

## IDI/ADB project 'Sustainable Performance Audit Practices in Asia and the Pacific' - Phase II

### 'UMBRELLA' ENVELOPE

#### Raising Performance Audit Profile

##### What does it mean to raise Performance Audit profile and why should it be done?

Enhanced organizational systems and professional staff capacities for performance audit in a Supreme Audit Institution (SAI) are crucial for the sustainability and impact of performance auditing. However, to achieve sustainable enhancement, it is also essential to strengthen the **institutional framework for performance audit** and increase its visibility both **within and outside the SAI**.

Currently, the term "audit" is predominantly associated with financial audits, while the awareness and understanding of the broader benefits of performance audits in both the private and public sectors is somehow limited. Qualification of finance professionals, including auditors, is being verified and granted by global professional bodies like ACCA, CIPFA, AICPA, CIMA, and others. All of them promote and further develop the profession of accountants and other finance professionals, alongside with financial auditors.

Performance auditing, primarily conducted by SAIs, has not received adequate attention, despite its substantial impact on the efficiency and effectiveness of public services, resulting in positive changes in people's lives. There are several reasons for this.

First, several SAIs allocate majority of their resources to financial audits, as these are required by their mandates. This leaves very few resources for conducting performance audits. Performance audits are taken up based on the decision of the SAIs and audit coverage is not mandatory. These audits also require relatively longer timeframes for their completion.

Second, most stakeholders associate audit work with numbers and with financial audits. There is often a lack of awareness amongst key stakeholders of the SAI about the nature and the value of the SAIs performance audit practice. Many SAIs also lack adequate mandate to foster sustainable performance audit practices. This includes mandate to hire specialised staff, publication of separate performance audit reports, resourcing of the performance audit with subject matter experts, and robust mechanisms for follow up of performance audit recommendations.

Third, so far there has not been a recognised qualification for performance audit. In the absence of a strong base for a performance audit profession, in many SAIs there are no specific or separate entry level requirements for performance audit or recognition of specialised competencies required of performance auditors. Unlike the accountancy and consequently the financial audit profession, countries do not have professional bodies recognising performance audit practices.

Performance auditors play a distinct role from financial auditors, requiring different mindsets, knowledge, and skills. They should possess an analytical, outcome-oriented, systemic, and innovative mindset, along with knowledge of public policies, performance measurement, program evaluation, and data analysis. Additionally, research, investigation, report writing, stakeholder engagement, and performance evaluation skills are essential for effective performance auditing.

However, the SAI audit landscape is fast changing. With the INTOSAI competency framework for public sector auditors in place, there is a recognition of specific competency requirements of performance auditors. For the first time, SAI auditors have a pathway for acquiring professional qualifications as performance auditors through IDI's Professional Education for SAI Auditors (PESA). There is a growing demand amongst stakeholders for robust performance audits by SAIs. There are subject matters like the 2030 Agenda for Sustainable Development, where performance audit methodology is considered most appropriate. We also see a greater awareness and demand amongst development partners and

professional accountancy organisations to move beyond financial audits and help SAIs in developing performance audit practices.

### How can PA profile be raised?

The first and foremost requirement in raising PA profile is **SAI Leadership's commitment and vision**. Most of the actions related to raising PA profile are leadership actions. The actions cover the entire gamut of institutional, organisational, and professional staff capacities related to performance audit. They link to SAI mandate, culture, stakeholder engagement, audit practice and prioritisation of resources.

A number of actions can be taken by SAI leadership to raise PA profile in and outside the SAI:

- Enhance SAI **mandate to conduct and follow up on performance audits**.
- **Foster a culture** which values performance audits and performance auditors' mindsets.
- **Develop and grow institutional arrangements with national standard setters** for getting recognition for performance audit practice.
- **Increase visibility and awareness** amongst SAI staff and management, academia, professional bodies, audited entities, parliaments, CSOs, media, development partners, multilateral national, regional, and international organisations about the value and benefits of performance audit.
- **Increase the share of performance audits in SAIs' audit portfolios** thus enhancing audit impact.
- **Recognise specialised performance audit competencies at all levels in the organisation**. This includes mainstreaming and identifying PA competencies right from the entry level upto the top management level.
- **Create professional pathways for performance auditors** – This provides auditors opportunities to grow and develop as performance auditors. It also includes recognition for the work done by performance auditors like acknowledgement of outstanding reports, PA showcases, social recognition, opportunities for growth & advancement, leveraging on communication channels.
- **Provide opportunities for professional qualification in performance auditing** – SAIs can tie up with IDI, academia and other professional bodies to provide their staff with opportunities to obtain professional qualifications in performance audit. E.g. IDI's PESA qualification can be recognised by SAIs as a pathway for performance auditors.
- **Review and create organizational structures and processes** that provide adequately for high quality and high impact performance audits of in relevant areas.
- **Strengthen impact of performance audits** – Enhanced performance audit impact will create visibility for the value and benefits of PA practice. There is a need to measure and communicate such results.

### What support will IDI provide under this envelope?

As a part of Phase I, SAIs would have identified their needs for sustainable PA practices. Answers to exploratory questions as well as iCAT assessment will reveal the current profile of performance auditing in the country.

Under this envelope, IDI will work together with the SAI leadership to craft a doable plan of action for raising PA profile. Some of the actions mentioned here may also be covered under other envelopes offered in this project. The specific roles to be played by the SAI and by IDI will also be decided as a part of the agreement for Phase II.