



# IDI Performance Audit ISSAI Implementation Handbook

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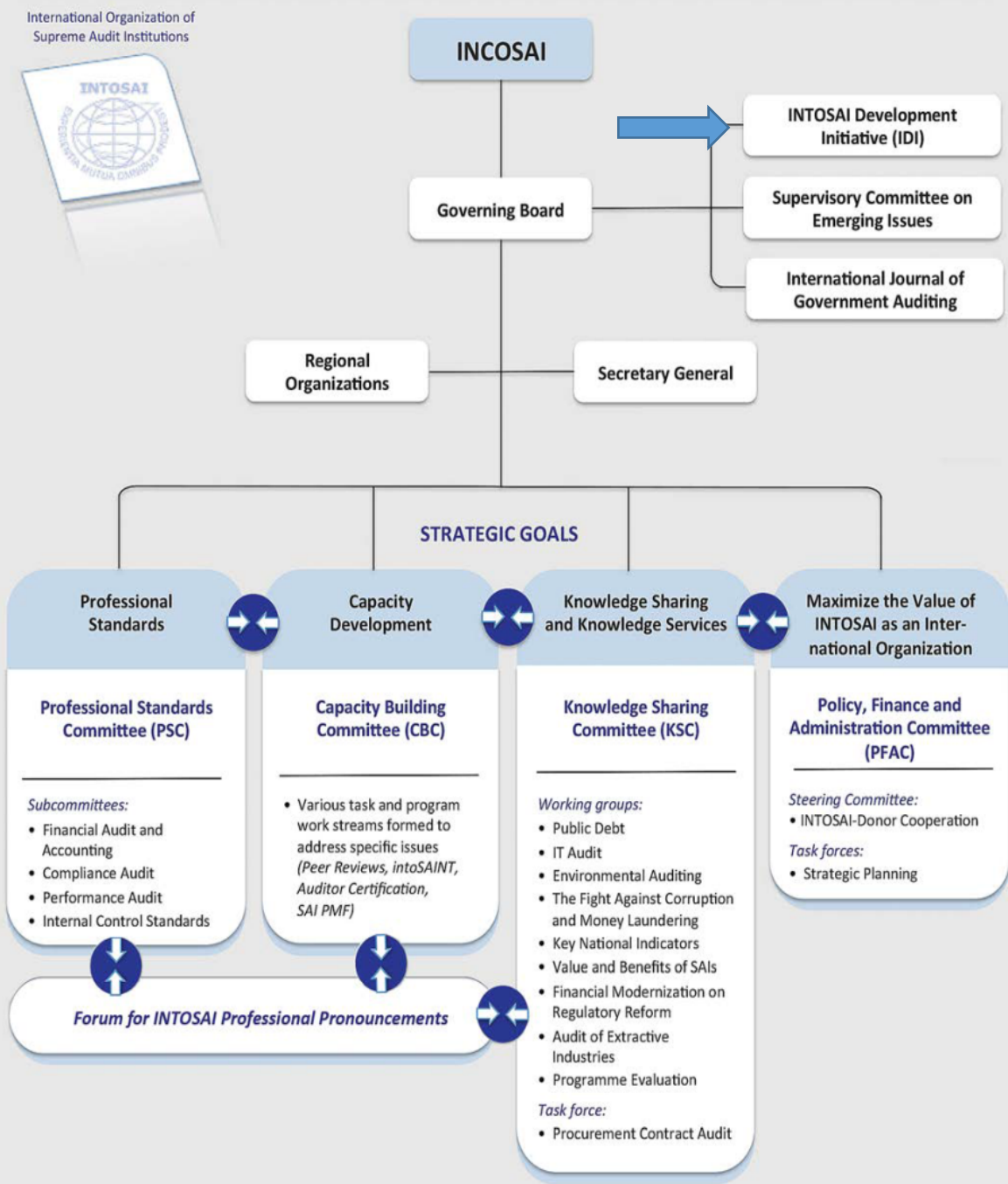
*"Supporting SAs in strengthening performance and capacities"*



The INTOSAI Development Initiative (IDI) is part of INTOSAI.

IDI is a non-profit organization based in Norway.

[www.idi.no](http://www.idi.no)



# Mission

To support Supreme Audit Institutions in developing countries in sustainably enhancing their performance and capacities.



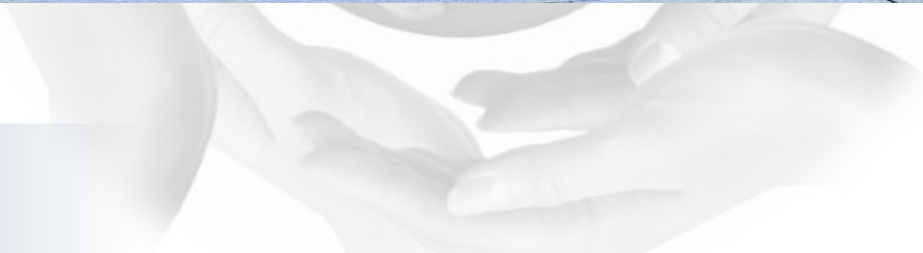
# IDI Board



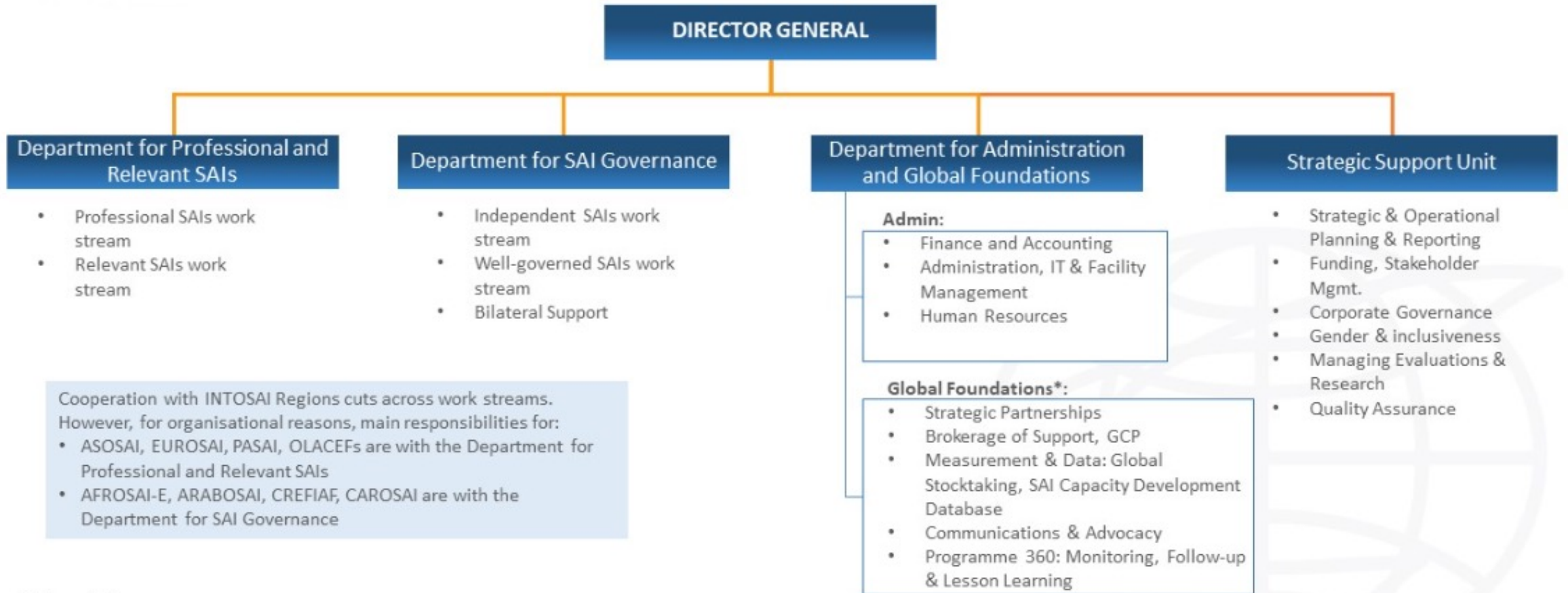


50 employees from 32 countries

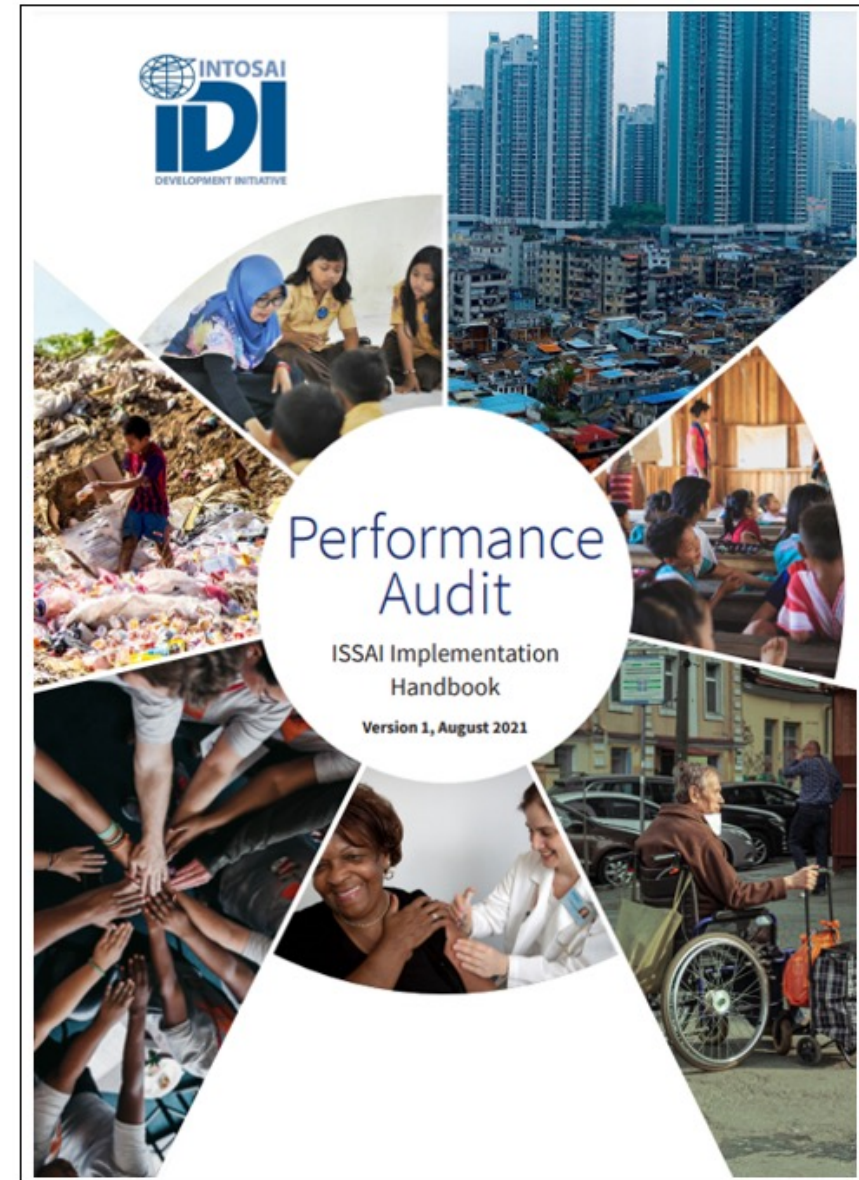
*"Supporting SAIs in strengthening performance and capacities"*







# IDI Performance Audit ISSAI Implementation Handbook



<https://www.idi.no/work-streams/professional-sais/work-stream-library/performance-audit-issai-implementation-handbook>



# Characteristics of the Handbook

- Based on ISSAIs
- Developed from the auditor's perspective
- Developed by an international team
- Examples from different SAIs
- Exposure draft sent out for comments
- Available in English, French, Spanish and Arabic





# Purpose of the Handbook

- To facilitate the application of ISSAIs in practice using:
  - explanations of the ISSAI requirements
  - working paper templates
  - examples
- Presents one of the possible ways to implement Performance Audit



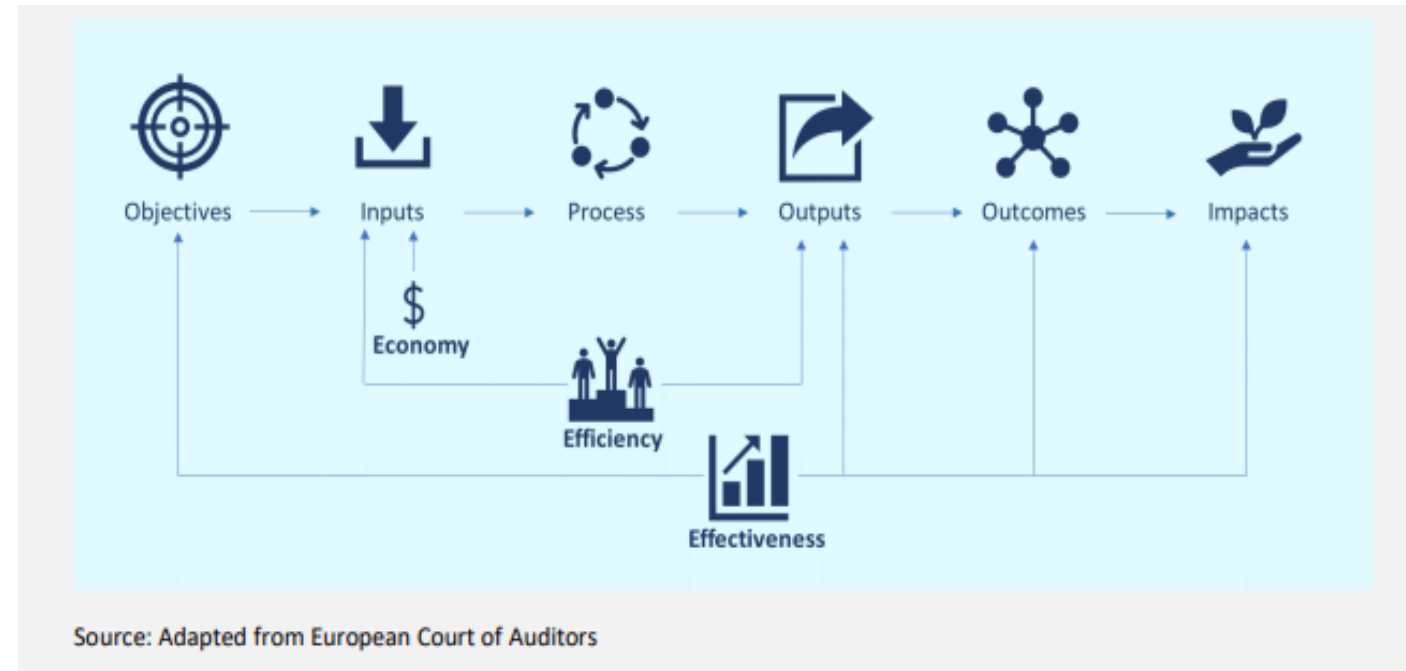


# Contents of the Handbook

## Chapter 1

### What is performance auditing?

- The definition and purpose of performance audits in the public sector.
- The added value of performance audits.
- Definitions and examples of economy, efficiency and effectiveness.





# Contents of the Handbook

## Chapter 2

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

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

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

# Contents of the Handbook

## The Performance Audit Process

*Important steps and concepts*





## Chapter 3

### How do you select performance audit topics?



#### Selecting an audit topic

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

## Chapter 4

### How do you design a performance audit?



#### Designing the audit

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



# How do you develop the audit methodology?



## The Standard

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

Source: ISSAI 3000/101

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

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

Method	Benefits	Considerations
<p><b>Interview</b> Discussion with one or more people, by phone, internet or in person, to obtain their perspectives on a programme or activity.</p>	<ul style="list-style-type: none"> <li>• Enables in-depth understanding of the interviewee's perspective.</li> <li>• Can be oftentimes set up and completed relatively quickly.</li> <li>• Enables information collection on sensitive topics.</li> <li>• Can allow flexibility to quickly pursue information in response to statements made during the interview.</li> </ul>	<ul style="list-style-type: none"> <li>• Needs to be carried out thoughtfully to ensure consistency and enable comparison.</li> <li>• Does not support statistical analysis.</li> <li>• Takes time to identify and analyse patterns or trends across several interviews.</li> </ul>
<p><b>Document collection</b> Review of documents gathered from the audited entity and other sources.</p>	<ul style="list-style-type: none"> <li>• Generally considered to be more reliable than testimonial evidence collected during interviews.</li> <li>• Usually provides good depth and range of information.</li> </ul>	<ul style="list-style-type: none"> <li>• Source integrity, authenticity, authority, and reliability must be carefully considered (more info on Chapter 5).</li> <li>• May encounter difficulty gaining access to information wherein the audited entity does not readily provide documentary evidence.</li> </ul>
<p><b>Direct observations and inspection</b> Physical observation of programmes, people, property and events related to the audit to collect qualitative information.</p>	<ul style="list-style-type: none"> <li>• Allows you to directly observe the programmes, people, property or events related to your audit.</li> <li>• Can provide context for the issues related to the audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Observations intended to directly or partially answer your audit question(s) may be complex.</li> <li>• Requires detailed planning and careful scheduling.</li> <li>• The observation could affect the behaviour of the person or situation being observed.</li> <li>• May require significant resources for travel and staff participation.</li> </ul>

**Figure 24: Design matrix template**

- Put the issue into context; state why it is important.
- State why the audit is being conducted.
- Identify the audit team and intended users of the audit report.
- Introduce the overall audit objective(s).

Audit question(s)	Criteria and information required and source(s)	Scope and methodology including data reliability	Limitations	Expected results of the work
<p>Identify key audit questions.</p> <p>Audit questions may be descriptive or evaluative.</p> <p>Ensure each question is specific, objective, neutral, measurable and doable. Ensure key terms are defined.</p> <p>Broad questions followed by more pointed sub-questions sometimes help to clarify scope and develop more substantive findings. Limit the number of sub-questions to no more than three.</p> <p>As the audit nears its conclusion, audit questions may be refined to reflect your findings more accurately.</p>	<p><b>Criteria:</b> Identify the criteria or plans to collect documents that will establish the criteria to be used.</p> <p>As discussed, this can include laws, regulations, policies, best practices or other credible standards for how things should be.</p> <p><b>Information required and sources:</b> Identify the information required to answer the audit questions and the sources of this information, including documents, programme officials, databases, subject matter experts, etc.</p> <p>When the first column contains sub-questions, precise one-to-one linkage is not strictly necessary. Consider what it will take to answer the question and avoid repetition.</p>	<p><b>Scope:</b> Identify the planned scope of the work associated with the research objective. Scope will define the boundaries or time frame of your work for the objective.</p> <p><b>Methodology:</b> Describe strategies for collecting required information or data, such as document review, data collection instruments, questionnaires, focus groups and case studies. Address the planned scope of each strategy, including time frames, locations and sample sizes.</p> <p>Describe the analytical techniques to be used to analyse the information collected, such as content analysis, case study summaries or regression analysis.</p> <p>Describe steps to be taken to assess the reliability of data sources.</p>	<p>Identify any limitations associated with the information required, planned methodology or your general ability to answer the audit question. Limitations could include questionable data quality or reliability, inability to access some information, constraints on staffing or travel funds, or inability to generalise or extrapolate findings to the universe.</p> <p>Discuss how each limitation may affect the product and describe steps to be taken to mitigate the associated challenges.</p> <p>If the limitations are so severe that they will materially affect your ability to answer the audit question, consider rewording the question and/or altering the scope to decrease that risk.</p>	<p>Describe the expected results of the work by summarising what the audit team will likely be able to say as a result of the work performed.</p> <p>The expected results should answer the audit question in the first column.</p>



**Figure 38: Audit findings matrix template**

**Audit objective:** Clearly and objectively express what the audit is about.

**Audit question (the same stated in the audit design matrix):** For each audit question (or sub-question), repeat each of the items mentioned in the table.

Finding	Situation found (Condition)	Most relevant occurrences identified in the fieldwork.
	Criteria	Information used to determine if the expected performance of the audited object is satisfactory, exceeds expectation or is unsatisfactory.
	Evidence and analysis	Result of applying data analysis methods or assessing your evidence. The techniques used to handle the information collected during fieldwork and the results achieved can be indicated.
	Causes	Reasons for the situation found. May be related to operation or design of the audit object. May be out of the control of the manager. Any recommendations should be related to the causes.
	Effects	Consequences related to causes and corresponding evidence. It may be a measure of the finding's relevance.
Is the evidence sufficient and appropriate? If not, what remaining work is necessary to address any gaps?		Consider the evidence you have for each element of the finding and whether it is sufficient and appropriate.  If your current evidence is not sufficient and appropriate for each element, what remaining work is necessary to address any gaps in the evidence?
Good practices		Actions identified that lead to good performance. May support the recommendations.
Recommendations		Proposals to address the causes (or deficiencies) identified.



*Thank you!*

