

QUALITY ASSURANCE SUPPORT VISIT TO THE SUPREME AUDIT INSTITUTION OF ZAMBIA

1. INTRODUCTION

The international auditing fraternity is increasingly emphasizing the importance of quality assurance activities of Supreme Audit Institutions. Standards, and more importantly, the extent to which SAIs comply with standards are continuously reviewed and are regarded as an important component of good corporate governance practices. AFROSAI-E has incorporated several quality assurance activities in its work plans and is eager to support SAIs in establishing/enhancing quality control systems, procedures and working methods. The SAI of Zambia responded favorably to the Secretariat's invitation to make use of quality assurance visits and the arrangements for the support visit were thereafter initiated.

1.1 PURPOSE OF THE VISIT

The main objective of the support visit was to assist the SAI of Zambia to determine whether audits comply with international standards and to make recommendations on how the quality of audits could be improved. In addition, the resource team assessed the quality control system implemented at SAI Zambia and make recommendations to the SAI on its functioning.

1.2 EXPECTED OUTPUTS

- Upon completion of the support visit, it is expected that the resource team would have reviewed a considerable number of audit files and given feedback to the responsible audit manager and his/her audit team.
- Collated findings and presented the Auditor-General and his management team with trends and possible recommendations.
- The quality control system of the SAI needs to be assessed and recommendations made to the Auditor-General and his team;
- Quality reviewers identified by the SAI should be trained in theory and in practice.
- An action plan should be drafted and agreed upon with the Auditor-General.
- A report on the support visit needs to be compiled and submitted to the AFROSAI-E Secretariat and Auditor-General of Zambia.

1.3. WORK DONE AND METHODOLOGY

The resource team conducted the quality assurance review by using the following tools, techniques and procedures:

- AFROSAI-E quality control model (checklist) for regularity auditing
- Giving feedback to Auditor General, Deputy Auditor Generals, Directors, Deputy Directors, audit managers and audit teams
- Assessing the control system of the SAI
- Conducting interviews with staff and managers of the SAI
- Delivering a presentation to the Auditor-General, Deputy Auditor Generals, Directors, Deputy Directors
- and other senior managers on findings and recommendations
- On-the-job training for quality control reviewers
- Drafting a report on the support visit.

Institutional Level Review

1.0 INDEPENDENCE AND LEGAL FRAMEWORK

1.1 INDEPENDENCE OF THE HEAD OF THE SAI

The standards and good practice

The independence of the Auditor General shall be guaranteed by the Constitution. The legislation shall specify the conditions for appointments, reappointments, employment and removal. The appointment etc. is to be carried out by a process that ensures the AG's independence from the Executive. The incumbent is to be immune to any prosecution for any act, past or present that result from the normal discharge of their duties. (The Lima declaration section 6, Mexico Declaration on SAI Independence principle 2)

The AG should be given "appointments with sufficiently long and fixed terms to allow them to carry out their mandate without fear of retaliation" (The Mexico Declaration principle 2).

SAI ZAMBIA

SAI Zambia's mandate is spelt out in the constitution, however, lacks the independence required in the Lima declaration. The constitution places SAI Zambia as a public office like other Ministries, Agencies or Departments of government. The constitution further spells out the conditions for appointments and removal of the AG. The President appoints AG from a range choice which is subjected to ratification by the National Assembly. However, there is ongoing constitution review process in Zambia which aims at securing AG's further independence. There is strong political will to provide SAIs independence and accord full support for the AG in the exercising her mandate. This is clearly spelt out in the current ruling party's manifesto.

AG made proposals to the review committee to capture the key matters required under ISSAI-1 and 10. The proposal, if sustained, will bring SAI Zambia independence in line within the ambit of Lima Declaration and good practice as in other SAIs.

Recommendations

- AG Zambia is encouraged to maintain their engagement with the responsible Authorities to ensure the proposed provision in the new constitution is sustained. Specifically, any reference of SAI being a public office should be avoided in any part of the new constitution.
- The intended proposal of ten years non-renewable or the retirement age as the AG's term of office, whichever comes first, appear to comply with requirement under ISSAI-11, principles 2 of good practices related to SAI independence and may need to be sustained.

1.2 THE SAI'S FINANCIAL AND MANAGERIAL/ADMINISTRATIVE AUTONOMY

The standards and good practice

Even if state institutions cannot be absolutely independent as they are part of the state as a whole, a SAI shall have the financial, functional and organizational independence required to accomplish its task. The establishment of the SAI and the necessary degree of their independence shall be laid down in the Constitution. The SAI should have available necessary and reasonable human, material and monetary resources. The Executive should not control or direct the access to these resources. (The Lima Declaration sections 5 and 7, Mexico Declaration on SAI Independence principle 8.)

In a number of countries, a Board or a Commission is proposed or has been set up as a "station" between the SAI and the Parliament. There are several different and sometime complementary reasons for this arrangement: to provide Parliament with independent information/proposal on/for the SAI's budget and salary, to act as a gatekeeper to regulate the input to parliament, to act in an oversight function when it comes to the SAI's non-statutory functions, to balance the power of the Auditor General etc.

SAI ZAMBIA

The SAI's autonomy is still constrained arising from lack of constitutional independence. SAI's funding is budgeted and the approval process is the same as other MDAs. This gives the executive significant control on SAI's budget allocation and usage. SAI does not have direct appeal to the legislature when the resources provided are insufficient to allow them fulfill their mandate except through the Ministry of Finance. However, a lot of achievements for increased funding to SAI Zambia have been made through AG's commendable initiative of engagement with the Ministry of Finance. The proposal for having a board for SAI Zambia to provide a link between SAI and the Parliament is commendable.

Recommendations

- AG's current effort of engagement with Ministry of Finance which led to improvement in funding to the office despite lack of autonomy is highly commendable and should be maintained
- AG should maintain her effort in engaging responsible Authorities to ensure the constitutional amendment proposal that the expenses of the office of the Auditor-General, including the emoluments of staff, be a charge on the Consolidated Fund is maintained.
- It is advisable that SAI Zambia considers including, in subsequent audit legislation on SAI attainment of constitutional independence, provisions which will remove control of the executive on SAI budget, utilization and allow SAI direct appeal to the legislature in case of insufficiency of resources to fulfill its mandate.

1.3 SUFFICIENT BROAD MANDATE, USE OF STANDARDS AND GOOD PRACTICE

SAIs should be empowered to audit the:

- Use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature
- Collection of revenues owed to the government or public entities
- Legality and regularity of government or public entities accounts
- Quality of financial management and reporting, and
- Economy, efficiency and effectiveness of government or public entities operations

The mandate should be clearly defined preferably in the Constitution or in separate audit legislation. (Mexico declaration/ISSAI 10, Principle 3)

SAI Zambia

The current constitution provides powers to AG to audit funds appropriated by parliament, however, it is construed that AG Zambia has sufficient and broad mandate to audit all public funds, which appears not as seen from other subsidiary laws establishing other government bodies. The proposed constitutional amendment seeks to provide the required sufficient and broad mandate and full discretion. However, this broad mandate may still be contradicted rather elaborated in the current subsidiary laws, especially for state enterprises/corporations and provincial authorities. For example, section 23(2) and 24(2), (3) of Energy Regulation Act, CAP 436 Laws of Zambia provides appointment and approval of external auditors to audit the state corporation not to AG. The law also permits the responsible minister to table the audit report to the National Assembly. The spirit and practice of this Act could amount to circumventing the Supremacy of SAI Zambia. AG, however, has been providing a commendable administrative arrangement in managing this situation which avoided any conflict so far. This parallel authority may still exist even with the coming in force of the new constitution.

Recommendations

- It is advisable to seek legal interpretation of the above situation and provide long term legal solution to the matter.
- It worth considering maintaining an in-house legal guidance and defense, of some sort, when SAI obtains independence

1.4 EFFECTIVE FOLLOW-UP MECHANISM ON RECOMMENDATIONS

The standards and good practice

SAIs shall have their own internal follow up system to verify audited entities properly address their observations and recommendations as well as those made by the legislature, one of its commissions, or the auditee's governing board, as appropriate. The follow-up report is submitted by the SAI to the Legislature, one of its commissions, or the auditee's governing board, as appropriate, for consideration and action (Mexico Declaration/ISSAI 10, Principle 7).

The SAI Zambia

SAI Zambia submits its report to the President who should, not later than seven days after the first sitting of the National Assembly next after the receipt of such report, cause it to be laid before the National Assembly; and if the President makes default in laying the report before the National Assembly, the Auditor General can submit the report to the speaker of the National Assembly. This reporting fails to meet the requirement of ISSAI 10, principle 7. It is envisaged to be addressed in the proposed constitutional amendment which seeks to make AG, an officer of Parliament and report directly to the Parliament. Although the requirement to report to the President is not in line with ISSAI 10, it, however, provided exceptional opportunity for AG to discuss audit report findings with the President, given that the President, impliedly, is the

national level Chief Government controlling officer. The interaction provided a good opportunity to bring the President on AG's side in ensuring implementation of audit recommendations.

SAI Zambia has impressive engagement to ensure implementation of audit recommendation. This is through engagement with parliament through Parliamentary liaison and instituting outstanding issues committee comprising of staff of Ministry of Finance to whom controlling officers' report, parliament representative and SAI representative. Wining various parties to AG's side to facilitate following up implementation of audit recommendations is a good practice scenario. Additionally engagement citizens in pressurizing implementations; the press, public discussions and producing reader friendly materials, are all but impressive engagements.

Recommendations

- SAI Zambia should maintain these impressive engagements aimed at ensuring audit report recommendations are addressed.

1.5 THE RIGHT AND OBLIGATION OF THE SAI TO REPORT ON ITS WORK

The standards and good practice

SAIs should report publicly on the results of their audits and on their recommendations regarding overall government activities (Principles of Transparency and Accountability, ISSAI 20, principle 7).

SAI Zambia

SAI Zambia publicly reports its audit activities to the Legislature and maintains strong relationship with the parliament and the public. There is adequate engagement of AG with the public through press releases, public talk shows, participation in exhibitions, etc. This is highly commendable achievement on the part of SAI Zambia in line with emerging requirement of the need for SAIs to demonstrate their relevance to citizens and other stakeholders by engaging them in fruitful dialogue. SAI Zambia does not directly report on its annual performance to other stakeholders but submits it to the Secretary to Cabinet. This report is not explicitly publicized possibly arising from the fact that the SAI is still within the main Public Service.

Recommendations

- SAI Zambia is encouraged to maintain its stakeholder engagement and continue making further improvements by developing more innovative approaches.
- SAI Zambia may consider the possibility of engaging Secretary to Cabinet to allow SAI annual report to be made public in order to fulfill the requirement of ISSAI 20, principal 7.

1.6 EXTERNAL AUDIT OF THE SAI

The standards and good practice

“The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters..... - SAI's financial statements are made public and are subject to external audit or parliamentary review....”

SAIs make public what their total budget is and report on the origin of their financial resources (parliamentary appropriation, general budget, ministry of finances, agencies, fees) and how those resources are used.(Principle 6, ISSAI 20 Principles of transparency and accountability)

SAI Zambia

SAI Zambia maintains control over its financial management and operations including internal audit services provided by Ministry of Finance. Other measures include monitoring and evaluation provided under the Directorate of Planning and information which prepares periodic monitoring and evaluation reports. SAI Zambia does not directly make public its budget except through the public display of government activities given that the SAI is still within the main Public Service. SAI operations are audited internally by staff from Audit Division and reports to the AG. SAI Zambia explains that given the current constitutional provision, appointment of an independent external auditor may lack legal provision within the existing law.

Recommendations

- SAI Zambia should continue to undertake efforts that demonstrate that it manages its operations economically, efficiently, effectively
- The proposal to provide for external audit in the new constitution may need to be sustained.

1.7 ORGANIZATION AND MANAGEMENT LEADERSHIP

The Standards and good practice

A SAI should establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing all of its work. The policies and procedures should be stated by the Auditor General, who retain overall responsibility for the system of quality control (ISSAI 40, element 1)

SAI Zambia

There are indications that SAI Zambia gives high consideration to quality in performing its work. During the review period AG further demonstrated that she considers quality as her top priority. This was evidenced by her personal attention, commitment and involvement in the entire review exercise right from entry meeting, securing interview time with reviewers, supervising her staff during review exercise to ensure they provide appropriate cooperation with the review team during quality assurance review exercise and chairing both entry and exit meetings. AG ensures that audit reports are separately reviewed by independent editing committee verifying appropriateness of the audit in terms of team documentation and clarity of the report prior to her signing by AG.

Recommendations

- SAI Zambia to maintain commitment to quality and utilize the opportunity to improve any mechanism in the verification of field team compliance.
- Periodical report for field compliance should be prepared and submitted in addition to staff signing commitment forms.

1.8 STRATEGIC AND OPERATIONAL PLANNING

The standards and good practice

A SAI should establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing all of its work. The Strategy of each SAI should recognize an overriding requirement for the SAI to achieve quality in all of its work so that political or economic considerations do not compromise the quality of work performed (ISSAI 40).

The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters.

- SAIs assess and report on their operations and performance in all areas, such as financial audit, compliance audit, jurisdictional activities (SAIs constituted as Courts), performance audit, performance evaluation and recommendations regarding government activities ...
- SAIs report on the origin of their financial resources (parliamentary appropriation, general budget, ministry of finances, fees) and how these resources are used.....

(ISSAI 20, Principles of transparency and accountability, principle 6)

The strategic development of any organization requires imagining a desired future and creating a plan to make that vision a reality. (AFROSAI-E/IDI: Strategic Planning. A Handbook for Supreme Audit Institutions)

SAI Zambia

The SAI has strategic plan 2009-2012 which expires in December 2012. A process has been initiated to produce a new strategic plan 2013-2016. Implementation of strategic plan is operationalized through preparation of annual operational plan. However, the SAI does not have consolidated operational plan linked to the strategic plan. The data to compile operational is available and a number of appropriate documentations which could support consolidated annual operational plan. The SAI prepares annual audit plan for individual audits but lacks the consolidated one that would show holistic audit plan reflecting the entire SAI audit portfolio. Monitoring and evaluation is done with periodic reports produced. This is commendable report reflects consolidated audit portfolio performance status which would be compared against the consolidated annual audit plan if available.

Recommendations

- SAI Zambia is encouraged to prepare consolidated **annual operational plan** and **annual overall audit plan** in the format provided under AFROSAI-E **annual operational plan and planning process 2011** using the available data. A consolidated annual plan provides a useful linkage between strategic issues and operational matters necessary for strategic level guidance and decision making. In its absence top management and operational matters may all concentrate on operational decision making on each and every individual audit entity leaving strategic guidance wanting.

1.9 PERFORMANCE AUDIT

The standards and good practice

According to the Lima Declaration (ISSAI 1) Performance Audit is equally important as financial audit.

According to INTOSAI performance auditing is an audit of the economy, efficiency and effectiveness with which the audited body uses its resources in carrying out its responsibilities. Performance audit covers not only specific financial operations, but the full range of government activity including both organizational and administrative systems.

The SAI

SAI Zambia has adequate mandate to 'carry out performance and specialised audits in respect of Ministry, Departments or Agency of Government as the Auditor General considers necessary

and prepares report of the audit and submit to the National Assembly according to the Finance Act, 2004. SAI Zambia has a commendable intention of considering making performance audit the core audit of the SAI in the near future given its relevance to service delivery to citizens.

Recommendation

SAI Zambia should develop a consistent plan with appropriate time lines to strengthen the capacity of performance audit in order to realise its aspiration. It could be captured as a key imperative under the new corporate plan yet being developed.

1.10 AN INTERNAL CONTROL SYSTEM

The standards and good practice

An internal control system including an internal audit function consists of the following interrelated components: control environment, risk assessment, control activities, information and communication and finally monitoring. The system is designed to provide a reasonable assurance that the SAI's general objectives are being achieved. (Guidelines for Internal Control Standards for the Public Sector/INTOSAI GOV 9100) SAs employ sound management practices, including appropriate internal controls over its financial management and operations. This may include internal audits and other measures described in INTOSAI GOV 9100. (ISSAI 20 principle 6)

SAI Zambia

The SAI has appropriate structures, rules, regulations and procedures for its internal control. The SAI has internal audit services provided by staff posted by the Ministry of Finance. The SAI assigns audit team leader or audit director to each audit to take responsibility for that audit on behalf of the SAI. The levels of knowledge of knowledge by staff with relevant new and revised audit standards vary and are not across the board. SAI have an annual financial resource plan. The SAI has a monitoring mechanism and provides periodic monitoring report

Recommendations

- SAI is encouraged to continue to emphasise internal control which would provide sound systems for prudent financial management

1.11 USE OF RESOURCES – A MANAGEMENT INFORMATION SYSTEM TRACKING KEY MANAGEMENT INFORMATION / A TIME-RECORDING SYSTEM TO ENABLE REPORTING OF STAFF COSTS

The standards and good practice

Information systems produce reports that contain operational, financial and non-financial and compliance-related information that makes it possible to run and control operations. They deal not only with internally generated data, but also with information about external events, activities and conditions necessary to enable decision- making and reporting. Management's ability to make appropriate decisions is affected by the quality of information which implies that the information should be appropriate, timely, current, accurate and accessible. (INTOSAI GOV 9100 Guidelines for Internal Control Standards for the Public Sector, page 36)

A time-recording system is part of the management information system. Common knowledge is that a SAI needs a time-recording system to efficiently and effectively use its human resources.

SAI Zambia

There is evidence to show that SAI operates a system for recording time and resources planned for each audit and actual time and resources utilized for the audit. The percentage of activities in the annual plan been completed, the percentage of audit recommendations implemented. Actual cost/time of audits compared to budget and audit coverage.

Recommendations

SAI is advised to continue the current system and explore opportunities for any room for further improvement

1.12 CODE OF ETHICS

Standards and best practice

SAIs should have ethical rules or a code, as well as policies and practices that are aligned with ISSAI 30, Code of Ethics. They should prevent internal conflicts of interest and corruption and ensure transparency and legality of their operations as well as actively promote ethical behavior throughout the organization. The ethical requirements and obligations of auditors, magistrates in the Court model, civil servants or others should be made public (Principles of transparency and accountability, ISSAI 20, Principle 4).

A SAI should communicate timely and widely on their activities and results (ISSAI 20, Principle 8), which include information about the implementation of the code of ethics. The information requires monitoring. Monitoring of the implementation of a code of ethics is also part of the internal monitoring system.

It is the responsibility of each SAI to develop its own Code of Ethics which best fits its own environment (INTOSAI Code of ethics, ISSAI 30)

SAI Zambia

The SAI has a Code of Ethics which complies with ISSAI 30. There are ethical requirements for Public service and that for SAI Zambia, both of which is complied with. It outlines procedures to ensure compliance with ethical standards in the initial stage of each audit. Auditors and managers are required to sign declaration of ethics for each audit assignment. However, there is no evidence of report to reveal monitoring of compliance in the field. It appears there is high reliance that after signing declaration on commencement of audit there will definitely be compliance in the field.

Recommendations

- It is recommended that SAI continues to enforce full compliance with the codes of ethics.
- A mechanism to ensure compliance during the field audit may need to be developed to provide assurance that after declaring commitment to compliance, it is actually ensured in the field and a report to the effect generated.

1.20 HUMAN RESOURCES

1.2.1 PERSONNEL MANAGEMENT

The standards and good practice

SAIs should ensure that Human Resources Policies and procedures give appropriate emphasis to quality and commitment to the SAI's ethical principles. Such policies and procedures related to human resources include:

- performance evaluation
- professional development
- career development
- competence
- the estimation of personnel needs

(ISSAI 40, Quality Control for SAIs, 6d)

SAI Zambia

SAI Zambia still part of the main Civil Services as such relies on the Civil service system. The system provides performance evaluation, professional development, career development and competence. Arising from that, SAI Zambia lacks the independence to decide on its own staff number and recruitment however, can make proposals to Public Service Management Division of its requirements. The Human Resource services are provided by staff posted from Public Service Management Division.

Recommendations

- While maintaining the pursuit for constitutional independence, the SAI is encouraged to continue engaging Public Service Management Division to accord the office administrative autonomy to pursue the key principles of ISSAI 40 as it relates to the staff posted to OAG.

1.2.2 TRAINING

The standards and good practice

The SAI should adopt policies and procedures to support the skills and experience available within the SAI and identify those skills which are absent; provide a good distribution of skills to auditing and corporate tasks; and have proper planning and supervision to achieve its goals at the required level of due care and concern.

A SAI should be responsive to new/revised standards, regional manuals etc. and function as a learning organization. It should have an elaborate training policy, training manual and training plans. (ISSAI 10, Principle 6; ISSAI 40, Element 4, ISSAI 6, ISSAI 200)

SAI Zambia

The SAI operates on policies and procedures utilized in Zambia Civil service. The SAIs individual staff training plan and annual human resource development report is very commendable. However, the individual staff training plan is not consolidated to reflect the institutional level training requirement for strategic decision making. SAI has also not embraced holistic institutional development approach that prioritizes training in such a way to create balance between auditing and Audit utilization (a function undertaken by Corporate Services).

SAI impressively captures and keeps track of capacity building activities undertaken in the SAI but lacks mechanism for evaluating whether skills acquired after training helped to improve the performance gap the training was meant to address.

Recommendations

- Could be upgraded and consolidated to show office level training need necessary for strategic decision making and linkage to organizational objectives
- SAI Zambia may need to embrace holistic approach to SAI institutional development and prioritize staff training to capture and create balance between audit production and Audit utilization i.e. Corporate Services
- The SAI should consider developing a mechanism of tracking utilization of skills acquired by staff trained whether it is contributing to the improvement of the performance gap the training undertaken was meant to address.

2.0 AUDIT STANDARDS AND METHODOLOGY

THE QUALITY ASSURANCE FUNCTION AND SYSTEM FOR QUALITY CONTROL

Standards and best practice

A SAI should establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant and adequate and are operating effectively. The monitoring process should:

- a) Include an ongoing consideration and evaluation of the SAI's system of quality control, including a review of a sample of completed work across the range of work carried out by the SAI
- b) Require responsibility for the monitoring process to be assigned to an individual or individuals with sufficient and appropriate experience and authority in the SAI to assume that responsibility, and
- c) Require that those carrying out the review are independent (i.e. they have not taken part in the work at any quality control review of the work.)

(Quality Control for SAIs/ISSAI 40, Element 6: Monitoring)

SAI Zambia

OAG Zambia adopted AFROSAI-E regularity and Performance audit manuals at the beginning of 2012 and customized to suit Zambia situation. Attempts are being made to comply with ISSAIS.

The SAI has no quality assurance unit but undertakes quality assurance function within Planning and Information directorate of Corporate Division. However audits are subjected to a pre-issuance review by an adhoc committee referred to as editing committee.

Recommendations

Given the size of SAI Zambia, it is worth considering fully instituting a quality assurance unit and have its operations strengthened in order to provide AG better assurance of the quality of the SAI work.

2.1 COMMUNICATION AND STAKEHOLDER MANAGEMENT

Standards and good practice

SAIs should make public their mandate, missions, organization and strategy (Principles of transparency and accountability, ISSAI 20, Principle 2). In order to achieve this external communication, a SAI must ensure via internal communication, internalization and other means

that the staff fully understands the matters to fulfill their work (Quality control for SAIs, ISSAI 40, and Element 4).

SAIs should communicate timely and widely with interested parties. Parliament, PAC and the Judiciary in countries with a court system should be the most important parties to communicate with. It is therefore important that the SAI establishes communication channels with these (Mexico Declaration)

SAIs communicates timely and widely on their activities and audit results through the media, websites and by other means

- SAIs communicate openly with the media or other interested parties on their operations and audit results and are visible in the public arena
- SAI reports are available and understandable to the wide public through various means (e.g. summaries, graphics, video presentations, press releases.”

(ISSAI 20, Principles of transparency and accountable, principle 8)

SAI Zambia

SAIs presents an impressive case of timely and wide communication of their audit results through the media, websites and public exhibitions. This is seen through:

- Open communication with the media and other interested parties on the operations of the SAI including audit results.
- The SAI is visible in the public arena
- SAI reports are available and understandable to the wide public availed through various means such as summaries, graphics, video presentations, press releases, etc.

Recommendations

It is recommended that SAI continues to engage the stakeholders to demonstrate SAI usefulness to Citizens and the society generally.

2.2 PERFORMANCE OF SAI

The Standards and good practice

“SAIs report publicly on the results of their audits and on the recommendations regarding overall government activities.....

- SAIs assess their impact of the efficiency and effectiveness arising from their recommendations on the public sector and the public value of audit work and report on them
- SAIs also report publicly on overall audit outcomes, e.g. the government’s overall budget implementation, financial condition and operations and, overall financial management progress and if included in their legal framework on professional capacity.”

(ISSAI 20; Principles of transparency and accountability, principle 7)

Of importance for the result orientation, production, presentation and evaluation is also the decision taken at the 2007 INCOSAI in Mexico to set up a working group with the task to present a paper on the subject “Value and Benefits of SAIs”. A paper from the working group was presented at the 2010 INCOSAI meeting in South Africa and the group was asked to continue its work and develop tools for monitoring and evaluation. Currently a Performance

Measurement Framework for SAIs is being drafted and piloted and an ISSAI 2 on the values and benefits of SAIs is likely to be adopted at the 2013 INCOSAI meeting in China.

SAI Zambia

The SAI is commendably engaged in publicly reporting of her audit results through the website, press releases, press brief, public shows and wide distribution of audit reports to their stakeholders. However, SAIs has not yet developed a mechanism for assessing the impact of their recommendations on the public sector and the public value of audit work. Consequently they do not have reports that show the effectiveness and efficiency of their approaches.

Recommendations

- SAI is encouraged to develop a mechanism which will measure the extent to which their recommendations are implemented.
- Additionally SAI could consider developing a mechanism of evaluating the effectiveness of the various publicity methods they have used in order to make them concentrate on the most effective ones.

3.0 Performance Audit

We have reviewed the following four performance audit reports, completed in 2011 – 2012, and the corresponding files to these reports:

- Management of Maize Grain by the Food Reserve Agency, tabled 2011/12
- Forest Monitoring in Zambia, tabled 2012
- Management of Museums in Zambia, submitted for publication 2012
- Distribution of Medicines and Medical Supplies, submitted for publication 2012

During the review, we interviewed the Auditor General, Performance Audit management (including the Director for Specialised Audits) and audit teams to get a view on the development of PA in the office, and on general steps and procedures in the audit process. In our meetings with the teams we also discussed specific aspects related to the four performance audits included in the review. The long term advisor (LTA) from Norway, who has been in the OAG since 2009, was also consulted during the course of the review. Based on our observations in the four performance audit reports, we have carried out discussions with audit teams on aspects to consider in order to further strengthen the quality of upcoming performance audit work.

When conducting the review, we used the format and questions that are outlined in the AFROSAI-E's draft Quality Control and Quality Assurance Handbook (May 2012). These questions cover the various phases in a performance audit and are based on International Standards of Supreme Audit Institutions (ISSAI) and the AFROSAI-E manual for performance audit. The questions are presented in boxes in the beginning of each section and serve as criteria for the review. In presenting our results, we have focused on the main findings from our review rather than a detailed response to each of the criteria. In the review, we used the rating scale as explained in the AFROSAI-E Handbook:

- *Generally conforms to the standards* — the relevant structures, policies, and procedures of the performance audit activity, as well as the processes by which they are applied, in general comply with the requirements of the standards so that main objectives are met. There may however be room for improvement.
- *Partially conforms to the standards* — the performance audit activity has fallen short of achieving some of its major objectives.
- *Does not conform to the standards* — the performance audit activity is not achieving many of the objectives of the Standards.

Main observations

In general terms, the OAG has recently reached a good basis for performance audit even if there are a number of challenges that the OAG will need to address in order to build a sustainable performance audit function. These challenges relate to the audit mandate, as well as the mandate to recruit and remunerate performance audit staff but also to the need of defining which approaches, methods and procedures should be used in performance audit. Another key aspect is to ensure that all new performance audit staff gets proper introduction, training and coaching in their audit work.

The audit reports included in the review were very reader-friendly in the sense that they were concise, clear and well-structured. Identified problems were used as a point of departure for the audit but we also noted a tendency to use more of a compliance approach than a performance audit approach in the actual audit work. Hence, there is room for further strengthening the capacity for implementing performance audit in line with international standards.

1. Mandate and methodology (ICBF Domain 1 and 4)

- 1.1. Does the SAI have and make use of unrestricted access to information and a mandate to independently carry out and separately report audits of economy, efficiency and effectiveness to Parliament and the audited entity as well as making the reports public? *ISSAI 1:4-5, 10, 16; 10:3-4; Manual:2.6*
- 1.2. Do all performance auditors have access to and use an updated manual (also covering documentation) aligned with international standards? *ISSAI 10:3; 40:5; Manual: p1-2, 2.7*
- 1.3. Considering the level of development of performance audit, does the SAI implement an appropriate system with pre-issuance reviews of all performance audit reports? *ISSAI 40:5*
- 1.4. Is there a system with independent review of the quality control systems for performance audits, incl. ex post review of a sample of completed audits (quality assurance)? *ISSAI 20:3; 40:6; 3100:38*

Observations

The OAG partially conforms to the international standards relating to the mandate and the methodology for performance audits.

OAG has a general performance audit mandate and unrestricted access to information

According to the Finance Act, 2004, the OAG has a mandate to 'carry out performance and specialised audits in respect of a ministry, Government department or statutory as the Auditor General may consider necessary and shall prepare a report on the audit for submission to the National Assembly.' Hence, the OAG has a mandate for performance audit but it is not very clear since there are no further specifications and no references to international standards or to generally accepted concepts such as economy, efficiency and effectiveness.

In Zambia, there is an on-going review of the Constitution which may affect the mandate and legal basis for the OAG, both in the Constitution and in subsequent legislation. During the Quality Assurance Review, we were informed that the OAG has been proactive in the review process by promoting a mandate in line with international standards of SAIs (ISSAI). This is of course very positive, and we hope that the OAG will be successful in its general striving for increased independence. In order to further strengthen the mandate in performance audit, the OAG is also encouraged to make sure that ISSAI will be taken into account when formulating the mandate in that field.

The OAG seems to have unrestricted access to information. According the Finance Act, auditors have full access to all documents and information regarding accounts and financial administration of any statutory corporation, Government department or institution that is being audited. Even if the act limits the type of documents and information that performance auditors are entitled to, managers and auditors had not experienced any restrictions in the actual conduct of performance audits.

Up-to-date performance audit guidance is not available to staff

The OAG has a *Performance Audit Manual and Guidelines* from 2008. In discussions with managers and teams, we were informed that the manual is no longer in use. Hence, in practice there is no formalized guidance on how to carry out performance audit in the OAG. Performance auditors who have been trained in the AFROSAI-E three module course tend to use the AFROSAI-E performance audit template manual, but that does not seem to be a general practice among all auditors. The OAG intends to revise its manual this year, and to align it with the AFROSAI-E template manual. It would be a good approach to use the AFROSAI-E template as a point of departure and to customize the manual to the Zambian context. Once the manual has been finalized and approved, it is important to make sure that it is easily available to all

performance auditors. In addition, it is of course crucial to properly introduce the approaches, methods and procedures in the manual to all performance audit staff through different modes of induction and training.

OAG has not yet implemented quality reviews in line with ISSAI

The OAG has a quality control function in the Planning division. In one sense, there is a pre-issuance quality review of draft performance audit reports, i.e. there is an independent review before the report is made public. However, in practice this review is primarily focused on language and editing of draft reports, and there is limited focus on other quality aspects in the audit report.

There seems to be a relatively high pressure on the quality review function in the office, and in interviews concern was raised that the review procedure takes a long time for performance audit reports. In order to address this, a suggestion was raised during the OAG Annual Meeting to have two review teams, one for financial audits and one for specialised audits. With an expansion of review staff, there is an opportunity of further specialisation in reviewing the quality of performance audit reports.

The OAG has not yet established a quality assurance unit and has not started post-issuance quality assurance reviews of performance audits. However, in regard of the small number of performance auditors up until 2012, it is not reasonable to expect this.

Recommendations

We recommend the OAG to:

- Continue the promotion of international standards in the on-going constitutional review process, and in subsequent legislation, in order to ensure that articles relating to the OAG mandate are formulated in line with ISSAI.
- Revise and up-date the OAG performance audit manual. In this process, the AFROSAI-E template manual may serve as a good point of reference but it will need to be customized to the OAG and the Zambian context.
- The OAG is recommended to communicate the revised manual to all performance audit staff along with proper introduction and training in how to use the manual.
- Strengthen the process of pre-issuance quality control reviews in line with ISSAI 40, and in the future to consider establishing a procedure of post-issuance quality assurance reviews for performance audits. AFROSAI-E recommendations on independent pre-issuance reviews and quality assurance of performance audits adjusted to the development of the SAI are elaborated in Chapter 6 and Appendix 6. 1 in AFROSAI-E Quality Assurance Handbook (2012).

2. Organisation, management and communication (ICBF Domain 2 and 5)

- 2.1. Is there a sustainable performance audit unit with clear responsibilities for key players, well established and documented procedures & principles for internal communication? *Manual:2.8-13*
- 2.2. Does management set quality requirements and promote adherence to adopted standards, high quality reports and continuous improvement? *ISSAI 40:1,5; Manual:2:9*
- 2.3. Are there clear strategies and annual plans for the conduct and development of performance audit, with an appropriate allocation of staff and financial resources, and clearly communicated to staff, implemented and followed up? *ISSAI 3100:11; Manual:3.2*
- 2.4. Apart from audits requested by Parliament, are problem analysis (area watching, general surveys) or risk assessments used without outside pressure to select audit areas that are relevant (mandate, materiality, risks to the 3 Es), auditable and where the audit will lead to important benefits for public finance/administration, the audited entity or the general public? *ISSAI 10:3; 3100:11; Manual:3.3*
- 2.5. Are sound management practices in performance auditing used, including performance management, direction and supervision (including coaching) of staff, time management and good project management in the implementation of audits? *ISSAI 20:6; 3100:24; Manual:2.9-10*
- 2.6. Does the SAI monitor, assess and report on its own efficiency and effectiveness in conducting performance auditing, including the extent to which audit recommendations are implemented? *ISSAI 10:7; 20:3,6; 40:6; Manual 6.1*

Observations

The OAG partially conforms to international standards relating to organisation, management and communication of performance audit. The OAG has a separate performance audit unit with an established process for performance audit, and a clear division of responsibilities. However, there are still a number of areas for further improvement in terms of planning and execution of performance audits.

A good basis for performance audit has recently been established

Performance audit has been carried out in a separate audit unit since 2003. For many years, staffing was a challenge since performance audit was carried out by a relatively small team (first 5-6 auditors and later on 8 auditors). It was not until 2011 that there was an expansion of performance audit in terms of an increased number of auditors. At the time of the review, there were a total of 17 full time performance auditors in the office, and plans to recruit another three auditors. Hence, in terms of staffing the conditions for a sustainable performance audit function are now in place.

In short, there is now a good basis of staff (a so called “critical mass”) to be used in the production of performance audit reports, and also to be used in the internal development of procedures ensuring good quality. At the same time, there is of course a challenge to fully incorporate the influx of new staff into the performance audit approach and methodology. In this process the OAG should make use of the existing core team of experienced auditors.

Little information on expected results in strategies and annual plans

There is a clear strategy to continue the expansion of performance audit in the office in coming years. In the strategic plan (2008-2012) a number of strategies were outlined with the aim of increasing the scope and coverage of audit as well as improving the quality of audit work. Performance audit is briefly mentioned in the strategic plan but there are no specific targets or indicators set for the period.

In the work plan for 2012, there are a number of budgeted activities focusing on performance audit development, such as development and review of the performance audit manual, training in performance audit (AFROSAI-E), training of trainers, sensitisation of MPs on performance audit and the conduct of performance audits. However, there is little information on who is responsible for which activities and what should be finalized when. We did not get a clear picture of the actual situation when it comes to implementation of these activities. There appears to be delays in the implementation of activities. For instance, some of the activities – such as development and review of the performance audit manual – were included even in the plan for 2011. Hence, we believe that there is room for improvements in terms of project management (i.e. planning, implementation and follow-up).

Lack of defined procedures for performance audit

Since there is no up-dated performance audit manual, there is little formalised guidance on procedures relating to performance audit. For instance, there are no set quality requirements that clearly promote adherence to international standards and continuous improvements. There seems to be a defined process in how to go about performance audit work in practise, but there is no comprehensive description of the procedures for performance audit. In the coming review and update of the audit manual, the OAG is encouraged to incorporate descriptions on internal requirements and procedures, and to define the roles and responsibilities of staff directly involved in performance audit.

Currently, a number of templates from financial audit are used in certain steps of the performance audit process. There is no decision on which ones to use. Hence, implementation is purely ad hoc. Therefore, the OAG should include the ones it deems relevant and useful for performance audit in the revision of the performance audit manual.

The OAG may independently decide on what to audit in the field of performance audit. Based on our review, we have not found any set procedures for identification of new audits. Rather a number of different approaches, including brainstorming, area watching and risk assessments, are used in the process of identifying audit topics. All auditors are assigned the task of area watching in a specific area together with one or two colleagues, and expected to come up with ideas and suggestions. But there is no process for giving new employees an area in which to do area watching. Accordingly, a number of auditors employed in January/February, did not do any area watching at all. Performance audits constitute an investment in time and resources, and the process of identifying relevant and auditable topics with potential added value is a challenge for any SAI. We believe it would be useful for the OAG to use a structured approach and define some further guidance for identification and selection of topics.

Limited monitoring of audit work so far

In the last two of years, the OAG has produced some 2-3 reports and so far there has not been any systematic monitoring of the performance unit's own efficiency and effectiveness. Performance measures for performance audit are not established, tracked or reported. Such measures could, for instance, be the percentage of activities in the annual plan that has been completed or the percentage of audit recommendations implemented. Such measures could also deal with actual cost/time of audits compared to budget, as well as audit coverage.

Recommendations

We recommend the OAG to

- Strengthen the annual planning, implementation and follow-up of activities relating to performance audit development. The plans will probably be more useful as guiding instruments if there is additional information on expected results, roles and responsibilities, time-frames etc.

- Define procedures for performance audit and quality requirements that are in line with international standards, including procedures for identification and prioritisation of possible audit topics. These aspects could be addressed in the up-coming review of the audit manual.

3. Securing and developing skills for performance audit (ICBF Domain 3)

- 3.1. Does the SAI have career paths, recruitment, promotion and retention of performance auditors with a multidisciplinary background based on assessments of the SAI's need for professional performance auditors to produce high quality reports? *ISSAI 40:4; 3100:Annex 5.2; Manual:2.7*
- 3.2. Does the SAI evaluate the current level of knowledge and skills on a regular basis to determine training needs as well as current and future personal and organisational needs? *ISSAI 40:4*
- 3.3. Are training needs captured in a training plan that is successfully implemented using a variety of methods for capacity building, such as continuous professional education, on-the-job training, in-house training, and coaching? *ISSAI 10:3; 40:4; Manual:2.9*
- 3.4. Are there systems in place to ensure that the auditors and contractors comply with ethical standards for integrity, independence, objectivity, impartiality, professional secrecy and competence? *ISSAI 10:3; 20:3; 30; 40:2; Manual:2.7*

Observations

The OAG partially conforms to international standards in the field of recruitment, promotion and training of performance auditors.

Limitations in terms of recruitment, remuneration and promotion

A general challenge for the OAG is that the office is part of the Public Service Commission. Hence, the office is not independent in terms of recruitment and remuneration of performance auditors. Recruitment of new performance auditors is carried out together with the Public Service Commission. Usually, the OAG is represented in different steps in the process, including interviews with potential candidates. So far, there are no restrictions or specifications on the educational background for performance auditors. Nevertheless, currently all performance auditors have a background in accounting and financial audit. In the future, it would be good if the OAG could work towards having a more diverse mix of academic backgrounds in the performance audit unit.

There are no clear career paths for performance auditors in the OAG. In the office, there is an annual appraisal system of staff performance but it was not clear how this appraisal system is linked to promotions in the performance audit unit. According to what we were told, promotion and assignation of team-leaders is based on seniority in the office, no matter in what field. From our point of view, long experience from financial audit is not the best criteria for selecting team-leaders in performance audit. It should rather be experience and proven skills in the field of performance audit that form the basis for decisions on promotion and assignation of team-leaders and supervisors. A clear approach in how the office makes use of experienced staff is important as a means of strengthening and ensuring good quality of audit work. It is also a starting point for strengthening performance audit as a profession by creating a career path that is based on professional experience in the field of performance audit.

Dependence on external training of performance auditors

There is no formalised in-house training programme in performance audit at the OAG. The office has provided some training in the form of introduction to performance audit for financial auditors and new performance auditors. However, the office is still dependent on external support for training in the field of performance audit, primarily through participation in the AFROSAI-E 3-module course and through cooperation activities with the Norwegian SAI. At the time of the review, 4 out of the 17 auditors had participated in all three modules of the AFROSAI-E training course and 3 auditors were engaged in training. In parallel to these courses, the Norwegian SAI has provided on-the-job training in the office, both through the long term advisor and in the form of short term missions 2-3 times/year.

In the OAG training plan (2012-2014), training activities for individual persons are outlined and budgeted. Apart from training through AFROSAI-E (the so called 3-module-course), we noticed that there is little training in aspects that are relevant for performance audit. The general focus seems to be on developing skills in accounting, even for persons in the performance audit unit.

Since, there is now a stronger basis of staff in the performance audit unit compared to a few years ago, it may now be time to set up and organise a more formalised training of performance auditors, including some in-house training. There is a core team of auditors with experience in performance audit, and the OAG should make use of their competence as much as possible in training and coaching of new staff.

Procedures for ethical standards are in place

The OAG has a Code of Ethics in line with international standards to guide the conduct of officers and audit operations. There is a set procedure in place to ensure compliance with ethical standards in the initial stage of each audit. From our review of files, we observed that auditors and managers sign a declaration of ethics for each audit assignment. At the same time, we noticed that different templates, basically with the same content, were used for each of the four audits that were included in the review. In order to streamline this process, we suggest that the OAG defines which template should be used in performance audit.

Recommendations

We recommend the OAG to:

- Promote recruitment of staff with multidisciplinary backgrounds in the performance audit unit.
- Use experience and performed skills in performance audit as the basis for promotions and assigning team leaders.
- Elaborate and implement a comprehensive training programme for all performance auditors.

4. Planning performance audits

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| <p>4.1. <u>Does top management approve</u> the audit design and milestones and allocate sufficient time, resources and technical support (based on a pre-study with specific and realistic plans) to carry out assigned audits? <i>ISSAI 40:3; Manual :2.9</i></p> <p>4.2. Is the <u>selection of an audit problem</u>, related to the three Es, based on a pre-study with appropriate understanding of the operations, preliminary findings and an assessment of the <u>relevance</u> (mandate, materiality, risks to the 3 Es), <u>auditability</u> and the <u>potential for change</u>?</p> |
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ISSAI 3100.11-12; Manual:3.4

- 4.3. Does the work plan have a clear audit objective, an appropriate scope (who, what, when, where), a limited number of thematically related and exhaustive audit questions and sub-questions to be answered, and useful assessment criteria with clear sources? *ISSAI 3100:10,12-14,38c; Manual:3.5.2-5*
- 4.4. Does the work plan include an appropriate methodology (including methods for data collection, sampling and audit analysis) to efficiently collect sufficient audit evidence to conclude against the objectives and answer the audit questions? *ISSAI 3100:12, 16-17,28,30; Manual:3.5.6*
- 4.5. Does the work plan include a realistic administrative plan with an activity plan, milestones, a competent team composition, estimated cost, main control points as well as the planned regular communication with the audited entity? *ISSAI 3100:12,38c; Manual 2.9-10, 3.5.9-10*
- 4.6. Does management appoint audit teams with clear roles (incl. team leader) and appropriate knowledge of the subject matter, audit standards and techniques as well as the skills to carry out the audit (including support from external experts when needed)? *ISSAI 20:9; 40:4-5; 3100:38*
- 4.7. Does the SAI systematically review draft pre-study memos and work plans, incl. discussions within the unit and review by the operational manager and top management before decision to start the audit? *ISSAI 40:5; Manual:2.11*

Observations

The four reports included in the review partially conform to international standards for planning of performance audits. In the OAG, there is a standard procedure to produce pre-studies and work plans for performance audits. However, we have noted a number of limitations in the selection of audit problems (see section 6), in the conduct of pre-studies and in the actual planning of the main study.

Focus on data collection rather than audit design during pre-study phase

In the review, we identified pre-studies and work plans for 3 of 4 audits. Management reviews and approves the pre-studies and planning documents. We identified several versions of pre-studies for some of the audits, including comments from management at different levels.

The pre-study phase is very much a time for elaborating a plan and design for the main audit, i.e. a plan with focus on a relevant and interesting audit problem and with an idea on how to go about in identifying answers to audit questions and solutions to the problem. This is an important but also very demanding step in the performance audit process. Regarding the use of time in the planning phase, we found that relatively extensive work was undertaken to collect data during the pre-study phase. Generally, the pre-studies lasted from two to four months, and the teams were collecting data in the field for at least one month. In comparison, there was limited time to properly analyse the data, to define a clear audit problem and to formulate the audit objective and relevant audit questions.

Limited information on audit design and relevant methods

For three of the four work plans, a design matrix was used including: objectives, questions, criteria, data collection methods, and tentative ideas on what the audit will allow the auditor to say. High-level work plans were prepared to guide the collection of audit evidence. These plans included various means of collecting data through interviews, document reviews, and site visits. In two of the audits there were references to which methods would be used to answer different audit questions. This is a good approach which could have been even further developed. However, in some cases it was evident that the methods chosen to answer particular audit

questions were not suitable. We believe that performance audit work would gain in quality if more effort was put into the analysis of relevant methods in order to provide answers with sufficient and appropriate evidence.

In the review we noticed that the questions used in interviews and questionnaires generally went beyond the objective and scope of the audit. With such an approach, there is always a risk of collecting data that will not be of use in the audit report. There is a general tendency in the audits to use large samples in the process of data collection. There are no explanations on the rationale for the samples used, hence it is difficult to assess whether they will provide a reasonable basis for assessment. Nevertheless, in order to use time efficiently, we believe that the OAG could make more use of smaller samples based on strategic choices rather than random decisions.

Budgets and activity plans are incomplete

We found that activity plans for main studies did not cover the entire audit process up to submission of the final performance audit report to the President for tabling in Parliament. There were no time and cost budgets prepared for the entire audit. Only the cost of allowances was calculated. The focus was on the time for data gathering and to complete a draft report rather than on the level of effort required; i.e., the total number of days. Furthermore, we found that there is no time-recording system and that auditors and managers do not track their time spent on individual audits. The total effort expended on an individual audit is not known and, as a result, it is not known if the audit was completed in the amount of time anticipated.

When building a team, auditor skills and experience are not considered

There is no clear strategy in trying to combine new auditors with more experienced ones when putting together audit teams. On the one hand, there are teams with several relatively experienced auditors, while on the other hand, there are audit teams with only new performance auditors. As a result, it will most probably be difficult for the team comprised of new staff members to plan and carry out proper performance audit work. As we understand, it has been difficult to get a proper mix of skills and experience in the past when the performance audit unit was relatively small, but with a size of 17-20 performance auditors the OAG may consider using a strategy of combining different experiences when putting new teams together.

Recommendations

We recommend the OAG to:

- Emphasise the importance of developing a good audit design in the pre-study phase. If possible, to establish problems based on data collected during the pre-study. This involves greater focus on data analysis.
- For each audit, prepare a budget (time and resources) covering the entire audit process from pre-study through to submission of the final performance audit report to the President, emphasizing the time required to analyse data and write a draft report but even getting a report through quality control. A simple time-recording system could be useful to monitor time used on various activities.
- For each audit, mix experienced performance auditors with less experienced ones.

5. Executing performance audit

5.1. Was the audit properly <u>introduced to the audited entity</u> (including notification of the audit objective, scope, questions and criteria) before the start of data collection and <u>discussed at</u>
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- an exit meeting to clarify outstanding issues before finalisation? *ISSAI 20:3; 40:5; 3100:18; Manual:4.1, 4.18.4*
- 5.2. Was qualitative and quantitative data from different sources (documentary, testimonial, physical) combined and carefully interpreted, guaranteeing anonymity? *ISSAI 3100:23; Manual:4.2-11; 3000:4.2*
- 5.3. Was data collected for reasonable, sufficient, relevant, valid and reliable audit evidence to satisfy the objective, answer all questions (complete) and derive conclusions? *ISSAI 3100:20-24; Manual:4.2-12*
- 5.4. Was evidence developed to compare audit observations (conditions) with assessment criteria (identifying audit findings) and when appropriate to analyse the consequences and the causes (all elements are not always required in an audit)? *ISSAI 3000:4.3; Manual:4.10-11*
- 5.5. Did the team maintain a good relationship with stakeholders and an active dialogue with the audited entity throughout the audit, making it easier to continuously check preliminary findings and communicate instances of non-compliance or abuse? *ISSAI 3100:25,33; 3000:4.1; Manual:4.1*
- 5.6. Were the plans and the results of the fieldwork and analysis documented, filed and cross-referenced to the report, to enable an experienced auditor to determine the work performed in support of the findings, conclusions, and recommendations? *ISSAI 40:5; 3100:23-24; 3000:4.2; Manual:2.12*
- 5.7. Was the work of the audit team and working papers reviewed by the team leader, with supervision and review of the audit file by a supervisor and with regular monitoring of progress of the audit by appropriate levels of management? *ISSAI 40:5; 3100:19,38c; Manual:2.9-12*
- 5.8. Does the SAI systematically review draft audit reports, incl. discussions within the unit, review by the operational manager, possibly external experts and top management, documenting and resolving internal differences of opinion before issuing the report? *ISSAI 40:5; 3100:38; Manual:2.11, 4.18*
- 5.9. Was the main-study executed timely in line with the work plan, with major decisions on changing the plan explained and documented in the file? *ISSAI 20:8; 40:5; 3100:19,24,38c; Manual:6.1*

Observations

The OAG partly conforms to international standards in the execution of performance audit. Based on the review, we have found that the office has developed good practices on a range of different aspects relating to the execution of performance audit. However, there are still key areas in need of further improvement. Areas of concern are limited analysis of collected data, lack of proper documentation and delays in the finalisation of the audit reports.

Good approach to communication with auditee

Based on the review, our conclusion is that good practises have been developed for introduction of the audit to the audited entities before the start of a performance audit. Meetings are usually held quite early in the audit process, i.e. before the audit topic and objective have been identified. As a result, the meetings are more focused on providing a general introduction to performance audit than presenting what the coming audit will focus on in more detail. There is also a set procedure of exit meetings in which the OAG presents its findings to the auditee. These meetings are usually held before the draft report is finalised and sent to the auditee for verification of facts. In spite of the approach used by the OAG, there are delays in the process where auditees are to verify and provide comments on the draft report. Reminders to auditees

seem to be a common practise. Possibly, this problem could be diminished with even more communication with the auditee on the timing and procedures for their comments.

Limited analysis of data collected

In all four reports, multiple sources of data have been used. Apart from documentary reviews and general reviews, there seems to be frequent use of structured templates for data collection through interviews and inspection. We have noted that data collected from field visits is summarised in so called “Findings and conclusion sheets”. It is good to gather and analyse data step by step throughout the audit process. One observation though, is that this approach could be even more useful if the teams put down their observation in the form of numbers and statistical data when possible. From our review, it is clear that certain data has not been used and that some evidence could have been more precise in the final report if the data had been further analysed in the course of the audit.

Lack of proper documentation

Based on our review of files for the four reports, it is clear that documentation is an area in need of further development. From discussions with staff and management, it seems as if the main reasons for problems with documentation are related both to poor knowledge about the audit process as such and poor knowledge about documentation and how it should be done in a proper way.

Working papers are not properly prepared, indexed, or cross-referenced. There is no general index for how to organise documents. Hence, working papers are put together but not in a way that makes it easy for an auditor to assess the work performed in support of the findings, conclusions and recommendations. On the one hand, there is quite a lot of data in the files, but on the other hand it is not easy to check whether a main finding is supported by sufficient evidence or not.

Reviews on draft main studies are carried out. In the files, we noted several drafts with comments from supervisors included in the file. Reviews have been carried out and signed by team-leaders, deputy director and director. Added to this, the long term advisor seems to have had a key review function in the audit process. However, it is not clear from the files how the review comments were dealt with by the audit team.

Audits take a long time to complete in the last phases

Our general impression is that the time between the first draft and publication of the report is very long. For instance, for two reports, it took more than a year from the first draft was finished until the reports were submitted to publication. As a result, there is a risk that data and findings in the report will be out dated when the reports are published. Moreover, auditees will wonder why the reports take so long to be published, and it is also de-motivating for audit staff involved in the process.

We were given both external and internal explanations to why there are delays in finalisation of audits. One explanation is that the auditees take a long time to comment on the draft reports. They are given 30 days to respond to the draft reports, but in three of four audits, they only responded after several reminders, i.e. up to four months to get a response from the auditee. Another explanation is linked to delays in the work that is supposed to be carried out by the editing committee. During the review, we were informed that at times there is a heavy workload for the committee responsible for editing report before they are submitted for publication and

that performance audit reports are not prioritised. A third explanation has to do with the fact that project members usually get engaged in new projects toward the end of an audit. Hence, there is no one at hand to manage the process of getting timely response from auditees, to incorporate comments in the final report, or to be a speaking partner to the editing committee.

Recommendations

We recommend the OAG to

- Take action to speed up the process of finalizing draft reports. One approach could be to plan for the whole audit process (time and resources), including the period from the presentation of the first draft report to the presentation of the final report, with set milestones for internal reviews by supervisors, external comments from auditees, as well as quality control and editing of the report (see recommendations in section 5).
- Strengthen the documentation in the audit process. To set up a system and index of what and how to document data and findings during the audit process.
- Prepare working papers which make use of data collected, and which clearly present the evidence and analysis in support of findings and conclusions in the report. A system of cross-references could be used to facilitate reviews and follow up of the report.

6. Reporting performance audits

- 6.1. Does the report address an important topic within the mandate, related to the economy and efficiency with which resources are acquired and used, and the effectiveness with which objectives are met and discloses standards followed and if regulations limited the audit? *ISSAI 3100:11,27-28*
- 6.2. Does the report present an appropriate audit design (objective, questions, scope, assessment criteria, methodology, principles for sampling, limitations to data) to efficiently collect sufficient evidence to conclude against the objectives and answer the questions? *ISSAI 3100:13,16-17,30; Manual:4.15-16*
- 6.3. Does the report give the reader an appropriate understanding of the organisations, systems and processes subject to audit and how they are expected to function? *ISSAI 3100:30; Manual:4.16*
- 6.4. Does the report present complete, reasonable, sufficient, relevant, valid, reliable, accurate, objective and logical audit evidence (explicitly referring to sources) to satisfy the audit objective, answer the audit questions and support the conclusions? *ISSAI 3100:20,21,31; Manual:4.15*
- 6.5. Does the report present and put into context findings (comparing conditions with criteria) congruent with the audit objective and conclusions and answering the audit questions; and when appropriate analyse the consequences and causes? *ISSAI 3100:30; 3000:4.3; Manual:4.10-11*
- 6.6. Does the report present reasonable conclusions (statements deduced from the findings based on rationality and project specific criteria) clearly distinguished from findings and congruent with the audit objective, audit questions and findings? *ISSAI 3100:21,31; 3000:4.5; Manual:4.12*
- 6.7. Does the report add value, improve the knowledge, highlights improvements needed and (usually) include reasonably specific and practical recommendations relevant for PAC and the responsible entity, logically addressing the causes of findings usually without requiring additional resources? *ISSAI 3100:31-32; 3000:4.5; Manual:4.13*
- 6.8. Is the report balanced and fair in tone and content, convincing, constructive, reader-friendly (for PAC and other readers), clear, concise, well designed, without typographical errors and using simple un-ambiguous, non-technical language with explanation of abbreviations? *ISSAI 3100:31; Manual:4.15-18*
- 6.9. Is the report well structured, with focus on main findings, and appropriately use a submission letter, table of content, an executive summary, a logical structure of chapters, informative headings, annexes, tables, charts and photographs? *ISSAI 3100:31; Manual:4.15-18*
- 6.10. Was a draft report sent to the audited entity, with an invitation to comment on findings, conclusions, and recommendations; documenting the feedback, analysing disagreements, correcting factual errors and documenting changes of the report? *ISSAI 40:5; 3100:34; Manual:2.14, 4.18.2-4*
- 6.11. Has the report, within the provision of regulations, been submitted to the main recipients (e.g. Parliament, the audited entity), made public and widely distributed to media and other stakeholders and made available at the SAI and AFROSAI-E websites? *ISSAI 10:6; 20:8; 3100:35; 3000.5.4; Manual:4.18, 5*
- 6.12. Have the SAI assisted PAC to better understand the report and to take appropriate action (e.g. brief the chairman, suggest questions for its members, attend deliberations at appropriate management level and comment on a draft PAC report)? *ISSAI 20:7*

Observations

The OAG partly conforms to international standards.

Reports have had impact, are well structured and easy to read

In the past two years, the OAG Zambia has completed eight reports with a limited number of staff. Two of the four reports we reviewed had been tabled in parliament, and one of them had already had a significant impact and the OAG's recommendations had all been accepted by the parliamentary committee.

All reports reviewed have a good structure, are easy to read and logical. There is a clear connection between the audit objectives, findings, conclusions and recommendations. Executive summaries are short and used in a good manner.

There is a tendency towards compliance in the reports

In our review of four reports, we noticed that in spite of the fact that the starting point of the audits is related to identified problems, there is a general tendency towards compliance in the actual audits. We believe that this is a result of the choice of audit problems. In all four reports the audit problem is formulated in terms of poor monitoring and management rather than deficiencies in economy, efficiency and effectiveness. Poor monitoring and management may be part of the explanation to a possible audit problem but not the audit problem itself.

There is a tendency in the reports to use a wide range of detailed criteria. The criteria chosen in the four reports, relate to detailed policies, rules and regulations, and the actual audits are focused on verifying adherence/lack of adherence to these criteria. As a result, the findings generally describe what the auditee is not doing – rather than assessing what they do. The major causes of the audit problem are seldom addressed.

It is difficult to assess whether evidence is complete, reasonable and sufficient, since none of the four reports refer to specific sources. The reports mention "some interviews" or "some cases" to state a fact. It would be advisable to make references to sources when presenting evidence in order to be more transparent and to strengthen the findings and conclusions.

The recommendations follow the findings, are quite specific and clear, which is good. However, since many of the recommendations are inverted findings of non-compliance it may be questioned whether they will promote any real change. Furthermore, most recommendations did not address the underlying cause of deficiencies. Many of the recommendations imply the need for additional resources which is something that should be avoided in performance audit.

In three of the four reports, the answers to the audit questions were unclear. One way to address this, is to structure the executive summary, the findings or the conclusions according to the audit questions.

Recommendations

We recommend the OAG to:

- Define audit problems related to deficiencies in economy, efficiency and effectiveness and to choose criteria that make it possible to assess whether the auditee performs economically, efficiently or effectively.
- Develop recommendations that address the underlying causes of identified deficiencies.

7. Follow up performance audits

- 7.1. Was the execution of the work plan (audit design, time and budget) regularly monitored, taking corrective actions or revising the plan as appropriate? *ISSAI 40:6; 3100:19,24,38c; Manual:6.1*
- 7.2. Does the SAI arrange internal seminars to discuss experiences or review completed audits, to learn for future improvement? *ISSAI 40:4; 3000.5.5; Manual:6.1*
- 7.3. Does the SAI follow-up the implementation of the SAI and PAC recommendations (through follow-up audits, information from regularity auditors or through informal contacts with or formal requests to the audited entity)? *ISSAI 10:7; 20:3; 40:6; 3100:36-37; Manual:6.2-3*

The execution of the work plan is dealt with under execution in Section 5.

Observations

There are quarterly meetings (2-3 hrs) with all performance audit staff. Different issues are on the agenda for these meetings, such as planning and budgeting for the next year, identification of new audit topics, sharing of experiences, exchange of information on progress in different audits etc. There are no established mechanisms for discussing and sharing experiences between teams on a general basis. This is a pity since that kind of discussions may be used to promote increased quality of audit work and increased audit skills among staff. However, there seems to be an informal culture among auditors in the sense that they may consult and discuss audit issues with management and more experienced colleagues, including the long term advisor, when needed, which of course is very good.

From interviews we gathered that the performance audit unit intends to regularly review what has happened with previously tabled reports. As we understood, the idea is to follow up to what extent audit recommendations have been implemented on a yearly, as well as on a 3-year basis. A follow-up of three audits is planned to be carried out for the first time in the last quarter of 2012.

Recommendations

We recommend the OAG to

- Introduce lessons-learned seminars after audits are completed. This is especially important at this stage in the performance audit unit's development, as many of the auditors are relatively new.
- Implement the plan of regularly reviewing the degree to which recommendations are followed.

4.0 Regularity Audit Review

4.1 Introduction and overall comments

OAG Zambia decided in the beginning of 2012 to use the newly adopted AFROSAI-E regularity audit manual. With respect to still fully following the ISSAIs the manual was customized to the Zambian environment. The QA-team decided in cooperation with OAG Zambia to only review files which have been performed in accordance with the new manual. The QA-team reviewed four files covering four different directorates.

In our mind we are impressed to the extent of which the teams have tried to implement the new manual. The level of commitment and determination displayed by staff is commendable. The

audit teams have used majority of the templates which they are supposed to use. The templates have been adequately completed in certain instances however there is room for improvement.

- The main comment highlighted here is that the theoretical base to perform the audits according to the ISSAIs is not adequate enough for all auditors. Resulting that the templates in many cases are not used in a relevant way so that they properly support the audit that has been performed according to the ISSAIs. Instead the documentation indicates that there is a need for training.

An example of this would be the issue whether a test of control or using substantive audit approach should be followed on an audit does not seem to be clear. The teams are testing internal control even though they, in most cases, cannot rely on the internal control meaning that they instead should focus on substantive audit.

- We have also noted that the understanding of the new audit manual and the ISSAIs is varying among the teams.

Recommendations

- In view of that the new audit manual just recently has been introduced and that the audit teams are still in the learning phase it is not surprising that there is a need for more training in the ISSAIs, the audit manual and how to perform an audit according to the ISSAIs.
- To achieve a broader and more equal knowledge we recommend that the auditors should be involved in audits in more than one directorate. This will enable the auditors to do more knowledge sharing.

4.2 Pre-engagement of audits

Standards and good practices

As outlined in the ISSAI 40 on Quality Control, the SAI should establish procedures and policies that give reasonable assurance that it will carry out audits where the SAI is:

- competent and has the capabilities, including time and resources to do so
 - can comply with ethical requirements and
 - has considered the integrity of the organization being audited and has considered how to treat the risk to quality that arises.
- (ISSAI 40)

The SAI should plan its audits realistically through time budgets. Time and resources allocated should be linked with an overall risk assessment of the auditees, taking into account among others their integrity. Competency aspects must be taken into account when allocating resources. The audit team must reflect on whether it possesses the required competence, given the nature of the auditee and the overall risk assessment. Equally important is to assess whether those involved in the audits comply with the ethical requirements determined by the SAI and by INTOSAI.

The SAI

A review of four (4) of the SAI's regularity audit files were performed. The following observations that the SAI needs to improve on were made:

- Senior management (Director and Audit report signatory) did not always complete their independence declarations. Furthermore staff did not complete these declarations at the end of the audit to confirm that they were independent for the entire period under audit.
- The levels of review on the team agreement working paper were not always clearly defined.

Root causes

The SAI staff has not been adequately trained in the requirements of the ISSAI's and use of the AFROSAI-E manual.

Recommendations

It is recommended that AG Zambia:

- Engage with AFROSAI-E and obtain expert practical training on the theoretical (technical) requirements of the ISSAI's and use of the AFROSAI-E manual.
- Knowledge sharing sessions be encouraged especially between staff in different directorates. This will also ensure consistency in application of the relevant guidance.

4.3 Strategic planning on a financial statement level

Standards and good practices

According to ISSAI 1300 on Planning and Audit of Financial Statements the audit team should arrive at an overall audit strategy, taking into account materiality, involvement of experts, understanding of the auditee etc. (ISSAI 1300)

There must be a clear link between the audit approach in the overall audit strategy, showing the components to be audited, and the documented risks, materiality and nature of the auditee.

The SAI

Material components relevant to the audit were not always adequately documented on the lead schedule and referenced to financial statements.

The materiality level selected was not always adequately justified. The theoretical base and the concepts for setting materiality and the purpose need to be improved. The ISSAIs also discuss different types and levels of materiality e.g. "overall materiality" and "performance materiality" which OAG Zambia needs to decide on.

The teams did not adequately consider the possibility of fraud risk factors and the impact thereof on the audit approach. It was also evident from some files that due consideration to the risks and controls in the IT environment were not considered and evaluated in order to assess risk and impact on audit approach. Although during interviews with the auditors it was said that audits are risk based, there was lack of documentation of the appropriate risk assessment that was conducted and conclusions drawn regarding the risk of material misstatement on the financial statement and component levels.

There was no evidence to show that a meeting was held within the engagement team to discuss the susceptibility of the financial statements to material misstatement due to fraud or error.

The audit strategy document was not always appropriately completed i.e. Knowledge and changes of the business (e.g. Laws and regulations) section not completely filled in, engagement risk and audit approach (Test of control or substantive) not indicated.

Root causes

The SAI staffs have not been adequately trained in the requirements of the ISSAI's and use of the AFROSAI-E manual.

Recommendations

It is recommended that AG Zambia:

- Engage with AFROSAI-E and obtain expert practical training on the theoretical (technical) requirements of the ISSAI's and use of the AFROSAI-E manual.
- Knowledge sharing sessions are encouraged especially between staff in different directorates. This will also ensure consistency in application of the relevant guidance.

4.4 Detailed planning and audit fieldwork on an audit component level

Standards and good practices

According to ISSAI 1300 on Planning and Audit of Financial Statements the audit team should develop a more detailed audit plan based on the overall audit strategy. The nature, timing and extent of specific audit procedures should depend on the outcome of the risk assessment in the detailed planning.

According to ISSAI 1330 on the Auditor's Responses to Assessed Risks, the auditor shall design and perform further audit procedures whose nature, timing, and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level. (ISSAI 1300)

The SAI

The following areas are of concern at the SAI:

- The purpose of system descriptions for all audited components and related walkthrough tests verifying the operation of system and conclusions reached is not clearly understood and documented.
- The process to follow when it comes to placing reliance on key controls and documentation thereof is not clearly understood and requires further learning interventions.
- The decision on whether to follow a test of control or substantive audit approach is not clearly understood.
- There is a lack of understanding as to what is meant by substantive analytical procedures and use thereof
- Audit working papers and audit procedures performed on samples tested were not always adequately documented and concluded on (to allow re-performance by a third party to arrive at the same conclusion)

- Exceptions not always supported by and cross referenced to audit evidence
- Before commencement of detailed substantive testing, the source documentation, and direction of testing, population size, and sample method used and sample size were not indicated
- Evaluation of misstatements in light of final materiality not always accurately considered
- The consolidated financial statements have not been checked for accuracy. The consolidated note disclosures were not audited as part of the individual revenue and expenditure audits and have therefore not been audited.

Root causes

The SAI staffs have not been adequately trained in the requirements of the ISSAI's and use of the AFROSAI-E manual.

Recommendation

It is recommended that AG Zambia:

- Engage with AFROSAI-E and obtain expert practical training on the theoretical (technical) requirements of the ISSAI's and use of the AFROSAI-E manual.
- Knowledge sharing sessions are encouraged especially between staff in different directorates. This will also ensure consistency in application of the relevant guidance.
- It should be noted that only controls that are found to be operating from the systems descriptions should be transferred through to the reliance on key control working paper where they will be grouped per assertion to determine if they are appropriately designed and operating effectively.
- Use of substantively analytical procedures is not normally done to reduce the performance and extent of substantive audit procedures.
- Documentation of audit work performed should always be sufficient to enable an external party not involved in the audit to re-perform the work and arrive at the same conclusions.

4.5 Concluding and reporting on audits

Standards and good practices

According to ISSAI 1700 on Forming an Opinion and Reporting on Financial Statements the auditors should

- form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained
- express clearly an opinion through a written report that also describes the basis for that opinion

According to ISSAI 1560 the auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified. The auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions.

According to ISSAI 1560 the auditor shall request management to provide a written representation that it has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, as set out in the terms of the audit engagement.

The SAI

On the audits reviewed there was no evidence of identification of subsequent events after the fiscal year has finished and before the date when the audit was finished.

There were no documents showing the aggregated effect of audit differences in order to assess the impact on the audit report.

Management representation letters were not obtained from the auditee management.

The AFROSAI-E manual and requirements of ISSAI's in respect of issuing an audit opinion and report were not complied with due to the current reporting processes in the Zambian Public Sector which is not in line with the reporting requirements of the ISSAI's and AFROSAI-E manual.

There is a theoretical base for preparing an audit report in terms of the ISSAI's in the Zambian audit manual. However there is no audit report template in this regard.

Root causes

The current reporting processes in the Zambian Public Sector have not been changed to the reporting requirements in the ISSAI's.

Recommendations

It is recommended that the AG Zambia ensures customization of reporting processes during audits in the public sector to the ISSAI's

4.6 Quality Control of the audits

Standards and good practices

SAls should establish policies and procedures that encourage high quality and discourage or prevent low quality. This includes creating an environment that is stimulating, encourages proper use of professional judgement and promotes quality improvements. All work carried out should be subjected to review as a means of contributing to quality and promoting learning and personnel development.

SAls should ensure appropriate quality control policies and procedures are in place (such as supervision and review responsibilities and engagement quality control reviews) for all work carried out (including financial audits, performance audits, and compliance audits).(ISSAI 40)

The SAI

It was evident from the files reviewed that engagement quality control reviews (Pre-issuance review) in terms of the ISSAI's were not performed.

Root causes

The SAI staff has not been adequately trained in the requirements of the ISSAI's and use of the AFROSAI-E manual.

Recommendations

It is recommended that AG Zambia:

- Engage with AFROSAI-E and obtain expert practical training on the theoretical (technical) requirements of the ISSAI's and use of the AFROSAI-E manual.

5.0 STATUS OF IMPLIMENTATION OF PREVIOUS QUALITY ASSURANCE REVIEW RECOMMENDATIONS

	RECOMMENDATIONS	STATUS-OCT 2012
1	The SAI is striving to achieve changes in a new constitution and it could be that compromises are necessary to get results. However the independence of the HoS from any influence from the Executive should be one the objectives for the SAI's efforts.	<ul style="list-style-type: none"> • Done • Responsibility outside SAI but sensitization of the responsible being done • SAI involved in sensitization of MP to ensure recommendation is taken • AG sensitizing public using UN resolution
2	It is recommended that the HoS should therefore be appointed by the National Assembly without any involvement of the President.	<ul style="list-style-type: none"> • Proposal appears a good practice under ISSAI 11 • Done i.e. Could be retained
3	The SAI should abide to the standards and good practise and propose tenure of maximum 6-7 years or a shorter tenure which then could be renewable once.	<ul style="list-style-type: none"> • Proposal appears a good practice under ISSAI 11 • Done i.e. Could be retained
4	SAI Zambia to continue seeking for its financial and managerial/ administrative independence. However, the SAI should, until that independence is achieved try to as much as possible use the "freedom" that can exist also with the current where there is some control by the Ministry of Finance and the Public Service Commission.	<ul style="list-style-type: none"> -Done -SAI not independent yet -SAI continues to lobby with Ministry of Finance and Public service commission. -Increasing funding trend realised -Increased donor confidence in SAI and lobbying by Donors and Parliament
5	SAI Zambia should consider increasing the representation from the private sector as deliberations on standards, salaries, in and out sourcing could benefit from a broader participation from this sector.	<ul style="list-style-type: none"> -Done -Private sector participating: -Outsourcing -CPD organised by private sector entities
6	SAI Zambia to present a performance report to its major stakeholders. Such a report would be an important tool for the accountability process of the SAI and also increase the profile of the SAI	<ul style="list-style-type: none"> - Done -Impressive classic engagement with stakeholders. -Annual performance report submitted to secretary to Cabinet

	and its contribution to the development of the society.	-Press release done -SAI provide guidance to PAC -AG calls press conference -SAI has linkage with Civil society
7	SAI Zambia continues to try to find a solution with external auditors, which are appointed independently of the SAI to audit the SAI	- Yet to be done -Corporate Division handles funds thus Controlling officer not AG. -AG independently directs audit of Corporate Division -Private audit firm not appointed to audit yet -The law still presents the same situation although corporate division is audited
8	SAI Zambia forgoes the objective to carry out consultancy services as it can jeopardy the perception and the actual independence of the SAI.	- Done -consultancy intention dropped not able to be operationalized -Although still on the organisation structure but staff redeployed to provincial audit
9	SAI Zambia compliments the development strategic objectives with objectives for the non-development work	-To be addressed in the corporate plan under review
10	Strategic and when necessary operational plans be formulated for specific areas such as performance audit. These sub plans must be linked to the overall strategic plan	-Not done but will be done in the new corporate plan period -Currently costed list of activities
11	Result orientated objectives linked to the strategic plan be formulated for the annual work plans	-Not done but will be done in the new corporate plan period
12	SAI Zambia develops a mechanism to ensure that the donor funded projects, the SAIs own development projects and the on-going work are planned, monitored and evaluated to get an holistic picture for the decision makers	Being done (Progress reports)
13	SAI Zambia to ensure the mechanism under development for monitoring and evaluation of the plans are focused on the output, outcome and when possible the impact of the SAI's performance	Not done but will be worked on
14	SAI Zambia, with effect from 2011, prepares the guidelines for a strategic plan which will be holistic and with result orientated objectives.	Still holds
15	SAI Zambia to establish a mechanism which makes it possible to get a holistic view of the needs for training and that the resulting	-Needs assessment yet to be done

	development programme is closely linked to the goals/objectives stated in the strategic and annual work plans.	
16	-Develops a <u>mechanism</u> for monitoring and evaluation of the result (outcome and impact when possible) of the training.	Yet to be done
17	SAI Zambia may wish to adapt the AFROSAI-E Template Regularity Audit Manual which is reviewed and updated annually. Alternatively, the SAI could independently develop a manual.	Done Customized and sensitization on going with practical challenges of change management
18	SAI Zambia should whatever course is chosen adopt and customize the ISSAIs in the manual. Such a procedure however can require certain competences and other resources. A much less resource demanding procedure is to adapt the AFROSAI-E Template Regularity Audit Manual.	Done
19	Training on the application of both the standards and manuals should be offered to the users to standardize their application.	Done
20	SAI Zambia should develop a QA strategy/policy and manual which would clearly state the roles and responsibilities of the different players in the quality control system.	-Use AFROSAI-E manual -Staffing shortage -Already in the job description -To further harmonize
21	The manual would also state the elements of the quality control system as prescribed in ISSAI 40 and particularly in ISQC 1.	Using AFROSAI-E manual (Evidence-QA report)
22	As the SAI did not have a quality assurance manual, it is recommended that it could use the existing AFROSAI-E Manual in carrying out the reviews, and customize it to meet its specifications.	Using AFROSAI-E manual
23	In accordance with standards, the annual report of the QA section should include the following:	Yet to be done
	Description of monitoring procedure performed	
	Conclusions drawn	
	Description of repetitive or other significant deficiencies	
	Action to resolve or amend those deficiencies	
24	The annual report should be sent to all the departments of the SAI in order to assist in addressing deficiencies.	Yet to be done
25	SAI Zambia to continue developing its relations	-Done

	with the media and the internal and external communication tools such as the intranet and the website	-Being done and intranet policy available -Sensitization on going -Need to populate the intranet
26	SAI Zambia to Implement the developed communication policy in connection with the recommended review of the existing plans. The development of result orientated objectives should include timely and relevant parts of the communication policy.	Being done
27	SAI Zambia develops and agrees on what kind of result indicators/measures are to be used for the planning and follow up/evaluation as well how these indicators/measures are to be used for internal and external purposes	-Yet to be done

CONCLUSION

In spite of the limitations highlighted, the SAI auditors had achievements in the overall quality assurance assessment. The SAI has adequate technical resources. Updating and diligent use of the existing audit tools will result in compliance with INTOSAI auditing standards.

ACTION PLAN

SAI Zambia is expected to prepare an action plan to show how it shall improve the quality of work at the SAI. A copy of the work plan should be submitted to the Secretariat. The action should include the four columns stated below:

- Description of item
- Intended Action
- Person to implement
- Deadline

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