.

#### **Before the interview**

Consider a sequencing strategy for your questions. Although there is no particular sequencing structure for conducting interviews, it may be helpful to anticipate how you will use the information you gather during the interview. The answer to this question may lead you to decide how the interview will be structured. The following are examples you might wish to consider.

Funnel sequence. Begin with the most general questions and then narrow the focus and become more specific with each succeeding question. This method provides more specificity and clarity to general answers that are initially provided. This method may cause the person being interviewed to revise initial statements to provide accuracy.

Inverted funnel sequence. Begin with the specific questions and conclude with the most general questions. This method can help the interviewer develop relationships between the specific issues being discussed and other issues that may be important to the study.

Sensitivity sequence. Consider placing the most difficult or sensitive questions at the end of the interview. This method will help the interviewer maintain an open flow of communication for as long as possible. An alternative is to acknowledge at the beginning of the interview with the person being interviewed that you have a sensitive issue to discuss and decide whether to begin or end the interview with the sensitive issue.

Chronological sequence. Start with the beginning of a process or timeline and follow it through in the order of events. This method is particularly helpful during interviews at the beginning of an assignment when the interviewer is obtaining background information.

Random sequence. No particular order may be needed if all the questions have equal importance.

### During the interview

Practice active listening:

- Suppress disruptive behaviour (finger drumming, pencil tapping, fidgeting).
- Do not gaze out of the window or read diplomas or certificates on the wall.
- Do not begin reading documents you are given while the official is speaking.
- Do not let your biases or knowledge obtained elsewhere interfere with the message from the person being interviewed. Keep an open mind.
- Do not jump to conclusions; listen to the person being interviewed. As much as you may be tempted to develop a finding, do not put words into the official's mouth.
- Do not interrupt or debate.
- Do not assume what the person being interviewed meant. Request clarification. Do not monopolise the conversation or try to have the last word.
- Be prepared to adjust your planned set of questions if necessary. However, do not jump ahead. Concentrate on what the official is saying at the moment.
- On key points, summarise or repeat back in your own words what you believe the person being interviewed has just said. Give the official the opportunity to make corrections.
- Show the person being interviewed that you are listening.
- Try to motivate the person being interviewed to communicate more fully.

Avoid common pitfalls:

- **The interviewer uses lots of words but never gets to the point.** The person being interviewed never really hears a question and, therefore, cannot really provide an effective answer.
- **The interviewer asks multiple questions in one.** The person being interviewed is not sure which question to answer. In other cases, the person being interviewed answers one part of the question, but the other parts are lost.
- **The interviewer asks a 'yes/no' question** when an open-ended question may be more appropriate.
- **The interviewer asks leading questions** by identifying the expected answer in the question or by using emotionally-loaded words.

### Example of a record of interview

Title	Meeting with audited entity
Purpose	Gather information about ... (details about audit topic)
Contact method	In-person
Contact place	Physical or mailing address of meeting
Contact date	(insert date)
Participants	<b>Audited entity:</b> Jane Doe, title, phone number, email address John Doe, title, phone number, email address  <b>Supreme Audit Institution:</b> Audit team member name, title, phone number, email address Audit team member name, title, phone number, email address

#### Comments/remarks:

We interviewed Jane Doe and John Doe during our site visit to their facility. We asked them questions about their audit entity's participation in the audit topic.

Jane Doe gave a description of the audit entity's relationship to the audit topic. The relationship is: ... She also discussed how long the audit entity had been participating in the audit topic, which is ... amount of time. Jane Doe also described her role and responsibilities at the audit entity, as well as how her roles and responsibilities related to the audit topic. Her role is ... and responsibilities are ... and ... . They are related to the audit topic because ... . John Doe also shared his role and responsibilities at the audit entity, as well as how his roles and responsibilities related to the audit topic. His role is ... and his responsibilities are ... and ... . They are related to the audit topic because ... .

Jane Doe said the audited entity experienced several challenges while participating in the audit topic. The challenges she listed are:

- (1) ... ;
- (2) ... ; and
- (3) ... .

John Doe said that he is most concerned with challenge 2 because ... . Jane Doe said she agrees with Mr Doe's assessment and added that she believes ... .

Source: US GAO

## Appendix 9: Example of a record of analysis

Title	Comparison of document X to document Y
Purpose	To document the comparison of the documents, to include similarities and differences
Source	Document X Document Y

Analysis/summary:

### Summary of the results of the comparison

#### **Similarities (found in both document X and Y)**

1. Documents X and Y use the same descriptive language for the audit topic.
2. Documents X and Y have appendices of templates that organisations can use to document their contributions to the audit topic.

#### **Differences**

1. Document X has a two-page section that describes best practices that organisations should follow while participating in the audit topic.
2. Document X has an additional appendix that has examples of how a specific organisation implemented a best practice while it was participating in the audit topic.

### Similarities

Methodology: to determine the similarities between both documents, the team conducted a side-by-side comparison and electronically searched each document for key terminology.

#### Documents X and Y use ... and ... to describe the audit topic

See page 3, third paragraph in document X, for the description of the audit topic. ... was used in this description.

See page 10, fifth paragraph in document Y for the description of the audit topic. ... was used in this description.

#### Documents X and Y have appendices with the same templates

See page 28 in document X for Appendix IX. The summary paragraph before the template says that organisations can use this template to document their contributions to the audit topic. See the following two pages (29-30) for the template.

See page 35 in document Y for Appendix X. The title of the appendix is 'Sample template for organizations to use to document contributions to ...'. See pages 35-36 for the template.

The templates in Appendix IX of document X and Appendix X of document Y are the same template.

### **Differences**

Methodology: to determine the differences between both documents, the team conducted a side-by-side comparison and electronically searched each document for key terminology.

#### Document X has a section that describes best practices

Page 13 through 14 of document X contains a section that describes best practices that organisations should follow while participating in the audit topic.

Document Y does not have this section. See pages 2 through 20 for the term 'best practice'.

## Appendix 10: Example of a data reliability assessment

### Record of data reliability assessment

**Complete this form for performance audits.**

- Data reliability is a critical part of SAI's work and should be discussed as early as possible in the engagement process, preferably early in the planning phase. A similar discussion should occur as the audit team is conducting analysis and beginning to develop the findings of the audit report when the team and internal stakeholders need to determine whether the evidentiary data are sufficiently reliable, understand the nature of any data limitations and discuss any additional data reliability work that needs to occur.
- This form documents the team's determination regarding the need to conduct an assessment and, as applicable, the data reliability plan and the steps taken to implement the plan, how the data will be used as part of the analytic basis for the findings and conclusions, and any limitations given the intended use of the data.

**Audit title:**

**Preparer:**

**Technical support provided by (if applicable):**

The manager signs this form either after: (1) a determination is made that a data reliability assessment is not needed and Section I of this form has been completed or; (2) all data reliability work is complete and Sections I, II and III of this form have been completed.

Note: If the team subsequently determines that a data reliability assessment is needed after initially determining it was not, the team should annotate Section I accordingly, complete Sections II and III, and add a second signature and date below after the work is complete.

**Manager's approval**

\_\_\_\_\_  
Manager

\_\_\_\_\_  
Date of signing

#### **Section I: Is a data reliability assessment needed?**

Data reliability assessments should be used when any computer-processed data that the team plans to use are expected to materially affect findings (answers to audit questions), conclusions or recommendations. The decision of materiality involves the professional judgement of the engagement team.

While a team needs to document its determination on this form, a team does not need to conduct an assessment of the data as provided in Sections II and III if one of the following conditions applies:

**Section II: Continued****SOURCE FOUR:** Name/description of data source**Plan for assessing the data reliability of this data source, in accordance with Government Auditing Standards 6.06** (describe plan or provide document references)**Data from this source are expected to be used in the final product in the following manner:**

- \_\_\_\_\_ Sole support for findings, conclusions, or recommendations.
- \_\_\_\_\_ One of multiple sources of evidence to support the findings, conclusions, or recommendations.
- \_\_\_\_\_ Contextual or background information that is expected to materially affect the report's findings, conclusions, or recommendations.

**Describe data elements assessed from this data source** (provide description or provide document reference(s)):**In table below, check all steps taken to determine if the data elements from this source are reliable and include document reference for each of the steps below. Not all steps are required.**

Check steps taken	Data Reliability Steps	Document Reference(s) or DM link(s)
	Review of related documentation	
	Interviews with knowledgeable audited entity personnel	
	Electronic or manual data testing for missing data, outliers, obvious errors (could include comparison to published data and logic tests)	
	Review of related internal controls	
	Traced selection or random sample to or from source documents	
	Other (explain)	

**Note:** If more than four sources are used, block copy this last section as needed and provide the required information for the additional sources.



### Section III: How can you use the data?

Summarise the findings on the reliability of data from each data source. Include information on data limitations, if any, and how those limitations will affect how the data will be used in the product (for example, the effect on the findings, conclusions, or recommendations).

---

**Considering the findings on the reliability of data from all sources assessed (check one):**

- ☐ All data elements we assessed are sufficiently reliable for this engagement (the limitations, if any, are described above).
- ☐ Some data elements we assessed are sufficiently reliable, and the limitations, if any, are described above. Those data elements that are not sufficiently reliable are excluded from this engagement.
- ☐ No data elements are sufficiently reliable for this engagement, and they are excluded from this engagement.
- ☐ Undetermined reliability, limitations, and their effect are described above.
- ☐ Other (for example, primary objective was to assess the reliability of a system or part of a system) (explain).

---

**Note: After Sections II and III have been completed following a determination that a data reliability assessment was required, the manager reviews the form and approves the data reliability assessment by signing on page 1.**

Source: Adapted from US GAO

## Appendix 11: Sample data reliability questions for the audited entities

---

1. When was the data system created, and what is its purpose?
2. How does the data owner use the data?
3. Who are the data system's primary users?
4. How do users access the system?
5. Who has access to enter or update the data?
6. Are there different 'levels' of access to the data?
7. What, if any, training is provided to system users?
8. Is training made available to all users?
9. Have there been any changes to the data system (for example, major system upgrades, changes to new vendors) that would affect the consistency of data during the time period requested?
10. How and where are data collected (for example, manual data entry, form completed by agency representative, entry by entities outside the data owner)?
11. Who is responsible for data entry?
12. How current are the data?
13. How frequently are data entered?
14. What instructions does the data owner provide for data entry, particularly for data fields that are open-ended or otherwise subject to variation in user input?
15. What is known about the consistency of data entry across staff, offices or other units?
16. If data are produced by aggregating across units (for example, states, organisations), are there differences in how the units collect or calculate the data that might result in inconsistencies within the data once aggregated?
17. Are data entries subject to change, either because of quality reviews or other procedures? What unit of analysis does each record in the data represent (for example, an individual, event, household)?
18. What is the structure of the data system?
19. Are data maintained in a 'flat file', or is the data system relational/hierarchical?
20. If the data are relational, what unique identifier(s) are used to link the tables?
21. Are any data (either records or fields) in this dataset fed in from other data systems?
22. If any of these data are fed in from another data system, what quality control features are in place to ensure data are read inaccurately and completely?
23. What procedures ensure the data system consistently captures all data occurrences (records, observations) and all data elements?
24. What procedures are in place to prevent duplicate records being created in the data?
25. Does the system have any edit checks or controls to help ensure the data are entered accurately?
26. Are there electronic safeguards, such as error messages for out-of-range entries or inconsistent entries?
27. Does someone review all, or a sample of, data entries to ensure key fields are accurate and non-duplicative? If reviews take place, how frequently do they occur?
28. What process, if any, is used to track and oversee changes made to the data?
29. Does the data system maintain a history of the changes made to the data, or is historical information overwritten when new data are entered? If data are contained in a spreadsheet: what procedures are in place to ensure data are not inadvertently changed or deleted, and are any formulas in the spreadsheet reviewed for accuracy?
30. What are the procedures for follow-up if errors are found, and who is responsible for correcting them?

31. To the extent you have identified errors in relevant data fields, what were the reasons for the errors and have these issues been addressed?
32. Do systematic reviews or exception reports examine accuracy and present error rates? How frequently?
33. If studies or evaluations of the system have been conducted, what were the results, and how did you address any issues?
34. If applicable, do external users of the data or individuals who are the subject of data records have the opportunity to review and provide feedback on data accuracy?
35. Are any new variables created by recoding existing variables or calculated based on values for existing variables (for example, calculation of number of days between recorded dates or creation of a variable based on age ranges)?
36. Does data system documentation explain how new variables are created or calculated?
37. What modifications, if any, are made to data values in order to protect confidentiality or for other purposes?
38. Do any variables use categorisations developed by another organisation (for example, categories of industry type or race)?
39. Have there been changes to any procedures – including how a data element is defined, entered or maintained – over the period for which data are requested (for example, changes to populations or geographic areas, variable definitions, variable values or categories, data entry instructions, available drop-down values)?
40. If there have been changes to procedures within the time for which data are requested, what steps have been taken to ensure the accuracy and consistency of the data?
41. What is your opinion of the quality of the data, specifically its completeness and accuracy? Are there any data limitations, such as data elements, that are often incomplete or incorrect? How would those limitations affect the intended use of the data?
42. Are there concerns about timeliness or usability of the data?
43. Are there any purposes for which the data should not be used?
44. Have any corrective actions been taken to improve the quality of the data?

Source: US GAO report, *Assessing Data Reliability*, 2019, GAO-20-283

## Appendix 12: Sample data collection instrument

This data collection instrument (DCI) is an example for an audit team reviewing a government organisation's agreements with implementing partners/participants.

### Data Collection Instrument (DCI)

DCI first completed by: \_\_\_\_\_

Date first completed: \_\_\_\_\_

DCI reviewed by: \_\_\_\_\_

Date of review: \_\_\_\_\_

---

#### A) Basic Information

1. Document name \_\_\_\_\_
2. Document date \_\_\_\_\_
3. Originating source \_\_\_\_\_

#### B) Details

1. Implementing partner/participant \_\_\_\_\_
2. Year of agreement \_\_\_\_\_
3. Single or multi-year agreement? Single ☐ Multi-year ☐ Cannot determine ☐
4. (If a multi-year agreement) How many years did the agreement cover \_\_\_\_\_

---

*Note: When creating a DCI, consider data field design, formatting and measurement, to include:*

- *How, if at all, will the team aggregate the information from each data field in the DCI?*
- *Will the team use one DCI per case or one DCI for all cases?*
- *What staffing and data collection procedures are needed (for example, execution of onsite verification and/or review of the data entry; allow space on the DCI for sign-off or initialling)?*
- *What will be the likely sequence of the data fields on the DCI (which information will be collected first, second, etc.)?*
- *Will the DCI use open-ended data fields to capture additional or unexpected information, such as document titles, additional observations or onsite review of paper documents that the team cannot copy or annotate?*
- *How will the format for each data field match the type of desired information: checkboxes, multiple-choice options (for example, Yes/No), fill-in-the-blank text boxes?*
- *If a paper form is used for initial data collection in the field, how will the data be transferred to an electronic file? In such cases, consider how to match the layout of the paper and electronic forms.*

Source: US GAO

## Appendix 13: Sample template for documenting direct observations

Title	Observation of customs inspections conducted by officials of audited entity ...
Purpose	To document observations during customs inspections
Place observed	Airport ...
Activity observed	Number of customs inspections
Date of observation	Type date here
Participants	<u>Audited entity X</u>  Official 1  Official 2  <u>Supreme Audit Institution</u>  Auditor A  Auditor B

### Observations/remarks:

We observed a total of ... customs inspections throughout this time frame. Details about these inspections can be found below.

#### (1) Inspection by Official 1 from 0800-0830:

- Official 1 began by opening the handbag of the individual subject to the inspection. She proceeded to empty the entire handbag's contents onto the table and sort through the items. As she sorted through the items, she systematically consulted a checklist of materials that were not supposed to be brought into the country. She did not find any prohibited items in the subject's handbag.
- She then proceeded to open the subject's suitcase. She sorted through the items found in the suitcase by moving items found on top of others to the side. As she sorted through the items, she also consulted the same checklist that she had used for the handbag. During this search, she found one item that was listed on the checklist. She proceeded to place it to the side and returned to her search of the luggage. After she went through the rest of the suitcase, she asked the subject about the prohibited item that she had placed to the side. She used another separate checklist of questions to query the subject about the prohibited item.

Source: US GAO

## Appendix 14: How to conduct a survey

### Identify the survey population

You need to identify the population you will survey. In doing so, you need to ensure that the individuals or organisations you identify are the best sources of the information you are hoping to obtain.

You will also need to determine how many individuals or organisations you will survey. For some audits, the target population may be small (for example, an organisation with 100 employees), and thus you can reasonably survey the entire population.

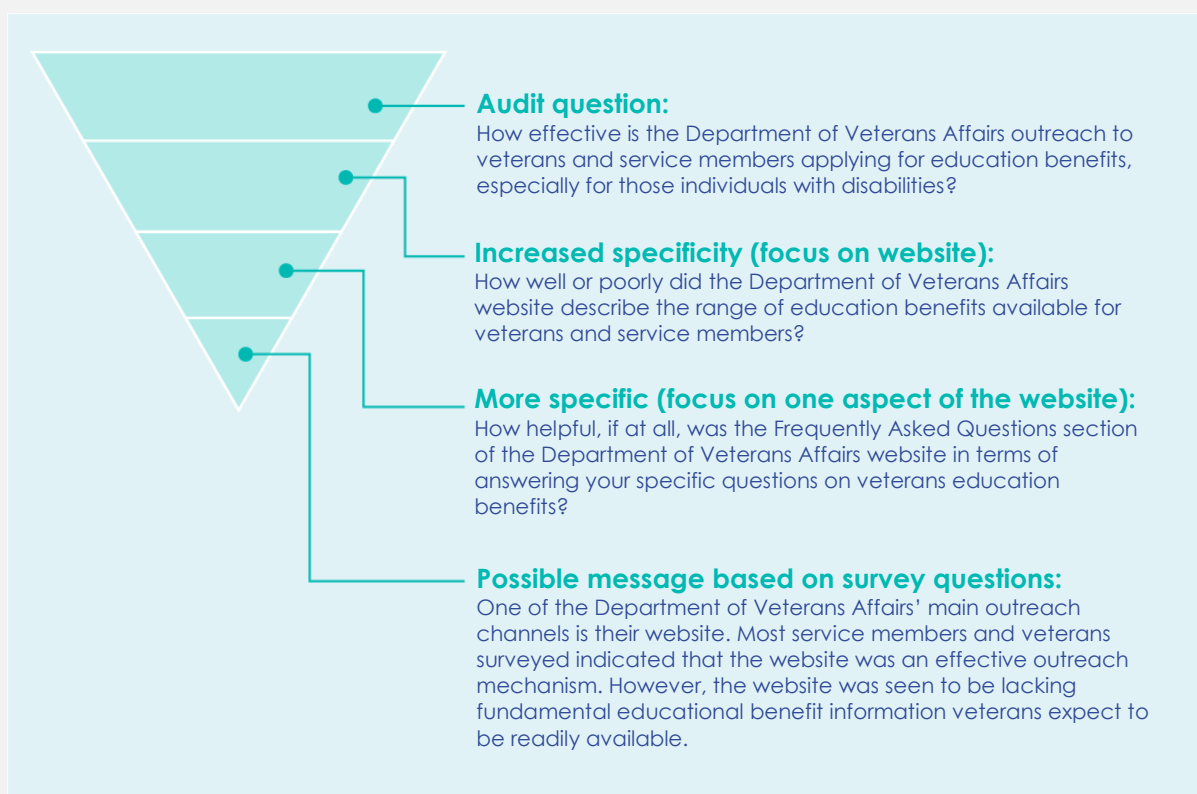
The target population may be very large (for example, one million citizens who receive support from a government entity). In the case of a large target population, you may be able to survey only a sample of the population. In such cases, you need to ensure you have the appropriate sample to use the information obtained for your desired purposes. This can be a complicated process, so it is recommended that you seek the advice of a survey expert.

### Developing the survey questionnaire

Developing the right survey questions is critical to obtaining quality information that you can use as evidence. Here are some steps to help you develop a questionnaire:

1. **Determine which portions of your audit question(s) will be addressed using the survey.**  
It is important to design the survey to directly assist you in answering your audit questions. If a survey cannot help you do this, consider another method.
2. **Break down those portions of the audit question(s) to a set of topic areas and then develop questions that address topic areas with increasing levels of specificity** (see **Figure 14.1**). Questions can be open-ended or closed-ended, depending on your need for information. Regardless, it is recommended that the questions:
  - be written so that respondents can easily and consistently interpret them – that is, short and simple;
  - be written so that respondents have access to the information needed to answer them;
  - not be overly burdensome for the respondent to answer; and
  - not be written to bias the respondent's answers.

**Figure 14.1: An example of developing survey questions from an audit question**



Source: US GAO

It is important to pretest, evaluate and refine the survey questions. It is recommended that you:

- Pretest your draft survey questionnaire with members of the targeted survey population and obtain feedback from those individuals about whether they understood the questions.
- Evaluate the responses to the pretested survey to determine whether the questions you are asking will elicit the data you need.
- Consider how the survey responses might allow you to answer the audit questions in the report.
- Refine your questions based on the pretest(s) and evaluation until you are confident that you are asking the right questions of the survey population.

#### Select a method for administering the survey

There are multiple methods you can use to administer a survey, including face-to-face or telephone interviews, web-based surveys, paper surveys via mail, electronic surveys via email, or in-person self-administered paper surveys.

The population size, your staff resources and how you will contact the survey respondents are all important factors. Here are some questions to consider:

- Does the population have access to internet, telephone and mail service?

- Do you have accurate contact information for the target population for your chosen method of communication (for example, phone numbers, email addresses, mailing addresses)?
- Do members of the population have any challenges with reading, vision, hearing or mobility that could affect their ability to take the survey via different methods?
- How large is the target population, and do you have sufficient staff resources to consider an interviewer-administered option?

The method you choose will affect the response rate to your survey if the target population cannot easily respond to the survey or if you do not have the staff resources to administer it as planned.

#### Documenting the survey results and methodology

You will need to carefully document how you conducted the survey, the survey responses and any analysis performed on the survey results. This is important because you will need to provide support for all statements in the final report based on evidence obtained from the survey. Additionally, you will need to provide information in the audit report about the survey methodology, quality of the data obtained from the survey, and the strengths and weaknesses in the survey so that those who read your report understand how to interpret the survey results you provide.

Conducting an effective survey will require more guidance than this handbook can provide. Remember to seek out assistance from an expert before attempting to conduct a survey.

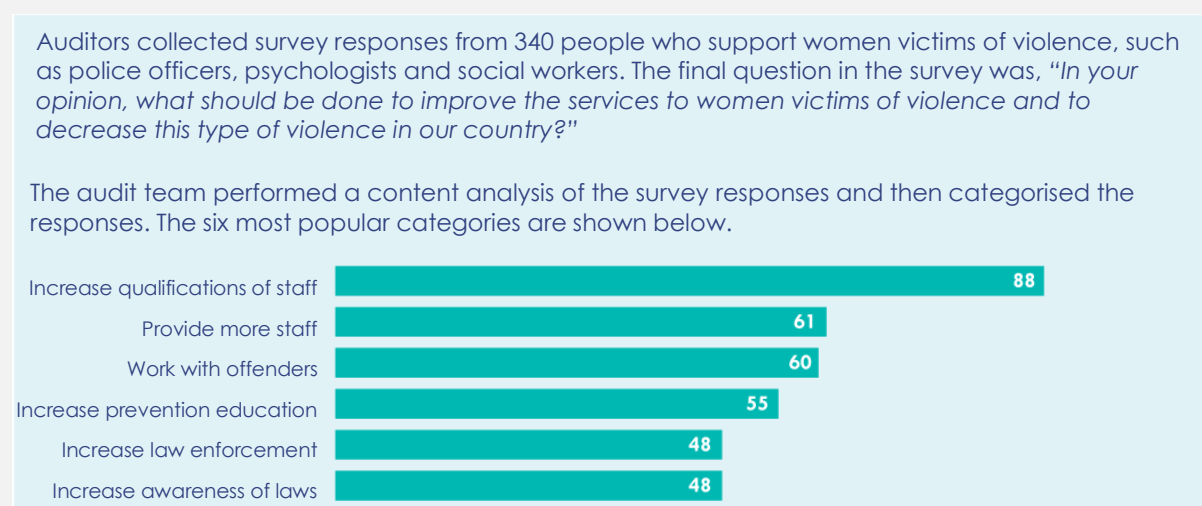


## Appendix 15: Content analysis

Content analysis is a qualitative method for structuring and analysing complex qualitative data and turning it into quantitative data. It is sometimes described as a process of data reduction. The goal is to systematically sort, focus and simplify data into a limited number of themes or content categories that can be summarised. Because it can be time-intensive, it may not be as commonly used by some SAIs as some of the other qualitative methods referenced in this handbook, but it can be useful in certain situations.

The qualitative data used as a starting point for a content analysis could include the audit entities' policy documents, interview transcripts, newspaper articles, focus group transcripts, claim files, or reports. For example, you could use it to categorize and quantify the responses provided by interviews or determine the frequency with which different types of events were reported in claims files. Content analysis can also be a useful method if you have a large set of raw data that you need to turn into useable evidence, such as survey responses. The example in **Figure 15.1** is adapted from a content analysis of survey responses conducted during a problem-oriented SAI performance audit.

**Figure 15.1: Content analysis used in a performance audit of actions taken to confront domestic violence against women**



Source: Adapted from the Performance audit report: Ações de enfrentamento à violência doméstica e familiar contra as mulheres. (Actions to face domestic and familiar violence against women), 2012. SAI Brazil

There are a number of potential benefits of conducting content analysis, including that the categories or themes that result from the content analysis can be summarised and reported in ways that are easily understood by readers.

Content analysis that produces reliable data can be time and labour intensive, depending on the complexity of the analysis. It is important to conduct content analyses systematically, so

talk to a methodologist or other internal stakeholder with subject matter expertise, or consult academic literature, for additional guidance, as needed.

## Appendix 16: Sample template for documenting a summary

Title	Summary of perspectives on the sufficiency of training for customs inspectors
Purpose	To provide a summary for evidentiary purposes
Work performed	<p>During this audit, we conducted multiple interviews to gather information on the sufficiency of training for airport customs inspectors. Specifically, we interviewed:</p> <ul style="list-style-type: none"> <li>• Administrators of the training program at the Customs Inspections Academy.</li> <li>• Instructors at the Customs Inspections Academy.</li> <li>• Officials who developed the training curriculum for customs inspectors.</li> <li>• Customs inspectors at three airports.</li> <li>• Supervisors of customs inspectors at three airports.</li> </ul> <p>We asked each of these groups for their perspectives on 1) length of the initial training; 2) content of the initial training; and 3) on-the-job training after instructors begin working. This summary compiles responses of the officials relative to each of these audit topics.</p>

### Summary of responses

(In the table below, the audit team would compile the responses of officials on these audit topics. See examples below.)

Length of the initial training	
Administrators	The administrators of the training program at the Customs Inspections Training Academy said that the length of training program is long enough to provide inspectors with a base level of training proficiency. The administrators said that the Academy does not have enough funding to extend the training. (See document xxxx, pg. 3)
Instructors	The instructors at the Customs Inspections Training Academy said that the initial training is not long enough. At minimum, the instructors said that they would need another two weeks to allow for time for more hands-on exercises and time for review. The training calendar now is too rushed, and some trainees fall behind. (See document XXXX, pg. 2)
Curriculum developers	(add summary of responses)
Custom inspectors	(add summary of responses)
Customs supervisors	(add summary of responses)
Content of the initial training	
Administrators	The administrators of the training program at the Customs Inspections Training Academy said that the content of the initial training is

	sufficient, but there may be areas where it can be improved. In fact, the Academy is beginning a review of the training curriculum in March 2021. It has a goal of reviewing the curriculum and making any needed revisions every two years, but this does not always occur. The last review and update was completed in August 2017. ( <i>See document XXXX, pg. 7</i> )
Instructors	(add summary of responses)
Curriculum developers	(add summary of responses)
Custom inspectors	(add summary of responses)
Customs supervisors	(add summary of responses)
<b>On-the-job training</b>	
Administrators	The administrators of the training program at the Customs Inspections Training Academy said that the Academy has not established formal guidance on on-the-job training. They rely upon the supervisors to determine what the inspectors need and provide it. ( <i>See document xxxx, pg. 9</i> )
Instructors	(add summary of responses)
Curriculum developers	(add summary of responses)
Custom inspectors	(add summary of responses)
Customs supervisors	(add summary of responses)

Source: IDI/PAS Development Team

## Appendix 17: Example of a regression analysis

The simplest form of regression analysis is often referred to as correlation analysis. This type of analysis may be useful to you if you are trying to determine how two different variables are related to one another – that is, the degree to which changes in one are associated with changes in the other.

There are three general steps involved in a correlation analysis:

1. **Development of a scatter diagram**, which plots values of the dependent variable 'Y' and independent variable 'X' on vertical and horizontal axis, respectively. The dependent variable is the variable that is being predicted or estimated, and the independent variable is the variable that provides the basis for estimation.
2. **Calculating the correlation coefficient ( $r$ )**, which measures the correlation between the variables. The closer the correlation coefficient is to 1 or -1, the more the two variables are correlated. In a perfect positive or negative correlation, all the dots in the scatter plot would form a straight line.
3. **Calculating the coefficient of determination ( $r^2$ )**, which measures the extent to which the variation in the dependent variable can be explained by variations in the independent variable.

The following example was adapted from an audit conducted by the Supreme Audit Institution (SAI) in Bhutan. It will provide you with a simple application of this type of analysis to illustrate its potential usage.

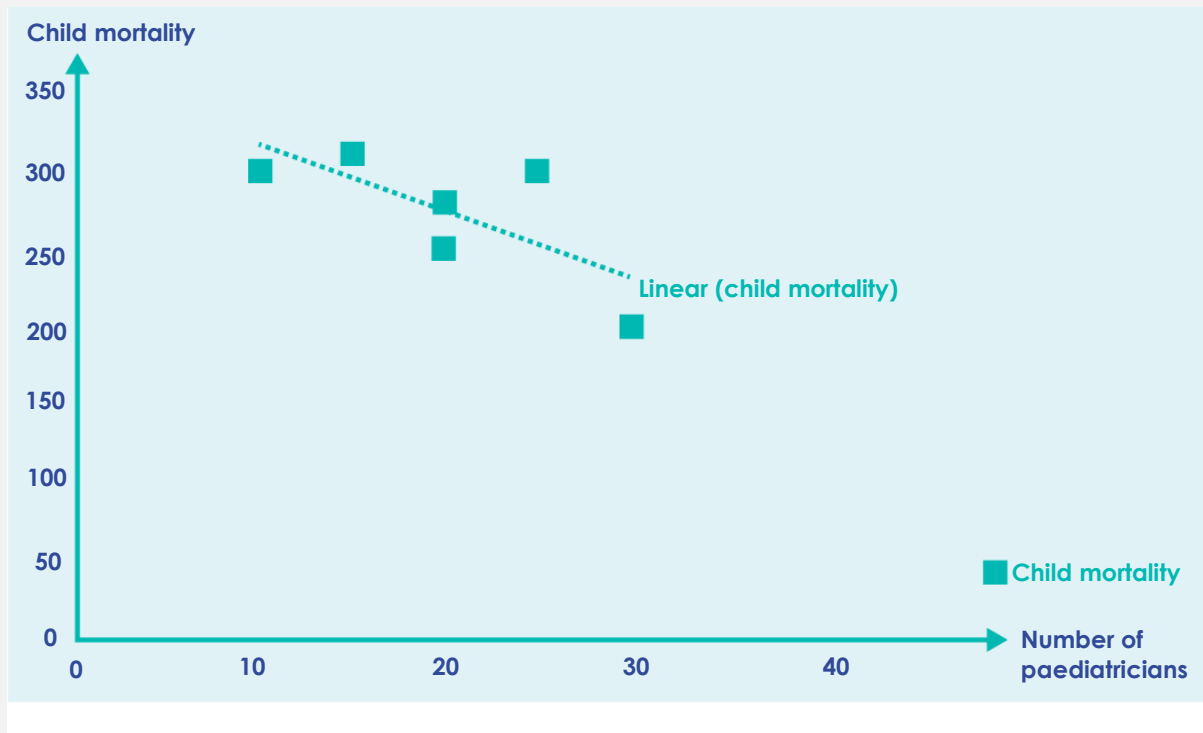
**Example:** The SAI conducted an audit that examined the relationship between the number of paediatricians and child mortality, based on the goal of the health sector to reduce infant mortality. Here are the data the audit team used:

Year	2003	2004	2005	2006	2007	2008
Number of paediatricians	10	15	20	20	25	30
Child mortality	300	310	280	251	300	200

Source: SAI Bhutan

The data set produced the scatter diagram in **Figure 17.1**.

**Figure 17.1: Scatter diagram**



We can see from this linear trend line that there is some correlation between child mortality and the number of paediatricians. Still, we want to understand how closely the two variables are correlated. To do this, we need to calculate the correlation coefficient, or 'r'. It can be done using the 'CORREL' function on a spreadsheet program.

The 'r' value is -0.712. This means there is a strong negative correlation between the number of paediatricians and child mortality – that is, as the number of paediatricians increases, child mortality decreases.

Just because there is a strong correlation, though, does not mean there is causality. We need to also calculate the coefficient of determination, or 'r<sup>2</sup>', to determine how much of the variation in child mortality can be explained by the number of paediatricians.

In this case,  $r^2=0.507$ , or 50.7%. So, in our example, 50.7% of the variation in child mortality is explained by the number of paediatricians available, and 49.3% of the variation is due to other factors.

As you can see from this example, there are many factors that influence changes in a dependent variable like child mortality. More complex modelling and regression techniques that address or control other variables would be necessary for the audit team to fully understand the variables affecting child mortality.

## Appendix 18: Sample GAO highlights page

# GAO Highlights

Highlights of [GAO-20-129](#), a report to congressional requesters.

### Why GAO Did This Study

The federal government annually spends over \$90 billion on IT. Despite this large investment, projects too frequently fail or incur cost overruns and schedule slippages while contributing little to mission-related outcomes. Effectively implementing workforce planning activities can facilitate the success of major acquisitions.

GAO was asked to conduct a government-wide review of IT workforce planning. The objective was to determine the extent to which federal agencies effectively implemented IT workforce planning practices. To do so, GAO compared IT workforce policies and related documentation from each of the 24 Chief Financial Officers Act of 1990 agencies to activities from an IT workforce planning framework GAO issued. GAO rated each agency as having fully, substantially, partially, minimally, or not implemented for each activity. GAO supplemented its reviews of agency documentation by interviewing agency officials.

### What GAO Recommends

GAO is making recommendations to 18 of the 24 federal agencies to fully implement the eight key IT workforce planning activities. Of the 18 agencies, 13 agreed with the recommendations, one partially agreed, three neither agreed nor disagreed, and one disagreed with the findings and provided evidence which led to a modification to its recommendation, as discussed in this report. For all of the remaining recommendations, GAO continues to believe that they are all warranted.

View [GAO-20-129](#). For more information, contact Carol C. Harris at (202) 512-4456 or [HarrisCC@gao.gov](mailto:HarrisCC@gao.gov)

OCTOBER 2019

## INFORMATION TECHNOLOGY

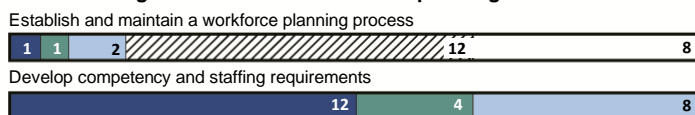
### Agencies Need to Fully Implement Key Workforce Planning Activities

#### What GAO Found

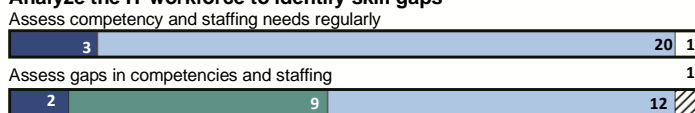
Federal agencies varied widely in their efforts to implement key information technology (IT) workforce planning activities that are critical to ensuring that agencies have the staff they need to support their missions. Specifically, at least 23 of the 24 agencies GAO reviewed partially implemented, substantially implemented, or fully implemented three activities, including *assessing gaps in competencies and staffing*. However, most agencies minimally implemented or did not implement five other workforce planning activities (see figure).

#### Agencies Overall Implementation of the Key Information Technology (IT) Workforce Planning Activities

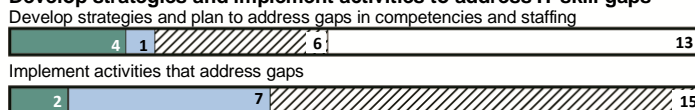
##### Set the strategic direction for IT workforce planning



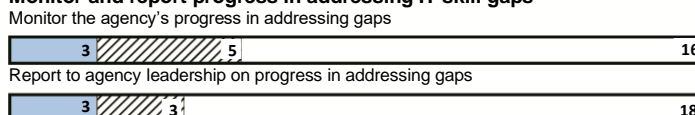
##### Analyze the IT workforce to identify skill gaps



##### Develop strategies and implement activities to address IT skill gaps

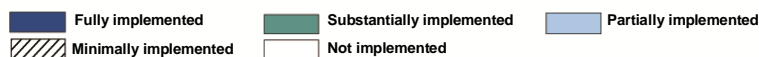


##### Monitor and report progress in addressing IT skill gaps



0 6 12 18 24

##### Number of agencies implementing the activity



Source: GAO analysis of agency information technology workforce planning policies and documentation. | GAO-20-129

Agencies provided various reasons for their limited progress in implementing workforce planning activities, including competing priorities (six agencies) and limited resources (three agencies). Until agencies make it a priority to fully implement all key IT workforce planning activities, they will likely have difficulty anticipating and responding to changing staffing needs and controlling human capital risks when developing, implementing, and operating critical IT systems.

United States Government Accountability Office

## **Appendix 19: Sample European Court of Auditors executive summary**

### **Executive summary**

**I** The Common Agricultural Policy has a long history of using satellite or aerial images for checking area-based aid, which nowadays accounts for almost 80% of the EU funding provided to agriculture and rural development. While these images usually have a very high spatial resolution, before 2017, they were not available with sufficient frequency to allow verification of activities taking place on agricultural land throughout the year (e.g. harvesting).

**II** Since March 2017, the EU-owned Copernicus Sentinel satellites 1 and 2 have been providing frequent, freely available, high-resolution images, with the potential to be a game-changer in Earth observation technology for monitoring agricultural activities. Since the images are taken frequently, automated processing of time series data throughout the growing season makes it possible to identify, without human intervention, crops and monitor certain agricultural practices on individual parcels (such as tillage, mowing). Since 2018, paying agencies can use Copernicus Sentinel data in place of traditional checks based on field inspections.

**III** According to the commission and CAP stakeholders, Copernicus Sentinel data and other technologies for monitoring area aid have significant potential benefits for farmers, administrations and the environment. Our audit examined whether the commission effectively encouraged widespread use of these new technologies and whether Member States had taken adequate action to deploy them. We looked at the Copernicus Sentinel satellite data, images taken by drones, and geotagged images. An assessment of the progress made in the use of new imaging technologies is especially relevant now, as the results of our audit could be applied in the post-2020 CAP.

**IV** We found that both the commission and some Member States have taken action to unlock the potential benefits of the new technologies. The commission promoted new technologies through many conferences and workshops and provided bilateral support to many paying agencies. 15 out of 66 paying agencies used the Copernicus Sentinel data in 2019 to check aid applications for some schemes and some groups of beneficiaries ('checks by monitoring'). Our audit revealed that many paying agencies consider obstacles to wider use of the new technologies.

**V** Although the commission has attempted to remove or mitigate some of these obstacles, paying agencies expect further guidance from the commission to make the right decisions and reduce the risk of future financial corrections.

**VI** Moving to checks by monitoring requires significant changes to IT systems, specific resources and expertise. The commission has taken initiatives to facilitate access to Sentinel data and digital cloud processing services, but the take-up by paying agencies for operational purposes is still low.

**VII** With regard to rural development schemes and cross-compliance, we observed limited use of new technologies for both compliance and performance monitoring of climate and environmental requirements. We also conclude that the proposed set of post-2020 CAP performance indicators is largely not designed for direct monitoring with Sentinel data.

**VIII** We recommend that the commission provide incentives to Member States to use checks by monitoring in the post-2020 CAP as a key control system. We further recommend that the commission make better use of new technologies for monitoring environmental and climate requirements.



## **Appendix 20: Description of an audit methodology in a performance audit report**

To examine the characteristics of FAA-certificated mechanics and repairmen, we analysed cumulative FAA data as of December 2018 for demographic characteristics such as age and sex.<sup>4</sup> To examine the employment characteristics of aviation maintenance workers—such as wages and unemployment—we analysed Bureau of Labor Statistics (BLS) Current Population Survey data for selected labor market indicators from 2013 through 2018. We reviewed all 50 states' most recent Workforce Innovation and Opportunity Act plans.

To describe stakeholder support and assess stakeholder coordination on efforts to develop this workforce, we interviewed agency officials from FAA and the Departments of Labor (DOL), Education (Education), Defense (DOD), and Veterans Affairs (VA) about related data, programmes, and funding for this workforce. We selected these agencies based on a prior report in which we identified them as relevant to the aviation workforce.

To describe examples of stakeholder coordination, we also conducted semi-structured interviews with a non-generalizable sample of six stakeholders, including employers, Aviation Maintenance Technician (AMT) Schools, unions, industry associations, and workforce training organizations selected based on stakeholder recommendations, among other factors, and conducted two site visits. We visited an AMT School that serves the District of Columbia area and an aviation repair station, a major commercial airline, and a state workforce organization in Georgia. We selected these stakeholders and conducted these site visits to obtain a range of perspectives based on factors such as type of work performed and geographic location. In addition, we reviewed relevant agency documents, such as FAA's 2019-2022 strategic plan and its Aviation Workforce Steering Committee charter.

To describe what progress FAA has made on updating training curriculum requirements for AMT Schools and certification testing standards for mechanics, we reviewed relevant federal laws, regulations, and FAA documents and interviewed FAA officials.

We conducted this performance audit from January 2019 to February 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix 21: Illustration of an action plan and a follow-up desk review template<sup>14</sup>

### Action plan

**Title of performance audit:** Performance audit on elimination of intimate partner violence against women (EIPVAW)

**Name of audited entity:** Secretary of Policies for Women

**Date:** 20/11/2017

Recommendation	Actions planned by the audited entity	Responsible party within the audited entity	Deadline for implementing recommendation	Expected benefits of implementation (quantified if possible)
Conduct awareness-raising campaigns about the importance of EIPVAW.	Plan and deliver a campaign through social media.	Ms Shirley Smith.	September 2018.	Decrease of intimate partner violence against women.
	Plan and deliver a campaign for TV.	Mr Juan Perez.	December 2018.	
Intensify campaigns about EIPVAW aimed at males.	Plan and deliver a campaign through social media.	Ms Shirley Smith.	September 2018.	Help in changing men's mentality about violence against women.
	Plan and deliver a campaign for TV.	Mr Juan Perez.	December 2018.	Decrease of intimate partner violence against women.
	Plan and deliver a campaign during sport matches.	Mr Abdalla Farid.	December 2018.	
Coordinate with the Ministry of Education to include gender themes in the school curriculum, especially issues related to domestic violence.	Contact stakeholders in the Ministry of Education.	Ms Caterina Piazza.	March 2018.	Decrease of intimate partner violence against women.
	Plan the curriculum changes with the Ministry of Education stakeholders.	Ms Caterina Piazza.	September 2018.	
	Deliver training for teachers about the changes in the curriculum.	Mr Joshua Pereira.	December 2019.	
Coordinate with the Ministry of Justice to intensify awareness raising and training of police officers who attend the victims.	Contact stakeholders in the Ministry of Justice.	Mr Juan Perez.	March 2018.	Improvement in service delivery by the police officers to victims of domestic violence.
	Plan and deliver a campaign through internal social media.	Ms Shirley Smith.	September 2018.	
	Deliver training for police officers.	Ms Chimamanda Nye.	December 2019.	

Source: IDI/PAS Development Team

<sup>14</sup> This is an illustration with sample recommendations. It is not intended to be exhaustive. An actual performance audit will likely contain additional recommendations.

## Follow-up desk review template

### Illustration using a performance audit on elimination of intimate partner violence against women (EIPVAW)

Recommendation	Action taken by the audited entity (as per the action plan)	Status/progress of actions	Reasons for non-completion of action by the audited entity	Impact
Conduct awareness-raising campaigns about the importance of EIPVAW.	Plan and deliver a campaign through social media.  Plan and deliver a campaign for TV.	Fully implemented.  Not implemented.	The cost is too high. The Secretary has no budget for that.	The Secretary of Policies for Women contracted a consultant to measure the impact of the campaigns. The study will be concluded in July 2021. The impact has to be verified by the SAI during next follow-up.
Intensify campaigns about EIPAW aimed at males.	Plan and deliver a campaign through social media.  Plan and deliver a campaign for TV.  Plan and deliver a campaign during sport matches.	Fully implemented.  Not implemented.  Fully implemented.	The cost is too high. The Secretary has no budget for that.	The Secretary conducted surveys after several football, cricket and basketball matches where the campaign took place. The preliminary analysis shows that the campaign was successful in raising awareness about EIPAW among the respondents.
Coordinate with the Ministry of Education to include gender themes in the school curriculum, especially issues related to domestic violence.	Contact stakeholders in the Ministry of Education.  Plan the curriculum changes with the Ministry of Education stakeholders.  Deliver training for teachers.	Fully implemented.  Implemented in some respects.  Not implemented.	The group assigned for the task is developing the changes, but there are delays due to other urgent assignments.  Not due. To be verified in next follow-up.	Since the changes in the curriculum were not made yet, it is too early to evaluate the impact of the actions.
Coordinate with the Ministry of Justice to intensify awareness raising and training of police officers who attend the victims.	Contact stakeholders in the Ministry of Justice.  Plan and deliver campaign through internal social media.  Deliver training for police officers.	Implemented.  Implemented.  Implemented in some respects.	The training is completed only for police officers working in major cities of the country. The others are yet to be trained.	The Secretary conducted a study to compare attendance by police officers trained and not trained and concluded that the training, so far, was effective.

Source: IDI/PAS Development Team