Understanding Performance Audit

Advancing Public Participation in the Audit Process in Tanzania

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Outline

- What is performance audit?
- Concept of Performance audit
- Purposes and benefits of performance Audit
- Performance audit Approaches
- Methodology for undertaking Performance audit
- Stages of conducting performance audit
- Contents of the performance audit report
- Public participation in audit process
- Way forward
- Conclusion
WHAT IS PERFORMANCE AUDIT?

Performance Audit is:
- one of the modern types of public sector audit, which is an essential tool for assessing public management economy, efficiency and effectiveness.
- a systematic and objective examination of government activities with the aim of assessing whether the value for money has been achieved.
Economy
Getting the right quality and quantity of inputs at the best price

- Do the means chosen represent the most or at least a reasonable economical use of public funds?
Efficiency

Minimising inputs if outputs are fixed, or
maximising outputs if inputs are fixed

It assesses whether:

- Resources are efficiently used,
- Public sector programmes and activities are efficiently managed
- Services delivered in a timely manner
Effectiveness
The extent to which planned objectives are achieved,

Objectives may be set in terms of effects and/or outcome

- Are the objectives of the policy being met by means employed, output provided and impact observed?
Purposes of performance auditing

- Provide Parliament with:
  - Objective assessment of the performance of public/Government activities;
  - Providing information for policy decisions;
- Encourage accountability and best practices in Government operations
- Means of change and development within Government operations
- Is a substitute for market mechanism
Benefits of Performance Audit

- Results in recommendations that initiate a process of renewal and change, leading to greater efficiency and effectiveness in government administration.
- Helps government achieve more with less through efficient service delivery.
- Illustrates the changes an organization is facing.
- Provides a roadmap for moving forward in achieving goals.

Contributes to improving public budgeting, promoting a better reporting system and modernizing public management while enhancing efficiency in resource use and effectiveness in service delivery.
Approaches used

- A problem oriented approach which examines, verifies and analyses the causes of particular problems or deviations from criteria.
- Risk–based approach which examines areas of greatest risk to the achievement of the audited entity’s objectives.

The NAOT follows problem oriented approach
• it’s a methodology used in AFROSAI–E
Methodology for undertaking performance audit

- Various qualitative and quantitative methods are used for conducting performance audit, such as:
  - Documentary review
  - Interviews
  - Observation
Stages for conducting PA

- Pre-study: Selecting the Audit Problem, Planning the Audit Project
- Main study: Entry conference, Data Collection, Data Analysis, Exit conference
- Reporting: Writing the audit report, Review of the draft by expert, Facts clearance by auditee, and Tabling
- Follow up: Conducting Follow up of the Implementation of the recommendations issued
Contents of Performance Audit

- the objectives, scope, and methodology of the audit;
- the audit results, including findings, conclusions, and recommendations;
- a statement about the auditors' compliance with ISSAIs;
- a summary of the views of responsible entity(ies);
Public participation in the Audit Process

- Participatory approach enhances the practice of examining government activities.
- Civil society and SAI can share and use the results of each other’s activities. For example:
  - Civil society scrutinize government based on the SAI audit reports or uses them as a means of monitoring.
  - On the other hand, the SAI can use civic groups’ information and data on the oversight of government. Thus, the SAI may view civil society as playing a cooperative and complementary role.
- Media communicates results of the audit and action taken by the government to the citizens.
Public participation ....

**Planning**
- Suggesting potential subjects for audit from the documented citizens complaints
- Providing information about the problem

**Execution**
- Providing information about implementation of a government activity under audit

**Reporting**
- Communicating results of the audit
- Monitoring implementation of the recommendations
Direct participation of CSOs may threaten the SAI’s independence. SAI can be requested to conduct audit which is questioning the merit of the policy.

- SAI should maintain independence and political neutrality, in relation to both audited agencies and all outside influences.

Ensuring information security related with audit processes and audit results

- Clear legal framework for all audit activities

Coordination

- Guideline for effective public participation
Way forward

- SAI should develop accessible and understandable audit reports that are freely available and widely distributed to the public in a timely manner
- Creating communication channels that CSOs can access to report various inefficiency cases as potential subjects for formal audits
- CSOs can use their networks to monitor implementation of the SAI recommendations
Effective cooperation of various stakeholders in performance audit is of great importance in order to enhance accountability in the country and through that ensure that public resources are properly used and benefits the majority.
End!

- Thanks!