Performance Audit (PA): Draft Guidance

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Developed within PEMPAL IACOP
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Purpose of the Session

- Introduce the draft PEMPAL Performance Audit Guidance
- Explain what it aims to achieve and for whom
- Gather participants’ feedback to refine the guide
- Prepare for break-out discussions that follow

Why Performance Auditing (and What Makes It Distinct)

The evolution:

- Shift from compliance & control → value-adding & improvement
- Managers demand insight into economy, efficiency & effectiveness (3Es)
- Reinforces results-based PFM and accountability agendas

Different perspectives:

- External Audit (INTOSAI): Focus on outcomes, societal impact, public accountability (parliament)
- Internal Audit (IIA / GIAS 2025): Focus on organizational processes, systems, management improvement: assurance, insight, foresight
- → Scopes are distinct but complementary – both enhance public accountability

Scope and Aim of the Guidance

- Written for public-sector internal audit units in PEMPAL countries
- Provides principles + practical tools + examples, not prescriptive checklists
- Complements SAIs; focuses on process efficiency and management improvement
- Includes templates: Engagement Plan, Working Program, Evidence Map, Glossary

Structure of the Guidance

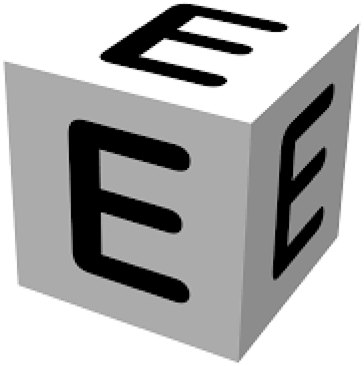
1. Introduction – IA evolution toward performance orientation
2. What is Performance Auditing – definition & 3Es
3. When to Conduct – value and auditability tests
4. Planning – objectives, criteria, stakeholders
5. Fieldwork – methods & triangulation
6. Analysis & Reporting – evidence → findings → recommendations
7. Follow-up
8. Tailoring for Contexts & Maturity
9. Emerging Themes (ESG, Digital, SDGs)
10. Link to Global Standards (GIAS 2025)

Annexes – Practical Tools and Templates:

- Engagement Plan Template
- Work Programme Example
- Evidence Map
- Glossary of Key Terms

Key Concepts: The Three E’s

- Economy = spending less (adequate quality at minimum cost)
- Efficiency = spending well (inputs → outputs)
- Effectiveness = spending wisely (achieving outcomes)
- → Together = evidence on value for money



When to Conduct a Performance Audit

- Strategically important programmes or reforms
- Observed inefficiencies or high stakeholder interest
- Reliable data and IA capacity available
- Use auditability test (5 questions)
- When not ready → advisory work can prepare the ground

The Performance Audit Process

- Planning → Fieldwork → Analysis & Reporting → Follow-Up
- Cyclical and iterative – learning feeds next engagement

Planning Highlights

- Engage stakeholders early (acceptance / kick-off)
- Define objectives & 2–3 key audit questions+scope
- Agree on criteria & evidence sources
- Document in Single Audit Engagement Plan
- Apply GIAS 2025 principles: risk assessment, supervision, quality review

Advisory Role in Early Stages of the Audit

In the early stages, performance criteria may not yet be well defined or agreed upon.

Internal audit can provide advisory support to management in:

- Formulating or refining performance objectives and expected results.
- Developing suitable audit criteria – translating goals into measurable aspects of economy, efficiency, and effectiveness.
- Assessing whether data and indicators are sufficient to support the audit.

This advisory role is part of audit's insight and foresight contribution — it helps management clarify what "good performance" looks like.

Ultimately, management must agree on and own the criteria – they are never the internal auditor's criteria.

- ➤ Supporting the formulation of criteria strengthens audit quality and ensures credibility of findings.

Engaging Stakeholders Throughout the Audit Cycle

- Early and continuous engagement ensures the audit remains relevant and practical.
- Acceptance phase / kick-off meeting – align objectives, scope, and criteria.
- During fieldwork – communicate progress and emerging observations.
- Before reporting – discuss preliminary findings to validate evidence.
- Follow-up – engagement increases ownership and supports implementation of recommendations.

➢ Stakeholder involvement strengthens credibility and impact of performance audits.

From Evidence to Findings & Recommendations

- Evidence → Findings → Conclusions → Recommendations
- Apply triangulation (≥ 2 sources per criterion)
- Strong recommendations = specific, feasible, impact-oriented
- Root-cause analysis is key to value-adding advice

Tailoring and Emerging Themes

- Scale approach to IA maturity & resources
- Use scalable formats – from light reviews to full audits
- Integrate ESG, digital transformation, SDGs
- Ensure alignment with GIAS 2025 (insight, foresight, risk focus)

Assessing Maturity – Tailoring Performance Audits

The depth and scope of a performance audit depend on maturity at three levels:

- 1. Internal Audit Function: mandate, skills, tools, quality assurance.
- 2. Auditee / Programme: clarity of objectives, reliable data, openness to scrutiny.
- 3. Enabling Environment: legal framework, support from CHU, cooperation with SAI.

- Start simple → scale up as maturity grows.
- Use proportionate approaches — from light thematic reviews to full-scope performance audits.

➢ Tailoring to maturity helps ensure feasibility, learning, and added value.

Key Take-Aways

- Performance auditing bridges assurance and insight/foresight
- Adds value for management and citizens
- Distinct but complementary to external audit
- Stakeholder involvement crucial
- Take into account maturity levels of IA, auditee, enabling environment
- Draft guide = living tool – to be tested and refined by PEMPAL members

Break-Out Discussion Questions

1. Which sections of the guide are most useful for your context?
2. Where do you see challenges in applying performance auditing?
3. What should be added or simplified?
4. How can CHUs and IAUs collaborate to build capacity?
5. Examples of ongoing performance-type audits in your country? (if there is time left)

Proposed Next Steps

- Collect group feedback → feed into Version 2 (early 2026 or sooner)
- Pilots and/or experiences in selected countries → case examples for Annexes
- Publish final guide in PEMPAL Knowledge Product series