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**CHALLENGES IN INSTITUTIONALISING
PERFORMANCE AUDITS**

THE CASE OF ZAMBIA

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Dedication

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List of Acronyms

AFRONET	African Network for Human Rights and Development
AFROSAI	African Organisation for Supreme Audit Institutions
AFROSAI-E	African Organisation for Supreme Audit Institutions- Electronic
AG	Auditor General
ACCA	Association for Certified Chartered Accountancy
ACC	Anti Corruption Commission of Zambia
CCPJD	Catholic Commission for Peace, Justice and Develop- ment
CIMA	Chartered Institute for Management Accountancy
CSO	Central Statistics Office
EAZ	Economics Association of Zambia
FA	Financial Audits
FNDP	Fifth National Development Plan
FODEP	Foundation for Democratic Process
GAAP	Generally Accepted Accounting Standards
HIV/AIDS	Human Immune Deficiency Virus/Acquired Immune Deficiency Syndrome
HIPC	Highly Indebted Poor Countries
INCOSAI	International Congress for Supreme Audit Institution
IT	Information Technology
INTOSAI	International Organisation for Supreme Audit Institu- tions
JCTR	Jesuit Centre for Theological Reflection
MOFNP	Ministry of Finance and National Planning
OAG-Z	Office of the Auditor General-Zambia
PA	Performance Audits
PAC	Public Accounts Committee
PEMFAR	Public Expenditure and Financial Accountability Re- view Process
PRSP	Poverty Reduction Strategy Paper
PSCAP	Public Sector Capacity Building Project
PSRP	Public Service Reform Program
RIDP	Restructuring and Institutional Development Project
SAC	State Audit Commission
SAI	Supreme Audit Institution
SIDA	Swedish International Development Cooperation
Three Es	Efficiency, Economy, Effectiveness
ZICA	Zambia Institute for Chartered Accountants

Abstract

The aim of this paper is to address the question of whether Office of the Auditor General in Zambia (OAG-Z) is able to adequately contribute to the efficient, economic and effective utilization and management of public funds and resources. The paper discusses the introduction of *Performance Auditing* in Zambia and the challenges surrounding its institutionalisation. The argument of this paper is that, the current audit scope does not adequately measure and assess the performance of government as regards outcomes and impact of government policies, programs and projects. Therefore it is critical to develop Performance Auditing in the OAG-Z in order to meet rising expectations of stakeholders in recent administrative reforms initiated by Government.

The findings show that the main challenges that the OAG-Z faces are human resource development in terms of training in disciplines that are required to conduct *Performance Audits*. The second challenge is that the demand side for *Performance Audits* is rather passive. Therefore the onus remains in the commitment of government and the management in the OAG-Z to create an enabling environment for overcoming these hurdles. Further, the paper discusses how the OAG-Z could turn these challenges into strengths by capitalizing on the available opportunities, for example, experience sharing with other SAIs. The study identified SAIs of Botswana and Rwanda as role models that the OAG-Z could draw lessons from. The key determinants for their successful institutionalisation of *Performance Audits* were identified as human resource development and the commitment from management and government.

The existing donor support through the Restructuring Institutional Development Project (RIDP), the Public Expenditure and Financial Accountability Review Process (PEMFAR) and the government initiated Public Service Reform Program (PSRP) are all initiatives in the right direction. The OAG-Z could take advantage of these initiatives to strengthen capacity in areas where it is lacking.

Relevance to Development Studies

Performance Auditing is important as a critical component of good governance. It is a tool for improving accountability and responsiveness in the utilisation and management of public funds and resources. The prime objective of *Performance Auditing* is to help improve the performance of government ministries and departments through strengthening management and organisational processes. The enhancement of reform in the public sector stimulates development of policy or improvement to existing policy in order to meet a given country's poverty reduction strategies such as the National Development Plan and vision 2030 (the case of Zambia) in accordance with the millennium development goals. The improvement resulting from audits, helps foster better service delivery that reduces poverty and increases opportunities for citizens to lead better, meaningful and happy lives. Therefore, *Performance Auditing* must be part of the overall governance reforms currently being implemented in Zambia because the benefits accruing will foster the country to attain the vision 2030 of "making Zambia a prosperous middle income nation".

Keywords

Zambia, Performance Auditing, Financial Auditing, Good Governance, Accountability, Transparency, Corruption, Efficiency, Economy, Effectiveness, Capacity building.

Chapter 1

Auditing in Zambia

1.1 Introduction

This paper attempts to find out what challenges the Office of the Auditor General-Zambia (OAG-Z) faces in trying to institutionalize Performance Audits. The OAG-Z is a public institution responsible for provision of audit services to Government Ministries and Departments for the enhancement of transparency and accountability. The OAG-Z is mandated to carry out Financial, Performance, Forensic and IT audits (Public Finance Act N0.15 of 2004) although more of Financial Audits are conducted than the other types of audits. This paper will focus on Performance Audits; occasional reference will be made to Financial Audits. According to the International Organization for Supreme Audit Institutions (INTOSAI) Performance Auditing is checking whether there has been efficiency, economy and effectiveness¹ in the utilization of public resources (www.intosai.org).

1.2 Purpose of Audits (Financial and Performance Audits)

The purpose of auditing of public finances is a way of checking whether regulations that govern the expenditure of public funds and resources are being complied with; for example, adherence to tender regulations, expenditure thresholds and so on. Another important factor is to check whether there is efficiency, economy and effectiveness in the way these funds and resources are being utilized (The Lima Declaration of Guidelines on Auditing Precepts 1977). Through auditing, the concept of accountability is enhanced, which leads to answerability and possible punishability in terms of failure to answer or account for decisions made. Audits are used to certify that accounts have been prepared in a true and fair manner.

The main objective of conducting Performance Audits is to improve public sector performance. The significance of Performance Audits is; Firstly, officials managing government programs, policies and projects are held responsible for the utilisation of resources. Therefore, they should publicly account on the performance of the programs, policies and projects being implemented. Performance Audits help taxpayers, parliament, donors, and the media to obtain insight into the running and outcome of government activities and independent information on the management of resources (Swedish National Audit Office 1999). Secondly taking the case of a private sector organisation, success of a company is assessed by profits. A company which is none performing,

¹ The concepts of economy, efficiency and effectiveness will be explained in detail in chapter 2.

loses its customers and profit margins decrease. In the public sector, the situation is different, in that, members of the public do not have the opportunity to go to other providers, for example, when it comes to the issuing of passports. Only government issues a passport even if members of the public are not happy with the service level of the issuing office. Performance audits will in this case reveal the existing inefficiencies and act as an assessment of performance in the government institution.

The Third, argument in favour of performance audits is that it may serve as a basis for decisions on future investments and priorities (Hossain 2000). He argues that the importance of performance audits is that it indicates whether in using its resources to achieve organisational goals and objectives, the organisation has achieved its intended outcomes economically, efficiently and effectively.

According to Pollitt et al (1999) Auditing is an occupation that has transformed over time. The scholars state that, although Performance Audits existed in the 1960s, well planned Performance Audits really began some time in the 1980s. Performance audit came on board at the time that governments of Western Europe, North America and Australasia introduced reforms to improve public sector management (Power 2003). It is stated that in the early years, one Auditor would check the accounts one hundred per cent. As transactions and paper work increased, it became difficult for one person to check hundred percent. This led to teams of Auditors doing the job that was previously done by one person and the Auditors stated auditing using sampling method. Before long, “the Auditors realised that it was not possible to certify accuracy of accounts without hundred percent checking. Gradually, the role of Auditors came to be perceived as expression of opinion on the fairness and truth of accounts rather than on their accuracy” (Department of the Auditor General of Pakistan, 1993:5).

It is important to note that Performance audit is neither a routine process nor the same as traditional Financial Auditing. The latter is a process of checking the books in order to see that they have been accurately and properly kept. Performance auditing checks whether public policies, programs or projects have been implemented with due regard to economy, efficiency and effectiveness (Pollitt, 1999).

1.3 Indication of Problem

The aim of this research is to find out what impediments hinder the smooth institutionalisation of Performance Audits in the Office of the Auditor General - Zambia (OAG-Z). The problem at hand is that the scope of audit in the OAG-Z has remained limited to Financial Audits, even though the mandate states that the OAG-Z shall perform both Financial & compliance² and

² The terms Regularity and Compliance are used interchangeably in this paper as one component of Financial Audit. They are derived from the term ‘compliance to regulations’ in financial audit.

Performance Audits (value for money). While the tradition-bound Financial Audits make significant contributions to safeguarding public resources from misuse, wastage and misappropriation, it has no reflection on the success or failure of management in terms of the objectives achieved.

The argument therefore is that the current audit scope does not really show how the performance of government can be measured and assessed. The current audit scope does not show the performance of government in terms of policy appropriateness, therefore it is difficult for the citizens to assess and measure outcomes and impacts of policy, program and project interventions and overall performance of government. Relying on figures alone in terms of budget allocations will only show compliance to rules and regulations and does not create an interactive environment with beneficiaries. Performance Audits on the other hand creates room for beneficiaries to state their opinions in terms of development interventions that affect their lives.

1.4 Objectives

The objectives of this research are:

- 1) To establish the constraints encountered by the OAG-Z in conducting Performance Audits.
- 2) This Study, seeks to find out whether there have been attempts to find solutions to solve the problems affecting the OAG-Z regarding implementation of Performance Audits.
- 3) In addition, this research attempts to support the OAG-Z management to enhance decision making regarding audit scope and coverage with lessons to be learnt from other countries that are successfully carrying out performance audits. This paper draws examples from Botswana and Rwanda.

1.5 Hypothesis

The audit focus in the OAG-Z is limited to financial & compliance audits and does not decisively audit to assess the economy, efficiency and effectiveness (Performance Audit)³. This is because of low individual and institutional capacity, insufficient resources, low human resource expertise, weak political will, poor organisational work culture, lack of operational guidelines and because staff turnover is high.

³ The terms 'Performance Audit' and 'Value for Money Audits' bear the same meaning in this paper and are therefore used interchangeably.

1.6 Research Questions

1.6.1 Main Question

What are the impediments in institutionalising Performance Audits in the Office of the Auditor General-Zambia?

1.6.2 Sub Question

- 1) What is the mandate of OAG-Z?
- 2) What is the Institutional Structure of OAG-Z?
- 3) Which are the target institutions and what set of criteria are used to select these institutions?

1.7 Relevance and Justification

The key use of this research is to offer a framework, which can be used as a tool for policy makers to strategise on how capacity can be built in the OAG-Z in order for audit exercises to focus on outputs, outcomes and impacts of policy and stimulate reform for the better. This research will also enhance the knowledge of Auditors on the changing trends in the auditing field. This research attempts to help the OAG-Z management to appreciate the linkage between the management decisions and actions they take with the subsequent outcomes. This will enable management to contextualise the factors that support or hinder the successful implementation of Performance Audits. It is hoped that the information and lessons learnt from this research will translate into policy strategies to widen the audit focus by finding solutions to the problems that are hindering the implementation of Performance Audits. Therefore the public can have clear trail on the utilisation of public funds and resources; and the benefits accruing thereof.

It must be noted here, therefore, that this research is an improvement oriented evaluation and not necessarily judgemental. Therefore, by exposing the weaknesses, potential obstacles, strengths and challenges of trying to institutionalise Performance Audits in the OAG -Z, this study aims to set the foundation for further researching and strategic planning aimed at re-shaping our understanding of how to make the OAG -Z serve the cause of development better.

1.8 Research Methodology

This research is based on qualitative case study using both field (primary) and desk study (secondary) as sources of information. The primary data was collected at the Office of the Auditor General Head Office in Lusaka using informal conversation interviews, participant observation and analysis of documentation as my main sources of evidence. The research used informal conversation interviews with the respondents who were mainly Auditors from the five directorates shown in the OAG-Z organisation structure. Through out the data collection period, I utilised the technique of observation as an observ-

ing participant so as to capture valuable information that could not be captured during interviews. Secondary sources were books, Institutional data, and audit reports from countries that are carrying out performance audits. A visit to the Netherlands Court of Audits also enlightened me on the development cooperation that was rendered to Rwanda and this assistance has enabled Rwanda to be able to conduct a Performance Audit on the *Effectiveness of Maternal Health Care Delivery*. In addition, the paper also provides an analysis of experiences from Rwanda and Botswana⁴ in their implementation of Performance Audits.

1.9 Limitations of the Study

Collection of data was difficult considering the bureaucratic nature of operations in the Office of the Auditor General, for example, information does not flow easily because of the nature of the work carried out at OAG-Z, which is characterised, by suspicion and sensitivity. The respondents were highly cautious thus creating a limitation. It was not possible to access the five Performance Audit Reports because they have not been published. In addition, the absence of previous scholarly work on Performance Auditing was also a limitation to the research. The paper relied on publications from the Department of the Auditor General of Pakistan among others because they are one of the pioneers of Performance Audits in developing countries.

1.10 Organisation of the Paper

Chapter two covers the conceptual framework and the body of knowledge on the topic according to different authors. Chapter three provides an institutional profile of Office of the Auditor General-Zambia. This includes the legislative mandate, the powers of the Auditor General and organization structure. Chapter four presents the challenges faced by the OAG-Z in the institutionalization of Performance Audits. Chapter five provides space for analyzing the data. Chapter six gives a conclusion of the study which is basically a summary of what has been discussed in the paper plus the recommendations.

⁴ This study has made use of Performance Audits that were conducted in Rwanda and Botswana because the OAG-Z has not published any yet.

Chapter 2

Conceptual Framework

This chapter provides definitions for the key concepts that are used in the paper. This chapter attempts to explain the linkage between Auditing and the concept of Good governance. The Concepts used in this body of knowledge are Performance Auditing, Financial Auditing, Accountability, Corruption and Capacity.

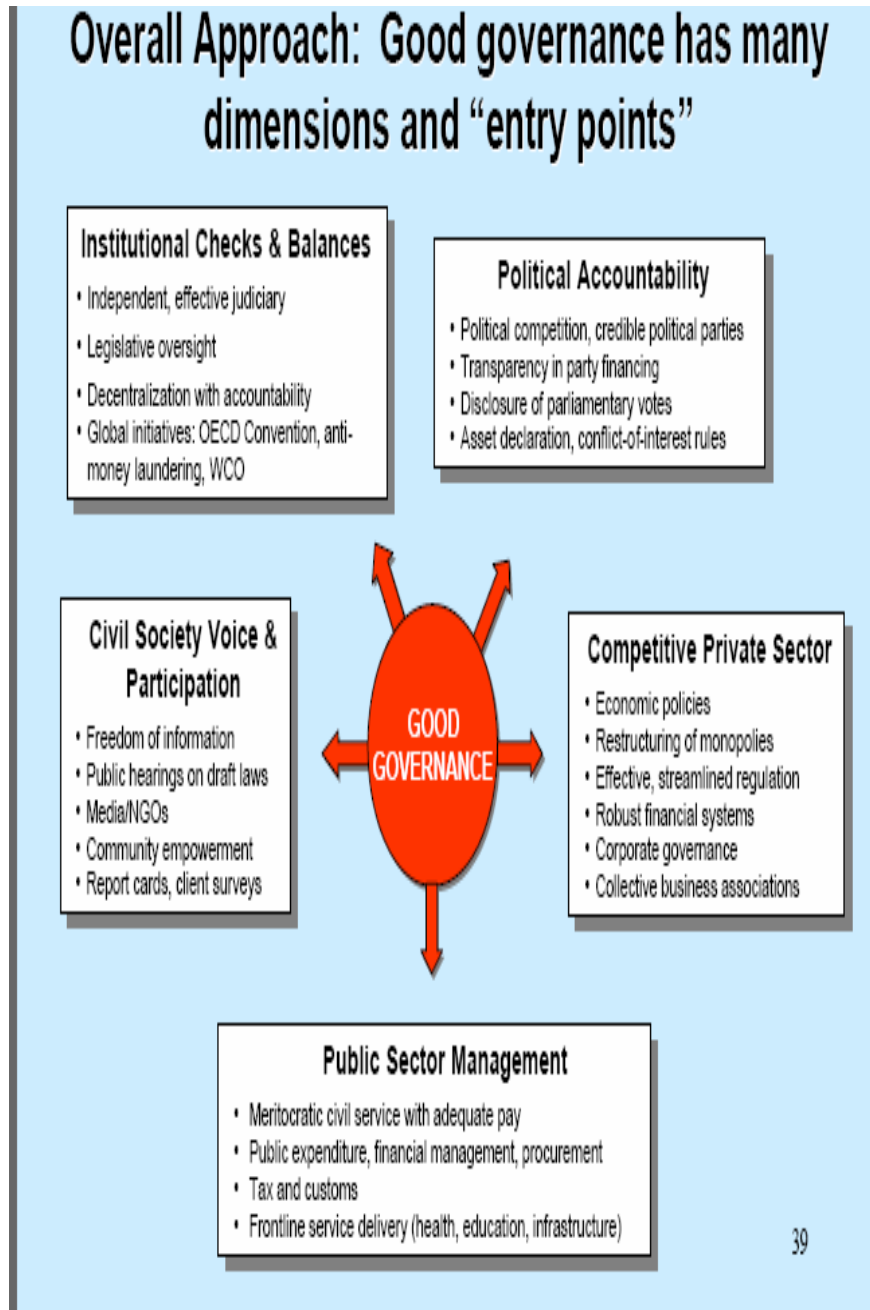
2.1 Good Governance

I will use the concept of good governance in trying to explain the linkage between performance audit and good governance agenda in Zambia. I therefore find space here to introduce the concept. Good Governance is a topic that many scholars have written about and therefore has many definitions. The Good Governance agenda came about in the 90s when donor agencies recommended that for poor countries to attain development and poverty reduction, good governance is inevitable (de Wit 2000). Good Governance is a broad concept, which includes issues such as transparency, accountability, respect for the rule of law and human rights, consensus in decision-making etc.

Good Governance as defined by de Wit (2000) “is the transparent and responsible application by the state of its political authority and power to effect social development in dialogue with the population and by effectively utilising available resources” (de Wit 2000:4). ‘Good governance’ according to World Bank, refers to a situation where people entrusted with the responsibility of handling public resources become more answerable for their decisions and actions failure of which should lead to punishment which will be a deterrent to would be plunderers of public resources (World bank 1992; Weiss 2000). “Good Governance is said to be synonymous with sound development management ,since it is central to creating and sustaining an environment which fosters strong and equitable development and it is an essential complement to good economic policies”(Akinkugbe 1999:167) Good Governance is supposed to be used as a tool for development and a strategy for poverty reduction. It is important to breakdown the concept and addresses the key characteristics that are imbedded in the Good Governance concept. For the purposes of this research, this paper will be limited to accountability, answerability, punishability, transparency and fight against corruption.

Figure 1 below, shows how auditing is a component of good governance and how it interlinks with accountability and openness (transparency) in conducting public affairs. Accountability further embraces participatory approaches and enhances reform in the public sector management. The ‘good governance agenda’ encourages governments to open avenues for empowering citizens through building a competitive public sector. Subsequently, this approach may have positive impact on the economy of a given country. Thus, good governance is a broad concept with interlinking dimensions.

Figure 1 - Dimensions of good governance.



Source:

<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan020259>

Further, bad governance mushrooms when officials conveniently decide not to separate public funds and resources from private funds thereby misapplying these resources for personal benefit. This is why it is argued "... a *good government* is an essential precondition for *good governance* and economic development..." (Doig 1995:151). One indicator of bad governance is when rules and regulations are enforced selectively and certain people are perceived to be above the law. Secondly, when policy makers implement misplaced development interventions that are neither participatory nor consultative and neither the benefits nor the beneficiaries are well defined (Ibid).

Karl Wohlmuth, argues that "good governance" is a normative concept and he refers to the many norms of governance such as bureaucratic accountability and transparency. He also mentions, "Legitimacy of government based on popular sovereignty and international recognition, popular participation that allows decision making by the people at all levels of the state and on the basis of political and social pluralism." (Wohlmuth 1999:7) In my view, accountability and transparency in the management of public funds and resources may allude to good governance.

Performance auditing plays a crucial role in the "Good Governance agenda" (World Bank 1992) by trying to enhance good governance. Auditing in general acts as a tool for assessing the actors involved in governance systems. In addition, there is a link between audit and governance because audits strengthen governance systems and governance on the other hand necessitates audits as a way of monitoring and evaluating performance. Although performance auditing is relatively new in the African region, the concept goes a step further to assure Parliament and the public, that there has been value for their money in the programmes undertaken by the executive (www.ago.gov.zm).

2.2 Public Accountability

Accountability like many other concepts has undergone transformation over the years and has moved far beyond its bookkeeping origins and has now become a symbol for good governance. "Accountability no longer refers to sovereigns holding their subjects to account, but the authorities are also held accountable by the citizens for their acts & omissions, their decisions, policies and expenditures. Public accountability therefore is a complement of public management" (Bovens 2005:182). Accountability also includes aspects of enforceability, answerability and punishability as a resulting consequence (www.ago.gov.zm; www.worldbank.org; Leftwich 1994; Thomas 2003; Gregory 2003; Heinrich 2003)

Accountability is an element of good governance and is important for enhancing integrity of government, to improve performance, for enhancing legitimacy of public governance, for maintaining democratic control (World Bank 2004). Tobias (2006) defines accountability as being answerable for ones' actions. This involves the way standards are up held in terms of service delivery. In the event of poor performance, the question of answerability comes in play because corrective action becomes inevitable. Issues of accountability and transparency have become areas of concern in public administration more es-

pecially where misuse of power and public funds and resources are prevalent (Asibuo 2001; Ackerman 2003).

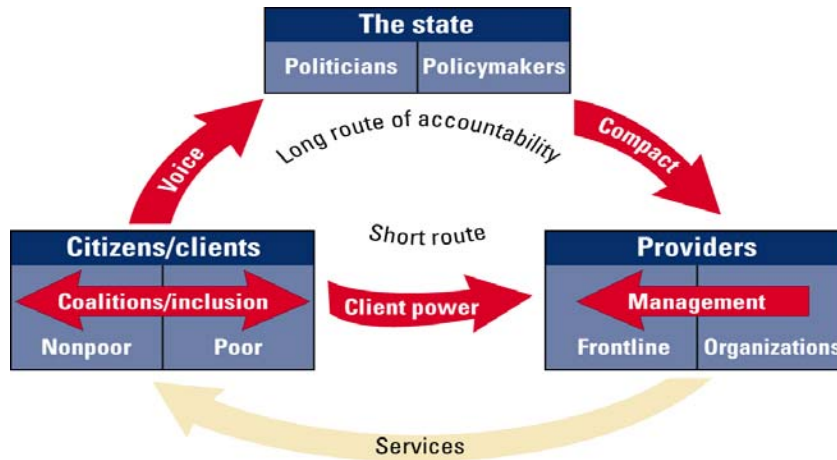
Taxpayers may seek to hold service providers accountable for performance in two ways. “Client power connecting clients and providers is the direct, ‘short’ route of accountability. When such client power is weak or not possible to use, clients must use voice and politics in their role as citizens to hold politicians accountable—and politician/policymakers must in turn use the compact(contract) same with providers. The combination of the two is the roundabout, “long” route of accountability” (World Bank 2004:48). The World Bank calls this linkage the ‘triangle of accountability’. This is an elaboration of the linkages in the service delivery chain between the clients/citizens, the politicians/policy makers and organisational providers/front line professionals (World Bank 2004).

The relationship that exists between the clients/citizens and the service providers is called the ‘*short route*’ because in this case the citizens have access and influence on the service providers. They use voice and exit to influence service providers. The clients have the power to chose alternatives if the service provider does not meet their needs (Hirschman 1970). De Wit et al (2006) challenges the World Bank’s model in that the short route neglects the role of civil society in accountability enforcement and that it acknowledges clientelism forgetting that it may breed corruption. Service providers can be health care providers, electricity or water companies. The service providers are accountable to the clients because they are the ones that keep them in business. The ‘*long route*’ relates to a situation when the clients do not have influence and can not use ‘exit’ to influence service providers because they can not afford alternative service providers(Ibid).

This is typical in cases where the clients (i.e. Workers, voters, patients etc) are poor and their voices are ignored. This is where the politicians and policy makers gain political mileage by using the situation to influence votes. The politicians/policy makers will influence and exert pressure on the service providers to deliver to the clients .If this is not done, there may be unrest and the politicians may lose their votes because the clients/citizens will have lost confidence in them (World Bank 2004; de Wit et al 2006).

Figure 2 below, illustrates the Short and long routes of accountability according to the World Bank (2004).

Figure 2 - The Short and Long Route of Accountability



Source: (World Bank 2004; 4302 lecture 9)

2.3 Corruption

Corruption involves the transfer of money or any valuable items in exchange for a favour. It also includes the misuse of official positions for personal gain. This misuse is sometimes referred to as abuse of office (Hamir 1999; Smith 1999). According to the Anti – Corruption Commission of Zambia, Act No.142 of 1996, corruption is defined as “the soliciting, accepting, obtaining, giving or offering of a gratification by way of a bribe or other personal temptation or inducement or the misuse or abuse of a public office for private advantage or benefit”(Anti-Corruption Act 1996) In my view, Corruption is usually prevalent in cases where the demand for services or goods is higher than the supply side. Accountability and transparency in the public service are key issues that have necessitated concern apart from donors but from government officials as well. Before the initiation of the anti corruption campaign by the late President Mwanawasa, the Zambian administrative wings were fuelled by abuse of power and misappropriation and misapplication of public funds (Asibuo 2001).

In cases where officials in organisations assume too much power and discretion, there is usually abundant room for one to become corrupt. The effects therefore are that corrupt officials that are paid to prevent the enforcement of the law become wealthy at the cost of respect for the rule of law in a nation. Whenever moral behaviour begins to deteriorate and people engage in dishonest and rent seeking practices such as fraud, bribery and patronage, then we can say that there is corruption. In the analysis, the paper will briefly refer to the public choice theory as described by Mueller (1989) as a study which looks

at how government officials behave, including the behaviour of persons who interact with government. Public choice looks at how politicians are in the habit of promising the electorate, good policies and programs in the hope of being elected or re-elected into office (Udehn 1996). Although outwardly, the politician and sometimes the bureaucrats also appear to put the interests of the citizens first and yet in reality, they are actually serving their own interests.

It is also argued that these elements of corruption are most likely to deteriorate the moral fibre and may lead to poverty (Mauro 1994). Corruption is a major problem that has called for serious interventions in the recent past in many countries. The OAG-Z can be seen to serve the broader objective of accountability and transparency vis-à-vis the public, which in turn would help to reduce corruption. The question is does accountability generated by OAG-Z lead to sanctions in cases of corruption.

2.4 Capacity

According to Grindle and Hilderbrand (1995), Capacity is being able to carry out assigned tasks in an efficient, effective and sustainable manner. Fukuda-Parr (2002) adds on to the many definitions of capacity as being able to carry out functions effectively and ability to find solutions to problems. The use of the term capacity building covers a number of efforts that foster to increase the “the efficiency, effectiveness and responsiveness of government performance” (Grindle 1997b:5).

When capacities are built from the scratch, it is referred to as capacity building while as in cases that require improvement to the existing capacity, it is called capacity strengthening. Therefore when applied to members of staff, it becomes human resource development while at institution level, it is called institution building (North 1992; Cohen 1993; Mentz 1997). When we talk about capacity in the public service, it is usually coupled with aspects of performance and organizational culture (Donaldson 1999). Organizational culture is defined as the collective way of attaching value and beliefs on issues that concern a collection of individuals in an organization (Grindle 1997a).

Organization culture has two dimensions, meaning that it can create an environment for change or it can stifle change thus creating conflict amongst individuals in an organization. Elements linked with positive organizational culture are; having a sense of mission and performance oriented managerial style (Ibid). On the other hand, “when organisations are part of developing country public sectors, their context further constrains their autonomy. Civil service rules, procedures and decisions are generally highly centralised, uniform and rigid limiting the extent to which public sector organisations can innovate or even motivate and discipline their employees”(Ibid :483).

Figure 3 below illustrates how the human resource in the OAG-Z is an important factor in capacity building. It starts with the employees, moves to the ‘task networks’, which are the organisations that the OAG-Z depends on for information, authority for recruitment, reporting and awareness building. Examples of these organisations are the ACC, MOFNP, PAC⁵ and Media. The external environment influences the OAG-Z in terms of socio-political and economic factors that may hinder or strengthen operations.

Figure 3 - Dimensions of capacity

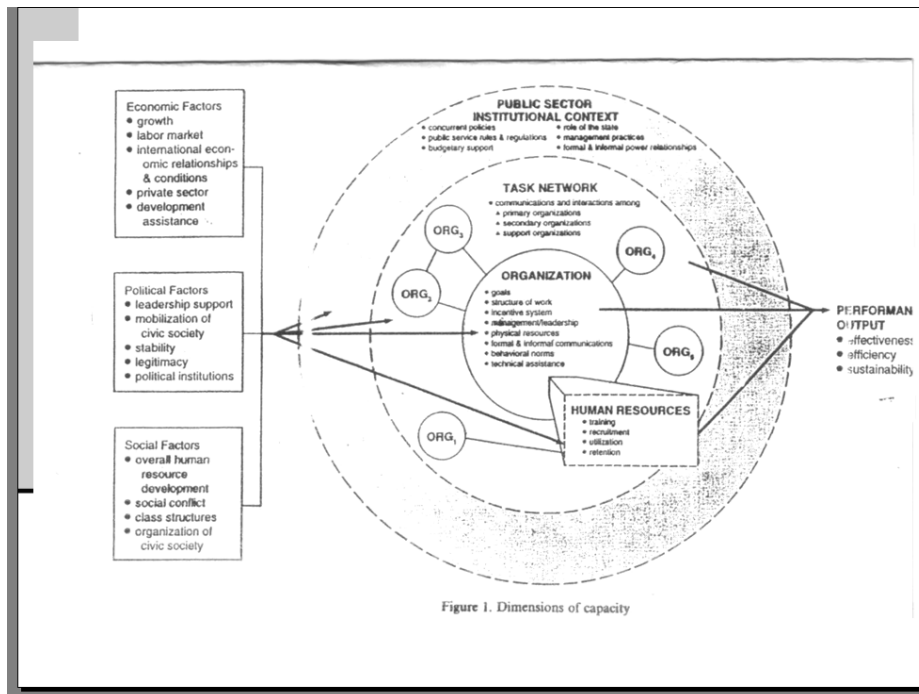


Figure 1. Dimensions of capacity

Source: (Hilderbrand and Grindle 1997:36)

2.5 Auditing

This is the scrutiny of both financial and non financial records to find out if public funds and resources have been utilized in an effective, economic and efficient manner for the benefit of society. The role of Supreme Audit Institutions (SAIs) is to support the process of public administration and to add value by improving systems of governance .

2.5.1 Financial (Regularity and Compliance) Auditing

Performance Auditing is a recent expansion in the scope of *Financial Auditing*. Traditionally, financial auditing has been concerned with financial control and accuracy of accounts (Power 2003). “The main objective of financial auditing is

⁵ Refer to list of acronyms.

to provide an opinion on the fairness of the accounts and financial statements. It also examines compliance with applicable authority, regulations and rules” (Dept of the Auditor General of Pakistan, 1993:5)⁶.

According to the INTOSAI Auditing Standard, financial audit embraces; “Attestation of financial accountability of accountable entities which involves examination of financial record: cashbooks, ledgers, payment vouchers, cheque books, receipt books, bank statements; and expression of the Auditor’s opinion of these. It also includes attestation of financial accountability of the government as a whole; audit of financial systems and transactions; evaluation of compliance with applicable statutes and regulations; audit of internal control and internal audit functions and audit of the probity and propriety of administrative decisions taken within the audited entity. Reporting of any other matters relating to the audit that the Supreme Audit Institution(SAI) considers should be disclosed” (INTOSAI Auditing Standards 1992:18-19)

The above definition emphasizes attestation as a main activity in financial audit, which is a clear difference from the definition of performance audit.

2.5.2 Performance (value for money) Auditing

Performance audit may be defined as “an independent appraisal of an entity to determine whether resources were managed with due regard to economy, efficiency and effectiveness and in conformity with applicable regulations, rules and procedures” (BMB Management Consulting, 1992:4). It is also defined as the audit of the economy, efficiency and effectiveness in line with the way an organisation utilises funds and resources in carrying out its activities (INTOSAI Audit Standards 1992). Simply stated, this is a way of checking whether government institutions are carrying out their operations in the right way and in a not so costly manner (Swedish National Audit Office 1999). The most widely accepted definitions connect performance auditing with the review of the ‘three Es’ - Economy, Effectiveness and Efficiency of public bodies or programmes. INTOSAI states that performance auditing embraces;

“Audit of the economy of administrative activities in accordance with sound administrative principles, practices, and management policies; audit of the efficiency of utilisation of human; performance measures; monitoring arrangements; systems and procedures followed by the audited entities for remedying identified deficiencies; audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity and audit of the actual impact of activities compared with the intended impact” (INTOSAI Auditing Standards, 1992:19).

The Swedish National Audit office (1999) adds that many aid recipient countries carry out what is usually called donor *project auditing* which focuses on investment projects financed by different donor organisations and usually concentrates on the quality of the investment. Questions analysed are for example “was the school built according to agreed standards?”(Ibid:24) In this sense,

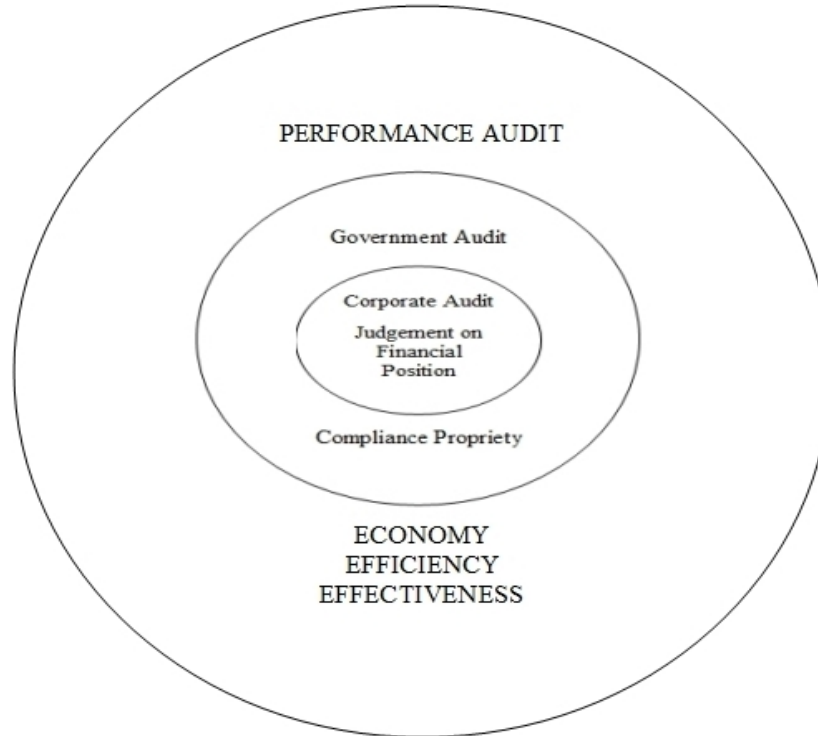
⁶Pioneers of Performance Audits amongst developing countries.

donor project auditing is similar to both Financial and Performance Auditing. However, Performance Auditing deals with investments, current operations and the consequences of investments. Therefore Performance Auditors may go further and for example ask, “is the school’s capacity fully utilised and does it serve the needs of the people in the area?”(Ibid: 24).The INTOSAI auditing standards state that the full scope of government audit includes financial & regularity and performance audit (INTOSAI 1992:18-19; INTOSAI 2008).

Financial Auditing is a well-established field, which has been in existence longer than Performance Audit field. This probably explains why the Financial Auditors have over the years developed the Generally Accepted Accounting Practices (GAAP) on which they are able to base their conclusions. In terms of Performance Audits, there is no much scholarly work that has been done .This makes the work of Performance Auditors more difficult because there are no standard criteria. The Auditors have to tailor specific criteria for each audit assignment, on which to base their conclusions (Pollitt et al, 1999).

Performance Audit involves evaluating management activities, appropriateness of policy pronouncements, efficiency, effectiveness and economy of operations (Pollitt 2003; Power 2003) .Performance Audits do not query political goals; it pinpoints and shows the negative effects of a given policy. Therefore the auditors have to study the details of certain operations .For example when carrying out an audit on an energy project, the audit criteria would need standards for such activities as fuel inputs for electricity generation, the cost of power per unit generated, how much it costs to maintain the whole capital investment, how many households would be supplied with power and so on. Not until the Auditors familiarise themselves with such operations of the energy project then they would not be able to set an audit criteria. Much as the Auditors make an effort to study the operations, it becomes inevitable to seek technical knowhow. Thus “...Auditors should engage with the professional knowledge base of the auditees as far as possible....”(Power 2003:199) This is an example of a situation, which suggests that Performance Audits may require a combination of technical experts apart from just knowledge in accountancy (Khan 1990).

Figure 4 - The Expanding Scope of Audit



Source: Department of the Auditor General of Pakistan (1993)

Figure 4 above, illustrates how performance audit covers a broader scope and embraces judgement of financial position, compliance to regulations and the efficient, effective and economic use of public funds and resources

Even though Performance Auditing tends to borrow some styles of carrying out inspections and judgements from evaluation and social science methods, Performance Auditors carry out their work based on the mandate, which clearly states their scope of work. Evaluators on the other hand, depend on the terms of reference to define the parameters of the evaluation and tasks to be done. In contrast, no one dictates to the Auditors unless in very rare cases, the president can call for an audit when there is suspicion of poor utilisation of resources. This means that they maintain their “independence in defining their portfolio of topic and choice of auditees” (Pollitt et al 1999:17).

Economy in performance audit is about minimising the cost of resources that will be needed or required in order to achieve an end. It also considers whether human, financial and material resources have been utilised economically. The idea is to spend less without necessarily compromising on the quality (www.intosai.org).

Efficiency on the other hand is the relationship between outputs and the goods, services and resources used to produce them. The idea here is to spend well and judge whether a certain amount of outputs can be produced given a certain amount of resources (www.intosai.org). In other words, “The balance or proportion between the benefits and the costs” (Gasper, 2002:1)

Effectiveness is the relationship between intended and achieved results of public spending. Effectiveness basically assesses whether objectives have been met by the means employed, outputs produced and whether the impacts really are a result of policy rather than other circumstances. The idea is to spend wisely and check the degree of achievement of objectives (Swedish National Audit Office, 1999:33, www.intosai.org).

Further, performance audits assist government by contributing through the impacts arising as a result of the audit exercise, for example the Controller and Auditor General of Bangladesh (2000) points out that Performance Audits impacts on audited institutions in the following ways;

Reducing costs, resulting in financial savings; The SAI is able to caution audited entities on the efficient ways of using resources. This serves as a deterrent for possible misuse of funds. Management will be able to identify waste and will promote qualitative improvements.

Creating awareness of the need for good accountability and transparency in the use of resources; values are instilled in public officials by laying bare the benefits of accountability and transparency.

Improving efficiency and the quality of services provided; auditees will set indicators that will point towards better productivity thus achieving the organisation's aims and objectives more cost effectively.

Strengthening management and organisational processes; this means that the audit will have provided the audited organisation with new insights on prudent management practices and achieve best results.

Developing policy; by auditing the appropriateness of policy, management is able to improve existing policy or to design new, relevant and sustainable policies. It also helps policy makers to attach value during policy design.

The main differences are summarised in Table 1.

Table 1 - Similarities and differences

Aspect	Performance Auditing(PA)	Financial Auditing(FA)
Purpose	Assess whether the auditee is effective	Assess whether the accounts are true and fair
Focus on	The organisation/programme and its activities	The accounting and Management system
Academic base	Economics, political science, Development studies, Sociology(Social Sciences)	Accounting
Methods	Varying from project to project	More or less standardised
Assessment criteria	More subjective unique criteria for the individual audit	Less subjective, Standardised criteria suitable for all audits
Reports	Varying structure and content. Published on ad hoc basis.	More or less standardised and Published on regular basis

(Source: Swedish National Audit Office, 1999:23)

“Both Performance Audits and Financial Audits assess the performance of the auditee. Although the Performance Auditors focus on effectiveness, the Financial Auditors focus on the correctness and fairness of the accounts. Financial and Performance Auditors both have mandate to carry out the audits, the same obligations to the client and the same type of support in the shape of international co-operation, standards and discussions”(Swedish National Audit Office 1999:23).

2.6 Comparative Evidence: Cases of Rwanda and Botswana

This paper will make use of two case studies in order to draw examples from countries in the region that have managed to institutionalise Performance Audits. The two case studies show the problems and prospects as regards the implementation of Performance Audits.

2.6.1 The Case of Rwanda

During the period 2002-2006, the Office of the Auditor General of State Finances in Rwanda carried out a Performance Audit, which focused on the Effectiveness of Maternal Health Care Delivery. The objectives of the audit were to ascertain whether the quality of maternal health care is satisfactory and whether there is adequate equipment and trained staff to handle maternal health issues. The audit also checked the effectiveness of the community health insurance scheme. In addition, it was also important to find out whether the existing transport infrastructure allows easy access to maternal health care centres. Lastly, the audit focused on ensuring that proper monitoring and evaluation systems existed, as regards maternal health care.

According to the report, the Auditors observed that most of the health centres visited did not have sufficient medical equipment to ensure quality maternal health care. For example at some health centres the pliers and scissors used in the maternity ward was also used for dressing wounds and only cleaned with water thus increasing the risk of transmitting diseases. In terms of emergency cases, the patients are referred to the district hospital without any transport meaning that the mothers have to walk a long distance to the main hospital due to poor availability of equipment and specialised staff at the health centres. Further, family planning options were limited thus, the women could not make preferences. In addition, the women sometimes shunned the family planning services due to traditional beliefs. Others preferred to deliver at home under the watch of a traditional birth assistant due to the lack of man power at the hospital, no privacy, long distance and cost .It was also observed that there was no evidence that the health centres were being supervised by the district hospitals, thus monitoring and evaluation reports were non existent.

As a result of the audit, health workers have been trained in communication skills to help sensitise the public on the benefits of family planning methods, on the role of the community health workers and other health related issues through health talks and radio programs. In addition, more physicians and nurses have been recruited. The community health insurance scheme has since prepared a guide book for the implementation of the community policy and it will emphasise training for community health workers and traditional birth at-

tendants. After the audit, within the same year 2007, 28 ambulances were distributed to the health centres making it possible for each health centre to have at least access to an ambulance. In terms of communication between the health centres and district hospital, a radio call system is being developed.

There has been a redefinition of the supervision framework whereby a multidisciplinary team at the level of every district does the supervision. (Office of the Auditor General of State Finance-Rwanda 2007)

2.6.2 The Case of Botswana

Performance Auditing as a discipline was developed in a phased manner, which started in 1992 when the Government of Botswana recognised the need for a Performance Audit unit in the Office of the Auditor General (OAG-Botswana). The aim was to develop a functioning Performance Audit unit that would produce financial and operational efficiency of government departments. The Swedish International Development Cooperation Agency (SIDA) was approached for funding. Consequently, Swedish National Audit Office was appointed to carry out a feasibility study on the operations of OAG-Botswana at the request of SIDA. The results of study identified weaknesses in audit planning and management, staffing & training, reporting, the use of modern technology and audit techniques, which were restricting the Auditor General's ability to properly fulfil his statutory responsibilities. Among other things, the study highlighted the importance of information technology (IT) audits.

A Performance Audit Section was established to enable the Office start operating in this new discipline and training of staff was arranged to equip them with performance auditing concepts and techniques. During the implementation stage, the project faced difficulties such as Lack of expertise in this discipline at managerial level. Like the auditors, the auditee entities also did not really understand what performance audit was and what benefits would accrue to them; high turnover of staff contributed to the delays in finalising of audit reports. After conclusion of the technical assistance programme in 1998 the functioning of the Performance Audit Section faced a setback and its output level could not be increased. OAG-Botswana undertook an initiative by approaching SAI Pakistan with the request for support in terms of attachment/secondment of their performance audit managers from Pakistan who could provide on the job training to the performance audit staff in Botswana. (Ibid)

In 2002, OAG- Botswana benefited from the services of a performance audit manager from SAI Pakistan who started working with the teams at operation level. The experience proved to be beneficial for the staff as they started gaining the practical experience. During this period the coverage of performance, auditing was extended to the level of local authorities. In 2003 & 2004, the office began offering professional support to other SAIs in the region.

2.7 Lessons Learnt

2.7.1 Rwanda

The audit has been a wake up call for the policy makers and the donors too on whether the beneficiaries of the health policy are really benefiting .The Audit also served as a measure of performance in service delivery in the health sector. A lesson that can be learnt from this case is that the Rwandese government recognised the need to build capacities in the health centres by recruiting more physicians and nurses .They also undertook skills training in communication skills for the community health workers .The government and management in the health sector have taken the audit recommendations on board and embarked on reviewing the implementation of the health policy. This audit clearly shows how it has stimulated the improvement of the existing policy and has helped to improve the quality of services provided. This was possible because Performance Audits concern themselves with outcomes and impacts of policy interventions.

2.7.2 Botswana

Introduction of Performance Auditing was not an easy task for the management of OAG- Botswana. However, the challenge has resulted into learning lessons that could provide an insight into the way this discipline has developed in this organization. It took Botswana about 15 years to develop performance auditing into what it is now. Botswana has set an example for other countries in the region that would like to venture into performance audits. The effectiveness of performance auditing in any SAI largely depends on retention of trained staff. Though in the initial few years of performance auditing in OAG – Botswana, the organization had to experience starting up problems, however, gradually these hurdles were overcome by the vision and commitment of management and government.

It was reported during the AFROSAI-E Governing Board Meeting in Botswana that the success in Performance Auditing was owing to the fact that the SAI recruited university degree holders in disciplines such as economics, political science, public policy and other social sciences, which resulted in a stronger knowledge and skills base. The office also made use of professional experience from other countries that were already practicing (OAG News May⁷ 2008).

⁷The month is included in the citation in order to distinguish the month of publication, since there have been other publications during 2008.

Chapter 3

Overview on Zambia and the field of Performance Auditing

Zambia is a landlocked sub-Saharan country with a population which was first comprehensively recorded at 5.7 million in the 1980 census⁸. It increased to 7.8 million and 9.9 million in 1990 and 2000, respectively (CSO 2000). Zambia has a mixed economy consisting of a modern urban sector and a rural agricultural sector (Zambia Demographic and Health Survey 2003). Zambia gained its independence on 24th October, 1964 and since undergone political transition from a one party to a multi party state. At independence, the Zambian economy was considered one of the best in Africa (Turok 1979) although bad internal economic management practices coupled with external economic shocks in the 1970s and 1980s triggered the current fluctuating economic decline.

The economy is heavily dependent on mining despite numerous attempts to diversify (Ndulo 1985). Zambia is now classified among the poorest countries in Sub-Saharan Africa with a per capita income fluctuating at about US\$300 for the last number of years (Bolnick 1997). Some of the main barriers to moving out of poverty are low economic growth, corruption, poor implementation of policies, HIV/AIDS pandemic etc (PRSP 2002-2004). In December 2000, Zambia qualified for debt relief under the Highly Indebted Poor Countries (HIPC) Initiative. Since the introduction of a liberalised market economy, most state owed companies have either been privatised or liquidated (Momba 1999). Mining and agriculture are the main economic activities in the country.

⁸ A census is carried out after every 10 years.

Table 2 – Transformation of the economy over the years

1964-1972	Free Market Policies	Liberal Economic policies; Little state control; focus on infrastructure and service provision; High and rising copper prices.
1973-1984	State Control	Economy was sector led; Parastatal monopolies; Economic activities concentrate in urban areas; over valued exchange rate to promote imports of capital equipment; Government subsidies on price of maize.
1985-1990	Economic Transition	Introduction of Structural adjustment Policies; Price decontrols.
1991-2002	Stabilization and Structural Adjustments	Private sector growth, Price, trade, exchange and interest rate policies; Liberalization Policies, Privatization and other institutional reforms.
2002- To current date	Public and private sector capacity building programs	Citizen empowerment programs, public – private partnerships; Prudent Public finance management campaigns; Anti corruption campaigns.

Source: (University of Zambia 2004).

3.1 Extent of Corruption in Zambia

According to the Zambia National Governance Baseline Survey Report (2004), corruption is most notable in the public service delivery, permits & licenses and public procurement. It is also high in the delivery for pensions, public health sector and the police. Corruption in the form of bribes is prevalent in urban areas than in the rural areas. Perpetuation of corruption is usually two ways. This means that it is not only the payment takers who perpetuate corruption, many bribe payers may be taking bribery for granted and paying without necessarily being asked (Ibid). The main cause of corruption in Zambia is reported to be the high cost of living, unemployment and low salaries.

It is not the purpose of this paper to generalise about corruption for all institutions, as this may be misleading. However, it seeks to contextualise the degree of governance and the extent of corruption in Zambia. Ever since the launching of the good governance agenda and the zero-tolerance to corruption by the late president of Zambia, sections of the government are determined not to allow corruption to become institutionalised. The ACC, an institution charged with the mandate to fight corruption is making frantic efforts to sensitise the citizenry and encourage them to report all suspected cases of corruption. Further, organisations have been urged to improve complaints and consultation mechanisms so that there is an open door access to information. According to the report, many people do not know how and where to report corruption cases. Others fear intimidation and harassment.

3.2 History of OAG-Z

The history of the OAG-Z dates back to the pre-independence era. Zambia was a British colony until gaining independence in 1964. As a British colony known as Northern Rhodesia, the country was under the constitutional responsibility of the Secretary of State for colonies who established the colonial audit service and appointed its Director-General. The colonial audit service was not part of the office of the Comptroller and Auditor-General in the United Kingdom, but rather an internal audit function intended to assist the Secretary of State in managing the affairs of the colony. Between 1964 and 1991 Zambia remained a one party state and the only inclusion in pieces of legislation, was the introduction of the Audit Act in 1980 (Mwambwa 1998).

After independence, the colonial audit service became the Audit Office to provide external audit for the government, and the colonial audit staff remained as civil servants in the Audit Office. Due to lack of local expertise at the time, the head of the colonial audit service became the Auditor General and because of the uncertainties following the changes in the political scenario, the office remained a department under the Ministry of Finance. The supreme audit institution staff and the Auditor General were recruited and appointed by the Public Service Commission, and they were subject to the Civil Service conditions of service (Ibid).

With the passage of an Audit Act in 1980⁹, the OAG-Z and the position of Auditor General were established under Article 121 of the Constitution of Zambia. The constitution provides for the appointment of the Auditor General by the President subject to ratification by Parliament (Article 121 of the Constitution of Zambia). The SAI has evolved from a small audit institution with a small work force of expatriates to a current work force of over 300 audit and support staff.

3.3 Roles and Responsibilities of OAG-Z

The main role and function of the OAG-Z is to ensure that the provisions of the constitution regarding collection and application of public resources are complied with and contribute to public accountability and financial management. The Auditor General is required to audit all the revenues of the Republic and the expenditure of monies appropriated by parliament and to submit a report to Parliament not later than twelve months after the end of the year to which the accounts relate. It is the responsibility of the Auditor General to audit public funds wherever they have been spent and certify the financial statements making up the financial report at the end of the year. The Auditor General also audits the accounts of parastatal bodies including quasi-government organisations (Constitution of Zambia 1991)

⁹ The Public Audit Act of 1980 has since been replaced by the Public Finance Act No. 15 of 2004.

3.4 The Legislative Mandate

The Office of the Auditor General is established through Article 121(1) of the Constitution of Zambia. It is headed by the Auditor General, appointed by the President and ratified by the National Assembly. Article 121(1) of the Constitution of Zambia mandates the Auditor General to be the statutory Auditor of all public resources. To satisfy herself/himself that the provisions of Part X of the Constitution of Zambia that deals with among others the raising and spending of public money are complied with. To satisfy herself/himself that the moneys expended have been applied to the purposes for which they were appropriated by parliament and that expenditure conforms to authority that governs it.

In addition, section 45(1) of the Public Finance Act No.15 of 2004 states that the Auditor General shall conduct Performance and Specialised Audits in respect of a Ministry, Government Department or Statutory Corporation as the Auditor General shall consider necessary and shall prepare a report on the audit for submission to the National Assembly.

3.5 Objectives

The stated objectives of OAG-Z are:

- To conduct timely, independent and cost effective audits in order to enhance optimal collection and utilisation of resources by clients ;
- To establish a mechanism to enhance coordination and collaboration between OAG and stakeholders in order to increase awareness and mutual understanding;
- To efficiently and effectively mobilise, provide and manage administrative and logistic support services for the effective operation of the OAG-Z.
- To decentralise the operations of the OAG to the provincial and district levels to achieve wider audit coverage;
- To efficiently and effectively provide consultancy services to meet the needs of end users;
- To establish and maintain an efficient and effective management information system, for timely decision-making and dissemination of information (Report on the restructuring of the Office of the Auditor General 2003; Performance Audit Guide 2008).

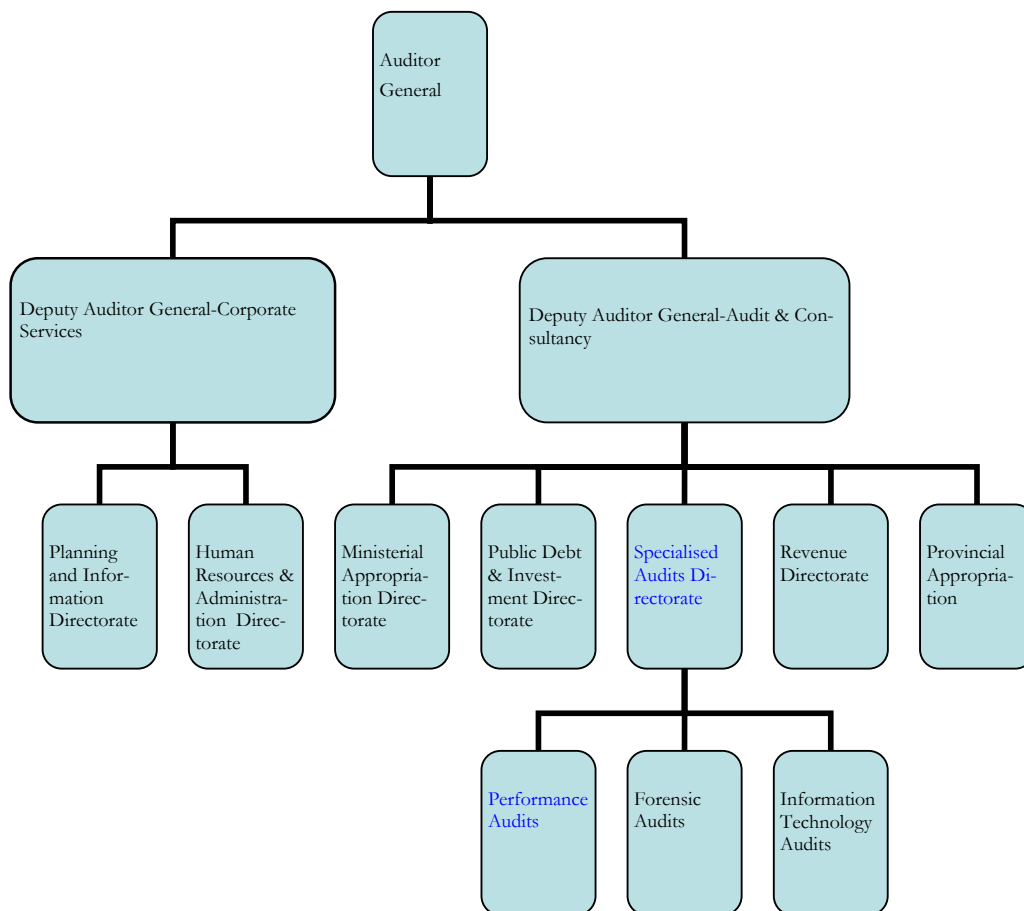
3.6 Organisation Structure of OAG-Z

The OAG-Z has its headquarters in Lusaka. The office has two divisions, namely; Audit & Consultancy and Corporate Services Divisions. The Audit and Consultancy Division carries out the core business of the office and comprises

five directorates: Ministerial Appropriation Audits; Provincial Appropriation Audits; Revenue Audits; Specialized Audits and Public Debt & Investments Audits. The office has nine Provincial offices in Lusaka, Kabwe, Ndola, Livingstone, Chipata, Kasama, Mongu, Solwezi and Mansa. The provincial offices report to the Provincial Appropriation Directorate. The Corporate Services Division, which is a support division, comprises two directorates, namely; Planning & Information; and Human Resources & Administration.

Figure 5 - The Organisation Chart for OAG-Z

(Source: MMD 2004)



3.7 Types of Audits conducted by OAG-Z

Before 2004, the OAG-Z was not able to go full fledged into Performance Audits because of lack of a legal framework. A positive development however is that the Public Finance Act number 15 of 2004 has been reviewed and now gives the OAG –Z authority to carry out Performance and other specialized audits. It must be noted therefore that the OAG-Z conducts more of Financial Audits and less Performance and other Specialized Audits.

Apart from the mainstream government setup, the legal provisions provide for the establishment of bodies such as the OAG-Z and the Anti-Corruption Commission (ACC). In the context of public finance management, the OAG-Z is responsible for the assessment and audit of the budget outcome while the ACC would have to prosecute any official who is cited for impropriety. However there is no legal framework that establishes a systematic linkage in the roles of the two institutions. Prudently, cases of corruption if detected during the audit are referred to ACC. OAG-Z does not have the legal mandate to prosecute erring officials.

3.8 Factors Determining Selection of Audit Topic

In terms of Financial Audits the constitutional mandate dictates the audit topics and institutions that need to be audited by the Auditor General. Thus Article 121(1) of the Constitution of Zambia mandates the Auditor General to be the statutory auditor of all public resources. In addition, section 45(1) of the Public Finance Act No.15 of 2004 states that “the Auditor General shall carry out *Performance and Specialised Audits* in respect of a Ministry, Government Department or Statutory Corporation as the Auditor General shall consider necessary and shall prepare a report on the audit for submission to the President for on ward transmission to Parliament”.

The Auditors interviewed, mentioned that other factors that determine the criteria of choosing an audit area is the amount of public resources utilised in an activity, Performance Audits look out for high risk institutions, government departments that receive substantial budget allocations, traditional risk areas like the Ministry of Education in terms of distribution of school materials. Other factors that determine which institution will be audited, is when performance information for an organisation is not updated therefore a need arises for a Performance Audit to take place, coupled with the economic importance of the activity. In addition, follow up audits are necessary for previous audits that really suggested need for change in an organisation.

Another factor that determines choice of audit area is the magnitude of complaints and expectations from citizens ; for example if members of the public are not satisfied with the way services are being delivered, Performance Audits take it up and try to find out what could be causing the problem. A good example in Zambia is the service delivery at the passport office where public complaints on service delivery is high.

Further, the Performance Audit Unit conducts risk assessment depending on the amount of money that has been spent on a given government program

or project and reports from media bodies and anonymous letters from concerned members of the public. The Performance Auditors endeavour to interact with the intended beneficiaries to find out if they really benefited from the service and what impact the program or project has had on their lives.

All government ministries and departments are potential clients but because the Performance Audit Unit is inadequately staffed, coverage of selected audit areas proves to be a challenge. The Unit currently has only seven Performance Auditors. Although the Public Audit Act Cap 378; gives immunity on the Auditor General (AG) and her staff. The AG's access to the records, books, reports or other documents as well as the premises of the Defence Forces and the Zambian Intelligence Security Service is severely restricted. She can be denied access or entry to the premises if that may prejudice the security or international relations of the country. It is therefore a remarkable achievement that recently, the AG carried out a financial audit of the defence forces (Nchite and Nsana 2004).

Table 3 – Potential Performance Audit Areas

Type of Activity	Possible Improvements
Procurement or purchasing arrangements	Purchasing goods and services more cost effectively
Stores Management	Improved procedures resulting in reduced stock-holding and reduced losses
Support services ,including telephone and electricity	Obtaining services at better prices, managing facilities better and identifying scope for reducing consumption
Estates and Assets management including vehicles, buildings etc	Making better use of land, buildings, vehicles, equipment and accommodation. The latter will allow increased capacity or release of accommodation for other use or for disposal
Management of major capital projects	Improved procedures allowing contracts to be completed within cost and timeframe
Utilisation and deployment of manpower	Increased productivity and reduced staffing overheads

(Source : OAG-Z Performance Audit Manual 2008)

3.9 Audit Procedures and Reports

All audits are carried out in accordance with Office of the Auditor General Policies and procedures. During the period 2003 and 2004 professional Code of Ethics and Auditing Standards were developed for use in audit assignments. The constitution requires the Auditor General to submit her/his annual report on the accounts of the Republic to the President who not later than seven days after the first sitting of the National assembly causes it to be laid before the National Assembly. Other types of reports are submitted in the same manner and are tabled by National Assembly as soon as they are ready.

Like in a company, where Managers and Directors are required to account on their leadership and stewardship to the shareholders, normally by presenting audited financial statements, Governments are also required to account to the tax payers, by providing audited financial statements. The constitution re-

quires the Minister of Finance and National Planning to lay before Parliament, the audited financial report, nine months after the end of the fiscal year. It is the responsibility of the Auditor General to audit public funds wherever they have been spent and certify the financial statements making up the financial report at the end of the year. The Auditor General informs the public of the results of her/his audit on public finances through an annual audit report which is laid before the National Assembly, not later than 12 months after the end of each financial year. (The Constitution of the Republic of Zambia Article 121 Part X) It is therefore important that the public takes keen interest in the Auditor General's report as it tells them how tax payers' money has been utilized.

3.10 The Relationship between Public Accounts Committee (PAC) and OAG-Z

The Public Accounts Committee (PAC) is a general purposes committee of the House. It consists of Eight (8) members, (7) from various political parties and the Eighth member is the honorable minister of Finance and National Planning (Ex-Official). Its chair person traditionally belongs to the opposition party. The work of the PAC is largely based on the AG's report. The AG produces a report on the accounts of the republic. This report is submitted to Parliament. The clerk of National Assembly will write to the controlling officers requesting them to submit their responses to issues raised in the Auditor General's report. Controlling officers are required to submit their memorandum to reach the Clerk of National Assembly Fourteen (14) days before the notified date on which PAC is to sit (OAG News May 2008).

The Parliamentary committee on public finance (PAC) deliberates on this report by questioning Controlling Officers and makes recommendations to the main house. After deliberating on responses, PAC will present its report for consideration by the main house. Thereafter, the House adopts the report. Sixty (60) days after the report has been adopted, Ministry of Finance through the Secretary to the Treasury is required to produce Treasury Minutes (Action taken Report) showing action taken to correct the anomalies. The committee is at liberty to pursue other issues of concern with regard to public financial management though not queried by the Auditor General. All unresolved issues are listed as appendix to the next AG's report until they are resolved (OAG-Z records). A close working relationship between the Auditor General and Parliament enhances public confidence that resources are used with due regard to the efficient and effective running of the economy (Chandi 2008).

3.11 Government Reforms

The government has in the past few years tried to improve the performance of the public service and has developed the Public Service Reform Program (PSRP) to enhance productivity and quality service delivery (Land 1995). In addition, the government has undertaken the Public Expenditure Management and Financial Accountability Review (PEMFAR) program with support from the World Bank. The purpose of PEMFAR is to strengthen financial management systems in order to address the critical weaknesses in public pol-

icy management, budget preparation & execution and service delivery inline with the PSRP.

The PSRP is made up of three segments; “(1) Restructuring of the Public Service;(2)Management and Human Resource Performance Improvement;(3)Decentralisation and Strengthening Local Government”(Land 1995:6) . The government has had a long standing vision of achieving a fully decentralized and democratically elected system of government. However, very little progress has been made so far in implementing the decentralisation policy (Chifwanakeni et al 2006).

The Zambian government has shown remarkable commitment to fighting corruption and the abuse of public resources. More effort has been exhibited in the past two years than in the preceding ten (10) years. Stolen resources are being recovered. Suspected plunderers are being investigated while others have already been convicted. The government has gone further in showing commitment to implement the work plans suggested under PEMFAR. It is hoped that PEMFAR will bring the turn around that Zambia needs. However Zambia’s heavy dependence on goodwill from donors makes the whole process vulnerable (Nchite and Nsana 2004).This kind of dependence limits the extent to which the government can define the parameters of the activities it desires to undertake and claim total ownership (Grindle 1997).

Ever since the inception of the vigorous fight against corruption by the late President of Zambia, the OAG-Z was brought in the lime light and its work appreciated by both members of the public and entities that have improved their performance because of being audited. One of the core aims of OAG-Z has been to call for responsiveness in the expenditure of public funds and resources. In this regard, the office is doing a recommendable job especially in Financial Audits. This is evidenced by situations where expenditure thresholds have been tightened and public officials are now obliged to take some responsibility for it (Auditor General’s report 2006).

The Government has been making efforts to strengthen ‘transparency’ in its operations on the pretext that transparency is an ingredient of democracy and good governance. The OAG-Z has therefore taken an interest in aggressively checking government expenditure so that there can be strengthened public confidence in the operations of the government.

The Government is also concerned with the issue of increasing productivity and efficiency of the public service. These efforts are most important for the OAG-Z in general and particularly for Performance Auditors because productivity and cost effectiveness (efficiency) are some of the core variables of Performance Auditing. Although Performance Auditors in many countries are mandated to emphasise Economy, Efficiency and Effectiveness, it does not mean that they have completely no regard for examining accounting records (Pollitt et al 1999).

3.12 Rationale for Restructuring OAG-Z

The need to restructure the OAG-Z became inevitable considering the new developments in the management of public resources in Zambia since

1993 when the Public Sector Reform Program (PSRP) was launched. Members of the civil society have continued to lobby government over better management of resources and service delivery. It is against this background that OAG-Z felt the need to transform itself inline with national expectations, priorities and aspirations. The strengthened OAG-Z now assists parliament and the PAC in overseeing that the expenditure conforms to the authority that governs it. The organisation structure has since been reviewed (Report on Restructuring of OAG-Z 2004).

In October 1997, the government of the Republic of Zambia entered into an agreement with the government of the Royal Kingdom of Norway for the Restructuring and Institutional Development of the OAG-Z. The Project is called the Restructuring and Institutional Development Project (RIDP) and the OAG-Z is the implementing agent. This agreement between the government of the Republic of Zambia and the government of the Kingdom of Norway was as a result of the request from Zambia for budgetary support in terms of institutional capacity building. In addition, the minister of development cooperation of the Kingdom of the Netherlands according to an arrangement with Norway has authorised Norway to manage the dutch development funds for support to OAG-Z. The objective of the project is to support and supplement Zambia's development efforts within the field of good governance by giving financial and technical support to the OAG-Z. As regards technical support, OAG-Z has been receiving assistance in the training of personnel and development of the Performance Audit Manual, which has reached an advanced level. The RIDP project design comprises components such as improving the capacity of the OAG-Z in terms of training in Performance Audits.

The overall objective is to promote efficient management and utilisation of financial and other resources, for sustainable development through improving the capacity of the office in performance audits, organisational restructuring, and cooperation in enhancing the independence of the OAG-Z. In addition, improving the capacity of the office through information technology and audit quality methodology (OAG RIDP 111, progress report, 2007).

The OAG-Z receives budgetary support through the Ministry of Finance and National Planning (MOFNP) and funding (grants) from donors through programs and projects, mainly RIDP, the World Bank facilitated Public Expenditure and Financial Accountability Review process (PEMFAR). The Public Service Capacity Building Project (PSCAP) was a World Bank sector credit which has since come to an end and PEMFAR is the basket fund, where Norway and the Netherlands are also taking part in the funding.

3.13 Performance of OAG-Z after Restructuring

Through support from the government and donors, the OAG has been able to proceed with the restructuring of the office, including recruitment of staff and decentralising the operations to all nine province of Zambia. Since 2003, the Auditor General Ms Anna Chifungula, has been able to fulfil the constitutional obligation by presenting an Annual Report to the President by 31st December each year. The office has been able to put in place Auditing

Standards and Code of Conduct as well as Audit Guidelines for Regularity & Compliance Audits. The office is in the process of finalising the Performance Audit Manual, which will be signed by the Auditor General before the end of the year and sent to AFROSAI for bench marking.

Owing to the restructuring, the OAG has managed to set up a Public Relations Unit, which now produces a quarterly office magazine called the “OAG NEWS”. Through the public relations unit and the office’s participation in various fairs and shows, the public has been sensitised and made aware of the functions, role and mandate of the OAG-Z. In 2006, the OAG launched the office website www.ago.gov.zm; (OAG-News 2006)

3.14 Outcomes of the OAG-Z Reports

As a result of the AG’s reports, erring institutions and officers have faced sanctions ,for example, institutions that abrogate tender procedures are re-graded to a lower threshold to ensure responsiveness and accountability(OAG News may 2008). The work of the OAG-Z has led to the current court cases on mismanagement of public funds, abuse of office and corruption involving officials especially from the former government of President Fredrick Chiluba and his allies. The government has been able to recover property (houses, commercial buildings, land, vehicles and funds) some money could still be hidden in foreign banks) which were obtained in unexplained circumstances. These reports are acting as deterrents to would be offenders.

As mentioned earlier in previous chapters, the OAG-Z has overwhelming expertise in the field of Financial Audits. This has led the office to be able to share experiences and competences, for instance, since 2007; the office has been offering technical assistance by seconding officers to the SAI of Liberia in conjunction with the European Union to help Liberia establish an audit office. Further, the OAG-Z was appointed as the Auditor for SADC (OAG News July 2006). The office has also received international recognition from the World Bank ranking of the office as one of the best SAIs in Africa. The OAG-Z will host the 2009 Annual General Meeting for AFROSAI (OAG News May 2008).

On the other hand, since the OAG-Z was restructured in 2004, the Performance Audit Unit has conducted five Performance Audit assignments, of which, none has been tabled in Parliament. The audit assignments conducted are in the following areas:

- Provision of water in Zambia;
- Cattle Restocking Project;
- Medical Waste Management;
- Solid Waste Management; and
- Roads Project.

3.15 Civil Society Involvement in Public Finance Management

Civil society organisations play various roles including fighting against corruption, monitoring government's delivery of social services, government's budgetary matters (revenue and expenditure), and monitoring the protection of human rights. Some notable organisations are:

- Transparency International Zambia (TIZ) focuses attention on advocacy for the establishment of systems that promote transparency and accountability both in economic and political governance of the country;
- The Jesuit Centre for Theological Reflection (JCTR) fights for the cancellation of Zambia's debt;
- The Catholic Commission for Peace, Justice and Development (CCPJD), the development wing of the Roman Catholic Church in Zambia that advises government on matters ranging from poverty to the HIPC initiative and hosting a pre and post budget discussion;
- The Economics Association of Zambia (EAZ) by providing a forum for members to be involved in matters of public finance management.
- The Zambia Institute of Chartered Accountants (ZICA) through the advice to government on fiscal management (Nchite and Nsana, 2004).

Various other civil society groups including the labour movement undertake advocacy activities pertaining to public finance management in Zambia. However, none of them has taken keen interest to assess if the OAG-Z is meeting its objectives and carrying out its mandate fully regarding Performance Audits.

Chapter 4 Challenges in Institutionalising Performance Audits at OAG-Z

This chapter brings to the fore the challenges that impede the smooth institutionalisation of Performance Audits in the OAG-Z. A distinction is drawn in order to categorise the internal factors within the OAG-Z and external factors, which operate upon the organisation from outside.

Internal Factors

4.1 Lack of Guidelines on Methodology

It was observed that the Performance Audit unit has not been in a hurry to go full fledged in to Performance Audits but has taken a cautious stance, because they needed to design a Performance Audit manual which would set guidelines during problem identification, audit planning, execution and assessment. The Performance Audit unit is trying to establish methodology and approaches that would guide the execution of audit assignments. At the time of data collection for this paper, the Performance Audit Manual had already been compiled and reached an advanced stage that only required the AG to sign and send to AFROSAI for bench marking (Chifwanakeni. P et al, 2006).

4.2 Inadequate Structure

Another problem faced by the Performance Audit unit is that the current structure has established a small number for Performance Auditors. From the over 300 staff, only 7 are practicing Performance Auditors. Due to the inadequate number of staff in the Performance Audit Unit, selection of clients and coverage becomes a problem. It was further observed that out of the six directorates in the audits and consultancy division, only the auditors in specialised directorate are carrying out Performance Audits. There was no evidence as to how often in-house workshops and seminars are conducted in order to orient all staff on the importance of carrying out Performance Audits along side the already established Financial Audits (Personal interviews and observation).

4.3 Adaptation to Change

The Auditors interviewed from other directorates exhibited ignorance and sometimes lack of interest on the concept of Performance Audits. It was also observed that the Auditors have for a long time been concerned with Financial Audits, therefore they find it difficult to adapt to new approaches. It was further observed that there is no deliberate linkage between the work of the Performance Auditors and Financial Auditors in that one could imagine that the Performance Auditors are using the existing Financial Audit teams to help them gather data for on ward evaluation by the Performance Audit teams.

4.4 Literature on Performance Audits

Although this factor is an indirect impediment, it is important to note that the library facility is under furnished and the available literature is outdated, most of which are study packs for accountancy courses. With the changing trends in auditing, one would expect to see books, articles and journals on the different types of audits that the office is mandated to conduct. Ever since the Performance Audit unit was established in 2004, it was observed that there has been no deliberate move to acquire reading materials on Performance Audits as a way of enhancing information on management practices, which are important for Performance Auditors.

4.5 Human Resource Expertise

A critical challenge in the area of human resource expertise is due to inadequate number of qualified manpower. It was observed that many of the Auditors employed by the OAG-Z are trained in Accountancy courses while a few are trained in other disciplines. The curriculum in accountancy training institutions tends to be skewed towards accounting. Therefore much as the Accountants may bring in their financial auditing skills in an audit assignment, they are faced with a complementary gap that should be filled by professionals from other disciplines.

Further, setting up of criteria in a Performance Audit assignment requires some technical expertise in addition to the already existing professional auditing expertise and techniques. The OAG-Z could perhaps consider hiring in order to obtain special technical knowledge and skills that would be required in a specific audit assignment. Temporal hiring raises the issue of how objective the hired personnel would be in carrying out the required task and if the OAG-Z would afford these services. “The word ‘criteria’ is the plural of ‘criterion’ which means a rule, a standard or test by which something can be judged. Audit criteria, therefore means a set of standards, which Auditors apply to the auditees’ records to express an audit opinion. Audit criteria are essential for auditing. In fact, no auditing is possible in the absence of audit criteria” (Khan 1990).

4.6 Staff Recruitment and Retention

Retention of officers in Performance Audit Unit and indeed in OAG-Z as a whole has not been easy due to the low remuneration and not so attractive conditions of service obtaining in the whole civil service. It is hoped that once the OAG-Z is granted autonomy, the office will have powers to recruit staff and improve the current remuneration and conditions of service without depending on the Public Service Commission. It has also not been easy for the office to recruit technical staff, for example economists, sociologists, doctors, engineers, lawyers etc, who would complement the skills of the Performance Auditors who have background in accountancy. It was observed that the general practice in countries that have successfully implemented Performance Audits is to hire Auditors from a mix of disciplines.

4.7 Training

Training could be a critical element to the success of a SAI. The status in Zambia is that there is no college or university that offers formal training in Performance Audits. Therefore, OAG-Z depends on other SAIs who are advanced in this field, for in house training. There is therefore no scholarly knowledge on which to refer to. Apart from the professionally qualified new entrants, the Office has continued to train more staff in Association for Certified Chartered Accountancy (ACCA) and Chartered Institute for Management Accountancy (CIMA) and less than 10 officers have also been inducted in Performance Audits in UK, India and China. Some of the few that were trained in Performance Audits are not practicing and have been positioned in directorates that conduct purely financial audits, thus the knowledge of Performance Audits that they harbour remains unexploited. All members of staff that are studying at postgraduate level (Masters) are doing so at their own cost except for one or two privileged individuals whose tuition fees are paid by the OAG-Z.

It must be noted however that the OAG-Z does not have a clear and deliberate policy to train staff in disciplines from the social sciences. Most staff members who are graduates in other disciplines are not products of OAG-Z training policy. This probably could be an explanation to the high turnover of staff because the officers feel they have nothing to lose even if they left the OAG-Z because there is nothing that bonds them. The office is continuously recruiting new staff to replace those that have resigned. Many of the recently inducted entrants into the field are still trying to grasp the craft. This poses a draw back and delay in completion of audit assignments because the new staff has to be oriented on how to go about the assignments. However their clients the Parliament and civil society may sometimes expect quick and rapid results.

This paper hypothesises that the reason OAG-Z prefers to sponsor training in accountancy courses is that perhaps most of the employees want to study in accountancy discipline. One would argue that a training needs assessment is required, as it will help to establish the need for a multi skilled workforce that will justify the relevance of the work of the OAG-Z in line with the Firth National Development Plan (FNDP), which is a poverty reduction strategy (MOFNP 2008). It was not clear whether the Auditors appreciate the impact of performance Audits and what it translates for the economy at national level and to a poor person on the street at individual level.

The OAG-Z must invest in experience sharing with other countries in the region that have managed to institutionalise Performance Audits for example South Africa, Rwanda and Botswana. Countries that are conducting Performance Audits in Africa, have designed programmes in form of short tailor made courses, workshops and seminars with the help of AFROSAI to help Performance Auditors develop research and analytical skills that are needed to evaluate the impact of a given policy, project or programme.

4.8 HIV/AIDS Impact

Another indirect factor is the effect of the HIV/AIDS pandemic. It poses a challenge in the OAG-Z. The office has employed not only youthful but most socially active officers who by nature of their work as field workers are more prone to regular movements away from home and their spouses which exposes them to high risk of contracting HIV/AIDS. In order to mitigate negative effects such as absenteeism, increased staff turnover, loss of skilled and experienced employees and high funeral costs, the office has developed a workplace policy, which will cover all employees and their nuclear families through prevention, care and support activities (OAG-Z, HIV/ AIDS Policy 2007).

External Factors

4.9 Legislative framework

Scrutiny of records revealed that, the OAG-Z was not in a position to conduct Performance Audits in the recent past because there was no legal framework in place. After the office was restructured in 2003/2004 The Public Audit Act of 1980 was replaced by the Public Finance Act No.15 of 2004, which now mandates the office to conduct Performance Audits. However, the current piece of legislation is not clear and elaborate. It does not state the depth and coverage area for audits. The current mandate is less distinct as is the case with Financial Audits. Financial Audits are way ahead of the latter because from the time the OAG-Z was established in the pre-independence era in the 60s, the office has been conducting Financial Audits and has since trained many officers in Accountancy courses.

In addition, the OAG-Z had to seek Cabinet authority to create a structure within the organisational establishment. Cabinet authority is inevitable because creation of a new structure meant recruiting more staff and this has implications on the budget allocation. Due to the bureaucratic nature of government procedure, this was also a cause of delay in the implementation of Performance Audits (Personal Interviews).

4.10 Financial Independence

The OAG-Z depends on treasury funding and sometimes it poses difficulties for the office to execute planned activities. Temptations by officers in the office could be high, hence the reason they need to be well remunerated. The Auditor General, Ms Chifungula said this during a meeting of the committee on public finance of the National Constitutional Conference in Lusaka during which she made proposals to the draft on matters relating to the Office of the Auditor General (Zambia Daily Mail, 2008; Times of Zambia, 2008). According to the Lima Declaration of Guidelines on Auditing Precepts (1977) on financial independence, Supreme Audit Institutions are supposed have an enabling environment for them to be able to carry out their tasks in the best way possible.

As mentioned earlier, the OAG—Z depends on funding from the Ministry of Finance and National Planning in addition to the funds from the donors. According to OAG News (July-December 2006), the office of the Auditor General of Norway has continued to cooperate with OAG-Z in a bid to improve office operations.

The cooperation has been on going for almost 10 years now and has helped the OAG-Z to improve operations as regards audit coverage. For example, on 24th -28th November 2007, OAG-Z and OAG-Norway signed a memorandum of understanding (MoU) in Lusaka, to enhance collaboration and cooperation, coupled with technical assistance in a bid to improve the operations of OAG-Z. The MoU will run for the period 2008-2012 simultaneously with the OAG-Z strategic plan. Two issues discussed among others, were firstly, the need for increased independence of OAG-Z in line with the INCOSAI Lima Declaration and the 2007 Mexico Declaration on Independence of supreme audit institutions. Secondly, the meeting emphasised the role of the OAG-Z in securing accountability, transparency and good governance in Zambia (OAG News, January 2008).

Further, as a follow up on the 2007 MoU, a delegation from Norway visited OAG-Z between 18th and 19th February, 2008 in order to carry out a needs assessment on how best Norway could contribute to the effective and sustainable growth of OAG-Z. The delegation met with key personnel in all the directorates and in addition, the delegation reviewed the on going work on Performance Audit assignments, training in Performance Audit Methodology and Environmental Audit Guidelines (OAG News, May 2008).

4.11 Powers to Prosecute

It is worth mentioning that much as the OAG-Z takes to task officers authorised to handle public resources with the help of the Public Accounts Committee (PAC), it does not have the mandate and power to prosecute erring officers. The OAG-Z can only recommend to the Anti-money laundering, fraud and forensic unit of the Police Service or to the ACC. The procedure for disposal of cases is rather long and tedious such that, there appears to be piling of cases because reports are produced annually and new cases come on board before old ones are cleared.

During the study, it was observed that the OAG-Z is not audited by any external institution. Zambia is currently going through a constitution review process where sections of the constitution have to be amended. It is during this process that there was a submission to form the State Audit Commission (SAC) which would act as an overseer of the OAG-Z to promote independence of the office, if the proposal is adopted. It will also be the responsibility of the SAC to assess the effectiveness of the OAG-Z (Draft Constitution Provisions 2007).

4.12 Appreciation of Performance Audits by Parliamentarians, Citizens and the Media

A scrutiny of records did not categorically show the demand or appreciation of Performance Audits from the members of Parliament. Another impediment identified is the deficiency in terms of dialogue between the OAG-Z and the auditees. Perhaps this also explains the lack of awareness on the part of the stakeholders of benefits that accrue to an organisation and the nation as regards Performance Audits. Some auditees do not exhibit appreciation of Performance Audits therefore this causes delays in availing information on time for audit purposes. The OAG-Z has embarked on sensitisation programs in order to make the stakeholders (Parliamentarians, Auditees, Media and the Public) aware about other types of audit that the OAG-Z undertakes apart from the common traditional financial audits. In the recent past, the OAG-Z undertook a two days training workshop on reporting public expenditure and its accountability. The aim of the workshop was to inform the media on how best to develop reporting skills before they embark on informing the public on issues of accountability (OAG News Jan 2008). Literacy levels of the citizenry could also have an impact on appreciation of government reforms.

Chapter 5 Data Analysis

This chapter presents a qualitative institutional analysis of the OAG-Z as regards the implementation of Performance Audits. The analysis is based on the conceptual framework in chapter two and the data presented in chapters three and four. This chapter will therefore draw a meaningful picture based on the data presented.

5.1 Good Governance Framework

The study has shown that although the government has given the OAG-Z mandate to carry out Performance Audits, it remains rather rhetoric because there is little evident that portrays the push factors for Performance Audits. It appears, there is minimal follow up on government pronouncements thus reducing the whole process of enhancing productivity and efficiency of restructured government ministries and department to mere rhetoric and political publicity stunt .

From a governance point of view, the government may not really have intentions to see it being implemented because it is a direct check on its performance. If this is the case, there is a contradiction between the good governance agenda and what is obtaining in practice .As discussed earlier, Performance Audits hinges on performance, the three Es, results, outcomes, impacts, benefits and beneficiaries. It is possible that the policy makers in government could just be hiding behind policy pronouncements as a cover from criticism in future. The blame can then be shifted to OAG-Z on the pretext that it has failed to implement and yet the government has not created an enabling environment for smooth implementation. Good Governance is the umbrella concept from which issues of transparency and rule of law emanate. Therefore Performance Audits are linked to good governance in that the implementation of policy, programs and projects must be transparent and adhere to the rule of law. Transparency enhanced by Performance Audits may lead to public participation at all stages of development intervention and helps to prevent abuse of funds and corruption. This is because implementation is open to all stakeholders. Thus Performance Audits play a role in the good governance agenda by checking and reminding auditees that transparency and rule of law must be adhered to, during execution of government tasks.

The paper borrows some ideas from the theory of public choice which is defined as the “economic study of non market decision making or simply the application of economics to political science” (Mueller 1989:1) The study agrees with what Mueller (1989) describes as the canning behaviour of government officials and the behaviour of those who interact with government. The case clearly shows how politicians promise good policy implementation in the hope of gaining political mileage (Udehn 1996). Grindle (2006) points out that when public resources are not managed well and the government fails to deliver social services, the people that suffer are the poor because the benefits that should have accrued to them are not forth coming.

Further, Grindle(2006) states that attaining good governance is not easy as it brings about a host of issues, for example the call for good governance begins with the policy makers in government, staff in the public service as implementers of policy. It also matters how the citizenry decide to respond to these developmental interventions. The good governance agenda is a good idea that often gets derailed along the implementation process due to the selfishness of some government officials who merely serve their own interests. The conclusion that this paper deduces is that even if the Performance Audit unit worked very hard and published reports if the policy makers, parliament, civil society and members of the public do not make use of the information to good effect, then the whole process does not serve any purpose (Doig 1995).

5.2 Accountability

Although the AG's Office is mandated to audit utilisation of public funds, it does not have the powers to recover the misapplied or misappropriated funds and therefore cannot prosecute the erring officials because it does not have the legal mandate to do so. Such scenarios could frustrate the work of the auditors (Asibuo 2001). How does the OAG-Z contribute to the fight against corruption? Through the auditing task, the Auditors come across cases of possible corruption that they report to institutions such as the ACC because it has legal mandate to deal with issues of corruption (Siame 2002). In addition, the OAG-Z represents the citizens because they act as the 'citizen's voice' by trying to bring about better performance, efficient and effective productivity and quality service delivery in audited institutions. For example, the case of Rwanda brought about positive change because the service providers in conjunction with the government made efforts to improve service delivery in the health sector. This is an example of the long route of accountability as discussed in chapter two.

This reformative behaviour by the policy makers was because of the Performance Audit. The women mostly affected by the poor health care delivery could not, on their own influence the leaders. Performance Audits help to strengthen accountability by making officials become accountable and answerable for the responsibilities that are entrusted in them. This is evidenced in the Performance Audit report and the Management letter that was submitted to the Rwandese audit office on how the recommendations were institutionalised. The argument here is that Performance Auditors in the OAG-Z are not recognised as change agents. An audit exercise is not a guarantee to better performance. It may depend on the relationship that the Auditors establish with the clients, for example, if the auditors present themselves as faultfinders instead of partners in the development agenda, the clients may chose not to adhere to the recommendations. This may explain why certain institutions do not show signs of improvement despite being audited. Coordination, ought to be well handled, otherwise it may lead to low appreciation for new types of audits such as Performance Audits.

Heinrich (2003) and INTOSAI (2008) argue that public management must involve accountability for results and not just accounting for finances.

5.3 Capacity

It is widely hypothesized that capacity in terms of performance of workers in institutions improves because of training, high salaries and improved work conditions. Grindle and Hilderbrand (1995) argue that such strategies may not improve the performance of workers. They argue that, what really brings about better performance in an organization is the work culture. They maintain that most organizations that perform well are those that put emphasis on team building (team work) while maintaining silent hierarchy but allowing everyone's potential to flourish. Further, Grindle (1997) argues that there is no evidence that better remuneration and having a smaller workforce leads to better performance. She further argues that, although these are elements of good performance, they need to be coupled with other measures such as "changes in workforce attitudes, upholding of ethics and organizational culture if significant performance improvements are to be realized" (Grindle 1997:481).

I do not entirely agree with Grindle and Hilderbrand because, Auditors too need an income to meet their daily needs. If the remuneration package is not attractive, the organization culture will not flourish because the foundation factor (salary) is insufficient. On the other hand, although the Auditors at OAG-Z always conduct their assignments in teams, it is regrettable that most officers do not know their job descriptions. It is assumed that the team leader will delegate tasks and write a report him/herself. Such tendency lead to negative attitude that portray uncaring behavior. Even if the salaries of the officers were increased, it is likely that there would still be a *laissez-faire* attitude because there is no sense of ownership and nurturing of organizational goals. However good remuneration is a good motivating factor. The demand side for Performance Audits is rather passive, therefore there is no pressure or urgency to have this type of audits institutionalized and successfully implemented.

Grindle and Hilderbrand (1995) maintain that organizations that are more flexible and do not emphasize beauracratc tendencies are more likely to perform better. This means therefore that individual capacity and know-how can only be turned into institutional capacity through organizational change (Tobias 2006) Further, Grindle and Hilderbrand (1995) argue that it also matters how human resource is utilized in an organization. Taking the case of OAG-Z, there could be high turnover because some people feel they are underutilized because they perform tasks that do not really require them to think strategically or to apply the skills grasped from previous training. Such are some of the factors that may make staff to lose hold of the organizational mission and job satisfaction because their jobs prove to be meaningless.

Capacity development activities need to be carried out in a participatory manner as it builds ownership and commitment (Land 1995). Opportunities and incentives need to be developed since capacity developement can also take place between and among individual organizations and through networks that are created (Fukuda-Parr 2002) for example OAG-Z has managed to finance its institutional capacity building activities through the networks it has built with governments of the Royal Kingdom of the Netherlands and Norway respectively. Although networking is a good and undisputable move, it must be noted that institutional capacity and organizational change can not be left to donors alone .It must be an internally driven intervention in which the OAG-Z

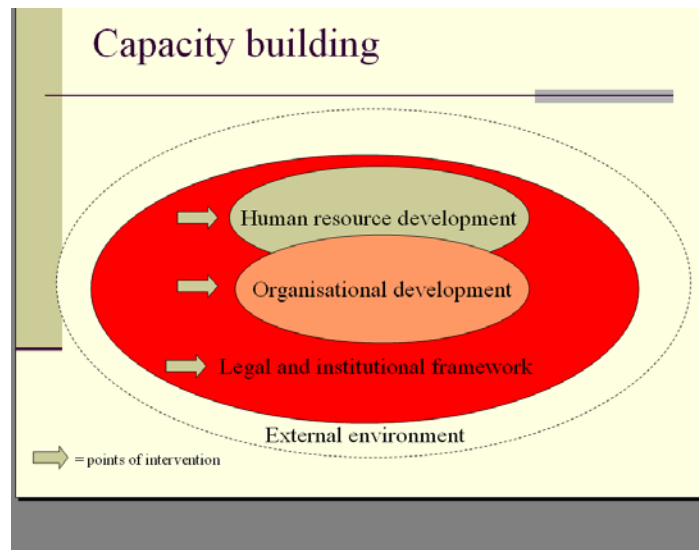
will realize its strengths and weaknesses and set a standard for results (Land 1995).The donors should only be there to complement the efforts of OAG-Z in its implementation of Performance Audits.

The institutional environment, in which OAG-Z operates, raises questions; what do the Auditors and management respond to? As mentioned earlier by Grindle and Hildebrand (1995), even if members of staff are well trained and highly skilled, and the organization they work in is well structured, it is difficult to appreciate their levels of output and the long term sustainable change as a result of their work because the external environment is not responsive and receptive. The external environment needs to be thoroughly understood. For example government ministries and departments are political environments and have varying organizational characteristics. It is possible for the Auditors to face difficulties in executing Performance Audits in some government ministries because of intimidation by individuals who are well placed in the system and are not willing to be queried on the performance and appropriateness of their policies.

Understanding this complex institutional environment and how it operates, will enable the OAG-Z to better diagnose the constraints that impede the institutionalizing of Performance Audits and how best to move around these problems and find a way forward (Land 1995; Heinrich 2003) .One way of improving the performance of the OAG-Z as an institution in general and the Performance Audit Unit specifically, is to subject it to external evaluation. Performance assessments are critical as they raise questions on what is supposed to be done to enhance improvement (Heinrich 2003).

Figure 6 below, shows how capacity is built from the human resource level to the organizational and the socio-political and economic policies that influence these capabilities.

Figure 6 - Capacity Building



Source: Joop De Wit, 1102 Course-October 2007, Institutions & State Capacity

5.4 Human Resource Development

According to Grindle (1997), training of personnel in decision-making, team building and leadership skills in an organisation is another way of building capacity to improve performance. It is also argued that “the audit office cannot merely continue to serve as a critic; it should assume a more positive role of catalyst to reforms. If the training input of audit staff is largely confined to the knowledge of rules and prescribed procedures, it is indisputable that the output from the audit will largely pertain to routine kind of audits” (Basu 2001:331).

It is unfortunate that in many institutions of higher learning in Zambia, training revolves around knowledge of procedures, systems, rules and structures. There is less emphasis on results oriented management styles that facilitate participatory approaches, open mindedness to change and strategic organisation management. Having normative knowledge alone is a limitation because the officers are supposed to tackle problems such as some of those outlined in chapter four. The Auditors could also build up a culture of reading widely pertaining to the subject of Performance Audits. If the employees have to grow, they have to be prepared to learn continuously. The auditors have to take keen interest to learn and be abreast with changing trends in the field of audits. They should be able to translate their previous studies into practice and use their judgement on how far their scrutiny may go. Merely checking whether funds have been utilised in an accountable and transparent way is not enough. It is more helpful for the auditors to look out for outcomes and impact (Gupta 2004; Heinrich 2003). Interacting with Auditors from countries that have managed to solve some of these problems can be used as a building block in institutionalising Performance Audits.

Auditors could venture into different academic disciplines for them to be multi skilled. In addition, this is important for building confidence in the cli-

ents since the Performance Auditors often mingle with chief executives of high calibre. It is therefore critical to have well schooled and articulate Auditors in order to be able to produce Performance Audit reports and make the unit fully functional and appreciated by all stakeholders. The case of Botswana mentioned earlier is a good example of how a SAI can succeed in this area.

5.5 Audit Out Put/Products

The study has shown that the structure and strength of the Performance Audit unit is limited to only a few officers. Obviously, it does not contribute towards the realization of the OAG-Z objectives because the few auditors can only conduct limited number of assignments.

Audit reports are important in that they are the documents that show what the Auditors have found in the field and it is a reliable way of informing their clients of the findings (Pollitt et al 1999). Since inception of the Performance Audit unit, 5 Performance Audit assignments have been conducted although no report has been published. Audit reports are a consolidated record of all the findings summed up during the audit and show proof that an audit has been conducted and finalized (Ibid; Power 2003). My argument is that if audit reports are the way of providing information to clients (i.e. auditees, Parliament, media and the public) then how can the OAG-Z claim to check performance and yet performance of the unit is not up to date. Questions may arise, such as; is the unit result oriented? Does management demand for the output from the audit assignments? Another point worth analyzing here is the issue of awareness of the benefits of Performance Audits by the different groups of stakeholders. Of course they are aware of the existence of the OAG-Z but whether they are aware of the different types of audits the office is mandated to carry out is another question worth pursuing. This could explain why the demand for Performance Audits is scantily documented and not enjoying as high a profile as that of Financial Audits.

Having looked at the case of Rwanda and Botswana, in their implementation of Performance Audits, there is a sure sign of diversity and similarity. Diversity in that, different political systems work in different ways. Some issues that appear attainable may be difficult in another country. Therefore it's important to note that different SAIs "occupy varying positions in their respective constitutional and legal framework"¹⁰ (Pollitt et al 1999:53). It is not surprising therefore that Performance Audits have been well implemented in some countries and less so in others. The key determinants from the data presented are that in both the Rwanda and Botswana cases, human resource development was addressed. Secondly, the demand for Performance Audits is vivid and both management of the SAIs and government are eager to see successful and sustainable implementation.

¹⁰ See figures 3 and 6.

Table 4 below shows the SWOT analysis for the OAG-Z pertaining to the operationalising of Performance Audits.

Table 4 – SWOT Analysis for Performance Audits in the OAG-Z

STRENGTHS	WEAKNESSES	OPPORTUNITY	THREATS
<p>1) Decentralized operations have widened possible audit coverage.</p> <p>2) The office has many qualified accountants who can become multi skilled in other disciplines needed for Performance Audits.</p> <p>3) Some scanty form of Legal framework is in place to conduct Performance Audits, although not clear and comprehensive.</p> <p>4) Performance Audit guidelines and methodology are now in place coupled with lessons from other countries in conjunction with AFROSAI-E.</p>	<p>1) Despite the ongoing PSRP, salaries and conditions of service in OAG-Z and other restructured ministries have not been improved to motivate employees. These tend to demoralise and frustrate officers, affecting their performance.</p> <p>2) The number of Auditors in the Performance Audit unit is too limited.</p>	<p>1) Donors are likely to continue supporting the operations of the OAG-Z through financial and technical support, especially in the area of capacity building.</p> <p>2) The Government is frantically trying to institutionalize the fight against corruption, thus making the work of OAG-Z more fruitful.</p> <p>3) More clients are increasingly becoming aware of the public demand for transparency and accountability in the mobilisation and utilisation of public resources. This gives the office chance to execute it's legal mandate.</p> <p>4) The media has supported the OAG-Z through positive reception of its audit reports. The OAG-Z should take advantage of the support to venture into Performance Audits that will fully inform the public on the mobilization, utilisation, outcomes and impact of the country's resources.</p>	<p>1) The OAG-Z has sometimes relied on clients for funding in order to undertake certain audits. This is likely to make officers susceptible to corruption thereby compromising their professional ethics.</p> <p>2) Unwillingness to open up to change in the organizational culture.</p>

Source: Author's construction based on information from interviews.

Chapter 6

Conclusion and Recommendation

This paper set out to ascertain the challenges that impede the smooth institutionalisation of Performance Audits in the OAG-Z. OAG-Z is a public institution that is mandated to audit all government ministries and departments that receive funding from government in order to promote accountability, transparency and value for money in the utilisation of public funds for the benefit of society. The paper discussed concepts that help to explain the purpose of auditing. The paper has indicated that OAG-Z has overwhelming focus on Financial Audits and less so, on Performance Audits.

The paper focused on the 'good governance' agenda as the umbrella concept in the management of public funds and some of its elements being accountability and corruption to explain transparency and rule of law. In order to contextualise the challenges faced by the Performance Audit unit, the paper made use of concepts such as capacity and financial Audits in order to explain the institutional environment in which the OAG-Z operates. Having discussed the elements of Performance Audits and its benefits, the paper brought to the fore the activities that are carried out by the OAG-Z, its roles and responsibilities and the relationship between the OAG-Z and PAC. The media too, are slowly becoming interested in the efforts made by the OAG-Z to enhance accountability in the utilisation of public resources. The paper discussed how the OAG-Z contributes to the fight against corruption even if it has no legal framework to prosecute erring officers.

The study analysed the factors that determine the selection of audit topics in OAG-Z. It was observed that the constitutional mandate as regards Financial Audits, clearly states the institutions to be audited. The legislation pertaining to Performance Audits is rather vague and does not give clear guidelines on audit coverage and methodology. Another factor is the economic importance of an activity and the enormity of public funds that have been spent, magnitude of complaints and expectations from members of the public in terms of service delivery. In addition, the performance information concerning an organisation also attracts Performance Audits. The paper then discussed the possible challenges that the Performance Audit Unit faces in carrying out its tasks. It was noted that there are external and internal factors that lead to the difficulties in carrying out Performance Audits.

Internal factors include lack of guidelines on methodology, Inadequate structure, scepticism in terms of adaptation to change, lack of literature on Performance Audits in the OAG-Z library, low human resource expertise, High turnover and lack of retention policy, unclear training policy, and effects of HIV/AIDS.

The external factors have been identified as; inadequate legislative framework, low financial independence, lack of powers to prosecute and low appreciation of performance audits by stakeholders. The key challenge therefore to the effectiveness of Performance Auditing in OAG-Z largely depends on retention of trained staff, coupled with vision and commitment of man-

agement and government. The OAG-Z can draw lessons from Botswana and Rwanda on how capacity was built in the respective organisations. In addition, the OAG-Z could use the existing ties with the Norwegian Audit Office to benefit from expert knowledge.

The challenge, therefore, is with OAG-Z to build capacities both at individual level for the auditors and for the institution at large in order to be able to institutionalise Performance Audits. Training needs assessments and impact assessment of the trainings are important if the OAG-Z is to realise tangible benefits from its efforts. The training must add value to the service delivery of the office. In terms of promoting accountability and transparency, the OAG-Z must begin self-assessment to check if it is realising its objectives and whether the office is indeed results oriented as regards fulfilling the mandate. Embarking on strategic and sustainable public relations is another solution.

The conclusion of this paper therefore is that the current audit scope does not adequately measure and assess the performance of government as it does not show the outcomes and impact of government policies, programs and projects. However prospects for successful institutionalisation of Performance Audits in OAG-Z look favorable.

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Appendix 1:

Informal Conversation Interview Questions

1. What is the background to performance audit in the OAG?
 - How and when did it start?
 - What was meant to be achieved?
 - Is there a link between PA and the reduction of poverty as talked about in the Fifth National Development Plan, attainment of Millennium Development Goals and Vision 2030?
 - What determines kind of audit to conduct between Financial Audit and Performance Audit? Do auditees, as a matter of corporate governance, appreciate Performance Audit?
2. Does Performance Audit unit enjoy the same status as the Financial Audit units ?
3. What are the challenges in terms of:
 - Funding by the Zambian government and donors?
 - Materials e.g. office equipment, transport etc
 - Human resource expertise
 - Political will (is support for financial audit same as that of Performance Audits.)
 - Staff commitment e.g. appreciation of Performance Audit by staff
4. Is the OAG-Z competitive enough to keep staff in Performance Audit in particular and in OAG generally?
5. How do you rate curriculum in accountancy training institutions in Zambia, as regards giving trainees enough skills in Performance Audits?
6. As a person who interacts with Members of Parliament (MPs), to what extent do you feel PAC members in particular and MPs in general understand the difference between Performance Audit and Financial Audit?
7. Where do you want to see PA in OAG-Z in the near future?
8. What are the examples of Performance Audits that specialised directorate has carried out and as a result of the audit; there has been positive change to an organisation. This could be in terms of operations; benefits to the beneficiaries, people's lives have changed for the better or general management of an organisation. What output and outcomes have been seen?
9. Since the establishment of Performance Audit unit in OAG in 2004, how many Performance Audits have been conducted? How many have been published?
10. In the OAG-Z, who are the movers of Performance Audit (those in support) and who is blocking these audits?