

16. Vietnam

Country Paper
on
Sub-theme 1

Performance Auditing: Concepts, Mandates,
Methodologies and Practices,
Reporting and Problems

Prepared by:
Vietnam State Audit

Performance Auditing : Concepts, Mandates, Methodologies and Practices, Reporting and Problems in Vietnam

(Vietnam paper for the Workshop preparing for the forthcoming ASOSAI Assembly and International Seminar 1997)

The State Audit of Vietnam (SAV, the Supreme Audit Institution of Vietnam) was established in July 1994 with a mandate to audit the financial reports of State entities, administrative entities, State-owned-enterprises, and people's associations and social organisations that use budget funds granted by the State. SAV came into operation in 1995, and at present, many of the foundations for SAV are still being constructed. For example, the organizational structure of SAV is being formed and improved, and documents such as an Audit Law, Auditing Standards, and Audit Procedures Manuals have yet to be written. We are developing these materials through our perceptions of the functions and experiences of SAs in other countries. This seminar is, accordingly, very important to SAV. We hope to be able to apply what we learn from this seminar to our ongoing exercise to develop our performance audit practice.

The audits conducted by SAV to date have mainly been financial and compliance audits. Some of our audits of government programs and projects have, however, employed some performance audit concepts, or been in the nature of efficiency or operational audits. Our theory and practice of performance audit are not much yet, but we present some ideas and opinions as follows:

1/ Definitions

We completely agree with definitions of INTOSAI Auditing Standard Committee on performance audit, such as:

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

- *Economy* is defined as: "Minimising the cost of resources used for an activity, having regard to appropriate quality". Economy is thus concerned with *spending less* while maintaining the expected quality.
- *Efficiency* is defined as: "The relationship between the output, in terms of goods, services or other results, and the resources used to produce them." Efficiency is thus concerned with *spending well*.
- Finally *Effectiveness* is defined as: "The extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity". Effectiveness is thus concerned with *spending wisely*.

2/ Mandate to Comment on Government Policy

To ensure public accountability, after completing the audit in general and the performance audit in particular, the SAV has a mandate to comment on government policies and to make recommendations to the Prime Minister to modify or improve policies. We understand that this feature of our mandate is not common among SAIs, many of which have audit acts that specifically prohibit the SAI from commenting on government policy.

3/ Performance Audit Subjects.

a- In this establishing period, the SAV still belongs to the Government. The SAV must submit its annual auditing plans and programs to the Prime Minister for approval, and the resultant audit reports are also submitted to Prime Minister. Audit reports are also submitted to the National Assembly standing committee when requested.

b- As far as performance audit is concerned in current developing period of Vietnam, the following subjects are given for selection priority by the SAV:

- The big programs and projects of Government, with a view to evaluating whether they have achieved the planned goals in technical economic study or not (specially the programs or projects on infrastructure, transportation, public health, and social welfare).
- Some important public administrative organizations to evaluate the efficiency of administrative reform being conducted in Vietnam.

The SAV criteria for selecting most appropriate audit subjects is as follows:

- The audit subjects characterize for differential operational fields in economy.
- Important role in the economy; large income and expenditures.
- No repeat or overlap with the studies conducted by the inspectorate or other control authorities in Vietnam.
- SAV should have the requisite numbers of auditors with appropriate skills to conduct the audit.

c- The SAV utilizes the following information sources to select the audit subjects.

- Financial and operational information from ministries and departments that supervise auditees.
- Information from authorities managing assets, capital, State budgets and from legal authorities.
- Public information resources
- Requests from Government or National Assembly
- The annual consolidated financial statements sent from the audited units by direct request of the SAV

d- Other issues that might be relevant to the audit subject , for example the time for an audit which is an important issue to be considered..

4/ Human Resource Planning

To achieve the maximum audit effects , the SAV should set up short term and long term audit plan and human resources management according to these directions:

- Making the long term audit plan (strategy plan focus on key areas that might be audited firstly) based on the short term audit plan.
- The Short term audit plan might make out audit plans of particular unit according to each ministry, department at each point of time. The auditee classification is in accordance with the audit task and based on the responsibility authorized by the Government in the next time. Pointing out the goal for how much percentages of units to be audited as compared with total auditing subjects.
- The relevant problems of particular audit are detailed.
- The necessary human resources are made out to achieve the audit effects in accordance with the proposed plan such as the necessary quantity, quality of auditors , stipulated professional and moral criteria by recruitment, specialized professional training , external expert hire, surveying the operation of auditees..

5/ Access to Documents and Information.

To implement audit task, the SAV is authorized to require the audit subjects to provide the financial statements and other relevant documents and information.

6/ Performance Audit Methodology

Performance audit subjects are diversified from the valuation of business project, technology procedure, new equipment for operation to the assessment of the large-scale, diversified, complicated project, program. In addition, it is difficult to evaluate objectively the efficiency and effectiveness of operational processes. Therefore it is hard to develop a model for this type of auditing.

Performance auditors require skills beyond financial accounting and auditing, in fields such as engineering, finance, economic, technic, science, and legal. The information data gathering, data analysis, efficiency measurement for operational valuation thus bear specific nature of each field and specialization. Deep understanding of specialized field should be available so that good findings and recommendations for improvement can be developed, based on comparisons to appropriate, concrete measurement units or audit criteria.

Auditing methods are the measures, means, models, and procedures that are used to gather the audit evidence necessary to support the audit report. The following key methods could be used to obtain performance audit evidence.

- Structured interviews (i.e. Questions developed in advance) with key personnel of auditee;
- Surveys - help to keep audit costs down in cases where auditee has many branches or district offices. Questions developed and sent to various offices for reply;
- Analysis (trends, ratios, processes and procedures);
- System tests (document/flowchart system, identify key controls, and test compliance);

- Inspection of documentation (invoices, reports, correspondence, memoranda, policies, minutes);
- Physical observation (direct inspection of the physical existence of an item or of a process or procedure being performed).

There are techniques used in the value for money audit.

- Inspection
- Inquiry/interview
- Observation
- Confirmation
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- Recomputation of Arithmetical calculations
- Analysis
- Modelling
- Sampling
- Validation

The following are common tools used in gathering audit evidence:

- Flowchart
- Questionnaire
- Summary sheet
- Camera

7/ Developing Professional Skills

In order to acquire and develop the necessary professional skills to carry out performance audits, SAV should recruit highly qualified and experienced staff from other ministries and departments; and train these staff on performance audit techniques. Through conducting trial or pilot performance audits, SAV shall accumulate, exchange and publicize the experiences of performance audit to auditors and make experimentalization for issuing performance auditing manual.

8/ Performance Audit Reports

The audit report is the final output of an audit. It presents the comments and opinions of auditors on financial statements (financial audit), regularity and compliance issues (compliance audit), and about the economy, efficiency and effectiveness of performance (performance audit) audited by them. To achieve objective, comprehensive and fair audit reports, the following should be observed:

- There should be no disagreements of facts. All factual disputes must be resolved before the audit is finalized.
- Audit observations should use quantified information wherever possible to demonstrate the relative importance of specific efficiency findings.
- Missed opportunities and potential benefits can be estimated in terms of dollars or full-time equivalents, percentage of operating costs or percentage of increase in productivity. In some cases, service indicators such as waiting time, customers served, or percentage of errors, are the most appropriate data to present.
- Findings should be put into perspective.

The content of the report will obviously depend on the scope and nature of the findings of each audit. Reports on performance audit normally should contain, as appropriate:

- an overall assessment of current levels of efficiency, effectiveness, economy;
- a brief description of the major causes of inefficient, ineffective, or uneconomic practices;
- an indication of what can be done (at a reasonable cost) to correct the controls, operational processes or other factors that are contributing to inefficiency, ineffectiveness, uneconomy; and
- an assessment of efforts to explore and exploit opportunities to reduce costs and improve efficiency, and the benefits achieved.

9/ Audit Report Submission/Publication

Audit reports, including performance audit reports, are periodically provided to the Government and other authorities by SAV upon government request. The annual audit report should be reported to National Assembly. Some typical cases of performance audit and audit results shall be publicized widely to the people.

10/ Follow Up

After a period of time provided in the performance audit report, the SAV follows up the action taken by the auditee to address the findings and recommendation of the completed performance audit.

The auditor implements matching the auditee financial statements, operational report at the time before auditing with its financial statements, operational report at following-up moment; and reviewing, comparing, assessing whether or not the auditee implements operational amendment and adjustment in accordance with findings from recommendations of auditing report so that the auditee's activity is more economic, efficient and effective.

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The concepts, mandates, methodologies and practices, reporting and other remaining problems of performance auditing in Vietnam are presented above by us. Although our experiences in this field to date have not been extensive, we perceive that the performance audit practice of SAV has an important role in the work of State administrative reform, and speeding up the state administration to operate more efficiently and effectively. We thank the SAI of Japan for hosting this workshop and providing the State Audit of Vietnam with this opportunity to learn both the theory and the practical experiences of other SAIs in the region with respect to performance auditing.

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17. Yemen

Country Paper
on
Sub-theme 1

Performance Auditing: Concepts, Mandates,
Methodologies and Practices,
Reporting and Problems

Prepared by:
Central Organization for Control & Auditing,
Republic of Yemen

6TH ASOSAI INTERNATIONAL SEMINAR 1997

TOPIC:

SUB-THEME 1 : PERFORMANCE AUDITING CONCEPTS, MANDATES,
METHODOLOGIES AND PRACTICES, REPORTING AND OTHER ISSUES/PROBLEMS

COUNTRY PAPER

PREPARED BY:

THE CENTRAL ORGANIZATION FOR CONTROL AND AUDITING (COCA)

THE SAI OF

THE REPUBLIC OF YEMEN

FORWARD:

THERE IS A GROWING AWARENESS OF THE IMPORTANCE OF THE ROLE OF THE SUPREME AUDIT INSTITUTIONS IN IMPROVING AND ENHANCING THE ACCOUNTABILITY PROCESS. SAIS NORMALLY USE PERFORMANCE AS WELL AS CLASSICAL AUDITS, IN ORDER TO ADEQUATELY SERVE THIS PROCESS.

IN THE RECENT YEARS, THE REPUBLIC OF YEMEN HAS BEEN CAMPAIGNING VERY HARD FOR A COMPREHENSIVE FINANCIAL AND ADMINISTRATIVE REFORMS. IN THIS PROGRAM, THE GOVERNMENT OF YEMEN PLACES A MAJOR EMPHASIS ON THE CENTRAL ORGANIZATION FOR CONTROL & AUDITING, (COCA), THE SAI OF THE REPUBLIC OF YEMEN TO MAKE SIGNIFICANT CONTRIBUTIONS TO THESE REFORMS. THESE CONTRIBUTIONS ARE IN THE FORM OF HIGH QUALITY AUDIT REPORTS, IDENTIFYING AREAS OF STRENGTHS AND WEAKNESSES AND WAYS AND MEANS OF IMPROVEMENTS.

THE GREATEST ASSISTANCE THAT AN SAI COULD CONTRIBUTE FOR ENHANCING AND PROMOTING ACCOUNTABILITY AND GOOD GOVERNANCE IN GENERAL AND TO THE MANAGEMENT OF THE ENTITY SUBJECT TO AUDIT IN PARTICULAR IS BY CONCENTRATING ON BEST PRACTICES.

COCA FEELS THAT THERE IS NO WAY BUT TO LIVE UP TO THE INCREASING PRESSURE OF ITS MANDATE AND EXPECTATIONS OF ITS CLIENTS.

SUB-THEME I: PERFORMANCE AUDITING

INTRODUCTION:

PERFORMANCE AUDITING HAS EVOLVED AS A RESULT OF GROWING PUBLIC AWARENESS IN ACCOUNTABILITY RELATIONSHIP. THE INCREASINGLY GROWING DEMAND FOR PUBLIC ACCOUNTABILITY OF CIVIL SERVANT AND BODIES MANAGING PUBLIC RESOURCES HAS BECOME VERY EVIDENT. THIS MEANS THAT THERE IS A GREATER NEED FOR ENSURING THAT THE ACCOUNTABILITY PROCESS IS HIGHLY EFFECTIVE AND IN ITS RIGHTFUL PLACE.

DEFICIENCIES IN THE ACCOUNTABILITY PROCESS WILL REQUIRE SOME KIND OF REFORMS AND INNOVATIONS TO STRENGTHEN IT. AS A RESULT, SAIs HAVE BECOME INCREASINGLY CONCERNED ABOUT THE NEED FOR INSURING VALUE FOR MONEY IN MANAGING PUBLIC RESOURCES. THIS WOULD INCLUDE SECURING PROPER MANDATE, SYSTEMS, CONTROLS, CHECKS AND BALANCES IN THE DISCHARGE OF FUNCTIONS IN PLANNING, PROGRAMMING, IMPLEMENTATION AND DELIVERY PROCESSES.

PERFORMANCE AUDITING HAS BEEN THE FOCUS OF THE INTOSAI, ASOSAI AND OTHER REGIONAL GROUPS. IT HAS BEEN DISCUSSED FROM DIFFERENT ASPECTS. FOR EXAMPLE, IN ITS LEMA DECLARATION OF 1977, INTOSAI ADOPTED THE CONCEPTS OF AUDIT WHICH IS CONCERNED WITH EVALUATION OF ECONOMY, EFFICIENCY AND EFFECTIVENESS OF PUBLIC SECTOR MANAGEMENT, NAMELY THE PERFORMANCE AUDIT IN ADDITION TO THE CLASSICAL (THE FINANCIAL AND COMPLIANCE) AUDIT. THE TWELVE INCOSAI HELD IN SYDNEY, AUSTRALIA, APRIL, 1986 CONSIDERED SEVERAL THEMES AMONG WHICH WAS PERFORMANCE AUDITING. THE PRINCIPAL OUTCOME OF THAT CONGRESS WAS THE GENERAL STATEMENT OF XII INCOSAI ON PERFORMANCE AUDITING, AUDIT OF PUBLIC ENTERPRISES, AND AUDIT QUALITY. IT SUMMARIZES THE ISSUES, CONCLUSIONS AND RECOMMENDATIONS RELATED THERETO.

FOR THE PERFORMANCE AUDITING, THE CONCLUSIONS REACHED WERE RELATED TO THE FOLLOWING POINTS:-

- * DEFINITIONS, LIMITATIONS AND OBJECTIVES OF PERFORMANCE AUDITING;
- * PERFORMANCE AUDIT TECHNIQUES AND REPORTING; AND
- * AUDITING HUMAN RESOURCES UTILIZATION.

ON THE OTHER HAND, ASOSAI HAS, ALSO, BEEN CONCERNED WITH THE ISSUE OF PERFORMANCE AUDITING IN A NUMBER OF ITS ASSEMBLIES AND INTERNATIONAL SEMINARS. FOR EXAMPLE, THE ASOSAI TOKYO DECLARATION OF GUIDELINES ON THE ROLE OF SAI IN PROMOTING PUBLIC ACCOUNTABILITY IN 1985 INTRODUCES PERFORMANCE AUDITING AS A MEANS OF ENHANCING ACCOUNTABILITY. IN THAT RESPECT, TWO PRIMARY GOALS OF PERFORMANCE AUDIT WERE IDENTIFIED; THEY ARE:- TO ENHANCE THE ACCOUNTABILITY OF EXECUTIVE AGENCIES AND TO IMPROVE THE QUALITY OF PUBLIC ADMINISTRATION. ALSO, A NUMBER OF SPECIFIC GUIDELINES WERE RECOMMENDED AS A BASIS FOR IMPROVING PUBLIC ACCOUNTABILITY.

STRUCTURE OF THIS PAPER:

THIS PAPER IS TRYING TO FOLLOW THE SAME FORMAT AS OF THE PRINCIPAL PAPER WITHOUT A NEED TO GO INTO THE SAME LEVEL OF DETAILS. AS A BACK GROUND, WE WILL HAVE TO TOUCH UPON THE LITERATURE OF THE SUBJECT MATTER WITH SOME EMPHASIS ON PRACTICES.

PART OF THE DISCUSSIONS WOULD BE FOCUSED ON WHAT IS RELEVANT TO COCA EXPERIENCE AND MANDATE. THIS WOULD INCLUDE OUTLINING THE STEPS THAT BOTH COCA AND NCA HAVE GONE THROUGH TO DEVELOP PILOT AUDITS IN PERFORMANCE AUDITING AS A WAY OF SHARING OUR EXPERIENCES IN THIS AREA AND AS A GOOD EXAMPLE OF A SUCCESSFUL BILATERAL COOPERATION BETWEEN TWO SISTER SAIs.

AND, REFER, WHERE IS PRACTICABLE, TO ANY AGREEMENTS OR DISAGREEMENT WITH THE PRINCIPAL PAPER IN ANY RELATED ISSUES.

III

CHAPTER I

THE CENTRAL ORGANIZATION FOR CONTROL AND AUDITING
(COCA)
REPUBLIC OF YEMEN

THE CENTRAL ORGANIZATION FOR CONTROL AND AUDITING (COCA)
IS THE SUPREME AUDIT INSTITUTION OF THE REPUBLIC OF YEMEN. BASED ON
COCA ACT OF 1992, ITS OBJECTIVES, MANDATE, RESPONSIBILITIES, ETC.
ARE AS OUTLINED BELOW:

1.1 OBJECTIVES

THE OBJECTIVES OF COCA COULD BE SUMMARIZED AS FOLLOWS:

- TO CARRY OUT EFFECTIVE CONTROL OVER PUBLIC FUNDS TO ENSURE SUFFICIENT MANAGEMENT WITH DUE REGARD TO ECONOMY, EFFICIENCY AND EFFECTIVENESS;
- TO CONTRIBUTE TO ENHANCE PERFORMANCE OF PUBLIC ENTITIES; AND
- TO CONTRIBUTE TO THE DEVELOPMENT OF AUDITING AND ACCOUNTING PROFESSION IN YEMEN.

IN OTHER WORDS, AS A SUPREME AUDIT INSTITUTION, COCA IS CONCERNED WITH THE OVERALL PUBLIC FINANCIAL MANAGEMENT IN YEMEN. ITS ULTIMATE MISSION IS THE ASSURANCE THAT ALL PUBLIC FUNDS AND EXPENDITURES ARE ADEQUATELY CONTROLLED, ACCOUNTED FOR, SAFEGUARDED AND USED WITH DUE REGARDS TO ECONOMY, EFFICIENCY AND EFFECTIVENESS.

1.2 TYPES OF AUDIT

COCA IS EMPOWERED TO CONDUCT, BUT NOT LIMITED TO, THE FOLLOWING TYPES OF AUDIT:

- COMPLIANCE/AUTHORITY AUDIT;
- ATTEST/FINANCIAL AUDIT;
- PERFORMANCE (VALUE-FOR-MONEY) AUDIT; AND
- ANY TYPE OF AUDIT REQUIRED BY HIGH AUTHORITY (PARLIAMENT, PRESIDENT OF THE REPUBLIC OF YEMEN, AND THE PRIME MINISTER).

1.3 REPORTING RESPONSIBILITIES

COCA IS REQUIRED TO ISSUE THREE LAYERS OF REPORTS:

- 1- AUDIT REPORTS ISSUED TO THE CONCERNED ENTITIES WITH COPIES TO THE PRIME MINISTER, PRESIDENTIAL OFFICE AND ANY RELATED PARTIES AS THE CASE MIGHT BE; AND
- 2- PERIODIC AND ANNUAL REPORTS TO BE SUBMITTED TO THE PRESIDENT OF THE REPUBLIC, PARLIAMENT, AND PRIME MINISTER.

1.4 ORGANIZATION

THE STRUCTURAL ORGANIZATION OF COCA IS COMPOSED OF THE FOLLOWING:

- PRESIDENT (THE AUDITOR GENERAL);
- VICE PRESIDENT;
- THREE DEPUTIES;
- SEVEN ASSISTANT DEPUTIES;
- FORTY SEVEN GENERAL DIRECTORS;
- SIXTEEN BRANCHES; AND
- 1300 STAFF MEMBERS (COMPRISED OF 356 SUPPORT STAFF; AND 944 PROFESSIONAL STAFF WORKING IN AUDIT OPERATIONS OF WHICH:
 - 300 ARE UNIVERSITY GRADUATES, WITH AN ACCOUNTING BACKGROUND,
 - 150 ARE UNIVERSITY GRADUATES, WITH A MULTI-DISCIPLINE BACKGROUND (ECONOMICS, LAW, ENGINEERING, ETC.), AND
 - 494 ARE AT THE UNDERGRADUATE LEVEL.

1.5 PERFORMANCE AUDIT MANDATE:

AS PREVIOUSLY INDICATED, COCA IS MANDATED BY LAW TO CONDUCT PERFORMANCE AUDITING AS WELL AS THE BASIC TYPES OF AUDITS - FINANCIAL AND COMPLIANCE AUDITING. ACCORDING TO ARTICLE NO. 8 OF ITS ACT NO 39 OF 1992, COCA IS REQUIRED TO CONDUCT PERFORMANCE AUDITING WITH DUE REGARD TO ECONOMY, EFFICIENCY AND EFFECTIVENESS. THE SCOPE OF THIS AUDIT COVERS A WHOLE RANGE OF AREAS, WITH SPECIAL EMPHASIS ON THE FOLLOWING:

- I. ECONOMIC AND SOCIAL DEVELOPMENT PROJECT PLANS;
- II. FINANCIAL/FISCAL AND ECONOMICAL PLANS ON THE NATIONAL, SECTORIAL AND ENTITY LEVELS;
- III. ANNUAL FINANCIAL/FISCAL AND ECONOMIC BUDGETS AND PROGRAMS, WITH PARTICULAR ATTENTION TO THE BUDGETS OF FOREIGN CURRENCIES, GOODS/COMMODITIES AND MANPOWER;
- IV. COSTING SYSTEMS AND COST AND PERFORMANCE STANDARDS;
- V. CURRENT FINANCIAL AND ADMINISTRATIVE STATUS IN ADDITION TO PRODUCTION PLANS AND POLICIES OF SALES AND PRICING;
- VI. FEASIBILITY STUDIES FOR DEVELOPMENT AND INVESTMENT PROJECTS SPECIALLY WITH REGARD TO THE POLICIES AND MEANS OF FINANCING AND THE ECONOMIC AND SOCIAL IMPACTS OF EXECUTION AND OPERATIONS OF THESE PROJECTS;
- VII. ACTUAL SAVINGS AND/OR OVERSPENDING COMPARE TO BUDGET ALLOCATIONS WITH DUE REGARD TO CAUSES AND EFFECTS;
- VIII. ACTUAL PROGRESS OF PERFORMANCE COMPARE TO THE PLANS AND THEIR OBJECTIVES;
- IX. UTILIZATION OF AVAILABLE RESOURCES (HUMAN, MATERIAL AND FINANCIAL) AND EFFICIENCY AND EFFECTIVENESS OF THE POLICIES, METHODOLOGIES, AND TECHNIQUES APPLIED THEREIN;

X. CONTRACTS AND AGREEMENTS:

**XI. FOREIGN AIDS/GRANTS AND LOANS AND THEIR UTILIZATION; AND
XII. IDENTIFY AREAS OF WEAKNESSES, OBSTACLES, BOTTLE-NECKS AND
DEVIATIONS ALONG WITH SUGGESTED SOLUTIONS AND RECOMMENDATIONS TO
OVERCOME THEM.**

1.6 COCA POWERS AND AUTHORITY TO CONDUCT PERFORMANCE AUDIT

IN ORDER TO FULFILL ITS MANDATE, COCA IS EMPOWERED TO STUDY, CHECK, EVALUATE, REVIEW, MONITOR, ETC. ALL PERFORMANCE RELATED ISSUES OF THE FUNCTIONS, ACTIVITIES AND PROGRAMS OF THE ENTITY SUBJECT TO AUDIT. COCA IS ALSO AUTHORIZED TO HAVE THE NECESSARY ACCESS TO VERIFY, CERTIFY, CONFIRM, ASCERTAIN AND ASSERT THAT THERE IS A REASONABLE ASSURANCE WHETHER OR NOT THE PRINCIPLE OF ECONOMY, EFFICIENCY AND EFFECTIVENESS IS APPLIED IN ACTUAL PRACTICE.

COCA IS FULLY AWARE OF THE IMPORTANCE OF ITS MANDATE AND RESPONSIBILITY IN PROMOTING AND ENHANCING THE ACCOUNTABILITY PROCESS. IT IS ALSO EQUALLY AWARE THAT UNDERTAKEN THIS RESPONSIBILITY IN AN EFFECTIVE MANNER WOULD LARGELY DEPEND ON FULLY DEVELOPED PERFORMANCE AUDIT APPROACH, METHODOLOGIES, TECHNIQUES, ADEQUATE ORGANIZATIONAL STRUCTURE AND SUFFICIENT NUMBER OF HIGHLY COMPETENT STAFF. TO OVERCOME THESE OBSTACLES, COCA HAS BEEN WORKING HARD TO BENEFIT FROM EXPERIENCES AND CURRENT PRACTICES OF OTHER ORGANIZATIONS. SO FAR, IT HAS MANAGED TO MAKE A CONSIDERABLE PROGRESS.

ON THE OTHER HAND, COCA REALIZES THAT EFFECTIVE PUBLIC ACCOUNTABILITY PROCESS RELIES ON THE ADEQUACY OF INFORMATION SYSTEMS AND CONTROLS. THESE SHOULD INCLUDE EVALUATION, REPORTING SYSTEMS (ACCOUNTING STANDARDS, MEASURABLE OBJECTIVES, PERFORMANCE TARGETS AND INDICATORS, INTERNAL CONTROL SYSTEMS, AND CODE OF ETHICS).

THEREFORE, COCA IS DETERMINED TO PERSISTENTLY AND PATIENTLY WORK VERY HARD TO CONTRIBUTE TO THE ENHANCEMENT AND PROMOTION OF THE ACCOUNTABILITY PROCESS. HOWEVER, COCA NEEDS TO DEVELOP ITS CAPABILITIES AND RESOURCES TO EFFECTIVELY UNDERTAKE PERFORMANCE/COMPREHENSIVE AUDITING, THEREBY FULFILLING ITS MANDATE AND ATTAINING ITS GOAL.

COCA EXPERIENCE IN PERFORMING AUDITING:

COCA LEGISLATIVE MANDATES WITH REGARD TO THE PERFORMANCE AUDITING IS PRESENTLY CARRIED OUT BY THE GENERAL DEPARTMENT OF AUDIT: NATIONAL DEVELOPMENT PLAN FOLLOW-UP AND PERFORMANCE EVALUATION. THIS DEPARTMENT REPORTS DIRECTLY TO THE PRESIDENT OF COCA (THE AUDITOR GENERAL). IT HAS TWELVE AUDITORS WITH A MULTI-DISCIPLINE BACKGROUND (ENGINEERING, ECONOMICS, ACCOUNTING AND AGRICULTURE).

ON AD HOC TYPE OF AUDIT, OTHER AUDIT TEAMS FROM OTHER COCA AUDIT OPERATIONS EXTEND THEIR CLASSICAL AUDIT TO PERFORMANCE AUDITING ONLY FOR SOME ISSUES PROJECTS, PROGRAMS AND ACTIVITIES WHENEVER IS REQUIRED.

IN CONDUCTING PERFORMANCE AUDIT, COCA STAFF USUALLY USE COCA LIMITED METHODOLOGIES: PERFORMANCE AUDIT INDICATORS AND THE COMPREHENSIVE MANUAL. OTHER THAN THAT THEY USE THEIR OWN EXPERIENCE AND OTHERS. THE OUTCOME OF THESE AUDITS MAINLY ENCOMPASS IDENTIFICATION OF INEFFICIENCIES AND WEAKNESSES WITH LIMITED HIGHLIGHT ON THE CAUSES OF THOSE DEFICIENCIES.

IN FACT, THOUGH IT IS PART OF ITS MANDATE, COCA HAS NOT BEEN ABLE TO FULLY DEVELOP ITS RESOURCES TO SYSTEMATICALLY AND CONTINUOUSLY CONDUCT THIS TYPE OF AUDIT. TO FULFILL THAT MANDATE COCA HAS BEEN TRYING VERY HARD TO DEVELOP ITS RESOURCES AND METHODOLOGIES, EITHER THROUGH THE GAINED EXPERIENCE FROM ITS OWN PRACTICE OR THROUGH THE DRAWN EXPERIENCE OF OTHER SAIs, VIA BILATERAL COOPERATION OR EXCHANGE OF EXPERIENCES IN PROFESSIONAL PRACTICES.

IN THE LAST TWO YEARS, COCA AND NETHERLANDS COURT OF AUDIT NCA HAVE BEEN ENGAGED IN A UNIQUE COOPERATION AIMING AT ENHANCING COCA CAPABILITIES BY WAY OF MODELING.

1.7 COCA-NCA COOPERATION

NETHERLANDS COURT OF AUDIT HAS GENEROUSLY AGREED TO COOPERATE WITH COCA TO DEVELOP AND ENHANCE ITS CAPABILITIES IN THE FIELD OF PERFORMANCE AUDITING IN ADDITION TO OTHER ACTIVITIES. THIS COOPERATION WAS IN THE FORM OF SUBCONTRACTING A NUMBER OF ACTIVITIES OF THE UNDP/NETHERLANDS/COCA DEVELOPMENT PROJECT - YEM/93/007.

THE AIM OF PROJECT YEM/ 93/ 007 IS TO HELP COCA TO MORE FULLY AND SUFFICIENTLY UTILIZE THE POTENTIAL IT HAS ACQUIRED BY DEVELOPING ITS MANAGEMENT CAPABILITIES. THE ORGANIZATION WILL BETTER BE ABLE TO CARRY OUT ITS LEGAL MANDATE APTLY AND FULLY.

THE TERMS OF REFERENCE OF THE PERFORMANCE AUDITING ACTIVITY ARE OUTLINED IN THE DESCRIPTION OF ACTIVITY BELOW:

DESCRIPTION OF ACTIVITY:

BASED ON THE ANNEX OF THE NCA CONTRACT (THE DETAILED WORK PLAN OF NOVEMBER 18, 1995), THE FOLLOWING DESCRIPTION OF ACTIVITY 4.1.4 "SET UP AND TRAINING OF PERFORMANCE AUDIT TEAM" IS OUTLINED:

- SELECTION OF TEAM MEMBERS;
- SELECTION OF A SUBJECT AREA FOR PERFORMANCE AUDIT TAKING INTO CONSIDERATION COCA MANDATE AND THE TIME AVAILABLE;
- DEFINITION OF A METHODOLOGY TO USED INCLUDING THE APPROPRIATE

AUDIT STEPS. THIS TO BE DONE IN INTERACTION BETWEEN COCA AND NCA STAFF, AND WITH REFERENCE TO ALREADY DEVELOPED METHODOLOGY APPLIED BY NCA, COCA AND ANY OTHER LEADING INSTITUTIONS IN THIS FIELD;

- ACTUALLY PERFORM THE AUDIT STEPS TO GET AUDIT EVIDENCE, SUBSTANTIVE AUDIT; AND
- EVALUATION OF RESULTS AND FINAL REPORT.

IN ORDER TO IMPLEMENT THIS PROGRAM COCA AND NCA HAVE ASSIGNED SOME STAFF MEMBERS TO MAKE ONE TEAM (ONE FROM NCA AND SEVEN FROM COCA). SO FAR THIS HAS BEEN WORKING ON THIS ASSIGNMENT FOR THE LAST ONE YEAR AND A HALF AND ACCOMPLISHED THE FOLLOWING:

- TRAINING OF PERFORMANCE AUDIT TEAM IN PREPARING STRATEGIC PLANS AND AUDIT PROCESS,
- DISCUSSION OF COCA STRATEGIC PLAN OF PERFORMANCE AUDITING,
- PRACTICAL SUGGESTIONS, DERIVED FROM NCA EXPERIENCE, WERE MADE TO ADDRESSES ENCOUNTERED PROBLEMS OR ISSUES,
- SELECTION OF SUBJECT AREA FOR PILOT AUDIT BASED ON SELECTION CRITERIA,
- CONDUCT THE PRELIMINARY SURVEY,
- REPORT THE RESULT OF THE PRELIMINARY SURVEY,
- PREPARE THE AUDIT PLAN AND THE AUDIT PROGRAM.

(PLEASE REFER TO ANNEX NO. 1 FOR FURTHER DETAILS WITH REGARD TO THE PROCEDURES THAT HAVE BEEN USED IN THE PILOT AUDIT PROCESS SO FAR.)

CHAPTER 2

PERFORMANCE AUDITING/COMPREHENSIVE AUDITING: CONCEPTS, COMPONENTS AND CHARACTERISTICS

PERFORMANCE AUDITING LITERATURE IS MOSTLY FRAGMENTED AND DIVERSE. THE SUBJECT AREA IS APPROACHED IN DIFFERENT WAYS. IT IS EITHER APPROACHED IN TERMS OF SPECIFIC ASPECT OF PRACTICE, OR RELATING TO A SPECIFIC TIME PERIOD OR BASED ON PERSPECTIVE POLICIES AND PROCEDURES OF A SPECIFIC AUDIT ORGANIZATION. THAT IS, FOR INSTANCE, FORMING JUDGEMENT ABOUT EFFECTIVENESS USUALLY INVOLVES WEIGHING MULTIPLE, COMPETING AND, SOMETIMES, CONTRADICTING OBJECTIVES AND MEASURES. BECAUSE, EFFECTIVENESS IS A CONCEPT THAT CONTAINS BOTH SUBJECTIVE AND VALUE-LADEN COMPONENTS WHICH CHANGE WITH TIME AND VIEW POINT.

THE CANADIAN COMPREHENSIVE AUDITING FOUNDATION HAS LAUNCHED AN EXCELLENT EFFORT TO DEVELOP AN OVERALL FRAMEWORK TO INCORPORATE THESE MANY DIFFERENT VIEWS AND TO GAIN BROAD ACCEPTANCE FROM VARIOUS PARTIES AND STAKE HOLDERS TO THE ACCOUNTABILITY PROCESS.

AS A RESULT OF THAT EFFORT, THE CONCEPT WAS SYNTHESIZED INTO A FRAMEWORK OF TWELVE ATTRIBUTES. IT IS CALLED "EFFECTIVENESS REPORTING FRAMEWORK". EACH ATTRIBUTE IS USEFUL FOR FORMING JUDGEMENT ABOUT EFFECTIVENESS (PLEASE REFER TO ANNEX 2 FOR MORE DETAIL).

PRACTITIONERS/SAIs OR PRIVATE AUDITORS AND CLIENTS NEWLY ENGAGED IN THE AREA OF PERFORMANCE AUDITING PRACTICE ARE ENCOUNTERED WITH A VERY DIFFICULT CHALLENGE. THE NEW PRACTITIONERS FACE DIFFICULT TASK IN OBTAINING BASIC INFORMATION, DISCUSSION AND PRACTICES ON SUCH MATTERS.

THEREFORE, IT IS IMPERATIVE FOR SAIs TO HAVE THE BASIC CONCEPTS, FRAMEWORKS, TOOLS AND PRACTICE GUIDELINES IN THE AREA OF PERFORMANCE AUDIT.

THE MOST IMPORTANT FOR SAIs TO KNOW IS THAT PERFORMANCE AUDITING IS NOT A ONE-SIZE-FITS-ALL PROPOSITION. THERE IS NO UNIVERSAL CURE OR REMEDY. BUT, THERE ARE CHOICES. SO, THE POINT IS TO GAIN A BASIC UNDERSTANDING OF THESE CHOICES, HOW THEY ARE INTERCONNECTED AND HOW THEIR RELATIVE MERITS COULD BE ASSESSED IN THE CIRCUMSTANCES CONCERNED. THIS UNDERSTANDING COULD BE FOSTERED THROUGH DEVELOPMENT OF STRATEGIES, FRAMEWORKS, TOOLS AND PRACTICE GUIDELINES IN THE AREA OF PERFORMANCE AUDIT.

THESE STRATEGIES, FRAMEWORKS AND METHODOLOGIES CAN BE VERY HELPFUL TO SAIs IN ENGAGING THOSE WHO GOVERN AND MANAGE THE ENTERPRISE/ENTITY AND, ULTIMATELY, IN IMPLEMENTING THE DECISIONS THAT RESULT FROM THE AUDIT PROCESS.

OUR UNDERSTANDING OF PERFORMANCE AUDITING SHOULD REFLECT ITS UNDERLYING PHILOSOPHY AND PERSPECTIVES. THAT IS:

- A- THE ESSENTIAL ROLE OF AUDIT IS TO SERVE AN ACCOUNTABILITY RELATIONSHIP- GOVERNING BODIES AND MANAGEMENT;
- B- THE ROLE OF THE AUDITOR IS TO EFFECTIVELY SERVE THIS RELATIONSHIP; AND
- C- THE EFFORTS OF OUR SAIs, INDIVIDUALLY OR COLLECTIVELY, SHOULD BE FOCUSED TO HELP ALL THREE PARTIES " GOVERNING BODIES, MANAGEMENT & AUDITORS" TO ACHIEVE THEIR MUTUAL INTEREST IN IMPROVING PERFORMANCE AND ACCOUNTABILITY.

2.1 DEFINITION

WE AGREE ON THE DEFINITION OF PERFORMANCE AUDITING AS OUTLINED IN THE PRINCIPAL PAPER. HOWEVER, WE WOULD LIKE TO ADD THE FOLLOWING CLARIFICATIONS AND/OR ARGUMENTS.

A COMPREHENSIVE AUDIT IS AN EXAMINATION THAT PROVIDES AN OBJECTIVE AND CONSTRUCTIVE ASSESSMENT TO THE EXTENT OF WHICH:

- FINANCIAL, HUMAN, AND PHYSICAL RESOURCES ARE MANAGED WITH DUE REGARD TO ECONOMY, EFFICIENCY, AND EFFECTIVENESS; AND
- ACCOUNTABILITY RELATIONSHIPS ARE REASONABLY SERVED*.

THE COMPREHENSIVE AUDIT EXAMINES BOTH FINANCIAL AND MANAGEMENT CONTROLS, INCLUDING INFORMATION SYSTEMS AND REPORTING PRACTICES, AND RECOMMENDS IMPROVEMENTS WHERE APPROPRIATE.

SO, COMPREHENSIVE AUDIT IS AN AUDITING CONCEPT THAT HAS EVOLVED AROUND TWO MAIN PRINCIPLES OF THE PUBLIC ADMINISTRATION MANAGEMENT. THEY ARE:

- 1- PUBLIC ADMINISTRATION SHOULD BE PERFORMED WITH DUE REGARD TO THE BEST POSSIBLE USE OF THE PUBLIC FUNDS. THAT IS PUBLIC SERVANTS MUST MAKE SURE THAT THEIR DECISIONS ARE NOT ONLY LEGAL AND ETHICAL BUT RESULT IN ECONOMICAL, EFFICIENT AND EFFECTIVE PUBLIC SERVICES. AND,
- 2- PUBLIC SERVANTS MUST BE HELD ACCOUNTABLE FOR EFFECTIVE MANAGEMENT PRACTICES OF THE PUBLIC RESOURCES ENTRUSTED TO THEM.

MORE OVER, COMPREHENSIVE AUDITING HAS EVOLVED TO COMPLEMENT ANY SHORT COMINGS OF THE FINANCIAL AUDITING. WHILE THE SCOPE OF THE FINANCIAL AUDITING TO EXPRESS AN OPINION ON THE FAIRNESS OF THE FINANCIAL STATEMENTS PRESENTATION, THE COMPREHENSIVE AUDITING PROVIDES OBJECT ASSESSMENT OF THE DEGREE TO WHICH DUE REGARD HAS BEEN GIVEN TO ECONOMY, EFFICIENCY, AND EFFECTIVENESS IN THE COLLECTION AND EXPENDITURES OF PUBLIC FUNDS.

AS A RESULT, COMPREHENSIVE AUDITING EMBRACES THE EXAMINATION OF THE SYSTEMS, CONTROLS, PROCESSES, ETC. USED IN MANAGING THE RESOURCES: MONEY, PEOPLE, PHYSICAL ASSETS AND INFORMATION. IN OTHER WORDS, COMPREHENSIVE AUDITING COVERS A WHOLE RANGE OF AREAS, SUCH AS:

- FINANCIAL PLANNING, BUDGETING, ACCOUNTING, AND FINANCIAL REPORTING;
- HUMAN RESOURCE PLANNING, DEVELOPMENT, APPRAISAL AND UTILIZATION;
- PLANNING ACQUISITION AND UTILIZATION OF PROPERTY, EQUIPMENT, PLANT, INVENTORIES AND OTHER ASSETS; AND
- DEVELOPMENT AND PRODUCTION OF INFORMATION NECESSARY TO PLAN, OPERATE AND CONTROL OF AN ORGANIZATION AND TO FULFIL ACCOUNTABILITY OBLIGATIONS.

2.2 SHORTCOMINGS OF COMPREHENSIVE AUDITING:

WE HAVE TO BEAR IN MIND THAT COMPREHENSIVE AUDITING HAS ITS OWN SHORTCOMINGS. THAT IS:

- COMPREHENSIVE AUDITING CANNOT IDENTIFY EVERY STRENGTH AND WEAKNESS IN ANY ORGANIZATION THOUGH IT SHOULD FIND THE SIGNIFICANT ONES.
- THE RESPONSIBILITY OF THE IMPROVEMENTS LIES ON THE MANAGEMENT LAB, THOUGH THE AUDITORS MAKE THE RECOMMENDATIONS. THAT IS FOR THOSE IMPROVEMENTS TO TAKE PLACE, A CONCRETE ACTION HAS TO BE TAKEN BY THE MANAGEMENT.
- COMPREHENSIVE AUDIT DOES NOT ALWAYS RESULT IN SAVINGS. IT NORMALLY IDENTIFIES THE AREAS OF IMPROVEMENTS IN THE MANAGEMENT PROCESS. THE SAVINGS OR EFFICIENCY COULD RESULT IF THOSE SUGGESTIONS ARE IMPLEMENTED WHICH COULD BE OF GREATER VALUE THAN THE COST OF AUDIT ITSELF.

IT IS THE ROLE OF THE MANAGEMENT TO DESIGN, CONSTRUCT AND DELIVER THE CONTROL SYSTEMS NOT ONE OF THE AUDITORS. IN GENERAL, COMPREHENSIVE AUDITING PROVIDES INFORMATION TO THE EXTENT OF WHICH SYSTEMS AND CONTROLS ARE WORKING WELL AND IDENTIFIES OPPORTUNITIES FOR IMPROVEMENT.

2.3 THE BENEFITS OF COMPREHENSIVE AUDITING

A NUMBER OF MAJOR BENEFITS HAVE BEEN IDENTIFIED TO THE REPORT OF A COMPREHENSIVE AUDIT AND THE PROCESS LEADING THERETO. THEY ARE SUMMARIZED AS FOLLOWS:

- IT PROVIDES AN OBJECTIVE ASSESSMENT OF THE ECONOMY, EFFICIENCY, AND EFFECTIVENESS OF THE ORGANIZATION'S PRACTICES.
- IT IDENTIFIES MAJOR DEFICIENCIES IN CONTROL SYSTEMS AND MANAGEMENT PRACTICES.
- IT IS INTENDED TO PROVIDE HELPFUL AND FUTURE-ORIENTED RECOMMENDATIONS AND INFORMATION FOR OBTAINING BETTER VALUE-FOR-MONEY AND BETTER INTERNAL AND PUBLIC ACCOUNTABILITY.

THERE ARE SEVERAL CLASSES OF BENEFICIARIES IN SUCH WORK. THESE INCLUDE: PUBLIC SECTOR MANAGERS, ELECTED OFFICIALS AND GOVERNING BODIES AND THE PUBLIC AT LARGE.

2.3.1. FOR PUBLIC SECTOR MANAGERS, THE BENEFITS COULD BE OUTLINED AS FOLLOWS:

- SUGGESTIONS FOR BETTER VALUE-FOR-MONEY OF THE PUBLIC EXPENDITURES, TO ACCOMPLISH MORE WITH THE RESOURCES ENTRUSTED TO THEM OR GET THE SAME RESULTS WITH FEWER RESOURCES.
- RECOGNITION OF AREAS OF STRENGTHS IN MANAGEMENT SYSTEM PROVIDE MANAGERS WITH THE SATISFACTION IN KNOWING THEY ARE DOING A GOOD JOB AND ALSO OF BEING SEEN TO DO SO.
- THE OPPORTUNITY IT PROVIDES FOR MANAGEMENT TO TEST THEIR OWN IDEAS WITH OUTSIDE SPECIALISTS, KNOWLEDGEABLE AND OBJECTIVE. BECAUSE HAVING THE CHANCE TO TALK ABOUT THEIR PROGRAMS AND EXCHANGE THEIR IDEAS AND EXPERIENCES, OFTEN RESULT IN IMPROVEMENT OF PROGRAM PERFORMANCE AND MORALE.

2.3.2. FOR ELECTED OFFICIALS AND GOVERNING BODIES, THE DIRECT BENEFITS OF COMPREHENSIVE AUDITING COULD INCLUDE THE FOLLOWING:

- IT IDENTIFIES AREAS WHERE THE ELECTED GOVERNING BODIES COULD BEST DISCHARGE THEIR RESPONSIBILITIES AND WORK WITH THE MANAGEMENT TO IMPROVE ADMINISTRATION, OPERATIONS AND RESULTS.
- IT PROVIDES INCENTIVES TO IMPROVE REPORTING AND CONTROLS THAT SHOULD RESULT IN BETTER SYSTEMS FOR ALLOCATING RESOURCES, SETTING OBJECTIVES AND REWARDING PERFORMANCE.

- IT PROVIDES AN OBJECTIVE ASSESSMENT OF THE APPROPRIATENESS, RELIABILITY AND THE KIND OF INFORMATION PROVIDED BY THE MANAGEMENT TO FACILITATE DECISION-MAKING AND MEANINGFUL ACCOUNTABILITY.
- IT COULD LEAD TO PUBLIC CONFIDENCE IN ELECTED OFFICIALS AND GOVERNING BODIES BY DEMONSTRATING TO THE PUBLIC OF THE TAX PAYERS THAT THEY CONSIDER THE VALUE FOR MONEY IMPORTANT AND ARE DETERMINED TO FOLLOW THAT POLICY.

2.3.3. FOR THE PUBLIC, AS THE ULTIMATE BENEFICIARY OF THE COMPREHENSIVE AUDITING, THE BENEFITS COULD BE AS FOLLOWS:

- IT PROVIDES THE PUBLIC WITH ASSURANCE ABOUT THE MANAGEMENT PRACTICES BEYOND THE FINANCIAL STATEMENTS AND OTHER FORMS OF REPORTS. THIS MEANS THAT THE TAXPAYERS OBTAIN ASSURANCE THAT THE ELECTED AND/OR APPOINTED OFFICIALS WILL BE KEPT INFORMED AS TO WHETHER THE MANDATE OF THE PUBLIC ENTITY IS PURSUED WITH DUE REGARD TO ECONOMY EFFICIENCY AND EFFECTIVENESS. IN OTHER WORDS, IT PROVIDES THE PUBLIC WITH INFORMATION TO HELP JUDGE FOR ITSELF WHETHER OR NOT THE PUBLIC RESOURCES ARE BEING UTILIZED WITH DUE REGARD TO VALUE-FOR-MONEY.

2.4 THE COMPREHENSIVE AUDIT PROCESS

THE MAIN PHASES OF THE AUDIT PROCESS ARE SIMILAR TO THOSE OF MOST AUDIT/REVIEW PROCESSES. THAT IS: PLANNING, CONDUCTING, REPORTING AND FOLLOW-UP, THOUGH FOLLOW-UP WOULD NORMALLY BE CARRIED OUT DURING THE PLANNING PHASE OF THE FOLLOWING COMPREHENSIVE AUDIT CYCLE.

COMPREHENSIVE AUDIT HAS BEEN CONSIDERED AS A CONCEPTUAL APPROACH TO AUDIT IN THE PUBLIC SECTOR. THERE ARE NUMBER OF FACTORS THAT CONTRIBUTE TO THE SELECTION OF THE MOST APPROPRIATE APPROACH TO USE DURING THE DIFFERENT PHASES OF THE AUDIT PROCESS. THESE FACTORS COULD BE, BUT NOT RESTRICTED TO, THE FOLLOWING:

- THE NATURE OF THE CLIENT-LEGISLATIVE OR GOVERNING BODY OR THE MANAGEMENT OF THE ORGANIZATION,
- THE HISTORY AND STATE OF DEVELOPMENT OF THE ORGANIZATION'S MANAGEMENT PRACTICES AND CONTROLS,
- EXTERNAL AND INTERNAL ENVIRONMENTAL INFLUENCES,
- THE NATURE OF THE ORGANIZATION'S ACTIVITIES,
- THE ORGANIZATIONAL STRUCTURE,
- LEGISLATION GOVERNING THE AUDITOR AND THE AUDITED ORGANIZATION, ETC.

2.4.1 PLANNING: THE COMPREHENSIVE AUDIT PLANNING INVOLVES THE FOLLOWING:

- DETERMINING OBJECTIVES AND RESOURCES TO ENSURE THAT THE AUDIT ITSELF WILL PRODUCE THE BEST VALUE FOR MONEY FOR THE CLIENT;
- GAINING AN UNDERSTANDING OF THE AUDIT ENTITY-ITS PURPOSE, KEY ACTIVITIES, SYSTEMS, ORGANIZATION, AND THE ACCOUNTABILITY RELATIONSHIPS;
- CONDUCTING INTERVIEWS, REVIEWING DOCUMENTS, ANALYZING INFORMATION AND IDENTIFYING AUDIT PROJECTS;
- DETERMINATION OF AUDIT SCOPE BY LOOKING AT THE ORGANIZATION FROM A BROAD PERSPECTIVE AND SURVEYING ALL ACTIVITIES THAT CONTRIBUTE TO THE ECONOMY, EFFICIENCY, AND EFFECTIVENESS OF THE ORGANIZATION MANAGEMENT; AND
- SELECTION OF SPECIFIC AREAS FOR DETAILED REVIEW/AUDIT EXAMINATION.

IT IS IMPORTANT DURING THIS STAGE, SCOPE SETTING, TO GET THE SENIOR MANAGEMENT AND AUDIT COMMITTEE (IF AVAILABLE) CLOSELY INVOLVED BECAUSE THEIR INPUT, UNDERSTANDING AND COMMITMENT TO THE PROCESS ARE ESSENTIAL.

THE AUDIT PLAN SHOULD AT LEAST CONTAIN THE FOLLOWING INFORMATION:

- THE SCOPE OF AUDIT INCLUDING RELATIONSHIP BETWEEN KEY ACTIVITIES, CRITERIA AND AUDIT OBJECTIVES;
- THE CRITERIA TO BE USED TO ASSES AUDIT FINDINGS;
- A TIME TABLE FOR THE AUDIT WORK;
- THE TYPE OF PROFESSIONAL SKILLS TO BE USED IN THE AUDIT TEAM; AND
- AN ESTIMATE TO THE AUDIT COST IN HOURS AND MONEY.

2.4.2 CONDUCTING THE COMPREHENSIVE AUDIT:

DURING THIS PHASE EVIDENCE IS COLLECTED AND EXAMINED AS A BASIS FOR FORMING OPINIONS. BASICALLY IT INVOLVES:

- EVALUATING AND TESTING KEY MANAGEMENT SYSTEMS AND CONTRCLS;
- DETERMINING AND IDENTIFYING OF CAUSES AND EFFECTS; AND
- DEVELOPING CONCLUSIONS AND RECOMMENDATIONS.

IN CASES OF WEAK MANAGEMENT CONTROLS AND INFORMATION SYSTEMS, AUDIT WORK COULD GO BEYOND EXAMINING PROCEDURES AND CONDUCT SUBSTANTIVE TESTS TO HELP DETERMINE THE EXTENT TO WHICH ECONOMY AND EFFICIENCY HAVE BEEN AFFECTED.

COMPREHENSIVE AUDIT COULD BE CONDUCTED IN CONJUNCTION WITH THE TRADITIONAL EXPRESSION OF OPINION ON THE FINANCIAL STATEMENTS, SHARING MUCH OF THE INFORMATION ABOUT THE INSTITUTION. FINANCIAL STATEMENT AUDIT WORK USUALLY PRODUCES MUCH INFORMATION SUCH AS DESCRIPTIONS OF FINANCIAL CONTROLS THAT COULD CONTRIBUTE TO THE EFFICIENT CONDUCT OF A COMPREHENSIVE AUDIT. ON THE OTHER HAND, A COMPREHENSIVE AUDIT COULD PRODUCE INFORMATION THAT CAN BE USEFUL FOR THE FINANCIAL AUDIT. ALTHOUGH COMPREHENSIVE AUDIT IS NOT REQUIRED EVERY FINANCIAL YEAR, AS THE FINANCIAL AUDIT, IT IS ADVISABLE IF NEITHER IS CONDUCTED IN TOTAL ISOLATION OF THE OTHER. IN FACT SOME LEGISLATIVE AUDIT MANDATES INCLUDE BOTH IN LEGISLATION.

IN THIS STAGE IT IS ADVISABLE TO MAKE SURE THAT MANAGEMENT AND APPROPRIATE STAFF OF THE AUDITEE REMAIN IN CLOSE CONTACT WITH THE AUDIT WORK PROGRESS. THIS IS THE WAY TO AVOID ANY MISUNDERSTANDING BEFORE IT BECOMES A MAJOR PROBLEM. MOREOVER, EARLY INVOLVEMENT OF THE MANAGEMENT IS ESSENTIAL FOR ITS CONTRIBUTION AND COOPERATION IN THE AUDIT PROCESS AND THE VALIDITY OF ITS FINDINGS, CONCLUSIONS AND RECOMMENDATION. IN OTHER WORDS, MANAGEMENT PARTICIPATION IN THE AUDIT PROCESS WILL LEAD TO INCORPORATE THE CREATIVE IDEAS OF THE MANAGEMENT OR THE STAFF OF THE ORGANIZATION INTO THE CONCLUSIONS AND RECOMMENDATIONS OF THE AUDIT WHICH WILL IN EFFECT LEAD TO THE ACCEPTANCE OF THE RESULTS.

2.4.3 REPORTING OF COMPREHENSIVE AUDITING :

REPORTING IS THE FINAL STAGE OF THE AUDIT PROCESS. DURING THIS STAGE THE TEAM DEVELOP ANY THEMES OF HIGH SIGNIFICANCE THAT HAVE OBSERVED DURING THE AUDIT PROCESS. ALSO, THE TEAM REVIEW THE COMMENTS OF THE MANAGEMENT REGARDING THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS FOR FAIR REPRESENTATION IN THE FINAL REPORT. NORMALLY, THIS PHASE INVOLVES A SEVERAL NUMBER OF ORAL PRESENTATIONS EITHER BY TEAM LEADERS OR MEMBERS. THE DELIVERY OF THE WRITTEN REPORT OFTEN FOLLOWS THESE PRESENTATION.

GENERALLY SPEAKING, THE WRITTEN REPORT SHOULD CONTAIN THE FOLLOWING PARTS:

- RELEVANT AND IMPORTANT BACKGROUND INFORMATION, INCLUDING A DESCRIPTION OF THE ORGANIZATION'S ACCOUNTABILITY RELATIONSHIPS;

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- A DESCRIPTION OF THE AUDIT SCOPE;
 - AN EXPLANATION OF THE CRITERIA USED TO JUDGE FINDINGS;
 - IMPORTANT AUDIT FINDINGS, INCLUDING BOTH STRENGTHS AND WEAKNESSES;
 - A DISCUSSION OF THE ROOT CAUSES AND SIGNIFICANT POTENTIAL EFFECTS OF ANY WEAKNESSES OBSERVED;
 - CONCLUSIONS;
 - RECOMMENDATIONS, AND
 - MANAGEMENT'S RESPONSES TO THE RECOMMENDATIONS, IF ANY.

ABOVE ALL, THE WAY OR THE MANNER THIS INFORMATION IS PRESENTED TO THE SENIOR MANAGEMENT AND/OR THE GOVERNING BODY IS HIGHLY IMPORTANT. CLIENTS AND TIMING OF THE COMPREHENSIVE AUDIT REPORTS ARE USUALLY DETERMINED BY LEGISLATION.

CHAPTER 3

RECOMMENDATIONS

3.1 DEFINITIONS AND FRAMEWORKS:

3.1.1. AS A REGIONAL GROUP, PART OF OUR EFFORTS SHOULD BE FOCUSED ON HOW TO ESTABLISH CLEAR AND COMPREHENSIVE DEFINITION WITH REGARD TO THE ROLE OF THE THREE PARTIES OF THE ACCOUNTABILITY RELATIONSHIP. CONSEQUENTLY, WE SHOULD ESTABLISH THE BEST & THE MOST EFFECTIVE APPROACH TO PLAY THOSE ROLES. FOR EXAMPLE, IN IDEAL SITUATIONS, MANAGEMENT, NOT THE AUDITOR, THAT IS IN THE BEST POSITION, TO REPORT (MAKE MANAGEMENT REPRESENTATION) ON THE PERFORMANCE OF THE ORGANIZATION. THEN THE KEY ROLE OF AUDITOR WOULD BE MERE PROVISION OF ASSURANCE ON THE FAIRNESS & COMPLETENESS OF MANAGEMENT REPRESENTATIONS/REPORTS SUBMITTED TO THE GOVERNING BODY. (

3.1.2. TO ASSIST IN DEFINING THE ROLES OF DIFFERENT PARTIES AND STAKE HOLDERS OF THE ACCOUNTABILITY PROCESS, IT IS NECESSARY TO DESIGN A FRAMEWORK TO SERVE AS A BASIS FOR PERFORMANCE REPORTING. THE CANADIAN COMPREHENSIVE AUDITING FOUNDATION FRAMEWORK OF TWELVE ATTRIBUTES COULD BE USED AS A BASIS OF DISCUSSION. (SEE ANNEX II)

3.1.3. TO GUARANTEE A SUCCESSFUL APPLICATION OF THE SUITABLE FRAMEWORK, A STRATEGY FOR IMPLEMENTATION SHOULD BE CAREFULLY DEVELOPED.

3.1.4. FRAMEWORKS AND STRATEGIES SHOULD BE DEVELOPED TO HELP THE MEMBER SAIs IN ENGAGING THOSE WHO GOVERN AND MANAGE THE ENTERPRISE/ENTITIES, AND ULTIMATELY IMPLEMENTING THE DECISIONS THAT RESULT FROM THIS PROCESS.

3.2. WE SHOULD COMMIT OUR SELVES TO ESTABLISH A MECHANISM TO HELP MEMBER SAIs BE WELL POSITIONED TO PRACTICE PERFORMANCE AUDIT.

3.3. OUR EFFORTS SHOULD BE RELEVANT AND RESPONSIVE TO THE CURRENT ENVIRONMENT OF ACCOUNTABILITY AND DECISION MAKING PROCESS. WE SHOULD VIEW THE CONCEPTS OF PERFORMANCE AND EFFECTIVENESS AUDIT AS MULTI DIMENSIONAL.

3.4. EDUCATION INSTITUTION SHOULD DEVELOP A PROGRAM OF STUDY IN THE AREAS OF MANAGEMENT, PUBLIC ADMINISTRATION AND AUDIT TO REFLECT THAT DEVELOPMENT.

3.5. WHILE FRAMEWORKS AND STRATEGIES ENSURING SUCCESSFUL IMPLEMENTATION OF PERFORMANCE AUDITING, AN ADVISORY PANEL SHOULD BE ESTABLISHED IN EACH SAI TO PROVIDE STRATEGIC ADVICE ON POLICY ISSUES AND DEVELOPMENT.

ANNEXES

ANNEX 1

ANNEX 1.1 CRITERIA SELECTION IN PERFORMANCE AUDIT.

THE FOLLOWING CRITERIA WERE USED FOR SELECTION OF SUBJECT AREA FOR PERFORMANCE AUDIT :

1.1.1 INTRODUCTION:

BASIC GENERAL CRITERIA ARE MATERIALITY/SIGNIFICANCE AND RISKS (PARAGRAPH 1.1.2.). THE AUDIT SHOULD CONSIDER THESE CRITERIA NOT ONLY IN SELECTING THE SUBJECT OF AUDIT, BUT ALSO IN DETERMINING THE OBJECTIVE, SCOPE, ASPECTS, CRITERIA, AND METHODOLOGY OF THE AUDIT, AND IN DECIDING WHETHER A MATTER SHOULD BE REPORTED. IN SELECTING THE PILOT PROJECT SOME ADDITIONAL CRITERIA CAN BE TAKEN INTO CONSIDERATION (PARAGRAPH 1.1.3).

1.1.2 GENERAL CRITERIA:-

IN DETERMINING MATERIALITY/SIGNIFICANCE AND RISKS THE AUDITOR MAY CONSIDER THE FOLLOWING:-

A- SIGNIFICANCE/MATERIALITY:

- (RELATIVE) AMOUNT OF MONEY INVOLVED REVENUES, EXPENDITURES, ASSETS, PROFIT/LOSS, ... ETC;
- ECONOMIC AND/OR SOCIAL IMPORTANCE: POTENTIAL EFFECT AND NUMBER OF PEOPLE EFFECTED IN SHORT OR LONG RUN;
- PUBLIC PERCEPTIONS AND POLITICAL SENSITIVITY OF THE AREAS UNDER AUDIT: AMOUNT OF MEDIA AND PARLIAMENTARY ATTENTION.

B- PERFORMANCE RISKS:

- ADEQUACY OF SYSTEM OF INTERNAL CONTROL: LACK OF CONTROL OBJECTIVES, MONITORING, SUPERVISION, DOCUMENTATION, SEPARATION OF DUTIES, ETC.
- POTENTIAL RISK OF FRAUD AND MISUSE OF RESOURCES: ACTIVITIES LIKE HANDLING CASH, GOVERNMENT CONTRACTS, SUBSIDES, PERMITS, REVENUES;
- NEWNESS OF THE ACTIVITY: UNIQUE PROJECT OR MAJOR CHANGES IN SYSTEMS, ORGANIZATION, RULES AND REGULATIONS, ETC;
- COMPLEXITY AND DIMENSION OF PROJECT OR ACTIVITY: A LOT OF ENTITIES INVOLVED, BIG SCALE, LONG PERIOD, ETC;

- LEVEL AND EXTENT OF REVIEW OR OTHER FORM OF INDEPENDENT OVERSIGHT OR EVALUATION: THERE IS NO OTHER (THAN COCA) INDEPENDENT BODY.

MOST GENERAL CRITERIA ARE DIRECTLY LINKED TO CERTAIN AUDIT RISKS. EXAMPLES OF IMPORTANT AUDIT RISKS ARE LACK OF DATA AND DOCUMENTATION WITHIN THE AUDITEE, LACK OF (CONSENSUS ON) OPERATIONAL PERFORMANCE CRITERIA AND LACK OF CO-OPERATION OF THE AUDITEE.

1.1.3 CRITERIA FOR SELECTING PILOT:

IN ADDITION TO GENERAL CRITERIA THE FOLLOWING CRITERIA APPLY FOR SELECTING A PILOT-PROJECT PERFORMANCE AUDIT COCA:

- THERE SHOULD BE A REASONABLE GOOD RELATION WITH THE AUDITEE (DON'T TAKE CENTRAL BANK);
- THE ACTIVITY/PROJECT (SCOPE OF AUDIT) SHOULD NOT BE TOO BIG (TAKES TOO LONG; COMPLICATED) OR TOO SMALL (TO LITTLE SIGNIFICANCE);
- THE ACTIVITY/PROJECT IS PREFERABLE CONCRETE (BUILDING PROJECT VERSUS POLICY MAKING DEPARTMENT);
- THE AUDIT SITUATION OF THE ACTIVITY IS NOT TOO BAD (BASIC DATA AND SYSTEM OF INTERNAL CONTROL SHOULD BE AVAILABLE);
- THE ENTITY SHOULD NOT BE TOO FAR AWAY SINCE MORE THEN ONE VISIT IS LIKELY;
- THE ACTIVITY SHOULD NOT BE TOO UNIQUE (PILOT AUDIT SHOULD BE SHOWCASE, AND APPLICABLE TO OTHER CASES);
- OTHER YEMENI (TOP-MANAGEMENT) CRITERIA, O.A. STRATEGIC PLAN (E.G. SHOULD IT BE AS DEVELOPMENT PROJECT, SEE STRATEGIC PLAN) ?

ANNEX 1.2. PRELIMINARY STUDY OF PERFORMANCE AUDIT

1.2.1 PURPOSE AND OUTPUT OF PRELIMINARY STUDY

THE PURPOSE OF THE PRELIMINARY STUDY IS TO DETERMINE WHETHER THE AUDIT SHOULD BE EXECUTED AND, IF SO, TO MAKE ARGUMENTED CHOICES REGARDING THE OBJECTIVE, SCOPE, ASPECTS, CRITERIA, METHODOLOGY AND ORGANIZATION OF THE AUDIT, AND ARGUMENTED ESTIMATES OF THE COSTS AND TIME NEEDED FOR THE AUDIT. THE OUTPUT OF THE PRELIMINARY STUDY IS THE AUDIT PLAN.

1.2.2 EXECUTION OF PRELIMINARY STUDY

IN THE PRELIMINARY STUDY BASIC INFORMATION MAY BE COLLECTED ON THE FOLLOWING SUBJECTS:

- ORGANIZATION: RESPONSIBILITIES, TASKS, FUNCTIONS, JOB DESCRIPTIONS, ETC.;
- OBJECTIVES, (STRATEGIC) PLANS, POLICIES BUDGETS, PRODUCTION, ACCOUNTS, ETC.;
- APPLICABLE LAWS AND LEGISLATION;
- SYSTEM OF INTERNAL CONTROL (FINANCIAL) AND PLANNING AND CONTROL OPERATIONS/ACTIVITIES);
- INFORMATION AND DOCUMENTATION SYSTEMS;
- RESULTS OF INTERNAL AND EXTERNAL AUDIT/EVALUATIONS;
- RESULTS OF INTERNAL AND EXTERNAL AUDIT/EVALUATIONS;
- RELEVANT ENVIRONMENT: ORGANIZATIONS, CLIENTS, STAKEHOLDER, ETC.;
- (INDICATIONS OF) PROBLEMS IN PERFORMANCE: PERSONAL (QUALIFICATIONS, VACANCIES, ABSENTEISM, MOBILITY, ETC.);
- POLITICAL/MEDIA INTEREST IN THE ACTIVITY/ENTITY; AND
- RELEVANT (EXPECTED) FUTURE DEVELOPMENTS IN THE MENTIONED SUBJECTS.

THIS INFORMATION CAN BE COLLECTED IN THE FOLLOWING WAYS:

- INTERVIEWING MANAGEMENT, INTERNAL AUDITOR, CLIENTS, STAKEHOLDER, ETC.;
- COLLECTING AND ANALYZING OF RELEVANT DOCUMENTS;
- DIRECT OBSERVATION (IMPRESSION ON SITE OF PROJECT, WORKPLACE, ETC.).

ANNEX 1.3 TABLE OF CONTENT OF PERFORMANCE AUDIT PLAN.

THE AUDIT PLAN CONSISTS OF THE FOLLOWING:

1.3.1 INTRODUCTION

BASIC INFORMATION OF THE SUBJECT OF THE AUDIT (ORGANIZATION, TASKS/ACTIVITIES, GOALS, NUMBER EMPLOYEES, BUDGET, ETC.).

1.3.2 MOTIVATION OF AUDIT

THE REASONS WHY THE AUDIT SHOULD BE EXECUTED. THIS MAY CONSIST OF RISKS AND SIGNIFICANCE/MATERIALITY OF THE SUBJECT TO BE AUDITED, OR OTHER SPECIFIC ARGUMENTATION (E.G. IN CASE OF PILOT-PROJECT). AN ASSESSMENT OF THE EXPECTED RESULTS OF THE AUDIT IS INCLUDED.

1.3.3 OBJECTIVE AND SCOPE

THE OBJECTIVE OF THE AUDIT IN TERMS OF THE ANALYSES, EVALUATION AND IMPROVEMENT OF WHAT SUBJECT/ACTIVITY/PROJECT MAKING USE OF WHICH MAIN CRITERIA, THE SCOPE OF THE AUDIT IN TERMS OF THE FOCUS ON WHICH ENTITIES, WHICH PERIOD, ETC.

1.3.4 AUDIT-QUESTIONS

THE MAIN AUDIT QUESTIONS TO BE ANSWERED, AS DERIVED FROM THE ASPECTS TO BE AUDITED AND THE CRITERIA TO BE USED DEFINITION OF THE MAIN TERMS THAT ARE USED.

1.3.5 METHODOLOGY

THE METHODS AND TECHNIQUES USED FOR DATA-COLLECTION AND-ANALYSES AND THE SOURCES FOR THESE DATA. EXPLANATION HOW THE RELIABILITY OF DATA WILL BE SECURED. IDENTIFICATION OF SPECIAL RISKS IN DATACOLLECTION (E.G. LACK OF DOCUMENTATION WITHIN THE AUDIT).

1.3.6 ORGANIZATION

THE PROJECTLEADER AND MEMBERS OF THE AUDIT-TEAM THAT WILL EXECUTE THE AUDIT. THE POSITION IN THE ORGANIZATION AND THE RESPONSIBILITIES OF PARTIES CONCERNED (IF SPECIAL). THE INVOLVEMENT OF SPECIALIST, EITHER FROM WITHIN OR OUTSIDE COCL, AS CONSULTANTS FOR THE TEAM.

1.3.7 PLANNING AND COSTS

THE COSTS OF THE AUDIT CONSISTING OF THE USE OF PERSONAL (DAYS), FINANCIAL (COSTS OF TRAVELING, EXTERNAL CONSULTANTS) AND MATERIAL (COMPUTER) RESOURCES. THE PROJECTED TIME FROM THE START OF THE AUDIT TILL THE DELIVERY OF THE AUDIT REPORT AND THE MAIN STEPS (TARGETS AND TIME) TO GET THERE. THE RISKS IN THE PLANNING OF THE AUDIT (E.G. LACK OF CO-OPERATION OF AUDITEE)

ANNEX 6 FORMAT INFORMATION ON SUBJECT PILOT - PROJECT (S)
PERFORMANCE AUDIT.

1- DESCRIPTION SUBJECT OF AUDIT (BASIC INFORMATION):

- ORGANIZATION, TASKS/ACTIVITIES, GOALS, NUMBER EMPLOYEES, BUDGET, ETC.

2- OBJECTIVE AND SCOPE OF AUDIT (TENTATIVE FORMULATION):

- OBJECTIVE: (1) INVESTIGATE TO WHAT EXTENT (ACTIVITY/PROJECT) IS EXECUTED IN AN (EFFECTIVE/EFFICIENT/ECONOMIC) WAY AND ACCORDING TO RELEVANT (GENERAL STANDARDS, RULES AND REGULATION); (2) TO GIVE RECOMMENDATIONS FOR IMPROVEMENTS; (3) TO SERVE AS AN EXAMPLE FOR COCA;

- SCOPE: THE AUDIT IS FOCUSED ON THE PERFORMANCE OF (ENTITIES), IS CONCERNED WITH THE FOLLOWING (PERIOD), AND (DOES/DOESN'T) INVOLVES (COMPARISMENT/GENERALIZATION) (WITH/TO) OTHER ACTIVITIES/ENTITIES.

3- MOTIVATION FOR AUDIT (SEE CHECKLIST CRITERIA FOR SELECTION):

- SIGNIFICANCE/MATERIALITY AND RISKS OF ACTIVITY/PROJECT;
- SPECIFIC ASPECTS FOR PILOT-PROJECT.

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ANNEX

Appendix 1

THE CCAF ATTRIBUTES OF EFFECTIVENESS

1. Management Direction

Management direction involves the extent to which the vision, mission, objectives and values of an organization, its component programs or lines of business, and its employees, are clear, well-integrated and understood, and appropriately reflected in the organization's plans, structures, delegations of authority and decision-making and communication processes. In other words, does everybody understand what they are supposed to be doing?

2. Relevance

Relevance indicates the extent to which a program or line of business continues to make sense in regard to the problems or conditions to which it is intended to respond. That is to say whether or not the organization's strategic planning, policy development, research, information transfer and program evaluation etc. continue to ensure the relevance of its policies, programs and initiatives to the particular business conditions they are meant to address. In short, it answers the question whether the activities continue to make sense in addressing the needs for which they were intended or not. That is the current as well as future relevance of programs and services must be highly regarded.

3. Appropriateness

It considers the extent to which the design of a program or its major components, and the level of effort being made, are logical in light of the specific objectives to be achieved. It means, are we going about our objectives in the best way possible, or not?

4. Achievement of Intended Results

It means that the extent to which goals, objectives and performance targets have been realized. It involves answers to: what succeeded? What failed? How challenging were the goals?

5. Acceptance

Acceptance is the extent to which the constituencies or customers for whom a program or line of business is designed judge it to be satisfactory. It measures the satisfaction of the clients and stakeholder in the programs, lines of business and level of services they are actually getting. In other words, do those who use a program or service judge it to be satisfactory? It may either reaffirms the achievement of the program's intended results or signal the need to consider the appropriateness of the goals that have been set or the method by which goods or services are being delivered.

6. **Secondary Impacts**

The secondary impacts are the extent to which other significant consequences of program design and delivery, either intended or unintended and either positive or negative, have occurred. What unintended effects - positive or negative - are occurring?

7. **Cost and Productivity**

It is the relationship between costs, inputs and outputs. It involves the degree to which an institution is using its resources. Whether it is using them to best advantage and best value for its money or not. Is output increasing while costs are decreasing? It means that the organization has to constantly look for opportunities to free up resources that they can be reinvested where they will do the most good.

8. **Responsiveness**

It means the organization's ability to adapt to changes in such factors as markets, competition, available funding or technology. How well and flexible does an organization anticipate and respond to change? It helps the institution to identify and predict opportunities and/or problems which in turn allows it to redevelop its program strategies, and shift priorities and resources without any interruption destabilization of the operations.

9. **Financial Results**

It is the matching of, and the accounting for, revenues and costs and the accounting for and valuation of assets, liabilities and equity. It reflects the overall financial position of the organization and provides assurance as to its viability. That is books of accounts, records and financial management control and information systems should be in accordance with sound financial management principles and that operations and lines of business have been managed within approved budgets and funding levels. How do revenues compare with costs? How do assets compare with obligations?

10. **Working Environment**

It is the extent to which the organization provides an appropriate work atmosphere for its employees, provides appropriate opportunities for development and achievement, and promotes commitment, initiative and safety. It is the ability of the institution to create an environment conducive to its staff directing their efforts to achieve its objectives and goals. This attribute is judged through the answers to the following sub-questions: Does the working environment promote commitment, initiative, safety and employee development? Are all the components of an effective human resource management system in place and does it integrate well with other systems of the organization.

11. Protection of Assets

It addresses the extent of protection against loss or damage of key resources including key staff, valuable property, equipment and facilities, inventories, financial position, agreements, and corporate memory (important records, or information). These key assets are safeguarded so that the institution is protected from the danger of losses that might threaten its success, continuity, credibility, and, most likely, its very existence. In fact, there could be three central factors of the effectiveness of this attribute:

- the ability of the institution to identify its key assets and assess their risk of loss and/or impairment.
- the capability of the institution to maintain strategies in place to adequately respond to the nature and level of risk assessed.
- the extent to which these strategies and their performance compare to industry practice and standards as well as comply with external requirements - legal, regulatory, accreditation, etc.

12. Monitoring and Reporting

It assesses the extent to which key matters pertaining to performance, decision making, accountability and organizational strength are identified, carefully monitored and accurately reported in a systematic, efficient and effective manner. The assessment of the effectiveness of this attribute involves the following factors:

- the degree to which top management and other key users receive complete, credible and fair performance information that satisfies their decision-making and accountability requirements.
- whether the accountability reporting within and from the organization to key outside stakeholder, is done in an appropriate transparent way. Are the right things reported at the right time and in the appropriate level of detail and aggregation.
- the cost-effectiveness of the monitoring and reporting systems and processes.





