

State Audit Institution (SAI)- Sultanate of Oman

Performance Audit Methodology Manual

2015

Table of contents

TABLE OF CONTENTS.....	1
1. PREFACE.....	6
1.1 INTRODUCTION.....	6
1.2 MANUAL CONTENTS	6
1.3 MANUAL USAGE, RESPONSIBILITY AND AUTHORITY.....	8
1.4 MANUAL DISTRIBUTION	9
1.4.1 MANUAL DISTRIBUTION FORM	10
2. MANUAL MAINTENANCE	11
2.1 GENERAL RULES	11
2.2 AUTHORITY	11
2.3 CONDITIONS	12
2.3.1 EXTERNAL CONDITIONS:.....	12
2.3.2 INTERNAL CONDITIONS:	12
2.4 TIME FRAME	12
2.5 PROCEDURES	13
2.5.1 REQUEST FOR AMENDMENT FORM.....	15
2.5.2 MANUAL MAINTENANCE SCHEDULE	16
3. CONFIDENTIALITY POLICY	17
3.1 CONFIDENTIALITY	17
3.2 RIGHTS.....	17
3.3 LEGAL RECOURSE	17
4. THE PERFORMANCE AUDIT APPROACH AND THE 3ES (ECONOMY, EFFICIENCY, AND EFFECTIVENESS)	18
4.1 INTRODUCTION.....	18
4.2 OVERVIEW ON THE DEVELOPMENT OF PERFORMANCE AUDIT	18
4.3 DEFINITION	19
4.3.1 RELATING PERFORMANCE AUDIT WITH PERFORMANCE MEASUREMENT AND PROGRAM EVALUATION	19
4.3.1.1 PERFORMANCE MEASUREMENT.....	19
4.3.1.2 PROGRAM EVALUATION AND PERFORMANCE AUDIT.....	19
4.3.1.3 TYPES OF PROGRAM EVALUATION IN PERFORMANCE AUDIT	20
4.4 PERFORMANCE AUDIT OBJECTIVES.....	20
4.5 THE IMPORTANCE OF PERFORMANCE AUDIT.....	21
4.6 THE ATTRIBUTES OF PERFORMANCE AUDIT	21
4.7 PERFORMANCE AUDIT STANDARDS.....	22

4.8	MEASUREMENT METHODOLOGY IN PERFORMANCE AUDIT	23
4.9	STAGES OF PERFORMANCE AUDIT	25
5.	PLANNING STAGE IN PERFORMANCE AUDIT	26
5.1	INTRODUCTION.....	27
5.2	STRATEGIC PLANNING	27
5.2.1	THE OBJECTIVES OF STRATEGIC PLANNING	27
5.2.2	AUDIT STRATEGY (ANNUAL AUDIT STRATEGY)	27
5.2.3	PERFORMANCE AUDIT SELECTION PROCESS.....	28
5.2.4	THE STEPS USED IN THE SELECTION PROCESS USING RISK ASSESSMENT	28
5.3	PERFORMANCE AUDIT PLANNING	32
5.3.1	INTRODUCTION	32
5.3.2	PERFORMANCE AUDIT OBJECTIVES AND SCOPE	32
5.3.3	PERFORMANCE AUDIT STANDARDS	33
5.3.4	ASSURANCE OF QUALITY, TIME, AND RESOURCES.....	33
5.3.4.1	QUALITY ASSURANCE	33
5.3.4.2	MANAGEMENT PLANNING	34
5.3.4.3	COMPLYING WITH RULES AND REGULATIONS	34
5.3.5	KEY ELEMENTS OF THE PLAN	34
5.4	SURVEY PLANNING	34
5.5	CONDUCTING A PERFORMANCE AUDIT SURVEY	35
5.5.1	PROCEDURES OF COLLECTING DATA AND INFORMATION:	36
5.6	THE SURVEY REPORT.....	39
6.	EXECUTION STAGE IN PERFORMANCE AUDIT.....	40
6.1	INTRODUCTION.....	41
6.2	DEVELOPMENT OF AUDIT PROGRAMS.....	41
6.3	THE METHODOLOGY FOR EXECUTING PERFORMANCE AUDIT.....	42
6.4	SAMPLING AND RELIABILITY CONSIDERATIONS	43
6.5	AUDIT EVIDENCE IN PERFORMANCE AUDIT	44
6.5.1	DEFINITION OF PERFORMANCE AUDIT EVIDENCE.....	44
6.5.2	TYPES OF PERFORMANCE AUDIT EVIDENCE.....	44
6.5.3	CONTENTS OF PERFORMANCE AUDIT EVIDENCE TESTS	48
6.5.4	PERFORMANCE AUDIT WORKING PAPERS.....	50
6.6	PERFORMANCE AUDIT FINDINGS	52
6.6.1	PERFORMANCE AUDIT FINDING DEFINITION	52
7.	REPORTING IN PERFORMANCE AUDIT	56
7.1	INTRODUCTION.....	57

7.2	MAJOR STEPS IN REPORTING	57
7.2.1	DISCUSSION PAPERS.....	57
7.2.2	CLOSING MEETING	58
7.2.3	PROPOSED/ DRAFT REPORT	58
7.2.4	FINAL CLOSING MEETING	59
7.2.5	FINAL REPORT	59
7.3	CHARACTERISTICS OF PERFORMANCE AUDIT REPORT	60
7.4	CONTENTS OF PERFORMANCE AUDIT REPORT.....	61
7.4.1	INTERNATIONAL STANDARDS.....	61
8.	FOLLOW UP PHASE IN PERFORMANCE AUDIT.....	63
9.	APPENDICES.....	64
9.1	FORMS.....	64
9.2	PRIVACY, TRANSPARENCY, AND IDENTITY NON-DISCLOSURE CONSIDERATIONS.	65
9.3	THE ACCURACY OF SURVEY DATA	66
9.4	THE USE OF SPECIALISTS ADVISE IN PERFORMANCE AUDIT	67
9.4.1	PREFACE	67
9.4.2	THE CASES THAT REQUIRE EXPERTS' ADVICE	68
9.4.3	IDENTIFYING THE SPECIALISTS.....	69
9.4.4	EVALUATION OF THE PROSPECTIVE SPECIALIZED EXPERT.....	69
9.4.5	SELECTING THE SPECIALIZED PARTY	70
9.4.6	CONTRACTING THE SELECTED SPECIALIZED PARTY	70
9.4.7	COORDINATION WITH SPECIALIZED ENTITY	70
9.4.8	SPECIALIZED ENTITY'S REPORTS	71
9.5	AUDIT STANDARDS RELATED TO ECONOMY, EFFICIENCY, AND EFFECTIVENESS.....	71
9.5.1	DEFINITION	71
9.5.2	THE STEPS TO MEASURE EFFICIENCY, EFFECTIVENESS, AND ECONOMY.....	73
9.5.2.1	STEP 1: SELECTING DELIVERABLES.....	73
9.5.2.2	STEP 2: IDENTIFYING INPUTS (INPUT ELEMENTS).....	74
9.5.2.3	STEP 3: SELECTING THE MEASUREMENT METHOD	74
9.5.2.4	STEP 4: SELECTION OF MEASUREMENT UNITS.	75
9.5.2.5	STEP 5: STANDARD SELECTIONS.....	75
9.5.2.6	STEP 6: THE COLLECTION OF NECESSARY DATA.....	76
9.5.2.7	STEP 7: THE PREPARATION AND DEVELOPMENT OF MEASURES	76
9.5.2.8	9.5.2.8 STEP 8: SPECIFYING THE PROBABLE RESULTS	76
9.6	TIME ACCURACY AUDIT MEASURE.....	76
9.6.1	DEFINITION	76

9.6.2	STEPS OF MEASURING TIME ACCURACY	77
9.6.2.1	STEP 1: IDENTIFYING DELIVERABLES	77
9.6.2.2	STEP 2: IDENTIFYING THE DIMENSIONS OF TIME ACCURACY	78
9.6.2.3	STEP 3 SELECTION OF THE MEASUREMENT UNIT	78
9.6.2.4	STEP 4 SELECTION OF COMPARATIVE STANDARDS.	78
9.6.2.5	STEP 5: ANALYSIS METHOD SPECIFICATIONS AND SELECTION	79
9.6.2.6	STEP 6: COLLECTION OF REQUIRED DATA	80
9.6.2.7	STEP 7 MEASUREMENTS PREPARATION.....	80
9.6.2.8	STEP 8 SPECIFICATIONS OF THE PROBABLY RESULTS.....	80
9.7	QUALITY CONTROL MEASURES	81
9.7.1	DEFINITION	81
9.7.2	QUALITY MEASURES STEPS	82
9.7.2.1	STEP 1: IDENTIFYING DELIVERABLES	82
9.7.2.2	STEP 2: IDENTIFICATIONS AND SELECTION OF QUALITY DIMENSIONS	82
9.7.2.3	STEP 3: IDENTIFICATION AND SELECTION OF THE MEASUREMENT UNIT	83
9.7.2.4	STEP 4: IDENTIFYING AND SELECTING OF THE COMPARISON STANDARD	83
9.7.2.5	STEP 5:THE COLLECTION OF THE NECESSARY DATA.....	83
9.7.2.6	STEP 6: THE PREPARATIONS OF MEASURES	84
9.7.2.7	STEP 7: IDENTIFICATION OF PROBABLE EFFECTS	84
9.8	PROGRAM PERFORMANCE AUDIT	85
9.8.1	INTRODUCTION	85
9.8.2	VISION AND DIRECTION.....	90
9.8.2.1	BUSINESS CASE DEVELOPMENT	90
9.8.2.2	SPONSORSHIP	91
9.8.3	PLANNING & EXECUTION	91
9.8.3.1	GOVERNANCE	91
9.8.3.2	RESOURCE MANAGEMENT	92
9.8.3.3	RISK MANAGEMENT	92
9.8.3.4	DEPENDENCY MANAGEMENT	92
9.8.3.5	PROGRAM PLANNING.....	93
9.8.3.6	PROGRAM ISSUES MANAGEMENT.....	93
9.8.3.7	KNOWLEDGE MANAGEMENT.....	93
9.8.3.8	CHANGES CONTROL	94
9.8.3.9	FINANCIAL MANAGEMENT	95
9.8.3.10	SUPPLIERS MANAGEMENT.....	95
9.8.3.11	QUALITY MANAGEMENT	96

9.8.3.12	PROGRAM SYSTEMS	96
9.8.4	MEASURING AND MONITORING	97
9.8.4.1	BENEFITS MANAGEMENT.....	97
9.8.4.2	PROGRAM REPORTING	97
9.8.5	BUSINESS ACCEPTANCE	98
9.8.5.1	CHANGE MANAGEMENT	98
9.8.5.2	COMMUNICATIONS	99

1. Preface

1.1 Introduction

The Performance Audit manual offers a comprehensive methodology and framework for executing performance audits. The manual also includes key performance indicators to be used in assessing the quality of audits, as well as assist State Audit Institution (hereinafter 'SAI') members to achieve the following:

- Conformity of performance audit objectives with expectations, needs, and priorities of clients and stakeholders;
- Add value to related parties through performance audit services
- Offer a suitable environment that enables SAI members to improve their skills and achieve their full potential;
- Achieve work excellence.
- Manage performance audit functions effectively and efficiently.

1.2 Manual Contents

The Performance Audit manual encompasses methodologies that will be followed in addressing and executing performance audits by the SAI . The manual has been divided into the following sections:

1. Preface

This section provides an overview of the manual and its objectives, in addition to its contents, format, and basic policies on manual usage, responsibility and authority.

2. Manual Maintenance

This section depicts the periodic review process of SAI performance audit methodology. Authority, conditions, and timing leading to such exercise are part of this section. The amendment policy and related form are also part of this section.

3. Confidentiality Policy:

This section provides a guide on legal recourse based on applicable rights in case of non-compliance with the policy statements stated in this section.

4. The Performance Audit approach and the 3Es:

This section provides a general overview on the development of performance audits, as well as definition, objectives, and approach, and consequently the main elements of integrated performance audit framework.

5. Performance Audit Planning Process:

This section focuses on the selection process of the performance audit tasks which sets a full guide to the auditor on how to select the purpose and topic of audit to be performed. Such a selection process will be represented in two main levels of audit planning:

- Strategic Planning
- Planning of performance audit process

This relates to the strategic, annual long term, and short term objectives of the Sultanate of Oman and its affiliated organizations and government bodies in addition to other entities in the regulatory scope. This section also includes the selection of audit programs that are performed across a government-wide sector or within a particular governmental entity.

In addition, this section sets the rules and regulations for deciding on and managing the application of surveys in performance audits. The broad categories include the following:

- Definition, general standards, and conditions leading to the use of surveys
- Planning the survey
- Sampling and reliability considerations
- Supporting documentation and information in a survey
- Confidentiality, anonymity and integrity considerations
- Analysis of survey results

6. Performance Audit Execution Process

This section provides the practices and procedures to be followed by SAI during the execution of performance audit. The audit execution phase starts after the approval of the strategic plan and survey report through the development and implementation of testing programs and determining test results.

In addition, this section sets the rules and regulations for determining the results of the performance audit process. The broad categories of this section include the following:

- Performance audit evidence definition
- Types of performance audit evidence
- Ingredients of performance audit evidence tests
- Performance audit working papers

Also, this section sets the rules and regulations for determining the results of performance audit tasks. The broad categories of this section include the following:

- Performance audit finding definition
- Types and elements of a performance audit finding
- Purpose of a performance audit finding
- Criteria and causes of a performance audit finding

7. Performance Audit Reporting Process:

This section provides the practices and procedures to be followed by SAI during the reporting phase which includes the main characteristics and contents of the performance audit report and the criteria of a high quality report.

8. Performance Audit Report Follow-up Process:

This section provides the practices and procedures to be followed by SAI during follow-up phase which includes the basic norms for the activities and goals of performance audit follow-up and procedures for the follow-up process.

9. Appendices

This section includes All the relevant forms and formats to be used by all audit sectors, as part of the General Audit Methodology Manual.

These forms and formats include but not limited to the following list of items:

- Risk assessment forms
- Staff scheduling and planning forms

- Audit plan format
- Audit process notification letter template
- Audit requirements letter template
- Testing program template
- Working paper format
- Audit report format
- Final report letter template

In addition, this section includes details for the following topics:

- Considerations for confidentiality, integrity and anonymity
- Accuracy of survey data
- Reference to specialists' advice in the performance audit function
- Audit standards related to economy, efficiency and effectiveness
- Audit standards on timing
- Audit standards on quality
- Monitoring program performance
- Measurement methodology in performance audit

1.3 Manual Usage, Responsibility and Authority

Usage of this manual, as approved and adopted by the Chairman of SAI, Deputy Chairman, General Directorates and the appointed individual to head the Performance Audit, will be restricted to the auditors and personnel who are appointed to conduct performance audits within the jurisdiction of SAI “hereinafter Performance Auditors”. Any usage of the manual content by sectors, units, or personnel other than performance auditors will be performed under the direction and with the judgment and knowledge of the Deputy Chairman of SAI.

It is the direct responsibility of the Head of performance audit to ensure that all performance audits will function in accordance with this Manual.

It is the indirect responsibility of other audit sectors and units to ensure that SAI functions in accordance with this manual, as and when other audits relate to performance audits.

If any sector, department, unit, or any other entity within SAI considers that compliance with any of the guidelines, policies, and standards set out in this manual is not possible for any reason, it should refer the matter in writing to the designated Head of performance audit. Changes resulting from such a review process are discussed in detail in the following section under manual maintenance.

The success of using this manual depends on employees sense of responsibility and ownership of the manual, and to ensure using and implementing the manual successfully, it is recommended to follow the following steps in the initial phases of presenting this manual to SAI:

- Designate an official responsible for using and maintaining the manual.
- Hold a preliminary committee meeting to determine the following:
 - Objectives of the manual
 - Relationship of this manual to other SAI audit manuals
 - Assessment of the manual's impact on the methods and means by which SAI conducts its audit work
 - Specific committee responsibilities
 - Audit Time frame and continuous development and review of the manual
 - The planning required for the manual and future changes if needed
 - Execution suggestions over periods of time and milestones to be decided upon in the short and long term
 - Special current and future training needs
 - Technical resource requirements
 - Technological resource requirements

1.4 Manual Distribution

The section depicts the policies and procedures for distributing this manual to current and new employees and the amendments that apply on it.

distribution of this manual is based on a preset suggested form created for that purpose. Form 1.4.1 Manual Distribution Form.

Redistribution of the manual following an amendment is performed using the same form above..

Section 2 (Manual Maintenance) provides the details of the steps used in this procedure.

In both cases, distribution of this manual is made by sending it to the designated resource person.

The resource person should sign and return the form to the Head of Performance Audit Unit within 10 working days from the date of receipt.

Any future amendments to this manual will be distributed to all respective resource personnel as long as each person takes responsibility to ensure an accurate update process by adding the amended pages or attachments and the exclusion of the previous versions, or amend the design or content of the manual. section 2 (Manual Maintenance) provides the details of the steps used in this procedure

1.4.1 Manual Distribution Form

Manual for: _____

Distributed By: _____

Date of Distribution: _____

Reason for Distribution (check one): ☐ First Time Distribution

☐ Distribution Following Amendment

To the resource person,

When you sign this form, you agree to adhere to all cited policies and standards included in this manual.

You may be asked to sign additional material and changes thereto to give effect to these policies and standards currently and in the future.

To acknowledge that you have reviewed and understood all of this material in the manual, please sign and date this form and return it to the Head of Performance Audit unit within 10 working days of receipt of this manual.

I acknowledge that I have read, understood, and am subject to all of the material included in this manual.

Signature

(Please print name)

2. Manual Maintenance

2.1 General Rules

Auditing and control standards are considered to be of significant dynamic nature that should be periodically reviewed and updated to reflect any internal or external changes.

To ensure that the manual is properly maintained and up to date, SAI Performance Audit Unit designated Head should assign responsibility for particular sections to specific personnel after attaining the approval of the performance audit unit standards committee.

Each section should be specifically assigned to an employee (resource person) in the Performance Audit Unit.

While separate sections' maintenance are distributed, one senior employee may be responsible for coordinating all manual section development, implementation, and ongoing reviews to be raised to the committee, being represented in the designated Performance Audit Unit Head.

The job description, of the designated personnel responsible for updating the manual, should include details of the job responsibilities, given authorities and audit requirements relating to developing and amending the manual sections falling under their responsibilities.

SAI's standards unit maintains a list that includes section name, responsible employee, date of implementation, date of last review/amendment and other important data.

The Ongoing training process related to the sections of the SIA methodologies and standards Audit manual is an integral part of the continuous improvement and maintenance process.

The purpose of any training program should reinforce management's and staff's understanding of performance audit standards, how they were established, how they should direct the Unit's activities, and the desired benefits from placing those standards in the various sections of the manual.

2.2 Authority

The authority to review / amend the methodologies in SAI should be in accordance with SAI Laws and internal policies.

2.3 Conditions

Conditions leading to a change – or group of changes – will be either internal or external in nature. Any changes in the laws, rules, and regulations could lead to a necessary amendment to the SAI standards and methodologies.

2.3.1 External conditions:

These conditions leading to a change in the laws, rules and regulations are considered external in nature. In any case of partial or full amendment to the laws, rules and regulations, SAI could review and amend the followed methodologies and standards in context of their relation to the laws and regulations.

Some adjustments to the International standards for the Professional Practice of Internal Auditing could lead to finding the external conditions causing the change in the relevant standards and methods of performance audit.

External conditions leading to an amendment in the performance audit standards and methods could be the result of some adjustments in the International standards for the Professional Practice of Internal Auditing. SAI reviews and amends the performance audit standards and methods in context with the relating international standard, in particular the basic components of the manual that reflect the concepts embodied in the professional bodies.

2.3.2 Internal conditions:

Any of the systematic internal changes below could lead to a partial or full amendment in SAI methodologies and standards:

- Changes in functions and activities of SAI due to internal changes in the functional or organizational structure
- Changes in internal business processes
- Changes in the authority matrix
- Changes in job roles, duties, and job descriptions of employees
- Changes in financial or SAI related articles
- Changes in SAI services

2.4 Time Frame

The time frame and frequency of standards review could be periodic or non-periodic depending on the nature of the review as explained in the following points:

- **Systematic periodic Changes:** represents establishing a “Culture of Change”, as the change management process is considered systematic in nature. Any business process that is based on a specific methodology or standard is not considered to be an effective system in nature, therefore, It should be subject to a regular review without the need of internal or external conditions that call for change. Thus, SAI must conduct a systematic review of audit standards and methodologies, at least once every five years
- **Systematic non-periodic:** Timing of non-periodic change is directly linked to the necessity and urgency of implementing the change due to a requirement by law or an adjustment in the international auditing or accounting standards or other professional standards as stated in section 2.3.1. above.
- **Implementation:** The time frame for implementing an urgent amendment is associated with complying with requirements of the law or one of the professional standards that require a certain deadline. In other instances, where international standards or the law have not set a particular deadline, then professional judgment of SAI should apply in setting its own deadline to be within a maximum of a five-year period from the date of issuance of a particular law, regulation, or standard.
- **Determining the appropriate date:** The process is based on the professional assessment of SAI in setting an appropriate date of the amendment, within a period not exceeding five years from the date of issuance of the law, regulation, or standard.

- **Standards:** in cases where the International Commission issues a new standard, practice, or methodology, SAI should consider the implications of such development and relate it to its own standard practices, or methodologies if applicable .
- **Considerations:** The audit process is directly related to the standards the SAI members follow, whether it was partially or fully, as result of change in the standards, practices, and methodologies of Audit Bodies.

In cases where it is not required to refer to international standards or laws, two specific sources can be referred to request an amendment; SAI, and other related entities including other sectors, departments, or other personnel.

2.5 Procedures

Change requests can be accommodated due to changes in accounting and auditing standards, or for improvements in manual procedures. Where changes are necessary, the following procedures should be applied.

- The requesting employee in the Performance Auditor (resource person) has to fill out the Request for Amendment Form (see enclosed form 2.5.1 Request for Amendment Form) and address it to the Head of Performance Audit Unit.
- The Head of Performance Audit Unit conducts a review of the request.
- If the request is feasible, then the Head of Performance Audit forwards the same to the Standards Development Committee.
- The Standards Development Committee then convenes based upon the request from the Performance Audit Unit Head.
- The committee reviews the request and considers the following implications as a result of a possible change to the contents of the manual:
 - Review human resource capabilities and discuss changes in personnel requirements;
 - Review management information systems and discuss potential changes in IT requirements;
 - Evaluate legal, regulatory, and accounting issues, and solicit comments from appropriate professionals if and when needed;
 - Evaluate cross manual required changes as a result of a change in the Performance Audit manual.
- If the committee partially approves on the changes, pending a partial adjustment to the content of a request, then the request is returned back to the Head of Performance Audit who will coordinate to perform the required adjustments.
- The new changes are forwarded again to the Standards Development Committee to follow the same review and approval procedure.
- If the committee approves on the changes, then the request is forwarded to the Chairman of SAI for final approval.
- If not approved, then the Chairman of SAI refers back the process to the committee for further deliberation of for closure if the request is not considered appropriate for consideration by SAI.
- If the change request is approved, then the following implementation activities are taken into account by the Performance Auditors:
 - The amendments are addressed by the Head of Performance Audit and distribute the changes to the resource person responsible for including the amendments in the particular manual sections.
 - Any changes are then printed and added to the manual sections and any required forms and other related materials are also included by the resource personnel.
 - Any new sections (including forms) are then distributed to the other relevant SAI departments or other resource personnel within the Performance Auditors through the **1.4.1 Manual Distribution Form**.
 - After distributing the new section, the resource personnel update the form **2.5.2 (Manual Maintenance Schedule)** included in this section of the manual.
 - Performance Auditors coordinates with the Training Department to conduct a training session on the changes as a result.

- **Performance Audit Unit Standards Development Committee monitors for compliance with the new changes.**

2.5.1 Request for Amendment Form

Name of entity requesting amendments: _____

Section/s Reference: _____

Manual Section: _____

Section Name: _____

Description of needed amendments:

Proposed amendments:

Proposed by: _____

(Requesting Employee)

Reviewed by: _____

(Head of the Relevant Department)

Approval by: _____

(The Head of Performance Audit)

Approval by: _____

(Standards Development Committee)

Final Approval by: _____

(SAI Chairman)

Implementation Date: _____

(Set by Performance Audit Unit Head)

Resource Person's Signature: _____

(Upon Final Approval)

2.5.2 Manual Maintenance Schedule

Section No.	Employee Responsible	Date First Adopted	Date Last Reviewed	Other Comments
1				
2				
3				
4				
5				
17				

3. Confidentiality Policy

3.1 Confidentiality

The use of this manual and its contents is bound by SAI's Law and its applicable confidentiality in practice.

3.2 Rights

All SAI rights are reserved as per local laws, rules and regulations pertaining to this publication.

No part of this manual may be reproduced, stored in a any system or form, or transmitted in any form by any means – electronic, mechanical, photocopied, recorded, for non SAI members without the prior written consent of the State Audit Institute of the Sultanate of Oman.

3.3 Legal Recourse

Violation of the above 'Rights' clause subjects an individual or an entity to applicable legal proceedings as per the laws of the Sultanate of Oman.

This manual is also subject to unauthorized use protection as per the internal articles and by-laws of the SAI as well as the Confidentiality policy stated above.

4. The Performance Audit Approach and the 3Es (Economy, Efficiency, and Effectiveness)

4.1 Introduction

Performance auditing is essentially a process that uses available evidence to form an opinion on the extent to which an entity utilizes its resources in an economic, efficient and effective manner. Although performance auditing involves the use of professional judgment, the presence of a robust methodology can help provide an objective framework for this judgment. Performance auditing offers considerable scope for adding real value to public administration. It also aims to ensure that individuals and agencies managing public resources remain accountable for their actions.

To achieve efficiency at work, SAI personnel must have a clear understanding of the objectives and priorities of all the areas subject to audit. They must also have an understanding of the policies for the planning and execution of audits, audit standards, audit methodology, and the processes of SAI.

This manual provides a methodology and a comprehensive framework for the execution of performance audits. It may also assist SAI members to achieve the following:

- Conformity of performance audit activities with the expectations, needs, and priorities of clients and stakeholders;
- adding value to related parties through performance audit services;
- providing a suitable environment that enables SAI members to enhance their skills and achieve their full potential;
- achieving work excellence; and
- managing performance audit operations efficiently and effectively.

4.2 Overview on the Development of Performance Audit

After the Industrial Revolution and the appearance of public companies, it became difficult to depend on an individual to completely audit all transactions, which led to at least two changes. First, forming a team of several individuals to do the audit task instead of assigning it to an individual. Second, considering the difficulty of auditing all transactions, auditors incorporated the idea of selecting samples to audit, known as sample testing. At the same time, auditors realized that it is impossible to verify the accuracy of accounts without auditing 100% of the transactions. Thus, the audit process became a matter of expressing opinions on the integrity and validity of accounts more than merely its accuracy. The implementation of these developments was very slow, and in the government sector it was even slower. The main functions of auditors working in the government sector focused mainly on organizing and regulating expenditure, and complying with rules and regulation. Auditors informed their superiors about any leaks in revenue collections or waste in public funds, a task that remained primitive for a long time. Auditors working in the government sector did not react to the developments of the auditing and accounting process as in the private sector, due to their content at the time of the standards of the government audit process. However, in the early seventies, auditors working in the government sector noticed the beginning of a period of turmoil and change in the roles of government auditors.

The transformation originated from USA, Canada, and some European countries like Sweden and West Germany. The elected representatives of the people started demanding information on the efficiency and effectiveness of the public expenditure and began showing their dissatisfaction with the traditional role of audit, which focused merely on compliance, and expenditure regulation. The representatives wanted to know the added value from public expenditure and also demanded a greater accountability for public managers in the collection, spending, and management of public funds. Auditors of the developed countries tried to respond to these challenges by expanding the scope of their work as they started to develop the characteristics of performance audit, which faced many real challenges in the first years. Auditing roles were not clear, and companies were questioning the ability of auditors in carrying out audit functions to their businesses. Moreover, the traditional audit procedures were not adding value and there were no procedures to replace them. Also, there was no consensus on the reporting process in terms of scope, methodologies, and standards.

However, this type of audit spread very quickly, and the private sector advanced considerably in this field in the contrary of the public sector which did not take initiative to change the scope, methodology, and procedures of the process that they used for a long time, and soon found themselves way behind in this field.

Auditors in the government sector eventually realized the importance of getting out of their comfort zone and responding to the expectations of society. The first signs of these responses appeared in 1977 at the ninth conference of the International Organization of Supreme Audit Institutions (hereinafter 'INTOSAI') when it was announced that the Lima Declaration stated the importance of performance auditing. Despite the fact that few countries were members of INTOSAI at that time, this announcement led many countries to amend their auditing laws and expand the scope of SAI's performance audit to include value-for-money assessment. Many developing countries like Korea, Malaysia, Philippines, and Sri Lanka also amended their audit laws to include value-for-money assessment. Other countries, including India, Pakistan, and the United Kingdom, began implementing performance audit without a formal change in their laws. (The U.K. law was subsequently amended in 1984.) In brief, performance auditing caught the attention of the legislators and the auditors of governments almost everywhere within a span of twenty years. During the last two decades, there have been hardly any international debates on the roles of auditors in the government sector, or other areas relating performance audit.

These two decades witnessed a huge intellectual activity related to the methodology of development and research in the field of performance auditing. The initial years of uncertainty are now over. There is a consensus now in the areas of scope, approach, methodology, reporting, formatting, and the roles of performance auditors. INTOSAI auditing standards and the auditing standards issued by several individual countries, incorporate standards of work for the performance auditors. A number of countries that are members of SAI, has undertaken research on the methodology of performance audit. Although, the environment surrounding the performance audit is still facing many challenges, The hardest part that faced auditors in the first years following the auditing renaissance is over.

4.3 Definition

Performance Audit is the process of assessing the activities and practices carried out by a specific entity in accordance with the planned goals and objectives, in a way that is economic, efficient, and effective.

SAI Performance audit is an objective and independent assessment of Government activities, systems, programs, or institutions that are related to economy, efficiency, and effectiveness for the purpose of development.

4.3.1 Relating Performance Audit with Performance Measurement and Program Evaluation

The two authorities, Executive (Ministers Council) and Legislative (Shura and State Council), need information to help make decisions regarding the programs that fall under their responsibility. Studies related to performance audit and its evaluation are designed for the purpose of deciding on how certain programs work. And from the special aspects that these studies incorporate is the relationship between performance evaluation, program evaluation, and performance audit.

4.3.1.1 Performance Measurement

Performance measurement is an ongoing process to overlook the implementation of programs and to report on its accomplishments, specifically on its progress towards achieving the predefined goals. Performance measurement can also deal with type or level of program activities to be implemented (Process), The products or services delivered by the program (Output), and/or the results of those outputs (Outcome or Result).

Performance measurement focuses on whether the program has achieved its objectives or conditions considering that they standards of a measurable tool. For the fact that performance measurement is an ongoing process, it can be used as a preventive warning system for management, as well as a mechanism to improve accountability in front of the public.

Sometimes, basic performance indicators can be used as indicators or references in planning for a single performance audit process. One of the topics included in performance audit relates to information on whether the performance measurement systems adopted in government programs are efficient and effective.

4.3.1.2 Program Evaluation and Performance Audit

Program evaluation processes are considered to be regular individual studies to evaluate the quality of a certain program, and it usually examines a variety of information on program performance in a wider range than those that

can be continuously supervised. Therefore, the process of program evaluation allows for a comprehensive evaluation to determine if the program is working properly, and actions to be taken to improve its results.

INTOSAI categorized audit programs and reviews into the following:

1. Compliance Audit;
2. Finance Audit;
3. Efficiency Audit;
4. Effectiveness Audit;
5. Evaluation of the Consistency of Systems and Procedures;
6. Evaluation of the impact of Systems and Procedures;
7. Evaluation of the effectiveness of Systems and Procedures, and Root Cause Analysis.

4.3.1.3 Types of Program Evaluation in Performance Audit

1. Procedures Evaluation

Assessment on whether the program functions as planned. It usually emphasizes on the extent to which the activities of the program commit to legal and regulatory conditions, program design, professional standards, and expectations of clients and end users.

2. Evaluation of the result

Assessment of the extent to which a program achieves its goals that are related with the results and clients. This type of evaluation focuses on assessing the outcomes (results), including any side effects, in order to determine the effectiveness of the program. The evaluation could also check the quality or client trends, as well as study the procedures of the program in order to completely understand how the results were achieved.

3. Evaluation of Impact

Assessment of the impact of a certain program through comparing the results with the effects of not implementing the program. This type of evaluation is used when the external factors affecting the outcomes are known.

4. Cost-Benefit and Cost-Effectiveness evaluation

Analysis that compares outcomes (results) of a program with the costs (resources expended) to implementing it. When this analysis is applied to existing programs, it is considered a form of program evaluation.

- **Cost-Benefit Analysis:** Allocates all the costs and benefits related to the program.
- **Cost-Effectiveness:** Evaluates the cost incurred to achieve a goal or objective. It can also be used to determine the next best option, in terms of cost to, achieve the goal.

4.4 Performance Audit Objectives

Performance Audit is a specific and separate part of the audit process that usually produces a report. The performance audit process has clear and specific goals, and is linked to an activity or group of activities, systems, programs, and bodies known as “audited party” or “related part”.

According to SAI standards, the goal of each audit activity should examine on or more of the following assertions:

- **Economy (Maintaining low costs / Proper use of resources):** According to audit standards, Economy is intended to reduce the cost of resources used in an activity, taking into account the appropriate quality.

Economy audits can provide answers to questions such as:

- Does the acquired means and inputs represent the most economical use of public fund?
- Are human, financial, and physical resources used economically?

- Is the implementation of administrative activities in accordance with the sound management principles and systems ?
- **Efficiency (Maximum utilization of available resources / Relation between inputs and outputs):** Efficiency is related to economy and is mainly linked to the used resources.

Efficiency audits can provide answers to questions such as:

- Were the resources optimally utilized ?
 - Was it possible to achieve the same results, in terms of quality and timing, at a lower cost?
 - Is it possible to get the best output, in terms of quality and quantity, from the inputs and processes
 - **Effectiveness (Accomplishing the stated goals and objectives):** Effectiveness is basically a concept related to accomplishing goals, and it links between main goals, sub-goals or outputs, and effects.
- Effectiveness audits can answer questions such as:
- Are the stated goals being achieved through the means used?
 - Are outputs being produced and the effects noted?
 - Are the noted effects the actual result of systems, not other conditions?

In general, The objectives of the performance audit process are defined as the following:

- To improve the management and accountability of public sector by adding tangible value through finding an effective program for performance audit tasks, and related products such as providing practical guidance with better performance.
- To assist people representatives in exercising or implementing an effective legislative control.
- To provide client (parties) with information on the quality of managing public resources.
- To assist managers in the public sector providing the best managerial practices. Therefore, the performance audit process could improve aspects of accountability, feasibility, efficiency in acquiring resources, and achieving better quality for services provided to related party, as well as improve the management and planning of audit tools.

4.5 The Importance of Performance Audit

The importance of performance auditors can be identified in the following:

- Provide a base to improve the management of a related party.
- Improve the quality of information relating to the results of public sector management and that is available for systems makers, legislative authorities, and the public community.
- Encourage public sector management to implement procedures related to performance audit reports.
- Broaden the base of proper and acceptable accountability.

4.6 The Attributes of Performance Audit

- **Value for Money**

The methods and methodologies of performance audit, also known as “Value for Money” audit, are similar to methods and methodologies of the program evaluation process. However, they do not generally include the evaluation of the effectiveness or alternatives of a particular policy. Regardless of the testing of the impact of the outputs, the evaluation process could include topics such as: whether the planning of a certain party reflects the objectives of its program, or whether the objectives are consistent with the methodology and options for amending the policy to achieve more effective outputs.

- **Reinforce Public Accountability**

Performance audit reinforces public accountability, and aims to achieve better management for the business (governance), it also includes the concept of traditional financial performance audit, compliance, and conformity. Audit deals with compliance to regulatory and legal aspects, while conformity audit indicates to the concept of best practices in managing programs or activities, where officials should not use public funds for personal interests or exceed the limit of expenditure on programs or activities. SAI members should benefit from such conditions in the context of their work where applicable.

- **Equity and Justice**

It is expected from SAI members to include the important matter related to equity or fairness and professional ethics while performing audit on a particular program or activity. Equity or Fairness in program management relates to fairness and integrity in the use of public funds. Professional ethics in managing expenditure of public funds is following maximum degree of secrecy and integrity in performing personal duties, along with dedication of the manager in performing duties as responsible for public funds. Hence, SAI members must be aware of such ethical matters.

4.7 Performance Audit Standards

The following are the types of **general performance standards**:

a. **Economy**

Review of economy is an essential element in performance audit. Economy refers to acquiring resources at the least cost, taking into account the objectives of respective governmental entities.

b. **Efficiency**

Efficiency refers to the relationship between inputs and outputs. And It relates to the best utilization of resources.

c. **Effectiveness**

The extent to which an organization achieves its objectives.

For more information regarding the three E's, refer to Appendix 9.5.

d. **Timeliness**

Time standards could cover a group of the above auditable aspects. In other words, governmental entities will also be evaluated based on the adequate time to be efficient, economic, and effective.

For more information refer to Appendix 9.6

e. **Quality**

Quality standards could cover a group of the above aspects falling under audit. In other words, governmental entities will also be evaluated based on adequate quality in all activities of an in order to be efficient, economic, and effective.

For more information refer to Appendix 9.7

Performance audit unit within SAI could resort to the general government operating model, that should be present in every governmental unit and comprises of the following elements:

- Outcomes,
- Processes,
- Outputs,
- Management,
- Capital,
- Acquired assets, and

- Human resources.

When linking between the elements described above and the general performance measures adopted by SAI, performance audit unit shall categorize human resources, acquired assets, and capital under economic measures, And ensuring that management, operations, and issued information (outputs) are subject to efficiency standards, and that results are subject to effectiveness standards. On the other hand, time and quality standards are related to all elements mentioned above.

Components “outputs” of any governmental operating model is considered one of the most important models. Therefore, performance audit unit will focus on the different results. The following are some examples of the possible outputs that SAI could focus on:

- Citizens Welfare,
- Customer satisfaction,
- Proportion of target population served (or wrong population served),
- Mission or goal achievement,
- Break-even or cost recovery,
- Cost-benefit analysis and extent of benefit given a reasonable cost,
- Financial viability,
- Cost effectiveness.

In all cases, the outcomes of SAI performance audits should be in the form of constructive recommendations that encourage improvements in the conduct of government operations in an entity or a program.

4.8 Measurement Methodology in Performance Audit

The following standards apply to all types of performance audit mentioned in this manual that is related to economy, efficiency, effectiveness, quality, and time of the program.

Cost information and data is also important because it helps the users of the report to understand whether the entity achieved the results at a reasonable cost. Many governmental entities, when issuing a regular performance report, are not capable of linking performance to cost information. Also, when improving the ability of cost calculation, the link will be easy to achieve.

For measuring performance, we need: (1) an acceptable unit of measure, (2) A method or tool to calculate and record the desired measurement units.

The unit of measure is a specific and definite amount for a particular feature (such as hours, kilometers, number of errors) which allows for a numerical assessment of that feature.

Performance Measurement and Reporting

Performance measurement is an integral part of the performance audit process, therefore, SAI members need to know how to prepare and develop the standards to use in audits, and the best ways to prepare and issue reports on audit results.

Audit measures include many potential uses including; responsibility, decision making, management audit, self-audit, continuous development, estimated budget, and resource needs.

SAI members are interested in all these uses, however, their usual goal is know the level of performance that is being achieved and identify areas that require development.

The function of SAI members is choosing the right measures and preparing them correctly and issuing a report on performance results within the scope of audit observations.

Audit Standards Requirements and The Importance of Performance Measurement

One of the generally accepted uses of performance measure is responsibility, that is following up on the quality of work of government officials and managers to achieve operational performance and desired results. Management audit and the decision making process are considered other general uses.

Audit standards require, as a basic rule, that management in the government is responsible for the efficient and economic use of resources to achieve goals.

Such responsibility applies to all resources, whether it was granted to government officials by their employers (according to their positions) or by other government entities.

The standards also stipulate that the officials and employees who manage resources and government programs must explain all their activities and devote their full time and effort to the public.

Performance audit is an important part of the responsibility process, because it includes an independent assessment of the performance of the authority, program, activity, or government job in order to provide the information, and to promote and develop general responsibility, as well as facilitate the decision making process by related entities by supervision on corrective actions to be implemented.

The existence of any government program or entity intended to achieve a certain goal in an economic, efficient, and effective manner, represents one of the tasks of management.

Such a goal is achieved through the completion of several and complex output, therefore, selecting the appropriate outputs is important to achieve the desired results. At the government level, the results of the entity or program are usually selected by the legislative authority (Council of Ministers).

Partial success of managers means producing and delivering the specific outputs in the required quantity and quality when needed. Full success of managers means using these outputs to achieve the results expected by the elected or appointed officials, and the citizens.

Managers are also responsible for compliance with the applicable rules and regulations regarding to what can be done, the amount of expenses, and areas where resources can be utilized.

The measurement process provides management with the means to follow up on performance indicators related to operations and results. Also, measurement is a source of information to inform external parties on management efficiency.

Management functions center around: setting performance goals according to measurable conditions, developing appropriate measures, analyzing performance, evaluating results, taking appropriate action, and distributing measurement meanings and results to management and employees.

The measurement process is one the main tasks of SAI members, along with performance measurement through efforts and achievements which provides the objective bases to do so. Therefore, it is crucial for SAI members to understand the bases of performance measurement.

The importance of performance measurement and reporting has been recognized in various governmental auditing standards as provided as illustrated in the following: “Financial reports must include information to assist the users in assessing the service effort, costs, and achievements by the government entity”.

When preparing the metrics to be used in audits, the function of SAI member is selecting and preparing the metrics

appropriately. The main goal here is to prepare a set of metrics that gives an overview of the efforts, accomplishments, and the financial position of the program and government services.

Generally, through a certain audit execution, SAI members may prepare and develop metrics for certain aspects of program performance, activity, or audited function. That is because the preparation and development of all related aspects could take a lot of time, or be impractical due to lack of data.

4.9 Stages of Performance Audit

The stages of performance audit process is summarized in the following:

1. Stage One: Planning

This stage is divided into two parts:

- **Strategic Planning:** Requires the development and maintenance of information related to the audited entities, that will help identify potential areas/topics for the audit. Potential topics can then be analyzed and ranked to form annual audit strategy documents for each entity.
- **Performance Audit Planning:** Once a topic has been selected for performance audit, the audit processes initiated by setting a plan that includes details of the progress of audit execution . A survey may be undertaken to gather information on the topic and to identify significant issues for audit.

Chapter 5 of this manual provides more information about this stage.

2. Stage Two: Execution

Process of gathering and analyzing data and drawing conclusions.

Chapter 6 of this report provides more information about this stage.

3. Stage Three: Reporting

Process of formulating results, summaries, and recommendations on performance audit, as well as preparing papers to discuss and confirm performance audit results in the closing meeting.

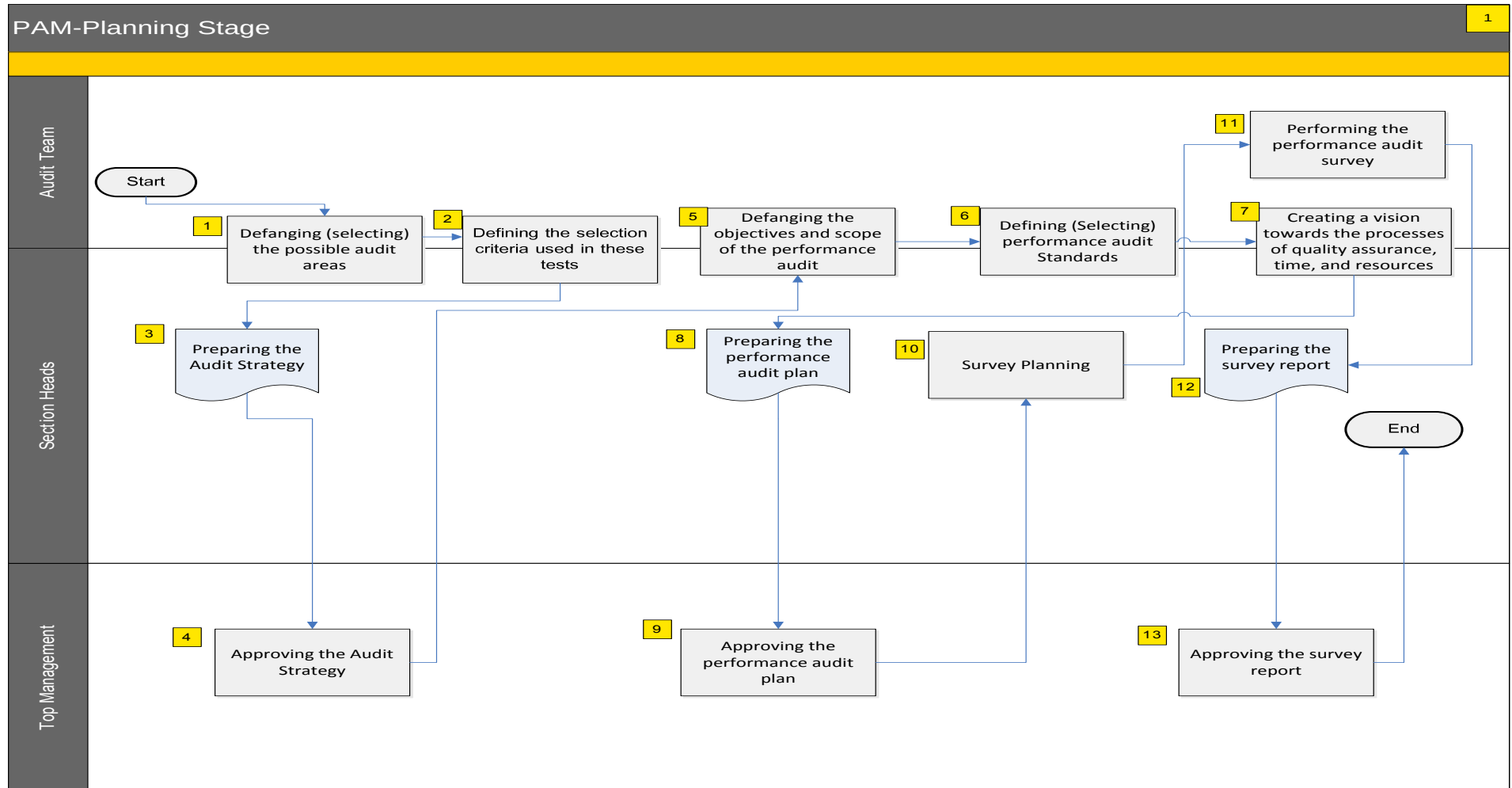
Chapter 7 of this manual provides more information about this stage.

4. Stage Four: Follow-up

Process of identifying and documenting the impacts and results of the performance audit, and the degree of progress of the audited entity in executing SAI recommendations. The follow-up stage is vital as it provides feedback for SAI and legislative and government authorities on the effectiveness of performance audit in improving the performance of the concerned entity.

Chapter 7 of this manual provides more information about this stage.

5. Planning Stage in performance audit



5.1 Introduction

The varied nature of performance audits places particular emphasis on the need for good planning. This helps to determine whether the audit is worthwhile and feasible, sets clear and feasible objectives, define a realistic and effective audit methodology, and locate the resources needed for this task. If the audit is not well planned, then the success of achieving audit objectives will be in risk.

Therefore, SAI needs to determine and schedule audit tasks that help achieve its roles and objectives. Audit topics should be ranked, for example using a risk-based approach to topic selection, in order to make the best use of SAI limited resources. For this purpose SAI may prepare a program model which identifies the programs, projects and activities undertaken by the audited entity, along with other factors such as program objectives, expected outputs, outcomes and performance indicators. The selection of performance audit topics can be based on a combination of relevant risk and materiality factors.

5.2 Strategic Planning

Process of analyzing potential themes and topics, that is the base upon which audit topics and preliminary studies (surveys) are built on. This partial stage can be summarized through the following steps:

- Identifying potential audit areas; Involves selecting audit areas against strategic choices of financial consequences for SAI, because the potential areas could be large while the power and capacity of SAI could be limited for these areas.
- Determining the conditions to be used in the selection process.

Strategic planning can be used as a tool to prioritize and select potential audits to be performed if it is related to SAI's annual planning system. On the other hand, strategic planning can be used as a mechanism for selecting future audit areas as a basis for more detailed planning. It can also be used as a tool for making strategic decisions on the future direction of the audit process.

5.2.1 The Objectives of Strategic Planning

- Providing a solid base for SAI to determine a strategic direction of future audits.
- Identifying and selecting audits that would potentially improve accountability and management in government sector.
- Establish a basis for communication with stakeholders and the Council of Ministers for SAI strategies in audits.
- Set an achievable audit strategy with the expected and available resources.
- Understand the risks of audited entity and take them into consideration when selecting the audit process.

5.2.2 Audit Strategy (Annual Audit Strategy)

One of the basic and important outputs of strategic planning is a document prepared for SAI management to enable them to perform a precise assessment of the proposed planning strategy in order to generally comply with internal SAI objectives, and the existence of such a document will assist management in the appropriate allocation of resources and proper assessment of strategic planning.

The strategic plans have to be supported with working papers that include the following:

- Description of the audited subject or item and its internal or external environment.
- Assessment of the risks facing the good performance of a program or activities of an entity.
- Summary of the strategic vision of audit function performed by SAI, for each individual entity, that is related to the topic or item that will be audited.
- Final SAI audit tasks, and final and proposed inquiries by the Council of Ministers, as well as the assessment of the entity and performance audit tasks.
- List of the potential areas to be audited.

- List of the proposed audit tasks for the upcoming two or three years, and the basis for choosing these tasks. The list should reflect the availability of resources, and also differentiate between the new items to be audited and audit follow-up.

5.2.3 Performance Audit Selection Process

Deciding what to audit is a fundamental issue SAI members in performance audit. Selecting the right audit topic is as important as executing the audits properly. The usual goal in audit selection is to choose subjects and issues for audit that will provide useful results for report users. Because performance auditing is relatively time-consuming and expensive, SAI members usually aim to add value by Using the least amount of resources that would yield the best possible results.

Before starting the selection process, SAI will need to perform a preliminary study to gather high level information about the audit, such as the number of entities to be audited, The nature or volume of services / products provided. Such information can be obtained from records and documents found with SAI, and external parties.

Audits are then selected in a variety of ways. SAI may select subjects and issues for audits through formal planning or using automatic selection.. For example, SAI may identify a subject or issue that justifies an audit, in their opinion, in the course of an current audit. Also, audits may originate from mandates (laws and regulations) and mandatory requests. Meaning that SAI members do not always have the freedom of choosing audit topics or areas.

SAI will select the entities to audit from a group entities within its regulatory scope. The goal is to identify topics and areas that will likely result in the greatest benefit for SAI in terms of authority given in this aspect, as well as cover a certain level of topics to be included in the audit.

In SAI, audit subjects are identified as either topics or items. And the hierarchy of potential topics or issues to be chosen from includes the following:

- The level of specialty or authority (e.g. Ministries, Independent bodies, subsidiaries in the Sultanate of Oman that the government has a stake in...etc.);
- An entity (e.g. Environment Entity, Government Press Entity, Higher Councils...etc.);
- A program or activity within an entity or a group of entities (e.g. e-government initiative...etc.);
- A program or activity component (e.g. automating Civil IDs issuance and renewal...etc.).

The above includes the audit scope to select to select which topic or issue to audit:

- Issues/items are usually the ultimate subject of an audit. This is because audit functions are usually directed at examining risks, problems, concerns, or opportunities, and the audit aspects specified therein.
- Risk is the possibility or probability of suffering harm or loss.
- The issue may be a certain shortcoming in performance, or an issue proposed for a solution or discussion.
- the areas of concern may be a matter related to, benefit or an interest, a debate, or a dispute on the accurate and impartial data that are needed or required to reach to a decision.
- Opportunity is a favorable time or circumstance for improving performance and compliance, among other matters.

All the previous items include one or more aspects in their essence, and there is a difference in the level at which an audit topic or item is determined, depending on the objective of the audit and the specific level of areas covered.

5.2.4 The Steps Used in the Selection Process Using Risk Assessment

The key steps of selecting audit areas include the following steps that depend mainly on proper assessment of risk:

1. Determining the hierarchy of audit parameters/scope (audited entities)

- SAI members will have to determine the level of area to be covered in the audit

- As mentioned earlier, The areas covered by the audit can be either from top hierarchy, which represents the government, to bottom hierarchy, which represents a ministry, or from an independent party, government institution, program, activity, or an element of a specific program or activity.

2. Determining the topic or item to be audited

- It is possible to reach to a list of potential topics or items to audit by assessing through risk assessment of poor performance, in other words, risks of insufficient economic resources, poor efficiency or quality, or bad timing.
- Examples of the topics or items to be audited include the following:
 1. Failure in collecting accounts receivables for water and electricity companies .
 2. Delay from contractors in the completion of work assigned to them.
 3. Consumer complaints about public services.
 4. Delay in e-government projects, and deficit in the allocated budget.
 5. Waste management and disposal.
 6. Quality of services provided for the disabled and the elderly.
 7. Training and development of nationals.
 8. Complaints about health care, and cases of misconduct..etc.

3. Choosing selection and risk factors: below are examples of some of the factors, but not limited to:

- **The estimated impact or outcome of the audit:** An initial assessment of audit results must be done during the strategic planning stage. SAI members must address and analyze the potential impact of the audit, and then categorize the impacts based on specific measures such as; economy, efficiency, and effectiveness of the service.
- **Financial Materiality:** This standard is defined as the extent of mistakes or graphical errors that can be expected to reasonably impact the economic decisions. The greater the impact on financial matters, the greater the possibility to select the topic to audit. The assessment financial materiality can depend on several factors such as: Estimated balance sheet figures, income statements, expenses, expected return on investment, financial position, surplus or shortage in spending, and the value of assets and liabilities.
- **Risks facing the successful management of the concerned entity:** In order to assess the risks that face good performance of the regulated entity, SAI members must evaluate the possibility of a deficit in resources to manage the audited activity. Risks of good successful management may include but not limited to: The ability to cut costs and improve the service, loss risks, theft and manipulation, corruption, management interests, employee turnover, managing operational risks in response to discovered weaknesses, weaknesses and deficiencies in internal control, and the use of variable complex techniques.
- **Significance:** This factor is based on the magnitude of an audit topic and its impacts on the operations of the entity. The significance of an audit topic can increase if the activity is non-routine in nature, then the impact of poor performance is expected to reach its highest levels.
- **Vision:** This factor is similar to significance but is more concerned with the future external impact of the program. It is related to the social, economic and environmental aspects of the activity and the importance of its operations to the government and the public. The ability to view the topics or items to be audited as seen in its national and social importance, such as: public interest, public complaints, known or alleged problems, public welfare, legislative interest, customer satisfaction, environmental risks, population served, adverse comment by the Council of Ministers or the media, a multiplicity of interested parties, controversial social and political debate surrounding the issue;
- **Coverage:** Level of coverage of the last audit, and other internal and external reviews of the topic/issues to be audited, such as: regulatory reports, internal audit reports. As a general rule, a low ranking would occur when there has been a substantial review of the activity within the past two years. A higher ranking would be warranted where a review has been requested by the legislature or the previous review indicated that such a follow-up should occur. The materiality, risk, significance and vision of an activity will also influence the ranking for audit coverage. If an activity has ranked highly on all or most of these elements, it would be expected that the audit coverage would be more frequent than for a lower ranked topic. The frequency of audit coverage would also depend on the SAI strategic plans and on the availability of resources.

4. Selecting weighted averages for the risk factors:

- SAI has the option of assigning a weighted average to each selection factor. The average is an “average multiplier” that affects SAI’s judgment about the relative risk or impact of each factor in adding value. When using weighted averages, the efficiency and effectiveness of the process is heavily dependent upon the weighting decision. For this reason, it is recommended that weighting decision be made by a team with inputs from all members. When selection factors are treated equally, the risk scores or ratings are independent and are added to arrive at the total risk score.
- A weighted average can be assigned to each factor by:
 - Using a numerical scale, say 1 to 5, with five signifying the greatest risk or importance;
 - Assigning a percentage so that the weights for all factors total to 100%.

5. Establish a scale for rating the risk factors:

- The Overall estimated audit impact/ significance is represented in the level of importance of a risk factor in relation to the audit issue/ or topic being audited.
- The Overall estimated audit likelihood is represented in the level of occurrence of a risk factor in relation to the audit issue/ or topic being audited.
- SAI decides what on any type of scale to use in rating each selection factor. However, The same scale should be used for all factors. Scales for rating – measuring and expressing – risk and importance in quantitative terms include the following:
 - Quantitative Scale: Each factor is scored on a numerical scale. Common scales are 1 to 7, 1 to 5 and 1 to 3, with 7, 5, or 3 being the highest risk or most potential for improvement. A 7-point scale allows a wide response range for tough judgments.
 - Qualitative Scale: Each factor is assigned a descriptive scale. Examples are high, medium and low. The descriptive scales can be converted to numerical scales, such as high = 3, moderate = 2, low = 1 in a 3-point scale example.

6. Obtain data on the chosen risk factors:

- The time to obtain the information will correspond with the number of and types of data sources.
- Common sources of information are the budget, strategic plans, performance reports, self-assessment of controls, internal and external reports and studies, newspaper reports, and audit reports.
- Input may be obtained from management officials, citizens, and other stakeholders.
- Input on legislative interest can be obtained by interviews or surveys, or by having someone in the legislature assigning the risk scores.
- A preliminary survey may be undertaken to gather information on the issue/ topic to be audited.
- Other sources could include: management reports and documents, references from SAI members, topics identified during the earlier audits, views of Council of Ministers and related committees and members, suggestions from ministers and departments, media reports, and budgets and forecasts...etc.
- It is desirable to retain information collected in the annual plan as part of the permanent files for the purpose of referring to the information in planning for the following year. Also, it may be needed as a reference to help the SAI member to explain and justify the subjects selected for audit.

7. Rating the auditable topics or issues and calculating the final score:

- wherein this step, SAI members apply judgment in assigning risk scores for each factor to each auditable unit. Using the data collected on each factor, and the collective knowledge of the audit staff, SAI rates the auditable units against the risk factors.
- Once an audit risk assessment has been performed for the issues/ topics to be audited based on the risk factors stated above, then the results are rated from highest to lowest.
- After the rating process, the remaining task is to calculate the final score for each auditable unit.
- The ratings, calculations and analysis are done on a spreadsheet.

The following graph shows how the completed rating process looks like, using a 3-point scale:

Risk Assessment Planning (Rating)									
Auditable Issues/ Topics	Risk Factors								Total Scores
	Risk Factor #1 (Materiality) Weight (30%)		Risk Factor #2 (Risks to Good Mgt.) Weight (25%)		Risk Factor #3 (Visibility) Weight (30%)		Risk Factor #4 (Audit Coverage) Weight (15%)		
	Risk Rating	Risk Score	Risk Rating	Risk Score	Risk Rating	Risk Score	Risk Rating	Risk Score	
	Issue/Topic 1	H	3	L	1	M	2	H	
Issue/Topic 2	M	2	M	2	H	3	H	3	2.45
Issue/Topic 3	M	2	H	3	H	3	H	3	2.70
Issue/Topic 4	L	1	H	3	M	2	L	1	1.80
Issue/Topic 5	H	3	M	2	L	1	L	1	1.85

Calculation Example:

Issue/ Topic 1 Total Score = $3 \times 30\% + 1 \times 25\% + 2 \times 30\% + 3 \times 15\% = 2.20$

8. Select and prioritize audit selections:

- After the assessment is completed, SAI judgment will be required in ranking and then making the final selection. Besides the risk scores, SAI member must consider “do-ability” factors such as the availability of audit resources, projected cost of the audit, “real time” information requirements for customers or decision makers, and other reality consideration (e.g. mandated audits) not captured in the selection process.
- High risk rated issues/topics are audited first, and then, if SAI audit resources are available, then moderate and low rated issues/topics are audited next. In other words, SAI members should start auditing topic / issue number (3), and then topics / issues number 2, 1, 5, 4 when using the above example, if resources are available.

The Use of professional judgment may have an impact on the overall risk assessment. This include, past experience, knowledge of the audited entity and its operations, assessment of reputational risk, existing litigations, environment, and the overall operational risk.

5.3 Performance Audit Planning

5.3.1 Introduction

According to the INTOSAI auditing standards (*AS 3.1.1*), the auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

INTOSAI Auditing Standards identify that the following are the planning steps ordinarily included in an audit:

- Taking into consideration the priorities and **needs of the potential users of the audit report**.
- **Understanding the area to be audited** and the issues/subjects that will be examined.
- **Identifying important results** from previous audits, in addition to other investigations and reports that might affect the goals (purposes) of the audit.
- Taking into consideration the **political objectives, and legal and regulatory environments**.
- **Determine the topics or issues to be examined**, and audit goals (purposes) meaning the expected effects of the audit.
- **Identify the basic accurate questions** that will be answered, or the hypothesis to be tested.
- **Identify regulatory measurements**, which represent the standards that are used to judge on evidence.
- **Identify audit evidence** that will answer the audit question: The assessment of the relevance, reliability, and adequacy of any data available within the regulated entity. And making sure of the possibility of gathering the necessary evidence (data).
- **Identify the possible sources of information** that should be used to prove the hypotheses and to get better information about the subject, or obtain answers to the audit questions; information that can be used as evidence.
- Learn how to insure quality in audits, and **use professional advice when necessary (consultants, other auditors)**. It is important to evaluate the knowledge and skills needed by the audit team to execute the audit.
- **Providing sufficient staff and other resources** to carry out the audit process and prepare a documented plan, and select the suitable auditors for the task.

5.3.2 Performance Audit Objectives and Scope

Audit objectives relate to the reasons for conducting the audit and should be established early in the audit process to assist in identifying the matters to be audited and reported. The audit objectives should address the concerns of accountability and good management, financial control, as well as improving the economy, efficiency and effectiveness of an audit topic (i.e. an entity, program, or an activity within an entity or activity component).

In determining objectives, the audit team must take into account the roles and responsibilities of SAI and the expected impact of the audit as defined in the audit plan. The audit objectives and scope are interrelated and should be considered together.

The scope defines the limits of the audit. It addresses such things as specific questions to be asked, the type of study to be conducted and the nature of the investigation. Also, it includes collecting and analyzing information.

Auditability is an important requirement in the operational planning process. It defines whether a topic is suitable for an audit. As objectives and scope vary from one audit to another, the audit team needs to assess whether an audit can be carried out. A topic must be both auditable and worth auditing in order to be included in the audit scope.

5.3.3 Performance Audit Standards

Audit standards are reasonable and achievable performance standards, through which economy, efficiency, and effectiveness can be assessed. The audit team should be satisfied that suitable criteria have been identified to enable the auditor to assess the activities subject to audit and to achieve the audit objectives.

Some characteristics of suitable standards include:

- **Reliability:** Reliable standards result in consistent conclusions when used by another auditor in the same circumstances.
- **Objectivity:** Objective standards are free from any bias of SAI members or management.
- **Usefulness:** Useful standards result in findings and conclusions that meet users' information needs.
- **Understandability:** Clear and understandable standards that are clearly stated and are not subject to significantly different interpretations.
- **Comparability:** Comparable standards are consistent with those used in performance audits of other similar agencies or activities and with those used in previous performance audits within the entity.
- **Completeness:** Completeness refers to the development of all significant and suitable standards that are appropriate for assessing performance in certain circumstances.
- **Acceptability:** Acceptable standards are those to which the audited entity, legislature, media and general public are generally agree on. The higher the degree of acceptance of the criteria, the more effective the performance audit.

SAI members will need to select audit standards that are suitable with the nature of the audited activity. These may include quantitative and/or qualitative measures.

Audit standards can, for instance, be obtained from the following sources;

- Strategic plans of the government and entities;
- laws and regulations governing the operation of the audited entity;
- decisions made by the legislative or the executive parties;
- comparisons with historical practices or with the best practice;
- professional standards, experiences, and values;
- key performance indicators set by the auditee or the government
- independent expert advice and experience;
- new or established scientific knowledge and other reliable information,
- Standards used previously in similar audits or by other SAIs;
- entities (inside or outside the country) carrying out similar activities or having similar programs;
- performance standards or previous inquiries by the legislature; and
- Publications related to public administration or to the topic.

These sources represent the basis for the standards that suitable with the audit function, but may require interpretation and modification to ensure their relevance to the auditable entity.

5.3.4 Assurance of Quality, Time, and Resources

The final step in the planning process of performance audits is identifying the actions to be taken in the audit process to ensure quality, time through time frame, and resources through financial plan.

5.3.4.1 Quality Assurance

SAI should set policies and procedures to ensure quality. Procedures related to quality assurance, to ensure that all audit processes comply with the appropriate standards and regulations, can be found through but not limited to the following:

- Peer review
- The use of special committees and experts in the concerned audit area.
- The use of techniques such as analyzing issues and subsequent arrangements, for example; independent review of the published reports in order to identify lessons learned and how the reports added value to major stakeholders.

5.3.4.2 Management Planning

The team and team leader should be selected and an activity plan should be set. It is important to set deadlines and required resources. The following are factors that should be taken into consideration:

- Organization of the audit process
- Expected cost
- Expected date of completion

The time frame, financial plan, and progress follow-up should be also documented.

5.3.4.3 Complying with Rules and Regulations

When the rules and regulations of the audited entity are important to the audit objectives, auditors should plan the audit in a way that insures a reasonable compliance with these requirements. Also, the auditor should be perceptive to situations or cases that might indicate unlawful acts or misuses, and might need to determine the impact of these acts on the performance audit. It might be necessary to refer to specialist advice in some complicated situations.

5.3.5 Key Elements of the Plan

Sufficient planning for performance audits helps ensure an appropriate attention to important audit areas, identify potential problems, and complete work in a timely manner.

Planning also helps in delegating work to auditors in the right way, and coordinate the work done by other auditors and experts. Planning should result in a detailed audit program that specifies all the tasks to be done by the team.

The plan should include the following key elements:

- **Audit Program:** Reflects the detailed steps to be followed by the SAI member to perform testing through which audit evidence will be collected for the purpose of reaching to the result.
- **Testing Methodologies:** That will decide on the type of tests to be used by the SAI member for each audit program such as remarks, review of documents and questionnaires, analytical audit procedures, and recalculations.
- **Auditors Schedule:** which specifies audit duration, review, in addition to the distribution of ample resources for the audit.
- **Technical Resources:** Consists of the special technical resources to conduct the audit (Hardware and Software).
- **Knowledge Sources and Resources:** It consists of the experience and knowledge necessary to give and opinion based on high quality standards (The use of specialists or academic references and internet resources...etc).
- **Approximate Cost of Audit:** which consists of the total approximate cost of the audit in Omani Riyal (Such as the cost of technical know-how and the number of work hours of SAI members).

It is necessary to conduct continuous discussions amongst SAI members and employees of the audited entity in order to reach an agreement on deductions and recommendations that will be mentioned in the report. It is necessary to communicate with the employees of the audited entity through the whole audit process to advise them on the progress of the audit.

5.4 Survey Planning

First thing to consider when conducting a survey is to make sure that it will lead to correct, adequate, correct, coordinated and objective information related to the subject that can contribute to the required proof for any performance audit.

In order to conduct a survey, SAI member has to answer three important questions:

- The information that is required from the survey
- Can the survey provide the required information at a reasonable cost.
- Will the general data of the surveyed population support the purpose of the survey.

In order to ascertain whether the survey could advance the audit for a certain subject, the SAI member must make sure that the information would be available from resources that could be surveyed. In case these resources are unavailable, the survey is considered inappropriate.

SAI members should not conduct a survey if it is too expensive or time consuming that exceeds the available resources. It is necessary to train the interviewer conducting the survey on how to accurately enter and classify the data in order to make sure there is no miscommunication with the interviewed population and in order to not misrepresent the interview's results whether intentionally or unintentionally.

The survey should not be conducted if SAI members are not qualified or suitably trained to conduct such surveys on behalf of SAI. The required experience and qualification to conduct the survey are as follows:

- The ability to understand statistics and choose survey population samples.
- Design of the survey tools to collect data.
- The management of data and the analytical statistics.
- Management of the survey process, including the training of interviewers, logistical services, and handling of non-response cases.
- Communicate survey results.

It is important to take into consideration in deciding the survey methodology to look into the importance of collecting specific or generalized data on the total population undergoing the performance audit survey within SAI. If the audit statement is not quantum in nature and was not meant to be descriptive of the general population, then the process of probability sampling may not be necessary.

When deciding on the tools and procedure of the survey, it is important to know when to proceed or stop the survey at an early stage. Since the analytical methodology chosen will affect the size of the sample and the tools used for data collection, therefore, it is important to ask the important question of whether continuing the survey could lead to the setting up of a correct database for the audit remarks.

It is specifically important to conduct two tests (preliminary test and trial test) on the tools and procedures of the survey's data collection in order to make sure that it will provide correct, reliable, and valid data.

SAI members working on the survey plan, must record in their working papers the required information that will support the credibility of the collected data, its accuracy, and validity.

The survey plan is brief document that includes the following:

- A Description and illustration of the programs/scope/issue, that are required to be audited in addition to the goals of each stage of the survey.
- Area of interest or focus of the audited entity.
- The specific time frame for the audit stages.
- The highlight of the initial hours and travel expenses assigned for each audit sub process and for the complete audit process.
- Specialists should be consulted in the planning process if required.

It is important to consider the following when selecting the types of data collection tools:

- The reputation and knowledge of the person preparing the tools.
- To verify whether the tool is used widely in surveys.
- To verify the credibility and validity of the used methodologies.
- Whether the validity of the conducted test is related to the goals and purposes of the audit process.
- Whether the test has been tested on similar populations.
- The independent specialists opinion.

5.5 Conducting a Performance Audit Survey

The survey study is considered to be a preliminary planning procedure where SAI members manage or conduct a series of questionnaires or interviews to collect data from the surveyed entity related to the audit, in order to

prepare data related to the subject to facilitate the audit process methodology at a later field work.

The survey's objective aims at acquiring ample knowledge about the subject to ensure the possibility of conducting the audit according to performance audit regulations, and also to prepare a test plan that will form the basis to accomplish the audit process with an organized, efficient, and effective cost.

The survey is considered as a general evaluation of the audited operations and not a detailed investigation. SAI members collect the information to control the initial decisions related to scope, cost, timing, and skills, and also to suggest goals of the audit process and the scope that requires detailed review and testing methodology. After making the decisions, SAI members prepare a risk mitigation task to reduce wrong remarks and analysis and inappropriate recommendations in order to comply with work quality standards.

5.5.1 Procedures of Collecting Data and Information:

- Conduct interviews with management.
- Review of authorizations, policies, directives, and documents of the Council of Ministers and other entities.
- Review of the entity's performance report, plans and priorities report, and sustainable development strategies.
- Review of entity's website.
- Review of the management reports.
- Review of compliance.
- Review of properties and utilities.
- Review of basic regulation and control procedures.
- Analysis of the results of utilization of resources.
- Study of related environmental issues including discussions with environmental specialists if required.
- Evaluation of the risks facing the entity including internal and control risks.
- Consult specialists and external parties to specify the best practice and improvement opportunities.
- Audit tasks and previous studies and audits.
- Technology adoption survey.
- Review of expenditure.

The size and extent of the required survey defers from one survey to the other depending on the team's knowledge in auditing. However, the survey has to provide the SAI member the ability to plan the general outline of the audit process. If the SAI does not have ample knowledge in the audit process or the possible audit question, a wider survey need to be conducted. On the other hand, if the SAI has ample knowledge in the audit and possible audit questions, the survey scope would be much smaller. It is preferable to use fewer experienced SAI members when conducting a survey. Detailed audit tests are not required at this stage, only a concentration on the availability of information and viability of methodologies are require.

Data groups based on the survey information could be qualitative or quantitative.

The performance audit survey is used to inquire about realistic situations and cases from individuals and their views, and their actual behavior that is not based on hypothetical cases.

Surveys could be used when there is no intention to give a full statement.

The head of performance audit unit is responsible to ensure that his audit team has the necessary technical knowledge to conduct surveys. SAI has to conduct preliminary and trial tests on all the tools and procedures on data collection before conducting the survey. All errors in these tests has to be rectified before conducting a full survey.

It necessary to use probability samples when the SAI member wants to report quantum statements on a wider survey population based on the sample results.

Since all the survey document are considered to be part of the working papers of the performance audit process, strict quality audit procedures and reviews are applicable on the working papers.

The head of testing team has to make sure that all the data gathering tools, procedures, and samples are objective. Subjectivity, intentional or unintentional, could have negative results on the correctness of the surveys information objectivity that the SAI seeks.

The performance audit unit within SAI gives special attention to the necessity of the verification of survey results including the questionnaires answers and private interviews related to the audit and the representations and declarations of management.

The head of the testing unit is responsible to ensure that the survey includes sufficient information that is precise, coordinated, and objective that contributes to the presentation of the necessary evidence and instruction specifying goals (purpose) of the audit task, its scope, and methodology.

Rating scales and classifications (such as 1 to 5) to compare individual or group answers could be necessary to examine the credibility and validity. The SAI for example has to take into consideration the various technical options such as the levels on the chosen scale, and whether the SAI would use a maiden level, classification measure, and explain each level for each classification.

The head of testing unit must ensure the requirements of reducing the burden of the answers and to give full consent, including the following:

- Collection of information that identifies individuals upon necessity only, and take procedures to ensure maximum privacy without having to offer an undertaking to that purpose. **Refer to appendix 9.2 for more details privacy and identity non-disclosure.**
- The survey participants should be informed on the following:
 - The goal of the study
 - The scope of information usage.
 - Privacy of participants and their replies.
 - Contact details of participants for any enquiries or complaints.
 - Survey results.

SAI should specify the main advantages of surveys that allow SAI members to prepare comprehensive data on a subject related to the audit goals.

Since surveys cannot provide detailed and wide information that are provided through case studies and interviews, then the use of survey to generalize a wider population requires a careful planning and specification of the information that needs to be collected. That could be accomplished through the availability of ample information in the preparation of sample question that could be distributed in a modular way. Therefore, the most suitable surveys are the ones conducted when the issues with potential dangers have been carefully studied to ensure that the survey is more accurate.

Therefore, the surveys are highly viable and efficient when:

- The situation recurs in the surveyed population.
- Identify the target audience clearly and the individuals that will be used as a sample.
- High risk probable cases are studied accurately.
- Individual replies do not have to be verified independently.
- Sufficient time is given to plan, conduct and analyze the survey.

Other approaches, such as audit interviews, case studies, and document reviews are often considered suitable when

- Risk can be explained by the identification of deficiencies in a few important cases;
- the subject is not well understood;
- identifying matters of potential risk;
- independent corroboration of each individual's response is required;
- time frame for the audit is extremely short.

There should be a review of the data, since it is necessary to audit and examine each data collection form separately in order to identify data that is contradictory, incomplete, or illegible. And there should be a communication with respondents or interviewers or the original sources of data to amend any contradictory or incomplete data when possible.

For more information on accuracy of survey data, kindly refer to appendix 9.3.

5.6 The Survey Report

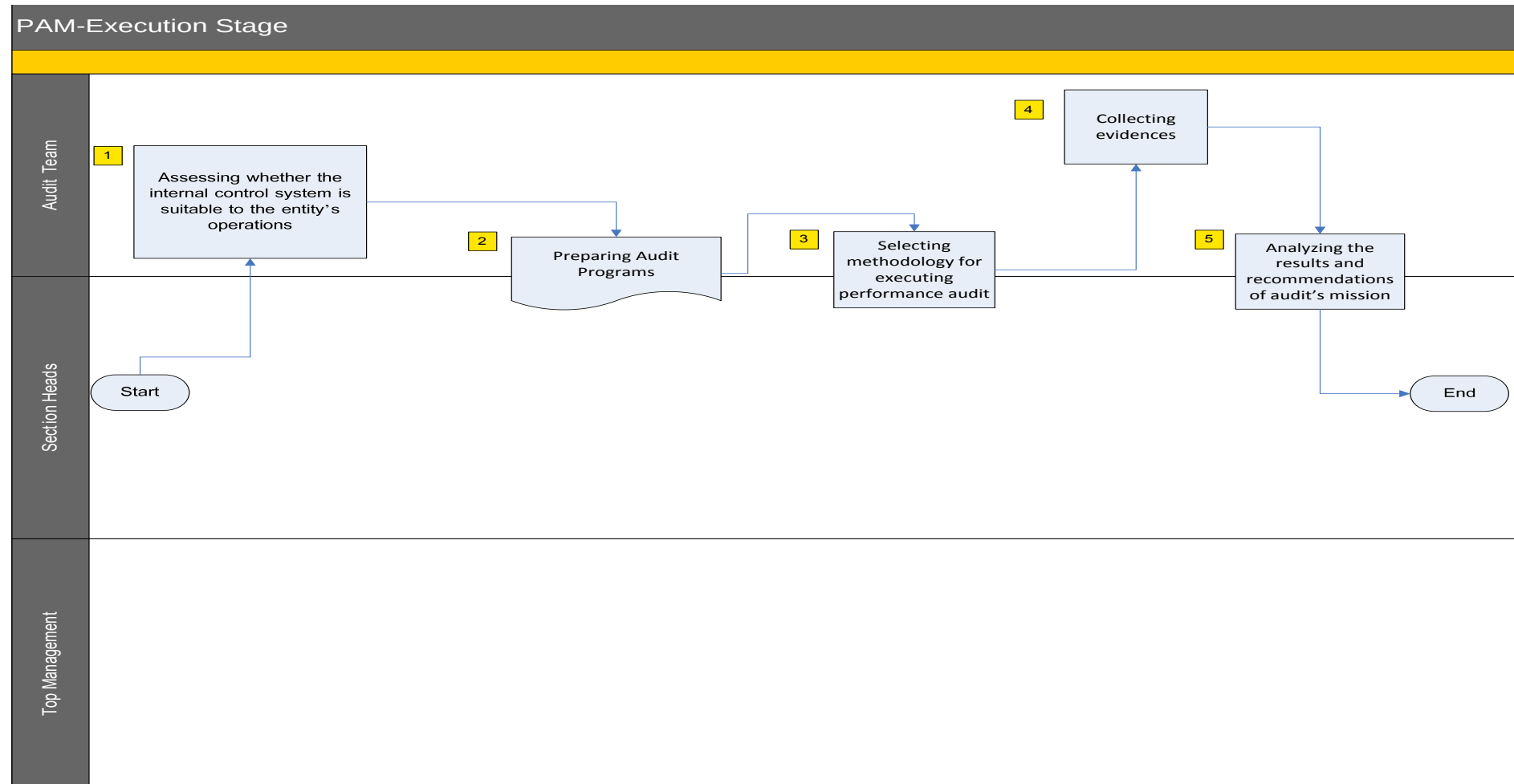
The results of the survey are documented in a survey report. The report includes footnote references to the relevant analysis and documentation supporting the report that are maintained in the permanent files or working papers, as appropriate. The survey report should include at minimum:

- preliminary audit objectives;
- overview and background of the entity or function under audit;
- environmental issues considered and the reasons for their inclusion or exclusion in the proposed audit scope;
- indication clarification of how the audit links to SAI priorities/focus areas and to the risks identified in the strategic planning;
- survey findings for the matters of potential significance;
- proposed audit scope and a general description of the proposed audit approach;
- draft of the initial audit standards and their sources;
- timing of the audit; and
- Reporting strategy.

If a performance audit is recommended, the survey report should identify the major issues to be discussed, the audit objectives, scope and focus. It estimates the potential impacts and develops a timetable and resource budget to produce a justifiable and timely report of audit tasks.

If a performance audit is not recommended, the survey report should summarize the study conclusions. To finalize the survey fieldwork, an exit meeting should be held with the entity's management.

6. Execution Stage in Performance Audit



6.1 Introduction

This section illustrates the practices and procedures followed by the performance audit team during the execution phase of the performance audit.

The purpose of the execution phase is to gather sufficient, relevant and competent audit evidence to support the SAI member's findings and conclusion.

During the performance audit execution phase, audit procedures are carried out to validate the audit approach, develop audit programs, examine and execute audit procedures to collect and analyze data, evaluate facts against pre-determined standards, draft audit findings, and prepare and issue the reports.

The execution of audit procedures takes place on the basis of an audit plan already developed during the planning phase, and that should be followed, in terms of the work to be performed, resources, timeframes and quality. In case of any difficulties encountered during the execution phase, the SAI member amends the audit plan.

The communication with the audited entity is a continuous process. The audit team will be required to be in communication with the audited entity throughout the performance audit stages. The discussion with the entity begins with the communication of the subject of the performance audit included in the audit strategic plan and encourage any suggestions for subjects that the audited entity may like SAI to audit.

Through the performance audit process, there will be a test of whether the internal controls are suitable for managing the operations of the audited entity, therefore, performance audit is considered an extension of the traditional financial and regulatory audits that are executed by other sectors within SAI.

The auditor should take into consideration the following when executing performance audits:

- Achieving the goals and objectives of the audited entity in an efficient, effective, and economic manner by preparing and setting the appropriate plans, policies, and procedures.
- The management of the concerned entity is responsible for the control on the processes and procedures related to planning, organizing, directing, controlling of the entity's operations, and maintaining these procedures.
- Making sure that the resources of the audited entity are acquired in accordance to rules and regulations and other requirements such as budgeting laws.
- Making sure that the resources of the audited entity are protected from any unauthorized purchase, use, or sale.
- Making sure that the information and reports, that are produced and publicly distributed by the management of the audited entity, are appropriate, complete, and accurate to support performance and decision making.
- Making sure that the security measures used in the information systems of the audited entity, will prevent or detect any unauthorized access in a timely manner.
- Making sure that the emergency plan related to the information systems of the audited entity provides important support to prevent any disruption of activities and functions backed by the system.
- The tasks, goals, and purposes are being achieved efficiently and effectively.
- The use of resources is in accordance with rules and regulations and other requirements.

6.2 Development of audit programs

The first step during the implementation stage is the development of a testing program. When developing the program, it is important that the focus is retained throughout this stage on the activity related risks. Also, activity testing program should be related to the specified risks to ensure the achievement of audit goals by assessing related activities.

It is important when developing a testing program to specify standards to base the measure on, and the audit unit should verify that these standards:

- Relate to the audit objectives; that is, enable relevant evidence to be collected on issues which will maximize the benefit of the audit;
- Are clearly stated and include sufficient details to be readily understood by those carrying out the audit;

- Are organized in a logical manner so that the audit implementation can be conducted as efficiently as possible;
- Form an efficient method of gathering sufficient evidence; and
- Take into consideration of any earlier related audit work and/or published research performed on the audited topic.

Procedures for developing testing programs:

Performance testing programs have to be developed according to the requirements of each audit. Some of the factors to be considered when developing the programs include:

- **Size:** audit programs generally increase in size and complexity with increases in the scope of the audit and size of the programs to be audited;
- **Geographic dispersion:** the dispersion and location of sites to be visited can greatly affect the audit program;
- The **level** of professionalism of SAI members who are performing the audit.
- **Audit environment;** and
- The **components** of the program/activity or the system to be audited, e.g. its inputs, processing activities, outputs and outcomes.

6.3 The Methodology for Executing Performance Audit

The methodology in performance audit is a method used to analyze the data for reaching audit conclusions. There is no uniform audit methodology that could be applied to all types of performance audit subject. Following are some of the methodologies that can be used:

1. Use of existing data

It is important for SAI members to investigate the data held by management of the audited entity or by other related sources, including the management information systems used to manage programs and activities of the audited entity and/or the data collected on individual programs.

2. Analysis of results

Analysis of results, through testing a group of activities within the audited entity will help determine whether the performance of the entity in that area conforms with the audit standards, and is generally satisfactory.

3. Case studies

The case study is a method for learning about a complex issue, based on a comprehensive understanding of the particular event. case studies involve an extensive description and analysis of the particular issue within the context of the area under review.

4. Surveys

One of the ways of getting deep knowledge of the activities of the audited entity is conducting a survey, it serves as a way of gathering information from individuals of the surveyed population (such as employees of the audited entity, suppliers, clients) in order to assess the impact, distributions, and correlation of incidents and conditions.

5. Quantitative analysis

Whenever possible, the entire population should be analyzed. Where this is not feasible, due to cost and time constraints, sampling techniques should be used. Also, The nature of the population should be examined to decide the most appropriate sampling methodology. When using either a statistical or a non-statistical sampling approach, the SAI member should select an appropriate sample, perform audit procedures on the sample and evaluate sample results to provide sufficient audit evidence.

When selecting an audit sample, the SAI member should consider the specific audit objectives and the attributes of the population from which the auditor wishes to draw the sample. In determining the sample size, the auditor should consider whether sampling risk will be reduced to an acceptably low level. The auditor should select sample items so as to have a reasonable expectation that all sampling units in the population have an equal chances of selection.

To each item selected the SAI member should apply audit procedures appropriate to the particular audit objective,

and should consider conditions that constitute an anomaly or error by referring to the audit objectives. Also, the SAI member should consider the nature and cause of any errors identified and their possible effect on the particular audit objective and on other areas of the audit.

Errors found in the sample should be projected on the entire population, thus, the SAI member should consider the effect of the projected error on the particular audit objective and on other areas of the audit.

6. Analysis of Results

Analysis of results through examining some of the entity's activities in a certain area will be helpful in determining whether the entity's performance in this specific area is satisfactory in general and in compliance with the international standards.

6.4 Sampling and Reliability Considerations

The performance audit unit in the SAI should be able to decide on the sampling size of population being tested. This is directly related to the extent to which a sample qualitatively and relatively represents the general population from which it is drawn. The greatest level of assurance as to the representation of a tested population is to conduct a count of the entire population (census). In many audits, lower, but reasonable, assurance can be obtained by selecting a subset of the population and surveying that subset.

A census is appropriate when the individual events that make up a population are important in themselves, or when the information is of a critical nature and the population is small enough to make a census feasible. A census is also appropriate when statistical requirements dictate a sample almost as large as the population.

Sampling can be more efficient and less costly than a census when the population is very large. However, when the SAI member intends to generalize the entire population, rather testing a sample, the sampling process could lead to the inaccuracy of observations and results despite the accuracy of selecting the sample and execution of the test.

Accordingly, the SAI member should estimate the confidence level on whether the results of the sample represent a reasonable estimate of results, which could be obtained through a census of the entire population.

Sampling methodologies are generally divided into two types: probability sampling (also known as random or statistical sampling) and non-probability sampling (also known as non-random, judgmental or purposive sampling).

Probability sampling involves selecting individuals using accepted nonbiased procedures, thereby helping to ensure that the sample represents and conforms with the larger group (population) from which it is drawn. When using procedures that ensure randomness, the auditor can estimate statistically the amount of error and the likelihood that error is greater than acceptable limits. Probability sampling must be used whenever the SAI member intends to make a quantitative statement about a larger population based on the results of the sample.

In order to use probability sampling, the SAI member must be able to do the following:

- Clearly define the population that could provide the information required to clearly achieve audit objectives;
- Identify members of the population for the purposes of sampling;
- Have access to all individual members of the sample; and
- Ascertain the appropriate sample size.

The SAI member must decide whether the population represented by an available sample frame is sufficient for meeting audit objectives.

Probability sampling can be a highly technical area requiring the use of staff or external specialists with appropriate training and expertise. Sampling techniques vary considerably in the expertise required to design the sample and to estimate sampling error. **Reference to specialist advice is followed as per the standards stated in section 9.4 of this manual.**

Care must be taken in the development of information collection procedures (e.g. questionnaires or structured interviews) to ensure that the data collected are valid and reliable and will not give a distorted representation of the population being surveyed.

Non-probability sampling may be appropriate when the sample chosen for audit purposes can be identified and the SAI member does not intend to reach conclusions about cases or events other than those in the sample. It may also be appropriate when general statements are qualitative rather than quantitative in nature.

This approach of sampling may be appropriate when:

- the SAI member can identify a number of individual cases that are material.;
- the identification of any deviations of any element within the standards is found to be significant.
- the SAI member is interested in the range of practices or deficiencies, and is not interested in counting them.

The amount of error and the likelihood that error exceeds acceptable limits cannot be estimated as readily for non-probability as for probability sampling.

Non-probability sampling is not an abandonment of systematic approaches in selecting individual cases. It requires careful assessment and sufficient knowledge of the required information of the population for identifying those instances capable of providing the breadth and quality of information required to address audit objectives.

Random (indiscriminate) sampling procedures, such as depending on availability of tested population members, regardless if they were typical/ideal or available, does not constitute neither random sampling nor adequate non-probability sampling procedures. Haphazard approaches are not likely to result in appropriate evidence because a high degree of bias is likely. In addition, the SAI member will not know what population these samples represent, and cannot be assured that the sampled individuals will represent a population pertinent to meeting audit objectives. As such, indiscriminate sampling procedures are not recommended in SAI.

6.5 Audit Evidence in performance audit

6.5.1 Definition of Performance Audit Evidence

Audit evidence is information collected and used to support audit findings. The conclusions and recommendations in the audit report stand or fall on the basis of such evidence. Consequently, SAI members must give careful thought to the nature and amount of evidence they collect. All fieldwork should be planned from the perspective of acquiring evidence intended to support the findings appearing in the final report.

As per INTOSAI auditing standards: “Competent, relevant and reasonable evidence should be obtained to support the auditor’s judgment and conclusions regarding the organization, program, activity or function under audit”.

6.5.2 Types of Performance Audit Evidence

The audit references describe and classify audit evidence in a variety of ways. However, the following are the main types of evidence that must be identified by SAI:

- **Physical:** it is usually sourced from direct physical observation; it is considered as factual and conclusive in nature; it is the strongest form of evidence in all types of audits.
- **Documentary:** it is usually sourced from the audited entity as well as third parties; it emits a view or a conclusion on an issue that should always be verified; it is considered as being circumstantial in nature, yet it is generally a reliable form of evidence.
- **Testimonial (oral):** it is usually sourced from third party specialist (expert opinion); reliance on such evidence is directly tied with the competence of the specialist.
- **Analytical:** it is usually sourced from the judgment of the SAI member and his ability to analyze indirect subjective facts and relate them to a particular audit objective to form an audit conclusion as a result.

The following are the main underlying concepts of **Physical Evidence**:

- SAI performance auditors obtain physical evidence through personal direct observation of the activities of people, events, and assets’ natural phenomenon.
- Naturally, physical evidence is all around SAI members. It represents anything that can be seen, heard, smelled, tasted, and felt.
- Properly obtained and documented, physical evidence can be one of the most reliable forms of evidence.
- Gathering physical evidence is performed through:
 - Observation – by direct inspection or observation of activities of people, property, events, and tangible things that exist around SAI members;
 - Human senses – by listening, feeling, smelling, and tasting.
 - Collecting samples – and having those samples analyzed;

- Using measurement devices – such as gauges and meters, to record physical phenomenon, such as temperature, sound levels, mileage, wind velocity, and the existence and strength of poison gases, radiation, and water and air pollutants.

Documenting physical evidence is performed through:

- Written descriptions
- Working paper listings or test schedules
- Flowcharting and process mapping
- Pictures, drawings, or video recordings
- Laboratory analyses and other measurement devices

The following are the main underlying concepts of **Documentary Evidence**:

- Documentary evidence consists of data that is gathered and prepared by someone other than the SAI member. This is mostly represented in documentation of an audited governmental entity as well as documentation produced by third parties.
- It could exist in paper, electronic, and film forms.
- Common sources of such type of evidence are laws, regulations, policy manuals, directories, letters, contracts, purchase orders, invoices, receiving reports, payments, applications, accounting records, case files, and management information systems.
- It is the most common form of evidence used in audit work. Documentary evidence is distinct from physical evidence in that it exists in written and graphic forms, yet it does not count as evidence on its own without adequate verification tests to be performed by SAI performance auditors.
- Gathering and documenting documentary evidence is directly tied with the type of media; it can be documented through the following:
 - In paper and film media, the options are to visually review the material directly or with a film reader, and make a record for the working papers by reproducing the document by photocopying, extracting needed data in pencil, and entering the data to a computer.
 - When extracted into a computer, this is usually done by using a pro-forma schedule, a computer spreadsheet, a computer database program, among other Computer Assisted Auditing Techniques (CAATs).
 - In electronic media, the options are to have the entity provide the data in paper or electronic media, or access the data with a computer and review it online, print it on paper, or extract it and keep the data in the electronic media used by the auditor for further testing.

The following are the main underlying concepts of Supporting **Testimonial Evidence**:

- SAI members obtain testimonial evidence from others through written or oral statements received in response to inquiries and surveys.
- A main disadvantage with testimonial evidence is that the human source of data may be dishonest, ill-informed, partially informed, biased, forgetful, or simply wrong
- Despite its necessity and value, testimonial statements are generally the least reliable form of factual evidence.
- Given its nature, SAI members should take steps to ensure the accuracy of testimonial evidence they use whenever possible.
- SAI members should only use information that they know is correct, or give a qualified statement in the audit report referring to the uncertainty of supporting evidence.
- Gathering testimonial evidence is performed through:
 - Face-to-face interviews
 - Telephone interviews
 - Questionnaires
 - Written statements such as representation letters
- Documenting testimonial evidence is performed through:
 - Handwritten notes
 - Tape recording
 - Videotape recording

The following are the main underlying concepts of **Analytical Evidence**:

- Analytical evidence is attained from the analysis and logical reasoning of SAI members using data obtained during fieldwork. It includes, for example, calculations, comparisons, re-performance (recalculation), reasoning, and separation of data into components subject to further analysis.
- Computations, for example, include regression and correlation analysis, cost benefit and cost effectiveness, analysis, unit cost calculations, productivity indices, and all types of performance measures and ratios.
- Re-performance by the SAI member produces a model of analytical evidence. It may, for example involve repeating the mathematical calculations and getting the same answer as the audited entity. Re-performance is useful in verifying data competence.
- Comparison is the best form of analytical evidence. Comparison is a source of knowledge, and auditing can be thought of as the practice of comparison.
- Rational discussion comes from application of logic to other types of evidence. Ideas often come from facts and seem true to the SAI member.
- Reasoning is a frequent form of evidence used by SAI members in developing conclusions.
- Analytical evidence is a versatile and strong form of evidence. Its persuasiveness largely depends on the audit methodology, the competence of the analysis, and the trust that readers place in the auditor. Also, It does have the potential for auditor bias.
- Expert (specialist advice) opinion is testimony on the facts by a person recognized as having special knowledge by way of education and/or experience. SAI members may treat expert opinion as valid under certain conditions:
 - The subject on which the opinion is expressed must be related to some science, profession, business, or occupation that is beyond the understanding of the average layman or the average SAI member.
 - The expert must have such skill, knowledge, or experience in that field that his or her opinion can be, and will be, accepted as valid by the SAI member and users of the report.
 - The expert must be free from known or potential bias. The expert must not be an advocate for, or have any vested interest in, the specific issue addressed by the audit.
- Circumstantial evidence is a fact, or group of facts, that is used to infer the existence of some primary fact that is significant to the issue under audit.
- It does not directly prove the existence of the primary fact, but merely gives rise to a logical inference that it exists.
- In general, SAI members must be wary of circumstantial evidence as it could lead to potential bias or error.
- The main underlying standard in SAI states that an audit report should include only information, findings, and conclusions that are supported by sufficient, relevant, and competent evidence in the working papers of SAI members.

6.5.3 Contents of Performance Audit Evidence Tests

To provide a sound basis for audit findings and recommendations, evidence must meet certain tests in terms of the level of sufficiency, competence, and relevance. Benefit and feasibility in SAI is tied to the relevant tests therefore, it cannot be considered as independent test for evidence.

In evaluating audit evidence, SAI members must support their findings and conclusions with convincing evidence. However, unlike scientific evidence, the SAI member deals with reasonable knowledge, and complete and persuasive evidence.

However, this adherence to the tests of evidence is what distinguishes SAI members from others in the information business who are not obligated to such a rigorous standard.

In evaluating **relevance**, evidence used to support a finding is relevant if it has a logical, sensible relationship to the finding and is eventually beneficial for reaching a decisive audit conclusion directly related to the audit objective. Evidence that does not have this relationship is irrelevant and not beneficial and therefore should not be included as evidence.

Moreover, evidence is also relevant if it has a logical and reasonable relationship to:

- The overall audit objective;
- The audit subject;
- The aspect or aspects of performance being examined;
- The finding element to which the evidence pertains;
- The time period of the issue being audited.

Evidence must be timely to meet one test of relevance. Timeliness refers to the date or age of the evidence. It is another way of saying the evidence must be related to the time period of the issues or events being examined. Because conditions often change with passage of time, auditors should generally be concerned with current conditions and obtain the most up-to-date evidence.

In evaluating **competence**, this measure is directly related to the quality of evidence. Thus, evidence is competent to the extent that it is consistent with the facts. Furthermore, competence is that which provides for accurate, complete, sound and credible evidence. However, competence is only a relative measure; therefore,, any error within evidential data would not be of a magnitude that would cause a reasonable person, who is aware of the errors, to doubt a finding or conclusion based on the data.

In general terms, competence of evidence depends in largely on:

- The type of data,
- The person who gathered and prepared and the data
- How the data were gathered and prepared.

In evaluating **competence of physical evidence**, SAI members should be aware of the following:

- Physical evidence should be collected with a specified methodology and should be representative (not based on independent events);
- Physical evidence should be stored according to clear and known procedures;
- Physical evidence should not lack a test of inventory;
- Physical evidence should be adequately witnessed (i.e. more than one observer);
- Physical evidence should be collected by a qualified observer;
- Physical evidence should be available for audit at the time of audits.

In evaluating **competence of documentary evidence**, SAI members obtain documentary evidence from two sources: the audited entity and third parties. Data gathered by the audited entity is a primary source of audit evidence.

Auditors may determine the validity and credibility of such data by:

- Directly testing the data;
- Using analytical and other corroborating techniques;
- Determining the effectiveness of the entity's controls over credibility of the data.
- In particular, SAI members should be aware of the following in the evaluation of documentary evidence competence. Documentary evidence **should not be**:
 - taken out of context (pulled out from other documents);
 - from a newspaper or magazine article;
 - other auditors' work (i.e., rely on their work without testing);
 - from a secondary, not a primary source;
 - outdated;
 - unofficial;
 - refutable;
 - controversial;
 - incomplete;
 - unclear; or
 - inconsistent.

Evaluating **competence of third-party data** can present some challenges to SAI members. Methods that SAI member could use include:

- Inquire into their professional reputation, qualifications, and independence. This might be done for studies done by researchers and professional organizations, and program evaluators.
- In some cases, third-party data may already have been audited; or the SAI members may be able to audit it themselves.
- In other cases, however, it will not be practical to obtain evidence of the data's validity and credibility.
- In some cases the only way to determine the credibility of information obtained from third parties is to ask users and perhaps assess the reliability of input data.

In evaluating **competence of computer data**, SAI members should ensure that data they use from computer-based systems are reliable when those data are a significant part of the evidence supporting the audit findings.

In evaluating **competence of testimonial evidence**, SAI members will be dependent on the credibility of the person interviewed and the skill of the SAI member in asking questions, recording the responses, and interpreting the results.

SAI members should be aware of the following in the evaluation of testimonial evidence competence. Testimonial evidence should not be:

- Taken out of context;
- From a source whose knowledge about the topic is in doubt;
- From a source whose credibility is questionable;
- From a source who is not impartial by being biased or having a vested interest;
- From individual sources, i.e. if SAI members rely only on statements by one person – one worker in a group of workers;
- Not corroborated;
- Inconsistent;
- Incomplete;
- Disguised as documentary evidence; or
- Based on inaccurate communication.

In evaluating **competence of analytical evidence**, SAI members depend entirely on their knowledge and skills, the and objectivity, the quality of the data used in preparing the analysis, and the appropriateness of the analysis itself. The SAI member should be aware that analytical evidence should not be:

- Incomplete;
- Uses inappropriate analysis;
- Lacks in methodology;
- Based on erroneous or useless physical, documentary, and/or testimonial evidence;
- Interpreted inappropriately; or
- Depends on microcomputer work that does not use quality assurance/control procedures.

In evaluating **sufficiency**, evidence is considered sufficient if there is enough of it to support the findings of SAI members. Thus, sufficiency is the presence of enough competent and relevant evidence to answer the audit's objectives and support the audit findings, conclusions, and any recommendations.

Sufficiency establishes that positions taken on the basis of audit findings have not inappropriately generalized or overstated available evidence. Like relevance, sufficiency must be judged in relationship to the finding as a whole and to the finding element to which the evidence pertains. Determining the sufficiency of evidence requires making a decision.

There are three options for SAI members to ensure Sufficiency:

- Obtain data on the entire population,
- Take a sample from the sampling scope, or
- Limit findings to that portion or segment of the survey.

Sufficiency requires selecting the universe of audit work required to limit the scope of coverage to that which will provide sufficient, relevant evidence that will answer an audit objective.

Sufficiency also requires gathering evidence that will support the audit finding elements.

SAI members obtain information limited to the audit scope as needed. Information will not be gathered beyond what is needed to reach a justifiable audit conclusion.

6.5.4 Performance Audit Working Papers

As per INTOSAI auditing standards: *"Auditors should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit"*.

working papers are considered as a repository for evidence. Hence, a record of SAI performance auditors' work is to be maintained in the form of working papers that act as supporting evidence to record relevant information to support the findings and deliverables.

Working papers are the link between fieldwork and the audit report and they serve three main purposes:

- Provide support for the report – conclusions, findings, and recommendations;
- Aid the SAI members in conducting and supervising the audit – to assure that audit objectives are met, findings are supported, and auditing standards are followed;
- Allow others to review the quality of the audit.

Working papers should be prepared in a professional manner, free of irrelevant personal comments and easily followed and understood by individuals unfamiliar with the assignment details.

There are six generally accepted principles of good working papers:

- Complete and accurate,
- Relevant,
- Indexed and referenced,
- Clear and understandable,
- Legible and organized, and
- Prepared and documented in a standardized format.

Working papers should be indexed. Indexing is numbering working papers according to a logical scheme.

An index number assigned to a working paper or series of working papers will enable the SAI member, supervisor, and others to retrieve any working paper addressing the subject of choice.

Indexing also facilitates cross-referencing of working papers to one another, and the report with the supporting evidence in the working papers.

There are generally accepted principles of good cross-referencing of working papers:

- **Comparing Audit fieldwork plan with the completed work:** Cross-referencing allows both the SAI member and the supervisor to easily determine if planned work was done and how well the work was done.
- **Comparing working papers with other working papers:** helps SAI members and the unit head to easily locate all evidence related to a particular item; helps to locate details in one working paper that are used in another working paper, and to trace data from lead schedules and summaries to working papers containing the details. It also helps the SAI member determine whether the source and summary of working papers are complete.
- **Comparing Audit report with working papers:** Helps the reviewer to find evidence that audit work was done to support specific details in the audit report.
- **Comparing Working papers with audit report:** Helps reviewer determine items of working papers that are being reviewed and included in the audit report.

SAI standards for safeguarding working papers provide that the performance audit team should establish reasonable policies and procedures for the safe custody and retention of working papers for a sufficient time to satisfy legal and administrative requirements.

Care must be taken to ensure that working papers are not lost, stolen, altered, or destroyed and that they are not accessible to unauthorized persons.

Special precautions may be necessary when the working papers are located in other places (at audited entity sites) or when they are transferred between head office and audit entity locations to ensure that all files are accounted for at transfer and receipt points.

The responsibility for safeguarding working papers begins with the auditor who prepared them, but extends throughout the audit team and organization when others use the working papers or otherwise have custody and control of them.

The working papers should always be adequately safeguarded, and prescribed security procedures should be followed for classified material. Special precautions should be taken when working papers contain:

- Report drafts,
- Personal data,
- Personal privacy data,
- Plans for future audit operations,
- Classified data, and
- Other unclassified sensitive information.

6.6 performance audit Findings

6.6.1 Performance Audit Finding Definition

Audit findings in SAI performance audits are defined as being decisions about performance (favorable or unfavorable) that meet the standards of evidence and fulfill audit assignment objectives. Audit findings are the basis for findings and recommendations. The determinations may be about past, current, or future performance.

The finding concept in SAI embodies the management control framework concept. Management control here is defined as being a continuous improvement process that has goals, which measures actual performance and compares it with the planned, , and assesses the significance and reasons for a variance, and taking corrective actions.

6.6.2 Types and Elements of a Performance Audit Findings

Two main classifications of the generic audit findings are identified by SAI, being:

- **The first classification:** A finding relating to a specific audit objective/s;
- **The second classification:** A finding with open-ended audit objectives.

Under the first classification, the audit objective will be a statement of what the audit is expected to accomplish. It is a precise declaration of what the SAI member intends to find out or is asked to find out.

The evidence gathered and conclusions reached fulfill the requirements as identified in an audit goals.

The finding elements under this classification would be represented in the structural components of an observation that together provide the evidence necessary to answer the audit objective and support any recommendations. The elements that are needed in this context will depend on the audit objective.

Evidence under this classification would be a factual data, including logical argumentation, supporting and linking each finding element to form the finding.

Recommendations in this classification would be in the form of a statement of the actions and procedures that the SAI member views as important to rectify the discovered deficiencies relating audit goals.

Under the second classification, a finding is a logically structured composite of the evidence used to support and communicate the SAI decisions about performance rather than a specific objective. The conclusion is a summary of the findings rather than a response or answer to the audit objective. This is because the objective is an open-ended statement that does not lend itself to a particular answer.

Under this classification, the audit objective would be an open-ended statement identifying the audit subject or scope. The usual unstated purpose is to find a performance problem to fix. Thus, the conclusion would be a summary of the audit finding.

According to this classification, the finding elements would be represented in the structural components of the findings that work together to provide the evidence necessary to answer the audit objective and support any recommendations. Also, the required elements depend on the nature of the decision.

Similar to the first classification, under this classification, audit evidence would take the form of statements or opinions, including logical discussions, supporting and linking each finding element to form the final findings.

Under this classification, audit recommendations would take the form of a statement of the actions the SAI member believes are needed to rectify the identified deficiencies in performance that do not necessarily tie to a specific audit objective.

Findings are divided into two other types:

- **traditional findings** (more applicable on generic traditional financial, regulatory and compliance audits);
- **impact findings** (more applicable on performance and program audits).

Under the generic audit's traditional findings, the following finding elements are identified:

- **Condition or situation:** is a situation that exists; the measured or assessed level of performance or how things are or were done as documented in the audit.
- **Standard:** what should or could be; the procedures for assessing the adequacy of performance against preset rules, standards, measures, policies...etc.

- **Effect:** the extent of difference between the standard and the condition, and the effect of that difference and good or poor performance results.
- **Cause:** why the situation is in its condition and the reasons why performance is good or poor. This is when the audit objectives include explaining the reasons for the poor (or good) performance determined in the audit happened, and the reasons identified by SAI members.

Under performance audit's **impact findings**, the following finding elements are identified:

- **Condition With a symptom:** evaluating Measured or estimated level of performance with the intervention of a particular program or governmental activity.
- **Condition Without a symptom:** Estimates of what the level of performance would have been without the intervention of a particular program or governmental activity.
- **Effect/Impact:** The results achieved by the intervention. This is when the audit objectives include determining the extent to which a program has caused changes in physical, social, or economic conditions. "Effect" is a measure of the impact achieved by the program.
- **Cause:** The program or intervention is the "cause" that achieved the effect. This is when the audit objectives include estimating the program's impact on the target problem and population; and when SAI members seek evidence of the extent to which the program itself is the "cause" of those changes.

6.6.3 Standards and Causes of Performance Audit Findings

the standards and regulations used to determine whether a governmental activity, entity, function, or a program meets or exceeds expectations.

Expectations about performance accomplishments are sometimes found in a governmental activity, entity, function, or a program's goals, objectives, and purposes.

There are two main types of Standards:

- **Results Standards:** apply on audit findings with objectives to assess accomplishments;
- **Procedural Standards:** apply on units with objectives to assess a process.

The following are common sources of audit standards that could be used by the SAI members to compare actual results to what is intended to be:

- **Goals and purposes:**
 - Laws, legislative policy statements, and regulations;
 - Management expectations in terms of policies, procedures, and performance results;
 - Entity's expectations.
- **Actual Experience:**
 - Baseline data and historical performance levels achieved by the entity;
 - Performance of uninvolved control groups;
 - Performance level and practices of organizations doing similar work (that may be following different practices);
 - Performance rate of highest performing staff;
 - Knowledge of experts and specialists;
 - Entity satisfaction levels.
- **Accepted Standards:**
 - Generally accepted business practices and standards of good performance;
 - Principles and standards developed by professions and associations, experts, and regulatory agencies.
- **Analytical Standards:**
 - Engineered and analytically developed measures;
 - Cost-benefit and cost-effectiveness computations;
 - Performance rates based on rational logic.

In reasoning out the causes of deficiencies in performance audits, SAI members should be able to differentiate between the following two classifications:

- The immediate cause; and
- The underlying, or root cause.

SAI's performance audits should always focus on the underlying root causes for any performance deficiency rather than the immediate causes.

the following is a possible and unspecific set of causes (reasons) that SAI members should be able to identify whenever performance expectations are not accomplished by a governmental entity or a program:

- Flawed theoretical framework. For example, there is no direct cause and effect relationship between entity/ program activities (outputs) and desired outcomes.
- Intervening variables that negate, deflect, or alter the entity's or program's effect.
- Deficient management processes/systems.
- Unrealistic/unattainable program goals.
- Insufficient or inadequate input resources.
- Managers do not use performance indicators to manage their operations.

6.6.4 Analysis and Interpretation of Information

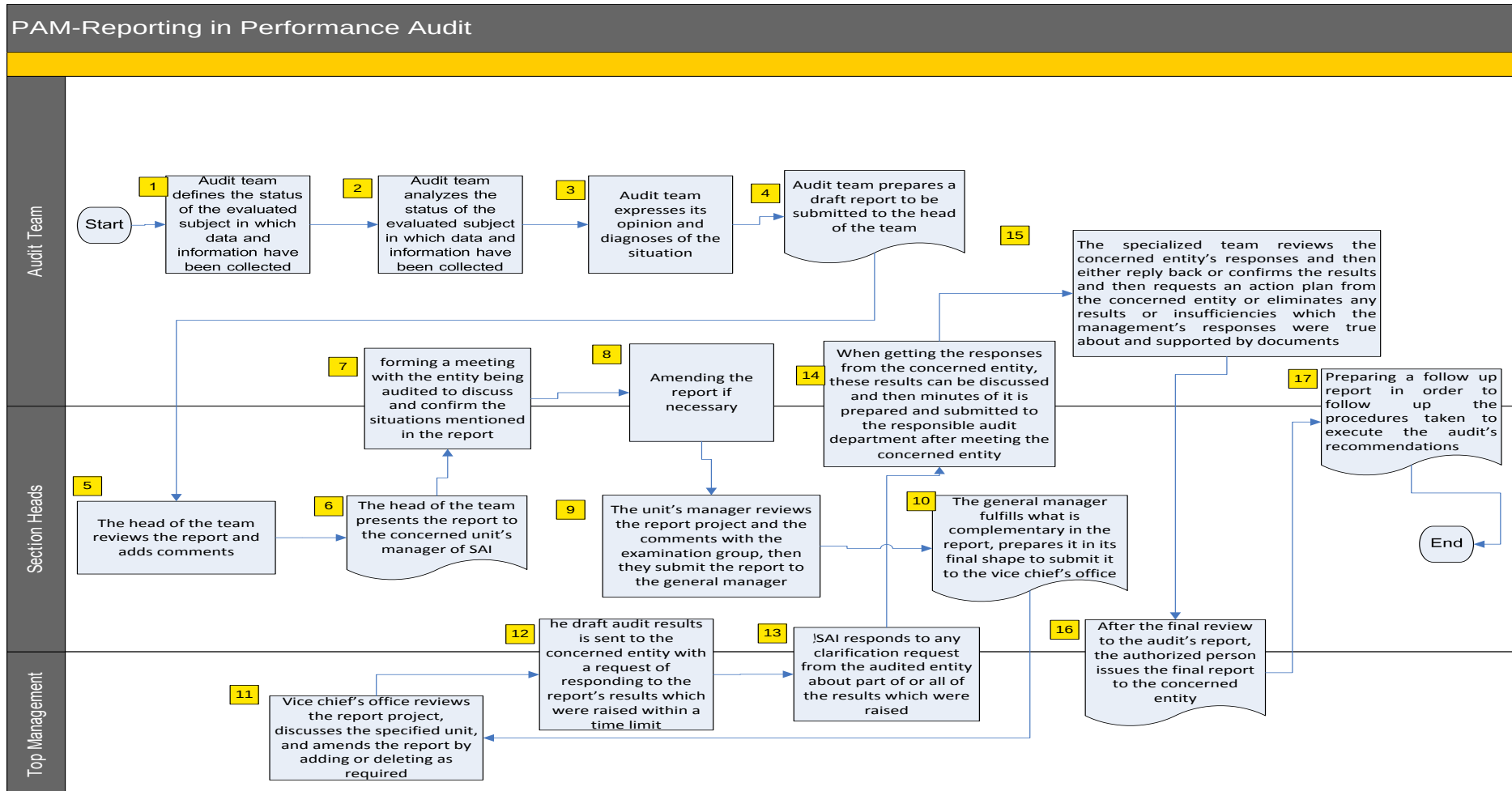
Audits include an analysis intended to understand or explain the observations. The analysis might require studies to compare for example:

- Subjects that are functioning properly and others with less quality.
- Subject/s or a general view.
- The audited area and an audited area in another entity or country.

The final stage in analyzing data is combining findings from different sources, this step includes balancing between arguments and assertions, consulting experts, making comparisons and analysis. With progression of work, begins the preparation of the draft report, then the organizing notes and observations in a balanced manner. It is important to exchange information according to the working papers to discuss the main issues that emerged during the audit. And theses working papers can be used to confirm the facts with the audited entities and promote the development of audit findings and recommendations.

The qualitative and quantitative analysis of information is an important step in performance audits, and when SAI members analyze information, audit goals and question should be reviewed which helps analyzing and organizing data. And when analyzing information, the SAI member should try to put the information in place by comparing the findings with audit terms or the general expectations. It is important to study information comprehensively and in depth, and the analysis of performance audit is always based on the understanding of the audited subject and its conditions. Information analysis is a frequent intellectual that includes rational and irrational elements, as well as opinions and discussions.

7. Reporting in Performance Audit



7.1 Introduction

As per INTOSAI reporting standards “*At the end of each audit the auditor should prepare a written opinion or report, as appropriate, setting out the findings in an appropriate form; its content should be easy to understand and free from vagueness or ambiguity, include only information which is supported by competent and relevant audit evidence, and be independent, objective, fair and constructive*”.

Written reports should communicate the results of audits to all government levels, make the results less susceptible to misunderstanding, make the results available for the public viewing, and facilitate follow-up to determine whether corrective actions have been taken. The performance audit report is the product on which the government, the legislature, and the public judge SAI performance audit function.

Given the amount of reporting required during an audit, the reporting process may be facilitated by the use of a continuous report writing process. This process may start at the beginning of the audit with an outline that develops into discussion papers, which are then brought together in the proposed report and further refined in the final audit report.

The issues that have to be considered when preparing audit reports:

- Determine the condition of the audited subject.
- Determine conditions.
- Reaching to results.
- Give the opinion of the auditor and his observations and justifications.
- Give recommendation and adjust deviation of the results are negative.

Reports preparation procedures for performance audit:

- Include Only issues relating to performance audit
- Draft audit report should be discussed
- A detailed final audit report should be issued to the audited entity for corrective actions to be taken.
- Management response should be obtained for each audit finding.

7.2 Major steps in Reporting

7.2.1 Discussion papers

At various stages during an audit there may be a need for discussion papers to identify and discuss major issues that have emerged during the course of the audit. They serve to confirm facts with the entity and to progress the development of audit findings and recommendations.

A discussion paper brings together findings and conclusions for a specific topic or area of the audit. The development of each discussion paper is generally an iterative process occurring during the implementation stage.

When writing a discussion paper it is important to keep the final report in mind.

Discussion papers are an effective means of:

- Ensuring that the facts have been stated correctly;
- Ensuring a correct understanding of the program; and
- Exploring significant early findings and recommendations with an entity and obtaining its preliminary response or reaction.

Discussion papers should be concise and include sufficient information to describe adequately the issues and their effects on entity operations and the entity program. Suggestions for improvement may be included if thought appropriate. This may lead to early implementation of SAI recommendations with an immediate effect on improving public administration. In such a situation, it may be appropriate to mention in the report that, during the audit, the SAI raised a specific issue and the entity subsequently took remedial action.

When presenting an entity with a discussion paper, it needs to be made clear that it is only a draft for comment.

7.2.2 Closing Meeting

A formal closing conference is held at the conclusion of the audit to ensure full understanding of the issues by both parties and assist the entity in providing its comments for consideration in preparing the final report. After the exit conference SAI will prepare the proposed report taking into account the entity responses.

7.2.3 Proposed/ draft report

The main issues to be considered when preparing a draft report:

- The proposed/draft report provides the first opportunity for the entity to see the full context of audit findings and conclusions in written form. The purpose of this stage is to seek the formal responses of the entity. Where entity responses provide new information, the SAI member should assess this and be willing to modify the draft report, provided the usual standards of evidence are met.
- The proposed report represents the peak of the audit fieldwork and associated analysis and consideration, and should represent SAI's final conclusions and recommendations.
- It is important that the draft report describes the objectives and scope of the audit so that readers can understand the purposes of the audit and properly interpret the results.
- Any limitations on the scope of the auditor's work and the reasons thereof should be described in the audit report.

A performance audit report would describe relevant facts and findings sufficiently to allow readers to understand the basis upon which the auditors' opinion has been formed. This would include a discussion of the underlying facts, comparisons with suitable criteria and the analysis of differences between what is observed and the audit criteria, including the causes and effects of the differences.

- Only relevant parts of the report should be provided to the concerned people and they should be given adequate notice and opportunity to respond to the material in the report.

7.2.4 Final Closing Meeting

The purpose of the final closing meeting is to:

- Decide whether an audit report can be issued and whether other measures are warranted
- Discuss the provision of information on the audit
- Discuss and decide on a follow-up plan
- Evaluate the audit process.

The final closing meeting is attended by the audit team and the department head.

The final closing meeting discusses whether SAI can issue the audit report and whether the draft audit report should be revised. The final meeting also discusses and decides whether other measures are warranted by the audit, such as further discussions with the audited entity.

The final meeting discusses and evaluates the audit process. The following questions may be used for this purpose, for example:

- Did the audit achieve the desired scope?
- How well did the audit succeed in terms of cooperation with the audited entity and within SAI?
- Did the audit fail to follow guidelines in any respect?
- How well did the audit achieve timetable and resource objectives?

7.2.5 Final report

The main issues to be taken into consideration when preparing the final report:

- The published final performance audit report is the product on which SAI performance audit function is judged by the legislature and the public at large. Any material errors, particularly in areas contested by entities, could be potentially damaging to the credibility of a particular report and to SAI. It is therefore crucial that a great deal of attention be given to the accuracy, logic and clarity of the report.
- Performance audit reports should also be timely and objective, with issues firmly expressed having regard to the circumstances. Where dealing with significant issues, there should be a logical and compelling exposition of the issue and exposures.
- Significant issues and recommendations should be highlighted in a summary of the report.
- The SAI member should review and assess the conclusions drawn from the audit evidence obtained as the basis for preparing the audit report. Performance audit reports vary according to the differences in audit mandates and the scope and complexity of the particular audit and its findings.

7.3 Characteristics of Performance Audit Report

- **Reliable:** The audit report should be reliable and contain objectives, scope, methodology and sources used, as well as audit findings, conclusions and recommendations. It should be easy for the reader to understand the purposes of the audit and to properly interpret the results. The report should be complete, accurate, objective, convincing, and as clear and concise as the subject-matter permits.
- **Completeness:** complete report requires, for instance, that the report contains all information and arguments needed to satisfy the audit objectives, promote an adequate and correct understanding of matters and conditions reported, and meet the report content requirements. Auditors should, within the audit objectives, report all significant instances of non-compliance and significant instances of abuse that were found during or in connection with the audit.
- **Accuracy:** requires that the evidence presented should be true and comprehensive and that all findings are correctly portrayed. The need for accuracy is based on the need to assure readers that what is reported is credible and reliable. Reported evidence should demonstrate the correctness and reasonableness of the matters reported. Correct portrayal means accurately describing the audit scope and methodology, and presenting findings and conclusions in a manner consistent with the scope of audit work.
- **Objectivity:** requires, as mentioned above, that the presentation of the entire report be balanced in content and tone. A report's credibility is significantly enhanced when it presents evidence in an unbiased manner. The report should be fair and not misleading, and should place the audit results in perspective.
- **Convincing:** it requires that the audit results should be responsive to the audit objectives, the findings presented persuasively, and the conclusions and recommendations follow logically or analytically from the facts and arguments presented. Facts should be presented separately from opinions. The language used should not be tendentious or suggestive, and the information presented sufficient to convince the readers to recognize the validity of the findings, the reasonableness of the conclusions, and the benefit of implementing the recommendations. Different opinions and arguments should be represented.
- **Clear:** it requires that the report be easy to read and understand (as clear as the subject-matter permits). Technical terms and unfamiliar abbreviations must be defined. Logical organization of material, and accuracy in stating facts and in drawing conclusions, are essential to clarity and understanding.
- **Concise:** it requires that the report be no longer than needed to convey and support the message.
- **Comprehensive:** report might provide the reader with a better understanding of the basis for the conclusions drawn, and thus add value and creditability to the audit report. In a wider sense, comprehensive reports may strengthen a SAI's capacity to serve the citizens' interest in openness and transparency.
- **Added value:** Good performance audit reports should add value to the stakeholders and meet the objectives set. Good performance audit reports should be reader-based and well structured, and the language should not be ambiguous.
- **Transparency, usability and timeliness:** SAI must not be forced to withhold findings and should, within its legal mandate, be free to decide what to publish and how. The report should provide accessible, concise and up-to-date information, which the government and government entities can use to improve the way they function. The points on which SAI expects action to be taken, and by whom, should be clearly stated. Being timely requires that the report should be issued on time in order to make the information available for timely use.
- **Materiality, relevance and objectivity:** The topics should material, and the information related to the topic, issue, or problem that is audited.

The information given should be relevant to the topic; the audit question or the problem studied.

- There are separate presentations of findings and conclusions;
- Facts are presented and interpreted in neutral terms;
- Different perspectives and viewpoints are represented;
- All relevant findings, arguments, and evidence are included; and
- Reports are constructive, and positive conclusions are presented.

7.4 Contents of Performance Audit Report

7.4.1 International Standards

INTOSAI reporting standards state that: *'With regard to performance audits, the report should include all significant instances of non-compliance that are pertinent to the audit objectives.'*

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

- **Title.** *'The opinion or report should be preceded by a suitable title or heading, helping the reader to distinguish it from statements and information issued by others.'*
- **Signature and date.** *'The opinion or report should be properly signed. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor became aware up to that date.'*
- **Objectives and scope.** *'The opinion or report should include reference to the objectives and scope of the audit. This information establishes the purpose and boundaries of the audit.'*
- **Completeness.** *'Opinions should be appended to and published with the financial statements to which they relate, but performance reports may be free standing. The auditor's opinions and reports should be presented as prepared by the auditor. In exercising its independence the SAI should be able to include whatever it sees fit, but it may acquire information from time to time which in the national interest cannot be freely disclosed. This can affect the completeness of the audit report. In this situation the auditor retains a responsibility for considering the need to make a report, possibly including confidential or sensitive material in a separate, unpublished report.'*
- **Addressee.** *'The opinion or report should identify those to whom it is addressed, as required by the circumstances of the audit engagement and local regulations or practice. This may be unnecessary where formal procedures exist for its delivery.'*
- **Identification of subject matter.** *'The opinion or report should identify the financial statements (in the case of regularity (financial) audits) or area (in the case of performance audits) to which it relates. This includes information such as the name of the audited agency, the date and period covered by the financial statements and the subject matter that has been audited.'*
- **Legal basis.** *'Audit opinions and reports should identify the legislation or other authority providing for the audit.'*
- **Compliance with the standards.** *'Audit opinions and reports should indicate the auditing standards or practices followed in conducting the audit, thus providing the reader with an assurance that the audit has been carried out in accordance with generally accepted procedures.'*
- **Timeliness.** *'The audit opinion or report should be available promptly to be of greatest use to readers and users, particularly those who have to take necessary action.'*

Keeping the above principles in mind, SAI members should formulate a performance audit report that contains, at a minimum, the following sections:

- Introduction
- Entity/ program background being audited
- Audit Scope, criteria and objective
- Summary of the audit methodology and approach
- Definition of priorities for audit findings being either:
 - **High importance finding**, findings that are of fundamental significance and/or reputation, financial, or compliance materiality to the organization. It requires the immediate attention of departmental and senior management. There should be a priority action plan for its resolution.
 - **Moderate importance finding**, findings that are of moderate significance to the organization. It requires the nearest term attention of the responsible department management. There should be an agreed upon program for its near term resolution.
 - **Low importance finding**: findings that are of low significance to the organization. It requires the near term attention of the responsible department management. There should be an agreed upon program for its resolution.
 - **Value added finding**, findings that includes recommendations for added-value effectiveness and efficiency and ideas for consideration by management.
- Findings and recommendations, whereby each finding should at a minimum include the following sub-sections:
 - Standards
 - Condition
 - Effect (or potential consequence and associated risks)
 - Management comments on each finding to include:
 - i. Action to be taken
 - ii. Person Responsible
 - iii. Expected Date of Completion
- Appendices that would normally include, process maps, flow charts, statistical information, financial information.
- Other specialist advice appendices that accompany the performance audit report or refer to a separate specialist audit report, if any.

8. Follow Up phase in performance audit

A primary objective of SAI's work is to improve public sector performance and accountability via the implementation of audit recommendations. The effective and timely implementation of report recommendations will be facilitated by a follow-up process. To achieve this, the SAI needs to adopt a consistent and systematic approach to the follow-up of audit reports.

A follow-up process will facilitate the effective implementation of report recommendations and provide feedback to SAI, the legislature and the government on performance audit effectiveness. In following up the report, the auditor should maintain objectivity and independence and thus focus on whether identified weaknesses have been corrected rather than on whether specific recommendations have been implemented or not. The priority of follow-up tasks should be considered in the context of the overall audit strategy as determined by the strategic planning.

Following up on SAI recommendations may serve four main purposes:

- Increasing the effectiveness of audit reports;
- Assisting the government and the legislature;
- Evaluation of SAI performance; and
- Creating incentives for learning and development.

Results from the follow-up of audit recommendations should be recorded. Deficiencies and improvements identified in the follow-up of audits should, if needed, be reported to the government or the legislature.

Follow-up activity should be directed to encouraging the implementation of recommendations, rather than finding examples of lack of action. The auditor should focus on the correction of previously identified weaknesses.

Follow-up processes will provide feedback to SAI and the government on performance audit effectiveness in producing improvements in public sector management.

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

- **Staying informed with the activities of the entity;**
- **A more detailed review of entity's activity**, perhaps involving meetings with the entity. This is sometimes referred to as a desk review because it does not involve extensive fieldwork. This type of activity may be undertaken if the subject is particularly topical, sensitive or high-risk but only a short time has elapsed since the original audit; and
- **A follow-up audit which involves fieldwork and the tabling of a report**

According to the results of the mentioned follow-up process, it might be needed to do a complete follow-up from scratch. And investment needed to do a complete follow-up should be justified.

Follow-up Procedures:

- Ensuring that appropriate work procedures are taken to tackle any challenges. SAI members should execute recommendations in an organized and timely manner according to the time frame set by management. Ample time should be allocated to address all the hardships in the audit process. But, it might be better to review work early especially if there are real difficulties that required an immediate attention, or if management seeks consulting for executing work procedures.

- Assess the adequacy, efficiency, and effectiveness of work procedures that were followed by management, and verify the difficulties that relate to the audit and report to upper management if the necessary procedures were not taken.
- Meet with management to discuss follow-up mechanism, and overseeing the current situation for each topic in the audit report.
- Ensure that corrective action were taken and assessment of efficiency and development of the procedures.
- Determine the need of future follow-up.
- Verify audit findings in working papers.
- Ensure that all procedure are executed as planned, and that procedures are effective in mitigating risks.
- Conduct the necessary tests. It might be important to use professional opinion to determine the importance of conducting tests and then determine the nature of these tests.
- In case corrective actions were not taken by the entity, it is important to understand the reasons behind it (it might be the receding of risks). However, it has to be pointed in the report if there is a possibility of continuation of potential risks.
- Inform upper management with any responses or work procedures or corrective actions that are incomplete.
- Develop follow-up report.

9. Appendices

9.1 Forms

All relevant forms and formats to be used by all audit sectors, including the Performance Audit, are included part of the General Audit Methodology Manual.

These forms and formats include, but not limited, to the following list of items:

- Working Paper Index

- Audit Process Notification Book
- Business Understanding Document
- Working Paper Format
- Process Documentation Template
- Risk Assessment Work-plan Template
- Entity Level Risk Assessment
- Screening Program
- Audit Plan
- Staff Scheduling and Planning Forms
- Audit Budgeted Hours Estimate Sheet
- Audit Scoping Document
- Audit Requirements Letter
- Annual Independence Statement
- Audit Checklist
- Project Completion Checklist
- Draft Audit Report
- Final Report Letter
- SAI Audit Report
- Action Plan Letter
- Action Plan
- Follow up Report Letter
- Follow up Report
- Sample Types

9.2 Privacy, Transparency, and Identity Non-disclosure Considerations.

When conducting a survey on individuals, The SAI has to provide secrecy undertaking in order to increase the respondent's participation on the survey questions, or In order to limit the possibility of subjectivity through the encouragement of open ended accurate replies.

Therefore, SAI members have to seek protection of the secrecy of information and non-disclosure of the respondent's identity as much as possible whether they have made an undertaking to preserve the secrecy or not.

In general, offering an undertaking of secrecy and non-disclosure of respondent's identities has to be taken carefully evaluated since it is difficult to protect public figure's identities in governments and institutions.

The SAI could be asked to reveal the sources of information when questioned by the Council of Ministers, especially if the survey results reveal misuse of authority or other illegal infringements that has to be reported to the concerned authorities. Therefore, a carefully consideration should be given to submitting any undertaking related to secrecy and non-disclosure of identity or any other such commitments. Any such undertaking must be approved by the head of the performance audit unit.

An undertaking should be only given to normal respondents who are not public figures if any connection that ties the individual and responses are completely deleted so that the SAI member would not be able to make the connections between the responses and the individuals.

When preserving secrecy and discretion, the SAI member must take into consideration the sensitivity of the required information and the way to process that information as well the importance of that information. If the SAI member decides to provide a secrecy undertaking he should then be cautious with the data collection tools in order to minimize the possibility of collecting sensitive information related to illegal activities including fraud and misuse.

The secrecy undertaking should be drafted in a way that could be complied with but does not lead to the SAI member to access the required information or report the results. Therefore, the information related to a small population should be limited in order not to disclose their identity. This information could include data related to gender, high ranks, limited reimbursements, limited roles in the entity's programs, or the information that reveals the identity of the entity...etc.

The information could sometimes be with external parties, therefore, the SAI member must insure that the contracted specialist from the external party has the appropriate procedures to protect the secrecy of the replies to survey questions and that they have signed the appropriate undertaking with the SAI to preserve the secrecy of information.

9.3 The Accuracy of Survey Data

Mistakes could happen in different stages of information collection and analysis. Respondents in the survey could contribute to the increase of error during information documentation. Also, mistakes could happen during the transfer of data collection tools to the main data base, or during the writing of the procedures, or statistical program protocols that read and analyze data from the database, and during the transfer of printed data to the audit report.

Main risks related to the accuracy of the initial documentation of the data which also include recurring errors during the preparation of information collection tools arise as follows:

- Questions or items that are unanswered.
- Replies to questions or items that the respondent, interviewer, or the person reviewing the document must have omitted.
- Inappropriate replies due to incomprehension of the questions or instructions of data collection tools.
- Data entry mistakes.
- Illegible replies.

Such errors might arise from the following:

- Weak instructions
- Problems in the data collection tools hierarchy.
- Questions that would be difficult for respondents to reply to because they would contain radical opinions or touch on sensitive subjects.
- Long and complicated data collection tools that would lead to individuals losing the motive to respond to.

Therefore, it is important to exert all efforts to maintain communication with all the concerned sample. It is also difficult to verify the distribution mean, it is difficult to verify the acceptable rates of replies although the average reply from 65% to 85% is considered acceptable by the SAI, although there is little scientific evidence supporting this rule due to the possibility of bias.

Non response cases are considered to be a weak point in proof evidence, therefore, the average replies in the survey has to be mentioned in the body of performance audit report.

The auditor can take several steps to ensure a suitable rate of replies through the following:

- Motivate participants : some individuals might hesitate to respond depending on the importance, ease of response, and time duration required. Respondents could be highly motivated through the following. The clear reference that the survey has been conducted by the SAI and for it, and the clear explanation of the purposes and the use of information of the survey. Individuals should be advised with clear information and easy data collection tools ahead of the survey. Personally conducted surveys are usually better than surveys sent by post in motivating participants.
- The use of accurate sampling parameters will motivate more respondents.
- Review and follow-up of non-responses: it is the duty of interviewers to exert all efforts to encourage all participants to respond.
- In case of survey sent by mail, numerous copies have to be sent for more people and non-respondents could be followed up by telephone calls.
- Interviewers should attempt to contact non respondents for the purpose of conducting personal interview or through the telephone.

Many feel under pressure when asked to respond to questionnaires and SAI members should take that into consideration.

Taking a substitute sample: sometimes a larger sample could be taken or a random substitute of participants who did not respond to the survey population. These measures could be useful to keep the desired level of the sample and are considered vital incases that there are no high ranking individuals in the sampled population.

In general, the substituted population is still part of that population, and these procedures does not necessary lead to collection of errors that would result from the non-response of participants.

Due care should be exercised when taken random procedures to substitute non responding participants when such procedures are not suitable or have not been used in the beginning before the non-response.

9.4 The Use of Specialists advise in Performance Audit

9.4.1 Preface

SAI members must possess the knowledge, skills and required experience to conduct the audits efficiently.

The head of the audit unit is responsible for getting the advice and specialized assistance incase SAI members lack such knowledge, skills, and experience to effectively conduct the performance audit.

SAI members must possess a collective knowledge base which consists of the following two main categories of knowledge:

- Knowledge in the audit standards: such as:
 - Governmental standards and methodologies of audit
 - Standards and methodologies of performance audit.
 - Formats and working frames to control and manage risks.
 - Standards and methodologies of internal audit.
- Knowledge of technical standards: this type of knowledge deals with specific industries and businesses in the market such as:
 - Energy and Chemical industry (Oil and Gas)
 - Financial Services
 - Accounting
 - Auditing
 - Actuary and insurance

- Legal affairs
- IT
- Engineering and Contracting
- Retail and Consumer Goods
- Health Sciences
- Industry and Manufacturing
- Environmental Affairs
- Defense and Security
- Statistics
- Government Affairs
- Public Administration
- Economic and Social Sciences.

The performance audit unit head has the authority to refuse any performance audit task when SAI members lack the knowledge, skills, expertise needed to execute performance audit, and when performance audit unit cannot get external specialists when needed.

“A specialist is a person or institute that have special skills, knowledge, or experience in a certain area within the above mentioned knowledge areas to include both the experience in the specified audit area, and the experience in the industries related to the audit. Due to various activities that undergo performance audit, SAI member might need to get evidence to prove the audit in the form of reports, opinions, evaluations, and data from experts”.

The head of performance audit unit has the option to acquire specialists skills form external sources if the successful execution of the audit process requires that in order for the audit remarks deductions and recommendations to be understood and based on solid grounds and reflect the suitable understanding of the subject of the performance audit task being executed.

Since it is not expected from all members of SAI to have the knowledge, skills, and experience in the specific area required to execute the performance audit task, the unit has to design standards related to the conditions, evaluation, selection, contracting, coordination, and reporting of specialists.

If the performance audit unit seeks external specialists advise, the due diligence standards in these arrangements affects the preservation of quality performance of the unit. Also, the external expert advice does not relieve the SAI from its responsibility on the opinions and deductions reached after the completion of the audit.

9.4.2 The Cases that Require Experts' Advice

Expert advice could be sought after if there is a direct and clear deficiency in expertise related to one of the two knowledge standards mentioned above.

The definition of clear deficiency of knowledge is where the members of the performance audit team are collectively incapable of planning and conducting research and audit deduction due diligently in the specified time frame.

The above definition also includes partial deficiency in expertise where by the SAI members can partially plan the performance audit and complete it according to the standards mentioned in this manual.

The above definition includes cases of a compressed time frame where the current internal resources are experience but are not enough to complete the performance audit within the specified time frame according the acceptable quality specified. In these circumstances, the SAI will appoint external sources who are specialized in the audit subject that is unavailable within SAI.

Appointment of such resources could be partial or comprehensive in nature. The performance audit unit and according to its internal circumstances decides on which option to take, and in either case, the unit has to get

sufficient information to guaranty that this decision will be sufficient to successfully complete the task.

9.4.3 Identifying the Specialists

The SAI has to keep an updated list of all the specialists that were chosen to refer to for future requirements. This list should contain the following:

- The name of the specialist and contact details.
- Specialist's academic qualifications, professional experience and specialization.
- Years of experience.
- Geographical location and availability.
- History of his relationship with SAI and other entities, and the quality of services offered based on previous evaluations and certificates.

This list has to be regularly updated according the requirements of the performance audit unit within SAI.

SAI performance audit unit updates the approved list of experts after the completion of any task given to SAI, and this is reviewed by the Head on quarterly basis.

Three key types classification of specialists that might be required:

- Experts in the field of auditing.
- Renowned university academics.
- Qualified practitioners.

9.4.4 Evaluation of the prospective Specialized Expert

When employing the special services of experts, the SAI considers the specialist as a member of the audit team , therefore, it evaluates the specialist's capabilities in executing the assigned work and reporting the findings objectively.

The SAI has to empower the specialist with full independence and it has to get an undertaking from the specialist that there is no conflict of interest with the entity to be audited.

If there is such conflict, the SAI should seize the specialist employment.

The specialist employed by SAI must prove and document their qualification on the subject being audited.

Documenting the specialist's experience and qualifications will be according to the qualification form that will be supplied by the SAI and will be according to the international and local qualification criteria.

When evaluating a certain specialist, SAI members will refer to the below incomprehensive list of qualifications that might be approved by the SAI:

- Energy and Chemical industry (Oil and Gas)
- Financial Services: i.e. CFA
- Accounting: (CMA, CA, CPA)
- Auditing: (CPA, CISA, CISM, ACCA, CA)
- Actuary and insurance: (members of the American, Canadian, London, Eden borough Actuary Academies, Schaumburg, IL , Casualty Actuarial Society, Arlington, VA.
- Legal affairs: Experts with bar examination
- IT: Experts with MCSE, CISA, MCSA, MCDBA, MCSA, CCIE, CCSP, CCNP, ECSA, ECSP, LPT, CISSP.
- Engineering and Contracting
- Retail and Consumer Goods
- Health Sciences
- Industry and Manufacturing
- Environmental Affairs: Experts with OECD, EEA, CEC, UNCSA.
- Defense and Security
- Statistics
- Government Affairs: Experts with CGAP
- Public Administration
- Economic and Social Sciences

9.4.5 Selecting the Specialized Party

All those specialists who have not complied with the SAI contract conditions will be deleted from the SAI's approved specialists list.

The SAI has to request at three proposals from different specialists (whenever available). Exemptions from this policy are only approved by the Head of performance audit unit.

The benefits of the services offered by specialists must equal if not exceed the cost of such service.

Selecting the specialized entity will be based on the results of evaluation components mentioned above when it comes to the specialized entity's qualifications, past expertise, entity's efforts, and the methods used by the qualifications to fulfill the performance audit's needs in a specific auditing process.

The following contractual procedures apply when evaluating the need for a specialist:

- Reevaluation of SAI requirements in more details. This step is the most important step in determining the selection of specialists.
- Organization of SAI requirements in the form of deliverables required by the specialist.
- Evaluation of whether the specific procedures will satisfy the goals of SAI members.
- Evaluation of the results of the effective procedures according to its relevance to the planned audit procedures.
- Organization of service goals in the form of job descriptions.
- Circulating the list of goals and specifications to the members that might be affected by the specialist work to ensure that the specialist deliverables will satisfy their audit requirements.
- Based on the collected information, comparing the above requirements with the list of specialized entities according to the SAI previously specified and known requirements.
- Preparation of a short list consisting of a minimum of three specialized entities that satisfy the SAI's previously specified and known requirements.
- Requesting detailed price proposals and completion time frame in writing, from the listed specialists on the shortlist which are relevant to the required task.
- The head of performance audit unit reviews the proposals and recommends after consulting with the SAI team member responsible for the audit.
- The selection decision is documented in the performance audit unit files.
- The selected specialized party gets officially notified in writing by the head of the performance audit unit.

9.4.6 Contracting the selected specialized party

After the selection process, the performance audit unit follows the internal procedures approved by SAI.

In general, the following main conditions must be adhered to before issuing the final contract:

- Each contract is evaluated to guaranty that the goals requested by SAI are specified in the contract.
- The internal legal advisor within SAI reviews all contracts before signing to protect the legal interest of SAI.

After the completion or cancelation of the contract, the performance audit unit prepares a detailed evaluation on the services offered by the specialist.

As mentioned earlier, the results of the evaluation must be updated in the approved SAI approved specialists list.

9.4.7 Coordination with Specialized Entity

After the completion of the contractual agreement with the selected specialist, a preliminary meeting will be arranged to discuss the detailed scope of work and the tasks agreed protocols.

Below is the list of protocols to be agreed on:

- The work Goals
- Detailed scope of work by the specialist
- Detailed scope of work by the performance audit unit
- Coordinating the time frames of both the audit tasks and the specialized entity's tasks.
- Communication protocol between the two parties
- Communication protocol by the audited party and the specialist

- The organizational chart of the audit team, specifying internal reporting and reporting made by the specialists.
- Core success factors if the specialist relies on other factors.
- Problem solving procedures
- Targeted results
- Agreement on the documentation procedures and the format of working papers
- Review of the specialist results in relation to its compliance with the executional methodology, ethical standards and special attributes of SAI.
- The specialized entity's report format, contents, and its relation to the general purpose of performance audit reports.

After the preliminary meeting, the meeting minutes are documented and will constitute the official plan for the audit task which will be approved by the Head of performance audit unit.

9.4.8 Specialized Entity's Reports

During the preliminary meeting, a reporting mechanism is agreed on. Below are the reporting mechanism standards for the specialized entity that the SAI could select from to specify the context and wording that comply with the specialized opinion:

- The performance audit unit has the right to attach the specialist report as an independent addendum to support the main performance audit report.
- The performance audit unit has the right to use specific parts of the specialized entity report as a quote pertaining to certain subjects within the main performance audit reports.
- SAI performance audit unit can use specific parts of the specialized entity's report without referring to their report.

The specialized entity report must be treated as an internal report prepared by the SAI, therefore, all the specialist report must comply with all SAI reporting behavioral, ethical, and professional standards.

9.5 Audit standards related to Economy, Efficiency, and Effectiveness

9.5.1 Definition

The performance audit unit submits reports on the economic issues (availability of resources), effectiveness (the ability to achieve deliverables) by which resources could be acquired and used, and efficiency (if the result meets the desired objectives) that achieve goals.

Below is brief description of the prospect audit goals classified according to the general performance standards (note the existence of duplicated audit goals according to the general and varied performance standards):

The economic standards could include the following areas within the audit scope:

- Whether the entity has acquired its resources with the most cost conscious way to comply and within the approved budget.
- Whether the entity has implemented cost-benefit analysis
- Whether the entity has weighed the acquisition cost of resources with the attained goals achieved by these resources that will help achieve the goals of the audited entity.
- Whether the entity follows the correct procurement procedures.
- Whether the entity has identified certain standards related to the economy.

- Whether the entity has identified a reliable source for the financial as well as the operational information that is used in understanding the performance evaluation related to economy.
- Whether the entity has followed risk mitigation and internal audit procedure of the economical standards.

The efficiency standards includes the following:

- The extent by which the entity has protected and utilized its resources in the most productive way to achieve deliverables that help attain its goals.
- The extent by which the entity has achieved measurable deliverables in the form of products, services, returns, regulations, procedures, or a group of regulations.
- To which extent does the audit achieve efficiency of the audited entity's daily routine and does not hinder it.
- Whether external specialized services are used when internal resources are insufficient.
- Whether technology is used for the organization of the daily operational tasks
- Whether the entity develops its employees through providing sufficient training, favorable working conditions, compensations, and performance evaluations to achieve better productivity.
- Whether the entity has identified correct and reliable performance standards related to efficiency.
- Whether the entity has identified a correct reliable and accurate source of financial and operational information used to understand and achieve efficiency performance standards.
- Whether the entity has followed risk mitigation and internal audit procedure of the efficiency standards.

The effectiveness standards includes the following:

- Whether the entity has achieved deliverables that would help achieve the entity's goals and purposes.
- Whether achieving one of the entity's goals or purposes has achieved a high level governmental legislative, auditing, or regulatory strategies.
- The ability of alternative procedures to achieve better performance for the audited entity or the ability of eliminating the factors affecting its effectiveness.
- Whether the entity has achieved the desired results or attained results that exceeded the entity's goals.
- Is the entity redundant or conflicting with any other related governmental entity
- Has the entity prepared an evaluation of the possible impacts of the results.
- Has the entity measured client's satisfaction.
- Has the entity identified a group of correct and reliable measures of performance effectiveness.
- Whether the entity has identified a correct reliable and accurate source of financial and operational information used to understand and achieve effective performance standards.
- Whether the entity has followed risk mitigation and internal audit procedure of the efficiency standards.

The audit economic and efficiency goals are evident in specifying whether the entity acquires, protects and utilizes its resources in the most beneficial and productive ways to achieve its goals . Mostly there is a correlation between the entity's effectiveness, and its economical and efficiency objectives , and both could be simultaneously evaluated by the performance audit unit within SAI.

One of the prime goals that the performance audit in SAI seek to achieve is to evaluate the effectiveness of government operations since the inefficient operations highlight the areas that need to be developed and focused on by the department.

Also, identifying efficient operations could be presented as a challenge for other entities in order to improve their employees' and departmental achievements. The efficient operations presents a role model for others to follow, and it recognizes the quality performance of the employees of the efficient departments since it enhances the service level quality, time, results, and clients satisfaction while reducing costs and helping the department to perform and contribute to the development of services and other needs.

During the measurement of efficiency resources are measured in Omani Riyal value or with any similar measurements if a monetary value cannot be made.

There are many efficiency measurement for government operations below are **the three main ones:**

- During budget preparations government entities have to quantify – human resources, materials and monetary value – in order for them to deliver products in time with the desired quality and quantity.
- The identification of areas that need possible improvements in its productivity or cost production.
- It acts as a storage device to safe-guard administrations accomplishments in the area of efficiency improvements thus identifying and achieving a framework for accountability.

The productivity efficiency standards are considered as an effective analytical tool for management and members since it falls under the three main elements of performance audit standards.

The accuracy in the measurement of the three main elements depends on the selection of the appropriate deliverables and comparing them with the appropriate or desired resources. And during the measurement, the deliverables have to meet the following criteria:

- **It has to be countable:** It should be tangible, identifiable and counted properly.
- **It has to be a right indicator in the accomplished work:** It has to represent the main effort exerted during the activity.
- **Mutually exclusive:** Different deliverable cannot be counted as a single deliverable or unit. For example the operation is processing a new licensing applications and renewal of licenses we cannot account for both types of applications as being as one. Since the issuance of new licenses requires more effort and time therefore both processes are not equal in terms of results.
- **It has to be always consistent:** There should be no core changes in deliverables that would lead to an increase or a decrease in its complexity and the required effort to attain it. If the input changes recalculation of the standard measurements has to be applied.

Efficiency measurements might not be practical in situations where it is difficult to identify deliverables and in a situation where these deliverables are varied and cannot be compared.

A recalculation of efficiency measures could be made through two perspective:

- The efficiency level for the selected timeframe (which is normally one year).
- The direction of the efficiency level through different time-frames.

The process of development of efficiency measures could be complex and time consuming in the first stages, but with the exception of a development of production indicators the efficiency measure calculation is simple. This only requires basic mathematical knowledge and following a step by step process that mitigates errors.

9.5.2 The steps to measure efficiency, effectiveness, and economy.

There is a process comprise of 8 steps to develop and prepare standards. It is not necessary to do these steps sequentially.

9.5.2.1 Step 1: Selecting deliverables.

Deliverables measurements are directly connected with the efficiency level in the performance audit tasks. The question has to be asked in this is, what are the deliverables? In the services sector, and especially government sector, it is not always easy to identify the best deliverables measurements. But every government activity has deliverables or services that we could mostly identify quantitatively therefore measure.

Each program or entity might have one or several deliverables yet they are mostly more than one. When there are many deliverables the regular measurement methodology is to account for all deliverables. Anyway, in the circumstances that the number of deliverables is large auditors could select few that represents most of the resources.

There are three main deliverables section that the SAI could identify:

- Deliverables delivered to external clients.

- Deliverables delivered to internal users.
- Deliverables that have certain uses within the process that cannot be used to other users.

9.5.2.2 Step 2: Identifying inputs (input elements)

Deliverable measurements are directly connected with the economy in the performance audit tasks.

After identification of deliverables the second step is to identify inputs (input elements) in order to compare them with the deliverables. The performance auditors in the SAI must concentrate on the input quantities and not on the price. The tasks are usually summarized in identification of the used resources in delivering or producing each type of deliverable and then identifying which of these resources will be included then identifying the quantity of the resources that were used to achieve the deliverables.

There are three options to select the input resources element that will be included in the effectiveness measure which are:

- All the used resources in presenting and delivering the deliverable must be included.
- Coverage of all selected resources.
- Cover a single resource. And that usually through including the most popular means (which is the labor resource).

9.5.2.3 Step 3: Selecting the measurement method

There are different types of effectiveness measurements. And each of them uses different input elements or different deliverables and each one is accounted for differently. The sample could include the following:

- **The production ratios (production levels):** The production expressed either as a deliverable per each input element or the input element for each deliverable. Also it uses the resource quantities as input elements and achieved work deliverables. The main production elements are as follows:
 - Ease of comprehension
 - Simplicity and ease of calculation
 - A true effectiveness measure because it contains only the used resources.
 - Ease of measurements between units that perform the same tasks
 - The availability of the data and information
 - It can accommodate one type of resource
 - It is difficult to put in a graph that highlights the input elements, the results, and productivity.
 - The increase in the percentage (When dividing used resources on deliverables) might indicate an effectiveness weakness that could lead to a disruption of communications.
- **The unit costs:** The unit cost is described as “the cost per each unit of deliverable”, and it uses the Omani riyal as an input in the accomplished work as an output. The unit costs is considered a strong multi-faceted measure, yet it's weakness as an effectiveness measure is in the inclusion of the costs (meaning the unit costs) of both the resource prices and it's quantities. Following is some of the main characteristics of the effectiveness measure:
 - It includes all the resources..
 - Easy to comprehend
 - Useful in the preparation and development of budget forecasts
 - It reduces the effectiveness gains by time to the limit of the price increases in resources.
 - There are geographical variations in salaries that lead to different unit costs that are not related to effectiveness.
- **The Omani riyal value of the operational costs:** This is considered as a distinctive production ratios and it is normally displayed as a percentage. And it uses the Omani riyal value as input and output at the same time were the operational costs is displayed as an input element and the trade or the operation in the Omani Riyal as an output and an indicator of the accomplished work. Following are some of the main characteristics of that type of measure:
 - It's a comprehensible strong effectiveness indicator
 - It's easy to understand

- Simple and quick to calculate
- Data availability
- **Production indicator:** The production indicator is identified is the measure of the effective change in the relationship between the output quantity or delivered resources with quantity or the costs of the used resources in delivering them (the input elements). Following are the main characteristics of this of measure:
 - Changes in input elements or deliverables or productivity can be illustrated easily in a graph.
 - The indicators show the direction of the change; where the increase in the indicator reflects an increase in productivity and the decrease reflects a decrease in productivity
 - The calculation method is complicated
 - It is not easily understood
 - It requires a minimum of 3 years data and it is preferable to have a minimum of 5 years.
- **Operational ratios or rates:** There are many operational ratios or rates which are not dependent on effectiveness. These are used to show changes that occur on the use of the resources, as well as to display the current relation between two types of resources. It is expressed as either a ratio or an average. Following are some of the main characteristics:
 - It's easy to comprehend
 - It could be used as diagnostic tool to isolate the causes of the changes in effectiveness of the deliverables.
 - It is considered as a warning tool concerning the direction or the unwanted deviation in effectiveness or costs.
 - It provides the means to compare the use of resources in industrial activity or as a measure to the type of resource and it's function
 - It does not measure the effectiveness of the deliverables
 - The identification of the appropriate ratio might require a comparison with an external entity or an external standard.
 - It could be used erroneously as an indicator of effectiveness of deliverables.
- **The rate of resource utilization:** The resources utilization measurements shows the utilization of a certain resource. When this is applied on huge expensive assets or resources it gives a strong and accurate measure on the complete or incomplete utilization. Following are some of the main characteristics of this measurement:
 - It's easily comprehensibly
 - It's easily calculated
 - It's multi-faceted uses
 - It's useful as a diagnostic measure to isolate causes of ineffectiveness
 - It does not lead to the measure of the production effectiveness
 - It specifies the appropriate utilization rate that could require conducting a comparison with an external entity or a different standard.
 - It is a tool to compare effectiveness with industrial practices or a standard for an activity that is used as a measure

9.5.2.4 Step 4: Selection of measurement units.

Measurements units are used to account for the size of accomplished work and account for the used resources, thus there is a need for it in all inputs and deliverables.

Deliverables: We could count many measurement units used to measure quantity or height or weight or size.

Input (input elements): The choices of a measurement unit depends on the resource or the resources included in the measurement process, costs for example could be measured in Riyal units or hundreds Riyals or thousands, but work or labor could be measured in minutes or hours or days or years.

9.5.2.5 Step 5: Standard selections.

SAI members would normally want to specify the degree of satisfaction in effectiveness, through the comparison of

the measured effectiveness with certain standards, members of SAI could use three general standards to evaluate the degree of suitability of effectiveness:

- The expected use of resources or effectiveness level required to accomplish a task or a product.
- Previous performance
- The rate of effectiveness in other units that perform a similar activity.

The expectations related to performance level has different resources. It could be enforced through laws or directives or regulations and could stem from industrial standards as well as management instructions.

It is necessary to conduct a comparison of the current performance with the performance during past periods in order to accomplish successful management; Since this comparison clarifies the direction of effectiveness with time. The weak point of comparing past performance is that it does not explain the reality whether the current performance is as good as it could be. Anyway, it offers an indicator which needs more analysis.

An indicator of the concerned entity is made through comparing it with entities or organizations that perform the same activity. These entities could be within an agency or a program or a specific service. Also these entities might be foreign entities that perform the same functions and activity including those governmental entities and the profit and the non-profit private sector institutions. Also those entities which are recognized for their international grade or considered to be the best of it's great are good indicators for what is possible and satisfactory under the concept of "best practices".

9.5.2.6 Step 6: The Collection of Necessary Data

In this step the source and collection method of data is determined.

As to the effectiveness, the source of data related to the input and the deliverables is the entity's records and the deliverables data has to be available since the SAI members cannot produce it.

Usually samples cannot be used since it is necessary to account for all the accomplished deliverables except the operational rates that are calculated without the deliverables.

The entities will account for the accomplished deliverables and keep them in record and therefore, the entities are expected to have all the data related to the used resources available in the accounting records.

9.5.2.7 Step 7: The preparation and Development of Measures

In this step, measures are devised by the use of the information and data related to the input (input elements) and the deliverables attained through the past six steps

9.5.2.8 Step 8: Specifying the Probable Results

Good or Low effectiveness has consequences that affect the entity or the program and the government as a whole since low effectiveness rates are considered to be lost efforts and are usually accounted for in Omani Riyals.

9.6 Time Accuracy Audit Measure

9.6.1 Definition

Accuracy is related to the speed by which a specific work is accomplished. It is related to the supply and dissemination of financial resources, acquisition and purchase of fixed assets, delivery of resources to internal beneficiaries, the delivery of products and services to external clients.

Fears arise due to the waiting time related to standing in queues, the time consumed or the time cycle, or delay of current or scheduled performance. The delay by a government entity in offering a public service is a main cause of complaint. Therefore, the time issue is considered crucial to SAI members regardless if they were working with the legislative or the executive side of the government.

Usually, time accuracy is the easiest and cheapest performance indicator to measure. When the SAI members discover that performance is not being executed within the specified time, they should take the results of this delay into consideration and its effect on clients and government entities.

Time accuracy audit measures are developed through adopting the sampling technique where by a specific and reasonable completion time is set assigned by examining a sample of a working unit's output.

The four dimensions of the measure is as follows:

- **Time consumed:** from the beginning to the completion of work
- **Waiting time:** to meet process owners.
- **Response time.**
- **The direct or suitable time.**

The time accuracy measure could be measured in minute, hours, days, months , and years.

There are four comparative methods to indicate whether the response and delivery time are satisfactory:

- Comparing with expectations (plans with actual time)
- Historical comparisons (Historical performance)
- Comparisons with external indicators.
- Comparison with the actual required hours or days to complete the job.

The comparisons with the client's expectations is one of the good measures of client satisfaction. Also, the comparison with international standards and best practices will provide good indicators for what would be satisfactory.

There are several methods to analyze time accuracy such as the date cycle and backlog. Individual circumstances dictate the best method to be used by the SAI member.

Problems related to time accuracy arise from several possible factors. Incentives are a main motivator for time accuracy. Performance delays are usually caused by the failure of management to properly accommodate and coordinate the work load with the available resources" experience and skills. Other probable causes of delays might be management pressure related to prioritization of quality goals and cost control, and compliance with procedures. Skilled and knowledgeable employees with the right incentive, and clear and simplified operational instructions enhance the time accuracy.

SAI will take into consideration the time accuracy and the acceptable quality standards when auditing government entity.

9.6.2 Steps of Measuring Time Accuracy

One of the methods consists of eight steps to develop and prepare the measures, and it should be noted that it is not necessary to take these steps in order.

9.6.2.1 Step 1: Identifying Deliverables

Since Time accuracy is related to deliverables, the first step in a measure is to specify the deliverables of the programs, activities, functions, audited entity and to select the deliverables that will be measured. Usually there is more than one deliverable with different completion time, therefore, different measures have to be adopted.

9.6.2.2 Step 2: Identifying the Dimensions of Time Accuracy

Following are four time dimensions of measurement, and they are not fully independent, and they are related to the service and conditions:

- **The consumed time:** Is the time consumed to accomplish the work from start to end. Which is a concern for the client and it is also necessary for the auditor to know when evaluating time accuracy
- **Waiting time:** Is the time that client spends waiting to meet the person responsible for providing the service
- **Response time:** It's the time that the client waits until it gets what it's asking for
- **Direct or suitable time:** This is when the product or service are delivered on time. Whether according to a published schedule or a certain regulation or protocol.

Diagnostic measures are used to know how the processing time was spent and they analyze the reasons of compiling or non-compliance with the time measures. These measures include the following:

- **Idle Time (or down time):** Which is the time that precedes the beginning of work and during the work.
- **Working time:** Is the actual time that was spent in doing the work.

9.6.2.3 Step 3 Selection of the measurement unit

Minutes, hours, days, months or years.

9.6.2.4 Step 4 Selection of comparative standards.

The best indicators or modular standards are the ones that take the clients perception which is satisfactory into consideration. Comparisons are made against:

- What were the expectations.
- What happened historically.
- What happened in other places.
- Actual hours or days required to accomplish the work.

Following are the ways to implement these four standards are as follows:

Comparisons against expected results: Expectations are a general standard to evaluate time accuracy in both public and private sectors. Following are the expectations that can be measured:

- **Comparisons with client's needs, expectations, and requirements:** This standard is the most accurate when considering satisfaction with performance. Client satisfaction in general is the main target of the performance requirements and an indicator of long term success. Since the final goal of the public or private sectors is to provide goods and services that meet their clients requirement and needs satisfactory. If the clients are not satisfied with the delivery time, the performance according to this standard would be considered very slow regardless of the legislative executive, or SAI members eyes opinion.
- **Comparisons with expectations enforced by legislation and law:** This is considered a widely used comparison since most of the government services and programs are enforced through legislation and regulations. The time frames included in these legislations are set Theoretically – and most realistically – time schedules are set to meet that the client's expectation.
- **Comparisons with management's expectations:** When legislation and regulations do not enforce a time schedule for the completion of services it is expected that the management would enforce their own schedules.
- SAI members must realize that the time accuracy measures could be used as a performance satisfaction measure only when it meets what clients think is a satisfactory performance. If those measures do not conform with what clients expectations are then the legal requirements and the management's expectations do not truly reflect the client's views.

Comparisons with past performance: This measure provides the SAI members with crucial information on whether there has been improvement in the time accuracy. This information attained by this comparison:

This information (number one) shows or suggest what could happen in the case of lacks performance and (number two) it provides a clear perspective of comments and results.

- **Historical comparisons** (normally months, quarters, or years) will allow SAI members to detect direction with time.
- **Directions** although they are important but they do not really indicate the clients satisfaction in the current performance and although there might be an improvement in the performance however it is not completely satisfactory, and it could be done with less time.

Comparison with other places: This provides information to evaluate the time frames of the performance of the entity compared to the time frame of the performance of other entities with similar activities such as companies in the private sector or government institutions or international establishments and this provides an excellent performance indicator

- It is mostly possible to conduct comparisons with the private sector companies involved in public or joint activities and many governmental services such as garbage collection, sewage, and water supply.
- Comparisons are also possible within a single unit within the departments or sections of a single unit.

Comparison with the actual time: This is normally done with hours, days, and could indicate the quality of the performance.

9.6.2.5 Step 5: Analysis method specifications and selection

There are many analysis matters that are suitable to measure time accuracy which should take into consideration that the required time frame to accomplish one of the deliverables, programs, service, activity, vary largely due to their nature.

The time cycle schedule is also considered a widely used method to analyze time accuracy since it specifies actual dates for the completion of work or the performance time frame within the decided increases. These increases could be units that have been completed in 3, 4,5 minutes or 15 days, 30 days etc. One or more of these used increases in the time cycled schedule are represented in the performance evaluation satisfaction.

The backlog analysis is also another method to measure the time accuracy. backlogs normally are the cause of insufficient human or other resources that are necessary to accomplish the work on time.

Work could start to backlog as a result of a single non-recurring event caused by an overload. It also could be caused by an amendment of a law or a halt or discontinuation of a program or the closure of an institution or a change in the economic environment.

The backlog analysis should analyze six points:

- 1) The size of the available working units.
- 2) Work units received within specified period (normally 1 year).
- 3) Work accomplished during that period.
- 4) The size of the work load at the end of the period.
- 5) Number of decree years used during that period.
- 6) Productivity rates during that period.

The analysis should be from the beginning of the backlog until the time of conducting the analysis and with this information the SAI members would be able to prepare other analysis to identify three important issues:

- The size of the backlog related to the time frame required to accomplish it while using the available resources taking into consideration the work load and productivity rate
- The backlog related to the employees
- The number of employees (and other resources) that should be added in order to complete the backlog within a time frame considering the future expected workloads.

The turnover rate is also a method used to identify the execution period of the work. Implementing this is more appropriate with repetitious work that takes months to accomplish or few days if the products are perishable. The

main uses of that method includes receivables, payables, material or stocks, and any other activity that the management attempts to accomplish within a certain time frame.

9.6.2.6 Step 6: Collection of required Data

The data required to prepare and develop time accuracy measures take into consideration (waiting period, response time, time consumed) or according to the analytical methods that will be used.

To measure current or appropriate time performance, SAI members need the data at the actual performance time.

As to the time cycle and the backlog and the turnover analysis, SAI members need the data on the time consumed to accomplish all the deliverables or some of them categorized according to a previously specified point in time.

There are three main methods of collecting data which take into consideration SAI member's remarks, review of the records, and client's queries. An effective way of getting client's data is through the use of questionnaires sent by post or conducted over the telephone (surveys).

Two options are available for SAI members when collecting data to prepare time and develop time accuracy measures; they could measure the time accuracy 1) for each unit of the deliverables. 2) or for a standards sample that represents the deliverable units.

The sample method is generally used due to its effectiveness and its ability to provide specific and reasonable responses.

SAI members will need this information to find evidence to prove their audit results and comments, yet the time available for the information collection might be limited due to the cost considerations. In some circumstances it might not be possible to go back at the right time to acquire data that is used in time accuracy measurements since the SAI member might be tied up with the current and future time frame.

9.6.2.7 Step 7 Measurements preparation

The SAI members have two options whereby they could use measures prepared by the entity without reviewing its' reliability. And they could as well prepare and develop their own measures. As was mentioned previously the preparation of time accuracy measurements are inexpensive and easy. After the collection of the information and the data according to the previous steps the SAI member would be ready to develop time accuracy measurements

9.6.2.8 Step 8 Specifications of the probably results

On the governmental level the performance results within the time frame or exceeding the time frame are always in the client's interests and never in the government's favor. The probably causes for the **time accuracy problems** stem from failure to deliver work on time due to a number of factors, this is the reason members of the SAI should examine four factors which are as follows:

The employees level of knowledge and skills, incentives, information flow schedules, employees levels.

The main cause of problems resulting from not accomplishing work within the time frame is the lack of human resources that is attributed to availability of the appropriate financial resources to hire new employees, or is due to the failure of management in coordinating workloads between available resources according to the varied work load since the work load seldom stable at a certain level.

Nothing reinforces or hinders performance within the accurate time like having incentives; therefore the intelligent SAI member will always view incentives when evaluating the causes of good or lacks performance. Also work procedures could either advance or hinder accomplishment in the specific time (time accuracy). For example the work process that has several steps made by different employees will usually increase the time required to accomplish a job. Also the presence of several regulatory tools and audit levels will increase the processing time. Knowing the employees knowledge and skills would affect the time accuracy since more experienced employees

accomplish work within the time frame and the more the work is complicated the more there is a need for skilled and knowledgeable employees in order to accomplish work within the specified time period.

9.7 Quality control measures

9.7.1 Definition

Reporting and evaluating quality should be the main target of the SAI performance audit and in order to conduct the necessary evaluation it is important to know the measurements method to do that.

Quality is associated with specific concepts such as the absence of errors and defaults and the accurate delivery of deliverables.

In the public sector laws and regulations might request certain requirements. The management could also set its' own requirements. In the final analysis quality is judged by the public. Therefore the general definition of quality is the compliance with the requirements that reflect the needs and wants of the public.

In the government sector quality is represented slogans such as default free, or total quality management, or error free, or zero tolerance to low quality.

Better quality does not necessarily mean a higher cost and it does not contradict with cost control. In recent years it has been known that low quality are costlier since they will cost any entity a loss derived from what is called quality cost. The cost of quality has three dimensions: Prevention, discovery, correction.

For example if quality is controlled effectiveness will automatically be high and controlled as well.

In general the quality measures is considered to be relatively expensive to the SAI members, due to the time consuming requirements of discovering deviation and errors. Therefore, the use of developed measures within an entity or clients concern over quality is considered the best options for the SAI member. Sampling method can also be used effectively and therefore save time and resources of the audit.

SAI members will focus on two criteria of quality outputs: quality of product and service. Product quality means the quality of products in the private sector, while service quality includes: (1) behavior of employees when dealing with the public, which may include enthusiasm, effectiveness, respect, sympathy, and the ability to communicate and solve problems, (2) the utilities used to provide the service, which should be clean, accessible, safe and comfortable.

Compatibility and consistency measures are considered important for the analysis of the differences in quality, but they are not considered to be one of the quality dimensions. If aesthetics are considered as a dimension of quality, it could be measured with the its deliverable's voice, taste, smell, and texture. Aesthetics apply to material deliverables as well.

Durability is often referred to when describing quality, it is important to make durability as a main indicator of quality.

There are three ways to determine the level of quality:

- Comparison with what was expected (targeted quality)
- Comparisons with what happened in the past (quality follow-up records)
- Comparison with what is happening in other places (quality indicators)

Each of these methods has its own merits, yet the comparison of the performance with the client expectations might be the most clear standard and indicator on the performance satisfaction. Comparing the performance with the performance of international performance or the best practice provide the best possible performance indicator.

When SAI members detect quality problems, they often attempt to evaluate the effects of those problems. One of the methods of accomplishing this is the quality cost measure and precisely the cost of rectifying the defaults.

Quality problems could be caused by one of the following reasons:

- Incentives, which are considered a main factor in quality.
- Management failure in coordinating its human resources skills with the complexity of the work is one of the main reasons of poor quality
- Other reason might be the management's focus on time accuracy, cost control, and procedures, more than its concentration on quality, as well as failing to measure the cost of quality.
- Complex requirements related to the product or service might distract employees and thus lead to mistakes.
- employees who possess appropriate knowledge, skills, and incentives in addition to organized processes contribute in improvement in quality.
- Motivated employees in the level of their participation and respect and effectiveness play a pivotal role in increasing the quality levels.

Quality measures encompass many areas that are controllable. In other words, government entities are evaluated based on the appropriate quality of the activities of that entity, which should be efficient, economic, effective, and on time.

When preparing measures, SAI members must specify what could be considered as a default. It might be important to differentiate between the different types of defaults based on their impact.

After reporting of what I considered to be a default, the next step is to get data related to the number of defaults.

9.7.2 Quality measures steps

During audits that require the presence of quality measures, SAI members have two options in acquiring these measures, they could use measures prepared by the entity which they should verify its accuracy, or they could also develop their own measures through a general questionnaire or through the use of current or original quality measure data.

A seven steps procedure for developing and preparing measures (they do not have to be in order).

9.7.2.1 Step 1: Identifying Deliverables

Quality is considered in every result. The first step in measuring quality is evident in specifying deliverables, programs, results, activities to be audited in selecting the results that should be measured 1) The deliverables could be sample resources for internal use, 2) products and services supplied and paid for through vendors, 3) products and services supplied by support internal beneficiaries, 4) products and services offered to external clients, 5) fines or collected fees. In general each deliverable selected needs a different quality measure.

9.7.2.2 Step 2: Identifications and selection of quality dimensions

There are two of quality that should be focused on: 1) The quality of the deliverables 2) The quality of clients interaction with the entities delivering those deliverables.

9.7.2.3 Step 3: Identification and selection of the measurement unit

This involves the selection of what type of a quality measurement unit to be used. In cases where the compliance with specifications is a dimension of quality the SAI needs to identify the requirements to use them as a reference measure. Requirements might be in the form of laws, directives, policies, instructions, and management goals. SAI members must specify what could be considered as a deviation or a default; and this becomes the unit to use to account for defaults and deviations.

Different defaults could be made, therefore the SAI member should decide and specify the defaults that could be accounted for according to its' nature and impact. The service quality measure is provided through clients evaluations and this is accomplished through surveys or through complaints forms.

9.7.2.4 Step 4: Identifying and selecting of the comparison standard

Following are some of the common comparison methods that the SAI members could use to evaluate quality adequacy:

- **Periodic directional comparisons:** Accounting for quality directions is considered somewhat like accounting for directions and time accuracy. The method stipulates choosing standard periods such as months, quarters (seasons) years, and monitoring quality rates to identify whether there is a progress or regress in quality standards
- **Comparisons with goals:** It is expected that management will set goals or performance standards to achieve high quality standards for the products or services. Those goals could be the minimum acceptable defaults and could also be other goals related to quality factors
- **Comparisons between units:** This is a good quality control tool. The performance of units involved in delivering the same programs (retirement funds, social security funds...etc.) could be compared. Partial comparable units are effective in providing SAI members with a good starting point to analyze performance and not making a final decision related to performance.
- **Industry standards comparisons:** Those standards could be applicable to the measurement of government activities as well. Other organizations or government entities might have similar agreed upon standards and this could be useful when dealing with specific government activities
- **External indicators and standards:** Indicators are looked upon usually as external comparisons with international grade corporations. The indicator term is used in two ways: 1) Searching for the best practice in the segment that leads to the highest performance levels or 2) The performance level that was accomplished by the leader of the segment and in this case the indicator is considered as a general target that has to be accomplished through a certain time frame.
- **Clients expectations:** Comparisons made with clients expectations (wants and needs) form the best indicators of performance satisfaction. Clients satisfaction is widely looked as the prime performance requirement and a long term indicator since the final goal of the government or private sector in providing goods and services is to satisfy client's needs and wants. According to this standard if the client are not satisfied with the deliverables quality then the quality is considered to be unsatisfactory regardless of the opinion of the entity whether its legislative, executive, or SAI members.

9.7.2.5 Step 5: The collection of the necessary data

Data should be available on the requirements and the actual performance related to those requirements. The methods used for getting the quality measures differ according to the type of goods or services and the quality level required. For some services data could be attained through a review of records, for the others data should be attained through the observations of quality. SAI members could make the marks, however training is usually required. For some services it could be important to use public questionnaires to know their opinion on quality.

Therefore the main methods used for data collection is as follows:

- Examinations, observations, and remarks.
- Clients surveys.
- Review of preliminary data from records.
- The use of quality standards provided by the entity.

Regardless of the method used, data collection through sampling is a standard procedure since collecting data

from a total population is very costly.

9.7.2.6 Step 6: The preparations of measures

This measure is considered to be relatively direct and simple, there are many questions that could be asked:

- Will the quality be measured during the operation, through the operation, or after the operation?
- Will you measure the defaults as a percentage or as a count of errors.

Based on the above questions of quality measures are then selected.

9.7.2.7 Step 7: Identification of probable effects

The next mission is to compare the performance that was measured with the selected standards in order to evaluate the performance suitability. This comparison will verify whether the performance exceeds the standards, meets the standards, or is below the standard. Regardless of the results the SAI members will have the necessary notes to base their report on.

If the performance measure is weak in one area or more the next step should be in identifying the effect or the results. And if the results are insignificant then there is no need to continue the recommendations for development.

Usually the low quality results and effects are mutually contradictory between the clients and the government. Since if somebody benefits the other loses.

The cost of low quality results: One of the important low quality results evaluation measurement in government (the cost of quality). This measurement measures the financial effects of discovering defaults of preventing or discovering mistakes and the double work and the time waste of correcting the defaults until the delivery of the goods or services to the external clients. Double work could be very costly. And in the age of information technology correcting mistakes is mostly more expensive than starting the whole operation from zero.

Probable causes of quality problems: Weak quality stems from a number of factors, however one of the most important factors is the laws and regulation that specify complex requirements, lack of incentives, work procedures, lack of skills, and knowledge of the human resources, and lack of interest to attain quality by the management. Quality is highly effected by the presence of lack of incentives. Therefore the member of SAI should always look into incentives whenever evaluating quality. Incentives takes various forms. Management could also contribute to low quality by focusing on time frames costs while ignoring quality standards.

Work procedures could lead to low or high quality. Efficient work procedures produce high quality deliverables. The employees level of knowledge and skills contribute to attaining a high quality standard regardless whether the work required is complex or simple. Training is crucial to maintain high quality standards.

The clients perception of good quality in services is based on the behavior of the employee delivering the service. The more the employees are skilled in communication and in responding to clients in a polite and responsive manner the higher the quality of the standard becomes. This attitude by employees is caused by the presence of an incentive that gives them the courage and the empowerment to solve problems and make decisions.

9.8 Program Performance Audit

9.8.1 Introduction

This section is an extension of the concepts stated in other parts of this manual in relation to economy, efficiency, effectiveness, timeliness, and quality of performance, as well as the selection and planning of audits. The various components of this section of the manual are represented in the nature of the audited entity being a temporary government program, as opposed to a governmental entity that is more permanent in nature.

Performance audit concepts are an extension of the basic principles included in the audit standards and methodology manual of SAI.

Evaluating program performance is considered an essential component of SAI's performance audits.

Validation of a program performance by SAI is based on a generic set of program objectives and its related functions. They are as follows:

- Vision and Direction
- Planning and Execution
- Measuring and Monitoring
- Business Acceptance

Such objectives and their related functions will represent the framework upon which SAI program performance audits will be conducted to evaluate a particular government program. They are explained in detail in four sections starting from section 9.8.2 to section 9.8.5.

Each function under each program objective will discuss the various risk areas related to each program function, potential impacts, tools, and auditing procedures that SAI performance audits will have to test during the course of program performance audits.

A program audit in SAI will attempt to measure the extent to which a program is achieving its intended purpose and its positive or negative impact on public interest as a result.

If the audited entity has conducted an evaluation of its own program internally or through an external entity (i.e. in the context of independent oversight other than SAI audits), SAI's audit task could then be limited to validating the reliability of that evaluation.

If the audited entity has not performed any evaluation of its own program internally or externally, then SAI's performance auditors should conduct their own evaluation and render audit findings based on that.

The result of a performance audit could provide information for raising recommendations to government programs to pursue one of the following actions:

- Continue with a program with no changes;
- Expand a program to add to its current activity levels;
- Modify a program to reflect partial corrective measures;
- Reduce in a program activity to reflect partial corrective measures;
- Eliminate and halt a program entirely;
- A combination of the above.

SAI program performance audits will review the policies set behind a particular program to ensure that it is in line with the strategies and objectives of the government.

SAI program performance audits will also review compliance with laws and regulations by government programs as long as the latter relates to the appropriate performance of a particular government program. As a result, program management or the sponsoring government entity will be able to determine if the laws, contract provisions, rules and regulations are being followed, whether they have achieved the desired results, and, if not, what revisions are necessary to amend a particular program activity.

When covering program compliance, program audits will also cover compliance with the planned purpose of the program, the manner in which it is to be conducted and services delivered, and the population it intends to serve within the Sultanate of Oman.

SAI program performance audits will issue reports on the economy (availability of resources) and efficiency (ability to process and produce output) with which resources are acquired and used, and the effectiveness (whether results achieve intended objectives) with which objectives are met. SAI program performance audits will also issue reports on the timeliness and quality of program results.

Based on the latter, the following is a summary interpretation of possible audit objectives categorized under the following types of broad performance measures (noting that duplicate audit objectives exist under the different broad performance measures):

- Program economy measures could cover the following auditable aspects:
 - The extent to which an entity is acquiring its resources in the most cost conscious manner to be in line with program budgets;
 - The extent the program is performing a cost versus benefit analysis on acquired resources;
 - The extent to which a program aligns an acquisition process against a planned program achievement and the means by which such resources assist in its achievement;
 - Whether the audited program is following sound procurement practices;
 - Whether the audited program has established a valid and reliable set of performance measures for economy;
 - Whether the audited program has established a valid, reliable and accurate source of financial and operational information planned to grasp economy related performance measures;
 - The level of risk mitigation and degree of internal control on program economy.
- Program efficiency measures could cover the following auditable aspects:
 - The extent to which an entity is protecting and using its resources in the most productive manner to achieve a program output leading to achieving a program objective;
 - The extent to which program functions and processes have achieved measurable outputs in the form of goods, services, revenues, regulations, or a combination of systems;
 - The extent to which layers of control are assisting and not inhibiting the level of daily program efficiency;
 - The extent to which specialist and outsourced services are being utilized when internal program resources are insufficient;
 - The extent to which program processes and technology are utilized to streamline daily operations;
 - The extent to which a program is developing its own staff to enable better productivity by instilling training, comfortable working conditions, compensation, and performance evaluation;
 - Whether the audited program has established a valid and reliable set of performance measures for efficiency;
 - Whether the audited program has established a valid, reliable and accurate source of financial and operational information planned to grasp efficiency related performance measures;
 - The level of risk mitigation and degree of internal control on program efficiency.
- Program effectiveness measures could cover the following auditable aspects:
 - The extent to which an entity is achieving output leading to achieving a program objective and goal;

- The extent to which an achieved program objective and goal is achieving a legislative, regulatory, or organizational high level governmental strategy;
 - The relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness;
 - Whether a program produced intended results or produced effects that were not intended by the program's objectives;
 - the extent to which a program duplicates, overlaps, or conflicts with other related programs;
 - Whether the audited program has performed an impact assessment of the results achieved;
 - Whether the audited program has performed a client satisfaction measurement exercise;
 - Whether the audited program has established a valid and reliable set of performance measures for effectiveness;
 - Whether the audited program has established a valid, reliable and accurate source of financial and operational information planned to grasp effectiveness related performance measures;
 - The level of risk mitigation and degree of internal control on program effectiveness.
- Program timeliness measures could cover a combination of the above auditable aspects. In other words, programs will also be evaluated based on the adequate time to be efficient, economic, and effective.
 - Program quality measures could cover a combination of the above auditable aspects. In other words, programs will also be evaluated based on adequate quality being instilled in all phases of a program that should be efficient, economic, and effective.

An expanded and detailed version of the above audit objectives is included in the following four sections starting from section 9.8.2 to section 9.8.5, covering all aspects of a successful program, and consequently what performance auditors of SAI will be focusing on in auditing a government program – or projects within.

SAI program performance audits will report on program performance to be compared against objective standards or an assessment of best practices of auditing.

SAI program performance audits will report on program performance based on the concept of accountability for using public resources to achieve program objectives. The council of Ministers, government officials, and the public will utilize such information to know whether government programs are performing efficiently, effectively, economically, and in compliance with applicable local laws, rules, and regulations. As such, government program managers are accountable to legislative bodies and the public for their activities and related program results.

SAI program performance audits will test whether systems of internal control are adequate in running program operations. In doing so, program performance audits will be an extension of the traditional regulatory audits performed by SAI as well as the recommended performance and financial audits. Focus from this perspective will be on the following main audit objectives:

- Program missions, goals, and objectives are achieved economically, effectively and efficiently through the development of adequate plans, methods, and procedures;
- Program management is accountable and maintains adequate control over program processes and procedures related to planning, organizing, directing, and controlling program operations;
- Program resources are acquired in compliance with laws, regulations, or other requirements such as the budgetary laws;
- Program resources are safeguarded against unauthorized acquisition, use, or disposal;
- Program management information and reports that are produced and publicly distributed, are adequate, complete, accurate, and consistent to support performance and decision making;
- Program security over computerized information systems will prevent or timely detect unauthorized access; and
- Program contingency planning for program information systems provides essential back-up to prevent unwarranted disruption of activities and functions the systems support.

SAI program performance audits will follow a vertical and horizontal coverage model, whereby individual isolated programs run by an individual governmental entity will be covered; other programs that are being applied by more than one governmental entity will also be covered as well. Both models of program coverage will be considered being part of the overall risk assessment process and the resulting performance audit planning process. Furthermore, SAI program performance audits will audit individual projects comprising a program whenever a program is delivered through various projects serving the same program.

SAI program performance unit will base its work on responsibility principles and assisting in the existing audit process.

- For program performance audits related to **responsibility** concept, SAI members will issue a report on program performance and deliver the report to entity that is responsible for supervising the program.
- For performance audits related **assistance** concept, SAI members will issue reports on a certain program to assist the managers of the program to support program performance success factors.

SAI program performance unit may render raising an opinion on policy alternatives following a detailed analysis, evaluation and research of program deficiencies, program risks and risk mitigation efforts, and program achievements.

SAI program performance unit will cover the extent to which a program is adequately reporting to the public its achievements and results of progress in a transparent, accurate, and objective manner.

SAI program performance audits will ensure that program selection, progress, and end results are in line with the public interest and strategy of the Sultanate of Oman as a whole. For that purpose the cause and effect measures of a program should be considered. They are defined as follows:

- When SAI auditors' objectives include estimating the extent to which a program has caused changes in physical, social, or economic conditions, "effect" is the measure of the impact achieved by the program being audited. As such, effect is the extent to which positive or negative changes in actual physical, social, or economic conditions can be identified and attributed to program operations.
- When SAI auditors' objectives include estimating the program's effect on changes in physical, social, or economic conditions, auditors seek evidence of the extent to which the program itself is the "cause" of those changes.

9.8.2 Vision and Direction

9.8.2.1 Business Case Development

Risk Area:

Poor strategic alignment and business case in a program.

Impact:

- Support for the program reduces or is withdrawn.
- Wasted resources.
- Poor return on investment or weak justification for program costs versus benefits.

Detailed Control or Process Procedures:

- SAI performance audit team will ensure that the program reflects a clear business case that demonstrates a clear link to organizational strategy. Auditors should make sure that specific strategic objectives are referenced within the program.
- Auditors should examine that financial and qualitative benefits are clearly documented.
- There should be an investigation to check if a “future vision” statement exists and whether it is relatively easy to communicate. Furthermore, the auditors should examine if the vision is appealing to clients, stakeholders, and users of the results of a program.
- A description of the mechanism for measuring benefits used should be evaluated.
- Auditors should assess whether cost and benefit analyses and calculations have been independently checked or reviewed by an independent oversight body.
- Documented evidence should exist to indicate that more than one cost versus benefit option has been considered.
- The auditing team should find evidence that external insights supporting the case for change have been incorporated.
- A confirmation that key risks to success of a project are documented and established including their potential impacts and proposed mitigations.
- The audit process should evidence that a clear understanding of people skills required to deliver the program result and subsequent impact of training, recruitment or redeployment are/were taken into consideration.
- Auditors should review whether key stakeholders are/were consulted and engaged during the program.
- It should be ensured that resources (i.e. funds, human capital, equipment, material, facilities, information, energy, technology, and/or land) to support the program are available.
- The audit process should find clear support that business cases are approved (and subsequently resources are made available) by management before the program is initiated.

9.8.2.2 Sponsorship

Risk Area:

Inadequate or ineffective sponsorship by program sponsors.

Impact:

- Program team not motivated.
- Rejection of change.

Detailed Control or Process Procedures:

- The auditing team should evaluate whether a program sponsor has relevant skills for the technical area of the program.
- The auditing team should evaluate whether a program sponsor has experience in delivering/directing major programs.
- The team should make sure that a program sponsor possesses the adequate authority and seniority to make key decisions and challenges the direction of the project.
- For sector wide or government wide programs, the auditing process should ensure that the sector or government related leaders are engaged and provide leadership and assistance to each other.
- The auditors must find evidence of segregation of duties of a 'program sponsor' and a 'program director' or 'manager'.
- The program sponsor must own the 'business case' and his duties must include the responsibility for delivering documented benefits.
- The program director or manager is the executive entity responsible for achieving the business case of a program sponsor.

9.8.3 Planning & Execution

9.8.3.1 Governance

Risk Area:

Program organization, development process and governance framework is unclear.

Impact:

- Executive management has limited confidence in program status and delivery.
- Inconsistencies of approach and information result in poor strategic decisions.

Detailed Control or Process Procedures:

- The auditors must investigate as to whether a Program Management methodology is documented and applied.
- They should ensure that a dedicated Program roles and responsibilities are defined.
- The existence of a Steering Committee or guiding coalition should be evidenced and should contain senior line management representatives from organizational units that would be impacted by the change.
- The auditing team should examine that a Steering Committee 'terms of reference' are documented.
- The auditing team should review whether gateway or lifecycle management processes operate, and that they define key phase requirements and Sponsor review points.
- The auditing team should ensure that delegations of authority are documented, communicated and understood.
- The auditing team should ensure that program reporting lines are clearly defined.
- Terms of reference formal document should exist for all work streams. Auditors should evidence its presence.
- The auditors should inspect whether a governance framework is defined in a Program Charter.
- The auditors should inspect whether a Program Charter is signed off by key stakeholders.

- The auditors should verify whether independent assurance functions are established to provide reports to a steering committee, and that the scope of reports includes an assessment of the risk and control environments and effectiveness of process operations.

9.8.3.2 Resource Management

Risk Area:

Inadequate resources to deliver the program (number, skills, commitment...etc.).

Impact:

- Program fails to meet cost, time and quality targets.
- Key mistakes undermine program.

Detailed Control or Process Procedures:

The auditing team should:

- Ensure that resource needs are regularly analyzed (skills & numbers), as well as documented and actions are taken.
- Evidence should be established that full-time resources occupy key program positions (i.e. Program Director, Program Sponsor...etc.).
- Auditors should ensure that experts (specialists) are used to supplement core program resources whenever core resources fail to provide the appropriate level of technical advice.
- Auditors should assess whether training and development needs of program staff are formally considered.
- Auditors should make sure that program staff incentives are linked to program success.

9.8.3.3 Risk Management

Risk Area:

Risk Management is not embedded into key program activities.

Impact:

- Risk management becomes a bolt on activity.
- Risks not identified or managed properly.
- Program success is potentially at risk.

Detailed Control or Process Procedures:

- Evaluate whether a risk management process identifies, assesses, manages, monitors and reports key risks.
- Ensure that risks are directly linked to program objectives.
- Assess whether risks (or related mitigation actions) are owned by a single person.
- It should be ensured that risk management strategies or control activities become program tasks and are embedded in relevant program plans.
- Evidence that risks are considered at appropriate program meetings should be found.
- Evidence that key decisions consider risks and their impact on program objectives.

9.8.3.4 Dependency Management

Risk Area:

Interdependencies between programs/work streams, other change programs or business as usual activities are not understood or owned.

Impact:

- Key impacts prevent achievement of planned milestones or business benefits.

Detailed Control or Process Procedures:

- The auditing team should evaluate whether a critical path analysis is used.
- The auditing team should find evidence that interdependencies are mapped, understood, communicated and owned.

9.8.3.5 Program Planning

Risk Area:

Inaccurate and inadequate program planning.

Impact:

- Program delivered late.
- Poor quality outputs.
- Higher costs.

Detailed Control or Process Procedure:

The auditing team should:

- Find evidence that program planning is well defined and documented.
- Ensure that cost, effort and time estimates are completed.
- Inspect whether detailed work stream plans and overview program plan exist.
- Review whether milestones are identified and documented.
- Confirm that independent or functional specialists review estimates.
- Validate that program deliverables are defined and agreed with key stakeholders.
- Acknowledge that acceptance criteria for program deliverables are defined and agreed.
- Find evidence that scenario or sensitivity analysis is considered.
- Find evidence that contingencies are incorporated into plans.

9.8.3.6 Program Issues Management

Risk Area:

Program issues are not identified and managed effectively.

Impact:

- Progress is impacted.

Detailed Control or Process Procedures:

- Auditors should find evidence that issue registers exist.
- Auditors should find evidence that escalation protocols are applied.

9.8.3.7 Knowledge Management

Risk Area:

Key program knowledge is lost or not utilized.

Impact:

- Opportunities for increased efficiency could be missed.

- Limited understanding of complex areas prevents progress.

Detailed Control or Process Procedures:

- The auditing process should evidence that best practices and key learning from successful programs or work streams are leveraged across the program.
- It should be assessed whether 'lessons learnt workshops' are initiated after key successes or failures.
- Investigation into whether knowledge databases of program best practices exist should occur during the auditing engagement.
- It should be ensured that staff discharge procedures operate to capture knowledge of departing team members.
- It should be checked whether new employees have access to necessary knowledge material required in a program.

9.8.3.8 Changes Control

Risk Area:

Program changes are not controlled or tracked.

Impact:

- Management unable to assess progress.

Detailed Control or Process Procedures:

The auditing team should:

- Ensure that a Program Baseline exists.
- Investigate whether impact of changes on cost, benefits, risks and dependencies are analyzed and documented prior to acceptance.
- Assess whether authority for change approval levels are adequately defined.
- Check that changes are reviewed and/or approved by the appropriate body and level of authority.
- Verify that a change log exists and that it documents a record of key program changes.
- Evaluate whether a process exists to publish and report key changes.

9.8.3.9 Financial Management

Risk Area:

Ineffective financial management and control.

Impact:

- Higher than anticipated or planned costs.
- Inaccurate financial data.

Detailed Control or Process Procedures:

- Auditors should check if a single source of data for cost figures is used.
- Auditors should check if a program budget exists.
- Auditors should examine whether costs are monitored on a periodic basis.
- Auditors should ensure that reconciliation of bottom up estimates and top down budgets is automatic.
- It should be evident that a return on investment or a cost versus benefit analysis as well as a cash flow analysis are being performed.
- It should be evident that variances are tracked and explained.
- It should be ensured that costs are reconciled to ledgers.
- Auditors should assess whether Program financial control procedures for program accounting are adhered to.
- Auditors should confirm that Program Finance conducts monthly or quarterly financial performance reviews.
- Auditors should investigate whether forecast data is produced, and that such data is based on established criteria.

9.8.3.10 Suppliers Management

Risk Area:

Failure to manage third parties effectively.

Impact:

- Higher contractor/ supplier costs.
- Required outputs are not delivered.

Detailed Control or Process Procedures:

The auditing team should:

- Find contractual documentation signed and available in program files.
- Ensure that legal function review documentation pre-sign off is adhered to.
- Check to see if competitive tenders were sought.
- Verify that delegations of authority guidelines were followed for contract sign off.
- Make sure that contract demonstrates clear alignment of third party and program objectives.
- Investigate whether contract includes appropriate incentives linked to supplier performance.
- Confirm that risks owned and managed by respective parties are clearly documented in contractual documentation.
- Assess whether a process exists to monitor third party performance against contractual requirements.

9.8.3.11 Quality Management

Risk Area:

Poor or ineffective quality management.

Impact:

- Quality of program products prevents achievement of program objectives.

Detailed Control or Process Procedures:

- The engagement process should evidence that program quality management procedures exist and are consistently and timely applied.
- Auditors should ensure that a Quality Management program methodology exists based on recognized standards.
- A formal sign off process should exist for key program products/ deliverables.
- The team should verify that Quality Management activities are embedded in the program work streams and plans.

9.8.3.12 Program Systems

Risk Area:

Lack of adequate IT infrastructure to minimize risk and increase efficiency of Program Management operations.

Impact:

- Time and quality inefficiencies.
- Increased risk of human error and mistakes.

Detailed Control or Process Procedures:

The auditing team should:

- Check if program systems co-ordinate resources, timescales and scope across program team members.
- Assess whether program systems support the sharing of skills and knowledge across the program.
- Ensure that program systems track and manage issues, risks, delivery of benefits and alignment to program objectives.
- Provide executive management with a dashboard view and supporting information on program progress.

9.8.4 Measuring and Monitoring

9.8.4.1 Benefits Management

Risk Area:

Program fails to measure and realize benefits.

Impact:

- No visibility of improved performance.
- Program executives are unable to make program decisions (extension, close out, re-scope...etc.) without this data.

Detailed Control or Process Procedures:

- Auditors should review that ownership of benefits is documented.
- The structure of benefits management process should be verified to assess whether it includes 'Identify and define', 'plan and structure', 'realize and track', 'review and evaluate'.
- The auditing team should ensure that benefits are benchmarked externally to validate results.
- The auditing team should ensure that benefits are defined in relation to business performance.
- The auditing process should confirm that the program as evaluated against benefits is tracked and reported.
- It should be confirmed that independent reviews are conducted to ensure that benefits are realized.
- Benefits reporting requirements should be well documented and followed.
- An evaluation of progress reports should confirm that they are being reviewed by the program office, independent of task owners.
- A review of reports should evidence that costs, progress/ forecast information, milestones and confidence levels in achieving outcomes are addressed.
- The engagement team should assess whether procedures exist and are operated to evaluate and confirm achievement of key milestones and primary objectives.

9.8.4.2 Program Reporting

Risk Area:

Inaccurate reporting.

Impact:

- Executives unable to make key program decisions.

Detailed Control or Process Procedures:

During the audit process, SAI members should ensure that:

- Reporting requirements are documented and followed.
- Progress reports are reviewed by a program office, independent of task owners.
- Reports address costs, progress, forecast information, milestones, and confidence levels in achieving outcomes.
- Procedures exist and are operated to evaluate and confirm achievement of key milestones and primary objectives.

9.8.5 Business Acceptance

9.8.5.1 Change Management

Risk Area:

Program users reject proposed changes before, during or after program implementation.

Impact:

- Program failure.

Detailed Control or Process Procedures:

- The audit team should verify that a change management strategy is established.
- It should be verified whether Senior Management is engaged in the entity to help drive and facilitate change. Executives' behavior is consistent with the vision.
- An investigation into whether business level champions are in place and have contributed to the design and development of the program. (i.e. local senior management representation, involvement, or presence is strong).
- Examine whether short term, tangible wins have been actively planned into the program.
- Auditors should inspect whether the impact of change resistance on the program plan and milestones is understood and managed.
- The process should validate that business level management (and employees where applicable) are incentivized to facilitate the business change (before, during and after implementation).
- A handover plan for transfer to normal operations should be documented by the team.
- The engagement team should ensure that successful completion is not declared until tangible, measurable, sustainable improvements are demonstrated.
- Training plans should be in place to equip the new operating model following successful completion of a program.

9.8.5.2 Communications

Risk Area:

Key stakeholders disengage from process.

Impact:

- Program failure.

Detailed Control or Process Procedures:

- The engagement process should find that a communication plan exists and is updated/executed.
- The audit team should ensure that all stakeholders are identified.
- The process should include an evaluation into whether the three transition steps of 'awareness', 'buy in' and 'ownership' are considered in stakeholder communication plans.
- It should be ensured that the consultation with key stakeholders is conducted before implementation.
- It should be ensured that feedback from stakeholders is sought during and after implementation.
- During the auditing process, the communications standards maintained by the program office should be reviewed.
- It should be ensured that the all communication is reviewed by the program office – on a pre-issue basis.
- The auditing team should review to ensure that a program has a communication plan.
- It should be documented that many different modes of communication are used to communicate the vision, such as management meetings, newsletters, emails...etc.
- A communication plan that includes targeted messages for different audiences should be reviewed and documented by the audit team during the audit process.