

# **Implementing Performance Auditing by IA will add value – but also challenges**

**PA has become an important task also for IA**

- Compliance and good internal control is not enough when resources are limited and we wish to achieve more

**Tony Angleryd**

# Various levels of ambition in PA

## 1. PA light

Is the management system sound?

(Based on assumptions of management risks/problems)

## 2. PA traditional

Does the performance meet the criteria set? (objectives, intentions, principles, good practice, what could be)

(Based on lack of knowledge or assumptions of performance risks)

## 3. PA advanced (first or second question)

What are the obstacles to good performance? Why poor performance?

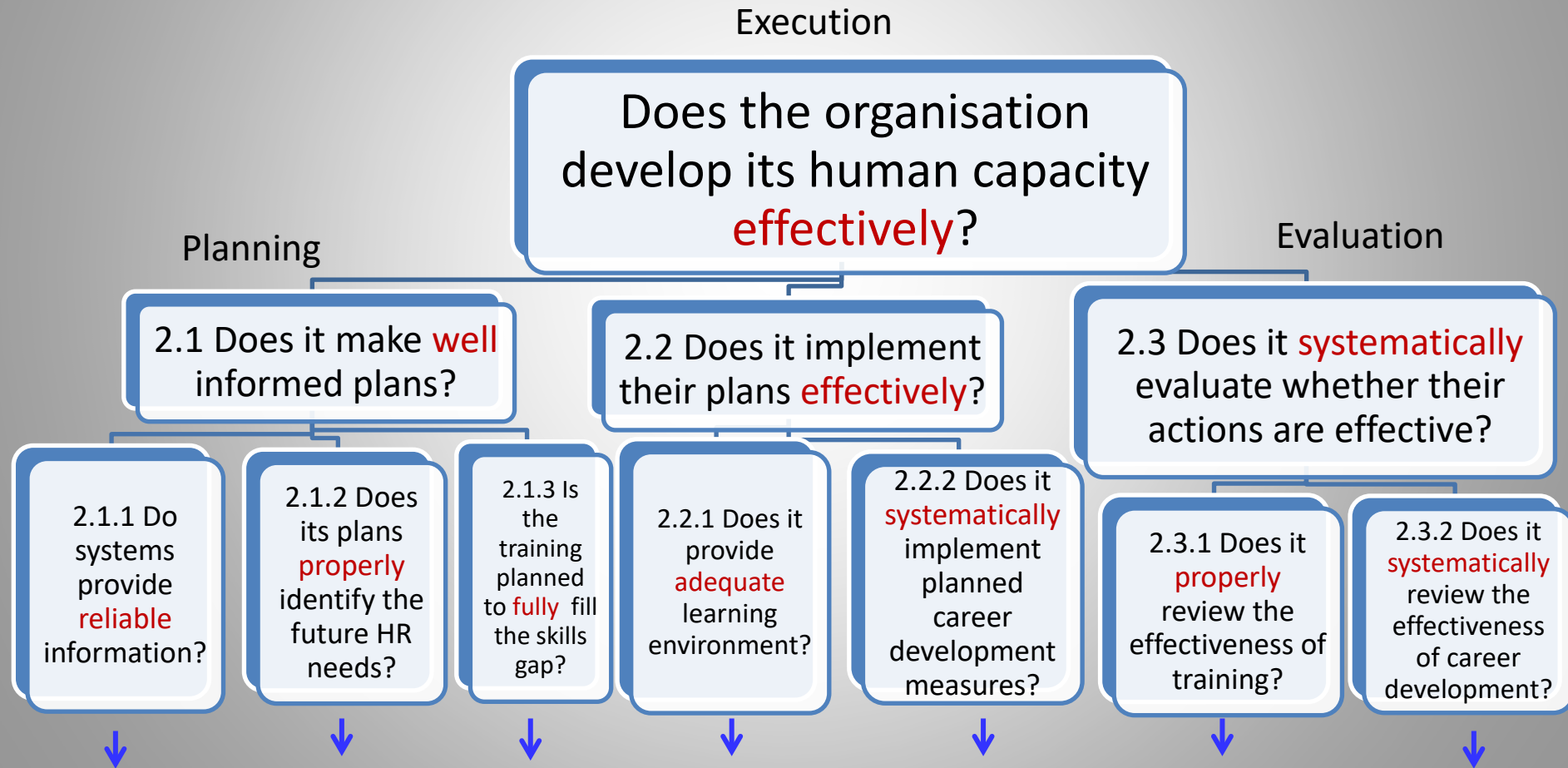
(Based on “known” performance problems and wishes to address them)



# Performance audit light

Starting point: Indications of HR risks/problem

Pyramid of **normative** questions



Research questions: which information is needed and how to get it

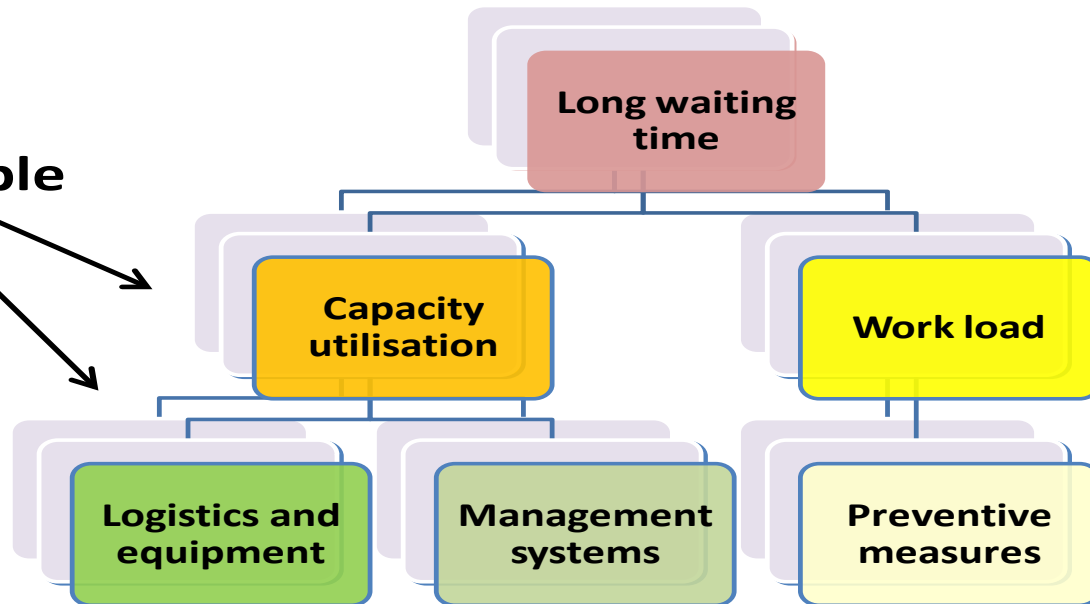
# Performance audit advanced

Starting point: Long or increased waiting time

Audit question: **Why** long waiting time?

## Issue analysis

Potential  
and testable  
causes



# The main focus differs between PA and IA

PA is less focused on management issues

Main focus in IA = **How to reduce risks and promote better control**  
(internal governance, management, control)

Main focus in PA = **How to work smarter and achieve better results**  
(services and programs)

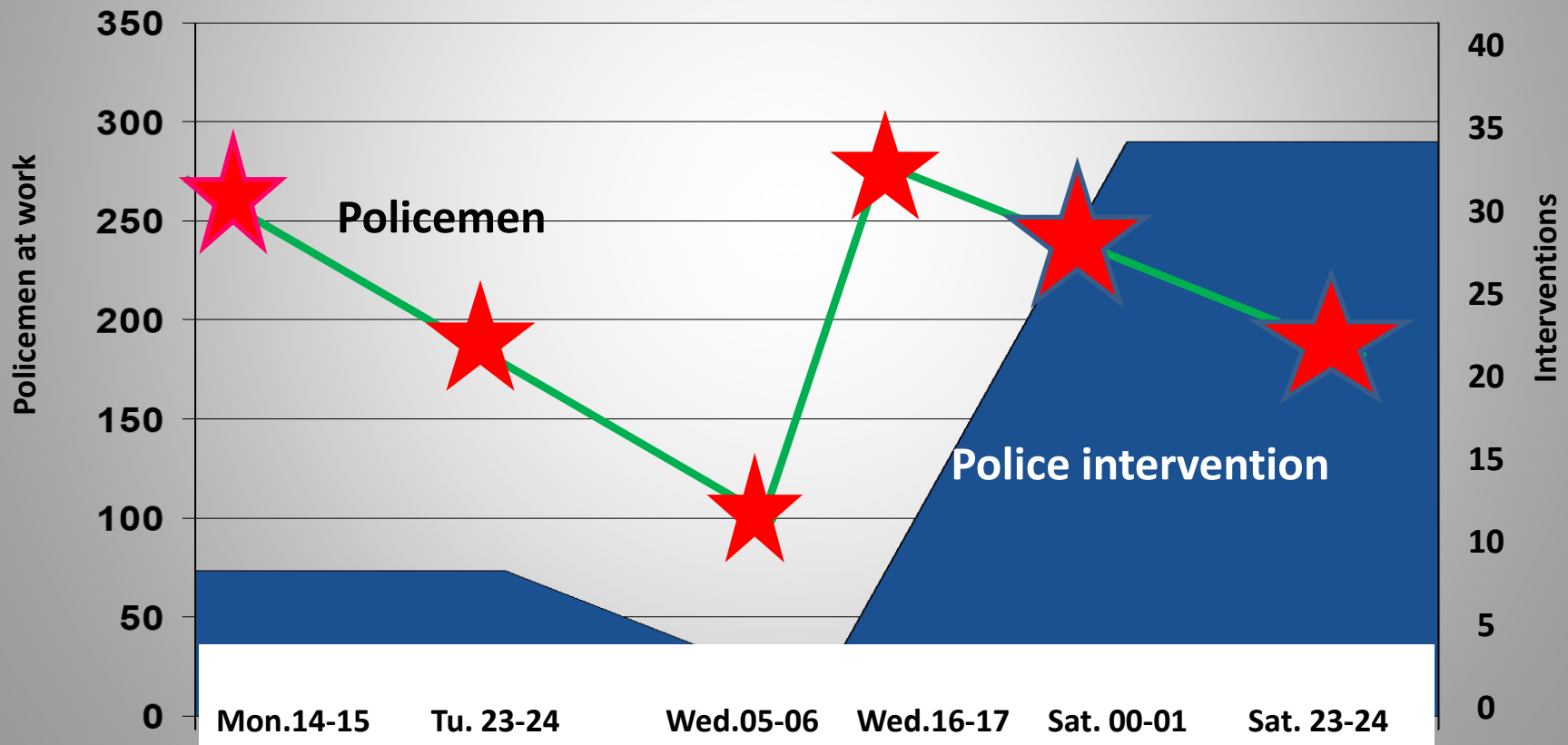
**Performance and operation first**  **Causes later** 

And poor management and unsatisfactory internal control might be some of the potential causes. It may even turn out that policies, rules and decisions need to be changed in order to improve performance and results.

# Reality first = focus on risks/problems in the operation!

Main Audit Question: Is the available capacity effectively used?

Fig. Numbers of policemen and police intervention during different periods




# Some challenges: PA means a different way of working

- Preparation/design is demanding (why, what and how) just like setting criteria (not always fully known beforehand)
- Knowledge about good practices and the subject matter is vital
- Planning and conducting is facilitated by stakeholder involvement and field studies (various sources of information)
- Coaching and Guidelines are more important than manuals
- Research work, interviews, reflections and QC (risk) takes time
- More of % (how often etc.) and pros and cons

Two common mistakes by beginners:

1. Too broad and too many audit questions
2. Too early start of the data-gathering work

# Examples of topics for internal PA

- Internal control systems (are they effective?)
  - Human resource management
  - Information systems (ownership, security e.g.)
  - Performance management systems\*
  - Transparency
  - Administrative services
  - Procurement
  - Maintenance
  - **Economic and efficient use of available resources**
  - **Service quality**
  - **Time management and logistics**
  - **Program efficiency (and effectiveness)**
- 

\*Examining performance measurement/reporting is not per se PA



# IA: matters that management is accountable or responsible for (are able to influence)

Responsibility/accountability in reality?	How common?
<ul style="list-style-type: none"><li>• Execute/implement superior's decisions and safeguard compliance/good internal control</li></ul>	Always
<ul style="list-style-type: none"><li>• Valid/reliable performance measurement and evaluation and reporting of results</li></ul>	Far from always
<ul style="list-style-type: none"><li>• Initiate and execute changes <u>within given rules</u> to improve efficiency</li></ul>	Far from always
<ul style="list-style-type: none"><li>• Initiate changes of <u>regulations or conditions</u> that hamper efficiency and effectiveness</li></ul>	Almost never or very seldom

The accountability culture is weak in many countries

This have consequences for IA when it comes to PA

# Integrated and separate PA

## Integrated PA

- Part of a wider audit
- Seldom proper Pre study
- Limited field work

Less costly

**Seldom much of PA in reality!**

## Separate PA (ISSAI 300)

- Stand alone
- Demanding Pre study
- Extensive field work

More added value

Certification for internal audit is not a “driver’s license” for standalone PA

# Internal auditors and PA

Internal Auditor (examples)	Standalone PA (more or less advanced)
Inspector General, Treasury, US	Yes
Office of Oversight Services, UN	Yes
Centralised Inspector General (any)	Some (ought to)
IA at states, regions, provinces	Some (ought to)
IA at a large Authority	Some (ought to)
IA at a small authority, anywhere	No

**PA require special competence. A critical mass is needed.**

# Some building bricks

- PA allows for a variety of ambitions and methods, but start in small scale, learn and move on
- A step-wise approach and “learning by doing”
- Staff with right profile, skills and development potential
- Drivers, like team leaders/managers or coaches/trainers
- Supportive networks, incl. e.g. “twin” organisations, the academic society and think tanks

External and internal support is vital

# The roles of CHUs

## - some examples

- Policies and Guidelines
- Influencing the management culture
- Stimulating, supporting and problem solving
- Knowledge sharing and training opportunities
- Monitoring and evaluation

**Not only auditors but also CHUs need support!**

Not least to take on the real challenge: actively seeking support to influence the overall accountability culture

Very few Min Fin in the world are "change agents"

It takes training to overcome challenges!



**Thank you for your attention**