

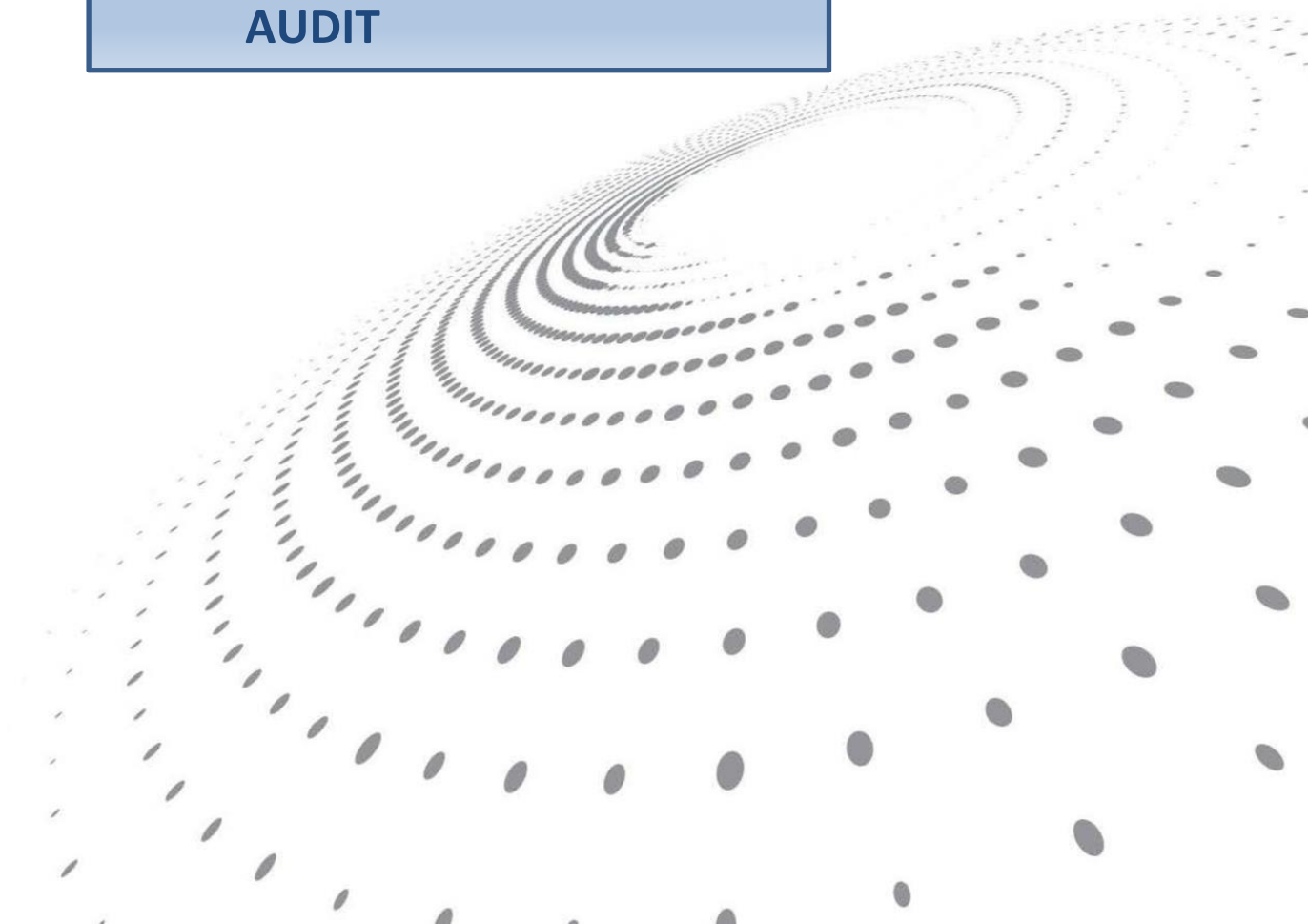


**NATIONAL COORDINATING BODY
FOR AUDIT AND ACCOUNTABILITY**



HELLENIC REPUBLIC

**GUIDE
PERFORMANCE
AUDIT**



**GUIDE
PERFORMANCE AUDIT**

**NATIONAL COORDINATING BODY FOR AUDIT AND
ACCOUNTABILITY
(ESOEL)**

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Foreword by the President of ESOEL

The National Coordination Body for Audit and Accountability (hereinafter referred to as "NCCA" or "Institution") is a collective body, within the framework of which joint actions are planned and implemented between the staff of the authorities, bodies and services participating in it and active in the Audit of the activities of public bodies and in the fight against corruption.

With the aim of standardising and modernising audit procedures and methodologies, we have created the Performance Audit Guide, drawing on the scientific training, professional experience and expertise of the staff of the audit services of ESOEL's member bodies.

The Performance Audit Guide aims to provide a useful tool for conducting audits with a focus on the economy, efficiency and effectiveness of the programmes and activities of public bodies. The contributors to this Guide capture the techniques, methodologies and good practices for conducting performance audits effectively while fostering a culture of good financial management.

It is worth noting that this Guide was prepared exclusively by a dedicated team of public sector executives who, without additional compensation and in parallel with their official duties, worked methodologically and intensively to complete this very important work.

The Performance Audit Guide is a "living" tool that will be updated to adapt to new good practices and to meet the requirements for public accountability, with an emphasis on the effective and efficient management of financial resources.

The President of ESOEL



Angelos Binis

Governor of the National Transparency Authority

Preamble

This Performance Audit Guide is the result of collaborative work by auditors from the Audit Services participating in the National Coordinating Body for Audit and Accountability (NCCA). Following ESOEL/166/02.11.2020, a decision by the President of ESOEL, a Working Group was appointed with the sole purpose of preparing a manual on "Performance Audits" to assist auditors in conducting audits focused on sound financial management, with an emphasis on the three pillars of economy, efficiency, and effectiveness.

As the current crisis persists and resources remain limited, the need for sound financial management becomes more urgent. Consequently, performance audits, based on relevant data, will become increasingly important to both the State and the audited bodies themselves.

This Guide is a first step toward exploring the subject. It does not exhaust all the topics but focuses on the most important issues. It is understood that the Guide is not static; our aim is to continuously enrich and update it to align with best practices and reflect ongoing developments in performance audits.

The fact that it was produced by a collective audit body like ESOEL underscores its significance to all the participating Audit Services.

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Introduction

What is the need for the Performance Audit Guide for audit authorities?

Due to the budgetary crisis we have been facing over the past decade, which has led to continuous spending cuts, and the more recent pandemic crisis, which has driven an increase in specific health expenditures and intervention policies to protect vulnerable populations, the significance of performance audits has grown and continues to gain momentum.

However, the experience gained so far in conducting these audits is limited, as is the knowledge of the methodologies and techniques involved. For auditors unfamiliar with this type of audit, performance auditing can be particularly challenging. It requires continuous learning, initiative, and the application of specialized techniques.

This manual is designed to illustrate these techniques and methodologies, as well as present some potential good practices, with the aim of making performance audits more accessible and effective.

This work is a collective effort, compiling the experiences and expertise of auditors from major Audit Services participating in ESOEL, further highlighting the importance of the project. Numerous meetings and exchanges of views within the Group were necessary to finalize the Guide and shape it into its present form.

Content structure of the Guide

The Guide is structured into five main chapters:

- **Chapter One** clarifies the concept of performance auditing and analyzes its three components, often referred to in Anglo-Saxon practices as the "three Es" of good financial management: economy, efficiency, and effectiveness. It also explains the relationship between performance auditing and performance budgeting, followed by a presentation of key performance indicators and their characteristics.
- **Chapter Two** presents the auditing standards related to performance auditing and analyzes their content in a table.
- **Chapter Three** describes the institutional framework governing performance audits within the main audit departments of the Ministry of Finance and the Court of Audit, along with the practices followed in these departments.
- **Chapter Four** provides the methodological background for conducting performance audits and outlines the practices followed. It also presents the building blocks of a performance report, laying the foundation for preparing a complete and comprehensive audit report.
- **Chapter Five** introduces key performance and numerical indicators, serving as a toolbox for auditors depending on the subject of the audit.

The annexes to the Guide include a concise glossary of key terms to familiarize readers—especially auditors—with the basic terminology used in performance audits.

- **Annex I** is enriched with the contents of an audit planning memo, which analyzes all the aspects that arise during a performance audit in the form of questions.
- **Annex II** provides an indicative evidence collection plan, and
- **Annex III** outlines a project plan. These annexes assist auditors in both conducting audits and formulating and processing deliverables.

1. CONCEPT OF PERFORMANCE UNIT

CHAPTER ONE: CONCEPT OF PERFORMANCE AUDIT

This chapter explores the concept of performance auditing and approaches to performance-based audits. It outlines the principle of sound financial management and how it applies to assessing the performance of public organizations. The chapter begins with definitions, key characteristics, and the core values of performance budgeting, and concludes with a discussion of performance measurement indicators, illustrated with focused examples from public administration.

1.1. Sound Financial Management and Performance Monitoring: Definitions and Interpretation

1.1.1. Concept of Performance Audit

A performance audit is defined as “the independent, objective, and reliable examination of whether government structures, systems, operations, programs, activities, or organizations are operating in accordance with the principles of economy, efficiency, and effectiveness, and whether there is room for improvement.”

1.1.2. The Three E's or Good Financial Management

The three principles—economy, efficiency, and effectiveness (often referred to as the "three E's")—form the foundation of what national law refers to as the principle of sound financial management. These principles are defined as follows (Law 4270/2014, Article 33, Paragraph a):

- **The principle of Economy** refers to ensuring that the resources used to accomplish objectives are available at the lowest possible cost.
- Implementation of government policies must ensure that resources are made available in a timely manner, in the appropriate quality and quantity, with minimal budgetary burden, and using only the necessary administrative resources.
- **The principle of efficiency** dictates that the best possible relationship must be maintained between the resources used and the results achieved.
- **The principle of effectiveness** requires monitoring the achievement of specific objectives and predefined results.

A performance audit also evaluates whether conditions exist for ensuring sound financial management. This includes assessing good management practices, procedures, and the regulatory and institutional frameworks.

It is worth noting that there have been proposals to add a fourth "E" to the existing three principles, representing **environment**, **equity**, or **ethics**, with the aim of broadening the scope of performance monitoring and increasing its impact. However, such an extension may be considered unnecessary, as these dimensions are essentially embedded within the original three E's.

Additionally, it has been suggested that performance audits can be divided into two types: those focusing on **results** (results-oriented approach) and those focusing on **problems** (problem-oriented approach). In the first approach, the emphasis is on evaluating performance against each of the three E's. In the second, the focus shifts to identifying the causes of suboptimal performance.

1.1.1.1. Economy and Efficiency

Economy assesses whether the institution is acquiring sufficient resources in the right quantity, at the right time, and at the best possible cost. **Efficiency** evaluates whether the organization is maximizing its results with the resources it has. Efficiency is typically measured in terms of unit costs and productivity.

A review of cost-effectiveness and efficiency can identify instances where information, personnel, and other resources are being used inefficiently or uneconomically. Additionally, it helps determine whether an operator must comply with laws and regulations related to economy and efficiency. When auditing these aspects in a performance audit, the auditor must ensure that the following objectives are met:

1. **Sound procurement practices**
2. **Acquisition of resources:** Ensuring the right type, quality, and quantity of resources are obtained at the right cost
3. **Protection and conservation:** Appropriate protection and conservation of resources
4. **Avoid duplication:** Avoiding duplication of effort among employees and preventing work that serves no purpose
5. **Minimize redundancy:** Preventing staff inactivity and redundancy
6. **Efficient processes:** Implementing efficient operational processes
7. **Optimal resource use:** Using the optimal amount of resources to produce and deliver goods and services of the right quality and quantity in a timely manner
8. **Legal compliance:** Compliance with laws and regulations affecting the acquisition, protection, and use of the organization's resources
9. **Management audit systems:** Implementing a management audit system that measures, communicates, and monitors the efficiency and cost-effectiveness of a program
10. **Reporting:** Reporting valid and reliable measures of cost-effectiveness and efficiency

In a more analytical approach, cost-effectiveness refers to minimizing the cost of resources used for an activity while maintaining appropriate quality.

The audit of value for money can answer questions such as whether the chosen means or acquired equipment (inputs) represent the most economical use of public resources; whether human, financial, or material resources have been used efficiently; and whether management adheres to sound administrative principles and good management practices.

While assessing cost-effectiveness may appear straightforward, documenting its findings is often challenging in practice.

Issues of cost-effectiveness can arise when excessive amounts are spent on acquiring resources that are either unnecessary for service provision, could be purchased at a lower cost, or have higher technical specifications than required, thereby significantly increasing the cost of service delivery.

Indicative Risks in Financial Audits:

Some potential risks that may arise during a financial audit include:

- **Waste of resources:** Allocating public funds to activities that are not aligned with the program's purpose or the desired quantity and quality of the product or service.
- **Overfunding:** Allocating more state aid than necessary to complete a project or program, which could have achieved the same results at a lower cost.
- **Overspending:** Using funds for actions or programs that could be executed at a lower cost.

Examples of Financial Audit Questions:

- Were the best prices secured for the maintenance services of the entity's air conditioning units?
- Were the technical specifications in the tender notice for the supply of computer monitors appropriate, or did they unnecessarily increase the final cost?

Performance Audit Approach

In a performance audit, the auditor should assess whether the organization is using its available resources **productively** to achieve the desired output (product or service). This involves comparing the relationship between inputs (resources) and outputs (work, product, or service produced) against objectives, standards, or similar data from comparable organizations or production processes.

Indicative Risks in Performance Audits

Some potential risks that may be explored during a performance audit include:

- **Incorrect activity choices:** Activities resulting from inadequate planning, inconsistency with the objectives, or situations where the organization lacks the necessary means or capacity to implement the activities.
- **Administrative inefficiency:** Failure of management to prioritize actions and develop a clear action plan, lack of effective target setting, and an inadequate mechanism for auditing the achievement of objectives.

¹ The English term performance audit is usually translated as performance audit. Sometimes, however, the terms 'performance audit' or 'performance audit' are also used. In this Guide the three terms are used interchangeably with this meaning.

² INTOSAI, 2019, "ISSAI 300. Performance Audit Principles", p. 8: "As carried out by SAIs, performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement".

³ It is a translation of the English term "sound financial management" which is used in EU law.

⁴ See. and INTOSAI, 2019, "ISSAI 300. Performance Audit Principles", p. 8. Furthermore, with Regulation 2018/1046 "on the financial rules applicable to the general budget of the Union", Art. 33, sets out the principle of economy ("the means used by the Union institution concerned to implement its activities shall be made available in due time, in the appropriate quantity and quality and at the best price"), efficiency ("it concerns the best possible relationship between the means used, the activities undertaken and the achievement of objectives") and effectiveness ("it concerns the extent to which the objectives pursued have been achieved through the activities undertaken").

⁵ INTOSAI, 2019, "ISSAI 300. Performance Audit Principles", p. 9.

⁶ Gildenhuis CA, Janse van Rensburg JO, 2017, "The fourth E of performance auditing", *Southern African Journal of Accountability and Auditing Research*, vol. 19: 117-127.

⁷ INTOSAI, 2004, "ISSAI 3000: Standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience", pp. 26-27.

⁸ INTOSAI (The International Organization of Supreme Audit Institutions), 2004, "ISSAI 3000: Standards and guidelines for performance auditing based on INTOSAI's

Auditing Standards and practical experience", p. 15.

⁹ INTOSAI, 2004, "ISSAI 3000: Standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience",

In a performance audit, the auditor aims to examine¹⁰ :

- The existence of documented data on the use of the organisation's resources and the Audit of production efficiency such as reports on production volume, the level of quality of services, the evaluation and utilisation of staff, the utilisation of equipment, the methodology for determining production costs,
- The opinion of customers/citizens on the quality of services provided,
- The way production is organised over time and in particular the existence of similar - overlapping and repetitive processes from different parts of the organisation,
- The possibility of adopting alternative - more efficient procedures e.g. through the use of new technologies.

Here are some examples of efficiency check questions:

- If the size of a public service is increased, is it possible to have a cheaper product offered per unit of product?
- Is it possible to increase the production of services without increasing costs? (e.g. by implementing a change in processes or reducing operating costs)
- If we reduce the range of services provided by a public organisation, will we achieve a more efficient product due to specialisation?
-

1.1.1.1. Efficiency

Effectiveness testing determines whether a programme, activity or function of the organisation is achieving a desired level of results or benefits. Further, it assesses the effectiveness of an entity and its ability to achieve its objectives. In conducting a programme review, the auditor should assess the following:

1. The ability of the organisation to achieve its objectives
2. The ability of the organisation to achieve its output goals
3. The planning, management and monitoring systems used by the management of the organisation to achieve its objectives and targets
4. The compliance of the management of the organisation's programmes with the legislation
5. The overlap of the programme

¹⁰ INTOSAI, 2004, "ISSAI 3000: Standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience", p. 16.

6. The overlap between programmes
7. Conflicts with other programmes.

When carrying out the effectiveness check as part of a performance audit, the auditor must ensure that the following objectives have been achieved:

1. Development of sound, appropriate and relevant programme objectives
2. The programme achieves a desired level of programme results
3. Evaluation of the effectiveness of the programme or the programme components
4. Identification of factors that inhibit satisfactory performance.

Taking a further analytical approach, the effectiveness audit aims to examine whether the institution or programme has achieved its objectives and goals. In the context of this audit, it is also verified whether the procedures applied by the body follow rules or standards in order to ensure that the parameters relating to the impact of the activity and the choices made in the exercise of its competences, both within the organisation and for the final recipient, which is the citizen¹¹. It is noted that in addition to the achievement of objectives, it may also be possible, although difficult, to investigate whether the objectives were achieved thanks to the programme or action being monitored, i.e. to investigate whether or not there is a causal link¹².

Indicative risks that may be Audited in an effectiveness audit are the following:

- Inefficiency/failure in the production process: failure to achieve the expected result
- Failure to achieve the objectives of the programme or to implement the expected actions of the body
- No quality Audit and evaluation of the organisation's results.

The effectiveness check focuses on the following:

1. the output (products or services resulting from the performance of the public body's work),
2. in the way the outflow is achieved,
3. in the results,

¹¹ INTOSAI, 2004, "ISSAI 3000: Standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience", pp. 26-27.

¹² INTOSAI, 2019, "GUID 3910. Central Concepts for Performance Auditing", p. 19.

4. impact¹³, i.e. the effects and consequences (positive or negative consequences, direct and indirect, that the operation of the organisation has, both within the organisation and for the citizen).

More specifically, the auditor, when auditing effectiveness, should focus on:

- The extent to which the desired result is achieved by Auditing the procedures implemented to achieve it.
- To assess whether the organisation has set measurable and clear objectives, the "positive impact" of its interventions and whether it has put in place a process of checks and balances to achieve this.
- To verify the implementation of feedback and correction/improvement policies for the organisation's processes, through the adoption of methodologies and incorporation of changes resulting from the use of monitoring data and other means of achieving results and impact.

Here are some areas of application of effectiveness check questions:

- Number of checks carried out per organisational unit / per employee / per SAI.
- Average waiting time of a citizen in "queue" in order to process his/her case, per institution and per organisational unit of the institution.
- Percentage of higher education graduates who find a job in their field of study within six (6) months of starting their search.

1.1.2. Distinction between performance audit and other types of audits

Performance auditing is distinguished, according to INTOSAI standards, from the other two main types of audits conducted by internal and external auditors, namely¹⁴:

- α) The financial audit, which aims to verify that the accounts and financial statements are free from material misstatement.

¹³ INTOSAI, 2004, "ISSAI 3000: Standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience", p. 19.

¹⁴ INTOSAI, 2019, "ISSAI 100. Fundamental Principles of Public-Sector Auditing", p. 11. See also European Court of Auditors, 2017, "Performance Audit Handbook", para. 1.2.5, where a comparison of these three types of audit is provided. Note that in the Greek translation of the European Court of Auditors' Manual, the term "financial audit" is translated as "financial audit", whereas in Greek law "financial" and "financial" (or accounting) audit are not the same.

an entity's financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and budget implementation reports) fully and reliably reflect its financial position and the results of its economic activity, and comply with the applicable financial reporting framework and regulations.

- b) A compliance audit, which consists of checking whether a particular matter (activity, financial transaction, information) is in accordance with the applicable law, rules, established policies, established codes or general principles governing sound financial management and the conduct of public officials.

Based on the IIA standards¹⁵, the nature of audit work (Standard 2100) includes the audit of governance, risk management and Audits, elements that are intertwined with the performance of the audited entity (organization).

Based on other typological distinctions¹⁶, performance auditing aims to enhance information for decision making, as opposed to:

1. the information assurance checks,
2. checks for fraud and other irregularities which are subject to penalties,
3. compliance checks (for rules or orders).

Although there are variations between international standards (INTOSAI, IIA, US Government Audit Standards) in the definition and branding of performance audits, what is critical is their objective, the subject selected for audit and the performance aspects that are also selected for audit. Accordingly, each performance audit includes at least one subject selected for audit and at least one performance aspect.

It should also be noted that if a performance audit identifies low performance problems due to poor compliance or inadequate internal Audits, then the audit may evolve into a compliance audit or an internal Audit system adequacy audit, respectively.

¹⁵ IIA, 2016, "International Standards for the Professional Practice of Internal Auditing", pp. 12-13.

¹⁶ Raam R.B., et al., 2016, *Performance auditing. measuring inputs, outputs, and outcomes*, Internal Audit Foundation, 3rd edition, pp. 1-9.

Table 1. Differences between financial and compliance audit on the one hand and performance audit on the other¹⁷

Points deviation	Financial / financial Audit	Compliance check	Performance Audit
Purpose	Assessment of whether the financial statements and the budgetary references are reliable.	Assessment of whether the operational actions, including the financial, were legally and properly executed.	Assessment of whether the resources of the auditees are budgets were used in a cost-effective, efficient and effective.
Focus	Financial transactions, accounting and basic network procedures.	Acts and omissions with or without direct financial dimension and key net procedures.	Policy, programme, organisation, activities and management systems.
Scientific basis	Accounting and legal	Legal	Economics, politics science, sociology, etc.
Methods	Standardised framework	Standardised framework	They vary from Audit to Audit.
Audit criteria	They are left less to the discretion of the auditor. Standard criteria set by legislation and relevant regulations and applicable to all Audits.	They are left less to the discretion of the auditor. Standard criteria set out by legislation and relevant regulations and applicable to all Checks.	It is left more to the discretion of the auditor. Specific criteria for each Audit.
Reports	Annual report. Standardized more or less.	Annual report. Standardized more or less.	Special report published on an ad hoc basis. The structure and content vary depending on the objectives.

In the context of this manual and taking into account that the audited public sector entities integrate the financial process alongside accounting and financial reporting, the concept of financial audit is defined as financial/fiscal audit.

1.1.3. The two approaches to performance monitoring

The performance audit focuses first and foremost on performance (three e's) rather than on policies and procedures. In this context, two approaches to performance

audits can be distinguished¹⁸ :

- 1) Direct performance monitoring, which focuses on inputs, outputs, outputs , results and impact of policies/programmes/actions. A prerequisite for this approach is the existence of appropriate Audit criteria. Where high performance is found, it is assumed that the Audits are working effectively. On the basis of these Audits, it is assessed, for example, whether the adopted policies have been properly implemented and whether they have achieved their intended objectives or whether there are undesirable financial, economic, social and environmental consequences due to the policy decisions taken. However, where poor performance is found, the Audits should be tested to identify the causes of the poor performance.
- 2) Audit of the systems of checks and balances, which focuses on assessing the adequacy of the policies and procedures implemented by managers to enhance, monitor and evaluate performance.

¹⁷ The table is adapted from European Court of Auditors, 2017, "Performance Audit Manual", para. 1.2.5.

¹⁸ European Court of Auditors, 2017, "Performance Audit Manual", para. 2.2.

1.1.4. The service delivery model

In order to understand the concepts related to the implementation of policies and actions, it is useful to present the conceptual service delivery model¹⁹, which is a common way of analysing performance audits. This model provides a framework that includes the subjects and aspects of performance that are inherent in the achievement of government interventions, i.e. programmes, functions or activities. The model consists of four dimensions: inputs, processes, outputs and outcomes. It should be noted that according to the detailed definitions in the European EISyn manual, outcomes include results, i.e. immediate changes for direct beneficiaries after they have participated in a public intervention, and impact, i.e. longer-term consequences of the intervention.

According to this model, the resources that constitute the inputs are acquired and subsequently, through processes, desired outputs (goods and services) are produced in order to achieve the final desired outcomes. The methodology of performance auditing depends on the above dimension chosen to be audited each time.

The above-mentioned concepts of inputs, outputs, outcomes and impact are critical to understanding and properly performing a performance audit. According to generally accepted definitions²⁰:

- a) Inputs are the financial, human and material resources mobilised for the implementation of an intervention (e.g. number and remuneration of trainers and costs of facilities and training material for a training programme for unemployed people),
- b) Outputs are what is produced or achieved with the resources allocated to an intervention, i.e. the deliverables (e.g. number of unemployed people graduated from the above training programme),
- c) Results are the direct effects of the intervention, in particular in terms of direct beneficiaries (e.g. number of unemployed graduates who found a job within one year after the end of the training programme); and
- d) Impact is the indirect and longer-term consequences of the intervention on the wider economy/society, beyond those directly affected by it and which may affect either its direct beneficiaries or indirect beneficiaries who are outside its scope and may either benefit or be harmed (e.g. reduction of unemployment and improvement of social cohesion).

The objective of a performance audit is to assess performance for one or more of the above components (inputs, processes, outputs, outcomes).

¹⁹ Raaum R.B., et al., 2016, *Performance auditing. measuring inputs, outputs, and outcomes*, Internal Audit Foundation, 3rd edition, p. 9 ff. Also see. European Court of Auditors, 2017, "Performance Audit Handbook", para. 2.3.1.

1.1.5. The key questions in performance auditing

In the performance check the main questions to be answered are two²¹ :

- Are things done the right way?
- Are the right things being done?

The first question mainly concerns the executor of the action and deals with whether public policy decisions are properly executed. This question is usually linked to a normative perspective, i.e. compliance with the rules is checked. The question also extends to whether the activities carried out are considered the most appropriate. Both relate to the cost-effectiveness and efficiency of operational actions. The second question concerns the policies adopted and whether they have been implemented appropriately or whether sufficient means have been used. This question refers to effectiveness or impact on society.

1.1.6. Performance auditor skills

It is crucial that performance auditors have the necessary professional skills for each audit²² . These skills are quite different from those of the other two types of audits and depend to a considerable extent on the performance audited. Knowledge of auditing and social science methodology, as well as analytical, writing and communication skills are considered essential skills. Knowledge of organisational management and government programmes is also essential, depending on the audited subject. Expertise in specific disciplines such as social sciences, statistics, natural sciences, computer science, engineering or law may be required.

1.2. Relationship between performance monitoring and performance budget

1.2.1. What is the performance budget

Approaching first the broader concept of the budget, it is a comprehensive statement of the government's financial plans, which includes expenditure, revenue, deficit or surplus and debt. The Budget is the major government economic policy document, which reflects how the government plans to use public resources to achieve policy objectives and to some extent indicates where its policy priorities lie²³.

As regards the performance budget, it is proposed to distinguish between the narrow and the broad definition²⁴. In the narrow sense, performance budgeting is the use of performance information for the purpose of allocating public resources (e.g. linking an increase/decrease in funding to an increase/decrease in outputs or other outcomes). In the broadest sense, however, performance budgeting refers to the use of performance information in order to (1) provide information on budget-related decisions (either as a direct input to budget-related allocation decisions or as framework information and/or inputs during budget preparation), and (2) enhance transparency and accountability throughout the budget process (by providing information to the public sphere on performance objectives and results).

Performance budgeting is a way of budgeting so that, in addition to defining "who" and "how much" to spend, it also defines "where" public resources will be spent, i.e. which actions will be financed and with what effect. This definition and the measurement and monitoring of the degree to which the intended outcome of government actions has been achieved will significantly enhance transparency and support the decision-making process for the allocation of public resources.

Performance budgeting is a new way of managing the state budget in Greece, with a focus on performance²⁵. It is also referred to as programme budgeting. The focus of attention of citizens, politicians and public money managers is shifting from inputs (resources) to outputs (results) and the primary concern of policy makers is to link results to the resources allocated. This system increases the importance given to the quality of the results of public spending and not only to how much public money is spent.

The performance budget is defined by its emphasis on evaluating both the performance and results of government agencies. The concept of the budget is not simplistic but complex, and it is precisely this complexity that is reflected in the various forms and functions it can take, as a key tool in a budgetary system for the conduct of fiscal policy, constituting a powerful instrument for prioritising and allocating resources efficiently.

Performance budgeting is part of a broader and diverse set of results-oriented budgeting methods and includes:

- Spending reviews
- Results-based budgeting (result-based budgeting)
- Evidence-based budgeting, etc.

²⁰ See. European Court of Auditors, 2017, "Performance Audit Manual", General Introduction/Glossary. See in addition p. 64 of the European Court of Auditors' Annual Report for the financial year 2018. See further European Court of Auditors, 2020, 'ECA 2019 annual report - Glossary'. See also Article 2 of Regulation 2018/1046 'on the financial rules applicable to the general budget of the Union', and the glossary of terms (p. 37 ff.) in DfE/CFO, 2019, 'Performance Budgeting Pilot Design Manual'.

²¹ INTOSAI, 2004, "ISSAI 3000: Standards and guidelines for performance auditing based on INTOSAI's

Auditing Standards and practical experience", pp. 13-14

²² INTOSAI, 2019, "ISSAI 3000. performance audit standard", ISSAI 3000/63-65. Also see INTOSAI, 2019, "GUID 3910. central concepts for performance auditing," par. 74-81.

²³ OECD, 2018, "2018 OECD Performance Budgeting Survey glossary", p. 1.

²⁴ OECD, 2018, "2018 OECD Performance Budgeting Survey glossary", p. 7.

²⁵ GAO, 2019, "Performance budgeting pilot design manual", p. 7.

1.2.2. Features of the performance budget

The key building blocks of the process of implementing a performance-based budget are as follows²⁶ :

- Rational allocation of available resources to each public policy.
- "Performance management". It refers to the operational decisions to implement expenditure, which includes the day-to-day purchases of goods and services, the management of staff, the development of actions, and the reporting and Audit of all these elements.
- Performance measurement. Performance measurement is a key technical dimension of both performance budgeting and performance-based management. Performance is usually measured on the basis of indicators, supported by figures that capture the actual results achieved by the expenditure, whether in terms of specific outputs or outcomes. In the absence of economic values, outputs and impacts on society as a whole are calculated in non-economic terms, such as the number of students graduated, length of hospitalisation or the frequency of road accidents.
- Budget classifications with an allocation of appropriations by programme and therefore by policy objective. Differentiation with the appropriations budget.
- Schedule: This is a set of resources (appropriations, human resources, etc.) allocated to achieve the objectives of a major policy area and for which an implementing officer is designated. The Programme has a long-term (multiannual) horizon. The architecture of a programme is in fact a hierarchy of different levels, which includes - in addition to the programme itself - higher (e.g. policy areas) and lower (e.g. sub-programmes, actions) levels. Indicative examples of 'programmes' from international experience are the following:
 - primary education
 - prevention in the health sector
 - food quality
 - investment support
 - support in the tourism sector
 - crime prevention

²⁶ GAO, 2019, "Performance budgeting pilot design manual", pp. 9-14.

The key components of the above definition of the programme are the following:

- Total resources.
- Policy objectives/outcome. Some subsidiary criteria may be added, such as: the individual beneficiaries/end beneficiaries of a policy, the mode of intervention and reference to actions.
- Major policy: the programme corresponds to high-level, large-scale or structural policies.
- Responsibility for implementation: the classification by programme aims to combine the following two dimensions: on the one hand the policy/function dimension and on the other hand an accountability dimension. Thus, as far as the budget classification is concerned, 'programmes' are considered in Greece as a combination of a functional and an administrative classification.
- A strong accountability framework: In the full implementation of the system, the allocation of appropriations by programme will give public money managers considerable discretion to choose how best to use their resources. The focus of Audit will therefore shift from ex-ante Audits to ex-post Audits, as looser Audits over inputs (resources) require stronger Audits over outputs (results). A strong framework is therefore needed to ensure transparency and accountability, in

²⁷ European Court of Auditors, 2017, "Performance Audit Manual", paragraph 2.3.1.

which will include clearly defined incentives for managers as a counterweight.

To illustrate the above, the following is an example of a programme entitled "Road accident prevention". A road accident prevention programme would cover costs related to the following:

- Projects to improve the country's road network.
- Campaigns to inform the public about the importance of road safety and accident prevention.
- Training of primary and secondary education teachers on road safety and road safety issues and development of actions for their implementation in their schools.
- Student education programmes to develop a culture of traffic education.

In conclusion, the action of the Public Administration aims at the intervention of the state in economic and social reality, so as to maximise social benefit. As a consequence, administrative action produces outputs and, ultimately, consequences. However, in order to produce these consequences from each policy/programme/action, inputs (resources) are required which, through a variety of processes, initially produce outputs which produce effects and ultimately have an impact on society, the economy and the environment.

The most modern way of organising the allocation of public resources and designing public actions to produce desired outcomes is through programme budgets by policy objective. Programmes are the architecture for setting up performance budgets. Of critical importance in this context is the formulation of objectives with measurable indicators in order to assess, evaluate and record performance. From the definition of the performance budget, it is clear that it is the form of budget that represents the most complete administrative articulation of the programming of the implementation of a policy objective.

1.2.3. The close relationship between performance budgets and performance audits

As mentioned above, the effective implementation of performance budgets requires a strong framework of transparency and accountability. In particular, the allocation of appropriations by programme gives public money managers considerable discretion to choose how best to use their resources. The focus of Audit therefore shifts from ex-ante Audits to ex-post Audits, as looser Audits over inputs (resources) require stronger Audits over outputs in order to

irregularities are detected, and on the other hand, an ex-post performance audit is necessary to evaluate the policy, programme or action as a whole. Therefore, performance auditing is an integral part of the performance budget. Furthermore, it is noted that in the case of performance budgets, the performance audit usually starts from the level of the policy, programme or overall action and, depending on the problems encountered, successively examines individual actions of the programme.

However, the performance audit is not exclusively concerned with or limited to performance budgets. The identification of performance criteria, whether quantitative or qualitative, shall be sought in all cases where performance risks are identified. In particular, in cases where there are no performance budgets or programmes and therefore no predefined indicators, the auditor is required at the audit planning stage to identify appropriate performance indicators that serve the purpose of the audit²⁸. The identification of criteria may often be difficult, but it is advisable to attempt to do so where feasible. Even where indicators, criteria and targets have been identified by the auditee, the auditor should act with scepticism and assess them a priori with completeness and documentation, as an entity may have an interest in withholding information or underestimating optimal performance.

Taking the above into account for the determination of performance criteria in the absence of performance budgets but with appropriation budgets, the performance audit treats the audited budget to a certain extent with the logic of the performance budget architecture. That is, it identifies performance criteria and assesses the performance of the audited budget according to them. In this way, the Audited budget is Audited as if it were a level of articulation of a programme or a level of actions, albeit of low hierarchy, with specific objectives.

In addition, performance budgeting is a modern financial approach with a focus on programme delivery rather than just compliance with budgetary limits. The reference to the need for performance budget auditing is made in order to avoid confusing compliance with the performance budget by the auditee with its own performance in the broad sense, which is the objective of performance auditing. The audit of the performance budget is an essential part of the entity's performance audit taking into account that the

²⁸ INTOSAI, 2019, "GUID 3920. The Performance Auditing Process," par. 38-43.

programme is in essence the applied dimension of the institution's policy. The main question in performance budget Audit during the performance audit carried out is the relationship between the needs of the organisation and the objectives set for those needs. In addition, the appropriateness and adequacy of the monitoring indicators set by the organisation, as well as ancillary dimensions, such as the environmental impact of the implementation of the performance budget, may be assessed.

1.3. Performance indicators

1.3.1. Key indicator characteristics

Regarding the main structural features of the indicators, we highlight the following:

- Indicators should characterise or measure the degree of achievement of a specific, precisely defined objective.
- Indicators merely provide an indication. The indicator is not the result as such, it is simply one of the visible aspects of a result. An indicator is often an approximation of an outcome.
- Indicators may reflect what happens before the results, i.e. the activities carried out by the entity and the inputs used to carry out those activities.
- Useful are those indicators that are actually taken into account in the processes related to budget and expenditure.

There are different types of output indicators: quantity indicators, quality indicators and efficiency indicators²⁹. Examples of quantitative, qualitative and efficiency indicators are given in the table below.

Table 2. Examples of quantitative and qualitative indicators and efficiency indicators

Quantitative indicators (measure the volume of services/goods provided by the operator)	Qualitative indicators (reflect the extent to which the service provided meets the requirements of the predefined standards)	Efficiency indicators (assess the input/output ratio)
How many driving licences were issued	Average response time of the police in case of a police call	Road maintenance costs per km
Daily number of transactions of citizens per organic sector Unit	Average waiting time for the processing of requests from citizens in public service	Cost per beneficiary of heating allowance

²⁹ GAO, 2019, "Performance budgeting pilot design manual", p. 28.

1.3.2. Performance measurement indicators

It is clear from the above that compliance with the principle of sound financial management is ensured through the monitoring of performance indicators defined by activity, as well as measurable indicators to assess the results achieved.

Proper targeting and monitoring of progress in an organisation is very important. Key performance indicators can play a key role in supporting this purpose. The adoption of an effective strategy by management that will lead to the achievement of objectives is directly dependent on the definition and implementation of appropriate KPIs. A public organisation can use such indicators to quantify both the success of an individual activity and its overall picture.

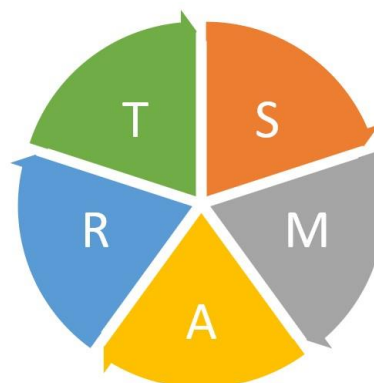
In order to provide an informed and reliable audit opinion, in terms of assessing the outcome, the audit process should focus on performance indicators that are SMART:

- S (Specific): Specific, i.e. there must be clarity in their formulation and their orientation towards specific objectives.
- M (Measurable): measurable, i.e. capable of being expressed in quantitative terms.
- A (Attainable) Achievable, i.e. the objectives to which it refers are reasonable and attainable.
- R (Realistic or Relevant): realistic, i.e. relevant to the success of the organisation and reflecting its actual objectives.
- T (Time-Based): time-bound, i.e. able to be measured at a specified time interval.

Figure 2. Performance measurement indicators

Performance measurement indicators

- T=Time based indicators
- R= Realist or Relevant indicators
- S= Specific indicators
- M= Measurable indicators
- A= Attainable indicators



1.3.3. Distinction between general and specific indicators

With the law. 3230/2004, article 5, which defines the basic system of target setting in the Greek Administration, indicators are divided into general and specific indicators. General indicators are defined as 'the response time to citizens' requests, the satisfaction rate of complaints submitted, the application of new technologies, the cost of management and the quality of services provided', while specific indicators, which can be defined in a complementary manner, are those 'corresponding to the type of services provided by [each service unit]'.

2. STANDARDS & PERFORMANCE AUDIT

CHAPTER TWO: AUDIT STANDARDS AND PERFORMANCE AUDIT

2.1. Inventory of standards, summary analysis and interpretation

The International Organization of Supreme Audit Institutions (INTOSAI) as an international organization was founded in 1953, with the aim of promoting the exchange of ideas and experiences among Supreme Audit Institutions (SAIs) regarding financial auditing. The auditing standards and guidelines developed by the INTOSAI were necessary because the field of financial auditing has particular characteristics compared to the private auditing field where the auditing standards of the International Federation of Accountants (IFAC) are applied.

INTOSAI issues two sets of professional standards, which incorporate the internationally recognised principles:

- (i) The International Standards of SAIs (ISSAIs) and
- (ii) The INTOSAI Guidelines on Good Governance (INTOSAI GOV).

The documents are classified according to a specific numbering system, since the framework emphasises the hierarchical relationship between documents. The general auditing guidelines (ISSAIs 1000-4999), which are of most concern to us for performance auditing, contain the suggested standards for financial, performance and compliance auditing and provide further guidance to the auditor.

With regard to the International Standards of Supreme Audit Institutions (ISAIs), we note that two fundamental ISAIs related to performance audits are classified in Table 3.

These are:

1. The DPAI 300 regarding performance audit guidelines and key principles.
2. The DPAE 3000 which addresses standards and guidelines for performance audits based on INTOSAI auditing standards and practical experience.

In the table below we present the main standards and summarise their scope.

Table 3. Key/Fundamental Standards with Performance Audit ISSAIs/IFRS (International Standards of Supreme Audit Institutions)

Number of DPEI/ ISSAIs	FIELD/ANTIKEIMENO	DESCRIPTION
DAEI 300: Horizontal performance audit issues	α) Audit structure	<ul style="list-style-type: none"> • Performance audit definition • 3 Es • Performance audit objectives • Application of DPAI 300
	b) Performance Check Elements	<ul style="list-style-type: none"> • Economy, Efficiency, Effectiveness • Scope and criteria • Confirmation
	c) Performance Audit Principles	<ul style="list-style-type: none"> • General principles and audit approach • Risk analysis • Contact • Quality Audit • Audit judgment • Reporting • follow-up
DPEI 3000	Standards and guidelines for efficiency audits based on INTOSAI auditing standards and practice Experience	<ul style="list-style-type: none"> • Performance Audit Definition • Application of Audit principles to performance auditing • Guidance on the planning of checks • Instructions for carrying out checks • Reporting standards
DPAI 3100 ³⁰	Efficiency audit guidelines Basic principles	Performance audit basics and detailed analysis of instructions concerning the conduct of the audit and the audit practices that follow
DPI 3200	Guidance on the procedures to be followed in performance audits	<p>Audit procedures in the stages:</p> <ol style="list-style-type: none"> 1. of planning (planning) 2. of conducting 3. of the report (reporting) 4. the follow-up of a performance audit

OPEN 3910	Key issues/procedures of a performance audit	<ul style="list-style-type: none"> • Additional instructions for targets Audit, selection of subjects and Audit field • Guidance on issues and challenges that arise in relation to the necessary Audit resources
DPAEI 3920	Instructions for the procedure to be followed for an audit performance	<ul style="list-style-type: none"> • Audit Programming • Object selection and Audit field • Carrying out an audit • Reporting • Recommendations • follow-up

³⁰ It is noted that in this Guide references are made to the ISSAI 3100 that was approved and accessible on the INTOSAI website until 2019, as no new ISSAI 3100 has been approved so far.

The INTOSAI International Auditing Standards relating to performance auditing as well as other audits, although not legally binding as a regulatory code, attest to the international credibility of the financial audit of the country using them, ensuring compliance with an international understanding and standards for audit quality. Although at the level of the legal framework we can see that the concepts of international auditing standards and performance assessment based on the principle of sound financial management have been introduced, the implementation of what has been defined is still at an early stage.

3. APPLICATION OF THE PERFORMANCE AUDIT TO CASES OF GREEK AUDIT AUTHORITIES

CHAPTER THREE: APPLICATION OF PERFORMANCE AUDIT IN CASES OF GREEK AUDIT AUTHORITIES

This chapter sets out the regulatory framework relevant to the exercise of performance audits by certain Greek audit authorities.

3.1. The Court of Auditors

In 2012, an attempt was made to harmonize the statutory audit carried out by the Court of Auditors with those prevailing in Europe and internationally, and compliance with the auditing standards of the International Organisation of Supreme Audit Institutions³¹ was imposed in the exercise of the above audit. In particular, in accordance with Article 81 of Law No. 4055/2012 and subsequently Article 40 par. 1 and 2 of the Code of Laws on the Court of Audit (Law 4129/2013), the Court of Audit, as the Supreme Fiscal Court, is obliged, in addition to the normal and current audits, to carry out targeted audits in areas of high audit interest. These audits, which are carried out by the Court of Auditors in its capacity as an external auditor independent of the other audit authorities, may be either 'classical' examinations, i.e. checks on the accuracy and correctness of the accounts and on compliance with the principle of regularity and legality of public expenditure, or performance audits, i.e. checks on whether the purposes for which public funds were allocated have been achieved.

It should be noted that the first performance audit carried out by the Court of Auditors concerned the performance audit of the internal Audit system and the results presented by the Gambling Supervision and Audit Commission (GSC) for the years 2013 and 2014³². The objective of the audit was to determine whether the GGCG exercises its regulatory, supervisory and auditing responsibilities in the most efficient and effective manner in order to safeguard the revenues of the Greek State and to comply with the rules of legality in the market. The key question that the Court's audit team was asked to answer was:

Does the Gambling Supervision and Audit Commission exercise its supervisory and Audit functions in the most effective and efficient manner, while ensuring the best possible return on the public revenues foreseen?

To answer the above key question, the audit team considered the following audit questions (level 2):

1. The regulation and Audit of the gambling activities of OPAP SA is judged

³¹ Explanatory Memorandum to the draft law. 4055/2012 "Fair trial and its reasonable duration".

³² https://www.elsyn.gr/sites/default/files/ekthesi_EEEP_xoris_parartimata.pdf

- effective, in order to safeguard the revenues of the Greek State;
2. Is the regulatory framework for the conduct and Audit of casino gaming operations, as well as the Audit carried out by the CRA in both the conduct of gaming and the collection of public revenues, efficient and effective?
 3. Is the internet gambling market efficiently regulated so that it is supervised and Audited in an effective way?

It is worth mentioning that in this report, the Court of Auditors did not limit itself to drawing conclusions but extended its recommendations and suggestions in order to contribute to the improvement and effectiveness of the internal Audit system of the EUCP, as regards the safeguarding of revenues from the gambling market. In addition, the Court of Auditors carried out a follow-up audit at the GATF within three years of the adoption of this performance report in order to assess the extent to which the more specific recommendations made had been adopted and implemented with a view to improving the effectiveness and adequacy of the internal Audit system in the sector: (a) regulation of the gambling market, (b) Audit actions exercised in gambling and (c) procedures for the collection of gambling revenues.

Subsequently, by article 342 of Law 342 of the Law. 4700/2020, as it replaced par. 2 and 3 of article 40 of Law No. 4129/2013³³, it was stipulated that the Court of Audit carries out targeted performance audits in areas of high audit interest, based on the annual audit programme approved by its Plenary. In particular, the performance audits aim at expressing an audit opinion on the economy, efficiency and effectiveness of public management, excluding an assessment of the feasibility of the actions of the audited administrations, given that the limits between the feasibility audit and performance auditing have been specified internationally for decades, with fully transparent and practicable auditing standards³⁴.

³³ With the law. 4129/2013, article 40, par. 2-3, as replaced by Law no. "2. The Court of Audit shall, in accordance with the provisions governing it, carry out targeted performance audits in areas of high audit interest, based on the annual audit programme approved by its Plenary Session. 3. The audits provided for in paragraphs 1 and 2 shall be carried out in accordance with the procedures laid down in Article 5(2). 1 and 2 shall be carried out by the services of the Court of Auditors' Commissioner. If necessary, the Plenary Assembly may, on a proposal from the Audit Department, authorise the audits provided for in paragraphs 1 and 2 to be carried out by the Court of Auditors. 1 and 2 may be carried out by a special team consisting of judicial officers or auditors of the Court of Justice or judicial officers assisted by auditors of the Court of Justice. The members of the specialised team shall be appointed by the Audit Division. Where the specialised formation includes judicial officers, they shall be appointed in priority from among those serving in the Audit Section. Where the judicial officers participating in the above audits are assisted by judicial officers' auditors, the audit planning memorandum on the basis of which the audit is carried out shall clearly define the audit activities assigned to the judicial officers. [...]".

In drawing up the Programme, account is taken in particular of the Court's audit capabilities in conjunction with its audit obligations, as well as audit priorities in view of the risk areas in public management that have been identified. The implementation of the Programme is supervised by the Audit Department in cooperation with the relevant Commissioner's services of horizontal competence. It is worth noting that now every year the President of the Court of Auditors presents to Parliament the annual audit programme of the Court of Auditors, in accordance with the provisions of its Rules of Procedure. Ten (10) days prior to the presentation of the Court's annual audit programme, he shall notify the President of Parliament of the programme. At the hearing of the President of the Court, the House, as specified in its Rules of Procedure, may propose to give priority to certain of the audits scheduled. It may also express an interest in carrying out other audits in addition to those planned, up to three per year, in particular on weaknesses in public management systems.

The second part of the Annual Audit Programme of the Court of Auditors for the year 2021 presents, among other types of audits (audit of the effectiveness of internal Audit systems, compliance audit, audit of the identification of systemic pathogens, targeted thematic compliance audit), a list of performance audit topics with the technical bulletin of each of them, in which the legal basis, the reason, the criteria, the manual used, the supervision and the auditees of the audit are recorded. The mapping of these audit themes is based on the audit competencies of the Court and the audit themes that appear in similar mappings by similar audit institutions³⁵. This is followed by exchanges of views with members of the Audit Division and all the Court's Audit Commissioners, and an invitation to them to address audit proposals to the Audit Division. It should be noted that, according to the Annual Audit Plan for the year 2021, the final selected subjects of the audits to be carried out by the Court of Auditors amount to twenty-one (21), of which seven (7) are performance audits, i.e. 33.3% of the total, including the remaining types of audits. The titles of these performance audits are as follows:

1. COVID-19: Criteria for the allocation of public resources in deficiency: the

³⁴ Annual Audit Programme of the Court of Auditors for the year 2021

<https://www.elsyn.gr/sites/default/files/%CE%A0%CE%A1%CE%9F%CE%93%CE%A1%CE%91%CE%9C%CE%9C%CE%91%20%CE%95%CE%9B%CE%95%CE%93%CE%A7%CE%A9%CE%9D%202021.PDF>

³⁵ U.S. Government Accountability Office, U.K. National Audit Office.

problem with intensive care units.

2. Children with special educational needs: is the education system in line with international standards?
3. Human destitution (people staying overnight in the countryside seeking help from passers-by): how effective is state action to tackle this phenomenon?
4. State provision of water services: are desalination plants efficient?
5. State hospital revenues: has the closed consolidated hospital fee been removed from the actual cost of hospitalization?
6. Ensuring fiscal sustainability: are the independent advisory bodies sufficiently consulted to ensure that fiscal discipline is respected?
7. Drug rehabilitation: are the operating costs of the Anti-Drug Agency excessive?

In addition, the Court of Auditors, in accordance with the Annual Audit Plan for 2021, is considering the possibility of issuing an annual aggregated report that will present in a panoramic and concise manner the overall performance of all types of executed programmes. In the Court's audit view, the public administration must itself ensure and be able to demonstrate, by being accountable for it, not only that its management is honest, its accounts reliable and its decisions lawful, but also that the public money spent has been 'spent'. It is not up to the Court of Auditors to make a primary finding of this. It is its responsibility to verify the management's assurances that its management has been effective. With the new audit tool, the Court will gather the necessary information and carry out the necessary verifications, so that the Parliament and the Greek people can be informed whether it can indeed be proven that the State's money spent has been used to good effect.

3.2. The General Directorate of Financial Audits (DGFAC) of the Ministry of Economy and Finance/GNI

The General Directorate of Fiscal Audits (DGFE), which is part of the Ministry of Finance's General Accounting Office, was established by Law No. 3492/2006 and gradually replaced, with a number of similar or identical responsibilities, the General Directorate of Financial Inspection, until the abolition of the latter in 2014. In addition to the responsibilities of management audits of public sector entities, fraud audits and compliance audits on the internal Audit systems of public sector budget management, as well as the coordination and monitoring of the internal Audit system in public entities, it was also entrusted with carrying out audits

performance of public sector bodies and actions.

The founding provisions of the Directorate General for Financial Audits (DGF), in particular article 1 par. 2 of Law no. 3492/2006, stipulate that the Audit of sound financial management - hence performance audit - is at the core of the mission of the GAO. This law, which established the DGMD, introduced for the first time the principle of sound financial management in national law and established a procedure for performance audit in the Greek public sector budgets, with the exception of the European Union co-financed part³⁶. With par. 3 of the above article states that the DGADE uses methods and standards that are also applied by international audit organisations.

According to the explanatory memorandum (p. 1) of the law. 3492/2006, *'[t]he traditional forms of Audit applied by [i.e. the Ministry of Finance] (Audit of the legality and regularity of expenditure by the MDAs, Audit of public accounts and public management by the Financial Inspectorate, etc.) do not include [...] Audit of the performance of the resources spent on the basis of the principles of economy, efficiency and effectiveness, responsibilities which are consistent with its role as an external auditor in accordance with international auditing standards'*.

Furthermore, Article 2(2)(a)(i) of the Directive. 1 of Law no. 3492/2006 provides that the DGMD audits the management of the budget to ascertain whether *"the principles of sound financial management [...] are respected"* and that it *"takes or recommends appropriate measures to improve the management and Audit systems of the bodies in order to contribute [...] to the efficient management of the money spent"*.

In addition, in accordance with Article 15 para. 1(f) of Law No. 3492/2006, among the responsibilities of the financial auditors of the DGADE, is *'the assessment of the performance of the audited entity on the basis of the principle of sound financial management'*.

In addition, with the 278/2018 decision of the Council of State, it was considered, in the analysis of the audit scope of the DGDE, which goes beyond both the accounting and the traditional journalistic scope (reliability of financial reports, legality and regularity of expenditure, attribution of deficiencies to accounting officers), that Law No. 3492/2006 *'regulates the exercise of a broader management Audit of the budget of the audited entities, as well as of the management and internal Audit systems of these entities, in order to ensure the generally sound financial management of their budget, the improvement of their operations and the achievement of their objectives, in*

³⁶ For the co-financed part, see. See the section on the EDF below.

in an effective, efficient and cost-effective manner. By law, the management audit carried out is not limited to a financial audit of accounts, with a view to issuing acts of imputation or financial corrections if irregularities are detected, but also includes an audit of the organisational structure, methods and operating procedures of the audited body, and results in an overall assessment of the audited body¹.

As regards the strategy and design of the performance audits of the DGMD, with Law no. 3492/2006 and the Regulation on the Conduct of Audits and Investigations of the DGDE (Government Gazette B' 1519/22.04.2020), it is stipulated on the one hand that performance data are investigated during the planned universal audits per entity and on the other hand that it is possible to decide to conduct performance audits related to a specific subject matter.

In the questionnaires approved and used so far in the DGMD audits, audit questions with performance data have been included, which questions are investigated in the planned universal audits per organisation. Such questions concern, but are not limited to, staffing and salaries, procurement contracts and debt repayment programmes. In addition, the GAO intends to explore the possibility of including additional performance data in its audits when planning audits for the next audit period.

3.3. The Financial Audit Committee (FAC)³⁷ of the Ministry of Economy and Finance/GCC

3.3.1. The European financial framework

The annual EU budget is equivalent to around 1% of the Union's national wealth³⁸. The actions and projects funded by the EU budget reflect the priorities set by EU countries at a given time. They are classified into categories of expenditure and different policy areas. This way of organising the budget is called activity-based budgeting. EU budget revenue and expenditure are subject to the constraints of the Treaties (e.g. the Union budget may not be in deficit), the Multiannual Financial Framework³⁹ (which monitors the evolution of the EU budget by category of expenditure over a specified period of time) and the **Financial Regulation**⁴⁰ adopted by the

³⁷ The SSC is the main decision-making body of the Directorate-General for Audit of Co-financed Programmes (DGCPF) of the GAO. In this section, the term "SSCF" is used in the sense of all the procedures and bodies of the DGCPF.

³⁸ https://ec.europa.eu/info/strategy/eu-budget/transparency/fact-check_en

³⁹ <https://eur-lex.europa.eu/legal-content/EL/TXT/PDF/?uri=CELEX:32013R1311&from=EL>

⁴⁰ <https://eur-lex.europa.eu/legal-content/EL/TXT/PDF/?uri=CELEX:32018R1046&from=EL>

Council and Parliament and which lays down the rules for the establishment, implementation, management and Audit of the budget. The main idea of the Financial Regulation is that EU funds must be used in accordance with the *principle of sound financial management*.

More than half of the EU's financial resources are channelled through the five (5) European Structural and Investment Funds (ESIF)⁴¹, which are jointly managed by the European Commission and EU countries⁴². In addition to the EIF, there are other available EU funding programmes⁴³ implemented through the Multiannual Financial Framework to support EU policies. Around 80% of the funding provided by the EU is subject to shared management⁴⁴, whereby the management of the programmes is delegated to EU countries.

The Structural Funds and other funding programmes are the main instrument for implementing regional policy, aiming at economic and social cohesion and the balanced and sustainable development of the EU, in line with the EU Treaty⁴⁵. The operation of the Funds is governed by specific regulations, which define the eligibility of specific areas, the way in which the programmes are approved, monitored, financed and the duration of the programmes.

3.3.2. The national framework for the implementation of co-financed programmes

In our country, the development strategies that will be achieved with the assistance of one or more ERDFs as well as with the other financial engineering instruments of the Union and the EEA CM, take the form of "operational/national programmes" (OPs) and are broken down into "priority axes" that have specific measurable quantitative and qualitative objectives. The achievement of the objectives of the relevant priority or priorities under the financial engineering instruments is achieved through the implementation of operations (projects, contracts, actions) carried out by the 'beneficiaries' of the operations.

For the sound management and Audit of the OPs, the "System of

⁴¹ The European Structural and Investment Funds are: [the European Regional Development Fund \(ERDF\), the European Social Fund \(ESF\), the Cohesion Fund \(CF\), the European Agricultural Fund for Rural Development \(EAFRD\), the European Maritime and Fisheries Fund \(EMFF\). Common and general provisions are laid down in a relevant "Regulation".](https://eur-lex.europa.eu/legal-content/EL/TXT/PDF/?uri=CELEX:32013R1303&from=el)

⁴² https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/european-structural-and-investment-funds_en

⁴³ https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes_el

⁴⁴ See Article 63 of the Financial Regulation.

⁴⁵ <https://eur-lex.europa.eu/legal-content/EL/TXT/HTML/?uri=CELEX:12016ME/TXT&from=EL>

The Management and Audit System (MCS) is a set of interdependent administrative authorities with a specific organisational structure, which develop individual activities with the objective of sound financial management of resources.

The Financial Audit Committee (FAC) was designated (Articles 11-12 of Law 4314/2014 as amended) as the Audit Authority, within the meaning of para. 4 of Article 123 of Regulation (EC) No 1303/2013, for all ERDF OPs and other EU financial instruments. The EAFRD has, inter alia, the responsibility to ensure that audits are carried out, on the basis of an annual programme approved under a specific audit strategy, to verify the effective functioning of the management and Audit system of the OPs.

Based on the results of the audit work, an Audit Opinion is expressed (annually) with reasonable assurance on:

- ✓ the effective functioning of the EMS,
- ✓ the legality and regularity of the expenditure declared; and
- ✓ the accuracy of the annual accounts.

Expenditure is eligible if it is legal and regular and has been used in accordance with the principle of sound financial management, i.e. in accordance with the principles of economy, efficiency and effectiveness.

Sound financial management of expenditure is measured both directly through the monitoring of the indicators of the OPs and indirectly by checking compliance with national and Community rules on the award of contracts or the implementation of projects with own resources.

3.3.3. Indicator Audit

The European Structural and Investment Funds (ESIF) regulations have requirements on indicators for the 2014-2020 programmes. Through the indicators, co-financed expenditure is directly linked to the expected results.

The main tool for the Greek authorities (national coordinating authority, special services) to respond to the issues of indicators in the context of programme monitoring and annual reporting on the implementation of OPs is the Single Indicator Monitoring System.

Its provisions, procedures and guidelines concerning the monitoring of output and result indicators apply to all co-financed programmes.

The main element of the indicator monitoring system to ensure data quality is the Indicator Identity Sheet for each output or outcome indicator. The indicators correspond or are linked to the operations declared in accordance with the intervention logic of the OP.

The monitoring of indicators is reflected both in the selection and approval of operations and in their monitoring and verification.

In all cases, the contribution of the operation to the achievement of the specific objectives and indicators must be justified.

Individual regulatory frameworks provide for the definition of indicators according to the specific rules of each fund, define the expected results and output indicators for each priority axis and the tasks of each managing authority. Failure to monitor the indicators can even lead to the suspension of payments by the Commission.

Under Article 20 of Regulation (EU) No 1303/2013, each Member State has a performance reserve, which is 6% of the resources available through the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Articles 21 and 22 of that Regulation stipulate that the Commission must carry out a performance review of the achievement of the milestones by each Member State, and take a decision on the release of the relevant performance reserve.

The implementation of the Unified Indicator Monitoring System (IMS) is monitored by the EDEL⁴⁶, in accordance with Article 127 of Regulation (EU) 1303/2013, Articles 11-12 of Law 4314/2014 as in force and in particular Article 42 of Law 4314/2014 as in force, Articles 61, 62 and 63 of Decree 142/23.11.2017). The audit shall be carried out with an appropriate sample of transactions/indicators in order to obtain assurance on the reliability of the indicator data in the context of the common RIS.

3.3.4. Checking compliance with the EU and national institutional framework

In cases where the action/project being audited is a public works, supply or service contract, it is checked, inter alia, whether the beneficiary has complied with the EU and national institutional framework for public procurement, both as regards the adoption of the contract notice and as regards the legal commitment. The verification of the correct application of the relevant provisions of the legal framework for the award of contracts confirms the way in which the estimated value of a contract is calculated and the effectiveness of the procedures

⁴⁶ The Annex presents a detailed questionnaire of the EDPS audit questionnaire for the Indicator Monitoring System.

Gathering. Checking the award criteria helps to ensure effective competition, while checking the information provided by tenderers and confirming their degree of compliance with the award criteria and the necessary technical specifications helps to ensure sound financial management of resources.

In the case where the audited action/project is implemented with the beneficiary's own resources, the application of the principles of economy and efficiency is, *inter alia*, indirectly checked. Specifically, for operations implemented with own resources (self-financing) and applying the provisions of Article 14, point 2, of Regulation (EU) 1304/2013 and Articles 23-25 of Regulation No 81986/EYΘY712/31.07.2015 (YPASYD), as amended and in force, on eligible costs based on simplified cost options, a flat rate percentage of the eligible direct personnel costs may be used to cover the remaining eligible costs of the operation. Direct personnel costs are defined as expenditure on the remuneration of natural persons employed for the preparation, administration/management and implementation of an operation and are eligible in accordance with Article 12 of the CPRS, as applicable. Expenditure on the remuneration of staff employed in the operation shall, as a general rule, be calculated on the basis of the total actual time spent by the staff in the operation and the gross hourly cost of employing such staff for the beneficiary. The gross hourly employment costs shall be calculated as the quotient of the latest documented annual gross employment costs, as defined by the applicable legislation, and the number of 1720 productive hours. The last documented gross annual employment cost of regular staff shall be calculated for the previous financial year. For operations whose implementation will take several years, the hourly personnel costs may be updated as soon as new data are available.

Similarly, compliance with the efficiency principle is indirectly checked when the existence and completeness of a study documenting the simplified cost⁴⁷ as a basis for calculating the amount of expenditure is confirmed.

3.4. The National Transparency Authority

The National Transparency Authority (NTA) was established by Law 4622/2019 (A' 133), which in articles 82-103 and 118-119 defines its institutional framework. The National Audit Office has assumed all the competences, obligations and rights of five main public auditing bodies (the Inspector General of Public Administration (GIEAD), the College of Auditors-Inspectors of Public Administration CEIDP), the College of Auditors-Inspectors of Public Administration College

⁴⁷ https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/simpl_cost_el.pdf

Inspectors of Health and Welfare Services (SEYYP), Public Works Inspectors Corps (PSI), Transport Inspectors and Auditors Corps (TEIME) and the General Secretariat for the Fight against Corruption (SGCAD). It is worth mentioning that for the first time in Greece a single and independent authority has been established, which has the required guarantees of independence and impartiality, in accordance with good international practices and the requirements of international law.

In this context, the EAD is structured around three main operational pillars, introducing for the first time in Greece an integrated organisational and operational model of innovative actions and practices to enhance transparency.

These pillars cover the following areas:

- Conducting Inspections, Audits and Investigations,
- Developing Prevention and Integrity Policies,
- Implementation of actions to raise awareness and inform society.

The performance of all audits, re-audits, inspections and investigations in the bodies and services of the General Government, following the merger of the above-mentioned key public audit institutions, supervised by the Inspections and Audits Unit, continues actively and the audit mechanism of the NAO is strengthened with an expanded framework of responsibilities.

In particular, in order for the Inspections and Audits Unit (IU) of the National Transparency Authority to carry out its mission, based on the techniques of modern auditing that have prevailed as best practice internationally, it aims to provide an overall assessment of the quality of the management and operation of the audited entities, after individual examination of data and auditing, reinforcing the principles of effectiveness and efficiency/efficiency in the following ways:

- Through the recommendations in the audit reports for regulatory interventions/corrections by supervisory bodies
- Through the optimal use of the recommendations of the audit reports, regarding the reorganisation of organisational units and operational adjustments, in order to achieve a more favourable relationship between means and results, namely:
 - Rational arrangement and cooperation between the organisational units.
 - Efficient and cost-effective allocation of resources (human resources, physical capital, highly qualified staff).
 - Use informational systems and possibility of electronic cross-checking of data.
 - Avoiding concentration of responsibilities.

- Conduct periodic compliance sampling of auditees.
- Introduction of indicators to measure effectiveness and efficiency.
- Strengthening of internal safety nets of the operator.
- Through two-way communication with auditees and stakeholders, in particular with Internal Audit Services.
- By assessing the effectiveness of the auditee's programme/project by evaluating and reviewing (a) the degree of its reliability, (b) the degree of achievement of its objectives, (c) the degree of foreseen and unintended impacts and (d) the cost of implementing the project.
- By making the best use of recommendations for setting and implementing Strategic Objectives or meeting existing ones.

With the aim of changing the norms and perceptions of public ethics and integrity, the NAC's mission is to design and implement a framework of coherent policies both to detect and suppress acts of corruption and to prevent and deter it, as well as to inform and raise awareness among all citizens. A key tool for achieving this objective is the National Integrity System, which focuses on the design and implementation of actions and reforms aimed at improving the performance and effectiveness of anti-corruption mechanisms and promoting the principles of transparency and good governance in the Greek public sector. More specifically, for the prevention pillar, the actions and reforms are broken down as follows:

- developing an institutional framework for the national internal Audit system
- development of the legal framework for lobbying issues
- review of the legal framework for conflict of interest cases
- development of Codes of Ethics and Conduct for local government officials
- establishing a network of certified Integrity Advisors to support the implementation of integrity systems and safety nets in each service/organisation
- the creation of an Integrity Risk Management Guide and
- establishing a mechanism to monitor and report incidents of corruption and breaches of the integrity system.

From the above actions and reforms it is evident that new safeguards are put in place or existing ones are significantly strengthened in the public body concerned, so that the objectives of the public bodies are achieved with

in an efficient and effective manner, within the planned time commitments.

A prerequisite for conducting a performance audit is a risk analysis, as the audit focuses on high-risk areas in order to add new or improve existing safeguards. A typical example of enhancing transparency, integrity and accountability to all citizens is the Report on the Assessment of the Risks of Corruption and Fraud in the Functions of the General Secretariat of Citizenship for the Naturalisation Procedures of Foreign Nationals and Expatriates of Foreign Nationals, prepared by the NCA, based on internationally recognised standards and methodologies used in both the public and private sectors. The main objective of the report was to develop a pilot project to strengthen the principles of transparency, objectivity and efficiency⁴⁸, through bold initiatives to reform and reorganise policies and procedures in the field of Citizenship and Naturalisation, with the main aim of applying them to all public sector bodies. In particular, risks were identified in various areas of the functioning of the General Secretariat for Citizenship and recommendations were proposed to make the granting of citizenship more efficient, effective and faster.

The **Corruption and Fraud Risk Assessment Report** is a key component of the Memorandum of Cooperation between the Ministry of Interior, the National Transparency Authority, and the General Secretariat of Citizenship. Its goal is to provide advisory services to support the development of an effective and integrated Corruption and Fraud Risk Management process. This process focuses on four critical activities within the General Secretariat, specifically related to the naturalization of non-native foreign nationals and those of foreign descent—excluding expatriates from former Soviet Union countries.

The report aims to identify risks and opportunities to enhance integrity and transparency safeguards, while also improving the effectiveness of policies and procedures for the naturalization of foreign nationals under the General Secretariat of Citizenship.

The risks of corruption and fraud pose a significant threat to the effective functioning of public bodies and the achievement of their objectives in the most efficient and cost-effective way. The development of an integrated risk management function in the Greek public administration is both a challenge and an opportunity to identify and address the pathogens

⁴⁸Efficiency as one of the three aspects of a performance audit (economy, efficiency, effectiveness).

that hinder the improvement of governance systems and the functioning of public institutions.

The General Secretariat of Citizenship (GSID), promoting the leadership's commitment to ethical values (tone at the top), is the first public body to accept the advice of the National Transparency Authority, in order to adopt a systematic approach to identify, analyse, assess and address risk for its critical processes, in order to manage potential incidents of corruption and fraud in a timely and effective manner.

The methodological approach of the NTA in the operations of the GSID followed three stages:

- The identification of Corruption and Fraud risks, where, seven functional areas of Corruption and Fraud risks were identified:
 1. governance, 2. regulatory framework, 3. organisation and operation, 4. supervision, 5. information systems, 6. human resources and 7. information and communication.
- The analysis and assessment of the risks of Corruption and Fraud, where they were analysed and assessed in terms of the *likelihood of occurrence* of the risk and the impact that its occurrence may have on the achievement of the objectives of the General Secretariat of Citizenship and its reputation and, based on the results of this assessment, prioritised in terms of their criticality for the achievement of the objectives of the General Secretariat of Citizenship.
- Addressing Corruption and Fraud Risks, where a Proposed Action Plan for Corruption and Fraud Risks was developed for each of the risks identified in the previous stage.

At the end of the Report, Horizontal Proposals were provided, in order to take a holistic approach to the issue of Corruption and Fraud risk management, through the model of the three lines of roles⁴⁹, in order to produce added value to the organisation⁵⁰.

The added value of the Corruption and Fraud Risk Assessment Report is reflected in the new legislative framework of the functions of the General Secretariat of Citizenship (Law 4735/2020⁵¹), with the provisions of which part of the

⁴⁹ [Three-Lines-Model-Updated.pdf \(theiia.org\)](#)

⁵⁰ <https://aead.gr/images/essays/ekthesi-axiologisis-kindinon-ithageneia.pdf>

⁵¹ GOVERNMENT GAZETTE 197 A': "Amendment of the Code of Greek Citizenship, new framework for the selection of administrations in the public sector, regulation of organizational issues of the General Secretariat of Citizenship and the General Secretariat of Human Resources in the Public Sector of the Ministry of Interior, regulations for the development perspective and the proper functioning of Local Authorities and other provisions".

recommendations of the National Transparency Authority, as reflected in the said Report. For example, the change in the administrative structure of the General Secretariat for Nationality with the introduction of the new hierarchical level of management of the Directorate General for Nationality and the redesign of the structure of its Regional Directorates can be mentioned.

3.5. The Internal Audit Units of public bodies

The establishment of Internal Audit Units in Greek public sector entities is defined by a series of provisions such as Law no. 3429/2005, L.3492/2006 (horizontal regulation for the public sector), Articles 4 and 12 and L.3492/2006 (horizontal regulation for the public sector), Articles 4 and 12 and L.3492/2006 (horizontal regulation for the public sector), Articles 4 and 12. L.4622/2019 (for ministries), article 39. Already at the time of writing this Guide, a new draft law has been submitted for consultation, which reforms the organisation and operation of the Internal Audit Units.

The responsibilities of the Internal Audit Units include assurance and advisory responsibilities that are similar to performance auditing. Furthermore, it follows from these provisions that the work of the Internal Audit Capabilities is to be carried out in accordance with the international standards for internal Audit set by the Institute of Internal Auditors (IIA).

The performance audit of an organisation is one of the most important areas of activity of an Internal Audit Unit, aiming to assess the economy, efficiency and effectiveness of the organisation's functions, activities and programmes. Internal Audit Units should include in their annual planning of activities and performance audits and provide advisory services related to effective management, risk management and oversight of proper execution of planning⁵².

⁵² Georgiou G.A., Bousios Th., 2021, *Performance Audits*, Papazisis Publications.

4. PERFORMANCE MONITORING METHODOLOGY

CHAPTER FOUR: PERFORMANCE MONITORING METHODOLOGY

Auditors should select audit matters that are important, feasible to perform and reflect the audit mandate. The audit should result in significant benefits to public finance and management, the audited entity or the general public.

Where potential overlap between other types of audit and the performance audit arises, the classification of the audit engagement will be determined by the primary purpose of the audit. In addition to audits carried out on the basis of an audit mandate, performance audit topics should be selected on the basis of an assessment of the problems and/or risk and the importance or significance (not only economic but also social and/or political significance), focusing on the results obtained through the implementation of public policies.

The process of selecting audit subjects should aim to maximise the expected impact of the audit, while taking into account the audit capabilities. The bodies' strategic planning processes and the establishment of the annual audit programme are useful tools for setting priorities.

The audit process includes 4 phases. **Audit** planning, conducting the performance audit, reporting, and following **up on the recommendations of the initial report**. This process is illustrated in the diagram below.

Figure 3. Phases of the audit process



In addition, Annex V summarises the list of characteristics corresponding to the entire audit process applied in the case of performance audits.

4.1. Design of a performance audit

There are two types of performance audit design. The first type of planning, carried out during the first stage of formulating performance audit proposals for inclusion in the annual audit programme, involves the involvement of the entity's management in establishing an audit function and focuses on the deployment of the necessary resources and the selection of the entity's functional areas to be audited. The second type of performance audit planning involves the design of specific performance audits selected in the first stage.

4.1.1. Formulation of performance audit proposals for inclusion in the Annual Audit Programme

The Audit Service of the organisation selects audit topics through the strategic planning of the organisation, analysing potential issues and conducting research to identify risks and problems related to the audit⁵³. In particular, it selects audit subjects that are important and feasible in terms of their implementation, and in accordance with its statutory mandate, and conducts the process of selecting audit subjects with the aim of maximising the expected impact of the audit, taking into account its capabilities in terms of human, material and financial resources⁵⁴.

The analysis of the entity's strategic plan can be considered as a first step in the selection of potential audits, because it includes the analysis of potential areas for audit and sets the basis for an effective allocation of audit resources. During the strategic planning process, techniques such as risk analysis or assessments of ineffective or inefficient operations of the entity can help to select significant and feasible areas for audit. However, this process should be complemented by the auditors' professional judgement, in accordance with the statutory mandate of the entity.

Audit feasibility is an important factor in the planning process of the annual audit programme, as it determines whether a subject is suitable for audit. For example, the auditor may consider the relevant audit approaches, the methodologies and audit criteria available, the availability of information and the feasibility

⁵³ INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 89 (Planning - Selection of Topics. Requirement) and para. 92-93 (Explanation), and INTOSAI, 2010 (approval), "ISSAI 3100. Performance Audit Guidelines - Key principles", p. 3, para. 11 (Selecting audit topics).

⁵⁴ INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 90-91 (Planning - Selection of Topics Requirement) and para. 94-95 (Explanation), and INTOSAI, 2010 (Approval), "ISSAI 3100. Performance Audit Guidelines - Key principles", p. 3, para. 11 (Selecting audit topics).

collecting them in an efficient way. Also, the unavailability of reliable information to measure the performance of an entity's operation or programme is an important reason for selecting it for audit.

Furthermore, at the stage of the audit subject selection process, the potential impact of the audit subject on the achievement of significant financial or administrative benefits to the auditee or to the general public should be taken into account, as a public body may have limited audit capabilities in terms of human resources and professional skills. Other aspects to be taken into account in the selection of audit topics are the results and recommendations of previous audits, as well as the timing of the annual audit programme.

4.1.2. Drawing Audit issues from the strategic planning of the body

The auditor should plan the audit to ensure that a high quality audit is carried out in a timely, cost-effective, efficient and effective manner. The strategic planning of an organisation is the basis for the selection of audit subjects and possible preliminary studies. Planning can be carried out in the following steps:

- identification of potential areas of Audit, as reflected in the organisation's strategic plan. It should be noted that the number of potential Audit areas is extensive, while the organisation's capacity in terms of human, material and financial resources is limited. This means that choices must be made with due care and appropriate criteria,
- defining the selection criteria to be used in these selections. The main selection criterion is the contribution of the audit to the evaluation and improvement of the operation of the organisation.

The general criteria for selecting areas of an organisation's operations in the annual audit programme are as follows:

- the time elapsed since the last inspection in operation of the organisation,
- the number and type of findings of the most recent inspection,
- prioritised audits, based on an assessment of risks of potential loss (financial loss, breach of the organisation's statutory mandate, loss of reputation) in the organisation's functional areas,
- the occurrence of significant recent changes to the organisation's operations, programmes, systems or security Audits,
- the availability of the organisation's audit human resources,
- requests by the administration of the organisation to carry out specific audits,

- opportunities to achieve operational benefits,
- social added value - potential to improve the operation/programme of the organisation to be audited,
- the priority/urgency of the inspection,
- information (internal/external/existence of previous audit reports/imposition of sanctions),
- feasibility of Audit.

The most important specific selection criterion is the analysis of risks or uncertainties. Strategic planning may be based on risk analysis or analysis of evidence of existing or potential problems. The stronger the public interest in a possible inefficiency in the operation of an entity, the greater the risk and uncertainty. The accumulation of such indicators or risk factors in the entity may lead to the selection of specific Audits. Factors that may indicate higher risk (or uncertainty) include the following:

- economic value-importance. That is, significant economic amounts or the occurrence of significant changes in economic amounts,
- areas of the organisation's operations that are normally prone to the occurrence of risks (procurement, technology, environmental issues, health, etc. or other high-risk areas),
- new or urgent activities or changes in the operating conditions (requirements) of the operator,
- complex management structures with complex responsibilities of officials,
- absence of reliable, independent and up-to-date information on the efficiency or effectiveness of a programme⁵⁵.

The risk assessment includes the use of professional judgment to identify the critical areas to focus the audit on, based on the potential negative impact on the entity. Therefore, the risk assessment begins by considering factors that may affect risk, focusing the highest priority of audit on Audit areas that have the greatest likelihood of adverse impact. The risk assessment model should be continuously updated as additional information flows in. Potential impacts from exposure to risks include:

- loss of assets, errors and incidents of fraud,
- ineffective decisions of the institution,
- dissatisfaction of stakeholders or customers of the operator,

⁵⁵ African Organization of English-speaking Supreme Audit Institutions, November 2016, *Performance Audit Handbook*, 2nd edition, p. 42 et seq. 5.2.4 (Overall planning - selecting audit topics).

- negative publicity,
- failure to comply with laws, rules and regulations,
- failure to achieve the objectives of the body.
- In addition, the risk analysis includes the following actions:
 - Recognition of Audited activities (e.g. programs, accounts, contracts, transactions, etc.),
 - Recognition of related factors risks (e.g. programme complexity, programme size),
 - assessment of the significance of a risk (e.g. economic value or other type of measurement, form of threat, duration, etc.),
 - an estimate of the likelihood of a risk occurring,
 - risk prioritisation,
 - identification of risk responses.

However, performance audits or other special audits may be carried out frequently, at the request of certain government authorities such as the Parliament, the board of directors or municipal council of the body.

Consequently, strategic planning, linked to the organisation's annual audit programme, can be a useful tool for setting priorities and selecting potential audits to be carried out.

In conclusion, the entity's audit planning unit should develop a plan describing what to audit and when to audit each selected area. In general, the audit plan describes how the Audit Office will carry out its responsibilities. The purpose of planning is to capture items such as work schedules, budgets, resource needs, and training needs of the personnel involved in the audit.

4.2. Execution of the preliminary work⁵⁶

The Audit Services of public bodies develop audit proposals for each issue that emerges from the body's strategic planning analysis and is prioritised. These proposals contain the relevant information necessary to decide whether or not the audit should be considered for inclusion in the entity's annual audit work plan. The preliminary work develops and completes this information, which may lead to a reassessment of the finding as to whether the audit should be performed as already planned in the

⁵⁶ European Court of Auditors, 2017, "Performance Audit Manual", Chapter 3 (Planning the audit).

Annual Audit Work Programme.

4.2.1. Obtaining information regarding the area of the entity under audit

In order to decide whether the audit is realistic, feasible and useful, auditors need to acquire up-to-date knowledge about the specific area of the audit. Where the subject of the audit is derived from audits and compliance audits already carried out, preliminary work may be unnecessary. At this stage, audit processes should not be carried out, but the emphasis should be on examining the availability of information and the applicability of methods.

The collection of information and its thorough analysis will contribute to an in-depth understanding of the subject under consideration. However, the extent to which the information is processed will depend on the nature of the subject matter and the prior knowledge that the Audit Service has gained from previous audits. Where the audit subject is known, information is obtained through a simple document review and brainstorming session. Otherwise, a broader process of data gathering is required.

The information may come from third parties (legislation, opinions of experts in the field, scientific studies and research, official statistics) or from the auditee (mission of the auditee, strategic planning, annual activity reports, organisation charts, internal guidelines and operating manuals, as well as discussions with the auditee's management). Auditors are asked to weigh the time required to gather the information and the cost of this process against its added value for the audit.

Step 1. Identify the objectives of the organisation

The institution manages its administrative and operational resources through its strategic planning. Understanding the objectives set by the entity through strategic planning is the starting point for planning a performance audit. It is recommended that diagrams of inputs, processes and outputs/objectives be displayed, which can be either presented by the auditee or prepared by the auditor to facilitate understanding.

Step 2. Identify the resources of the organisation allocated to each function

The human, administrative and financial resources allocated to each function of the organisation must be identified in order to recognise their importance. This is achieved by analysing the budget appropriations allocated and the amounts spent on each of the body's functions.

Step 3. Identify the responsibilities of the functions of the body

The Audit Office must establish who is responsible for managing each function of the organisation through interviews and examination of organisational charts and regulations.

Step 4. Verification of key management and Audit processes, including information systems

The Audit Office should take into account the information systems used by the auditee and its level of internal Audit in carrying out its functions. In particular, it shall examine the activities relating to the potential subject of the audit, in particular through interviews and an examination of the regulations and internal procedures manuals.

Step 5. Determine the information needs for management and Audit purposes

The Audit Office should consider what types of information and reports the auditee uses to manage and Audit its operations. This is mainly the information contained in reports used for the overall monitoring of the entity's operations and stored in its electronic systems. It should be noted that the way these data are communicated within the organisation has a significant impact on the way the audit approach is approached.

Step 6. Identification of the risks affecting the sound financial management of the entity

Risk is the possibility that an event or action may adversely affect the operator or its Audited area of operations. Alternatively, risk is defined as anything that prevents an entity from achieving its objectives. The main components of a risk are:

- an event or cause that prevents the achievement of the objective
- the probability of its occurrence
- the negative consequences of not achieving the objective

The information collected as described above provides the auditors with the basis for analysing the most significant risks to the assurance of sound financial management. The main risks may be inherent risks (risks that are built into a function and do not depend on the existence or effectiveness of the Audits) or Audit risks (how well the entity manages performance). Risk factors may include:

- Changes in the external operating environment (e.g. new laws or regulations, increased public scrutiny)
- Pressure on management and staff to achieve difficult or unattainable goals
- Vector size
- Complexity of activities, laws or regulations
- Degree of decentralised operation
- Presence of payment vouchers or cash-type payments (e.g. payment vouchers for the purchase of food)
- Rapid growth
- New programmes and services
- Recent changes in operational, technological or accounting systems
- Reliance on outdated technology
- Recent changes in the organisation's staff
- Many staff changes at a high level or in sensitive positions
- Functions Audited by one person
- Damage to the reputation of the operator (loss of public confidence)
- Impact of failure to achieve targets
- Amount of funding (expenditure or budget)

When planning the audit, the audit team shall analyse the significance of these risks, analysing both quantitatively and qualitatively the likelihood of their occurrence together with their potential impact. Auditors should focus on the risks that have the greatest likelihood of occurrence and the greatest impact, while considering the safeguards that the auditee has put in place to mitigate them ('risk mitigation').

4.3. Short description of the audit

Step 1. Review of previous audits and evaluations

The audit team should review previous audits and evaluations conducted in the subject area, both to avoid duplication of work and to follow up on significant findings and recommendations related to the potential audit question. Any evaluation reports should also be considered.

Step 2. Consideration of potential audit questions, criteria, evidence, methodology, scope and impact of the audit

For performance audits, it is considered appropriate to define the objectives of the audit, through the form of questions to be answered by the audit process. The aforementioned risk analysis will assist both in the development of potential audit questions and in identifying the appropriate scope of the audit. The auditor may conduct interviews with persons with specific knowledge of the audit topic, as well as review key documents and other literature.

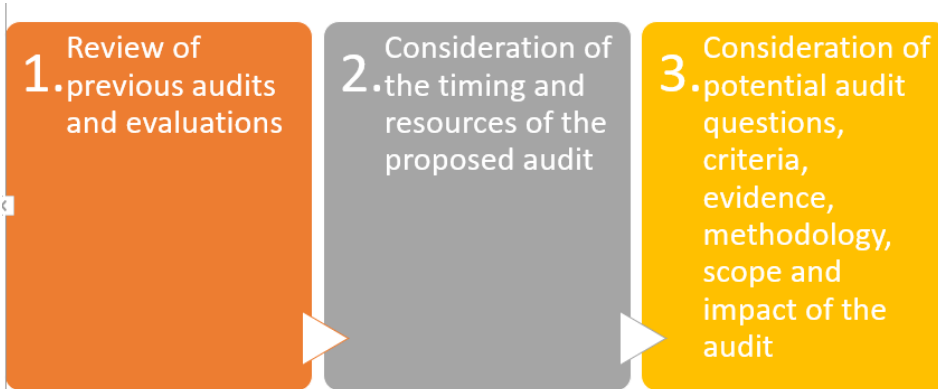
The audit team must then determine which of these audit questions can be answered. This process is accomplished by considering whether the identified questions are considered testable, i.e.: a) whether test criteria are available or new ones can be developed; b) whether evidence exists or can be generated; c) whether the evidence is accessible to the auditor; and d) whether audit methodologies can be successfully used to collect and analyse such evidence.

Step 3. Consider the timing and resources of the proposed audit

The audit team should consider the timing of the audit, including any preliminary audit work, as well as the resources available. In this context, the timeframe for carrying out the audit should be taken into account. International experience suggests that the time required to carry out each stage of the audit should be planned and planned as realistically as possible on the basis of past performance audits. Consideration should also be given to the potential impact of the report on forthcoming changes in legislation. The audit team should also consider the availability of appropriate qualifications and specialist experience from

auditors to carry out the proposed audit.

Figure 4. Summary description of the Audit elements



4.4. Assessment of whether the audit is realistic, feasible and potentially useful

In order to ensure an efficient planning process for the proposed audit, informal consultation in the Audit Office on preliminary work should be encouraged. The preparatory work should be limited to the activities strictly necessary to establish what is to be investigated in order to design a realistic, feasible and useful audit and to prepare the Audit Planning Memorandum (APM), which will be discussed in detail in the next chapter. It should be noted that the SIP is a key element in deciding whether the audit is worthwhile and feasible, setting clear and reasonable objectives, identifying a realistic and well-documented audit approach and providing the necessary resources. If the audit is not properly planned, there is a risk that the audit work will be inefficient or ineffective.

4.5. Design of a specific audit selected in the annual audit programme

The purpose of designing an audit is to assist in ensuring the efficient use of audit resources and the fulfilment of the audit objectives.

Check⁵⁷. Auditors should understand the audited area of the entity's operations, including regulations, goals, objectives, functions, resources, and results⁵⁸. Although audit planning is presented as the first phase of the audit process, audit planning activities should be performed continuously throughout the audit.

The main areas that the auditor should focus on during the audit planning process are:

- Identification of what is to be checked.
- Collection and analysis of information on the Audited area.
- Assessment of risks and vulnerabilities.
- Identify the objectives of the audit.
- Identify the scope of the audit.
- Develop specific questions and audit questions.
- Develop audit criteria (criteria must be reasonable, feasible and relevant).
- Development audit methods, strategies, testing, analyses and comparisons.
- Design of data collection and measurement procedures.
- Identify the resources available and required to carry out the audit.
- Communication with the management of the entity regarding the audit.
- Establish a timetable and target date for completion of the audit.
- Develop a written audit programme incorporating the above information.
- Assigning specific audit tasks to members of the audit team.
- Determination of auditor independence.
- Estimation of travel and other expenses.

4.6. Audit Design Memo

4.6.1. Purpose and contents of the Audit Planning Memorandum

The detailed planning of the audit is set out in the Audit Planning Memorandum (APM). In drawing up the APM, the Head of the Agency shall

⁵⁷ INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 96 (Planning - Designing the audit. Requirement) and para. 97 (Explanation), and INTOSAI, 2010 (Approval), "ISSAI 3100. Performance Audit Guidelines - Key principles", para. 12 (2.4. The audit process. 2.4.1. Planning an audit).

⁵⁸ INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 98 (Planning - Designing the audit. Requirement) and para. 99-100 (Explanation), and INTOSAI, 2010 (Approval), "ISSAI 3100. Performance Audit Guidelines - Key principles", para. 12 (2.4. The audit process. 2.4.1. Planning an audit).

The organisation's audit service undertakes to deliver a product (the results of the audit), in accordance with internationally recognised quality standards, within the specified deadlines, in return for the resources allocated to it by the audit service. The SAI should clearly and concisely identify the audit work to be carried out, the audit resources required, the timeframes and the expected impact of the audit. The SIA should be submitted to the Audit Office for a decision in the format presented in Annex I⁵⁹.

The SAI should indicate how (e.g. through an evidence collection plan - see Annex II⁶⁰) the evidence will be obtained and analysed in order to answer the audit questions. It should also contain an outline of the audit procedures required to collect and analyse the necessary information that will enable the auditors to reach valid conclusions (see Annex III Audit Programme Outline⁶¹). This audit work outline does not need to be developed at a very detailed level, as the detailed tests required may change during the audit⁶².

Audit testing shall not commence until the SSA has been approved by the Chief Audit Executive. Only if the SSA is approved are the resources considered to be formally committed to the work of that particular audit. In addition, through appropriate audit planning, the delivery of the audit report will be achieved within the agreed timeframe and resources. The issues to be addressed in the detailed planning of the audit, the results of which will be reported in the SAI, are set out in the diagram below.

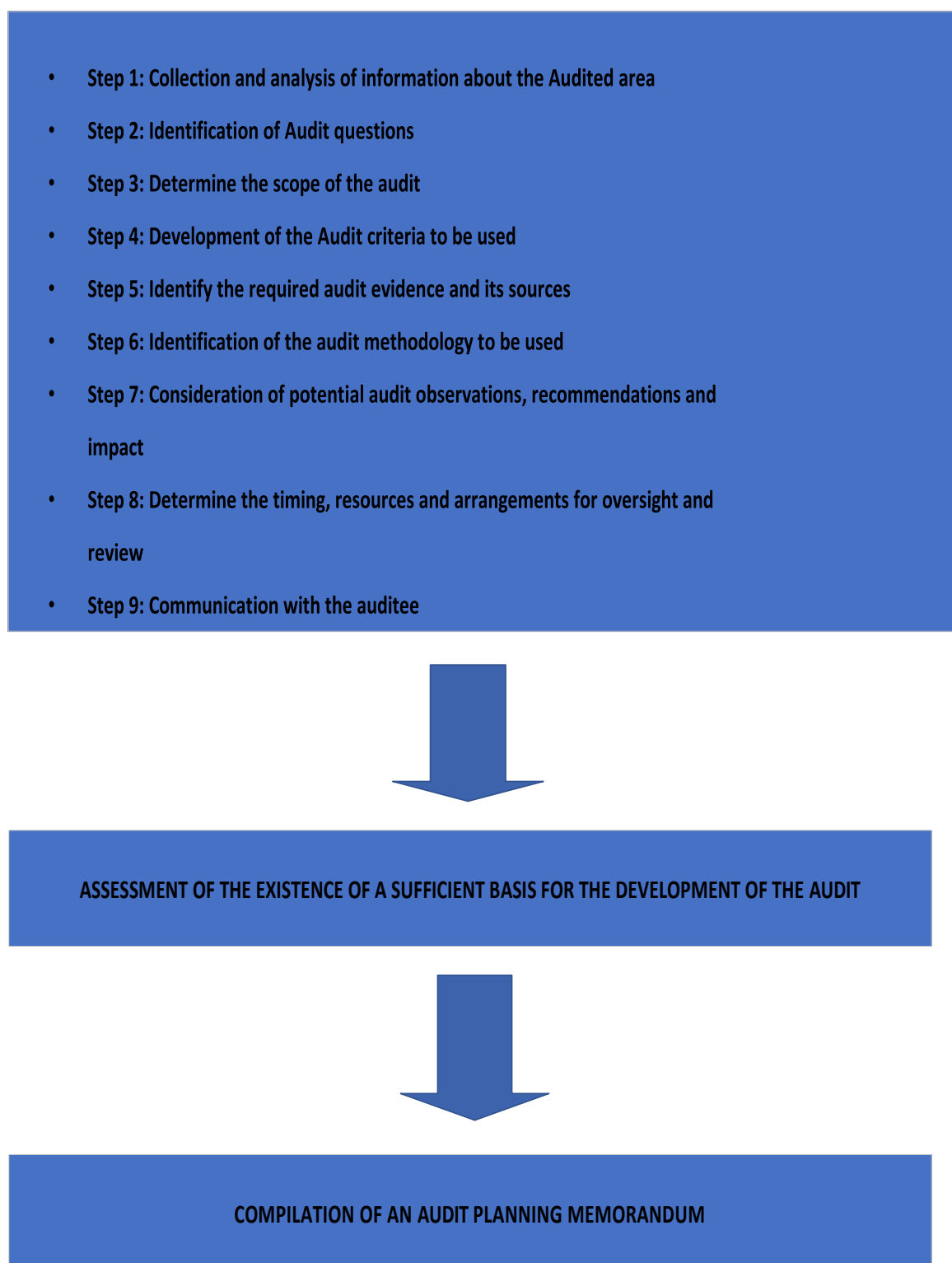
⁵⁹ European Court of Auditors, 2017, "Performance Audit Manual", Chapter 3: Planning the audit - Annex I: Content of an Audit Planning Memorandum (APM).

⁶⁰ European Court of Auditors, 2017, "Performance Audit Manual", Chapter 3: Planning the audit - Annex II: Evidence Collection Plan.

⁶¹ European Court of Auditors, 2017, "Performance Audit Manual", Chapter 3: Planning the audit - Annex III: Outline Audit Programme.

⁶² INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 101 (Planning - Designing the audit. Requirement) and para. 102-103 (Explanation), and INTOSAI, 2010 (Approval), "ISSAI 3100. Performance Audit Guidelines - Key principles", para. 12 (2.4. The audit process. 2.4.1. Planning an audit).

Figure 5. Components of a Audit design



Step 1. Collection and analysis of information on the Audited area

In general application, auditors should obtain information⁶³ before identifying audit objectives. An exception to this guidance is when the audit objective is known from the beginning of the audit. Below are a number of sources of information that auditors should review in order to determine the impact of the audit objectives:

- The purpose and goals of a programme or the whole organisation. Purpose is defined as the outcome that is sought and desired. The purpose of an organisation may be stated implicitly or explicitly in laws and regulations. On the other hand, the management of the organisation is responsible for determining the objectives of the programme, which is defined as the desired level of performance. Auditors may use the goals and objectives as criteria for evaluating the performance of a program/operation
- The timeline of the program or the entire organization
- Organisational data (organisational charts, job descriptions, policy and procedure manuals, information systems manuals, etc.)
- Financial data (i.e. budget, management reports, etc.)
- Results of previous audits and their worksheets.
- Applicable laws, rules and regulations. Specific elements set out in laws or regulations include the following:
 - What the program / function is set to do
 - Who is designated to do it
 - Who is served by this project / operation
 - What will be spent on this project/operation
- External audit reports
- Official literature relevant to the activity under review

Auditors can use this information to identify and modify the scope of an audit. Also, an assessment of a programme/operation's information may lead to the need to modify the planned dates for completion of the audit, the level or type of testing or personnel management plans.

Further, the auditors may decide to conduct an investigation in order to familiarise themselves with the activities, risks and safeguards

⁶³ INTOSAI, 2010 (endorsement), "ISSAI 3100. performance audit guidelines - key principles", para. 12 (2.4. The audit process. 2.4.1. Planning an audit).

security linked to the Audited area. An investigation is the process of gathering information without detailed confirmation on the activity under Audit and includes the following procedures:

- Discussions with the auditee.
- Interviews with people affected by the project/function.
- Observations.
- Review of management reports and studies.
- Detailed audit procedures.
- Documentation of significant safety net activities.
- Flow charts.

Step 2. Identify Audit questions

The objectives of the audit identify the intended results of the audit. In particular, audit objectives are questions that need to be answered during the audit. Auditors identify audit objectives⁶⁴, based on information obtained either from knowledge they already had or from investigations and observations. Auditors must use risk assessments in order to identify audit objectives.

The SSC should define the audit questions, which should focus on issues arising from the results of the information analysis. The formulation of the audit questions is of great importance for the audit and should be based on rational and objective considerations. If care is not taken in this area of audit planning, it may prove difficult to obtain sufficient, relevant and reliable audit evidence to answer the questions.

In order to ensure that the audit objectives are thematically related, complementary and mutually exclusive, audit questions can be submitted as a pyramid of questions with a central audit question and a limited number of secondary questions, which focus on and clearly identify the audit subject (e.g. programme, policy or function), as well as the performance aspects to be audited. Ideally, the audit scope will, as far as possible, include individual policy areas or elements thereof, such as one or more activities or actions as defined in the organisation's budget or even individual functions. This will facilitate the conduct of the audit and ensure that the report

⁶⁴ INTOSAI, 2010 (endorsement), "ISSAI 3100. performance audit guidelines - key principles", para. 12 (2.4. The audit process. 2.4.1. Planning an audit).

audit will be practical and properly focused on the operator's weaknesses.

When defining the Audit questions, the following should be taken into account:

- **Relevance of the questions**
 - Is the issue of Audit important?
 - Will the potential impact of the audit be significant?
 - Is the issue important to stakeholders (including regulators and the general public)?
 - On the issue of Audit, are there any risks of sound financial management?
- **Feasibility of Audit**
 - Can all the questions be answered?
 - Can an audit be carried out that reaches a conclusion in the context of the availability of the necessary information, audit methodologies, resources and audit skills?
 - Are the conditions right in terms of timing?

The focus of audit questions can be either the examination of systems Audit or the direct examination of performance or a combination of both.

- **Audit of Audit systems:** Most performance audits include consideration of the following actions:
 - the formulation of the programme/project objectives to reach a conclusion on whether they are realistic, relevant and meaningful
 - the indicators used to determine whether they properly measure progress towards achieving these objectives
 - the IT systems supporting the management of programmes, projects, etc., in order to (a) determine whether such systems provide real, accurate and relevant data and information and (b) assess whether such data and information are being used correctly
 - the underlying data, to determine the reliability of the underlying data
 - the programme/project selection criteria used to allocate resources.
- **The direct examination of performance** focuses on the achievement of the auditor's objectives. The objectives, if properly designed, become the basis for assessing the auditee's performance. Similarly, indicators, if properly designed, can be used to

evaluation of progress. The main Audit question can then be divided into sub-questions, which, in turn, are divided into third-order questions. Typically, there are four such levels, from the main audit question (Level 1) to detailed questions answered by performing specific audit procedures (Level 4). The fourth level forms the basis for the sources of evidence.

It should be noted that the sub-questions at each level should be different from each other (mutually exclusive), but should together cover the main aspects of the question (collectively exhaustive) of the immediately higher level of questions. The analysis of each Audit question forms a pyramid that helps to establish a logically defined standard that ensures consideration of all aspects of the questions or sub-questions under consideration.

Step 3. Determine the scope of the audit

The scope of the audit defines the boundaries of the audit in terms of the time period under consideration or the number of audit coverage areas⁶⁵. Some important factors when determining the scope of an audit include:

- The type of audit (financial, compliance, performance).
- The objectives of the programme or of the overall management (i.e. whether the audit can be limited to a specific programme within the organisation).
- The needs of potential users of the audit report.
- The period of time to be checked.
- Specific audit requirements.
- The type and significance of weaknesses identified in previous years' audit reports.
- Preliminary judgment on the significance levels.
- Availability of staff and other resources.
- Statutory mandates.
- Identified risks (inherent and residual risks)⁶⁶.

Figure 6. Scope of the audit



The scope defines the boundaries of the Audit and is directly linked to the Audit queries. In particular, auditors must define:

WHAT: describes the programmes, activities and actions to be audited.

WHO: the services of the body covered by the audit.

WHO: the geographical scope of the audit.

WHEN: the period of time to be covered by the check.

The auditor should consider the rationale for its decisions to determine the scope, as it is neither practical nor efficient for an audit to cover all possible aspects, the nature and extent of the audit and, therefore, the time of the audit procedures should be limited to a small number of highly significant issues. These significant matters are included in the audit questions and can be answered with the available resources and experience of the auditors and are therefore considered critical to achieving the intended results of the audit matter.

⁶⁵ INTOSAI, 2010 (endorsement), "ISSAI 3100. performance audit guidelines - key principles", para. 14 (2.4. The audit process 2.4.1. Planning an audit)

⁶⁶ INTOSAI, 2010 (endorsement), "ISSAI 3100: Performance Audit Guidelines - Key principles", para. 15 (2.4. The audit process. 2.4.1. Planning an audit).

Step 4. Develop the Audit criteria to be used

Audit criteria are standards against which actual performance (the adequacy of systems and practices and the economy, efficiency and effectiveness of activities) is compared or assessed. They are required to assess existing conditions and produce audit findings (comparison between 'what is' and 'what should be'). Audit criteria should be as objective as possible to minimise the potential for subjectivity⁶⁷. Audit criteria vary according to the type of performance being audited, as the issue under consideration must be interpreted in relation to the general concepts of economy, efficiency and effectiveness. However, audit criteria should be drawn from recognised sources and should be objective, relevant, reasonable and achievable.

The sources of the audit criteria determine the effort required to ensure their appropriateness:

- Criteria based on legislation, regulations or recognised professional standards are among the most robust. Generally accepted criteria can also be drawn from sources such as professional associations, recognised expert bodies and academic literature.
- Other main sources of criteria for performance audits are standards, metrics and the results of commitments adopted by the entity's management, including specific objectives or requirements.
- Where criteria are not available from the above sources, the auditor may focus on the performance achieved in comparison with other operators, on best practices identified through benchmarking or consultation, or on standards that

⁶⁷ INTOSAI, 2010 (endorsement), "ISSAI 3100: Performance Audit Guidelines - Key principles", para. 13 (2.4. The audit process. 2.4.1. Planning an audit).

were developed by the auditor himself through activity analysis.

Where the entity has adopted meaningful and specific measures to assess its performance, those related to the audit should be reviewed to ensure that they are reasonable and complete. Where the criteria are not self-evident and are open to challenge by the auditee, they should be agreed as far as possible in terms of their relevance and acceptance by the auditee's management. This approach suggests that the audit is not simply looking for deficiencies to report. In the event that appropriate criteria cannot be identified and agreed, it may be necessary to revisit the detailed audit question. If there is still disagreement, the audit report should justify the criteria used. Under no circumstances should an audit be carried out using criteria that could lead to biased or misleading audit results.

Step 5. Identify the required audit evidence and its sources

The audit evidence required to answer the audit questions must be identified. The sources from which this evidence is to be obtained and its format should also be identified and examined to determine whether it can be easily collected and analysed. In particular, the evidence must be: **sufficient** to enable the main audit question to be fully answered, **relevant** to address the audit question being asked and **reliable** in terms of its impartiality and persuasiveness.

Particular attention should be paid to audit work where personal data are used as audit evidence. The OCR should make reference to the processing of personal data.

If there are doubts about the effectiveness of an audit, consideration should be given to the potential impact of the audit where evidence cannot be obtained at a reasonable cost, and also where alternative sources of evidence need to be considered. If there is a high risk leading to an inability to obtain the necessary evidence, the audit question should be reviewed.

Step 6. Identify the Audit methodology to be used

Performance audits can use a wide variety of methods to collect and analyse evidence, such as surveys, interviews, observations and written documents⁶⁸. In selecting these methods, auditors should be guided by the purpose of the audit and the specific question to be answered⁶⁹. Clear, robust and practical methodologies should draw conclusions with reasonable assurance.

Different methodological approaches can be used at different audit phases and for different purposes. Quality-related techniques are particularly useful in the early stages of an audit to identify important issues, develop preliminary ideas and generate hypotheses. Also, these techniques are more appropriate in complex problems. Quantitative analysis, which involves the examination of numerical data, is one of the most powerful audit tools for developing conclusions based on examination of data. Such analysis adds significant value to the audit project by providing clear cost, benefit and performance metrics.

An effective performance audit combines different methodologies for data collection and confirms findings from different sources, while combining qualitative and quantitative data. This combination of methodologies is essential to provide strong evidence to support conclusions and recommendations. It is proposed to test a number of pilot methods to ensure that robust evidence is provided to answer the audit questions.

Step 7. Consideration of potential audit observations, recommendations and impact

In order to arrive at the structure of a summary report, but also to determine whether the audit questions are likely to lead to constructive recommendations, possible audit observations and audit recommendations need to be taken into account. The audit team should have made it clear from the beginning of the audit that it has the ability to produce practical recommendations and that it encourages the timely submission of the final audit report. This action will greatly assist in determining the potential impact and usefulness of the final report.

⁶⁸ INTOSAI, 2010 (endorsement), "ISSAI 3100: Performance Audit Guidelines - Key principles", para. 17 (2.4. The audit process. 2.4.1. Planning an audit).

⁶⁹ INTOSAI, 2010 (endorsement), "ISSAI 3100: Performance Audit Guidelines - Key principles", para. 16 (2.4. The audit process. 2.4.1. Planning an audit).

Step 8. Establish the timetable, resources and arrangements for oversight and review

Auditors should make a realistic assessment of the human and financial resources that will be required for the audit, as well as ensure that the required knowledge and experience of the audit team members is available and, where necessary, provide for the need for external expertise. Furthermore, detailed timetables should be provided for each phase of the audit process with defined milestones for each phase of the audit, focusing on the initially set deadlines for carrying out the audit. A permanent audit team should be established in the SAI throughout the audit work, with an appropriately designated head⁷⁰. In addition, options should be considered to make the audit report more effective and/or to reduce the duration of the audit report by increasing the number of members of the audit team.

At the same time, significant risks to the successful conduct of the audit and the best ways to address them should be identified. When planning the critical path of the audit, it is considered useful to identify potential high-risk areas where malfunctions are more likely to occur that lead to delays or jeopardise the quality of the organisation's operations. Possible constraints on the availability of auditors (which may be required for other audit tasks) and the subsequent consequences of not communicating the audit results and the audit report in general in a timely manner should always be taken into account. It should be noted that in special circumstances it is suggested that in order to speed up the on-site inspection, it is recommended to accelerate the on-site inspection by using a large audit team to collect data more quickly and then have a much smaller team of auditors carry out the compilation and finalisation (contradictory procedure) of the audit findings.

Step 9. Contacting the auditee

Ongoing dialogue and mutual understanding between auditors and staff of the auditee, emphasised in the 'no surprises' approach, is considered of paramount importance for the acceptance of the conclusions and recommendations of the audit report⁷¹. The conduct of auditors' contacts with the auditee's staff should be planned throughout the

⁷⁰ INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 104 (Planning - Designing the audit. Requirement) and para. 105 (Explanation).

⁷¹ INTOSAI, 2010 (endorsement), "ISSAI 3100. performance audit guidelines - key principles", para. 18 (2.4. The audit process. 2.4.1. Planning an audit).

the duration of the audit, in order to ensure that the progress of the audit is kept up to date. The time points at which contact with the auditee may be made, and the issues on which the auditee should be informed, include:

Time of communication	Purpose
At the beginning of the audit	The auditors shall explain to the management staff of the the reasons for the audit, the audit objectives, the scope of the audit, the scope of the audit and the application, criteria, methodologies, timing and procedures of the audits, including the Tasks. It is also considered useful to explicitly identify the areas that are not to be audited in order to reduce misunderstandings or false expectations by the Audited entity.
Before starting the audit	The auditors shall clarify to the auditee's staff the purpose of the mission, the information that may be required, the meetings that will plan and schedule the mission.
From the beginning to the end of the mission	The auditors shall discuss the audit procedures with the the auditee's staff, report on the progress of the audit work and hold a wrap-up meeting on the audit work, including the results of the audit. updating the facts that have emerged.
Preliminary findings statement	The findings resulting from the audit shall be documented and communicated to the auditee.
Before and after the objection procedure	To ensure that audit findings are consistent.

4.7. Model Audit questions⁷²

For performance audits, audit objectives are often defined in the form of a central audit question and a limited number of secondary questions (i.e. what should be known) or assumptions (i.e. what should be confirmed). The audit objective is to answer, verify and draw conclusions against these Audit questions. Evidence collection, evaluation and data analysis are guided by the audit questions. It is therefore considered fundamental to identify valid, relevant and feasible questions to answer. Possible incomplete identification of questions or asking the wrong questions will inevitably lead the audit in the wrong direction. In contrast, the auditor, by asking the right questions, can

⁷² INTOSAI (Performance Audit Subcommittee - PAS), 2013, "PAS Guideline 5: Designing performance audits: setting the audit questions and criteria".

save time by avoiding the collection and analysis of less relevant information.

4.7.1. Identification of the main question or problems to be checked

Performance audit issues are usually selected after an assessment of the economic, efficiency or effectiveness deficiencies in terms of their risk, materiality or importance (economic, social and/or political importance). The audit usually focuses on one or a few significant problems or risks identified at the audit planning stage. A broad perspective can help in the analysis and understanding of the issue, although the specific issue under audit must be well defined and focused on the objectives of the audit. In order to achieve the objectives it is necessary to identify essential questions. The substantive questions should guide and ensure the achievement of the audit objectives.

The audit question defines the object to be audited, the scope and purpose of the audit and forms the basis for the planning of the entire audit. For example, the question could indicate whether the audit will assess the performance of a programme or public body's management systems and Audits or a more direct assessment of the cost-effectiveness, efficiency or effectiveness of a programme or activity. Further, the audit question may identify and analyze the causes of weaknesses related to cost-effectiveness, efficiency and effectiveness, but it is rarely suggested that all three of these principles be considered simultaneously when conducting an audit. For example, in the case where a programme/operation/policy is not being implemented in an effective manner, it is considered less important to further audit its cost-effectiveness.

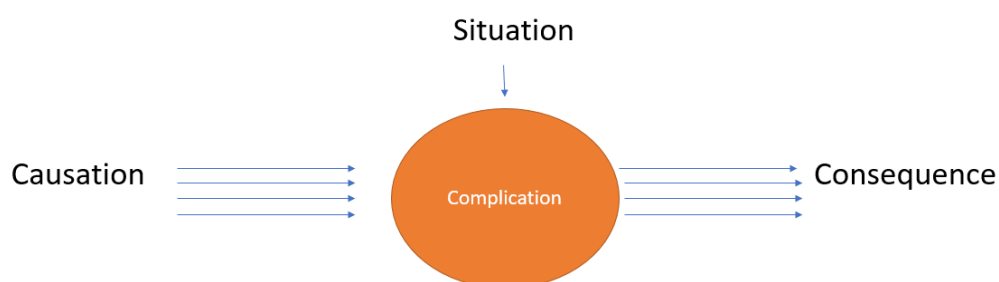
It is recommended that audit questions and sub-questions be formulated in a normative (setting a standard or rule) or analytical way rather than in a merely descriptive way. Descriptive questions have the advantage of allowing answers with a reasonable level of assurance. However, they rarely add significant value to those seeking robust opinions, comprehensive explanations or sound information on how to significantly improve program/operation/policy performance.

A technique for developing the main Audit query is called as a structure "Situation - Complication - Question". The "Situation" provides background on the topic, in the form of non-controversial statements, which a listener/

reader either knows them to be true, or willingly accepts them as true. 'Complication' represents the 'so what' factor, i.e. what 'complicates' the situation and makes the issue untestable (for example, excessive expenditure, waiting times, negative side-effects of a programme's actions). This stage introduces a degree of subjectivity in the selection of the Audit issue, as a particular complication is often taken into account in arriving at a proposed Audit, since other complications may lead to different Audits. As a result of the complication, a potential main issue to be considered will emerge.

This technique can be upgraded if two additional components are added, namely causes and consequences, as shown in the figure below. This puts 'complication' in a broader context and makes it easier to determine what needs to be checked and how.

Figure 7. The technique of the "Situation-Complication-Complication-Causation-Consequence" structure



4.7.2. Development of sub-questions or sub-problems

The main audit question should be broken down into sub-questions or lower level questions, the lower level of which can be answered by carrying out specific audit procedures. A technique called "issue analysis" breaks down the main question or audit problem into several lower level, more detailed questions in order to form a pyramid of questions. Three levels of questions are often sufficient, although sometimes, according to international practice, up to five levels of questions are required.

The purpose of the technique is to clarify the feasibility of the conclusion against the main Audit question and to ensure a logical link between the specific Audit procedures for answering the sub-questions and the main Audit question.

This helps to establish a logically defined standard in the auditor's thinking in order to

ensure that all aspects of a Audit question or Audit sub-questions are taken into account, as well as in determining the scope of the Audit. However, when using this technique, the need to reformulate or clarify the main Audit question may arise. Consequently, the process of developing sub-questions should be repeated. In addition, it is suggested that, at the lowest level of questions, specific questions or hypotheses be developed that can be tested against different sources of evidence.

Adequate knowledge of the area selected for audit and an initial set of topics to start the process of developing audit questions is usually achieved through activities such as thorough document research, meetings with auditors, experts, scientists and other stakeholders, brainstorming and structured creative thinking.

4.7.2.1. Lower level questions

The following are characteristics of lower level Audit questions or Audit hypotheses. In particular, the lower level Audit questions should be:

- short and clear, i.e. clear and easy to understand,
- relevant and logically or causally related to the problem as reflected in the level of questions immediately above,
- mutually exclusive, i.e. different and distinct from each other, and not overlapping,
- collectively exhaustive at each level of questioning, i.e. all questions at a lower level must be sufficient to answer the higher level question,
- specific or testable (i.e. answered with a closed "yes/no" type of answer, although detailed answers are often required), so that it is possible to identify the procedures and evidence required to provide an answer and draw conclusions as opposed to Audit questions (e.g. "has a comparative analysis of projects been carried out?", rather than "how are projects selected?" and
- broken down into three to five questions at each level to ensure clarity of the problem.

Figure 8. Typology of Audit questions



When starting the process of analysing the main question/problem, the basis on which the main question could be appropriately separated should be analysed. For example, an auditor could use the principle of time in a sequential cause-and-effect manner in order to assess the efficiency and effectiveness of actions by looking at inputs, processes and outputs. Therefore, at the next level of question separation, it is suggested to use the input/ process/ output principle of time. In addition, an auditor could apply the perspective of time

4.7.2.2. Example of Audit question structure

If the audit focuses on management systems, it is recommended that the questions are analysed by management structure, and in particular by entities or organisational levels. An auditor could then analyse the question on the basis of management costs (administrative costs, personnel costs, etc.) in order to ascertain proper management, i.e. to examine the conditions that should apply to the proper management of costs. It should be noted that it is common for different principles to be applied to different

levels of Audit questions. The following diagram shows the audit of a management system. The main audit question asked is whether a public body is effectively deploying its human resources. This question is broken down into a process-oriented structure in terms of time. In particular, the second level of questions is broken down into three steps and questions and then the third level into a series of sub-questions.

4.7.2.3. Example of an evidence collection plan

Level I: Central question: 1. Does the institution develop its human resources in an effective way?					
Level II - Level Two Question: 1.1 Does the organisation prepare up-to-date staff development plans?					
What we want find out?	Against what standards is the performance of the operator?	On the basis of what evidence will answer the questions of the Audit?	Where to look for the evidence;	How will you to obtain the evidence?	How will you used the evidence data after they have been extracted?
Level III Questions	Criteria	Evidence		Collection of information	
		Press	Sources	Collection methods data	Methods of data analysis
1.1.1. Ta the organisation's personnel management systems provide	- A management tool human resources must be provides	- Procedures to ensure that staff members' CVs of the operator is reliable and	- Audited entity, educational institutions, employees of the operator,	- In person (observation, examination of documents, Interviews, focus groups)	- Quantitative evidence (trends, comparisons, proportions) - Qualitative

Trusted information	Trusted information on skills and qualifications of Staff. - The entity should have a reliable and reliable system for the annual audit the abilities of the Staff.	updated. - Assessment of the degree the use of CVs. - Proof that the files education is up to date and reliable. - Rating managers' satisfaction with the work of their employees Operator.	Heads of services of the operator.	- Through correspondence, telephone or e-mail (requests for transmission of documents, questionnaires)	evidence (qualitative process analysis)
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4.8. Carrying out an audit: stages, procedures and criteria

The examination stage of the audit begins at the start of the audit work, following approval by the SAI, and continues until the start of the final report. In particular, it shall include the following:

- carrying out the audit procedures for data collection and analysis,
- the assessment of the facts on the basis of the predefined criteria,
- drawing up the audit findings and examining any doubts (objections) concerning them.

The audit examination work shall be carried out on the basis of the audit planning already prepared and the subsequent planning documents (SIA, evidence collection plan and audit programme plan). The planned plan should be followed as far as possible in terms of the work to be carried out, resources, deadlines and quality. However, some parts of the audit may need to be revised at the examination stage if the auditor encounters difficulties in gathering evidence. As a general rule, the organisation of the audit should also meet the requirements of good project management⁷⁴.

⁷³ European Court of Auditors, 2017, "Performance Audit Manual", section 4.1.

⁷⁴ INTOSAI, 2010 (endorsement), "ISSAI 3100. performance audit guidelines - key principles", para. 24.

The purpose of the examination stage is to obtain sufficient, relevant and reliable audit evidence to enable the auditor to reach a conclusion on the audit questions and to support all the statements contained in the audit report.

During the audit examination stage, the audit procedures are carried out in order to gather and analyse the required evidence; the resulting evidence ("the actual situation") is evaluated against the predefined audit criteria ("the situation as it should be") in order to draw audit findings; and finally, the causes and consequences of these findings are determined. The audit findings therefore consist of a comparison of the evidence with the standards (expressed in the form of an audit question or audit criterion) and an analysis thereof. The findings are communicated to the auditee, which is requested to respond in writing with its agreement or reasons for disagreement. The performance of audit work includes an analytical and a communication aspect. The analytical process involves the collection, analysis and evaluation of data, while the communication process starts with the first presentation of the audit to the auditee and continues with the assessment of the various findings, arguments and opinions that emerge during the course of the audit.

Table 4. Example of an Audit procedure⁷⁵

<p>Program Title: Road rehabilitation and maintenance project</p> <p>Subject of the audit: To assess whether the project requirements have been satisfactorily defined in order to implement the project at an appropriate cost and achieve the desired results.</p> <p>Criterion: The requirements of the project should be formally defined before the start of the project.</p> <p>Audit technique: Audit documentation</p> <p>Audit procedures:</p> <ul style="list-style-type: none">➤ Review the definition of the project requirements as stated in the project evaluation form.➤ Obtaining information to confirm that a user survey has been carried out, gathering traffic statistics and calculating the expected increase in traffic.➤ If the verification in step 2 above is positive, then it should be determined whether the data were collected and reported in a systematic way using appropriate methods.➤ Preparation of a preliminary determination whether the criterion is met.➤ Record any exceptions.
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⁷⁵ Royal Government of Bhutan (Ministry of Finance), 2019, "Performance Audit Guideline for Internal Auditors of RGoB", p. 67.

4.8.1. Collection of sufficient, relevant and reliable audit evidence

The data, information and audit evidence shall be linked together as follows:

Figure 11. Linking data, information and audit evidence⁷⁶



The nature of the audit evidence required is dictated solely by the scope of the audit and the relevant questions, which may vary significantly depending on the performance audit. Moreover, this type of audit is more based on critical thinking, with the result that audit evidence is by nature more persuasive ('leads to the conclusion that...') than probative ('right/wrong'). The combination of these factors requires auditors to be creative and flexible in their search for the right type of evidence. Therefore, detailed assessments of information needs should be carried out both at the audit planning stage and at the examination stage so that auditors are not overwhelmed by an excessive amount of data. This facilitates the elimination of secondary details and irrelevant approaches on the one hand and contributes to the classification and systematisation of the data collected on the other hand. It may be useful to have prior discussions with experts on the nature of the data to be collected and on how they will be analysed and interpreted by

⁷⁶ European Court of Auditors, 2017, "Performance Audit Manual", section 4.2.2.

the auditor, in order to reduce the risk of misunderstandings and possibly speed up the process.

In particular, the evidence gathered during the audit should be :

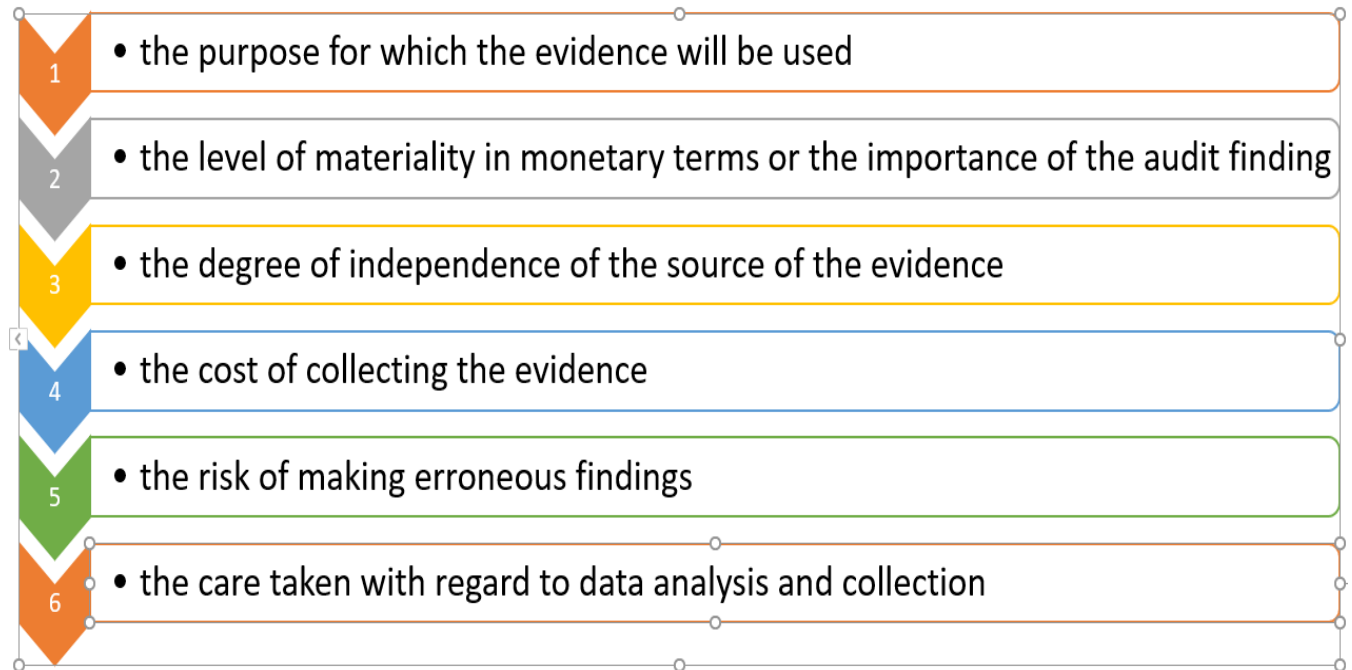
- *sufficient*, i.e. sufficient in number to produce valid findings and conclusions and sound recommendations.
- *relevant*, i.e. linked in a clear and logical manner to the audit questions, criteria and findings.
- *reliable*, i.e. that the same findings are obtained when the audit tests are repeated or when information is obtained from different sources.

In general, the concepts of quantity (sufficiency) and quality (relevance and reliability) in relation to audit evidence should be considered together, as there is an inverse relationship between them. Consequently, high quality evidence can lead to a reduction in the need for a large quantity of evidence. A large amount of evidence may in some cases, but not always, be of persuasive value, even if some evidence is not of high quality. In this case, the exercise of professional judgment is essential, as there are no precise guidelines on the required standard of proof. Although the above concepts are often useful in assessing the quality of audit evidence, there may be some limitations in their practical application:

- Original evidence has greater probative value than photocopies, faxes, etc.
- Documentary evidence is preferred to oral evidence. However, correspondence, memoranda and reports may be incomplete, ambiguous or even incorrect, while interviews can facilitate an in-depth understanding not only of the facts, but also of the constraints and the context. However, evidence gathered from interviews needs to be corroborated by other sources.
- Evidence obtained from third parties is superior to that obtained from the audited entity itself. However, in performance audits, only limited use may be made of third-party confirmations, as the information may only be available within the audited entity. In addition, effective internal Audits carried out within the audited entity as an organisation can improve the quality of the information collected.

- Evidence obtained through direct observation, inspection and calculation by the auditor himself is superior to evidence obtained indirectly.

When assessing the quantity and quality of audit evidence, it is necessary for the auditor to take into account the following⁷⁷ :



⁷⁷ European Court of Auditors, 2017, "Performance Audit Manual", section 4.2.3

In general, auditors should be aware of any problems or weaknesses in the audit evidence in order to minimise the risk of reaching unsubstantiated or irrelevant conclusions, findings or recommendations. Some examples of potential problems are shown in the table below.

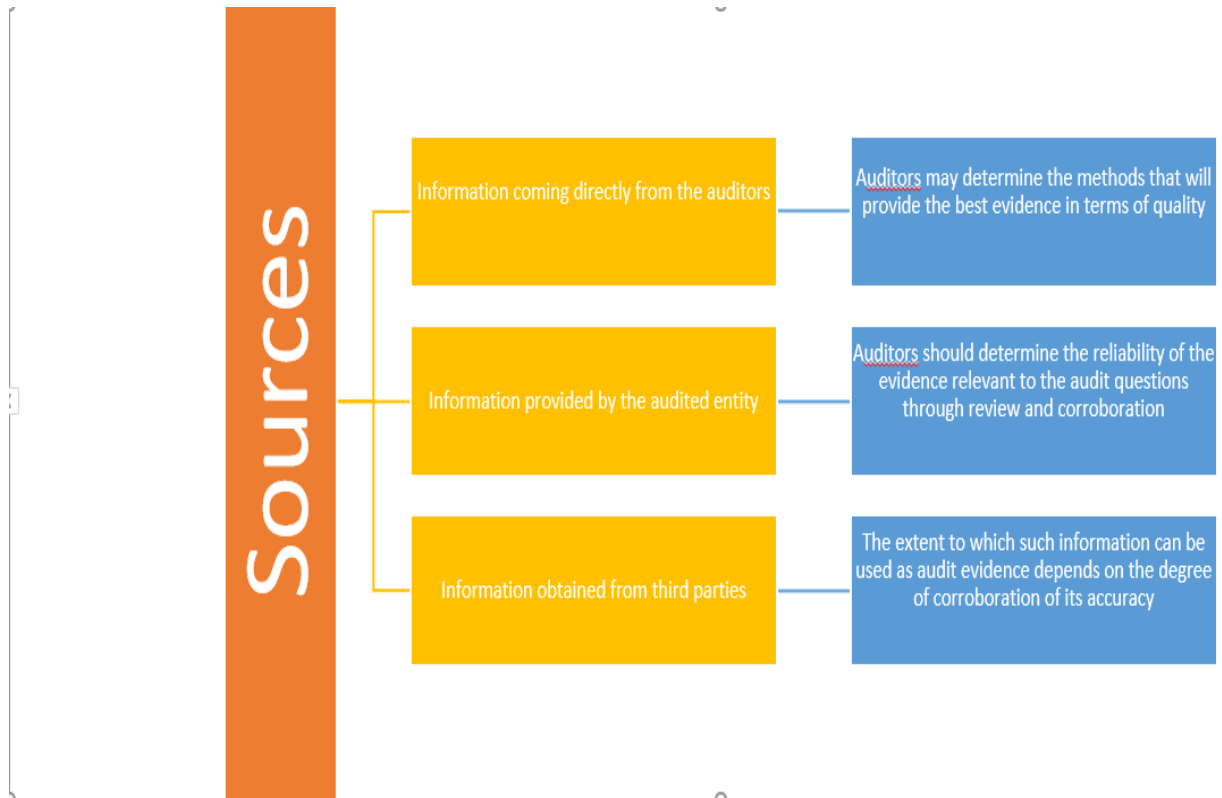
Table 5. Examples of possible evidence problems⁷⁸

With impact on(s):					
A/N	Possible problem	Relevance	Reliability	Validity	Adequacy
1	The data come from only from one source		√	√	√
2	Oral evidence is not supported by documentation or observation		√		
3	The data are time-sensitive, i.e. not timely and not show changes	√			
4	The cost of collecting the evidence exceeds the benefit	√			√
5	The source of evidence has an interest in the results of the Audit		√		
6	The elements that collected are not representative	√		√	√
7	The data may be related to individual events			√	√
8	The data are not complete e.g. they do not show cause or Result		√		√
9	The data are contradictory		√		

When gathering evidence, different sources should be used to corroborate it, thereby making the relevant audit findings more reliable, and to ensure that different views are taken into account. There are three main sources of information for performance audits.

⁷⁸ Royal Government of Bhutan (Ministry of Finance), 2019, "Performance Audit Guideline for Internal Auditors of RGoB", p. 69

Table 6. Sources of audit information⁷⁹



The audit evidence obtained from the above sources can be of four types - physical, documentary, oral or analytical - and can be gathered and documented as follows:

⁷⁹ European Court of Auditors, 2017, "Performance Audit Manual", section 4.2.4.

Table 7. Evidence of findings⁸⁰

TYPES OF EVIDENCE CONTACT	ISSUES TO BE TAKEN INTO ACCOUNT	AUDITS PROCEDURES FOR THE COLLECTION OF EVIDENCE	NOTE
PHYSICS	Although these are usually the items with the greatest evidential value, the auditor must be aware that his presence may alter what would normally happen, thereby reducing the quality of the evidence elements.	Direct inspection or observation of persons, assets; or events.	Notes, photos, graphs, maps, charts, diagrams, samples or audiovisual material.
SOURCE REGISTRATION	This type of evidence can exist in electronic or paper form. However, the useful information may not be always documented, so it is necessary to use other approaches.	Examination documents, reports, textbooks and literature, internet or correspondence research.	Performance management reports, policies and procedures, system descriptions, letters, contracts, results research.
FOREWORD	Oral evidence is usually important in performance audits, as the information collected in this way is timely and may not be available elsewhere. However, information must be confirmed and statements must be authenticated if they are to be used as evidence evidence.	Research addressed to the staff of the audited entity, third parties, target groups or groups experts and interviews with them.	Summary of information gathered through these methods.
READ MORE	Such evidence is collected through the exercise of professional judgment in assessing physical, documentary and oral evidence.	Analysis through reasoning, rearrangement, calculation and comparison.	Summary of analytical data, including the analysis of indicators, the analysis of regression, the comparative evaluation and coding.

⁸⁰ European Court of Auditors, 2017, "Performance Audit Manual", section 4.2.5.

4.8.2. Data collection and analysis

Evidence gathering follows an iterative decision-making process in which auditors collect data, review it for completeness and relevance, analyse it and decide whether additional evidence is required.

Data collection methods form a continuum, at one end of which are those that provide a general picture of a situation or population (e.g. surveys), while at the other end is the in-depth examination of a small number of items (e.g. case studies); in between are other methods such as interviews, document reviews and target groups. The specific methods to be used in a given performance audit depend on the scope of the audit, the questions asked, and the resources and time available. For the collection and analysis of audit evidence, auditors are encouraged to use computer-assisted audit techniques (CAAT) whenever their use increases the efficiency of the audit.

Table 8. Methods of data collection and analysis⁸¹

Data collection methods	Methods of data analysis
Interviews	Analysis of indicators
Case studies	Frequency measurements
Research	Regression analysis
Examination of documents	Comparative Analysis
Groups - targets	Encoding and removal
Benchmarking	Analysis of variance
Inspection	Voltage analysis
Comment	
Search for information	

Whenever possible, auditors carrying out performance audits may rely on the work of third parties when it is relevant to the audit questions. The work on which auditors intend to rely should be evaluated and verified to determine whether it meets the standards of sufficient, relevant and reliable audit evidence. For this purpose, the reputation, qualifications and independence of those who carried out such work may be assessed and their reports and working papers examined. The nature and extent of the examination shall depend on the importance of the work in relation to the questions

⁸¹ European Court of Auditors, 2017, 'Performance Audit Manual', Annex I.

audit and whether the auditors will rely on them. Where the audit report contains such evidence, the origin of the findings should be stated.

During the audit work, sensitive information may be collected or may accidentally appear, which should be treated confidentially and data protection regulations should be respected. Auditors should discuss among themselves and be vigilant for various situations, weaknesses in Audits, errors and unusual actions or results that could be indicative of illegal acts or abuses, such as fraud, irregular behaviour, corruption or irregularities. When carrying out risk assessment or other related activities, they should identify how and in what circumstances fraud could occur, and the extent to which such acts affect the outcome of the audit⁸².

Data must be analysed in order to explain what has been observed and to establish the cause and effect relationship. It is necessary for auditors to be aware that the collection of data serves no purpose if it cannot be properly analysed. Therefore, care must be taken to anticipate the time and resources needed to carry out the analysis and assess the results. Computer aided audit techniques (CAAT) are often an essential part of this analysis.

The term 'data analysis' is commonly used to denote both the collection (coding and tabulation) and analysis of data. Data analysis, whether quantitative or qualitative, involves examining results from different perspectives or jointly with other data. Quantitative analysis may use simple techniques (e.g. frequency measurements) or more complex techniques (e.g. trend analysis, regression analysis or analysis of variance). Qualitative analysis may be used to analyse and interpret interviews or documents, or to determine descriptive material that may be used in the audit report.

The final stage in data analysis involves combining results from different types of sources, e.g. combining the results of surveys with the results of case studies, etc. There is no general method for making this combination, but it usually involves weighing arguments and seeking advice

⁸² INTOSAI, 2010 (endorsement), "ISSAI 1240: Practice Note to ISA 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements", and European Court of Auditors, 2017, "Performance Audit Handbook", section 4.3.4. For the relationship between fraud and performance, see further Annex IV herein.

experts, where necessary.

4.8.3. Extraction of valid audit findings

The auditor shall use the information gathered to make an objective assessment of actual performance against the audit criteria. In cases where performance does not meet the criteria, further investigation becomes necessary in order to obtain assurance that the audit findings and audit conclusions drawn are significant, fair and reasonable.

Collection of additional evidence or discussion of the issue with the management of the audited entity may be necessary to determine whether the deficiency is an isolated incident or a systemic problem, to identify the cause of the deficiency, to determine whether the problem can be addressed by the audited entity or is beyond its Audit, and finally to assess its potential consequences. In many cases, the consequences of a finding may be quantifiable, e.g. costly inputs or processes, non-productive facilities, delays, etc. However, qualitative consequences, such as those due to the absence of a safety net, unfortunate decisions or disinterest in the service, are also important and need to be taken into account. An active dialogue should be maintained with the auditee and any audit findings should be discussed as soon as they arise. Constructive discussion with the auditee on the initial findings helps to determine the quantity and quality of evidence.

In developing the findings and conclusions of the audit, references can be made not only to the number of discrepancies, but also to the total number of cases audited and the size of the population. Essentially, there are five characteristics of an audit finding, as presented below.

Audit findings should be presented in a clear and logical context to facilitate understanding of the audit criteria applied, the factual evidence and the auditor's analysis of the nature, significance and causes of the problem or performance exceeding expectations. Account should also be taken of the impact in terms of economy, efficiency and/or effectiveness, as this demonstrates the need for corrective action. When formulating an audit finding, the auditor should assess the degree of confidence that can be placed in the particular finding, based on the value of the evidence. The assessment should be clearly reflected in the wording of the finding, using qualifying words (e.g. generally, frequently).

Performance audits should focus on providing a balanced view of the issue, presenting not only shortcomings but also positive findings and examples of good practice where appropriate. Overall, the emphasis should be on formulating the findings in a constructive and balanced way. In addition, it is necessary for the auditor to verify whether the management of the audited entity is aware of the issue. If management is aware of the problem and has already taken corrective action, this should be recorded and taken into account when preparing the report.

4.1.1. Documentation of the audit

A guiding principle in the area of audit evidence documentation is that audit documentation should enable an experienced auditor, who has no prior involvement with the audit in question, to identify and understand the evidence on which the auditors' significant judgements and conclusions are based.

Adequate documentation of the evidence is vital and should be completed prior to the examination of doubts (objections) about the findings, thereby helping to ensure that the audit findings are based on evidence. The audit files and audit working papers should include information on the approach taken and the work carried out to answer the audit questions. It is also necessary to have a logical structure to provide easy access to audit evidence. Documentation that is neither relevant nor necessary should not be included in the audit files.

The auditor should take minutes of all meetings involving employees of the audited entity that the audited entity intends to rely on to gather evidence. The minutes of a particular meeting may need to be signed by the auditee's employees in order to improve their quality as evidence and the level of detail in which they are recorded.

In many cases, a simple memo summarising the main points of the various meetings will suffice. However, it is recommended that the auditee be informed at the start of the audit that the minutes of certain meetings may be used as audit evidence and that, in such cases, their approval by the auditee will be required.

As the majority of performance audits produce a significant amount of paper evidence, it is important to have a reporting system for documentation that links the work carried out to the relevant findings. This information should be linked in some way. A key element of this linkage is the referencing of audit findings to the relevant evidence before they are submitted to the person responsible for their review and approval. This could be supplemented, if desired, by a brief summary explaining how the audit methodology was applied, the nature and extent of the evidence gathered and the analyses to which it has been subjected. This summary could take the form of a table, structured according to each of the main findings.

Key documents should be recorded and incorporated into a system of references, which should include major decisions affecting the audit work and its management, key correspondence and other contacts with the auditee, key evidence, including its sources and the analyses carried out, and finally evidence of oversight reviews.

Table 9. Template Performance Audit Findings Table⁸⁴

Audit objectives/objectives: To verify the existence and/or adequacy of the policy and institutional framework to ensure effective management and implementation of road maintenance projects		
Findings: Some departments have not followed existing policies and Frames	Description of the situation in relation to the questions Audit	
	Criteria	
	Evidence and analysis	
	Causes	
	Results	
Is the evidence sufficient, relevant and reliable? If not, what more is required?		
Good practices		
Recommendations		
Expected benefits		

4.2. Compilation and contents of a performance audit report

4.2.1. Introduction

The reporting stage of a performance audit starts with the drafting of preliminary observations and usually ends with the publication of an audit report. It therefore includes the drafting, the approval of the preliminary observations by the Audit Office, the contradictory procedure⁸⁵ with the management of the auditee,

⁸⁴ Royal Government of Bhutan (Ministry of Finance), 2019, "Performance Audit Guideline for Internal Auditors of RGoB", p. 72, and INTOSAI Development Initiative (IDI), 2020, "Performance Audit ISSAI Implementation Handbook", version 0, p. 165.

⁸⁵ INTOSAI, 2010 (endorsement), "ISSAI 3100: Performance Audit Guidelines - Key principles", para. 34.

the approval of the final report by the Audit Office and its publication. For a better understanding, a graphical representation of the reporting stage is presented below.

The purpose of a performance audit report is to report the results of the audit to the auditee, the auditee's supervisors and the general public. The most important factor for a quality performance report is the effective communication of the audit findings. Therefore, the report should contain clear and objective findings and conclusions on the audit questions, allowing the reader to understand 'what was done', 'why it was done' and 'how it was done', while providing practical recommendations for improving policies/operations/programmes. Note that the audit questions presented in the report should lead to clear conclusions in the report. These questions are not required to be exactly the same as the original audit questions as defined in the SIA.

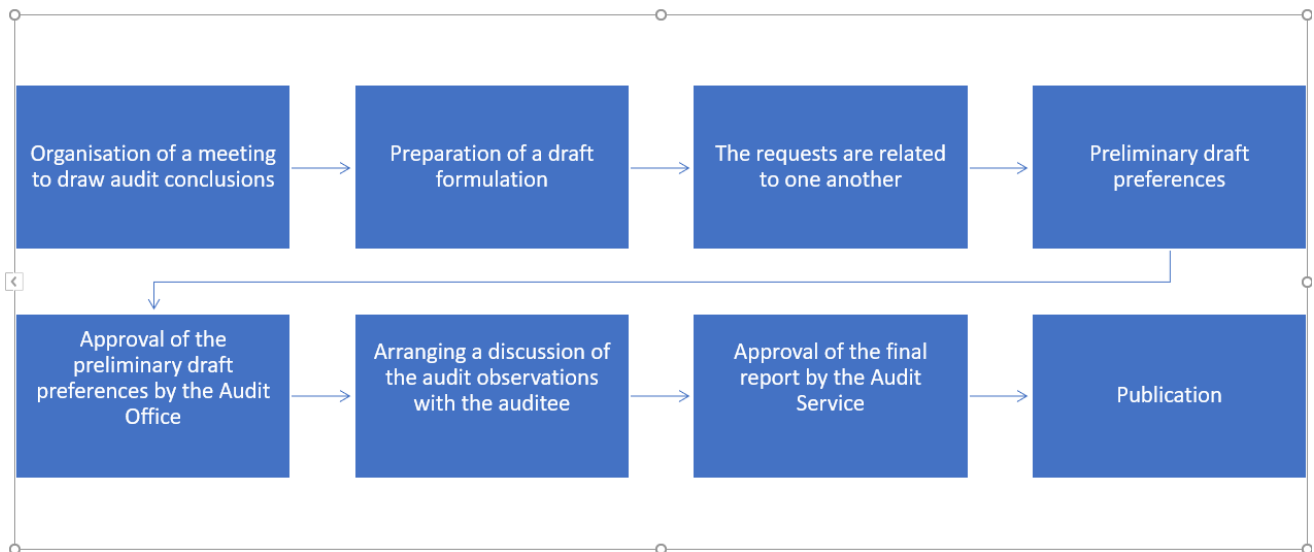
The audit report is the final product of the entire audit process. A properly planned and performed audit provides the basis for a quality report, whereas a non-quality audit is considered unlikely to result in a quality report.

Please note that the audit report should state the international auditing standards followed in conducting the performance audit⁸⁶.⁸⁷In addition, the performance audit report does not provide a general opinion on the achievement of economy, efficiency and effectiveness of an audited entity, as is the case with the general opinion stated in the context of financial audits. However, in cases where the nature of a performance audit allows, an opinion may be issued in relation to specific areas of activities and operations of an audited entity, reaching a specific conclusion rather than a standardised statement xml-ph-00

⁸⁶ INTOSAI, 2010 (endorsement), "ISSAI 3100: Performance Audit Guidelines - Key principles", para. 28.

⁸⁷ INTOSAI, 2010 (endorsement), "ISSAI 3100: Performance Audit Guidelines - Key principles", para. 29.

Figure 13. Performance audit report stages



4.2.2. Performance report quality

Based on the INTOSAI Auditing Standards and Performance Audit Guidelines, as well as the European Court of Auditors' reporting guidelines, reports should be objective, complete, clear, convincing, relevant, accurate, constructive and concise⁸⁸. The operation of an effective quality Audit system is considered essential for ensuring all the qualitative characteristics of a performance report, which are discussed below:

1. Objective

Audit reports shall be drawn up from an independent and impartial perspective. The actual performance of operations/policies/programmes should be judged on the basis of objective criteria and, in specific cases, on the basis of criteria agreed with the management of the auditee. The report should be balanced in content and neutral in approach, fair and not misleading. Furthermore, the results of the audit should be placed within the scope of the audit.

Objective reports give due credit to positive aspects of performance and reflect real-life situations. On the contrary, they do not place undue emphasis on underperformance. Interpretations of audit findings should be based on knowledge and understanding of the facts and circumstances in order to ensure that the auditee accepts the report.

⁸⁸ ISSAI 3000 - Performance Audit Standard, Reporting Requirement 116 and Explanations 117-121, and ISSAI 3100 Reporting par. 31 and ISSAI 400 - Compliance Audit Principles Reporting par. 59.

2. Complete/Full

A full report shall contain all the information and arguments necessary to answer the audit questions posed to promote an adequate and correct understanding of the matters and circumstances referred to in the audit report. The relationship between the audit questions, criteria, observations and conclusions should follow a logic that aids understanding by developing a clear and logical relationship between the audit findings, conclusions and recommendations.

3. Clear

A report is clear when it is legible and understandable and when it uses as simple language as possible, without obscure technical terms, clarifying acronyms and any other technical language deemed necessary to avoid any form of ambiguity. The main messages of the report should be clear, relevant and easily recognisable ('clarity of message') and should not be susceptible to misunderstanding.

Logical organisation of the material and accuracy in stating facts and drawing conclusions are essential for clarity and understanding. Effective use of headings and headings facilitates reading and understanding of the report. Visual aids (such as pictures, graphs and tables) can be used to visualise and summarise complex material. Well-chosen examples also help to clarify the audit report.

4. Convincing/Persuasive

It is considered of paramount importance that audit results are drawn in relation to the audit questions asked. Observations should be presented in a convincing manner and supported by sufficient information and explanations to enable the reader to understand the scope and significance of these observations. This understanding will be enhanced by ensuring that the audit conclusions and recommendations are logically linked to the facts and arguments presented. The information provided should convince the reader of the validity of the findings, the reasonableness of the conclusions and the benefit to be derived from the application of the audit recommendations.

An effective approach to developing a logical and persuasive argument is to use inductive logic. This method links findings to recommendations by looking for reasons for making a recommendation and is illustrated by the example below as follows:

Recommendation		Related findings
The composition of the evaluation committee must be reviewed in order to issue valid and timely decisions.	WHY?	<ul style="list-style-type: none"> • Delay in the adoption of Commission decisions • Issuing incorrect decisions • Members of the Committee without the required knowledge and Experience

5. Relevant

The contents of the report should address the audit questions posed, be of interest to the users of the report and highlight their importance, adding value to the auditee's operation, for example by suggesting something new on the subject under audit. An important aspect of relevance is the timeliness of the report. In order to achieve maximum use of the report, contributing to important changes, it should provide relevant and up-to-date information in a timely manner in order to meet the needs of users. Auditors should plan for the timely issuance of the report and conduct the audit taking this important factor into account.

6. Accurate

The evidence presented in the report must be true and all findings must be accurately reflected. This is based on the need to reassure readers that the content of the report is reliable and trustworthy, as a single inaccuracy in a report can cast doubt on the validity and reliability of the entire report and distract from the substance of its content. In addition, inaccuracies can damage the credibility of the Audit Office and reduce the impact of its reports.

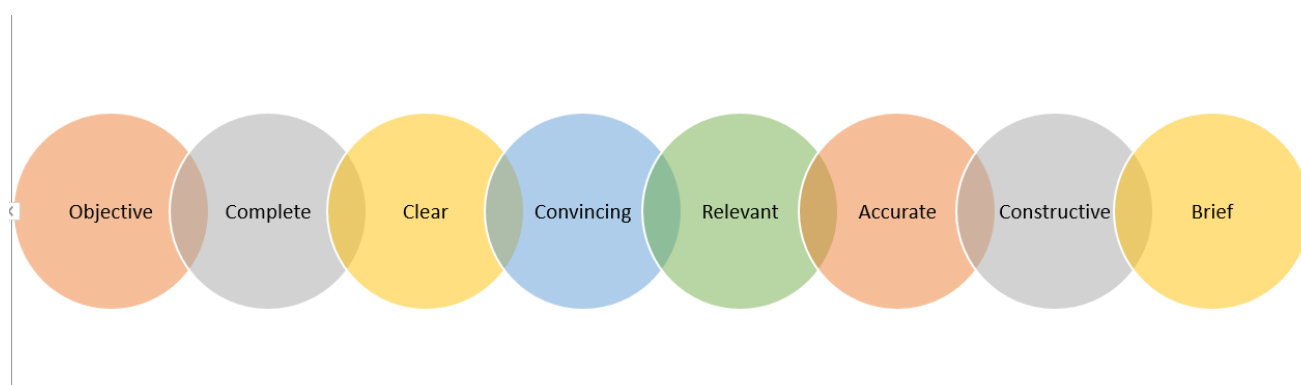
7. Constructive

The report should help the auditee's management to overcome or avoid problems in the future by clearly identifying who is responsible for the weaknesses identified, devising practical recommendations for improving the auditee's operations/policies/programmes. It should be noted that it is not considered appropriate to criticise management for issues that are beyond its reach. Balanced reports, which give due recognition to positive aspects of performance, can help to improve the acceptance of the report by the auditee.

8. Brief

The report should be as concise as possible in order to convey and support its message in an appropriate way. Excessive detail or irrelevant findings may undermine the report, obscure the real message and confuse or distract users. Reports that are as concise as the subject under scrutiny allows are likely to achieve greater impact.

Figure 14. Characteristics of a quality performance audit report



4.1.1. Design of the exhibition

4.1.1.1. Examination of the recipients of the report

Performance audit reports have a wide range of recipients, such as the auditee, the auditee's supervisors and the general public⁸⁹.

The audited bodies are the budget managers and the experts in the respective area of the body's operations. As the detailed findings are communicated to the auditee during the audit process, the preparation of the report can focus on communicating the overall findings and the overall key messages to the auditee.

The supervising public bodies of the audited public body are a critical target group, who use the reports of the Audit Office in a direct and practical way to assess the financial management of the audited body and to provide comments and requests from the supervising bodies themselves.

Reaching the general public is mainly done through media coverage of audit reports. The general public is not considered to be audit specialists. Therefore, in order to satisfy the needs of these recipients, reports should be written to attract the attention of an interested but non-specialist reader who is not necessarily familiar with the detailed context of the public sector or audit being audited.

Subsequently, the text of the report should be presented in an interesting manner and clearly describe the context and impact of the audit findings, avoiding overly detailed explanations of key facts identified at the audit stage.

⁸⁹ INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 133-135.

4.1.1.2. Approach to the design of the audit report

The planning of the audit report should start at the overall audit planning stage. The audit questions should be defined in a way that facilitates the preparation of a relevant and interesting report. At the audit planning stage, the audit service should have already taken into account the structure and content of the report.

At the early stage of the performance audit, it is considered good practice to prepare a report based on the audit questions, which, within its content, identifies the main findings and provisional conclusions of the audit. This report summary, usually prepared by the head of the audit team, should be reviewed periodically throughout the audit.

4.1.1.3. Preparation of a draft report

The audit team, as defined by the relevant Audit Service, must carry out a process of drawing conclusions between the time from the completion of the audit work to the drafting of the report.

Based on the conclusions drawn, the outline of the report should be developed into a more detailed drafting plan, which defines the structure, tone and key messages of the report and which should be short and specific.

The drafting plan is based on the audit work performed with respect to the audit questions answered, the evidence obtained, the key conclusions and the need to present substantive observations in the most useful and relevant manner to a lay reader. The report design process thereby helps to identify and eliminate unsubstantiated conclusions. The key messages of the report should be clear, useful and supported by evidence

evidence. In addition, at this stage, due consideration is required to identify practical and useful recommendations.

The audit team leader and the Head of the Audit Office should review the drafting plan and approve it, checking that the observations and conclusions are material and that the evidence supporting the observations, conclusions and recommendations is sufficient, relevant and reliable⁹⁰. Detailed drafting of the report should only begin after the draft report has been approved.

4.1.2. Draft audit report

4.1.2.1. Approach to the drafting of the report

The audit report does not include all the audit findings, as these are kept in the audit files, both in electronic and paper form. The report should present the material and relevant observations and conclusions, with a logical relationship between them. This will assist in writing a clear report, focused on the key messages and formulated on the basis of the audit questions⁹¹.

The full report should follow the structure of the drafting plan, although several changes to the plan will be required. It should be noted that drafting is an iterative process, as the draft needs to be revised, making changes and improvements.

4.1.2.2. Structure and presentation of the exhibition

Reports should follow a standard structure broken down into five main sections as presented below. In general, the structure of the report is based on the audit questions so as to provide a logical link between the audit objective, observations and conclusions. The five main sections for performance audit reports are as follows:

1. Summary

The summary is one of the most critical elements of any report, as it is the part that is most read by readers. It is therefore considered imperative that it has the right impact. Further, the summary

⁹⁰ INTOSAI, 2019, "ISSAI 3000. Performance Audit Standard", Reporting Requirement 126 and Explanations 127-128, and INTOSAI, 2010 (endorsement), "ISSAI 3100. Performance Audit Guidelines - Key principles", Reporting par. 32.

⁹¹ INTOSAI, 2019, "ISSAI 3000. Performance Audit Standard", Reporting Requirement 124 and Explanation 125, and INTOSAI, 2010 (endorsement), "ISSAI 3100. Performance Audit Guidelines - Key principles", Reporting par. 30.

should accurately and comprehensively reflect the content of the report and focus on the importance of the Audit questions and the subsequent answers to them.

The descriptive parts of the report must be included to the minimum extent necessary for the understanding of the text. The scope and approach of the audit should be briefly described, together with the main observations. The emphasis should be on the main conclusions and the summary of the audit recommendations. Προς επίτευξη αυτού του σκοπού, πρέπει να περιλαμβάνονται σαφείς δηλώσεις όπως «Ο στόχος του ελέγχου ήταν ...», «Ο έλεγχος κάλυψε την περίοδο ...», «Ο έλεγχος εξέτασε ...», «Ο έλεγχος εντόπισε ...» and "The audit recommends ...". It is suggested that the text of the summary should be approximately two pages long. A legible style in the summary will attract the reader, avoiding long paragraphs and using bullet points where appropriate to better present the main points of the report.

2. Introduction

The introduction to the report sets the context of the audit, helping the reader to understand both the overall audit and the specific observations of the audit. It includes a description of the audit area to which they relate:

- The targets of Intervention of of the auditee body and the its main characteristics
- the basic regulations
- the budget regulations and the impact
- the main systems and procedures, and
- a description of the types of operations and/or programmes funded.

The introduction should not be too long and detailed. However, it should contain a general statement without presenting the observations of the audit. Any further detail considered useful to the reader may be provided in an appendix.

3. Scope and approach of the audit

The scope and approach of the audit is the most important element for the reader to understand what he or she can expect from the report, significantly determining his or her level of confidence in it, and therefore how the results and conclusions of the audit could be used. It should be noted that different users of the audit report have different needs and expectations of the audit report.

its content. Key users of the audit report such as the auditee's supervisors and the media may not read beyond the summary of the report. However, readers from the audit and academic community usually focus on more detail, particularly on the scope and methodology of the audit. Therefore, the introduction section of the report should set out the following, in summary form: the subject of the audit, the reasons for conducting the audit, the audit questions to be answered, the scope of the audit, the audit criteria, the audit methodology and audit approach, the data sources and any limitations on the data used. Further detailed information should be included as annexes.

When providing details, the report should focus on the objectives of the audit and not on the actions taken during the audit stage. Defining the scope and approach of the audit is particularly important for performance audits, as they differ significantly from more standardised financial audits.

4. Observations - findings

The observations section represents the main body of the report, as it contains the findings and evidence of the audit. The observations should be structured, as far as possible, on the basis of the audit questions, as these are the focus of the audit and its conclusions. In this way, the users of the report focus on the purpose of the audit and place the audit observations, conclusions and recommendations in the appropriate context.

However, in this context, it is considered important that the presentation of the audit results is designed in a way that helps the reader to follow the flow of the arguments. When presenting the audit observations, the following information should be provided to the reader of the report:

Template	The criterion by which the factual situation was judged - laws, regulations or standards established by the management of the audited entity; or by the Auditor ⁹²
Work carried out	what was examined and why - the extent and scope of the testing

⁹² INTOSAI, 2019, "ISSAI 3000. performance audit standard", Reporting Requirement 122, Explanation 123, and INTOSAI, 2010 (endorsement), "ISSAI 3100. performance audit guidelines - key principles", Reporting par. 30.

Facts	the actual situation identified, including the cause and significance presenting the sources and the degree of substantiation based on the evidence
Impact and consequences	what the finding means, including impact on the budget of the audited entity and why it is considered important

5. Conclusions and recommendations

The primary purpose of this section is to provide clear answers - conclusions to the audit questions and subsequent recommendations to improve the auditee's operations/policies/programmes. The conclusions drawn on the basis of the substantive observations should be presented in accordance with the audit questions. That is, the conclusions should provide answers to the questions asked, rather than summarising the detailed observations.

The report should include recommendations on changes that can be made to address the serious deficiencies identified at the audit stage, and in particular those areas where audit observations have indicated the potential for significant improvement in the performance of the auditee's operations. It is worth noting that in those cases where corrective action has already been planned by the auditee, it is considered good practice to indicate this fact.

Recommendations should only be proposed where the audit has identified practical ways to address the weaknesses identified during the audit. In addition, it should be made clear which body has the responsibility to act on them. It should be stressed that, although the recommendations state the actions to be taken, they do not include detailed plans for implementing the remedies, a responsibility that lies entirely with the management of the auditee. Furthermore, in order for the recommendations to be constructive, they should indicate the main elements of possible changes that will be required in the future.

Recommendations are more likely to achieve a significant impact when: a) they are positive in approach and content; b) they are results-oriented (providing some indication of the intended outcome); c) they take into account cost considerations; and d) they have been discussed and agreed with the auditee.

4.1.2.3. Logic and reasoning

1. Focus on the Audit questions

The audit questions are the key element of the report, as they define the purpose of the audit and are the focus of both the structure of the observations section and the conclusions section, which are used to answer the audit questions. In addition, they help the reader to understand the structure of the audit and its findings. The report should only present the questions that were answered in the audit, i.e. those that led to the conclusions, and not those that were originally approved in the Audit Planning Memorandum but were not answered in the process. In addition, auditors should disclose all significant instances of non-compliance and abuse of authority identified during the course of the audit⁹³. However, in case such cases are not related to the audit questions, they should be communicated, preferably in writing, to a competent authority in the auditee.

2. Use of examples

Examples are an effective way of illustrating technical or theoretical findings, thereby contributing to the understanding of a non-specialist reader of the report. However, it is considered important that they are used sparingly and with caution, as they can easily be taken out of context by some discerning users of the report. Also, examples of findings should be carefully considered, be correct and fully evidence-based. They should also be clearly illustrated, limited to individual findings and not overly detailed.

4.1.2.4. Types of information and data included in the report

An audit report should only present data and information that is important for the reader to understand the context of the audit or its results. The data should be provided in the context of explaining a specific issue that arises during the conduct of the audit. Modern technology and transparency in the financial management of public bodies have significantly increased the access of readers to data. It is therefore proposed to provide references (e.g. web-based

⁹³ INTOSAI, 2010 (endorsement), "ISSAI 3100th Performance Audit Guidelines - Key principles", Reporting par. 35.

links) to detailed data, instead of providing the data in the audit report itself.

4.1.2.5. Style of the Audit report

A well-prepared report helps to ensure the significance of the findings, as opposed to a poor quality report presentation, which can distract the reader, raising doubts about the quality of the findings. Reports should be interesting and readable and provide a positive image of the work of the Audit Office.

The consistency of the report is considered important, as it is difficult to read a report that is written with a different approach and expression. It is therefore recommended that the Audit Office designate one person as responsible for ensuring coherent text throughout the report, even if different people are involved in writing different parts of the report.

The style of the report should be clear and unambiguous. Concepts should be readily apparent in the text and should not require interpretation by the reader of the report. In particular:

- long paragraphs scare the reader and should be avoided,
- complex sentences are difficult to read and understand and therefore short sentences are required,
- the use of bullet points in the text (but without excessive use) to present a series of Audit elements, rather than continuous text, is considered to be the appropriate action,
- the language used in the report should be professional, while avoiding complicated technical jargon.

The reports of the Audit Office must be convincing and must not raise questions, assumptions or uncertainties. It is considered of paramount importance that the statements in the report are supported by evidence and therefore phrases such as "may be" or "appears to be" shall not be used unless supplemented by an explanation as to why the Audit Office cannot reach a definitive conclusion. Where a statement, within the content of the report, represents solely the opinion of the audit team and, by extension, of the Audit Office, it should be disclosed together with the reasoning behind that opinion. In addition, where a statement is derived from another source, such as an evaluation report, then it should be explicitly acknowledged in the audit report.

4.1.2.6. Use of diagrams, graphs, data and images

Charts, graphs, data and images can enhance the appearance of a report and contribute significantly to the reader's understanding of the overall context and audit findings.

1. Use of tables, charts and graphics

Tables and graphs are used to reinforce important messages or to present complex organisational or financial information in the audit report in a simplified way.

Where an audit report requires an explanation of the relationship between two or more variables, this is usually illustrated visually using graphs. Graphs should be clearly titled and should not be overloaded with too much data and variables. It is also recommended that graphs included in the same audit report be harmoniously juxtaposed and benchmarked.

2. Use of images

Reports can be made more user-friendly through the appropriate use of images. Although some reports lend themselves more to illustrations than others, there is a general assumption that all reports can be made more reader-friendly by the inclusion of such images. Photographs can provide a visual theme that runs throughout the report, as well as being used to illustrate specific parts of the report.

3. Use of numbers and percentages

Figures and percentages should be presented with an appropriate level of precision and be consistent within the same sentence or paragraph of the report. They provide practical information that is more understandable to the reader. In general, rounded figures are considered easier to read.

4.1.3. Overview of the audit report

The audit team is responsible for providing high quality reports to the Audit Office. To this end, the audit team must assess: a) whether the report is prepared in a clear, fair and balanced manner; b) whether it is based on robust evidence; c) whether the report presents a clear, fair and balanced picture of the audit findings; d) whether the report is presented in a

the results of the audit; and (d) whether the draft report reflects the auditee's performance in the appropriate context.

Effective supervision and review within the audit team is considered particularly important for the quality of the audit report. The full draft of the audit report, known as 'preliminary observations' is then submitted by the audit team to the Audit Office for review and final approval.

4.1.4. Clearance process ⁽⁹⁴⁾ of the audit report

The objection procedure (confrontation or cross-examination of the audit team with the management of the auditee) for the finalisation of the audit findings covers the period from the first submission of the draft preliminary observations to the competent organisational unit of the audit authority, through the cross-examination procedure with the auditee, until its final approval by the audit service. Once the Audit Office approves the draft preliminary observations, they are transmitted and discussed with the auditee. The primary purposes of this meeting are to resolve: a) any disagreements regarding the facts documented in the audit and b) any differences of opinion between the audit team and the auditee regarding the interpretation of the evidence. The meeting is also used to finalise the auditee's management's responses to the observations developed during the audit. In order to ensure a smooth objection procedure, it is considered good practice to hold a preliminary meeting between the audit team and the auditee's management.

It should be noted that in order to ensure, as far as possible, that the process of finalising the findings of the draft report to the auditee is efficient and effective, it is necessary to encourage feedback from the auditee's management throughout the audit to ensure that appropriate information is obtained to mitigate any potential disagreements in the audit conclusions⁹⁵. Some key elements of ongoing communication that should be taken into account are:

- Provide ongoing updates to the management of the organisation regarding audit issues and concerns raised during the audit.

⁹⁴ European Court of Auditors, 2017, "Performance Audit Manual", section 5.6.

⁹⁵ INTOSAI, 2019, "ISSAI 3000. performance audit standard", para. 129-130 (Reporting. Requirement) and par. 131-132 (Explanation).

- Submit the draft preliminary findings to the auditee's management to ensure that accurate and appropriate information has been reported.
- Informing the management of the organisation's management of the planned audit timeframes and any delays.

A final meeting of the audit team with the auditee's management should then be held to obtain responses to eliminate possible factual errors in the audit report and to enhance the clarity of the findings and recommendations of the draft report. The objectives achieved by holding the final meeting of the audit team with the auditee's management are as follows:

- Communicate the findings and recommendations to the management of the auditee identified during the audit.
- Providing the management of the audited entity with an opportunity to express its concerns and objections to the audit findings and recommendations.
- Provide an opportunity for the auditee's management and the audit team to identify and correct any errors or misinterpretations that may have appeared in the draft audit report.
- Provide an important opportunity for the audit team to explain the remaining steps in the audit process before the publication of the final audit report.

Once the final audit report has been approved by the Audit Office, it is published, unless there is an issue of confidentiality of the information⁹⁶, in which case it is kept in the auditee's archives and forwarded to the auditee's competent supervisory bodies.

4.1.5. Follow-up of the audit report

4.1.5.1. Follow-up of the recommendations and findings of the report

Assessing and measuring the impact of performance audit reports is an essential element of accountability for the public bodies audited. The recommendations made in the reports should be monitored in order to identify and evaluate the efficiency and effectiveness of the measures taken to improve the pathologies in the operations/policies/programmes of the public bodies⁹⁷. In addition, the

⁹⁶ INTOSAI, 2010 (endorsement), "ISSAI 3100 Performance Audit Guidelines - Key principles", Reporting par. 35.

⁹⁷ INTOSAI, 2019, "ISSAI 3000. Performance Audit Standard", Reporting Requirement 136 and Explanations 137-138.

the existence of the monitoring process can encourage the effective and timely implementation of the report's recommendations by the auditee's management.

Auditors should follow up on the results from previous audit findings and recommendations to ensure that the auditee's management has taken corrective action or has consciously accepted the risk of not implementing corrective action. The corrective action to be taken must be timely, appropriate and sufficient to achieve the desired objectives.

The auditors must determine whether the actions implemented by the management of the audited entity have corrected the underlying causes and the actual situation of the identified deficiencies and that they have not been limited to eliminating only the symptoms of the problem.

The degree of appropriate follow-up of previous findings is determined by the following factors:

- The magnitude of the risk and the consequent exposure of the auditee to it, in case corrective actions have not resolved the problem.
- The time taken by the management of the auditee to correct the problem.
- The complexity of the action plan of corrective actions that the management of the auditee had undertaken to implement.
- The quantity and quality of interim comments received by the auditor from the auditee's management on the correction of the findings included in the previous audit report⁹⁸.

Further, the follow-up to the recommendations of the previous report achieves four main objectives:

- increases the effectiveness of audit reports, since the primary reason for monitoring audit reports is to increase the likelihood of implementing recommendations,
- assists the legislative and budgetary authorities, as the follow-up of recommendations is considered valuable in guiding their actions,
- assess the performance of the Audit Office, as monitoring provides a basis for evaluating and assessing the performance of the Audit Office; and

⁹⁸ INTOSAI, 2019, "ISSAI 3000. Performance Audit Standard", Reporting Requirements 139 and Explanations 140-141.

- creates incentives for learning and improvement, as monitoring activities can contribute to better knowledge and improve the practices of the auditee.

Monitoring, in line with international practice, is carried out approximately three years after the publication of the report.

During the process of preparing the annual audit programme, the Audit Office selects the follow-up of its past reports on the basis of the following two criteria:

- if more than two to three years have elapsed since the recommendations of the audit report were implemented by the management of the audited entity; and
- whether the recommendations are still relevant to the objectives of the Audit Office.

The amount of work involved in following up on the recommendations of past audits is limited compared to that required for normal reasonable assurance audits, as it is performed on the basis of a summary planning document rather than a detailed memorandum, as is the case in an Audit Planning Memorandum.

The review carried out by the Audit Office monitors the correction procedures based on the audit findings (weaknesses) and recommendations contained in the various performance reports of the Office. This review includes the following stages:

- 1) a review of the auditee's management database as a key source of data in relation to the specific audit report,
- 2) documentary review and analysis of annual reports, action plans, policy documents and specific reports of the auditee's management,
- 3) collection and analysis of evidence relating to the specific corrective actions taken by the auditee's management to implement the recommendations and remedy the weaknesses identified during the initial audit; and
- 4) sending standardised templates for the finalisation of the preliminary findings, in the context of the confrontation between the Audit Office and the management of the auditee to eliminate doubts and disagreements.

The review carried out by the audit team should confirm the status of implementation of the recommendations of the audit service (implemented,

fully implemented, almost fully implemented, partially implemented, not implemented, not applicable, could not be verified).

As most performance audits represent a real opportunity for learning, both for audit teams and the Audit Office, it is suggested that the audit team undertake a review after the publication of the report to ascertain:

- what worked well and why
- what was less successful and why
- lessons for the future and the possible application of good practice in future performance audits.

5. INDICATIVE PERFORMANCE INDICATORS AND GOOD PRACTICES

CHAPTER TWO: KEY Performance Indicators (KPIs) and Good Practices

5.1. Financial performance indicators

5.1.1. General

The measurement of the financial performance of a government entity should focus jointly on the fiscal and asset approach. The possibility of a joint approach depends on the degree of organisation of the financial information, the budgetary process in place and the accounting system of the audited entity.

The budgetary approach focuses on the following indicative points:

- Compliance with the budget (budgeted and actual figures)
- Analysis of commitment register parameters based on the specific performance targets for the auditee
- Annual Surplus or Deficit
- Payment efficiency (KPI)
- Sources and Uses of Cash based on the specific performance targets for the auditee
- In the case of performance-based budgeting, the achievement of programme objectives (outputs-outputs) in relation to the resources required for them (inputs-inputs)
- Recovery rate of receivables (established revenue)
- Degree of achievement of the results (impacts-outcomes) in relation to the resources required (inputs-inputs)
- Operating expenses as a percentage of Total Expenses
- Total Expenses as a percentage of Total Income
- Total Expenditure or Revenue by performance parameter (e.g. unit of service, population, etc.)
- Investment income as a percentage of investment expenses
- Own resources revenue as a percentage of total revenue
- Total liabilities in relation to total revenue
- Borrowing in terms of the performance parameter (e.g. unit of service, population, etc.)
- Debt service as a percentage of total revenue
- Structure and percentage of the body's costs covered by its revenue or subsidies

The asset-based approach implies accrual accounting and the

general presentation and monitoring of the entity's assets and liabilities. The main points that this approach focuses on are:

- The change in net assets/net liabilities
- The consumption of tangible assets and other resources for the period under review
- The change in net debt/net assets;
- Performance on the basis of the operational, investment and financing approach (cash flow statement)
- Performance based on indicators as analysed in the next chapter

5.1.2. Main Efficiency Indicator⁹⁹

The Key Performance Indicator (KPI) is a numerical indicator that estimates and monitors the delays in the payment of public sector entities' obligations by calculating the average payment duration of commercial transactions in days. The calculation of the indicator is based on the static picture of the status of money orders at the end of the quarter and in particular taking into account the regular money orders that may be:

- Paid off
- Discarded and overdue
- Cancelled
- Pending and overdue

The indicator (KPI) is derived from the fraction:

$$\text{KPI} = \frac{\text{Total duration}}{\text{Crowd}}$$

5.1.3. Indicators

A prerequisite for the application of the following indicators¹⁰⁰ is the presentation of the financial position of the Audited entity on an accrual basis. The ratios are indicators of the financial performance of the audited entity, the amounts of which may form the basis for the design of the performance audit or parameters for the

⁹⁹<https://www.gsis.gr/sites/default/files/2019-10/KPI%20-%20%CE%9F%CE%B4%CE%B7%CE%B3%CE%AF%CE%B5%CF%82%20%CE%A7%CF%81%CE%AE%CF%83%CE%B7%CF%82.pdf>

¹⁰⁰ Government Gazette B' 1676/11.08.2015, Decision number FG8/28754/27.04.2015 EISyn.

an overall assessment of the auditee.

5.1.3.1. Liquidity indicators

1. Working Capital = Current Assets - Current Liabilities.

It shows the adequacy of the entity to meet its short-term obligations, it is another liquidity indicator that should be monitored regularly. If it does not have sufficient working capital, it discounts the cheques in its portfolio to a bank, taking out short-term loans.

2. Current liquidity = Current assets / Current liabilities

It expresses the ability of the entity to meet its short-term liabilities with a safety margin allowing for a reduction in its current assets. An ideal ratio is 1:1 which means that there is sufficient liquidity to cover its short-term liabilities.

3. Direct Liquidity: refers to the same indicator except that inventories are deducted from current assets. The rationale in this case is, if the entity stops selling immediately, what are the chances of paying its current liabilities from immediately liquid assets.

4. Total Equity + Long-term liabilities \geq Fixed assets.

The above disparity must necessarily occur in order for long-term liabilities to be covered by long-term assets.

5.1.3.2. Circulation speed indicators

Current account ratios show the speed at which some accounts move within a certain period of time, usually one year. The lower the value of the ratio, the longer the length of time the particular item remains in the entity and vice versa.

1. Receivables turnover rate = $365 / \{ \text{sales of goods and services} / \text{receivables} + \text{doubtful accounts} \}$

This indicator expresses the speed with which the operator's requirements are met over a period of one year. It is expressed in days and

the higher the value, the more days the entity's customers or debtors take to repay their debts.

2. Debt velocity = $365 * \{\text{Creditors Interchangeable debtors.} + \text{Suppliers} + \text{Notes payable}\} / \text{Cost of sales of goods and services.}$

The speed of repayment of the entity's liabilities over the course of a year (expressed in days). A low value of the indicator indicates that the entity pays its suppliers at regular intervals.

A possible decrease in the value of the indicator compared to the previous financial year implies a reduction in the credit received by the entity.

It is useful to compare the above two indicators in order to compare the payment policy with that of its debtors or customers, as they are essentially liquidity indicators. The regular payment of suppliers and at the same time the non-regular collection of receivables leads to the assessment that the entity is facing liquidity problems.

3. Inventory turnover rate = $365 / \{\text{sales} / \text{inventories}\}$

This indicator expresses how many days the stocks are renewed every day. A high value of the indicator expresses that the operator's stocks remain for many days, tying up funds, while a low value indicates that the stocks are used at regular intervals, avoiding tying up funds. The latter, however, may mean that the stocks are not sufficient to meet the needs of the entity. The final assessment depends on the industry in which the entity operates and the method of valuation of the stocks.

What is of particular importance, however, is the opening of the operational cycle of the operator, which results as a result of these gears. Specifically, it is the difference between the turnover of liabilities and the turnover of assets + inventories. In this way, an entity can compare both the credit policy it provides to its customers and that it enjoys from its suppliers and, in effect, understand the liquidity that the particular credit policy it follows allows it to have.

5.1.3.3. Debt indicators

These ratios provide an estimate of the amount of capital the entity can rely on to support its creditors in the event of inefficient operations or a decline in the value of its assets.

1. Debt coverage ratio = Debt / Total assets

This indicator expresses the percentage of assets financed by debt.

2. Current Liabilities / Operating Cycle¹⁰¹

This percentage is particularly healthy when it is around 65%, and when it exceeds 90%, then the borrowing enjoyed by the institution is very high and the turnover it has achieved has been mainly generated by financing. In particular, it is recommended that short-term liabilities to banks should not exceed 45% of turnover.

3. Gearing ratio = Total liabilities/equity

It expresses the relationship between the funds that have flowed into the institution. It essentially refers to the degree of protection of the State from its own funds. The ratio is known as the leverage ratio and what it essentially captures is how much equity the government has provided relative to what it has borrowed. If only bank liabilities are substituted for total liabilities, the corresponding ratio is expressed with only banks as financiers.

4. Equity/Total Liabilities

It expresses the financial autonomy of the entity, i.e. the extent to which its own funds cover its liabilities. If the value of the ratio is greater than one, it is concluded that most of the entity's assets are financed by own funds. If the ratio is less than one, the composition of liabilities, and in particular the amount of loans, should be examined.

5.1.3.4. Efficiency indicators

Efficiency ratios express the effectiveness of the management of the entity's assets and investments.

1. Return on total capital employed = Net profit (surplus)/Total assets

It expresses net profit as a percentage of total assets and essentially shows the relationship between the profits and the assets of the entity. High investments, i.e. high assets, and a loss in the results indicates that the assets of the entity are not being used efficiently.

2. Return on Equity = Net profit (surplus) / Total Equity

3.

¹⁰¹ Income derived from the sale of goods and services.

Capitals

It expresses the return on the funds contributed by the State. The difference with the previous indicator is debt capital, and a comparison between the two provides information on the efficiency of the entity in relation to its capital structure. The return on equity ratio always has a higher value than the return on total capital employed ratio, as they differ in their use of debt capital.

5.1.3.5. Indicators related to the profitability of elements of the results (profitability or ability to generate surpluses)

In an analysis of the entity's Profit and Loss, it would be appropriate to show all amounts as a percentage of the entity's sales so that they can be compared over time. These percentages are expressed as ratios with sales of goods and services of the entity as the denominator:

1. Operating Margin = Net profit (surplus) / Sales of goods and services

The indicator expresses the actual rate of net profit at which the operator operates, i.e. it shows the net profit generated for each euro of sales of goods and services.

2. Gross margin = Gross profit / Sales of goods and services

It expresses the gross profit of the operator for each euro of sales of goods or services.

3. Operating Expenses / Turnover

The relationship between operating costs and sales of goods and services can give better results if calculated for each element of operating costs. A high percentage of the ratio indicates that high operating costs are required in order to achieve a given level of sales. Correlations can essentially exist between all elements of the profit and loss account and the entity's sales. Often, management of entities do not realise what percentage of their revenues from sales of goods or services represent financial costs (e.g. interest) or operating costs (e.g. telephone, postal costs, etc.).

4. Debt service ratio (DSR) = Partial results¹⁰² / Interest on debt

¹⁰² Earnings before interest and taxes (EBIT).

It shows the ease with which interest on debt is paid from the profitability of the entity based on its organic function.

5.2. Environmental performance indicators

An environmental audit as part of a government performance audit may include in its scope:

- the performance of environmental programmes,
- the environmental impact of other programmes,
- the environmental management system and environmental reports,
- from evaluation of proposed environmental policies and programmes,
- addressing horizontal environmental issues.

In addition, environmental auditing may also consider in its scope elements of compliance with relevant laws and regulations, policies and systems of the organisation. Audit results from compliance and performance audits can often be complementary. Key elements for environmental auditing in the context of a compliance, financial or performance audit are included in INTOSAI's GUIDs 5200, 5201, 5202 and 5203.¹⁰³

Environmental programmes may target impacts that:

- individually are small-scale, but cumulatively large-scale,
- take a long time to have a noticeable effect,
- are influenced by important external factors, such as weather conditions and other activities that also have an impact on the same environment,
- may be cross-border or even global in nature.

However, other political activities may affect the environment through their use of resources or their effects on the area in which they are carried out. For example, the primary objective of road construction is to facilitate the movement of people or goods. However, the construction of a road has a secondary and direct impact through land use and its effect on the ecology of the area and landscape, while the construction and use of the road also has an impact on air and noise pollution.

Therefore, in order to assess, predict and evaluate the actions of environmental policies, environmental indicators have been established, the

¹⁰³<https://www.issai.org/professional-pronouncements/?n=5000-5999>

which are a key instrument for measuring and assessing sustainable development.

The key principles for the development of environmental indicators are comparability, continuity, clarity, timeliness and balance. Indicators should allow comparisons and show changes in environmental performance, be clear and understandable, based on the same criteria and measured over comparable time periods and units. Consequently, indicators should be updated frequently enough to allow for action to be taken and to strike a balance between problem and future areas.

According to the Organisation for Economic Co-operation and Development (2001¹⁰⁴), an environmental indicator must meet the following criteria:

1. Relevance to policy formulation and implementation and usefulness for users.
2. Analytical integrity.
3. Measurability in terms of the data required to support the indicator.

Current and past performance, legal requirements, standards and best practices, performance data and information developed by industry and other organisations, reviews and audits of management systems, the views of stakeholders and other interested parties, as well as evidence from scientific research, can be used as sources for deriving environmental performance criteria.

Taking into account the YPEXODE/EYPE/oik. ^{ns}107017/2006 (Government Gazette B' 1225/2006), on "Environmental impact assessment of certain plans and programmes in compliance with the provisions of Directive 2001/42/EC "on the assessment of the effects of certain plans and programmes on the environment" of the European Parliament and of the Council of 27 June 2001", as in force, as well as the "EEA indicators" of the European Environment Agency¹⁰⁵ , we list some indicative environmental indicators used in plans and programmes, which relate to biodiversity, water quality, water quality, water quality and the environment.

1. Biodiversity, flora, fauna, forests, urban and peri-urban greenery
 - Change in habitat area (%)

¹⁰⁴ OECD, 2001, "Environmental indicators. Towards sustainable development. Environment", p. 133.

¹⁰⁵ <https://www.eea.europa.eu/data-and-maps/indicators/about>

- Greening balances
 - Area of restored / replanted areas
 - Losses of fauna species (%)
 - Area of forests and woodlands
 - Number of forest fires - Area burnt - Reforested areas
 - Risk of fire occurrence
 - Ecological footprint
2. Land
- Area at risk of soil erosion where erosion Audit measures are applied
 - Extent to which the reduction in the use or better management of fertilisers is applied
 - Extent to which water saving measures are applied
 - Number of site restorations / Number of interventions
 - Number of soil erosion protection projects / number of interventions
 - Number of regenerations/plantings implemented in relation to the required number
 - Number Installed and operating measures in operation prevention measures in place/ leakage protection
 - Quantities of solid waste disposed of in landfills (if any)
 - Quantities of wastewater not ending up in a WWTP
3. Water
- Estimated change in annual water use/ha (cubic metres/ha)
 - Improving the groundwater water balance
 - Water use by activity sector (%)
 - Percentage of population connected to WTP
 - Number of penalties for infringements of existing legislation on water management and waste water treatment and disposal
4. Atmosphere and climate factors
- Number of air pollution prevention and Audit measures implemented
 - Atmospheric concentrations of greenhouse gases
 - Exposure of the urban population to PM10 concentrations exceeding the daily limit value
 - Air quality limit values exceeded due to traffic
 - Exposure to particulate air pollution
 - Ammonia emissions from agriculture - % of total emissions
 - Production and consumption of ozone-depleting substances
5. Landscape
- Percentage of implementation of measures to restore or integrate into the landscape of the

- intervention area
 - Degree of landscape restoration
 - Estimated annual energy consumption for greenhouse heating by type of energy source (in tonnes or litres or cubic metres or kwh per tonne of marketed production)
6. Land use, tangible assets
- Percentage change in land use
 - Percentage change in the value of assets in the neighbouring area
 - Area of abandoned - degraded land
 - Number of new houses - Urban development
7. Population and human health - noise - transport - infrastructure
- Number of complaints per year regarding noise pollution and lack of waste collection and management measures (liquid and solid)
 - Healthy life expectancy of the population
 - Population living in households, considering themselves to be suffering from noise due to their poverty status
 - Estimated change in total energy use by type of energy source or fuel type (litres/cu.m./kwh per tonne of production marketed)
 - Energy intensity

5.3. Good practices of international and European audit authorities

Familiarity with the performance audits of major foreign audit authorities, which have long experience in this type of audit, can provide the staff of domestic audit authorities, who are involved in either planning or conducting audits, with valuable information for the promotion of this type of audit. In particular, the information may relate to audit objectives, audit objectives, audit objectives, methodology, requirements in terms of auditor skills, as well as differences from other types of audits. It is also useful to transfer the experience of major audit authorities from the initial integration of performance audits into their programme and the development of a corresponding methodology.

The following is a summary of the initial implementation of performance audits by the European Commission's Internal Audit Service (IAS). In addition, some indicative titles of audits carried out by the European Court of Auditors and the US GAO, two of the most important international audit authorities, are given as examples of the adoption of

innovative audit methods. In addition, the relevant reference to the relevant web-based material shall be indicated.

5.3.1. The European Commission's Internal Audit Service (IAS) and performance audits

The European Commission's Internal Audit Service (IAS) designed its methodology for conducting performance audits in 2011 and embedded the first performance audits in its programme in 2014¹⁰⁶. The driving force was the guidance from the European Commission, which was striving to meet targets with increasingly scarce resources, the European Court of Auditors and the European Parliament. To gain expertise, the Internal Audit Service worked with national audit authorities as well as the European Court of Auditors. The initial audits were hybrid, but their number has gradually increased and their effectiveness has improved.

5.3.2. Indicative performance audits by the European Court of Auditors (European Court of Auditors)¹⁰⁷

1. Special Report 02/2021: EU humanitarian aid for education: it helps children in need but needs to be more long-term and cover more girls
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=57652>
2. Special Report 26/2020: Marine environment: the EU's protection is broad but not deep <https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=57066>
3. Special Report 25/2020: Capital Markets Union: a slow start towards an ambitious goal
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=57011>
4. Special Report 24/2020: EU merger Audit and antitrust procedures as implemented by the Commission: the need to strengthen market surveillance
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=56835>

Special Report 23/2020: European Personnel Selection Office: Time for the selection process to adapt to the changing needs for recruitment

¹⁰⁶ European Commission, 2020, 'The Internal Audit Service: a journey through the last 20 years and into the future. assurance and advice', pp. 61-63.

¹⁰⁷ The published documents of the audits referred to in this section, as well as of other performance audits carried out by the European Court of Auditors, are available on the following website:
<https://www.eca.europa.eu/el/Pages/AuditReportsOpinions.aspx?ty=Special%20report&tab=tab4>.

5. Special Report 22/2020: The future of the EU institutions: scope for greater flexibility and cooperation
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=55848>
6. Special Report 21/2020: State aid Audit of financial institutions in the EU: the need for an adequacy test
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=54740>
7. Special Report 20/2020: Fighting child poverty - Need for better targeting of Commission support
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=54624>
8. Special Report 19/2020: Digitising European industry: an ambitious initiative whose success depends on the continued commitment of the EU, governments and business
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=54619>
9. Special Report 18/2020: EU Emissions Trading Scheme: the targeting of free allocation of allowances needs to be improved
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=54392>
10. Special Report 16/2020: European Semester - Country-specific recommendations cover important issues but need better implementation
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=54357>
11. Special Report 13/2020: Agricultural land biodiversity: the contribution of the CAP has failed to halt its decline
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=53892>
12. Special Report 11/2020: Energy performance of buildings: a greater focus on cost-effectiveness is imperative
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=53483>
13. Special Report 10/2020: EU transport infrastructure: the implementation of very large projects must be accelerated to deliver network results on time
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=53699>
14. Special Report 07/2020: Implementing cohesion policy: comparatively low costs, but insufficient evidence to estimate savings from simplification
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=53380>
15. Special Report 25/2019: Quality of Quality of data in the Quality of Data in the Context of Quality of data in the context of the financial support: weaknesses at some indicators and in the verification of variable tranche payments
<https://www.eca.europa.eu/el/Pages/DocItem.aspx?did=52544>

5.3.3. Indicative performance audits by the U.S. Government Accountability Office (GAO)¹⁰⁸

1. Airport Worker Screening: TSA Could Further Strengthen Its Approach to Estimating Costs and Feasibility of Security Measures
<https://www.gao.gov/products/GAO-21-273>
2. Data Governance: Agencies Made Progress in Establishing Governance, but Need to Address Key Milestones
<https://www.gao.gov/products/GAO-21-152>
3. Electronic Health Records: VA Has Made Progress in Preparing for New System, but Subsequent Test Findings Will Need to Be Addressed
<https://www.gao.gov/products/GAO-21-224>
4. Federal Financial Management: Substantial Progress Made since Enactment of the 1990 CFO Act; Refinements Would Yield Added Benefits
<https://www.gao.gov/products/GAO-20-566>
5. Food Safety: CDC Could Further Strengthen Its Efforts to Identify and Respond to Foodborne Illnesses
<https://www.gao.gov/products/GAO-21-23>
6. Medicaid: CMS Needs to Implement Risk-Based Oversight of Puerto Rico's Procurement Process
<https://www.gao.gov/products/GAO-21-229>
7. Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments
<https://www.gao.gov/products/GAO-20-336>
8. Recycling: Building on Existing Federal Efforts Could Help Address Cross-Cutting Challenges
<https://www.gao.gov/products/GAO-21-87>
9. The Nation's Fiscal Health: Effective Use of Fiscal Rules and Targets
<https://www.gao.gov/products/GAO-20-561>
10. Whistleblower Protection: Actions Needed to Strengthen Selected Intelligence Community Offices of Inspector General Programs
<https://www.gao.gov/products/GAO-20-699>

¹⁰⁸ Published documents from the audits reported in this section, as well as other GAO performance audits, can be found at the following website:
<https://www.gao.gov/reports-testimonies/>

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Annexes

Annex I: Contents of an Audit Planning Memorandum (APM) Annex II:

Evidence collection plan Annex III: Audit programme outline

Annex IV: Relationship between performance monitoring and the fight against fraud and corruption. Performance indicators (cost-effectiveness, efficiency and effectiveness) related to fraud and corruption

Annex V: Characteristics by Audit procedure

Annex I: Contents of a Audit Planning Memorandum (CPM)

Summary

- The summary, up to one page in length, shall be drawn up on the basis of the audit proposal included in the annual work programme. It shall include new information or knowledge gathered during the preparation stage of the Audit Planning Memorandum (APM). It shall summarise the reasons for carrying out the audit, including the audit history, the audit question, the audit approach and scope, the expected impact, the planned resources and the date of submission of the final report.

What is the area we want to look at and why?

- The reasons for choosing the subject of the audit shall be clearly stated. Briefly present the relevant background information on the audit subject (e.g. policy, programme, operation, etc.), which may include the principal activities, financial information, laws and regulations, the objectives of the audit matter, and the roles and responsibilities of the major players in programs, operations, etc.
- The amounts involved and the main risks to sound financial management identified at the programming stage are indicated
Audit.
- Is the interest of the Parliament, supervisory bodies of the audited entity, the public, the media or other interested parties recognised?
stakeholders, as a positive change may result from the audit being carried out in case the stakeholders are engaged in the issue under consideration.
- The potential impact of the audit should be identified, which may include the influence of future policies and programmes, the potential cost-saving opportunities and identify good practices.

What are the questions and the scope of the audit?

- The Audit questions should be formulated as precisely as possible in order to emphasise the Audit, avoid unnecessary and unnecessary and costly work, and lead the audit team to robust conclusions.
- Audit queries are identified, which are converted into direct

sub-questions. The reasons for the selection of the Audit questions, as well as for the exclusion of other possible Audit questions, are briefly described.

- Identify the scope of the audit, which defines and clarifies the areas of action of the body/programme/policy that shall be the subject of the audit and shall specify the time period and the geographical areas to be covered by the audit.
- It also indicates the possible sectors that were considered for inclusion in the scope of the audit but were rejected (e.g. because they are too time-consuming, do not offer sufficient focus, etc.).

How will the answers be obtained?

- The monitoring approach is clearly stated, i.e. the degree of emphasis to be placed on direct monitoring of performance, with an initial focus on outputs and outcomes, compared to the audit of internal Audit systems, with an initial focus on systems and internal safeguards.
- The Audit criteria on the basis of which the actual situation is to be judged shall be clearly indicated, pointing to the relevant legislation or other the sources from which they come.
- A short paragraph is devoted to describing how each method of data collection and analysis should be used in the context of the audit. Detailed information on the methodology may be set out in an annex to the SIA.
- The likely outcome of the audit identifies areas where findings can be identified, conclusions drawn and proposed recommendations. Further, it sets out the audit questions and should not be too detailed or give false hope of overly positive audit results.

How will resources be allocated to the audit and how will the audit be supervised and monitored?

- The audit team shall be identified by its name, the extent of the audit it will carry out, the time allocated to it to carry out the audit, the number of hours it will be audit and the budget provided for, including the possible cost of an external specialist consultant and the costs of the audit team's mission. The timetable shall specify: (a) the starting and ending dates of the audit, including the dates and location of the audit missions; (b) the dates

completion for all key audit milestones (with realistic timetables defined for each stage of the audit, taking into account official holidays and training courses for auditors, etc.); (c) the date of the progress report; and (d) the date of publication of the final report.

- Identify the main risks to the timely delivery of the audit report within the initially specified time frame, within the the planned resources and costs of the audit. Further, the likelihood of each significant identified risk occurring with the subsequent potential impact if it were to occur, as well as the proposals to address each risk, shall be identified.
- A progress report from the Audit Service is foreseen in the PSR after the completion of each key audit milestone.

Has the auditee been informed?

- A report on whether the objectives, questions, scope and criteria of the audit have been discussed with the management of the audit of the audited entity in preparing the SIA, and whether management's reaction has been duly taken into account. In addition, all planned contacts with the auditee and external experts throughout the audit should be included in the SIA, in the form of a short communication plan containing information on who will be responsible for each communication, what the nature of the communication will be and when it is likely to take place.

Conclusion

- It is proposed to carry out the audit. The approval of the Audit Service is requested in order for the audit team to proceed with the audit by in the manner described in the SIA and within the resources and timeframes set out therein.

Annex II: Evidence collection plan

Level I: Central question					
Level II - Second level question					
What do we want to know?	Against which standards is the performance of the operator measured?	On the basis of what evidence will the questions of the Audit;	Where will the evidence is sought Data?	How will the evidence be obtained?	How will you used the evidence data after they have been extracted?
Level III Questions	Criteria	Evidence		Collection of information	
		Press	Sources	Data collection methods	Methods of analysis data
<ul style="list-style-type: none"> The answers may be "yes", "no", "yes, but" or "no, but but" The questions can be answered Questions to be reasonable 	<ul style="list-style-type: none"> Legislation, regulations, professional standards Standards, Measurements or Commitments the results of the audited entity Version comparable bodies, good practices or standards developed by the auditor himself 	<ul style="list-style-type: none"> Facts (numerical evidence, descriptive evidence, qualitative evidence information) Experiences / Perceptions / Opinions 	<ul style="list-style-type: none"> Audited entity, other public bodies, published surveys, beneficiaries programs, suppliers, teams of interest 	<ul style="list-style-type: none"> In person (observation, examination documents, interviews, focus groups) By mail, telephone or e-mail (transmission requests documents, questionnaires) Sampling surveys (in person or by mail or e-mail) Comparison with other operators 	<ul style="list-style-type: none"> Quantitative evidence (trends, comparisons, ratios) Qualitative evidence (coding, tables) Systems analysis (flow diagrams) Studies cases

Annex III: Audit programme outline

DRAFT WORKSHEET FOR THE AUDIT PROGRAMME

Audit work:		
Training by: Date:	Overview from: Date:	Approved by: Date:
Audit questions:		
Audit procedures	Comments	Reference to the programme Labour

Annex IV: Relationship between performance monitoring and the fight against fraud and corruption. Performance indicators (cost-effectiveness, efficiency and effectiveness) related to fraud and corruption¹⁰⁹

a/a	Forms of fraud and corruption	Fraud and corruption indicators	Impact on the economy, efficiency and effectiveness of the vector
1	"Virtual" provision services either when an employee authorises payments to a dummy supplier in order to misappropriate funds either when the counterparties may create dummy companies in order to submit supplementary offers in systems collusion, in terms of bidding, inflating costs or simply issuing fictitious bids tariffs	<ul style="list-style-type: none"> - The service provider cannot be located in a telephone directory or on the internet - The address of the service provider cannot be found - The service provider shows an incorrect address or telephone number - Used offshore company 	Damage to cost-effectiveness and efficiency, as the operator was financially burdened for using fictitious resources that did not improve the production of products or services of the public body
2	False, inflated or duplicate invoices submitted intentionally by one person contractor, acting either alone or in concert with the staff responsible for contracts	<ul style="list-style-type: none"> -There are no certificates receipt for invoiced goods or services -Controversial or non-existent purchase order for invoiced goods or services -Duplicate invoices with the same amount, invoice number, date etc. 	Damage to cost-effectiveness and efficiency, as the institution was financially burdened for using fictitious resources that did not improve the production of goods or services
3	A conflict of interest situation where an official of the contracting authority has a hidden financial interest in relation to a contract or a contractor	<ul style="list-style-type: none"> - Unexplained unusual favouritism for a particular supplier - Continuous acceptance of work with high price, low quality - The contracts officer seems to have a parallel business Activity 	Reduction in the quality and increase in the price of the resources used, affecting the economic viability of the operator

¹⁰⁹ See. European Commission, 2009, "Information Note on Fraud Indicators for ERDF, ESF and CF", COCOF 09/0003/00-EN, and European Commission, 2017, "Fraud in Public Procurement. A collection of Red Flags and Best Practices", Ref. Ares (2017) 6254403 - 20/12/2017.

4	The contracting officer shall provide a favoured candidate with useful confidential information, which is not available to the other candidates	<ul style="list-style-type: none"> - The tenderer is in close contact with the person responsible for the staff contracts or took part in the training of specifications - The offers for specific elements seem to be unreasonably low 	Increase the cost of the organisation's resources by a blow to cost-effectiveness, since the other candidates if they knew more information will could submit even lower prices
5	The contractors in a specific geographic region, region or sector may conspire to eliminate competition and raise prices through the use of various systems collusion in the submission of tenders	<ul style="list-style-type: none"> - Consistently high prices from all bidders - Obvious links between bidders, e.g. common addresses, staff, telephone numbers, etc. - Unsuccessful candidates shall conclude an agreement as subcontractors - Some companies always submit competitive each other's offers, while others never do 	Increase the cost of the organisation's resources by a blow to economic efficiency
6	Inappropriate selection, such as an unjustified purchase from a single source (there may be multiple contracts below the threshold for public procurement), unreasonably high prices, excessive quantity purchases, acceptance of low quality and late delivery or no delivery at all Delivery	<ul style="list-style-type: none"> - Close social relations between an official responsible for contracts and a service provider or product supplier - Not documented or frequent changes to the contracts, on the basis of which the contract sum is increased - The official responsible for contracts refuses the promotion to a position unrelated to procurement 	Increase the cost and reduce the quality of the operator's resources by a blow to the cost-effectiveness of the institution's operations
7	The technical specifications have been drawn up in such a way as to meet the qualifications of a specific tenderer. This is particularly common in the technology sector of information and other technical contracts	<ul style="list-style-type: none"> - A limited number of contractors respond to the call for applications offers - Complaints from other bidders - The buyer specifies an item using its specific trade name and not its general description 	Increase the cost and reduce the quality of the operator's resources by a blow to the cost-effectiveness of the institution's operations

8	Leakage of tender data from the staff responsible for contracts, the	<ul style="list-style-type: none">- Some bids were opened early- The selected candidate communicates in private	Increase in the cost and quality of the operator's resources with a blow to the economy, given
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	designing projects or evaluating tenders in order to assist a favoured candidate in drawing up a technical or financial proposal	<ul style="list-style-type: none"> - level with contracting staff by e-mail or otherwise during the tender period - The selected offer is just lower than the next next lowest offer 	that other candidates could submit even lower prices or higher quality specifications
9	Falsification of tenders after their receipt, by staff who are responsible for contracts in a poorly Audited submission procedure tenders in order to ensure that a favoured candidate is selected	<ul style="list-style-type: none"> - Indications of changes in tenders after their receipt - Cancellation of tenders for errors - A suitably qualified candidate is rejected for questionable grounds - Incomplete Audits and inadequate tendering procedures 	Increase in the cost and quality of the operator's resources with a blow to cost-effectiveness, as other applicants could submit even lower prices or higher quality specifications
10	Overlap contracts where a counterparty with multiple similar work orders may charge the same costs, fees or expenses staff in many of the commands, resulting in the overpricing	<ul style="list-style-type: none"> - Similar invoices submitted for different projects or contracts - The contractor issues invoices for more than one project for the same period of time 	Reduction of efficiency of the entity's operations, since the entity would achieve its objective with less quantity Tasks. Reduction in economy and efficiency due to overpricing
11	Falsification of labour costs by creating "virtual" timesheets, by tampering with the timesheets or accompanying documentation or simply by issuing invoices for inflated labour costs without accompanying documents Documentation	<ul style="list-style-type: none"> - Excessive or unusual labour costs - Labour costs are not keep pace with the progress of the Convention - Visible changes in the time sheets - The same material costs charged in more than one contract - Loss of time leaves Labour 	Reduction of efficiency of the entity's operations, since the entity would achieve its objective with less quantity Tasks. Reduction in economy and efficiency due to overpricing

12	Incorrect pricing at the stage of execution of a contract in the event that the contracting parties do not provide timely, complete and accurate information on the cost or pricing in their financial offers, having as	<ul style="list-style-type: none">- The contractor refuses, delays or is unable to produce supporting documents for expenditure- The counterparty provides insufficient or incomplete documentation	Reduction in the economy and efficiency of the operator's operations due to overpricing
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	the consequence of overcharging for work or supplies	<ul style="list-style-type: none"> - Obviously high prices compared to similar ones - contracts, price lists or industry averages 	
13	Non-compliance with the the contract specifications from the contracting parties and in knowingly claim to have complied with them	<ul style="list-style-type: none"> - Discrepancy between the results of the checks and the contractual ones - requirements - specifications <ul style="list-style-type: none"> - Low quality and performance - High number of complaints - Evidence from the expenditure records of the counterparty that the contractor e.g. has not purchased the materials required for the work, does not have in his possession or does not hired the equipment required for the work or did not provide the equipment required for the work - field staff 	Reducing the quality of the resources provided by a negative impact on the cost-effectiveness of the body's operations
14	Substitution of products specified in the contract with items of lower quality, without the consent of the buyer. Substitution often takes place in components that cannot be traced easily	<ul style="list-style-type: none"> - The contractor has delay in the execution of the project, but quickly covers the said delay - The product identification code differs from the published or catalogue code - Significant difference between the estimated and the actual cost for materials 	Damage to the cost-effectiveness of the organisation's operations due to a deterioration in the quality of the resources agreed to supply within the framework of the contractual Obligations

		- Sudden, important changes in the charging of expenditure	
16	<p>Deviation between the agreed and the the services provided by the service provider contractor. For example, at the stage of tendering for the contract, the initial proposal provided for the use of a full workforce, but after the award of the contract, the contractor was not able to use the full workforce.</p> <p>contract, the contractor hired/used employees with wages lower than the proposed or the qualifications of some of the newly recruited workers were lower than the required in the call for proposals.</p> <p>In addition, the the contractor places many of the newly recruited workers in job categories for which they are not suitably qualified qualifications such as were provided for in the agreed techniques Specifications.</p>	<ul style="list-style-type: none"> - Significant differences between projected and actual unit costs or quantities without corresponding changes in the quantity of work or in the qualifications required - Specific individuals nominated as "key employees" shall not work under the contract - The skills of the employees are not in line with the the skills required as provided for in the contract - The working time of partners, managers, supervisors and other employees shall not be charged in accordance with the terms of the contract or the company's established accounting policies and procedures 	<p>Reduction in the quality of resources with a negative impact on the cost-effectiveness and efficiency of the organisation's operations</p>

17	Assignment or provision services in breach of legal rules or rules of law prohibiting unfair practices; or involve a conflict of interest	<ul style="list-style-type: none"> - A negotiated procedure is chosen, despite the fact that an open procedure is possible - Process - Instead of the open procedure, another type was chosen - contract award - Infringement of the provisions on direct agreement due to force majeure 	<p>Damage to the economy and efficiency of the functions of the body. Practices that constitute a breach of the rules may exclude certain participants in the process, which is discriminatory and likely to lead to excessively high contract prices</p>
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18	Repeated purchases or more purchases from the same operators just below the competition threshold	<ul style="list-style-type: none"> - Same or similar types of contract with the same contractor in a very short period of time 	Reduction of the effectiveness of the body's operations since it does not apply market research to gain insight into the competition, with the result that it chooses the same suppliers Damage to the cost-effectiveness and efficiency of the operator since other candidates could submit even lower prices; or more quality specifications
19	Attempted illegal influence	<ul style="list-style-type: none"> - Close relationship between managers and staff holding relevant positions in the the contracting authority and the economic operator - Unreasonable or sudden income for managers and staff holding related positions in the contracting authority; and to the economic operator 	Plague on the efficiency of the body's operations
20	Failure to declare a conflict of interest	<ul style="list-style-type: none"> - Existence of family relations between the members of the evaluation committee and the candidate contractors - A member of the evaluation committee is employed by one of the tenderers without having declared this during the procedure contract award 	Plague on the efficiency of the body's operations
21	The notice of tender for the purchase of goods or services shall not shall be communicated in an appropriate manner	<ul style="list-style-type: none"> - Publication in local newspaper instead of a national newspaper - Publication in incorrect section, in an unexpected part of the home page 	The distortion of the competition with insufficient publicity may lead to higher bids from fewer bidders participants, thus affecting the economic

			viability of the operator
22	The total amount that shall be paid to the contractors exceeds the value of Contract	- The supply contract services has not signed, however, begins the Execution	Plague on the economic viability of the operator
23	Non-performance of a service contract	<p>Receipt of a sum of money from the contractor that was used for other purposes, such as repayment debts and the carrying out of other projects and not those were provided for in the contract</p> <p>- The projects for which the contract was concluded with the contracting authority were not completed</p>	<p>Plague on the the effectiveness of the body's operations. Obstacle to the economy and efficiency of the body's operations by using its financial resources other purposes not related to the use of the Contract</p>

Annex V: Characteristics by Audit procedure¹¹⁰

Audit design
<p>The auditor should plan the audit in a way that ensures that it is of high quality and is carried out in a cost-effective, efficient and effective manner and in a timely manner.</p> <p>Audit planning documents shall include:</p> <ul style="list-style-type: none"> (a) basic knowledge and information necessary to understand the entity to be audited, to assess the problem and risk, the possible sources of evidence, the auditability and the substance or significance of the area to be audited (b) the objective of the audit, the questions or hypotheses, the criteria, the scope and period to be covered by the audit, and the methodology (c) a comprehensive plan of activities including staffing requirements, i.e. sufficient skills, human resources and possible external expertise required for the audit, an indication of the auditors' sound knowledge of the subject matter to be audited, the estimated cost of the audit, the key timeframes and milestones of the project, and the main points of the audit
<p>Performance audits should have appropriate audit criteria that focus on the audit and provide the basis for developing audit findings. The audit criteria, which may be qualitative or quantitative in nature, shall be reliable, objective, useful and complete. It should be possible to identify the source of the</p> <p>Audit criteria used.</p>
<p>The scope of the audit shall clearly define the scope, timing and the nature of the audit to be carried out.</p>
<p>In determining the scope and extent of the audit, auditors often need to assess the reliability of the internal Audits that assist in the conduct of the operations of the Audited entity.</p>
<p>When designing audit procedures, the auditor should determine the means to obtain sufficient appropriate audit evidence to arrive at the objectives, answer the Audit questions or confirm the assumptions.</p>
<p>Performance audits can be based on a wide variety of data collection and analysis techniques, such as surveys, interviews, focus groups, observations, documentation analysis, transaction testing, and analysis of economic, financial and performance data. Audit methods should be selected that better enable the collection of audit data in an efficient manner.</p>
<p>Auditors should be informed of the key aspects of the audit, including the objectives, questions, criteria and scope of the audit, before the start of the data collection phase or after the completion of the audit.</p> <p>Audit programming.</p>
Conducting a performance audit
<p>The audit work shall be carried out on the basis of the audit plan which has been already carried out and the planning documents were developed in this way. The</p>

¹¹⁰ INTOSAI, 2010 (endorsement), "ISSAI 3100 Performance Audit Guidelines - Key principles"

<p>checks must be carried out with due care, in an objective situation and with appropriate supervision. The audit team shall collectively have sufficient knowledge of the audit subject matter and audit techniques.</p>
<p>Performance auditors need to be resourceful, flexible and systematic in their search for sufficient evidence. They should also be receptive to alternative views and arguments and seek data from different sources and stakeholders.</p>
<p>Data analysis involves combining and comparing data from different sources. It is important that the auditor works systematically and carefully interpreting the data and arguments collected.</p>
<p>The audit team should document all matters which, in its professional judgement, are important in providing evidence to support the audit findings and the conclusions to be expressed in the report Audit.</p>
<p>The auditor should provide audit documentation to fully document the preparation, conduct, content and findings of the audit in a meaningful manner to enable an experienced auditor who has had no prior connection with the audit to then identify what work was carried out to support the audit findings, conclusions and recommendations.</p>
<p>The development of good and correct external relations is a key factor for the achieving effective and efficient performance monitoring results.</p>
<p>Auditors should not disclose to third parties, either orally or in writing, any information obtained during the course of the audit work, unless it is necessary for the fulfilment of statutory or otherwise prescribed the competences of that Audit Institution.</p>
<p>Submission of audit reports</p>
<p>Where the nature of the audit permits this to be done in relation to specific areas of an entity's activities, the auditor is expected to provide a report that describes the circumstances and context for reaching a particular conclusion rather than a standard statement.</p>
<p>For all audit engagements, any restrictions on the audit, such as restrictive regulations or restrictions on access to information or reporting requirements, should be disclosed to the users of the audit report, together with the standards followed and the audit criteria applied in carrying out the audit Performance.</p>
<p>The auditor would not normally be expected to provide an overall opinion on the achievement of economic, efficiency and effectiveness by a Audited entity in the same way as an opinion on the financial statements.</p>
<p>The audit report shall include information on the objective of the audit, the audit questions, the audit scope, the audit criteria, the methodology, the data sources, any limitations on the data used and the audit findings. The findings shall clearly conclude in relation to the audit questions or explain why this was not possible. The audit findings should be put into perspective and ensure that the audit objective, the audit questions, findings and conclusions.</p>
<p>The report should be timely, complete, accurate, precise, objective and convincing, constructive and as clear and concise as the subject matter allows.</p>

It should also be reader-friendly, well-structured and contain clear Language. Overall, it should contribute to better knowledge and highlight the improvements needed.
The findings and conclusions of the audit shall be based on evidence elements and must be clearly distinguishable in the report.
All relevant views must be taken into account in the report and the report must be balanced and fair.
Recommendations, where provided, should be presented in a logical, knowledge-based manner and rational manner, and be based on competent and relevant audit findings.
The recommendations must be practicable, add value and address the target and the audit questions.
Recommendations should be addressed to the body or bodies responsible for and competence for their implementation.
Auditors shall report on all significant instances of non-compliance and significant instances of abuse identified during or in connection with Audit.
The wide distribution of audit reports can support the credibility of the Audit function.
Watch
Sufficient time should be allowed for the audited entity to implement the appropriate action.
When carrying out the follow-up of audit reports, the auditor should adopt an impartial and independent approach. The objective of Monitoring is to determine whether the actions taken on the findings and recommendations correct the underlying conditions.
The results of the monitoring should be reported appropriately to provide feedback to the operator, together, if possible, with the conclusions and the impact of corrective actions taken where necessary.



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