PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR: ITS NATURE AND EFFECTIVENESS

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بسم الله الرحمن الرحيم

على الله توكلنا وإليه أنبنا وإليه المصير

DEDICATION

This thesis is dedicated to my mother, Fatemah,
for her patience, prayers and spiritual support over the years.
It also dedicated to my wife, Meznah, my children Mohammad, Osamah, Fatemah
and Omar, my uncles Sulaiman and Abdullah, my brothers and sisters and
to my fellow Saudi citizens whose public fund ultimately shouldered
the expense of this study.

ABSTRACT

Saudi Arabia has undertaken a wide-ranging programme of development planning since 1970, which has exerted influence on almost every aspects of the country. During the 1980s and 1990s, however, the Saudi government has been subjected to conflicting economic pressures which have brought about an increased need for more reliable information to enable the country's authorities to exercise full accountability concerning the efficient and effective use of available, scarce resources on the part of those entrusted with administering public programmes and activities.

In a response to this need and in an effort to promote the efficient and effective use of public resources, the Saudi General Audit Bureau (GAB), in the late 1980s, widened the scope of its audit activities to incorporate performance audits, in addition to its traditional financial audits. This study was undertaken within the context of the GAB's ambitious effort to extend its audit activities.

Since the subject of performance auditing is rarely studied within the Saudi context, a comprehensive description of the nature of performance auditing activities as practised by the Saudi GAB was felt necessary. In addition, this study addressed itself to assessing the degree to which these practices have been effectively operationalised. Due to the lack of a well developed framework which could be utilised to assess the effectiveness of the current practice of performance auditing in the public sector, the themes which have emerged from the literature have been used as a foundation to construct an evaluative framework for the purpose of articulating the main elements to be incorporated in the study.

This study, therefore, can be characterised as a descriptive, analytical and empirical study of performance auditing in the public sector of a developing country. Despite the importance of the secondary data employed in this study, a questionnaire survey, especially designed for the purpose of this study, was the main method of data collection, however. Questionnaires were sent to two groups closely involved with, and/or affected by, performance auditing i.e. performance auditors and public sector managers.

The results reported in this study revealed that the Saudi experience in the field of performance auditing shares, in various instances, a common base with what has been identified in the literature or reported in the practices of other state audit institutions. The research also indicated that moderate improvements have been brought into the Saudi public sector by performance auditing practices. The research, furthermore, identified various inadequacies inherited in the GAB internal and external, environment which prevented the full contribution of performance auditing to the public sector from being realised. External limitations include the vagueness of goals and objectives in public organisations, the lack of performance measures in the public sector and the lack of sound financial accounting and internal control systems, while the lack of sufficient audit staff, the lack of expertise from different disciplines and the lack of sufficient financial resources represent the major internal limitations.

Based on these results, the study concludes that there is a need for real efforts to minimise the possible effects of the various inadequacies inherent in the GAB's internal and external environment to ensure that advances in performance auditing in the public sector are not only possible, but can be successful. In this regard, the study proposes some recommendations to overcome the reported deficiencies.

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LIST OF ABBREVIATIONS

ANAO	The Australian National Audit Office
ANOVA	Analysis of Variance
ASOSAI	Asian Organisation of Supreme Audit Institutions
CAO	The Central Auditing Organisation (Egypt)
CASs	Comprehensive Auditing Standards
CC	Consultative Council
CIPFA	Chartered Institute for Public Finance and Accountancy
FRA	Financial Representative Administration
FRs	Financial Representatives
GAASGA	The generally Accepted Auditing Standards for Governmental Auditing
GAB	General Audit Bureau
GAO	General Accounting Office (the United States of America)
GBD	General Budget Department
GCC	Gulf Co-operative Council
GDP	Gross Domestic Product
ICB	The Investigation and Control Board
INTOSAI	International Organisation of Supreme Audit Institutions
KSA	Kingdom of Saudi Arabia
MOFNE	Ministry of Finance and National Economy
NAO	National Audit Office (the United Kingdom)
NHS	National Health Service
OAG	The Office of the Auditor General (Canada)
OECD	The Organisation for Economic Co-operation and Development
OJT	On-the-job Training
PAD	The Pakistani Audit Department
PPBS	The Planning, Programming and Budgeting System
SAIs	Supreme Audit Institutions
SAMA	Saudi Arabian Monetary Agency
SPS	Saudi Public Sector
UK	The United Kingdom
US	The United States
VFM	Value for Money

PART ONE

INTRODUCTION

CHAPTER ONE

INTRODUCTORY BACKGROUND

1.1. INTRODUCTION

Establishing a genuine government regime requires substantiating clear, solid accountability relationships. In order to have a well functioning government, there is a need to introduce various techniques which would enhance its accountability to the public. Government audit (undertaken by state audit institutions) is a significant tool capable of ensuring the accountability of government officials entrusted with public resources to their governing bodies and to the public at large.

Traditionally, when government transactions and activities were limited, the audit function was simple and concentrated mainly on checking the financial correctness and legal propriety of these transactions. This situation, however, has changed in the second half of the twentieth century in which many political, economic and administrative developments have taken place. For instance, government spending and, hence, activities have increased dramatically. The continuing increase in demand for these activities, accompanied by the limited resources available to governments, have provided an urgent need to improve the effectiveness and efficiency of government agencies and programmes. Legislative bodies in particular, and the public in general, have become highly interested in the way in which governments spend public funds. In this respect, they have asked for more sophisticated information that provides assurances that public resources have been spent for their intended objectives and that this was done in compliance with laws and regulations imposed on the government and in an efficient and effective manner.

As far as government auditing is concerned, these circumstances have raised questions concerning the role that the traditional financial type of government auditing plays. It is argued that financial and compliance audits of public sector programmes and activities

do not provide all the information that the public and decision-makers need in an era of ever-rising costs. These audits, for instance, provide little or no information about the quality and effectiveness of a particular programme nor about the comparative efficiency of similar programmes (Brown, et. al., 1982, p. 19).

Accordingly, performance auditing, as an advanced auditing system, incorporating more sophisticated information concerned with programme objectives and achievements, has gained popularity in most Western countries and, increasingly, in developing nations during the second half of the twentieth century (e.g. Bokhari, 1986; Glynn, 1985; Guthrie and Parker, 1999; Hamburger, 1989; Hatherly and Parker, 1988; Hopwood and Tomkins, 1984; Leclerc, et. al., 1996; Longdon, 1996; Scott, 1996; Shand and Anand, 1996; ASOSAI, 1997; NAO, 1997a; GAO, 1994; Trodden, 1996; Zavelberg, 1996). In these countries, Supreme Audit Institutions (SAIs) have exerted much effort to introduce this technique which can provide decision-makers in a complex society with reliable and valuable information. Saudi Arabia is one of the countries which have been influenced by this trend and the scope of government audit, as practised by the Saudi General Audit Bureau (GAB), includes the following: financial and compliance audit and performance audit which examines the economy, efficiency and effectiveness aspects of the government's operations and programmes (Abdulgader, 1991; GAB, 1982, 1998, 1999).

Against this background, this study intends to examine the subject of performance auditing in the Saudi public sector. Subsequent sections of this chapter cover the following issues: the background to the research problem; the objectives of the research; the research methodology; the significance of the study and its expected

contribution; the organisation of the research; and, finally, a concluding short summary.

1.2. BACKGROUND TO THE RESEARCH PROBLEM

Saudi Arabia, which came into existence in 1932, had been one of the poorest nations in the world. The state economy was mainly dependent on simple agriculture, livestock, fees from pilgrimages to sacred places, and limited trading with other Arab and Asian countries. In such a basic environment, there was little need and demand for auditing practices due to the basic nature of the financial and administrative systems within the country. Although, at least, some form of state audit was recognised at this time, there was no detailed Act specifying the authority, responsibilities and duties of state auditors within the Saudi public sector.

However, in the second half of the twentieth century, particularly in the 1970s, when oil production and revenue skyrocketed, the situation changed. Substantial developments in various aspects of the Saudi society (i.e. social, economic and administrative) have taken place. The huge increase in oil revenues, of which the government is the only recipient, has provided the Saudi government with ample resources for expanding and improving the functions and services provided to its people. In this respect, the Saudi government, since the early 1970s, has paid increasing attention to economic development. Five comprehensive five-year development plans have been implemented and the sixth is underway (see Chapter 5, Table 5.1). The development plans have considered all aspects of the country's economy, such as its infrastructure, agriculture, industrial and commercial needs, and formulated strategies to achieve defined national goals and objectives. To meet the requirements of these ambitious plans, the magnitude

of government spending since the early 1970s has increased considerably (see Chapter 5, Table 5.2).

These important developments have emphasised the need for clarifying and specifying the responsibilities and duties of state auditors to enable them to exercise auditing control over the revenues, expenditures and assets of the state. Consequently, a Royal Decree (No. 9/M) was sanctioned in 1971, approving the current constitution of the General Audit Bureau (GAB). The constitution, which consisted of six sections[1], endorsed the GAB as an independent institution reporting directly to the King (Article 1). The GAB's responsibilities in exercising post-audit functions, as stated in its current constitution, include: (1) auditing the revenues and expenditures of the entire state; (2) exercising auditing control over the state's movable and fixed assets and resources; and (3) exercising surveillance over all authorities subject to its audit to assure the proper use of all the state's assets and resources (Article 7). In addition, the number of auditees subject to the GAB audit increased remarkably. In this respect, other entities, such as the Municipalities and the Public Corporations and Companies with state capital contribution or for which the state offered a guarantee for a minimum profit were included as being subject to the GAB's audit (Article 9).

Since the early 1980s, there has been a substantial decline in the state revenues generated from oil exports, which has resulted in a deficit financing appearing in the country's annual budget. Despite this dramatic fall in the state's income, the resources requirements have continued to grow. The new circumstances which have risen in the Saudi public sector have brought about an increased need for more reliable information to enable the country's authorities to exercise full accountability concerning the

[1] Refer to Chapter 6, Section 6.2 for more details on these sections.

efficient and effective use of available, scarce resources on the part of those entrusted with administering public programmes and activities.

Therefore, the Saudi GAB, in its effort to promote the efficient and effective use of public resources, has widened the scope of its audit activities to incorporate performance audits, in addition to its traditional financial audits. In doing so, the GAB has relied on a broad interpretation of its responsibilities as stated in Article Seven of the constitution, specifically that relating to "exercising surveillance ... to assure the proper use of all the state's assets and resources".

The first step towards the introduction of performance auditing into the Saudi public sector was initiated in 1982 when the GAB issued its Comprehensive Auditing Standards. The comprehensive concept of auditing, as specified in the GAB's publication (1982, pp. 1-2), includes: financial compliance auditing; managerial and economic efficiency auditing; and effectiveness auditing. In addition, a re-organisation of the GAB took place, in 1986, as a result of the Royal Decree No. 7/507/M. In this decree, the subject of performance auditing, as one of the GAB's main responsibilities, was introduced under a separate department, supervised by the GAB's Assistant Vice President.

Following this step, the efforts of the Audit Project, which was created in 1978 by the U.S.-Saudi Arabian Joint Economic Commission to "help the General Audit Bureau realise an expanded and higher level of technical expertise and professionalism" (GAB, 1995, p. 1), changed direction towards improving the Bureau's capability for auditing and evaluating the Kingdom's programmes and activities.[2]

[2] More detail concerning these efforts is provided in Chapter 6, Section 6.5.

However, it was the late 1980s which witnessed the GAB's actual involvement in performance audit examinations. Performance audit examinations are carried out by two separate departments concerned with the following two areas: the ministries and government departments; and the public corporations and companies.

1.3. OBJECTIVES OF THE STUDY

The purpose of this study is twofold. First, since this study, according to the researcher's knowledge, is the first of its type to examine the subject of performance auditing in the Saudi public sector, it is of essential importance to explore the nature of this subject as practised by the Saudi GAB. Secondly, the study will assess the degree to which the current system of performance auditing in the Saudi public sector has been effectively operationalised. In this regard, special emphasis will be given to the possible limitations impeding the effective operationalisation of the current system as perceived by the people concerned i.e. the performance auditors of the Saudi GAB and public sector managers. When the deficiencies of the current system have been determined, the study aims to provide proposals and recommendations to overcome any deficiencies.

Although the study's primary objectives are clearly not capable of being expressed in the traditional form of a testable hypothesis, there is a further objective that lends itself more readily to this approach. This objective is concerned with the extent to which the responses of the two participating groups (i.e. performance auditors and public sector managers) are significantly different.

In particular, the study will emphasise the following specific objectives:

1. To explore the current state of performance auditing in the Saudi public sector. Several issues are investigated including: the objectives of

performance auditing; the types of audits to be conducted; the audit approach to be adopted; the manner in which performance audits are planned, organised and conducted.

2. To explore the main problems associated with the current system of performance auditing in Saudi Arabia, as perceived by related parties, and to discuss the causes of inherited problems. In other words, the study will seek the perceptions of the research respondents regarding the extent to which the current system of performance auditing has been effectively operationalised.

3. To test, whenever applicable, the extent to which the responses of the two participating groups to the different issues raised in the study are significantly different.

4. To examine the extent to which the Saudi experience in developing and applying performance auditing is in line with the general findings and assumptions of the existing literature.

5. To highlight some implications which can be drawn from the Saudi experience in the field of performance auditing which may benefit other countries with similar environment.

6. To draw the attention of the authorities and state auditors in Saudi Arabia to the shortcomings of the current performance auditing system and to provide recommendations to the GAB, based on research findings, to overcome these shortcomings.

1.4. THE RESEARCH METHODOLOGY

To achieve the objectives of the research, the research plan consists of two stages. The first stage was devoted to a review of the literature on performance auditing in the public sector in developed and developing countries. The purpose of this review is to identify various important aspects and key issues relating to the subject of performance

auditing which need to be explored throughout the study. More specifically, this review is used to develop the questions presented to the research participants during the second stage.

The second stage is dedicated to the discussion of performance auditing in the Saudi public sector. For this stage, two research methods were used. The first involved collecting and examining relevant publications, reports and documents from the GAB. These documents helped to explore and understand the current state of the performance auditing system and to highlight the possible deficiencies of this system. In addition, various documents produced by other sources, such as the Council of Ministers, the Ministry of Planning and the Ministry of Finance (e.g. government decrees and development plans) were collected and used mainly to provide background information relating, in particular, to the nature of the public sector and the accountability and control systems in Saudi Arabia.

The second method used in this stage was a close-ended questionnaire. This method has been used, particularly, to elicit data from performance auditors and representatives of public sector managers regarding their attitudes and perceptions about the nature and effectiveness of the current system of performance auditing. More elaboration concerning the utilisation of these methods in this study is presented in Chapter Seven (Sections 7.2 & 7.3).

1.5. THE SIGNIFICANCE OF THE STUDY

As stated above, this study seeks to explore and understand the subject of performance auditing in the Saudi public sector. A number of arguments justify the importance of this study. Firstly, the importance of this technique to the proper functioning of the

public sector. It has been argued that performance auditing is capable of rendering substantial benefits to the public sector of countries employing such a system. Theoretically, well conducted performance audits, it is suggested, will assist the promotion of good public sector administration by enhancing accountability relationships and improving the economy, efficiency, effectiveness and performance of public agencies (e.g. Barzelay, 1996; Hatherly and Parker, 1988; Hill, 1981; McCandless, 1993; Parker and Guthrie, 1993; Scott, 1996, Audit Commission, 1993; NAO, 1997a; GAO, 1994, 1998; Trodden, 1996; Zavelberg, 1990).

The literature on performance auditing, however, tends to be preoccupied by a description of the technical aspects of performance auditing, such as its components, processes and procedures. It often contains highly competent but lengthy discussions of how audit investigations should be conducted and reported. There is little empirical work on the more important issues of performance auditing, such as evaluating the degree to which individual state audit institutions have effectively operationalised this technique.

Furthermore, most of the literature on this subject has been written by Western writers with reference to developed countries. Despite the fact that an increasing number of state audit institutions in developing countries are adopting performance auditing into their work and have made great attempts in this area during the last few years (e.g. ASOSAI, 1997), performance auditing in these countries has received little attention in the literature. To the researcher's knowledge, no study has been meaningfully undertaken to provide a comprehensive understanding of performance auditing in any given developing country.

This lack of research, however, is not unique to the subject of performance auditing. A lack of comprehensive studies concerning the accounting and auditing systems, in general, in developing countries is well acknowledged (e.g. Shaw, 1982, p. 1; Wallace, 1990, p. 44). Wallace (1990), for example, emphasised the need for intensive accounting research in developing countries by stating that:

> There is an urgent need for a deeper understanding of accounting systems in developing countries. This need can only be fulfilled by intensive research of those issues peculiar to developing countries. ... The scope of accounting should not be limited to financial reporting and professional status of accountants. There is an urgent need for research into public sector accounting of Third World countries... (p. 44).

As far as auditing in Saudi Arabia is concerned, most of the articles and studies examining this subject are generally concerned with the accounting profession in the private sector. Unfortunately, government auditing in Saudi Arabia, as in many other parts of the world, is a neglected area in the research field.

Against this background, this thesis aims to explore and understand the performance auditing system being used in the evaluation of the performance of public sector organisations and projects in the Kingdom of Saudi Arabia. More specifically, this thesis intends to address the current state of performance auditing and its effectiveness in the Saudi public sector. It is hoped that an attempt to carry out a research project in performance auditing in the public sector of a developing country might be of particular importance in filling some of the existing gap identified in the previous literature.

Although the emphasis of this study is to explore and examine this subject with special reference to the Saudi environment, it is hoped that other developing countries,

especially the members of the Gulf Co-operation Council (GCC)[3] which have similar environments to that of Saudi Arabia, will benefit from the knowledge gained.

A final point as to the significance of this study is the potential contributions that this study can make, such as the promotion of a better understanding of performance auditing in the public sector in general, and in developing countries in particular; and the expected benefits to be gained by state audit institutions both locally and internationally. These contributions will be discussed in the following section.

1.6. THE EXPECTED CONTRIBUTION OF THE STUDY

As mentioned above, this study is intended to provide an examination of the current state of performance auditing in the public sector of a developing country, i.e. Saudi Arabia. To the researcher's knowledge, this study is the first that addresses the issue of performance auditing in Saudi Arabia in such a comprehensive way. Accordingly, the study hopes to fill some of the existing gaps in previous research, in that most of what has been written concerning the subject of performance auditing has been written with reference to developed countries.

In addition to the contribution that this study can make to the international literature in the field of government auditing, the author anticipates that the results of the study will, hopefully, be useful to state audit institutions both locally and internationally. Firstly, on the domestic level, the study is of particular interest to the officials and personnel of the Saudi GAB which is responsible for conducting performance audits in the Saudi public sector. To the best of the author's knowledge, the current system of performance auditing has never been subject for a formal assessment since its introduction.

[3] The GCC countries are: Bahrain, Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia and United Arab Emirates.

Therefore, the comprehensive coverage of performance auditing as applied by the GAB which the study is intended to provide and an examination of the respondents' perceptions concerning several issues relating to its effectiveness might be useful (a) as a basis for the GAB to determine how performance auditing is perceived by the different groups interested in and affected by this operation; (b) as a means of discovering any major obstacles that have been emphasised by the research respondents; and (c) as a possible source for extracting possible solutions and recommendations that could be used to overcome any cited shortcomings of the current system of performance auditing.

On the international level, the study might be of general use to state audit institutions in other developing countries. More particularly, the study might be useful to countries with similar environments to that of Saudi Arabia, such as the countries of the Gulf Co-operation Council (GCC).

The study may also contribute to the research dimension by, hopefully, extracting some insights from the Saudi experience in the field of performance auditing. Such insights might be useful to researchers undertaking other research projects with reference to developing countries in general, and Saudi Arabia in particular.

1.7. THE ORGANISATION OF THE STUDY

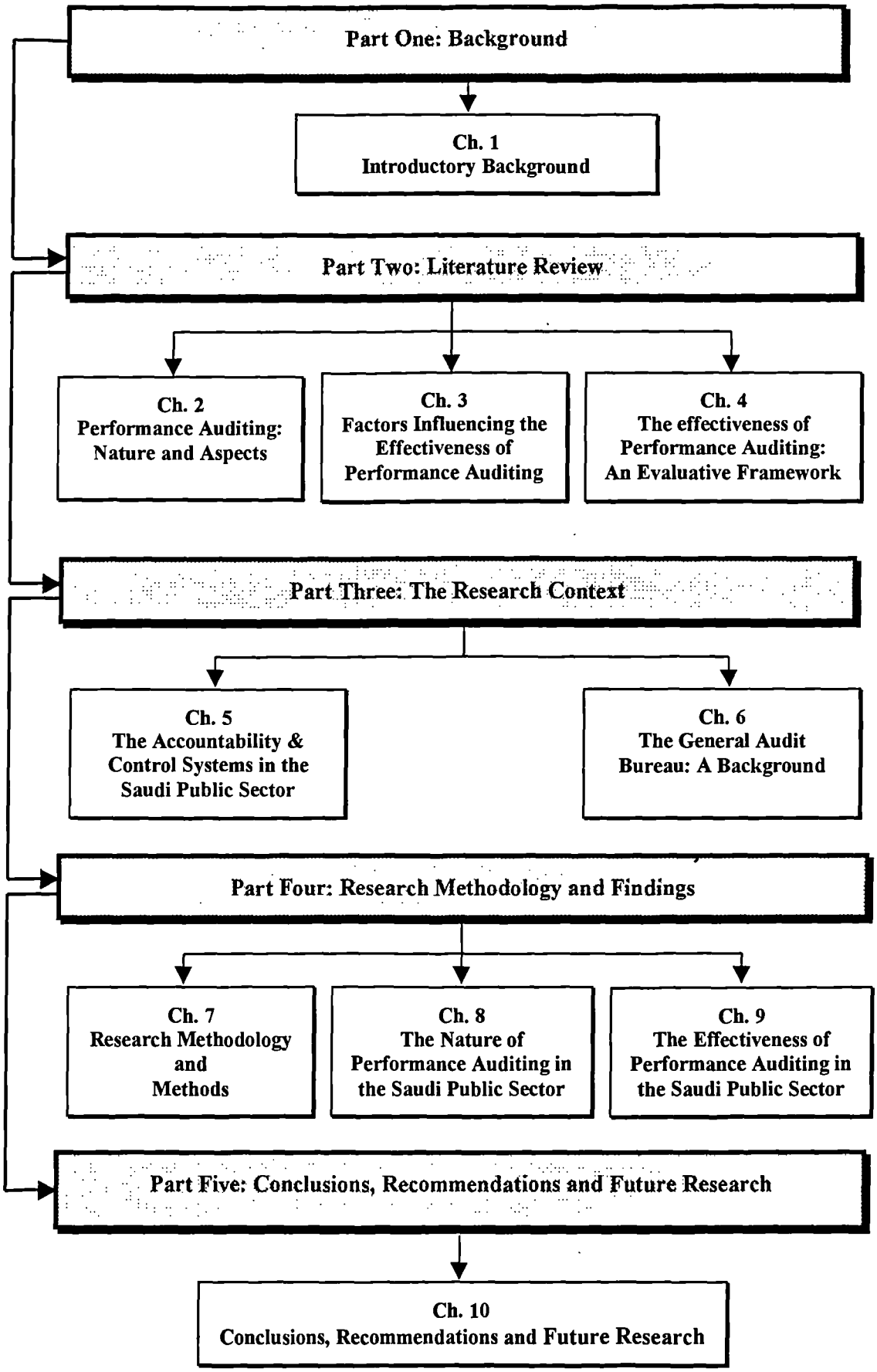
This thesis will be divided into five related parts, comprising ten chapters including this introduction (see Figure 1.1). Part One, which consists of this introductory chapter, provides a general overview regarding the research problem under investigation. The introductory chapter discusses various issues, including the background to the research

problem; research objectives; research methodology; the expected contribution of the research; and the research structure.

Part Two of the thesis provides a discussion of previous literature regarding performance auditing issues relevant to the study (Chapters 2, 3 & 4). Chapter Two is devoted to providing vital information about performance auditing. This information includes, among other things, the nature, objectives, principles and procedures of performance auditing. Additionally, the limited literature on the experiences of some developing countries is reviewed in this chapter. Chapter Three provides a detailed discussion of the main factors that have been debated in the literature to be influential in the effective operationalisation of performance auditing systems in the public sector. The literature review is used as a frame of reference and as a guide to the development of issues discussed in the fourth part of this thesis. In particular, this review is used to develop the questions presented in the research questionnaires. In addition, the discussion surrounding the various factors influencing the effective functioning of performance auditing in the public sector is used, in Chapter Four, as a foundation for constructing an evaluative framework of the effectiveness of performance auditing.

Since the main objective of this thesis is concerned with performance auditing systems as currently practised in the Saudi public sector, it is necessary to give background information regarding the environment in which the research was undertaken. Thus, Part Three, which consists of Chapters Five and Six, explores the context in which the research was undertaken. Chapter Five discusses the accountability and control systems in the Saudi Arabian public sector. Special emphasis is given to the roles that different government agencies play in the management of public resources in this country. In addition, the government accounting and control systems are highlighted.

Figure 1.1: The Research Structure



Chapter Six provides a general background to government auditing in Saudi Arabia and the role of the Saudi GAB. This chapter covers various issues, such as the historical development of government auditing in the Saudi public sector and the government auditing standards. It also outlines the roles and responsibilities of the Saudi GAB.

Part Four (Chapters 7, 8 & 9) is devoted completely to the research methodology and findings. Before reporting the research findings in Chapters Eight and Nine, the manner by which the data required to achieve the research objectives was collected and analysed is presented in Chapter Seven. With regard to the data collection methods, two research techniques are utilised in this thesis: collecting relevant documents from the GAB and various governmental sources; and distributing questionnaires to performance auditors and a sample of public sector managers. Data analysis techniques are discussed in this part of the thesis as well.

The research findings are reported in Chapters Eight and Nine under two main themes: (a) the nature of performance auditing in the Saudi public sector, and (b) the effectiveness of performance auditing in the Saudi public sector, respectively. The discussion in these two chapters is heavily reliant on the information gathered by the main research method i.e. the questionnaire.

Chapter Eight is concerned with the nature of performance auditing practices in the Saudi public sector. Research participants were asked to record their perceptions of several issues, including, among others: the objectives of the performance auditing system utilised in the Saudi public sector; the approaches and procedures followed by GAB auditors during the course of their duties; the criteria used by the GAB in

selecting a particular public organisation as the subject of a performance audit investigation; and the possible sources used by State auditors to extract the information required to fulfil their duties.

Chapter Nine is concerned with the effectiveness of the performance auditing system in the Saudi public sector. Research respondents were asked to state their opinions as to the extent to which performance auditing objectives have been achieved. In addition, they were asked to record their perceptions concerning several factors that could be seen as limitations of the current system of performance auditing used in the Saudi public sector. Several other issues are discussed in this chapter, such as the performance audit report; the extent to which performance audit recommendations are implemented; the relationship between state auditors and public sector managers; and the level of feedback given to the auditees.

The last part, which consists of Chapter Ten only, is a summation of the previous chapters. This part presents the main contributions of the thesis, introduces the implications and recommendations of the research, addresses the limitations of this research and offers some suggestions for future research.

1.8. SUMMARY

During the last three decades, performance auditing in the public sector has received a great deal of attention in different countries, especially in developed countries. This study explores the experience of a developing country, namely Saudi Arabia, which introduced performance auditing to its public sector in the late 1980s.

This introductory chapter has provided the basis for the thesis and given a brief introduction to the research problem. In this regard, this chapter has presented a general background to the research issue in terms of its objectives, methodology, significance and contribution as well as its organisation. Based on the organisation of the study, this chapter covers Part One. Since the main subject being explored in this study deals with performance auditing, the purpose of Part Two is to review various aspects relating to the nature and effectiveness of performance auditing, such as its definition, nature, objectives, approaches and procedures (Chapter 2) as well as the main factors influencing the effective operationalisation of performance auditing in the public sector (Chapter 3).

PART TWO

LITERATURE REVIEW

CHAPTER TWO

PERFORMANCE AUDITING: NATURE AND ASPECTS

2.1. INTRODUCTION

The main concern of the present study is the performance auditing system as applied in the Saudi public sector. The subject of performance auditing has gained popularity in most Western countries and, increasingly, in developing nations during the second half of the twentieth century. This controversial auditing system has been widely debated. The debate begins with its definition and incorporates many other related issues e.g. the nature, objectives, principles and standards, methodologies and procedures of performance auditing as well as environmental and technical obstacles limiting the effective operationalisation of this concept.

The purpose of this chapter and the next chapter is to review some of the written literature relating to the subject of performance auditing. This review is intended to serve two objectives. The first is to provide background information about public sector auditing in general, and performance auditing in particular. The second is to lay down some important aspects relating to the subject of performance auditing and to identify the key issues which need to be explored throughout the study. In this respect, the literature review is used as a frame of reference and as a guide to the development of issues explored in this thesis. In particular, this review is used to develop the questions presented to the research respondents. However, it is worth noting that most of the existing literature relating to this subject has been written by Western writers with reference to developed countries.

This chapter covers the following broad topics. First, the general nature of public sector auditing is presented in the following section. The third section gives consideration to the different aspects of performance auditing. Consideration is given to the definition,

nature, objectives, approaches and procedures of performance auditing. The fourth section aims to review performance auditing practices within the context of some developing countries. Finally, the conclusions of the chapter are presented in the last section.

2.2. THE GENERAL NATURE OF PUBLIC SECTOR AUDITING

In this section, a general description of public sector auditing is presented. The purpose is to provide a clear, wide picture of this field in order to get a better understanding and to decide where performance auditing is located within the general framework of government auditing.

Government auditing includes all audits made by government audit agencies and all audits of government organisations. In the UK, for example, government audit agencies include the UK National Auditing Office (NAO) and the Audit Commission. In the case of the USA, the main government audit agencies are the General Accounting Office (GAO), the Defence Contract Audit Agency and State Audit Agencies. In Saudi Arabia, audits of government organisations are the main responsibility of the Saudi General Audit Bureau (GAB).

Audits of public sector organisations include audits of central and local government departments made either by government auditors or independent public accountants. They may also include audits of business enterprises owned wholly or partially by government and other non-governmental entities, such as museums, art galleries and sports organisations.

Traditionally, government auditing has mainly been concerned with investigating the financial regularity and compliance of an organisation's accounts with the applicable laws and regulations. While financial auditing is concerned with reporting past economic activity, compliance auditing is concerned with past adherence to established requirements. These two types of audits are an important part of the accountability process in government organisations since they provide independent opinions concerning whether an organisation's financial statements fairly present the results of its financial operations and whether the organisation has complied with the significant laws and regulations applicable to its activities (GAO, 1994, p. 10). However, the public accountability concept, based on this narrow position of government auditing, is mainly devoted to verifying the honesty and impartiality of government officials. In other words, the traditional style of audit did not directly make an attempt to uncover waste, extravagance, and inefficiency, or to discover whether the organisational programmes were effective.

The last two or three decades of the twentieth century have, however, witnessed an accelerating increase in the role of governments in the management of scarce public resources which, in turn, has generated huge pressures for greater accountability, efficiency and performance in public sector organisations (Tomkins, 1982, p. 189). For instance, the growth of the public sector in the UK during and immediately after the Second World War, led to an increase in the scale of public expenditure in absolute terms, and as a proportion of Gross Domestic Product (GDP). During the 1960s and 1970s, periods of relatively declining economy, much concern was directed at the efficiency and effectiveness of public sector activities and operations. As a result, the 1979 Thatcher administration favoured both the extension of public sector audit and

evaluation and the development of new types and modes of public sector audits (Hopwood and Tomkins, 1984, pp. 217-218). The National Audit Act of 1983 explicitly represents a significant development in UK government auditing and includes provision for economy, efficiency and effectiveness (the 3Es) examinations. The expansion in audit scope, within the UK context, can also be understood by considering the following statement cited by the NAO in one of its publications entitled "Value for Money Handbook":

> Our main concern is accountability to Parliament and ultimately the taxpayer– to assure them *that public funds and resources are used properly and to good effect*. We do this by providing Parliament with independent information and advice about *how economically, efficiently and effectively the bodies we examine have used their resources* and by *highlighting instances where the proper conduct of public business may be at risk* (NAO, 1997a, p. 17; emphasis added).

In the USA, the substantial changes in social life and economic order after the Second World War led to mounting demands for new and better public services. In order to improve the quality of services provided to the people, the number of programmes and the resources devoted to them increased substantially during the 1960s. The number of new programmes established during the 1970s was considerably fewer, but the resources requirements continued to grow. This situation has brought with it an increased demand for full accountability concerning the efficient and effective use of available resources on the part of those entrusted with the responsibility of administering public programmes. Public officials, legislators and the public in general want and need to know that the money they have entrusted to government managers is handled appropriately and in compliance with the laws and regulations (financial and compliance audits). They also want and need to know whether government organisations, programmes and services are fulfilling their intended goals (effectiveness

audits) and whether these organisations, programmes, and services are operating economically and efficiently (GAO, 1994, para. 1.11, p. 8).

Such pressure from the public and legislative departments has resulted in a rapid expansion of the role of the General Accounting Office (GAO) (Trodden, 1996, p. 153) to include programme evaluation and efficiency auditing. These types of audits are concerned with improving future performance and focus on management policies, planning and control systems, and decision-making processes. Performance auditors must determine that such policies, systems and processes exist and are being complied with and they must evaluate the quality and the degree to which they contribute individually and collectively towards achieving the 3Es. This move "reflects the view of the Comptroller-General as to what information the legislation needed to exercise appropriate oversight" (Shand and Anand, 1996, p. 58).

According to the US Government Auditing Standards (GAO, 1994), the scope of government auditing covers both financial audits and performance audits:

> **Financial audits** include financial statement and financial related audits.
>
> a. **Financial statement audits** provide reasonable assurance about whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Financial statement audits also include audits of financial statements prepared in conformity with any of several other bases of accounting discussed in auditing standards issued by the American Institute of Certified Public Accountants (AICPA).
>
> b. **Financial related audits** include determining whether (1) financial information is presented in accordance with established or stated criteria, (2) the entity has adhered to specific financial compliance requirements, or (3) the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objectives.

Performance audits include economy and efficiency and program audits.

a. **Economy and efficiency audits** include determining (1) whether the entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently, (2) the causes of inefficiencies or uneconomical practices, and (3) whether the entity has complied with laws and regulations on matters of economy and efficiency.

b. **Program audits** include determining (1) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, (2) the effectiveness of organizations, programs, activities, or functions, and (3) whether the entity has complied with significant laws and regulations applicable to the program (para. 2.4, 2.7, pp. 12-14).

To sum up, we could conclude that the appeal for more information about, and full accountability of, public sector activities and programmes has widened the scope of government auditing whose initial function was only concerned with regularity and compliance aspects. Instead, government auditing today, in addition to its traditional role, is also concerned with whether government organisations are achieving the purposes for which the programmes are authorised and funds made available and whether they are doing so economically and efficiently.

The expansion of the auditing concept within the public sector has placed a clear obligation upon, and at the same time represents an opportunity for, government auditors to develop their role from the simple certification of the accounts towards covering the more sophisticated aspects of *economy, efficiency and effectiveness* of public organisations, programmes and services. The new role of auditors represents what has generally been referred to as "performance auditing".

2.3. PERFORMANCE AUDITING: THE EXPANDED SCOPE OF PUBLIC SECTOR AUDITING

2.3.1. A DEFINITION OF PERFORMANCE AUDITING

The academic and professional literature has not offered a clear definition for this term. Since this term covers a broad range of activities (Shand & Anand, 1996, p. 59), it has been found to have different meanings for different people (Grimwood and Tomkins, 1986, p. 252).

The ambiguity about the meaning of performance auditing also applies to other related audit terms which employ the same key concepts and pursue the same objectives. Published literature has discussed different concepts, such as operational auditing, management auditing, value for money auditing and performance auditing which have often been used interchangeably.[1] It is generally acknowledged that, as a minimum, these concepts should include an examination of economy, efficiency and effectiveness. This overlap has been well recognised in the literature (e.g. Boys, 1984, p. 118; Guthrie and Parker, 1999, p. 303; Hatherly and Parker, 1988, p. 22; Hong, 1991, p. 7; Shakansky, 1991, p. 2). Shakansky, for instance, discusses these different concepts and comments that "while some may emphasise the nuances that distinguish these labels and what they signify, their commonality lies in their concern with judging the quality of governmental activities, as opposed to the auditor's classic concern with financial records" (p. 2). While it is beyond the scope of this study to discuss all the available definitions of these concepts, the rest of this section will be devoted to

[1] These concepts have been generally defined with reference to the 3Es: economy, efficiency and effectiveness. However, because of the lack of explicit goals and objectives in public sector organisations and programmes, the initial emphasis of these concepts was mainly on economy and efficiency; auditing effectiveness aspects of public organisations and programmes are still quite limited (see for instance Pendlebury and Shreim, 1991, pp. 58-59).

defining the selected term, "performance auditing", which will be used throughout this thesis.

The US GAO in its "*Government Accounting Standards*" (1994 revision) defines performance audit as:

> [A]n objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organisation, programme, activity or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibilities to oversee or initiate corrective action (p. 14).

This definition of performance auditing seems to be the most comprehensive. It emphasises the primary objective of performance auditing, that is, an independent evaluation of overall performance of an organisation, programme, activity or function in order to provide information which will improve public accountability and processes of decision-making. The key words in this definition are:

- ***Objective*** -- Which means that the auditor's conclusions should be independent of, and uncoloured by, feelings or personal opinions. Objectivity is the mark of a good auditor and a good audit examination.

- ***Systematic*** -- The Advanced Learner Dictionary (1989, p. 1305) defines systematic as (1) "done or acting according to a system or plan; methodical" and (2) "a planed in advance and done with malicious thoroughness and exactness". This means that performance auditing incorporates logical, structured and organised steps or procedures, such as proper audit planning and the obtaining of sufficient evidence. However, it is not a 'system' in the sense of a series of routines applied strictly to guarantee the delivery of valid results. Instead, it is much more a process to facilitate rather than govern judgements about an organisation's performance.

- ***Examination of evidence*** -- Performance auditing uses objective, systematic methods and procedures for collecting and examining related evidence.

- ***Providing an independent assessment of the performance of a government organisation, programme, activity or function*** -- This is the essence of performance auditing, since the primary purpose of performance auditing is to provide an independent assessment of an activity under audit. This sums up precisely what performance auditing is supposed to be about.

- ***To provide information to improve public accountability and facilitate decision-making*** -- This is the ultimate goal of performance auditing, i.e. providing information about the underlying situation in order to improve public accountability and decision-making processes.

- ***Parties with responsibility to oversee or initiate corrective action*** -- Audit reports will be circulated to those who are responsible (i.e. parliament and public managers) for taking any corrective action needed to amend the condition found, so that intended goals will be met.

The term "performance auditing" has been chosen as the title for this study for two reasons. The first is the recognition which this term has received from both the academics and audit institutions. This term has been widely used in comparison to other terms. The literature seems to support the "performance auditing" term on the grounds that it is the most comprehensive and encompasses all the other terms mentioned above (Kent, Sherer & Turley, 1985, p. 163). In addition, international organisations, such as the International Organisation of Supreme Audit Institutions (INTOSAI), the Asian Organisation of Supreme Audit Institutions (ASOSAI) and the

Organisation for Economic Co-operation and Development (OECD) have supported the use of the performance auditing term. The International and Asian Organisations of Supreme Audit Institutions, for example, have adopted "performance audit" in the different conferences dealing with this subject, as the most appropriate, common term for audits examining economy, efficiency and effectiveness of operations (INTOSAI, 1977, 1986; ASOSAI, 1997). This term, accordingly, cannot be attributed to any particular country. Other terms, on the other hand, have been used by various audit institutions in many developed countries with connotations and associations relating to the country involved (e.g. VFM in the UK; Comprehensive Auditing in Canada; Effectiveness Audit in Sweden, etc.).

The second reason is related to the adoption of this term by the Saudi General Auditing Bureau (GAB), the main research site of this thesis. Hence, it is hoped that this term will be more understood by the research respondents than other terms.

2.3.2. THE NATURE OF PERFORMANCE AUDITING

As seen above, the concept of performance auditing grows out of the recognition that the modern government audit must go beyond checking the regularity and compliance of accounts and encompass a review of the more sophisticated aspects of government activities. Performance auditing, it is argued, must provide additional control information on the efficiency and effectiveness of management performance beyond that which is communicated as a result of the traditional financial audit.

With this in mind, performance auditing and its equivalents (e.g. VFM, operational auditing) have often been expressed in terms of the 3Es: economy, efficiency and

effectiveness (programme audits). In the UK, for example, the NAO states that the main aim of value for money examinations is to provide Parliament with an independent assessment of whether public bodies spend taxpayers' money economically, efficiently and effectively (NAO, 1997a, p. 4). The UK Local Government Finance Act 1982 also requires auditors to satisfy themselves, by examination of the accounts, that each authority has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. In the case of the USA, the concept of performance auditing, as defined by the General Accounting Office (GAO) in its revision of Government Auditing Standards (GAO, 1994, p. 14), encompasses economy, efficiency and programme audits. Each of the three components of performance auditing will be further defined.

According to Leclerc, et. al. (1996), the office of the Auditor General of Canada (OAG) in its comprehensive auditing manual has defined the economy concept as follows:

> Economy refers to the terms and conditions under which an organization acquires financial, human, physical, and information resources. Economy means getting the right amount of the right resource, at the right level of quality, at the right time, in the right place, at the right cost (p. 119).

This means that economy is concerned with the acquisition of organisational resources in terms of their quality, quantity, timeliness and cost. According to the Canadian OAG's comprehensive auditing manual, a lack of economy in acquiring resources might lead to some unwanted results. These are "a higher than necessary cost of products or services, or products or services of inappropriate quantity, quality or timeliness" (Leclerc, et. al., 1996, p. 119).

Performance indicators required for economy audits may include factors, such as, unit-input costs and a comparison of actual input volume to planned levels of input (Smith, 1990, p. 15-16). An economy audit of a hospital building, for example, would investigate the contract and control procedures of this project in order to decide the extent to which the building had been constructed according to specifications, on time and at the lowest achievable cost or within approved cost limits (NAO, no date, p. 7).

Efficiency, on the other hand, as defined by the Canadian OAG (Quoted by Leclerc, et. al., 1996), is concerned with

> [T]he relationship between the quantity and quality of the goods and services produced (output) and the cost of resources used to produce them at a required service level to achieve program results (p. 119).

Efficiency, therefore, is concerned with the productive use of acquired resources. An efficient operation might be obtained either by maximising the quantity of output of a given quality for any given resource inputs, or minimising inputs used to produce a given quantity and quality of output (NAO, no date, p. 7). The efficiency ratio is measured by dividing actual output by actual input. The greater the ratio, the more output for input, the more efficient the organisation (Jones and Pendlebury, 1996, p. 9). Performance indicators of efficiency may include, for instance, measures of productivity or unit cost. In the case of a public hospital, for instance, an efficiency audit may include examining the utilisation of hospital wards, beds and equipment; medical and administrative staff allocations and mix; and management and resources allocation systems (NAO, no date, p. 7).

The efficiency dimension, however, would normally be judged in a relative sense by stating, for example, that Unit A is more efficient than Unit B or Unit A is more

efficient this year than last year (Jones and Pendlebury, 1996, p. 9). In order to improve efficiency, different methods have been suggested. These include (Jones and Pendlebury, 1996, p. 9; Prowle, 1999, p. 16):

1. Increasing output for the same input.
2. Increasing output by a greater proportion than the proportionate increase in input.
3. Decreasing input for the same output.
4. Decreasing input by a greater proportion than the proportionate decrease in output.

The above definition of efficiency with its emphasis on *technical or productive efficiency* and input-output relationships, however, seems to be a narrow interpretation of efficiency. The appropriateness of the output produced as a vital aspect of efficiency has received little attention. This aspect of efficiency is called the *allocative efficiency*. Jackson (1995) states that:

> Allocative efficiency requires that managers know something about the output of their services relative to demand ... If the public service is producing more and more of a service which users do not want; which is of the wrong mix or quality; which is targeted on an inappropriate user group; or which has low value placed on it, then allocative inefficiency exists (p. 23).

The third component of performance auditing is effectiveness auditing. An effectiveness audit is concerned with evaluating the extent to which programme predetermined objectives or intended consequences are achieved (e.g. Jones and Pendlebury, 1996, p. 10; Leclerc, et. al., 1996, p. 119). While economy and efficiency audits are concerned with the acquisition and usage of inputs respectively, an effectiveness audit is concerned directly with output. It is an ends-oriented rather than a means-oriented approach (Hatherly and Parker, 1988, p. 23). In a hospital environment, for example, an

effectiveness audit may include the examination of achieved results in terms of reductions in patient waiting lists, increases in operations performed, improved diagnostic and treatment rates, etc (NAO, no date, p. 7). When unintended negative effects occur, judging effectiveness should be carried out by balancing positive and negative consequences.

However, limiting the evaluation of effectiveness to the achievement of goals has been considered by some writers to be insufficient for explaining this term. Bovaird et al. (1995), for instance, proposed that effectiveness should be evaluated against the impact of public services on community welfare or the achievement of goals which have a significant impact on the community. They argued that:

> A definition of effectiveness which emphasises its central concern with impact is preferable: the effectiveness of a public service is the change in community welfare which it has brought about. An alternative approach would be to retain a definition of effectiveness based on the achievement of goals, but to stress that all organisations must have at least one objective which is related to the achievement of impact on community welfare. It is this need to determine the end effects of policies and programmes which has prompted other commentators to propose the concept of 'efficacy'. However, to limit 'effectiveness' to the achievement of goals would fillet it of all real content (p.124).

In order to explain the relationship between economy, efficiency and effectiveness in a public sector environment, Barzelay (1996, p. 20) has suggested a process-oriented scheme that reflects the internal structure and boundaries of organisations involved in delivering public programmes. In the light of this model, government functioning is "a chain of production processes (through which inputs are transformed into outputs) and causal relationships (through which outputs exert influence over outcomes)". Economy, according to this model, is concerned with eliminating waste of inputs; efficiency is concerned with achieving an optimal process for transforming inputs into outputs; and

effectiveness is concerned with achieving or improving outcomes through the delivery of outputs (Gray, 1993; cited by Barzely 1996, p. 20).

2.3.3. THE OBJECTIVES OF PERFORMANCE AUDITING

This section aims to review the major objectives of performance auditing addressed in the auditing literature. In this regard, it is worth noting that different factors may affect an audit institution's policy concerning its auditing of the efficiency and effectiveness of public sector activities and programmes. For instance, the objectives of performance audit examinations not only vary with the scope of the audit but also depend on the statutory rights and duties of the auditors involved. Sloan (1996), for example, claims that:

> The history of individual audit institutions and their legal status will have a direct bearing on how they view their performance audit role. For those with Parliamentary systems on the Westminster model the main objectives have been to provide advice to Parliament on the workings of the executives, and to help improve value for money. Then there are countries such as USA, where the GAO has links to Congress and a remit much broader than most Supreme audit institutions (SAIs)... Those countries with Courts of Audit will have legal dimensions to their work and their role... (p. 139).

In addition, Hamburger (1989), in his study of the Australian National Audit Office (ANAO), reports that the objective of performance auditing within the ANAO appeared to change depending on the personal influence of the particular Auditor-General heading the institution at various points in time. His study showed that the objective of performance auditing "began as accountability and moved past value for money review to something like management consultancy. It then swung back to an uneasy compromise between accountability and value for money" (p. 19).

The political sensitivity of the potential conclusions of audit investigations also represents an important element in determining the objectives of performance auditing.

In most countries, public sector auditors tend, generally, to avoid questioning the merits of public policy as such an activity is considered to fall within the responsibility of elected officials and the legislature. A specific example where auditors have stopped short of questioning the merits of policy can be drawn from the UK public sector where neither the NAO nor the Audit Commission has undertaken an investigation of the success of the internal market in the National Health Service (NHS) despite many requests to do so (Bowerman, 1996, p. 198).

Government auditing, in general, has a great variety of objectives. From a performance auditing perspective, one or more of the following *related* objectives can be served by introducing performance auditing systems into the public sector. First, performance auditing has been seen as an essential component for strengthening accountability relationships in the public sector. It is impossible to find a government system functioning properly without rigorous public accountability. In this respect, public accountability is concerned with the existence of proper relationships between managers of public organisations, on the one hand, and their principals (e.g. governing bodies), on the other, so that the latter can enforce responsibility for performance onto the former. The US Comptroller General in a publication entitled "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" states that:

> A fundamental tenet of a democratic society holds that governments and agencies entrusted with public resources and the authority for applying them have a responsibility to render a full accounting of their activities. This accountability is inherent in the governmental process and is not always specifically identified by legislative provision (Quoted in Jones and Pendlebury, 1988, p. 249).

In the public sector, however, it is the duty of supreme audit institutions to exercise an external audit of government activities in order to assure public accountability. By

statute, audit institutions have considerable access to information about government activities which enables them to undertake an independent and objective assessment of the fairness of management representations on performance, or an assessment of management systems and practices against specified criteria and to report the conclusions of their assessment to a governing body or others with similar responsibilities. Audit reports can be used as tools for questioning those who are responsible for managing public resources and for establishing future priorities and directions of activities.

Many writers and audit organisations have acknowledged the impact of government auditing, in general, and performance auditing, in particular, on the accountability issue in the public sector (e.g. Barzelay, 1996, p. 45; Hill, 1981, p. 87; McCandless, 1993, p. 14-15; Parker and Guthrie, 1993, p. 72; NAO, 1997a, p. 17; GAO, 1994, p. 10, 1998, p. 2; Zavelberg, 1990, p. 5). McCandless (1993, p. 14-15), for example, considered the issue of serving accountability relationship between those carrying out responsibilities and those in oversight roles to be the common and main objective of government audits. Parker and Guthrie (1993, p. 72) also refer to the significant role that public sector auditors can play in restoring public confidence in government and public sector institutions by refocusing management attention on Parliamentary accountability. Moreover, the GAO (1994, p. 10) claims that performance auditing contributes to public accountability because "it provides an independent assessment of the performance of a government organisation, program, activity, or function...". Along the same lines, the UK NAO emphasises its main concern as being "accountability to Parliament and ultimately the taxpayer" by providing Parliament with independent information about

how economically, efficiently and effectively the audited bodies have used their resources (NAO, 1997a, p. 17).

In this respect, however, it is worth noticing that performance auditing is not an aspect of accountability, and not a substitute for it (OECD, 1996, p. 12). Glynn (1996, p. 129) states that "Audit is a process superimposed on an accountability relationship. It is not or should not be a substitute for accountability".

The next two objectives that have been debated in the performance auditing literature are: improving the performance of public sector organisations (Barzelay, 1996; Trodden, 1996); and promoting the economy, efficiency and effectiveness of government organisations, programmes or activities (e.g. Hatherly and Parker, 1988; Pollitt, et al., 1999, p. 2; Scott, 1996, Audit Commission, 1993). Since performance improvement is mainly concerned with achieving desired changes in efficiency and effectiveness within public sector organisations, these two objectives seem to be conceptually similar. However, it is worth mentioning that, in conformity with the written literature, the discussion in this chapter, as in the rest of this study, will consider these two objectives as separate.

The incontestable contribution that performance auditing may make to performance improvement in public sector organisations is well recognised. Barzelay (1996), for instance, reports that:

> [P]erformance accountability and improvement are substantially valuable goals of considerable importance, that performance auditing is an instrument to achieve...(p.32).

Trodden (1996) goes further to suggest that the "concept of 'continuous improvement' must be a critical objective of performance auditing if performance improvement is to become a self-sustaining force" (p. 158). When this objective receives a high priority, the role of an audit institution is generally seen as supporting managerial efforts to achieve performance improvement (Barzelay, 1996, p. 41) and as helping management to understand why certain programmes are more productive than others (Trodden, 1996, p. 158).

Audit institutions, furthermore, can improve the performance of public sector organisations by raising public expectations about their performances and then by creating public pressure for these bodies to improve their productivity. This could be achieved by urging public bodies to make their publications widely available, by releasing regular performance audit reports and by pointing out dysfunctional aspects of management systems and activities.

In addition, performance auditors, after identifying major deficiencies in the audited programme or activity and assessing the consequences and causes of such shortcomings, should usually provide corrective recommendations which could help to stimulate improvements in public sector operations and obtain better value for money. In support of this argument, Scott (1996) states that:

> The Auditor-General has obligations, as does any auditor, to his, or her, auditees and should assist Executive agencies being audited to address administrative shortcomings or improve procedures. Public sector performance auditing should not just be fault finding, but also solution finding (p. 216).

Another theme of performance auditing that could improve performance within the public sector is the adoption of a prospective orientation to performance auditing

(Barzelay, 1996; Trodden, 1996, p. 158-159). The former states that "A forward-looking orientation is crucial if performance auditing is to contribute to the managerial process of improving performance – and avoiding breakdowns and disasters" (p. 43). In some countries (Denmark, Germany and the USA), audit institutions have already been asked to consider this approach to performance auditing.

The promotion of the economy, efficiency and effectiveness aspects of government organisations, programmes or activities as a vital objective of performance auditing has also received great support in the literature, as indicated above. Scott (1996), for example, considered the responsibility of the Auditor-General as being "to identify good practices and efficiencies and recommend ways of improving the performance, economy and efficiency of the public sector as a whole" (p. 216). This responsibility has been clearly recognised by the Auditor-General of Australia who states that the objective of performance audits is:

> [T]o provide independent assurance and evaluation to the Parliament, the Executive, boards, management and the community on the economy, efficiency and effectiveness of administration of Commonwealth public sector entities by:
>
> - Undertaking, in a cost effective manner, a programme of audit designed to evaluate the performance, economy and efficiency of the activities of Commonwealth public sector entities;
> - Identifying good practices and deficiencies and recommending ways of improving the economy, efficiency and effectiveness of the administration of Commonwealth public sector entities;
> - Encouraging and assisting entities to remedy deficiencies and practices by improving systems and controls; and
> - Identifying and communicating good management principles and practices that are applicable to the wider public sector (The Auditor-General, 1994, p. 26; Quoted by Scott, 1996, p. 213).

Along the same lines, Longdon (1996, p. 180) also refers to the Code of Practice which governs the work of the Audit Commission of England and Wales by which auditors are

required to formulate an opinion on the authority's account and to review the existence of appropriate management arrangements within the organisation for securing economy, efficiency and effectiveness in the use of its resources.

The auditor's goal, accordingly, is to ensure that government matters under auditing are carried out in an economic, efficient and effective way and to determine any lack associated with the economy, efficiency and effectiveness aspects of these matters and to recommend practical solutions.

Another objective of performance auditing that seems also to be conceptually associated with the last two objectives is an improvement in the quality of services provided by public sector organisations (Sloan, 1996, p. 147). The NAO in its 1997 annual report (NAO, 1997b) reports that "Many of our recommendations may lead to an improved quality of service delivered to the public or better standards of corporate governance" (p. 30). The NAO (1998, p. 13) also states that in the past three years, the office has produced fifteen reports which have commented on quality of service issues. In addition, the Audit Commission (1997) indicates that "Promoting value for money – through financial savings and improved quality of services and management – ... plays a significant part in its activities" (p. 19). The Audit Commission's aim has also been emphasised by Longdon (1996, p. 182) who states that the Commission audit reviews add value to the services delivered by auditees by:

1. Adopting a constructive focus on how to improve, rather than documenting what has gone wrong.

2. Telling auditees what they do not know by providing them with benchmark information and confidential comparative information.

3. Reporting quickly, in a fair, balanced and targeted way, concentrating on the priorities and significant issues.

By conducting comparative performance audits in which auditors build databases to compare cost/performance between similar organisations, and identify and recommend best practices for improving value for money, the Audit Commission, for example, has been instrumental in improving service quality in local government and health service activities (Bowerman, 1996, p. 195). According to Bowerman, this type of audit "exhibits some features of 'benchmarking' such as 'best in class' authorities and benchmark clubs in the form of data and quality exchanges" (p. 195).

Bowerman (1996, p. 204-205) concludes that the quality approach to performance auditing can affect the quality of public services in two ways. First, auditors may examine customer perceptions of the service they receive to evaluate successful performance. The NAO in its 1993 annual report (1993, p. 22; quoted by Bowerman, 1996) reports that "Our studies have to develop particular methods for measuring the quality of services achieved... Frequently we have carried out our own surveys to find out what users think of the services and how these might be improved" (p. 204). The second potential effect would be through the involvement of auditors in the verification of information provided on quality assurance. This effect can be explained by looking at the Audit Commission's discussion document (1992) on its role in quality assurance in health care. The Commission proposed a variety of ways which could help the quality assurance process, including the prioritising of the patient perspective and developing tools, such as questionnaires and analysis software for use by NHS practitioners for assessing quality (Bowerman, 1996, p. 204).

In addition, performance auditing can contribute to the enhancement of decision-making processes in the public sector by providing the bodies concerned with public sector activities with independent and reliable information about revenue, expenditure and management of resources (Zavelberg, 1990, p. 5). Performance auditing, furthermore, might be used as a mechanism for providing decision-makers in the public sector with valuable information concerning the productivity of public sector organisations. In this respect, performance auditing reports are an important source of information for decision-makers in the public sector who otherwise would not be able to obtain the information easily.

Another objective of performance auditing systems is the emphasis given by these systems to the need for well-established, attainable objectives for public organisations, programmes and activities and the help provided by audit institutions to public entities for developing the organisational objectives, performance measures and criteria needed for measuring performance against established objectives (INTOSAI, 1992, pp. 15-16; Price Waterhouse, 1990, p. 10, 70-71; Trodden, 1996). Trodden claims that:

> The initial role of performance audits will be to help agency leadership in its effort to develop the goals, criteria, and performance measurement systems... Once performance measurement has taken place performance audits have to address compliance, performance management, reliability of data, organisational and programme design, programme results, alternatives, and overall mission accomplishment if they are going to have an impact on improving overall performance (p. 158).

Along the same lines, Price Waterhouse (1990) emphasises that:

> [I]t is the auditor's duty to press for the development of clear objectives, for the adoption of suitable performance measures and for the implementation of timely and reliable statistical and financial management information systems (p. 10).

In practice, the US GAO and the OAG of Canada have been prominent in drawing attention to the need for performance measurement and information systems in public organisations (Shand and Anand, 1996, p. 66).

In addition, performance auditing may contribute to the improvement of information reporting in the public sector, both in quantity and quality. This can be achieved by encouraging public sector efforts to introduce reporting procedures designed to bring to notice the economy, efficiency and effectiveness with which government departments and agencies meet their responsibilities (Zavelberg, 1990, p. 5).

The literature, however, introduces some opposing arguments concerning the link between performance auditing and the enhancement of accountability, efficiency, effectiveness and performance within the public sector. It is argued that the stated objectives of performance audits may fall in tension. For example, a conflict may arise between the goals of performance accountability and performance improvement (Barzelay, 1996, p. 40). While publicising audit reports which contain adverse opinions may advance public accountability, they may also negatively affect performance improvement by encouraging managers to adopt a risk averse approach (Shand and Anand, 1996, p. 69-70). Along the same line of argument, Sloan (1996, p. 147) also raises some concerns regarding the indirect effects of performance auditing investigations. He claims that matters, such as unreasonably risk, averse culture or simply poor quality recommendations, might be the possible unintended negative effects of performance auditing. In this respect, additional controls imposed because of the problems identified by the auditors might lead to a risk averse management rather than a performance oriented management.

Moreover, audit procedures designed to encourage auditee commitment to improving performance can be seen as undercutting the independence of the audit body from the auditee, creating the perception that its capacity to advance public accountability is impaired (Shand and Anand, 1996, p. 71).

Taking into consideration both sides of the argument, we conclude that although the written theoretical literature tends to suggest that well-conducted performance audits assist the promotion of good public sector administration, by enhancing accountability relationships and improving the economy, efficiency, effectiveness and performance of public agencies, it is worth noticing that performance auditing is not likely to be a panacea for all public sector problems. While it is hard to imagine a well-performing public sector without performance auditing reviews, it is also dangerous to expect too much from the undertaking of such investigations.

Before closing this section, it is of value to consider the objectives of performance auditing within the context of developing countries. Despite the widely supported argument that performance auditing can serve different objectives within the public sector, this belief seems to have less support when performance auditing in developing countries is considered. Different reasons can be introduced to illustrate this situation. For instance, the institutions and mechanisms which have extended government auditing and strengthened its role in public accountability in many Western democracies are almost non-existent in most developing countries. In many developing countries, Parliament and its committees, if they exist, have less power compared to the executives, and the media is more closely controlled by the government (Ghartey, 1985, pp. 153-155). In support of this argument, Khan (1994) states that:

> Performance auditing came into being in the Western societies in response to increased demand for accountability of the public managers. The demand came from the legislatures. The public managers demurred to respond to this demand. The auditors demonstrated their willingness to help the legislature in getting more information on public funds and value-for money from them. But in a society where democratic traditions are almost non-existent, such a concept of auditing is surely going to take much longer to take root (p. 23).

The problems inherited in the structure of the societies of developing countries shed some light onto the appropriateness and possible success of introducing some aspects of Western patterns of auditing and accountability into other societies, where many of the institutions, processes and mechanisms which support and complement these systems of auditing and accountability are absent.

Accordingly, we could conclude that the achievement of performance auditing objectives will depend upon the circumstances and environment within which this kind of audit is conducted. Where, for example, there is no appropriate environment, the expected benefits of performance auditing are likely to be greatly hindered. More elaboration of this issue will be presented in the next chapter.

2.3.4. APPROACHES OF PERFORMANCE AUDITING

As stated previously, performance auditing and its equivalents mean different things to different people (Grimwood and Tomkins, 1986, p. 252). Accordingly, different approaches to performance auditing have been suggested in the literature and/or practised by state audit institutions. These approaches can be discussed in terms of the following: the general approach to performance auditing (scope of performance auditing) and approaches followed by performance auditors while they undertake audit investigations (types of performance investigations).

With regard to the general approach to performance auditing, the legal and institutional framework of a given country and the official backing given to state auditors within this country play a major role in deciding the scope and extent of performance audit examinations. The USA GAO, for example, has the full backing of legislation to extend its role beyond efficiency and effectiveness issues to review and question the government's objectives and policies. In many other countries, legislation attempts to draw clear boundaries between effectiveness and policy e.g. the UK NAO is not allowed to question the merits of policy objectives (NAO, 1997a, p. 7). Moreover, while many countries give its auditors the right to assess programme effectiveness in addition to undertaking economy and efficiency reviews (e.g. UK, New Zealand), others preclude any direct review of effectiveness (e.g. Canada) (Shand and Anand, 1996, p. 61).

The second dimension from which performance auditing approaches can be discussed is related to the different approaches suggested that auditors may follow while undertaking performance audit investigations. Taking into account the large size of public sector organisations and programmes and the great amount of resources that each performance investigation usually needs, it is neither practical nor economically feasible to undertake performance auditing investigations on every activity, operation, system, procedure and transaction of a particular government organisation or programme simultaneously. Such broad audits would be costly, difficult to control and of doubtful cost-effectiveness. Consequently, if state audit institutions are to utilise their scarce resources in carrying out effective performance auditing, they must choose their areas of investigation with great care. A rationalist approach by which areas which are

both discrete and appear to offer scope for significant improvement is urgently needed (Price Waterhouse, 1990, p. 22).

Accordingly, in order to decide the type of performance investigation, state audit institutions have utilised one or more audit approaches based on the particular circumstances of each audit operation. For instance, The UK NAO in its publication 'A Framework for Value for Money Audits' referred to four broad types of its VFM investigations:

1. Selective investigations of sign of possible serious waste, extravagance, inefficiency, ineffectiveness or weaknesses in control.
2. Major broad-based investigations of a whole audited body or of important activities, projects or programmes.
3. Major reviews of standard managerial operations which tend to follow common patterns or procedures or established good practice.
4. Smaller-scale investigations (no date, p. 10).

The NAO state that its purpose "is to secure a 'mixed diet' of investigations and reports"(p.10).

Furthermore, Glynn (1985, p. 24) suggests that "the approach of the VFM audit should be essentially 'top-down'". The US GAO has favoured this approach (Tomkins, 1980, p. 17). The top-down approach includes the review of both the structures and process of an effective measurement system (Glynn, 1985, p. 136). According to Glynn, this approach starts with a preliminary investigation of the audited department's information systems, which include, among other things, financial statistics and performance measurement indicators. The auditor's purpose is to identify the trends and weaknesses in these systems. When gaps are found in these systems, the auditor is expected to

undertake an in-depth investigation of the irregularities in order to identify their sources.

However, these different approaches are not intended to be exhaustive nor do they imply that the auditor must select just one approach. The auditor may select different approaches for different projects; he may also select some aspects of several approaches to use within an individual audit project. In his decision to select a particular approach for a specific audit project, the auditor should consider various factors including, but not limited to, the nature of the audited organisation or programme (e.g. size, activities, complexity), the number of auditors allocated and their competence and the auditors' available resources (e.g. time available to do audit work).

2.3.5. THE PROCEDURES OF PERFORMANCE AUDITING

In performance auditing examinations, there are no specific audit procedures to be followed in all cases. Standardised audit programmes for this type of auditing are neither appropriate nor feasible (Morse, 1981, p. 200). Instead, the specific audit procedures to be followed should be tailored to meet the needs of each situation examined (Pollitt et al., 1999, p. 16). The auditor, however, is expected to follow the general approach suggested for all auditing processes. For example, in each audit, the following steps should be undertaken (Mautz and Sharaf, 1961):

1. Recognition (acceptance) of the composite problem (the audit assignment).
2. Observation of facts relevant to the problem.
3. Subdivision of the composite problem into individual problems.
4. Determination of available evidence pertinent to each individual problem.
5. Selection of applicable audit techniques and development of appropriate procedures.
6. Performance of procedures to obtain evidence.

7. Evaluation of evidence.
   a. With respect to pertinence and validity.
   b. For indications of any additional problems.
   c. With respect to adequacy for judgement formation.
8. Formation of judgement.
   a. On individual propositions.
   b. On the composite problem (p. 32).

These can be reclassified into five main steps: identifying the problem; observation of facts related to the problem; selecting appropriate audit techniques; gathering and evaluating evidence; and formulating audit judgement.

Glynn (1985, pp. 93-104) has suggested an audit approach which is similar, to a large extent, to that of Mautz and Sharaf. He states that any audit engagement should include the following stages:

1. Agreement between an auditor and client on the terms of the engagement.
2. A brief audit survey in order to plan the audit work.
3. A field study.
4. Analysis of the data collected.
5. Preparation of the final report.

At an early stage of the audit project, the auditor is expected to have an initial meeting with the auditee to reach an agreement concerning the nature and scope of the work and to obtain the executives' support. More specifically, subjects that might be discussed in the meeting should include, among others, the following (Price Waterhouse, 1990):

1. The scope of the work.
2. The senior executive's overall views on his department and its objectives.
3. The senior executive's ideas which he may have for improvement.
4. Arranging for background material to be obtained, where appropriate, such as costing reports, organisational charts and job specifications.
5. Developing an outline idea of how the department measures its effectiveness in meeting objectives (p. 50-51).

The auditor should then identify any problem areas which must be investigated. A recognition of the problem areas comes from the auditor's preliminary survey and review of the organisation or activity being audited. This initial survey is intended to provide the auditor with sufficient background information regarding legislation and regulations restricting the organisation being audited, its organisational charts, policy statements, performance standards and past performance data. Other techniques which the auditor can use to identify problem areas may include reviewing management reports, internal audit reports and inspection or consultant reports; conducting physical inspections and test examinations of operating actions; holding discussions with officials and employees; interviewing users and customers; and reviewing budget and other planning documents. Throughout an examination, the auditor must consider any sign which indicates that there is something wrong, whether it is an obvious error or merely a suggestion of the unusual (Mautz and Sharaf, 1961, p. 32). For performance auditing, auditors must take into consideration any potential areas of uneconomic, inefficient or ineffective operation, where costs can be reduced or programme results can be improved.

At the end of the initial survey, a detailed audit plan should be prepared. The audit plan should decide "what is to be audited and how the audit will be conducted" (Leclerc, et. al., 1996, p. 229). A number of issues should be considered at this stage, including the audit approach, objective, scope and significance, as well as the type of evidence needed. The plan should also specify the criteria which will help the auditor to determine whether a program meets or exceeds expectations (Leclerc, et. al., 1996, p. 229-230). In selecting audit criteria, auditors should use those that are reasonable, attainable, and relevant to the matters being audited.

However, unlike that of financial audit, the performance audit plan must not be too rigid and should be reasonably designed in general terms. Price Waterhouse (1990) states that performance audit work "is very much a question of keeping an open mind and being able to change direction if a more promising area presents itself" (p. 52-53). Accordingly, as work progresses, performance audit plans are expected to change. Such changes, with their appropriate reasons, should be added, in writing, to the audit plan.

Identifying the area which needs to be examined and planning the audit work are crucial steps for effective use of audit resources. Price Waterhouse (1990) states that:

> The careful selection and planning of a value for money project is particularly important in view of the complexity of public sector organisations and the relatively small budget for carrying out the work. Unless a worthwhile project is selected, based upon proper reconnaissance and the reading of background information, time spent in reviewing particular services or departments will be wasted with little being achieved (p. 37).

Having identified the issue to be examined and having planned his work, it will now be possible for the auditor to undertake a detailed field study. First, observations should be made of any pertinent facts relating to the problem. In this respect, the auditor should review the internal management control system by studying the policies and regulations established to govern the activities being examined; by testing the effectiveness of specific operating and administrative procedures and practices followed; and by identifying all important weaknesses found. This will help the auditor to evaluate the problem more carefully and to decide the expected level of evidence needed to carry out the investigation.

Second, when the above has been accomplished, the auditor should select the appropriate tools to be used to gather and analyse audit evidence. In selecting audit

techniques and procedures, the auditor should take into account the applicability, relevance and cost of these techniques, as well as their suitability for the objectives of the audit. For performance auditing, auditors have developed additional techniques to be used in their operations, such as citizen surveys, regression analysis (Glynn, 1985, p. 72-75) and internal and external comparisons. Such techniques are more appropriate for dealing with more sophisticated issues, such as the evaluation of the efficiency of an organisation and the effectiveness of its output.

The auditor's next step is to gather the required evidence. While the auditor collects the necessary evidence, he should continually be concerned with evaluating its validity and remain aware of the possibility of additional problems requiring additional evidence (Mautz and Sharaf, 1961, p. 34). Evidence collected should be sufficient to clarify, for the auditor, the objectives of the organisation or activity being audited, the extent to which these objectives are measurable and the achieved outputs in order to decide whether an organisation or programme is operating efficiently and effectively.

Once the auditor believes that he has gathered sufficient evidence, he will be able to formulate an opinion on the matter under investigation. The auditor should discuss his findings with the audited management as they may provide constructive views which could be incorporated into the final report. For instance, they may ask the auditor to add their views regarding the causes of certain criticisms.

The auditor, finally, is required to exercise his independent judgement to formulate the final results of his audit, supported by relevant information, and report them to those who are responsible for receiving and acting on the auditor's findings and

recommendations. Efficiency and effectiveness audit reports are expected to be much longer than those of financial audits.

2.4. PERFORMANCE AUDITING IN THE DEVELOPING COUNTRIES

2.4.1. INTRODUCTION

This section aims to review performance auditing practices within the context of some developing countries. This review seems necessary for two reasons. First, such a review is essential for the systematic development of this thesis since most of the discussion of the subject has mainly been concerned with performance auditing within the context of Western developed countries, with little reference to the experiences of developing countries. A review of the experiences of developing countries would hopefully provide a more balanced account of how different countries from the other side of the world (i.e. developing countries) have presented their arguments concerning the need for performance auditing, the appropriate approach to carry it out and the possible ways to overcome or reduce the impact of the problems and situations they face. Secondly, since Saudi Arabia, the main concern of this thesis, is generally considered as a developing country, the awareness and understanding of the current state of performance auditing in other developing countries is particularly important for the discussion and an analysis of performance auditing practices in this country. In this respect, it is assumed that some, if not many, of the problems which other developing countries are facing in the area of performance auditing resemble those confronting Saudi Arabia; hence, research studies carried out in relation to developing countries and their conclusions are therefore worthy of consideration.

The rest of this section is divided into four sub-sections. As a starting point for this section, the intention in the next sub-section is to discuss what is generally meant by "Developing Countries". The third sub-section presents a short review of public resources management in developing countries. This review is intended to show the weakness of the management of public resources, in general, in these countries. Sub-section Four reviews and analyses performance auditing in the context of developing countries. The efforts made by these countries and the difficulties facing these efforts are discussed.

2.4.2. CHARACTERISTICS OF DEVELOPING COUNTRIES

As a starting point for this sub-section, it is worth mentioning that there is neither a precise definition nor definite standards in the literature that can be used to classify a country as a "developing" nation. In addition to this term, other phrases such as "Less Developed Countries" and "Third World Nations" are used loosely in connection with these countries which are "different in terms of GNP, population, cultures, degree of literacy, economic and political systems" (Wallace, 1990, p. 4).

Despite the fact that developing countries do not form a homogeneous group and differ in several aspects, such as their political and economic systems, population, culture and GNP (e.g. Wallace, 1990, p. 3-4), there are some general features which can be used in an attempt to define these countries. For the purpose of this study, a developing country might have some, or all, of the following features, at different levels of concentration (e.g. Al-Rumaihi, 1997, pp. 73-74; Chandler and Holzer, 1984, p. 454; Lawrence, 1996, p. 196; Scott, 1970, p. 2):

1. These countries have potential for rapid economic growth, and many have had development programmes for a number of years.
2. The economies of these countries do not have comprehensive or efficient industrial production sectors, but are thought to be in the process of transformation.
3. The political system in most of these countries is dominated by a single party.
4. There is heavy government involvement in the economy.
5. In most of these countries, the level of illiteracy is high.

In the light of the above characteristics, it could be inferred that the feasibility of adopting particular aspects of Western patterns of accountability and control in circumstances where many of the institutions, processes and mechanisms which support and complement these systems of accountability are absent is questionable.

2.4.3. PUBLIC RESOURCES MANAGEMENT IN DEVELOPING COUNTRIES

The roles and activities of governments in developing countries have grown considerably during the last three or four decades. For instance, the 1983 Report on World Development, published by the World Bank, states that the number of public sector employees in developing countries has increased during the past few years four or five times faster than that of industrial countries, at a rate two or three times greater than the population growth rate (International Bank for Reconstruction and Development, 1983, p. 122).

Despite this fact, developing countries, for various reasons, have not developed adequate systems to help them manage and monitor their functions and responsibilities efficiently and effectively. Developing countries, in general, have been described as

having ineffective government financial and management systems. Sharkas (1985), with reference to the U.S. General Accounting Office report on training and related efforts needed to improve financial management in the third world, issued in 1979, states that:

> Government accounting in developing countries lacks the integrated financial information produced in a timely manner. Internal control procedures and post-transaction auditing practices are minimal or non-existent, and productivity appraisals are often ineffective. Budget systems are not integrated with accounting systems, which results in insufficient financial information to compare with budget items, and comparisons of planned and actual financial performance cannot be made. Auditing staff and financial managers lack the specialised technical training essential to manage properly the development process (p. 127-128).

Kinder (1988) also investigates the issue of resource management in the third world and states that the basic economics of running developing countries are disturbing. He concludes that:

> Much of the work on institution development in the third world has concentrated on improving organisational efficiency to the exclusion of issues relating to institutional effectiveness. Questions about the organisation's aims and objectives, its output, its customers and their needs, the quality of the product/service and the organisation's responsiveness to changes in its environment have rarely been posed let alone answered. Even when dealing with efficiency the emphasis has often been restricted to narrow issues of labour productivity rather than dealing with how to improve total productivity, that is the combined effect of improving the performance of people, capital and material (p. 40).

Kinder (1988, p. 30), moreover, refers to some problems facing the administrative environment in many developing countries, such as low labour productivity, inadequate management control systems, inadequate levels of capital productivity, conflicting objectives and inadequate measures for judging performance. Such obstacles will result in limited achievements in the area of efficiency in these countries.

To sum up, public resources management and control systems in developing countries have received little attention within these countries. As performance auditing represents an advanced stage of the government process of public resource management, this review might provide some explanation for the existence of such a small interest in the area of performance auditing in developing countries.

2.4.4. PERFORMANCE AUDITING IN DEVELOPING COUNTRIES

Government auditing in the public sectors of developing countries is concerned mainly with the legality of transactions, to determine whether transactions are conducted in accordance with applicable laws and regulations. The audit scope, in most of these countries, does not include measurements of efficiency, effectiveness and economy of governmental operations. Enthoven (1991) states that in developing countries:

> Productivity appraisals may not be made at all. Auditing in the government sector tends to be a highly neglected and outdated procedure (p. 268).

Writers who are concerned with government auditing and administration in developing countries have agreed on the fact that state audit institutions (SAIs) in developing countries should carry out full and comprehensive auditing in the public sector of these countries (e.g. Dahmash, 1982; Hassny, 1990; Kinder, 1988; Njoroge, 1990; Sharkas, 1985). For instance, Dahmash (1982) in an article entitled "Public Auditing Development in the Arab States: A Comparative Study" discusses the development and effectiveness of Government Audit Institutions in Sixteen Arab States, including Saudi Arabia. He points out that the Arab States' emphasis on implementing comprehensive national plans to achieve economic development has challenged the national SAIs to play a more effective role in conducting their audits to ensure the achievement of the objectives of the national plans and to maximise the quality of government services (p.

109). This challenge necessitates the need of Arab SAIs to modernise the nature and approach of their audits.

Dahmash (1982, p. 93) states that even though some modifications have been made, audit institutions and prevailing audit systems, procedures and standards in these countries are insufficient to meet the required objectives of the audit process. In addition, most of current audits are still mainly concerned with the financial and compliance aspects of government transactions and activities, with less attention being paid to operational or performance auditing (p. 109).

Dahmash concludes his study by giving some suggestions for improving the effectiveness of the present national audit institutions in the Arab States to enable them to play a more effective role in the process of auditing and evaluating government units and development programmes (p. 109-112). One of his recommendations is the adoption of a comprehensive auditing approach which would cover not only financial and compliance audits but also economy, efficiency and programme result (effectiveness) audits. He suggests an approach which is mainly based on the generally accepted auditing standards adopted by the U.S. Government Accounting Office (GAO).

Sharkas (1985) examines and evaluates the effectiveness of the Supreme Audit Institution in Kuwait. A similar conclusion to that of Dahmash (1982) is reached. The Kuwaiti Supreme Audit Institution is basically concerned with legal and financial compliance audits. Measurements of the economy, efficiency and effectiveness of public expenditures are not included in the audit scope (p. 141).

Sharkas (1985, p. 142) finally suggests the following recommendations, among others, to improve the quality and effectiveness of government auditing in Kuwait. First, the scope of audit should be expanded to entail the comprehensive audit concept. Second, the Audit Bureau should use the generally accepted auditing standards of the GAO as a frame of reference to enhance the audit quality in all government bodies.

As far as government auditing in Pakistan is concerned, the constitutional mandate for the scope of audit is conceptually unrestrictive (Ilyas, 1986, p. CMI/2). The history of performance auditing in Pakistan may go back to the 1980 when the Pakistani Audit Department (PAD) made a start with the performance auditing of projects undertaken by government departments. Soon after introducing this kind of audit to the public sector, PAD felt that there was a need to develop a suitable methodology that could serve the institution in its mission to audit projects with the varied nature found in the various departments. To accomplish this, technical assistance was obtained from the government of the Netherlands who financed the appointment of consultants for methodology development and training in performance auditing. The results of this programme were very promising and pioneering in the context of developing countries. A series of guidelines in performance auditing were developed in two areas, general and sectoral (Bokhari, 1986, p. 15). The general guidelines provide broad instructions concerning the planning, executing and reporting stages of performance audits. The sectoral guidelines are concerned with specific areas of interest to auditors, such as construction, education, water, irrigation, health, road transport, agriculture, power, water and sanitation, railways and telecommunication. A total of 12 comprehensive volumes on performance audit methodology.

The Pakistani efforts to develop a performance auditing methodology and to improve the efficiency and effectiveness of public sector activities provide an indication of the fact that *some* developing countries are quite alive in this area. However, like many other developing countries, Pakistan lacks the necessary skilled manpower to undertake performance auditing. Due to the shortage of competent staff, only 1% of the projects of the public sector has been covered (Bokhari, 1986, p. 16).

In China, the Audit Administration was officially established in 1983. Since that time, increasing importance has been given to the performance audit in addition to the financial audit. Among the main tasks which the Audit Administration and Local Audit Bureaus at various levels undertake, according to the Audit Regulations, are the following (China Audit Society, 1991):

> 1. To conduct supervision through audit of revenue, expenditures and relevant effectiveness, economy and efficiency of enterprises, undertakings and capital construction units under the ownership of the whole people, and of the other units receiving state financial appropriations or subsidies, Chinese-foreign equity joint ventures, Chinese-foreign co-operative ventures, domestic jointly-run enterprises and any other enterprises with state assets.
> 2. To conduct supervision through audit of revenue, expenditures and relevant effectiveness, economy and efficiency of projects involving borrowed foreign funds and international aid for the people's governments under the ownership of the whole people and other units with state assets (p. 255-256).

Performance audit in China, according to Lio (1993), is similar to management consultation, operational diagnoses, cost-benefit analysis and internal auditing functions. He states that, efficiency audits (including economy and effectiveness audits) aim:

> To help enterprises find weaknesses and problems in production, operation and management and thereby improve efficiency. In other words, efficiency audit aims to find the causes and factors which lead to falls (or increases) in business efficiency. Some state audit bureaux's published reports mention many activities, including appraising and correcting business decisions, internal control and managerial systems, cost control, product quality etc and the whole range of business activities (p. 126).

Lio (1993, p. 256-258) criticises efficiency audits in China for several reasons. First, the financial and efficiency audits are always carried out by the same audit department. As efficiency auditors are engaged in the provision of non-audit services, efficiency audits may impair the independence of state auditors when they do financial audits. Secondly, efficiency audits are confused with the function of management. State auditors seem to take on parts of the function of management, such as finding the causes of increased production costs and of increased/decreased profitability, cost-benefit analyses, and even how to make the most routine business decisions (e.g. materials purchasing and stock control).

In Egypt,[2] the Central Auditing Organisation (CAO) has claimed to have undertaken efficiency and effectiveness audits as early as 1981. However, it was the introduction of the 1988 law of CAO which enhanced the powers and responsibilities of the organisation. To ensure public accountability, three types of audits are carried out: financial, performance and legal audits. Performance auditing includes following up on the implementation of national plans as well as an evaluation of the economy, efficiency and effectiveness of audited entities. It also includes examining resources, information systems, performance measures and monitoring systems.

As of 1995, the CAO has a staff of approximately 10,000 employees made up of 8,000 auditors and 2,000 support staff.[3] With the introduction of performance auditing, professionals from other disciplines have been appointed including engineers, medical

[2] All information concerning government auditing in Egypt is extracted from the international Journal of Government Auditing, "*Audit Profile: The Central Audit Organization of Egypt*", July 1995, pp. 16-17, and "*Audit Profile: Central Auditing Organization of Egypt*", Jan 1981, pp. 17,21.

[3] These huge numbers were reported by the CAO in the international Journal of Government Auditing, "*Audit Profile: The Central Audit Organization of Egypt*", July 1995, p. 17.

doctors, economists, statisticians, mathematicians, actuaries, computer specialists and others.

The CAO consists of twenty-four central departments, eighteen of which are line departments and six are service departments. Line departments are classified as follows: thirteen are for financial audits, three are for performance audits and two are for legal audits. Even though only three departments out of eighteen are concerned with performance auditing, we could not conclude that this kind of audit has not been taken seriously. For an objective assessment, more information is needed e.g. the number of staff in performance auditing departments and their qualifications, the available resources for these departments, etc.

Kitindi (1992) conducted a survey to test the application of performance auditing in Tanzanian parastatals.[4] Despite the fact that performance audits in Tanzanian parastatals are carried out by the organisations themselves and not by the country's national audit institution, the results reveal evidence concerning an increasing awareness of the importance of undertaking performance auditing in the public sectors of developing countries. Among the 43 organisations which responded to the questionnaire, 29 organisations had conducted performance audits. All of the 29 organisations had done efficiency audits, 79% had done effectiveness audits and only 34% had done economy audits. These findings, as stated by Kitindi, indicate that Tanzanian parastatals, on the average, are interested in the efficient use of their resources and in improving the quality of their output.

[4] Corporations established by specific acts and owned wholly or in part by the government.

Njoroge (1990), the Controller and Auditor General of Kenya, in a short article discussing the role, duties, scope and other issues related to the work of his organisation states that the legislation under which the Kenya Audit Office operates charged the Controller and Auditor General with the following duties:

- Reviewing proposed withdrawals from the Consolidated Fund, and if satisfied that they are authorised by law, approving the withdrawals.
- Examining disbursements of monies appropriated by Parliament to ensure that they have been applied to the purposes to which they were appropriated and that expenditures conform to the authorities that govern them.
- Auditing and reporting on the public accounts of the Government of Kenya, the accounts of all government officers and authorities, the accounts of all courts and commissions, the accounts of the Clerk of the National Assembly and the accounts of the local authorities (p.13).

Although performance auditing was not specifically mentioned as part of the Kenyan Controller and Auditor General's duties, the legislation does not limit the scope of audits that may be carried out by the Audit Office except in the area of policy. Accordingly, the Office has undertaken value for money related audits in addition to carrying out compliance and financial audits. However, due to lack of a sufficient, well trained staff, the ability of the Audit Office to exercise value for money audits is still limited (Njoroge, 1990, p. 14).

To sum up, the issue of performance auditing in developing countries is still in its infancy. Although tremendous efforts have been made by many SAIs in these countries to expand their role to areas of efficiency and effectiveness in the public sector, diverse limitations and problems[5] have confronted these institutions and prevented them from achieving the desired results. Despite these problems, an increasing number of SAIs are

[5] For more elaboration on these limitations, see the next chapter.

including performance auditing in their work. In some countries, constitutional and legal changes are taking place to expand the traditional scope of audits in the public sector.

2.5. CONCLUSIONS

The intention of this chapter was to provide a general review of the written literature regarding the different aspects and themes of the subject of performance auditing. Based on what has been discussed in this chapter, the following conclusions have emerged. The first is that the second half of the twentieth century has witnessed an accelerating increase in the role of governments in the management of scarce public resources. This situation has brought with it an increased demand for full accountability of the efficient and effective use of available resources by those entrusted with the responsibility for administering public programmes. The appeal for full accountability of public sector activities and programmes has, in turn, caused the scope of government auditing to expand beyond its traditional concern with regularity and compliance aspects to include the investigation of whether government organisations and programmes are achieving their objectives and are doing so economically and efficiently. The expanded role of government auditing towards covering the more sophisticated aspects of *economy, efficiency and effectiveness* of public organisations, programmes and services represents what has been generally referred to as "performance auditing".

The second conclusion is concerned with the objectives of performance auditing. It is claimed that the introduction of performance auditing into the public sector may serve a group of interrelated objectives. The literature reviewed in this chapter suggests that performance auditing is an essential component for strengthening accountability relationships in the public sector. Furthermore, performance auditing is seen to have an

incontestable contribution to performance improvement in public sector organisations. In addition, performance auditing can be directed towards promoting the economy, efficiency and effectiveness of government organisations, programmes or activities. Other objectives of performance auditing include: providing help to public entities to develop organisational objectives, performance measures and criteria needed for measuring performance against established objectives; the enhancement of decision-making processes in the public sector by providing the bodies concerned with public sector activities with independent and reliable information concerning the productivity of public sector organisations; the improvement of information systems in the public sector; and the improvement in the quality of the public sector's services. These objectives seem acceptable for both academics and state audit bodies and will be accepted for the purpose of this study.

The third conclusion deals with the approaches of performance auditing. The country's legal and institutional framework and the backing given to state auditors within the country determine the general approach to performance auditing. In many countries, the scope and extent of performance audits may involve examining the economy, efficiency and effectiveness aspects, while in other countries performance auditing is even allowed to review and question the government's objectives and policies. In addition, the literature suggests the different approaches to be followed by auditors while undertaking performance audit investigations. These approaches range from major broad-based investigations of a whole audited body or of important activities, projects or programmes to smaller-scale investigations. However, these different approaches are not intended to be exhaustive nor do they imply that the auditor must select just one approach. Generally, state audit institutions have utilised one or more audit approaches

based on the particular circumstances of each audit operation. Various factors including the nature of the audited organisation, the number of auditors allocated and their competence and the auditors' available resources should be considered when selecting a particular approach for a specific audit project.

The fourth conclusion deals with the procedures of performance auditing. In this respect, it is argued that there are no specific audit procedures to be followed in all performance audit examinations. It is generally assumed that specific audit procedures should be tailored to meet the needs of each situation examined. Unlike financial auditors, performance auditors are granted more freedom to decide on the technical aspects needed to undertake performance audit examinations.

The last conclusion is concerned with the status of performance auditing practices within the context of developing countries. The literature reviewed revealed that most of what has been written concerning performance auditing investigations in developing countries is limited to descriptive studies regarding general issues such as the importance of this subject to the efficiency and effectiveness of government practices and the obstacles which limit the ability of audit institutions to carry out performance audits. More specifically, the review showed that examination of the economy, efficiency and effectiveness aspects in the public sectors of developing countries is still in its infancy. In addition, various limitations and problems have confronted state audit institutions (SAIs) in these countries during their attempts to expand their role. However, despite these problems, an increasing number of SAIs are adopting performance auditing in their work.

CHAPTER THREE

FACTORS INFLUENCING THE EFFECTIVENESS OF PERFORMANCE AUDITING

3.1. INTRODUCTION

It was reported in the introductory chapter that this study aims, as one of its two main objectives, to assess the effectiveness of performance auditing system in the Saudi public sector. While Chapter Two presented a general review of the nature of performance auditing as practised in the public sector and the main aspects underlying this concept, this chapter is intended to study some of the main factors that have been debated in the literature to be influential in the effective operationalisation of performance auditing systems in the public sector. The aim of identifying these factors is to provide a foundation for constructing an evaluative framework of the effectiveness of performance auditing (Chapter Four) which, in turn, is used as a guide in assessing how well performance auditing, as applied by the Saudi GAB, is functioning in the Saudi public sector (Chapter Nine).

This chapter is organised as follows. The next section attempts to provide a synthesis of the main factors which could influence the effectiveness of a performance auditing system in the public sector. The third section discusses briefly the relevance of the reviewed literature of performance auditing to the concern of the study. Finally, the last section presents the chapter summary.

3.2. FACTORS INFLUENCING PERFORMANCE AUDITING EFFECTIVENESS

3.2.1. INTRODUCTION

There are different factors that may support or restrict the work of State Audit Institutions (SAIs), in general, and their performance examinations, in particular. If performance auditing is to achieve its potential benefits, these factors must be eminently

understood and effort and attention, on the part of both managers and auditors, must be paid to overcoming any adverse effects caused by these factors.

The debate surrounding these factors is discussed under the following headings: (2.4.2) the goals and objectives in the public sector; (2.4.3) the accounting systems in the public sector; (2.4.4) the internal control systems in the public sector; (2.4.5) performance measurement in the public sector; (2.4.6) support from higher authorities; (2.4.7) the independence of state audit institutions; (2.4.8) auditors competence and skills; (2.4.9) the management and execution of audits; (2.4.10) the auditors' and auditees' relationship and co-operation; and (2.4.11) the implementation of audit recommendations.

3.2.2. THE GOALS AND OBJECTIVES IN THE PUBLIC SECTOR

As stated in Chapter Two, performance auditing includes the examination of the 3Es: economy, efficiency and effectiveness. The first two components of performance auditing, economy and efficiency, are closely linked and fairly unproblematic. It is, however, the third component, effectiveness audit, that is both hard to define and difficult to measure (Glynn, 1993, p. 48). In order to undertake effectiveness examinations, auditors should have pre-determined objectives of an audited organisation or programme. The identification of organisational objectives would help performance auditors to clarify the organisation's or programme's mission. Glynn (1993), for example, states that:

> The most critical requirement of an effectiveness audit is a clear statement of the programme objectives for which the level of achievement is to be measured (p. 118).

Price Waterhouse (1990, p. 76) in a publication titled "Value for Money Auditing" also emphasises the importance of having clear objectives for the audited organisation or activity by identifying three basic questions that can be used as a guide in the evaluation of effectiveness:

1. Is there a clear identification and ranking of goals?
2. Can progress towards goals be objectively assessed?
3. Is the 'target' service level (i.e. how activities contribute to goals) clearly known?

If all these questions are positively answered, it is assumed that effectiveness examinations can be carried out in a scientific way. By contrast, if the answers to these questions, particularly those related to goal identification, were negative, the auditors would find it extremely difficult to carry out effectiveness auditing at all (Price Waterhouse, 1990, p. 76).

Organisational goals and objectives in many areas of the public sector, however, have never been properly defined. According to Smith (1995), this might be attributed to the fact that "Different stakeholders often hold different expectations with regard to a public sector organisation" (p. 170). In other areas, organisational objectives cannot be quantified. This situation makes it difficult to measure and assess effectiveness directly. Accordingly, it is unsurprising to find that most performance audits in practice concentrate upon the economy and efficiency aspects of programmes or activities being audited, as these two types of performance auditing are easier to measure than effectiveness.

3.2.3. THE ACCOUNTING SYSTEM IN THE PUBLIC SECTOR

It is assumed that every organisation, public or private, should have an efficient accounting system. This system aims to provide necessary, useful and reliable information for different purposes, such as planning, budgeting, programme analysis, management efficiency evaluation and internal control. The accounting information is also necessary for the preparation of financial statements and reports which act as main indicators of the economic and financial condition of entities.

Traditionally, government accounting is designed to meet the requirements of financial accountability in government organisations by reporting information about inputs of operations, data about items of budget and documentation, classification and interpretation of financial transactions. However, the expanded scope of government auditing and the introduction of performance auditing has necessitated the need to develop an adequate accounting system to measure the effectiveness, efficiency and economy of the management activities (Hosseini and Rezaee, 1990, p. 44).

The report of the American Committee of Concepts of Accounting Applicable to the Public Sector (1970-1971, p. 80) identified two primary objectives of accounting in public sector organisations, relating mainly to assessing management control and enhancing public accountability respectively (Glynn, 1993). These are:

1. To provide the information necessary for faithful, efficient and economical management of an operation and of the resources entrusted to it.
2. To provide information to enable managers to report on the discharge of their responsibilities to administer faithfully and effectively the programmes and use of the resources under their direction; and to permit all public officials to report to the public on the results of government operations and the use of public funds (p. 8).

In addition, the 1979 report of the National Council on Government Accounting (NCGA), as cited by Glynn (1993, p. 8-9), stated the primary objective of accounting and financial reporting in government units as providing information useful for making economic, political and social decisions and demonstrating accountability and stewardship on the one hand, and evaluating managerial and organisational performance on the other. More specifically, in assessing managerial and organisational performance, government accounting and financial reporting is intended to provide information for (Glynn, 1993):

1. Determining the costs of programmes, functions and activities in a manner which facilitates analysis and valid comparisons, based on established criteria, across time periods and with other government units.
2. Evaluating the efficiency and economy of operations of organisational units, programmes, activities and functions.
3. Evaluating the results of programmes, activities and functions and their effectiveness in achieving their goals and objectives.
4. Evaluating the equity with which the burden of providing resources for government operations is imposed (p. 9).

The existence of a sound accounting system is a useful tool for both public auditors and managers. On the one hand, these systems could help the organisation's managers and staff to clarify their aims, objectives and targets, enable them to set budgets and then measure achievement against both the objectives and budgets, with the aim of managing their resources as effectively as possible. On the other hand, as auditing, either financial or performance, is heavily dependent on the audited organisation for the data necessary for the audit investigation, the accounting systems could help the auditor to perform his duties, to meet the demands made on him by the audit recipients and to render his services in the most effective manner.

Despite the apparent importance of establishing adequate accounting systems in the public sector, government accounting in the public sector of many developing countries still suffer different shortcomings. With reference to Nigeria, Wallace (1989), for example, states that:

> Government financial reporting is either non-existent or totally inadequate. ... published financial statements do not present to their readers a comprehensive picture of government operations expressed in financial terms. Often, government financial reporting is limited to statements or listings of actual revenues and expenditures compared to appropriations (p. 19).

Enthoven (1991) also refers to the deficiency of government accounting systems in developing countries by stating that "accounting procedures [in the government sector] often reflect such a *complicated system of checks and balances* that efficacy and timeliness are hampered" (p. 268). Furthermore, government accounting systems in many developing countries are mainly concerned with producing information about what has been consumed or about the amount of money collected or distributed.

The lack of documentation and the reliance on informal procedures and mechanisms in the practice of the public sector of some developing countries represent another problem inherited in the government accounting system of these countries. Such practices will not only undermine accountability but also make conducting an effective audit problematic (Johnson, 1992, p. 51-52). Government auditors in many developing countries spend the majority of their time locating and tracing different transactions while looking for evidence. Chandler and Holzer (1981) stated that:

> An organisation with a poor information system requires that auditors spend most of their time tracing or locating transactions in their quest for evidence. Thus, instead of performing the functions normally associated with effective auditing, the auditor in the developing country may be retracing or actually performing basic system functions in order to produce a financial statement (p. 12).

In addition, efficiency, effectiveness, and economy aspects of government operations in developing countries have received no attention (Enthoven, 1977, p. 50). As performance audits require information about results achieved or output attained in comparison to planned, predetermined targets and standards, the information produced by government accounting in most developing countries seems to be of little relevance.

Accordingly, it could be concluded that the absence of adequate and effective accounting systems in many developing countries represents one of the main problems faced by many state audit institutions (Abdulgader, 1991; Dahmash, 1982; Hassny, 1990; Tantuico, 1980). The implication of such a situation might be that government auditors would spend much of their limited time trying to accumulate and combine the necessary information in order to conduct their work which, in turn, will leave the audit institution and its auditors with little or no time to evaluate the performance aspects of the management's activities.

3.2.4. THE INTERNAL CONTROL SYSTEM IN THE PUBLIC SECTOR

The role of an effective internal control system in a public sector organisation is very important for public executives and auditors alike. As most public sector organisations are large and complex, public managers are heavily dependent on the information system which provides them with internal reports of the operational and financial activities of their organisations. Accurate and reliable information gives managers a clear picture of how different operations and activities carried out at various levels and at diverse locations in their organisation are implemented. Ensuring the accuracy and reliability of such information, however, is one of the main objectives of an internal control system.

The presence of adequate and effective internal control systems is also of special importance to government auditors of public sector organisations. Such systems will make the task and responsibilities of state auditors easier (Geist and Mizrahi, 1991, p. 41). As Dowsett and Morris (1981, p. 26) stated, the detailed plans and procedures of verification and tests set by the government auditor depend on the extent and effectiveness of the internal control system. Sound internal control in public sector organisations is expected to enable the state audit institution to devote the limited resources at its disposal to the periodic review of such systems and to the audit of specific programmes.

With regard to developing countries, weak internal control in government has been considered a major obstacle facing state audit institutions (Abdulgader, 1991; Dahmash, 1982; Hassny, 1990; Tantuico, 1980). This lack of effective internal control might have different implications for performance auditing effectiveness. First, as is the case when public organisations lack sound accounting systems, the lack of an effective internal control system in the audited organisation will require that auditors spend a considerable proportion of their limited time making extensive tests of individual transactions in their quest for evidence (Chandler and Holzer, 1981, p. 11-12). Again, the extensive testing of transactions, as a result of the weakness of the internal control systems, will be at the expense of auditing the performance aspects of the audited organisations. In support of this argument, Tantuico (1980) reports that:

> A poor internal control system necessitates a more detailed examination of transactions and accounts, thereby leaving the auditors with little or no time to evaluate the other aspects of management (p. 12).

In addition, deficient internal controls could lead to unreliable documents and to inaccurate and incomplete records being produced (Chandler and Holzer, 1981, p. 11-

12). The possible effects of these problems are immense. In the words of Chandler and Holzer, "the auditor's tests of transactions may, at best, be extremely difficult and, at worst, may be impossible for lack of adequate evidence. Thus, the entire audit may be put in jeopardy" (p. 12).

3.2.5. PERFORMANCE MEASUREMENT IN THE PUBLIC SECTOR

An important factor in performance auditing processes is the use of performance measurement and/or indicators[1]. Anand, in his study of 'Value for money in the UK' (1988), emphasises the importance of performance measures in the evaluation process by stating that:

> In public sector organisations where benefits are not naturally quantified in measures of profit or turnover, measures of performance serve a crucial role both for decision-making and evaluation (p. 263).

Different benefits have been claimed for performance indicators (Smith, 1995) including:

1. Clarifying the objectives of the organisation.
2. Developing agreed measures of activity.
3. Gaining a greater understanding of the production process.
4. Facilitating the setting of targets for organisations and managers.
5. Promoting the accountability of the organisation to its stakeholders (p. 169).

Performance measurement, furthermore, allows auditors and managers alike to compare the department's performance with that of similar ones elsewhere in the public sector, and also to judge the extent to which performance has improved or worsened over time (Price Waterhouse, 1990, p. 113; Smith, 1995). In this regard, Smith states that:

[1] The distinction between performance measures and performance indicators is often and usefully made. In cases where economy, efficiency and effectiveness aspects can be measured precisely and unambiguously it is usual to talk about performance measures. However, when as is most usually the case it is not possible to obtain a precise measure it is usual to refer to performance indicators (Price Waterhouse, 1990, p. 114).

> Only by identifying unambiguous and consistent measures it is possible to compare the activities and achievements of the organisation, either with its own performance in previous periods or with that of other organisations in the same period. These two types of comparison ... are the only realistic methods of gaining some idea of the production possibilities of the organisation, as there rarely exist ideal, engineering benchmarks of performance (p. 170).

The possibility of establishing performance measures is largely linked with the clarity of organisational objectives. More specifically, having clear objectives for the activity, programme or services to be reviewed represents the first step in deciding what is to be measured (Price Waterhouse, 1990, p. 115).

However, it is well acknowledged that measuring performance and achievement in the practices of public sector organisations is usually difficult. Smith (1995), for example, concludes that:

> In practice, many aspects of public sector performance are very difficult to measure, and the measurement process is often dependent on data provided directly by 'front line' workers, the very people whose performance is to be assessed (p. 170).

Although some advance has been made in defining the desirable properties of performance indicators, the attempt has faced a number of complications including (Diamond, 1990):

1. The problem of the time span of the ultimate impact of programmes or policies as the outcome of many social programmes can only be expected after a long time lag.
2. The problem of unintended outcomes.
3. The problem of distinguishing the programme's impact from those of other forces working in a situation (p. 147).

Other factors such as the absence of profitability, the existence of general objectives and the use of social acceptability criteria rather than quantified measures of output for testing organisational success in most government organisations have contributed to this difficulty (Wilson, 1987, p. 6-7).

As far as most developing countries are concerned, performance measurement in the public sector has received little attention. Some writers (e.g. Abdulgader, 1991; Hassny, 1990) have acknowledged the difficulty faced by auditors in identifying performance measures and indicators of government activities, especially in the social service sectors where activities cannot be measured quantitatively. The lack of clear objectives and effective accounting and internal control systems in the public sector of many developing countries, as discussed above, has contributed directly to the difficulties facing auditors when measuring the performance of public sector agencies or programmes.

The absence of clear performance measures and/or indicators in the public sector has several implications for the effective functioning of a performance auditing system. First, it is expected that performance auditors will face much difficulty in establishing agreed targets or criteria with which actual achievements of the audited organisation or programme can be compared and judged. Secondly, performance auditors, as a result, will turn to their own subjective judgement to evaluate the performance of the audited organisation or activity. The use of the auditor's subjective judgement in measuring programme effectiveness may lead to irreconcilable differences between the audit staff and programme management over the appropriateness of the system used to measure effectiveness (GAO, 1978, p. 21). Thirdly, the involvement of state audit institutions, particularly in developing countries, during the process of establishing performance measurement is essential due to the expected long time needed if this task is left to public sector organisations.

3.2.6. SUPPORT FROM HIGHER AUTHORITIES

The potential benefits of performance auditing will not be realised unless competent auditors have the confidence and support they deserve from higher authorities. In reference to Kuwait, Nemah (1986) states that:

> In order to have an effective OA [Operational Auditing] system capable of bringing about the intended changes, the KAB [Kuwait Audit Bureau] should have either the support of government officials in both the executive and legislative branches, or the backing of a powerful audit act which puts the KAB and its auditors in an extremely strong position (p. 589).

Performance auditing requires continuous support from higher authorities including, among others, the establishment of an appropriate organisational status and a practical independence for the state audit institutions, as well as, the provision of adequate resources. In addition, performance auditing requires that its reports and corrective recommendations are recognised and accepted by both legislative and executive authorities. The support of top government officials plays a key role in the implementation of performance audit reports (Nemah, 1986, p. 441). In contrast, the failure of top officials and politicians to appropriately consider performance auditing reports rendered to them will turn auditors' and managers' attitudes into indifference. Such a situation, when it occurs, makes the conduct of performance auditing examinations an inevitable waste of time and resources.

As the main concern of state auditors is accountability to the legislatures by providing them with independent information and advice about how economically, efficiently and effectively the public organisations examined have used their resources (NAO, 1997a, p. 17), the legislatures' support for performance reviews is expected to be commonly accepted and established. However, asking executives to support performance auditing can prompt a number of personal concerns. Executives may fear the exposure of

incompetence, or failure to deliver efficient and effective performance, with consequential personal risk. As a result, the introduction of performance auditing into the public sector implies that state audit institutions must take these personal concerns into account. There are different ways of dealing with these concerns. The first is to ensure management involvement in the audit process from the early stages of an audit, by communicating the audit objectives and the method by which it will be carried out. Secondly, by adopting a view of learning by which performance auditing is communicated to public managers as a positive learning experience. Any tendency for state audit institutions to show performance auditing as a punishment device for failure will increase resistance from public executives before it gets off the ground and undermine its effectiveness. Thirdly, by creating a value for performance reviews. This can be done by providing useful recommendations that could help drive fundamental improvements for any problems discovered.

3.2.7. THE INDEPENDENCE OF STATE AUDIT INSTITUTIONS

Independence is the key concept of a successful state audit. For audit findings and recommendations to be accepted and acted upon, the policy makers, the managers of audited organisations and the public at large must be convinced that the audit recommendations are formulated by an independent, objective source. In this respect, the International Organisation of Supreme Audit Institutions (INTOSAI) in its auditing standards emphasises that:

> Whatever the form of government, the need for independence and objectivity is vital. An adequate degree of independence from both the legislature and the executive branch of government is essential to the conduct of audit and to the credibility of its results (INTOSAI, 1995, p. 24).

Theoretically, this view was widely accepted from the beginning of the modern state audit. Despite this fact, there are very few countries in the world where the independence of the state audit has been totally achieved.

The independence of state audit institutions can be discussed from different aspects (Geist and Mizrahi, 1991, p. 17-18). First, factors pertaining to the status of the head of the state audit institution such as the state auditor's security of tenure, special judicial status, etc. must be assured in the audit constitution or by specific law. Secondly, the state audit institutions must be financially independent of the executives. In this regard, sufficient funds should be guaranteed to enable state audit institutions to carry out their work effectively. Thirdly, the state audit institution should be given the authority to hire and fire its personnel, set their conditions of work, etc... In addition, the head of the state audit institution must have the ability to make his own choices over what to audit and when, and what not to audit. Finally, the head of the state audit institution must have the right to publish all audit findings "within acceptable safeguards concerning national security, foreign policy and privacy of individuals" (Geist and Mizrahi, 1991, p. 18).

Some of these elements, in addition to others, have also been emphasised in the following statements from Barrett (1996) that:

> ...one cannot effectively deal with the issue of independence unless one considers the framework which creates the Auditor-General's role as a whole. For example, the appointment and dismissal processes, term and conditions of appointment, the nature of the audit office and its relationship to the Auditor-General and the audit mandate, incorporating power to access information including cabinet documents all impact on the extent of independence which exists in practice... It is vital that the Auditor-General not only be independent but is also <u>seen</u> to be independent (p. 7; emphasis originally added).

> There is no real independence where there is denial or restriction of function, relevance, access, information or resources... [Q]ualified independence means limited effectiveness and is likely to result in qualified accountability. Most would agree this is not a desirable outcome (p. 4).

The auditors' independence, moreover, can be enhanced by establishing protections against undue influence and for maintaining professional standards. Barzelay (1996) argues that:

> [T]he credibility of performance audits would be enhanced by audit bodies' independence from auditees and the political executive. Such independence from executive government is said to derive from specific institutional protections against undue influence (such as the power to report and high barriers for removing top audit officials) and the standards of the auditing profession (p. 32).

The personal integrity and objectivity of auditors are also essential elements for audit independence. Auditors should demonstrate high level of confidence rather than subordinating their audit objectives and professional judgement to the undue influence of others and they must be unbiased in their evaluation of relevant evidence.

To sum up, there is a common agreement that government auditors should be in a sufficiently independent position to be able to perform their duties in a manner which will allow them to exercise professional judgement, express opinions and present recommendations with impartiality. It is expected that the potential benefits of performance auditing will not be realised unless competent auditors are allowed to exercise an independent, professional judgement in all auditing matters.

3.2.8. AUDITORS' COMPETENCE AND SKILLS

The effectiveness of an auditing system depends substantially on the competence and skills of its members. However, the expansion of the auditors' role to include examining the economy, efficiency and effectiveness of the public sector's organisations and

activities has led some writers to question the auditor's competence to conduct performance audit reviews (e.g. Boisclair, 1984, p. 29; Pendlebury and Shreim, 1991, p. 59). In this section, issues related to the quality, training and experience of audit staff are discussed.

It has been argued that the involvement of people from other disciplines in the conduct of performance audit investigations is a crucial element for their effectiveness. Since the expanded scope of auditing is not restricted to financial or fiscal accountability but covers also managerial and programme accountabilities, auditors must possess a high level of professional qualifications. Lovell (1996) states that:

> [T]here is the likelihood that the future profile of staff within SAIs will begin to reflect a more eclectic range of disciplinary backgrounds as performance audit becomes more firmly established as the dominant form of audit within SAIs and the need for more multidisciplinary audit teams becomes the norm (p. 89).

The composition of audit teams will depend on the scope of audit assignments and may include specialised expertise from different disciplines including, among others, accountants, managers, engineers, economists, statisticians, lawyers, computer specialists and actuaries.

However, the shortage of multi-disciplinary personnel to carry out performance audit investigations is a deficiency facing most countries, both developed and developing (e.g. Bokhari, 1986; Tantuico, 1980). The lack of such individuals has serious impacts on the effectiveness of performance auditing for several reasons. Firstly, the conduct of such audits, particularly in sophisticated areas, cannot be achieved efficiently and effectively as possible. Secondly, the auditees' positive attitudes concerning performance audit investigations might be diminished. Employing specialists within the

audit team would be seen as a means for building a communications bridge between auditors and their auditees, furthering the auditors understanding of the technical aspects of the area under investigation.

The lack of expertise from different disciplines has implications for the recruitment strategies of state audit institutions. In order to carry out performance audit examinations as effective as possible, clear employment standards are needed to provide guidance in the hiring of auditors who have the competence, experience, and personal traits needed for conducting performance audit examinations. Further, state audit institutions should make real attempts to diversify their technical staff by recruiting a wide range of specialists and consultants.

Another aspect that is related to the audit staff's competence and skills is the role of training and development programmes. Auditors should be encouraged and enabled to develop and obtain new skills in all matters pertaining to their work by launching effective and stimulating continuing education and training programmes. The need for these programmes cannot be overestimated taking into consideration the shortage of specialised expertise, as stated above, and the continuing changes occurring within the public sector as well as the auditing environments. These conditions would put more burdens on performance auditors to acquire new skills.

In addition, other career development policies such as evaluating individual performance and monitoring career progression of each staff member should be considered in order to improve the quality of the audit staff. Clear criteria for advancement within the audit departments should be established and consistently followed.

3.2.9. THE MANAGEMENT AND EXECUTION OF AUDITS

The manner by which the performance audit assignment is managed and executed is very important for ensuring its effectiveness. Since many state audit institutions lack sufficient power to implement their own suggestions or to impose sanctions in cases of non-compliance with their recommendations, these institutions rely on the quality of their audit work to establish their credibility and to assure their usefulness to governing bodies and public sector managers. Zavelberg (1996) supported this argument in his discussion of the German experience of performance auditing by stating that:

> The FCA [Federal Court of Audit; Germany's supreme audit institution] has a far reaching audit mandate but not the power to implement its own suggestions or to impose sanctions in cases of non-compliance with its recommendations. To ensure audit effectiveness it needs to rely on the validity of its findings and the credibility of its arguments (p. 204).

To this end, state audit institutions must give attention to the following two issues: the establishment of professional standards and the development of particular techniques to assure the quality of audit work. The expansion of government auditing scope beyond the traditional financial aspects to include examining the efficiency and economy of operations and the effectiveness of government programmes has raised the question of the need for developing a new set of auditing standards for government and public sector audits to satisfy the new objectives. Thus, many supreme audit institutions in many countries have made attempts to develop a new set of government auditing standards to meet the requirements of the new purposes and objectives of audit. In the US, for instance, while the generally accepted auditing standards for governmental auditing (GAASGA) closely follow those issued by the accounting institutes, they provide separate standards for financial and compliance audits from those for economy and efficiency audits and program results audits (GAO, 1994).

In the UK, on the other hand, the National Audit Office (NAO) issued its own set of standards called the "Reporting and Operational Standards" to be a guide for all NAO auditors by providing an outline of essential principles necessary to provide a sound basis for the audit. The reporting and operational standards are intended to serve all the parties concerned in the audit. The Comptroller and Auditor General, as quoted by Goodson (1987), states that:

> [T]hey [the reporting and operational standards] encapsulate for Parliament, audited bodies and our own staff the key facts which underpin the quality of our work. These standards cover all our work including that in the field of value for money audit and have been endorsed by the Public Accounts Committee (p. 13).

The establishment of "Generally Accepted Auditing Standards" for performance auditing offers the most appropriate quality guidelines for the technical conduct of performance auditing. Such standards are hoped to provide a concrete basis for supervising and evaluating auditors on the one hand, and reassuring auditees, on the other, that the audit work is governed by professional rules. Such a situation will have a direct implication for the auditor-auditee relationship. Auditees' reactions to performance auditing are based upon their perceptions of the auditors' relevance, responsibility and performance. If auditors are viewed as qualified practitioners performing a valuable service with integrity and objectivity, auditees will co-operate by readily providing needed information, by relying on the auditors' work and by implementing audit recommendations. If auditors, however, are perceived as unqualified or as lacking integrity or objectivity, co-operation will decrease or there may even be a refusal to co-operate.

The mere existence of professional standards, however, does not alone guarantee that auditors will in fact comply with them (Leclerc, et al., 1996, p. 340). It is the

compliance with these standards, however, which will help to assure that the potential benefits of performance auditing are realised. Consequently, to achieve that overall compliance, audit agencies need an effective, comprehensive quality control to secure the maintenance of these standards in their audits. Such quality control comprises several important elements including the preparation and use of audit manuals and the establishment of genuine review processes (Leclerc, et al., 1996, p. 340).

Good designed audit manuals are necessary both to provide auditors with guidelines to perform their duties and to obtain managers' confidence and trust in auditors' work. Audit manuals usually cover, amongst other things, the steps to be taken, the techniques to be used in various audit circumstances and advice on issues commonly faced by auditors (Leclerc, et al., 1996, p. 340). More specifically, audit manuals should provide auditors with careful thoughts and guidance on how to take a good account of the issue under investigation in their audit work.

Audit manuals should also consider the manner in which auditors should conduct their assignments. This issue has a direct effect on the auditees' co-operation with auditors which, in turn, influences the effectiveness of performance auditing. A co-operative, constructive approach by auditors is expected to encourage mutual co-operation, while a critical, fault-finding attitude, on the other hand, will produce a conflicting relationship and an inefficient auditing. In this regard, auditors' reactions to unsatisfactory conditions encountered during the audit should be carefully controlled in order to avoid complications resulting from their premature comments on incomplete or perhaps misleading preliminary findings.

The second element of the quality control system is the establishment of genuine review processes (Leclerc, et al., 1996, p. 340-341). One aspect is the requirement of supervision. Audit supervision may start with the task of assigning auditors to individual audit assignments to assure that appropriate skills and experience are matched to the requirements of each audit. This issue is especially important for performance auditing because the skills required often differ from those required for financial and compliance auditing. Furthermore, continuing supervision of all decisions and judgements proposed by audit team members should be established to assure that the work performed meets established quality standards. Another aspect of the review processes is the periodic reviews of the audit work by auditors from the same office or from other offices.

Finally, it is worth noting that the adequate execution and conduct of the audit assignment can be cultivated through the audit report. The content and language of audit reports reflect the auditors' attitudes and can generate positive or negative reactions from intended readers. Accordingly, audit reports must be clear, objective, reasonable and persuasive (Leclerc, et al., 1996, p. 269). As far as possible, auditors should try to prepare fair reports, acknowledging good performance beside any deficiencies uncovered.

3.2.10. THE RELATIONSHIP AND CO-OPERATION BETWEEN AUDITORS AND AUDITEES

The relationship and co-operation between auditors and their auditees occupies a central position in performance auditing literature (e.g. Barzelay, 1996; Danon, 1996; Leclerc, et al., 1996, p. 249; Scott, 1996). Barzelay (1996), for example, emphasises that:

> To pursue the goal of performance improvement – whether through searching for root causes of performance problems, spotting vulnerabilities that imperil programme effectiveness, or establishing performance management regimes – requires a more intimate relation between auditors and managers (p. 45).

Such a co-operative approach is a vital element for ensuring the managers' acceptance of an audit's conclusions which, in turn, leads to a successful audit. Danon (1996) states that in order to have an audit that is successful in improving the performance of public services, an explicit willingness on the part of public service managers to take an audit's conclusions into account is an essential element. In this regard, Danon suggests that:

> An audit is a factor for improving performance only to the extent that it is either desired or accepted by the people running the department being audited. Otherwise, an audit's conclusions will merely gather dust (p. 173).

Scott (1996) outlines the appearance that such a co-operative relationship may take. He concludes that:

> Public sector performance auditing should not just be fault finding, but also solution finding ... Such a co-operative approach is necessary to ensure the maximum benefit from performance audits (p. 216).

Accordingly, in order that performance auditing is able to advance all its goals, performance auditors should seek to build close relationships and mutual understanding not only with the organisation's managers, but also with other staff related to the activities being audited. For instance, performance auditors should try to develop relationships with internal auditors. Competent work performed by internal auditors will often result in a reduction of the workload for government auditors. When mutual reliance between internal and external auditors exists, some audit work may be co-ordinated among the auditors and result in a co-operative audit effort that is more efficient and beneficial for both parties. Actions such as the exchange of information and ideas and the prevention of unnecessary duplication of work are feasible products of such a relationship.

Although collaboration between auditors and managers may be the key factor in gaining management's acceptance of performance auditing (Trodden, 1996, p. 159), we should be aware of the fact that some resistance will remain. Performance auditing, by its very nature as a social activity that involves enormous amount of interaction between those who perform it (the auditors) and those who are subject to it (the auditees), can lead to tensions between auditors and their auditees. Trodden (1996) recognises that:

> [I]n reality, collaboration to the point where there is complete open and honest communication may be an unrealistic aspiration. No matter how much we communicate our common goals there will always be agency managers conscious of past perceptions that audit can be critical of management and that these reports are released outside of the organisation (p. 159-160).

In the case when there are fundamental differences between auditors and audited agencies, performance auditing is less likely to accomplish its objectives. Minimising the effect of these differences and, consequently, increasing the effectiveness of performance auditing is dependent, to a large extent, on the willingness of the two parties to positively and constructively co-operate with each other. Trodden (1996, p. 159) suggests two possible ways that might be used to achieve a more collaborative relationship between auditors and their auditees and increase management's acceptance of performance auditing. First, performance auditors should be concerned with pursuing a more evaluative role by refocusing the methodology and the purpose of performance auditing onto producing audit reports concerned with proposing alternatives for improvement rather than assigning blame for poor management. An audit which focuses mainly on detailing negative findings may face a broad rejection, while audits which are more responsive to the needs of management and which bring out the strengths and areas of potential progress may result in gaining broader support for the concept of performance auditing. However, as auditors at some point in time may need to refer to poor management practices as causes of poor performance, the real challenge for

performance auditors is to maintain a fair balance between highlighting the 'poor' practices within the departments being audited and suggesting ways for improvements. Such balanced reports have been recognised by the Audit Commission of England and Wales in its approach to value for money auditing (Longdon, 1996, p. 180).

The second way for improving the relationship between auditors and auditees, as suggested by Trodden, is the need for auditors to concentrate on the specific information needs and concerns of agency decision-makers. To accomplish this, auditors need to conduct an in-depth and honest dialogue with agency decision-makers to identify the fundamental issues of concern to them.

Another aspect that may affect the relationship between auditors and their auditees is the level and timing of feedback given to auditees concerning the audit project and its findings. In this regard, ample opportunity should be given to an auditee to express his/her opinion on the audit findings at the beginning, during the phase of investigation and during the final summing-up stage (Geist & Mizrahi, 1991, p. 40). The auditors' feedback should provide an open channel of communication with the audited organisations, enabling the management of these organisations to be informed of their auditors' progress and findings. Such practice is expected to escalate co-operation and strengthen the working relationship between the auditors and their auditees.

As far as developing countries are concerned, the formation of a good relationship between auditors and their auditees within the context of the public sector is certainly an important issue for three reasons. First, the absence of sound documentation and reporting systems in the public sector, as stated before, will limit the auditor's ability to

obtain the data needed for his mission. Secondly, any lack of support from top officials will impede the auditor's success in bringing about desired changes. Under these circumstances, the auditor's ability to get the needed information and achieve the desired changes will be dependent on his capability to establish a good relationship with audited bodies. Finally, as state audit organisations in many developing countries lack an explicit mandate for performance audits (ASOSAI, 1997, Comparative Review Paper, p. 13) and an enforcement power to assure the implementation of their recommendations, the auditors-auditees relationship seems to be an essential factor for earning the confidence of management and increasing the possibility that the audit recommendations will be taken into consideration.

Finally, it is worth mentioning that a close relationship between auditors and auditees may affect the independent status of auditors. Barzelay (1996), for instance, states that:

> The problem for audit body management appears to be two-fold in the event their institutions becoming committed to performance improvement. The first challenge is how to earn the confidence of management so that auditors become welcome participants in managerial processes intended to improve performance. The second is how to balance the need to establish and operate a co-operative relationship with management, on the one hand, against the need to maintain the reality and perception of audit independence, on the other (p. 46).

Barzelay (1996, p. 46), however, concludes that though such problems do not have neat solutions, neither do they make for impossible jobs.

3.2.11. THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The implementation of performance audit recommendations and corrective actions has a direct influence on the effectiveness of a performance auditing system. This influence can be illustrated by taking into consideration the fact that developing

appropriate audit recommendations is an effort that requires intensive human and financial resources and such an effort is wasted if these recommendations are not implemented. The US GAO (1991) states that:

> Getting action on audit recommendations has been a persistent problem -one that, over the years, has limited the effectiveness of audit organizations (p. 8).

The implementation of performance audit reports might be affected by several factors. Brown, et al. (1991), for example, argue that:

> The initial choice of the program or organization to be audited, the interest and attitudes of legislative and executive officials, and the nature of the audit findings and recommendations are the key factors influencing implementation [of audit recommendations] (p. 194).

The same authors, however, argue that though performance auditors do not have the power to control such factors, they can influence them. Auditors, for instance, may choose audit topics based on their sensitivity to the needs of the current policymaker. Furthermore, auditors can work with legislative and executive officials in a constructive, positive manner, without affecting their objectivity, to enhance the acceptance and use of the audit report.

Another factor that may affect the implementation of audit reports is the manner by which auditors conduct their work and communicate its findings to the auditees. To convince the management and to ensure the proper implementation of the audit recommendations, the report should be based on sufficient, relevant, reliable evidence, facts and information which are documented in working papers; and also, it should clearly set-out the objectives and purpose of the audit. Performance auditors should also ensure that findings, conclusions and recommendations arising from each performance audit are communicated promptly to the management.

3.3. AN EVALUATION OF THE LITERATURE REVIEWED

The writings on performance auditing which were discussed in Chapters Two and Three can be characterised by the following. First, the realisation that performance auditing is capable of rendering substantial benefits to countries employing such a system. In this regard, the written theoretical literature tends to suggest that well conducted performance audits assist the promotion of good public sector administration by enhancing accountability relationships and improving the economy, efficiency, effectiveness and performance of public agencies. Yet, there is little empirical evidence concerning the real impact of this subject in the public sector. McSweeney and Sherer (1990, p. 294), for instance, state that there is a virtual absence of studies of VFM auditing in action.

Secondly, there is a misplaced emphasis in the study of performance auditing. Most of the written literature on performance auditing tends to display a heavy emphasis upon the much clearer aspects of performance auditing, such as its components, processes and procedures. It often contains highly competent but lengthy discussions of how audit investigations should be conducted and reported. The issue that is very important to performance auditing but which is usually given little attention is the effectiveness of individual state audit institutions in undertaking performance auditing activities. In particular, there is no framework that can be used for assessing the effectiveness of a performance auditing system in the public sector.

The empirical gap and heavy emphasis on the clearer aspects of performance auditing, accordingly, indicate that much work needs to be done in this area. Writers concerned with public sector auditing and accountability must conceptually and empirically

explore the real relationship between performance audit reviews and accountability, efficiency, effectiveness and other aspects of the public sector to establish a comprehensive, clear view of the real benefits of performance audits. In other words, the above two characteristics imply that there is a need to move beyond the technical description of the performance auditing practices in different nations towards the examination of the rational underlying the introduction of these practices in specific countries and the degree to which these countries have effectively operationalised them.

The third characteristic of the writing on performance auditing is the finding that the subject of performance auditing, as with many complex, advanced systems, is considerably more advocated and applied in developed countries than in developing ones. The limited application of performance auditing by developing countries is mainly due to the practical difficulties facing its application as a result of the shortcomings of the political and administrative systems of these countries. The Western literature revealed that initiatives for adopting performance auditing in the public sector were highly supported by political authorities. This is, however, by no means the case in developing countries where performance auditing systems have been introduced to the public sector by audit institutions' own initiatives. In other words, in developing countries there has generally been no political pressure for the adoption of performance auditing systems in their public sector. This, in itself, sheds light on the questionable feasibility of adopting particular aspects of Western patterns of accountability and control in circumstances where many of the institutions, processes and mechanisms which support and complement these systems of accountability are absent.

The above discussion by no means suggests that performance auditing practices are completely ignored in developing countries. However, although an increasing number of state audit institutions in developing countries are adopting performance auditing into their work and have made great attempts in this area during the last few years, performance auditing in these countries has received little attention in the literature. Accordingly, this thesis, by addressing the current state of performance auditing and its effectiveness in the Saudi public sector, hopes to fill some of the existing gap identified in the previous literature.

3.4. CONCLUSIONS

Chapters Two and Three of this study provide a detailed study of the nature of performance auditing and the main factors affecting the effective operationalisation of this subject within the public sector. The main purpose of the two chapters is to provide a background against which to explore the nature and practice of performance auditing in the Saudi public sector and assess its effectiveness.

This chapter examined the main factors which influence the effective operationalisation of performance auditing within the public sector. The literature reveals that there are different factors that might support or impede the work of State Audit Institutions (SAIs) in the area of performance auditing. These factors include the identification of goals and objectives in the public sector; the existence of accounting and internal control systems in the public sector; the existence of performance measurement in the public sector; the existence of sufficient support from higher authorities; the independence of state audit institutions; the auditors' competence and skills; the adequate management and execution of performance audits; the co-operation of audited bodies; the relationship between the auditors and auditees; and the implementation of audit recommendations.

Although most of these problems are common for both developed and developing countries, their effects in the context of developing countries are more serious.

The chapter, furthermore, highlighted some of the main characteristics of the literature reviewed. This literature is generally characterised by the existence of an empirical gap and a heavy emphasis on the application and utilisation of this subject within the context of developed countries. In addition, the literature reviewed is characterised by its concentration on a discussion of the clearer aspects of performance auditing, such as its components, objectives and procedures. The literature, in particular, lacks any framework that can be used for assessing the effectiveness of performance auditing in the public sector (the second main objective of the study). Consequently, in the following chapter, a suitable model for assessing the effectiveness of performance auditing in the public sector is constructed. In addition, by addressing the current state of performance auditing and its effectiveness in the Saudi public sector (Chapters Eight & Nine), the thesis hopes to fill some of the existing empirical gap identified in the previous literature.

CHAPTER FOUR

THE EFFECTIVENESS OF PERFORMANCE AUDITING: AN EVALUATIVE FRAMEWORK

4.1. INTRODUCTION

It was stated in Chapter Three (Section 3.3) that while most of the written literature on performance auditing tends to display a heavy emphasis on the much clearer aspects of performance auditing, such as its components, processes and procedures, only little consideration has been given to its effectiveness. Such literature would help us shed light on one of the two main objectives of the thesis which is concerned with exploring the nature of performance auditing as practised by the Saudi GAB. However, it will provide us with little guidance in assessing the effectiveness of the Saudi GAB in undertaking performance auditing activities (the second main objective of the study). Since the literature reviewed lacks any particular framework that can be utilised for assessing the effective operationalisation of performance auditing systems in the public sector, the details provided in Chapter Three will be used, in the present chapter, as a basis for constructing an evaluative framework for that purpose. Such an evaluative framework will help us to understand how well performance auditing, as applied by the Saudi GAB, is functioning in the Saudi public sector (Chapter Nine).

This chapter is organised as follows. Before going into the detail of describing the structure of the evaluative framework and its components, a brief description of how the evaluative framework has been derived is provided in Section Two in order to help the reader understand the process of its structure. The third section presents and illustrates the main components of the framework. Finally, the last section presents the summary of the chapter.

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4.2. A FRAMEWORK OF PERFORMANCE AUDITING EFFECTIVENESS

4.2.1. INTRODUCTION

As stated above, the literature reviewed lacks any particular framework that can be used for evaluating the effective operationalisation of performance auditing systems in the public sector. This situation might be attributed to the fact that evaluating the effectiveness of state audit encounters several problems which make this task very difficult to accomplish. Friedberg (1991), in reference to this, states that:

> Researchers and experts usually refrain from relating in a clear and comprehensive manner to the question of the effectiveness of state audit and the ways in which to evaluate it. The differences in context and frameworks in which audit institutions operate and the small amount of research in this area, make the attempt to reach such an evaluation difficult. The scanty consideration of this issue points to an ambivalent approach to the subject and to doubts and pessimism on the part of the experts and researchers (p. 267).

Other problems have also contributed to the difficulty of assessing the effectiveness of a performance auditing system. One of the complications is that it is difficult to define what is meant by effectiveness itself. In the literature there is no adequate definition of effectiveness (e.g. Cameron & Whetten, 1983a, p. 7-11; Leclerc, et. al., 1996, p. 124). Leclerc, et. al. (1996), for instance, state that:

> ...the literature of public administration had not found a concise definition for the word *effectiveness* that was evocative of the entire range of meanings attributed to it, even though the notion of goal attainment was generally accepted as central to the notion (p. 124; emphasis originally added).

Another problem is the difficulty in isolating the effects of a performance auditing system on the functioning of the public sector from other contributions. This might be true in the evaluation of any system or programme operating in the public sector where a multi-faceted combination of different decisions, recommendations, legislations, etc. are interrelated. On these grounds, it will be very difficult to attribute observed changes

in the efficiency and effectiveness of public sector administration to performance auditing recommendations in a precise way.

Another factor that has contributed to the difficulty of assessing the effectiveness of a performance auditing system is the fact that the criteria used in evaluating effectiveness are not precisely specified (e.g. Cameron & Whetten, 1983a, p. 11-19). Cameron and Whetten state that:

> One reason that the best criteria for assessing effectiveness are unknown is that organisational effectiveness is inherently subjective, and it is based on the personal values and preferences of individuals (p.11).

Some writers have referred to the organisational goals and objectives as being the best criteria for measuring organisational effectiveness. Thus, the success or failure of an organisation should be assessed by taking into consideration the extent to which an organisation has achieved its specified goals and objectives. This view is criticised for ignoring the context in which an organisation or a system is operating.

Taking into account the "wider managerial, organisational and environmental context" (Otley, 1980) of the system under investigation is essential in assessing the effectiveness of that system. In our case, for example, obstacles and limitations within the public sector may exist rendering the attainment of performance auditing objectives impossible. If such circumstances exist, it would be fairly pointless to state that the performance auditing system is ineffective due to the non-achievement of its objectives. Instead, the question of the system's effectiveness should be turned into a question of the capability of the state audit institution to adapt itself to these inadequate circumstances.

The above brief discussion illustrates the researcher's feeling that a definition of effectiveness based on the final results of the performance auditing system is inadequate. A researcher should consider a wide set of necessary criteria which s/he hopes will become a sufficient, though not an ideal, set to characterise this concept. Such an attitude is supported in the literature of management, particularly that which is related to organisational effectiveness. Cameron and Whetten (1983b), for example, advocated the idea of expanding the relevant indicators of organisational effectiveness to include more than the relatively narrow, but widely used, goal-oriented indicators. They concluded that:

> Because of the complexity of effectiveness, it is inappropriate to rely on univariate measures and singular rating. Following the axiom that a measuring device must be as complex as the phenomenon it is measuring, multiple indicators of effectiveness are essential (p. 268).

The management's literature has suggested several lists of attributes which could be used as indicators of an organisation's effectiveness (e.g. Campbell, 1977; Peters & Austin, 1985; Peters & Waterman, 1982; Quinn & Rohrbaugh, 1983; for a brief discussion of these lists, please refers to Leclerc, et. al. 1996, p. 126-128).

The selected multivariate criteria must be justified, however. The evaluation purpose will not be served by selecting multiple indicators of effectiveness *randomly* just to make the assessment broader or to increase complexity (Cameron & Whetten, 1983b, p. 268). The selected criteria should be those that are central to the proper functioning of the subject under investigation.

Accordingly, for the purpose of this study, an evaluative framework which adapts a broader view of effectiveness is constructed. The framework is concerned with the impact of the system as well as the environment in which the system operates. The rest

of this section is divided into two sub-sections describing the procedures followed in constructing the effectiveness framework. More specifically, the first sub-section describes the initial procedures followed to identify and categorise the main factors to be included in the evaluative framework, while the second illustrates the main components of the framework.

4.2.2. IDENTIFYING AND CATEGORISING THE MAIN FACTORS

After realising the need to develop an evaluative framework which encompasses a broader view of effectiveness, the following two initial steps have been undertaken: identifying the main factors which might influence the effectiveness of performance auditing; and categorising these factors into groups (see Figure 4.1 for illustration).

The first stage consisted of the identification of the main factors which might influence the effective operationalisation of performance auditing in the public sector. The literature reviewed reveals that there are different factors that might support the work of State Audit Institutions (SAIs) in the area of performance auditing (see Section 3.2). These factors include the identification and clarity of goals and objectives in the public sector; the existence of sound accounting and internal control systems in the public sector; the existence of performance measurement in the public sector; the existence of sufficient support from higher authorities; the independence of state audit institutions; the auditors competence and skills; the adequate management and execution of performance audits; the co-operation of audited bodies; the relationship between the auditors and auditees; and the implementation of audit recommendations. The absence of such factors, on the other hand, is expected to impede the functioning of state audit institutions.

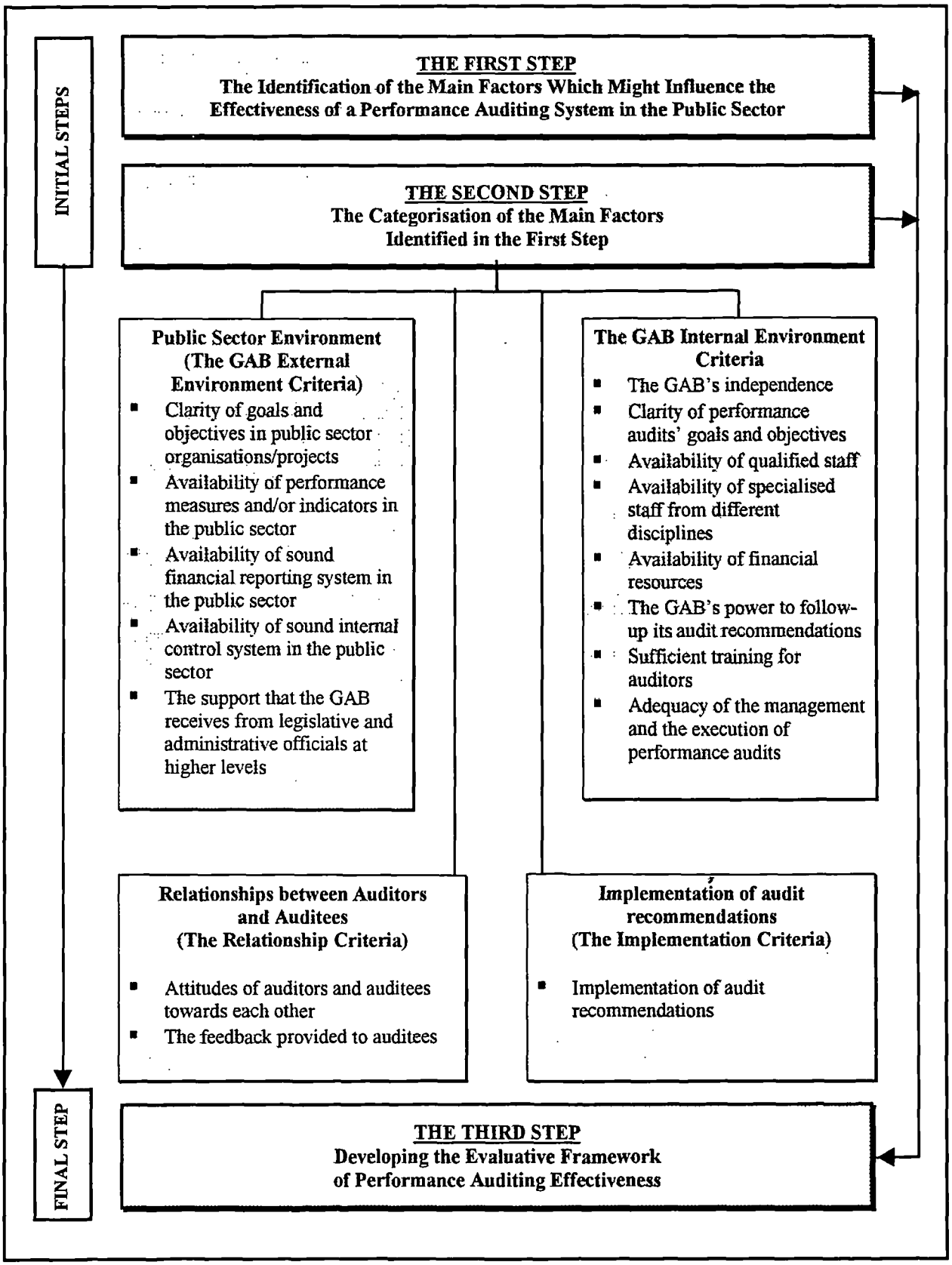


Figure 4.1: **Procedures Followed in Constructing the Effectiveness Framework**

Hence, if performance auditing is to achieve its potential benefits, these factors must be eminently understood; and the effort of the managers and auditors should be directed at overcoming any adverse effects caused by the absence or inadequacy of one or more of these factors.

The second stage in the process of developing an evaluative framework of performance auditing effectiveness includes the categorisation of the main factors which have been identified in the first stage (see Figure 4.1). Some writers have classified the environmental factors into two main categories: internal (within the state audit's influence) and external (outside the state audit's influence) factors (Friedberg, 1991, p. 271; Tantuico, 1980). While external factors involve factors related to the organisational structures and systems of audited agencies as well as the economic and political environment of the nation as a whole, internal factors "consist primarily of those involving organisation structure, and are brought about by legal and budgetary constraints as well as behavioural and technical capabilities" (Tantuico, 1980, p. 10-11). For the purpose of this study, two further categories are included reflecting the relationship between auditors and auditees and the degree to which the audit recommendations have been implemented.

4.2.3. DEVELOPING A GENERAL FRAMEWORK OF EFFECTIVENESS

The discussion of the various factors which influence the effective operationalisation of this subject within the public sector, as reported in Section 3.2, suggests that the success of a performance auditing system in achieving its objectives requires a number of things. These include, among others, setting and maintaining organisational objectives in the public sector, the capability of the public sector environment to accept the new, more complex system of auditing, the existence of an adequate organisational and

operational environment in the audit institution and the commitment of the parties affected by the new system, mainly the auditees. This conclusion led us to adapt a broader view of effectiveness which takes into account the impact of the system as well as the environment in which the system operates.

Based on this background, a general framework, consisting of five criteria, to assess the effectiveness of a performance auditing system in the public sector was built. The effectiveness of performance auditing system in the public sector, based on the proposed framework, is a function of (a) the achievement of performance auditing objectives; (b) the existence of an adequate public sector environment; (c) the audit institution's organisational and technical structure and its functioning; (d) the relationship between performance auditors and their auditees; and (e) the auditees' commitment to the audit recommendation and corrective actions. Within each of the above five criteria, different elements are included. The five criteria and their elements are set out in Figure 4.2.

The first criterion is concerned with the achievement of performance auditing objectives (The Impact Criterion). The available literature has identified several objectives that performance auditing could be used as an instrument to achieve them (see Chapter Two, Section, 2.3.3). This criterion is judged as follows:

- There will be an effective performance auditing system when the survey respondents show a high level of agreement that the system objectives are being adequately achieved.
- There will be an ineffective performance auditing system when the survey respondents show a low level of agreement that the system objectives are being adequately achieved.

The second criterion is concerned with factors related to the public sector environment as a whole (The Audit Institution's External Environment Criterion). It is assumed that the effectiveness of a performance auditing system is associated with the existence of an appropriate environment in the public sector. The application of performance auditing would take place smoothly and successfully if the organisational environment within the public sector at large proves to be appropriate. Factors, such as financial reporting and internal control systems in the public sector are essential to the success of performance auditing (see Section 3.2). The rule used for judging this criterion is that:

- There will be an effective performance auditing system when the survey respondents show a high level of agreement that factors relating to the proper functioning of the public sector, such as the clarity of goals and objectives in the public sector organisations, the existence of performance measures in the public sector, and the existence of sound financial reporting and internal control systems in public organisations are being adequately met within the public sector work environment.
- There will be an ineffective performance auditing system when the survey respondents show a low level of agreement that factors relating to the proper functioning of the public sector, such as the clarity of goals and objectives in the public sector organisations, the existence of performance measures in the public sector, and the existence of sound financial reporting and internal control systems in public organisations are being adequately met within the public sector work environment.

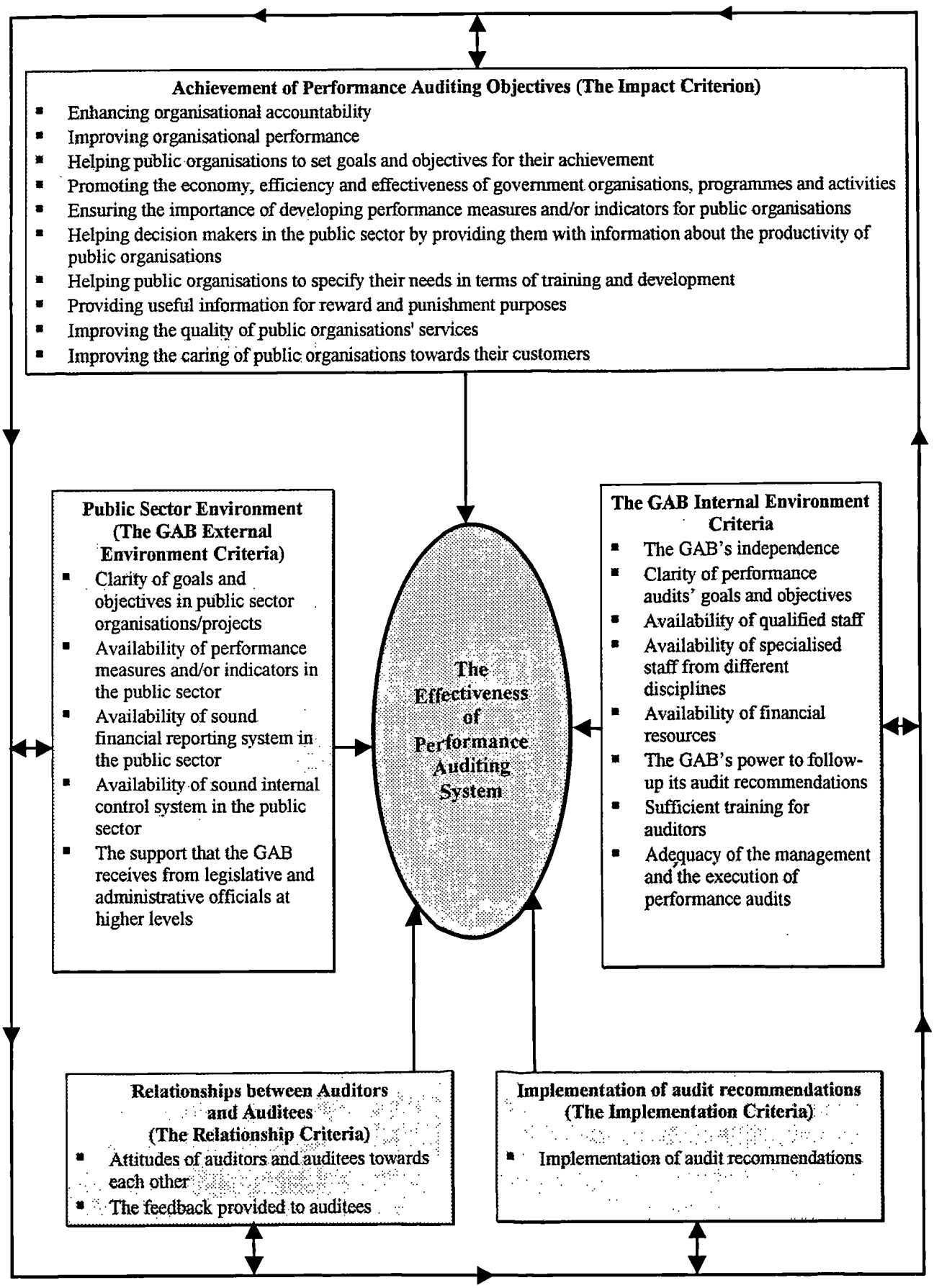
The third criterion includes factors pertaining to the audit institution's organisational and technical structure and its functioning (The Audit Institution's Internal Environment Criteria). For example, sufficient human and financial resources needed for the proper functioning of performance audit system have to be guaranteed. Performance auditing is, by its very nature, a labour-intensive job that needs adequate resources to support it. A related issue here is the indispensable need for technical expertise on the part of auditors both to undertake the audit job efficiently and effectively and to gain the

auditees' support and confidence (see Section 3.2). The rule used for judging this criterion is that:

- There will be an effective performance auditing system when the survey respondents show a high level of agreement that factors pertaining to the audit institution's organisational and operational structure, such as the clarity of performance auditing goals and objectives, the availability of sufficient financial resources and qualified staff are being adequately met within the audit institution's work conditions.
- There will be an ineffective performance auditing system when the survey respondents show a low level of agreement that factors pertaining to the audit institution's organisational and operational structure, such as the clarity of performance auditing goals and objectives, the availability of sufficient financial resources and qualified staff are being adequately met within the audit institution's work conditions.

The fourth criterion relates to the relationship between performance auditors and their auditees (The Relationship Criteria). The existence of a hostile or friendly relationship between auditors and their auditees greatly affects the success of performance auditing. A good relationship between these two groups could minimise the expected resistance to this type of auditing and, in turn, might enhance the auditees' commitment to the recommendations of the performance auditing (see Section 3.2). The rule used for judging this criterion is that:

- There will be an effective performance auditing system when the survey respondents show a high level of agreement on the existence of some factors that might reflect the existence of a good relationship between auditors and auditees, such as their attitudes towards each other, a willingness to explain their activities and actions and feedback provided to auditees.
- There will be an ineffective performance auditing system when the survey respondents show a low level of agreement on the existence of some factors that might reflect the existence of a good relationship between auditors and auditees, such as their attitudes towards each other, a willingness to explain their activities and actions and feedback provided to auditees.



Note: The size of the five boxes, as appear in the model, does not necessarily reflect their importance.

Figure 4.2: **An Evaluative Framework of the Effectiveness of Performance Auditing.**

The fifth criterion is concerned with the auditees' commitment to the audit recommendation and corrective actions (The Implementation Criteria). This issue has a direct influence on the effectiveness of the performance auditing system. This influence can be illustrated by taking into consideration the fact that developing appropriate audit recommendations is an effort that requires intensive human and financial resources and such an effort is wasted if these recommendations are not implemented (see Section 3.2). The rule used for judging this criterion is that:

- There will be an effective performance auditing system when the survey respondents show a high level of agreement that the audit recommendations are being adequately implemented.
- There will be an ineffective performance auditing system when the survey respondents show a low level of agreement that the audit recommendations are being adequately implemented.

It is clear from pursuing the above list that the different factors that are expected to influence performance auditing effectiveness are not independent of each other; in fact, there is a certain interrelationship between these factors. For example, the effective technical execution of performance audits will depend on the adequacy of the financial reporting and internal control systems operating in the public sector organisations. If adequate reporting and control systems exist, one would certainly find that the auditor's ability to undertake a successful performance audit is increased. However, though the existence of adequate financial reporting and internal control systems in the public sector strengthens the effectiveness of performance auditing, the opposite is true as well. In other words, inadequate reporting and control systems in the public sector are critical areas in which performance auditors can make significant contributions. One of the main focuses of performance auditing reports is to comment on inadequate systems in

order to enhance their efficiency (see Chapter 8, Section 8.2). This seems to be an almost inevitable reason for the search to acquire a sufficient set of factors.

Although all the criteria and elements included seem, at least from the researcher's point of view, to be important in the evaluation of the effectiveness of a performance auditing system, it should be noted that we have not built, nor did we intend to build, a comprehensive model of the effectiveness of performance auditing. Actually, it is difficult to come up with all the factors that could affect the effectiveness of performance auditing. The factors considered here are only a set of necessary conditions which might not be sufficient, let alone an ideal, set.

If the performance auditing system is rated effective in these five areas then one could conclude that the system is highly effective. The system, however, might be effective on all five issues or it might be effective on some and poor on others. If the 'fit' between the performance auditing system and these criteria is not entirely good, then the questions 'why is this?' and 'how could we resolve it?' should be asked and answered.

Before closing this section, it is worth mentioning, however, that the evaluation of the performance auditing system can seldom be based upon conclusive evidence of cause-effect relationships. This realisation will be taken as a starting point in our evaluation of the performance auditing system in the Saudi public sector. The aim of our study is more concerned with mapping out how the performance auditing system is working, than with establishing in-depth evidence on the detailed effects of this system on the administration and functioning of the public sector.

4.3. CONCLUSIONS

Chapters Two and Three of this study provided a review of the nature of performance auditing and the main factors affecting the effective operationalisation of this subject within the public sector. The main purpose of these chapters was to provide a background against which to explore the nature and practice of the performance auditing system in the Saudi public sector and to assess its effectiveness. Due to the lack of a particular framework that can be used in assessing the effectiveness of performance auditing in the Saudi public sector, the present chapter is devoted completely to the construction of an evaluative framework. The proposed framework consists of five criteria which are hoped to characterise the effectiveness of performance auditing in the Saudi public sector. These criteria take into account the impact of the system as well as the environment in which the system operates. Environmental factors influencing the effectiveness of performance auditing are classified into four main categories: the audit institution's external environment, the audit institution's internal environment, and the relationship of the auditors and auditees as well as the implementation of performance audit recommendations.

As part of the research empirical part, the proposed framework will be utilised in Chapter Nine to assess the effectiveness of the performance auditing system in the Saudi public sector. However, before moving onto the empirical part of the research, it is vital to highlight some important issues relating to the site within which the research took place. Accordingly, some important aspects of the Saudi public sector in general, and the Saudi General Audit Bureau (GAB), in particular, are presented in Chapter Five and Chapter Six, respectively.

PART THREE

RESEARCH CONTEXT

CHAPTER FIVE

THE ACCOUNTABILITY AND CONTROL SYSTEMS IN THE SAUDI PUBLIC SECTOR

5.1. INTRODUCTION

In the previous three chapters, the theoretical aspects of performance auditing and the different factors influencing the effective operationalisation of this subject as applied to the public sector have been discussed. Chapters Two and Three suggest that a performance auditing system has been considered, both in theory and practice, to be a vital component of the control and accountability mechanisms in the public sector. Chapters Three and Four also show that the success of performance auditing requires the existence of clear organisational objectives, established performance measures and sound financial and management reporting and control systems in public sector agencies. In addition, the two chapters emphasise the need for sufficient financial and human resources for performance auditing in addition to co-operation and co-ordination of the efforts between the different parties interested in this subject.

While keeping these conditions in mind, it is important, before proceeding to the empirical part of this study, which intends to explore the current state of performance auditing in the Saudi public sector (SPS) and to examine its effectiveness, to explore the context in which the system under investigation is operating in order to provide some insights which could help the research processes to assess the functioning of the performance auditing system in the SPS and to identify any obstacles hindering its effectiveness.

The purpose of this chapter, accordingly, is to discuss the different aspects of the accountability and control systems in the SPS including the organisation of power in Saudi Arabia and the role of the different agencies and systems in the accountability relationships within the country. The sequence of this chapter will be as follows.

Following this introduction, Section Two discusses the nature of the SPS. In this regard, the government's dominant role in the state's economy and the various components of the SPS are highlighted. Section Three discusses public sector accountability and the roles that different authorities play in managing public resources in Saudi Arabia. The fourth and fifth sections present the external and internal controls within the SPS, respectively. Finally, a short summary is presented in the sixth section.

5.2. THE NATURE OF THE SAUDI PUBLIC SECTOR

5.2.1. INTRODUCTION

Since the main objective of this study is to explore the subject of performance auditing as applied in the Saudi public sector,[1] it is essential to provide a general idea about the size, diversity and importance of this sector within the Kingdom. Accordingly, the rest of this section highlights the dominant role of the Saudi government in the country's economy and provides a basic description of the various components of the Saudi public sector.

5.2.2. THE GOVERNMENT'S ROLE IN THE COUNTRY'S ECONOMY

The role of the Saudi government has dominated many of the country's economic activities. The rapid construction of the country after the discovery of oil was led and continues to be achieved through government spending. Since the early 1970s, the Saudi government has implemented five comprehensive five-year development plans and the sixth is underway as shown in Table 5.1.

[1] For general profile of Saudi Arabia see Appendix A.

Table 5.1:

Development Plans

Development Plan	Time Frame
The First Development Plan	1971-1975
The Second Development Plan	1976-1980
The Third Development Plan	1981-1985
The Fourth Development Plan	1986-1990
The Fifth Development Plan	1991-1995
The Sixth Development Plan	1996-2000

The development plans have considered all aspects of the country's economy, such as its infrastructure, agriculture, industrial and commercial needs, and formulated strategies to achieve defined national goals and objectives. Several objectives and goals have been used to guide the first six plans, and will continue to provide the framework for future plans with relatively different concentration. Among these objectives, as stated by the Sixth Development Plan (1996-2000, pp. 37-43), are the following:

1. Maintaining economic and social stability.
2. Diversifying the economy and reducing dependence on oil.
3. Developing human resources.
4. Developing and maintaining the physical infrastructure.
5. Raising living standards and improving the quality of life.
6. Strengthening the role of the private sector in the economy.

In addition to these broad objectives, each plan has had its own specific focus affected by and connected to (a) the stage of development in the Kingdom and (b) the resources available to the government at the time.

Table 5.2 shows the magnitude of government revenues and expenditure for the period 1970 to 1999 and the scale of adjustment needed to reconcile fluctuating revenues with government commitments. The figures in this table show the vast expansion in government expenditure and activities combined with the falling revenues from oil exports, as well as the deficit financing which has appeared in the country's annual budget since the early 1980s.

Table 5.2:
Government Revenues and Expenditure
(Millions in Saudi Riyals)

Year	Revenues	Expenditure	Surplus (Shortage)
1970	7,954	6,293	1,661
1971	11,116	8,130	2,986
1972	15,326	10,158	5,168
1973	40,597	18,595	22,002
1974	100,103	35,039	65,064
1975	103,384	81,784	21,600
1976	135,957	106,737	29,220
1977	132,241	137,110	(4,869)
1978	131,505	146,306	(14,801)
1979	211,196	185,724	25,472
1980	348,119	230,416	117,703
1981	368,006	283,258	84,748
1982	246,182	244,912	1,270
1983	206,419	230,186	(23,767)
1984	171,509	216,363	(44,854)
1985	131,736	181,500	(49,764)
1986	76,498	137,422	(60,924)
1987	103,811	173,526	(69,715)
1988	84,600	134,850	(50,250)
1989	114,600	149,500	(34,900)
1990	154,721	210,430	(55,709)
1991	161,879	266,370	(104,491)
1992	165,400	232,500	(67,100)
1993	141,500	205,500	(64,000)
1994	129,000	163,800	(34,800)
1995*	135,000	150,000	(15,000)
1996*	131,500	150,000	(18,500)
1997*	164,000	181,000	(23,000)
1998*	178,000	196,000	(18,000)
1999*	121,000	165,000	(44,000)

* Budgeted Figures.
Saudi Riyal (SR): $ 1 = SR 3.75.
Source: Achievements of the Development Plans (1970-1997, p 218); Al-Farsy (1992, p. 117); Presley, J. (1999, p. 11); SAMA (1998, p. 307); Saudi British Bank (1997, p. 29).

In spite of the decline in oil prices during the 1980s and 1990s, and a corresponding decline in the country's revenue, the Saudi government still has ambitious development plans and still allocates a high proportion of its revenue to new projects. For instance, as shown in Table 5.3, the last plan (the sixth) has allocated an estimated figure of 472 billion Saudi Riyals towards financing investment activities in the public and private sectors.

Table 5.3:
Estimated Financial Requirements for Investment by Public and Private Sectors, and Type of Economic Activity during the Sixth Plan (Billions of Saudi Riyals in Current Prices)

Sector	Total	Public Sector	Private Sector
Productive Sectors:	181.0	92.1	88.9
Agriculture, Forestry & Fishing	14.6	4.6	10.0
Mining & Quarrying	4.1	1.9	2.2
Manufacturing	64.7	32.9	31.8
Electricity, Gas & Water	83.1	51.6	31.5
Construction	14.5	1.1	13.4
Services' Sector:	92.0	15.2	76.8
Trade, Restaurants & Hotels	24.6	0.2	24.4
Transport	32.9	11.0	21.9
Finance, Insurance Real Estate & Business Services	26.2	2.9	23.3
Community, Social & Personal Services	8.3	1.1	7.2
Government Services	103.4	103.4	0.0
Housing Buildings	64.1	17.1	47.0
Total of Non-oil Sector	440.5	227.8	212.7
Oil and Natural Gas Sector	31.5	31.5	0.0
Total of Oil and Non-oil Sectors	472.0	259.3	212.7

Source: The Sixth Development Plan (1996-2000, p. 137).

In its effort to improve economic efficiency and to reduce the burden on its budget, the Saudi government in the Fifth and Sixth Development Plans has emphasised the importance of privatisation and greater involvement by the private sector in the national economy. In this regard, various policies for financing, managing or transferring ownership of some of the government's existing activities have been suggested. In the light of the Sixth Development Plan's objectives, the following policies have been emphasised:

1. Adopting new methods of co-operation between the government and the private sector in financing investment in development projects. such as lease-purchase agreements and build-operate-transfer arrangements, where the private sector finances, builds and operates new facilities, collecting revenues for a sufficient period to earn an adequate return on investment before transferring ownership to the relevant government agency.
2. Expanding the incorporation of large joint stock companies.
3. Attracting foreign investment in joint ventures or in large capital-intensive projects which use advanced technology in the Kingdom.
4. Expanding the Offset Programs to include large civilian projects, while ensuring that projects under these programs make an effective contribution to the transfer of advanced technology and the development of Saudi manpower.
5. Accelerating the mobilisation of private capital to finance many government projects.
6. Privatising some government commercial activities (p. 97).

However, the initiated privatisation policy is moving cautiously and very slowly (Champion, 1999). Hence, the dominance of the public sector will continue into the foreseeable future as revenues of oil, of which the government is the only recipient, and the government sector contribution are likely to continue to represent the largest components of the Country's GNP (see Table 5.4).

Table 5.4:
Gross Domestic Product by Oil and Non-oil Sectors in Purchasers' Values (Millions in Saudi Riyals in Current Prices)

Year	Oil Sector		Non-oil Sector						Import Duties	GNP
			Government		Private		Total			
	Value	%	Value	%	Value	%	Value	%		
1984	132,556	26.7	84,871	28.5	129,998	43.5	214,869	72.0	3,973	351,398
1985	96,958	22.5	82,092	29.5	130,981	46.6	213,073	76.1	3,910	313,941
1986	67,461	30.3	76,699	26.4	123,686	42.2	200,385	68.6	3,245	271,091
1987	70,443	26.8	78,590	28.2	122,967	43.9	201,557	72.0	3,453	275,453
1988	69,116	29.8	80,981	26.1	126,812	41.4	207,793	67.5	8,236	285,145
1989	90,746	29.2	83,289	26.8	130,045	41.8	213,334	68.6	6,740	310,820
1990	148,053	33.3	97,932	24.9	139,008	39.8	236,940	64.7	7,000	391,993
1991	167,525	36.2	119,062	25.5	148,450	36.5	267,512	61.9	7,000	442,037
1992	186,524	37.7	109,409	24.2	156,365	36.1	265,774	60.3	9,100	461,398
1993	158,364	36.5	113,441	25.6	162,760	35.9	276,201	61.5	9,277	443,842
1994	157,722	36.4	115,616	25.6	168,398	36.1	284,014	61.6	8,289	450,025
1995	168,488	36.3	122,899	25.4	171,815	36.1	294,714	61.4	7,500	470,702
1996*	195,479	36.3	129,191	25.1	177,787	36.4	306,978	61.5	8,875	511,332

* Provisional Figures

Source: Compiled from the Achievements of the Development Plans (1970-1997, p. 226-7).

5.2.3. COMPONENTS OF THE SAUDI PUBLIC SECTOR

5.2.3.1. Introduction

According to Jones and Pendlebury (1996, p. 3), public sector organisations have many differences. First, they have a variety of social, economic, political and legal characteristics. Secondly, they display different patterns of accountability and have different powers and responsibilities. Thirdly, they are financed differently and have different objectives and organisational structures. Finally, they exhibit a variety of ownership patterns. Although it is difficult to have a "clean and easy" identification of the public sector boundaries (Broadbent and Guthrie, 1992, p. 2), the term "public sector" is generally used to encompass many entities, such as central government and its departments, local government authorities, public enterprises and other public benefit agencies, among others.

Within the Saudi context, the public sector is extremely diverse and large comprising: government ministries and their departments and branches, independent and quasi-independent government departments and agencies, local governments and public enterprises.

5.2.3.2. Government Ministries

Until 1975, the Saudi Cabinet consisted of fourteen ministries. However, the wide expansion in government activities and roles in the development processes of the country has necessitated establishing more ministries, departments and governmental agencies. In 1975, a Royal decree was issued, creating the largest cabinet in the Kingdom's history encompassing twenty ministers. In 1988, the President of the Saudi Port Authority, the President of the General Auditing Bureau and the President of the

Investigation and Control Board became members of the Council of Ministers (Al-Farsy, 1992, p. 41). The cabinet has been expanded further by adding two other ministries: the Ministry of Islamic Affairs (1993) and the Ministry of the Civil Service (1999) (see Figure 5.1).

Al Saloom (1997, p. 38) classified the Saudi ministries, according to their functions, into three sectors. First, the *Sovereign Affairs Sector* including the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Defence and Aviation and the Ministry of the Interior. Secondly, the *Services Sector* encompassing most of the country's ministries. Ministries included in this category are the Ministry of Health, the Ministry of Education, the Ministry of Transportation, the Ministry of Post, Telephone and Telegraph, the Ministry of Public Works and Housing, the Ministry of Pilgrimage, the Ministry of Islamic Affairs, the Ministry of Information, the Ministry of Higher Education, the Ministry of Labour and Social Affairs, the Ministry of the Civil Service and the Ministry of Municipal and Rural Affairs. Thirdly, the *Development Sector* which consists of the Ministry of Finance, the Ministry of Commerce, the Ministry of Planning, the Ministry of Industry and Electricity, the Ministry of Oil and Mineral Resources and the Ministry of Agriculture and Water.

The Saudi ministries have some differences in terms of their organisational structure (Al-Farsy, 1992; Al-Otaibi, 1995). The description of the Kingdom's ministries (Al-Farsy, 1992, pp. 44-73) reveals different patterns of organisational structure within the ministries. For example, the organisational chart for some of the ministries include posts for one or more deputy ministers whilst such a post is omitted from other ministries. Al-Otaibi (1995) states several reasons for these differences, including "the nature of

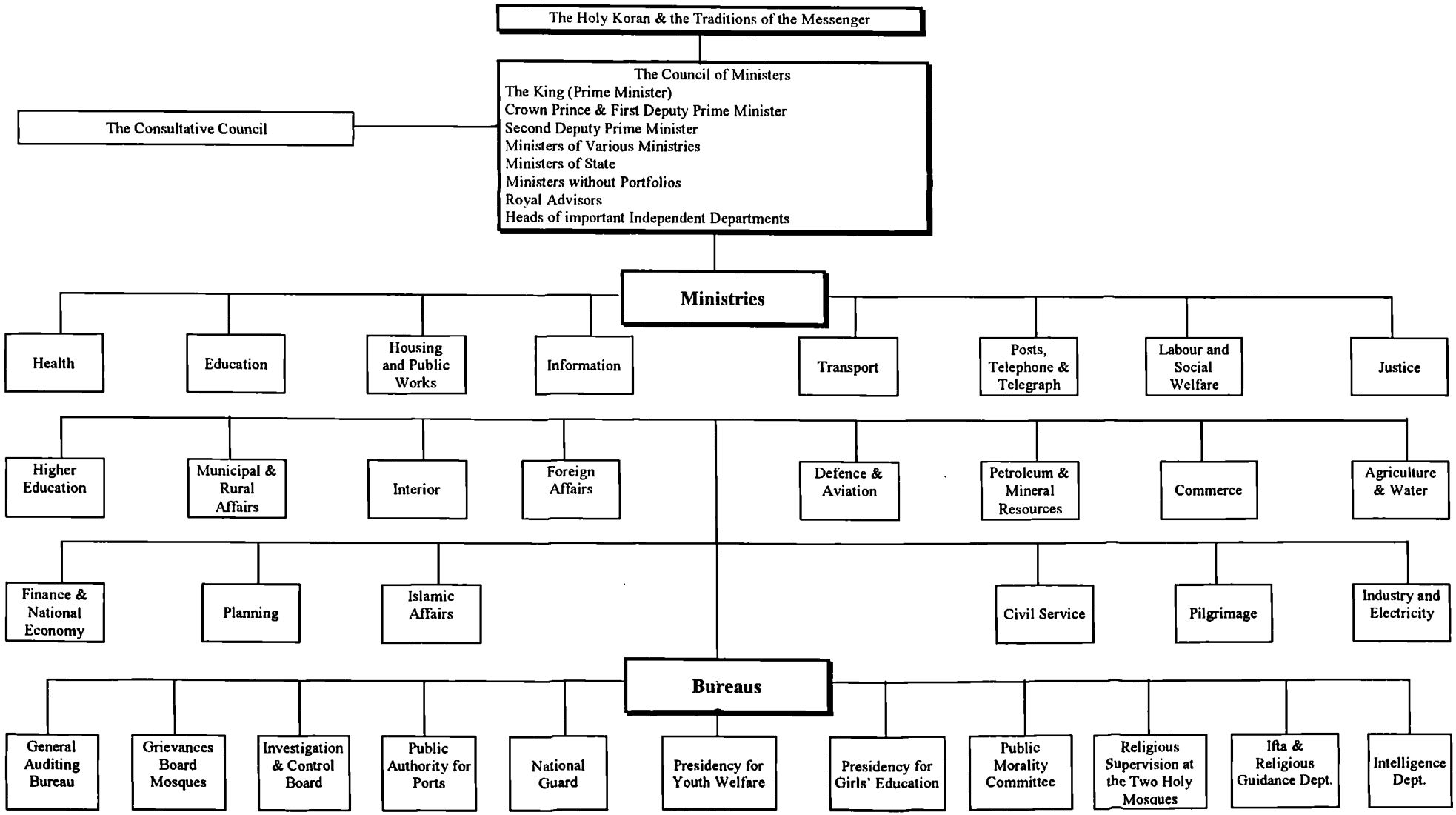


Figure 5.1: The Saudi Government Structure

activity or work carried out by the ministry and its historical development as well as the extent of development and modernisation it has undergone" (p. 86). A common feature of the organisational structures of the ministries, however, is that they have a long chain of command and extensive centralisation that makes carrying out tasks tedious and time consuming (Assaf, 1983, pp. 120-122; cited by Kassim, 1993, p. 129).

5.2.3.3. Independent and Quasi-Independent Government Departments

The group discussed in this sub-section comprises institutions that are not dependent on any ministry. They are normally created to meet a certain objective that the government specifies and which is difficult to achieve through any of the ministries, because it falls outside their domain of specialisation. Among the most important of these agencies and departments are the following: the General Civil Service Bureau[2], the General Auditing Bureau, the Grievance Bureau, the Presidency of the National Guard, the General Presidency of Youth Welfare, the General Presidency of Girls' Education and the Investigation and Control Board (Al-Otaibi, 1995, p. 90; see also Figure 5.1).

These departments and agencies are directly accountable to the Council of Ministers and the King. They have very specific roles and well-defined objectives. Among the above mentioned departments, the General Auditing Bureau and the Investigation and Control Board perform control functions to ensure that the executives are performing at the optimum level (Al-Otaibi, 1995, p. 90). The control function of these two agencies within the Saudi public sector will be discussed later in this chapter.

[2] The General Civil Service Bureau has witnessed several developments since 1934. However, the last and most important event occurred recently (1999) which changed its status into a ministry.

Finally, independent and quasi-independent agencies are smaller in size than ministries and their structure is less centralised. Such features enable them to carry out their tasks more efficiently.

5.2.3.4. Local Governments

The first attempt to organise the administration of local areas was undertaken in 1939 by issuing the Emirates (Regions) Act. This act divided the country into eight Emirates, each headed by an Amir (Governor). The Governor's status and responsibilities, however, were not well articulated until the promulgation of the General Personnel Act of 1944. According to the later act, the Governor was designated as the administrative governor and the central government representative, reporting directly to the Interior Minister. The Governor's functions were basically centred on the maintenance of law and order and with managing the affairs of the tribes and villages within the boundaries of his region (Almotairi, 1995, p. 160). In 1963, another provincial regulation was ratified by Royal Decree No. 12. However, this regulation failed to pass the test of time, and was never implemented (Aba-Namay, 1993, p. 309; Almotairi, 1995, p. 163).

The last provincial system was issued in the 1992 as part of the 1992 constitutional package and amended later by Royal Order No. 1/21 of 1994. Although the new regulations have been considered as a slightly modified version of the previous Provincial Regulations (Aba-Namay, 1993, p. 309), the new Act did call for the reorganisation of the local governments around the country, and lays down several regulations affecting the governorships. Based on the new Provincial Regulations, Saudi Arabia is loosely divided into thirteen administrative regions, though without defined geographical boundaries. Administratively, each region consists of a number of

governorates, districts and centres. This division is based on demographic, geographical, security and environmental conditions and the means of transportation in each region (Art. 3).

To sum up, it is clear that the Saudi government over the years has issued laws and regulations to guarantee the establishment of an orderly local government system that meets the needs and challenges of the comprehensive development processes taking place within the country. In particular, the new law of the provinces aims fairly at the creation of an organisational framework to enhance administrative performance and to accelerate growth and development all over the country (Al-Otaibi, 1995, p. 89).

5.2.3.5. Public Enterprises

A public enterprise as defined by Boodhoo (1981) is "any commercial, financial, industrial or promotional undertaking -owned by a public authority either wholly or through majority shareholding- which is engaged in the production and sale of goods and services, and whose affairs are capable of being recorded in a balance sheet and profit and loss account" (p. 157). In Saudi Arabia, as in most developing countries and many developed ones, these enterprises are major users of the national resources. They have become important instruments in nation-building through their significant contributions to the national capital formation and the acceleration of economic and social development.

The socio-economic growth which has taken place within the Kingdom during the last three decades has prompted the Saudi government into assuming new roles in order to serve the administrative requirement of the unique socio-economic and cultural features

of the country. Because of a lack of flexibility on the part of government, the ability of ministerial departments to cope with all of these new challenges might be limited. Accordingly, the government felt that there was a need to set up specialised public enterprises that were capable of achieving maximum effectiveness and efficiency in the performance of their duties and, thereby, of meeting the administrative challenges of modern Saudi Arabia (Higan, 1995, pp. 129-130).

Public enterprises in Saudi Arabia are normally established by specific acts, and their policy and regulation are, to a greater or lesser extent, subject to general policy and the economic direction of the government. However, these enterprises, as stated by Hill et al. (1989, p. 216), are free to run their own day-to-day activities in accordance with the laws and regulations of the particular entity.

Public enterprises in Saudi Arabia can be classified into two categories: public corporations and companies. The establishment of public agencies as joint stock companies in partnership with private individuals or entities is a common practice in the Kingdom. Many large companies in the country's industrial sector, in particular, engaged in the production of cement, electricity, maritime and land transportation and oil refineries are consolidated in this manner. In addition, joint ventures have also been established with multi-national companies to conduct various activities in the pharmaceutical, electronics, mining, agricultural and fishing industries (Hill et al., 1989, p. 213).

The nature, extent and complexity of the different operations and services undertaken by public enterprises vary considerably. Higan (1995, pp. 129-130) classified public

enterprises in Saudi Arabia, based on their activities, into four different groups: economic agencies; educational, training and consulting agencies; investment and financial administration agencies; and miscellaneous service agencies.

The management of public corporations in Saudi Arabia is usually undertaken by an individual or a company specially designated for that purpose and paid a fixed fee or a specified percentage of the entity's profit or revenue. Public companies, on the other hand, are managed either by a board of directors or a board of management. While the board of directors, chaired normally by a Minister and with members appointed by the Council of Ministers, is responsible for policy matters, the board of management, appointed by either the Council of Ministers or the board of directors, is responsible for the day-to-day functioning of the public company.

Public enterprises normally obtain their finances from a variety of sources. In Saudi Arabia, as in the majority of developing countries and in many developed ones, the government generally provides the initial investment capital of public enterprises. In addition, public enterprises in Saudi Arabia are allowed to accumulate finance through equity participation with the government or private individuals and/or entities. Public enterprises are also authorised to borrow funds from domestic and foreign capital markets and financial institutions.

5.3. ACCOUNTABILITY IN THE SAUDI PUBLIC SECTOR

5.3.1. INTRODUCTION

Politically, Saudi Arabia is governed by an absolute monarchy system. According to Aba-Namay (1993), the State, since the time of its establishment, "has been governed

without a written constitution, without an elected system, and without any political party, organised labour or professional unions, or civic clubs to provide formal opposition to government policy. Any organisation outside the direct control of the government is unequivocally prohibited" (p. 296). In addition, the political system in the Kingdom of Saudi Arabia (KSA) can be characterised by the extensive authority of the head of the government (i.e. the King) (e.g. Aba-Namay, 1993, pp. 304-308) and the influence exercised, to a certain extent, by different groups (elites), such as religious scholars, liberal technocrats and the military (e.g. Aba-Namay, 1993, p. 329; Abir, 1993, pp. 90-95, 114-121; Cordesman, 1997, p. 35).

Until 1992, all the legislative, administrative and executive powers had been vested in the State's Council of Ministers headed by the King. However, due to major events which occurred in the 1980s and early 1990s and in response to the increased sophistication of the Saudi population, the Saudi government recognised the necessity of developing the administrative structure of the country. In this respect, King Fahad in March 1992 announced a package of reforms which he had approved. These reforms consist of three separate documents: the introduction of a basic system of governing laws, the formation of the Consultative Council or *MAJLIS AL-SHOURA* and an increased autonomy for the country provinces.

Within this general description of the political system in the KSA, the rest of this section, as well as the next two sections, discuss the roles that different authorities and government bodies can play in planning, organising, and controlling the general resources in Saudi Arabia. The roles of the King, Council of Ministers, Consultative Council as well as other government agencies in the accountability and control

processes are briefly discussed. This discussion aims mainly to show the accountability and control framework in the KSA in order to obtain some insights which could help us in understanding and assessing how effectively the performance auditing system have been operationalised within the context of the Saudi public sector. Figure 5.2 depicts the nature of the accountability and control relationships between these bodies.

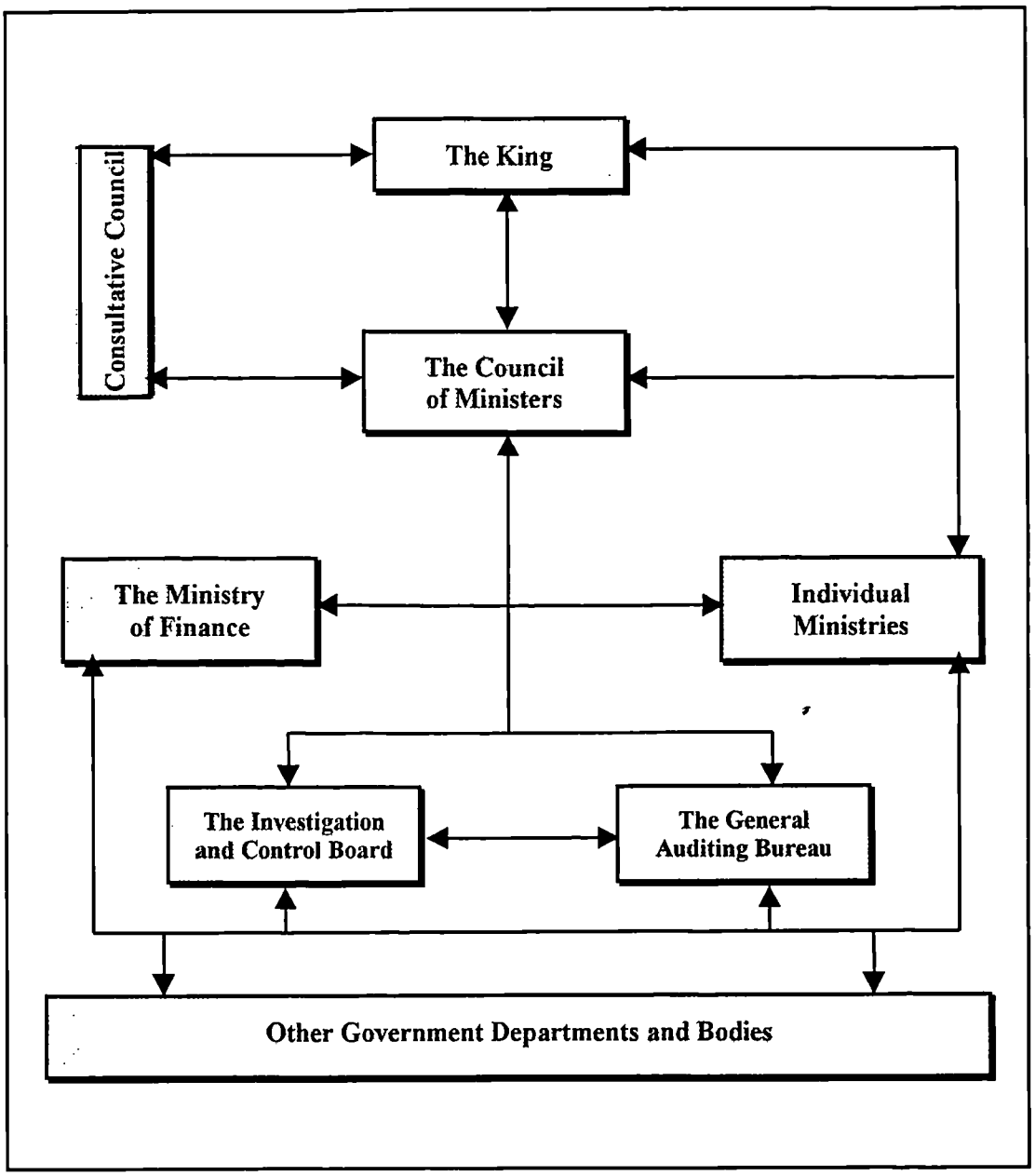


Figure 5.2: Accountability and Control Relationships in the Saudi Public Sector.

5.3.2. THE MONARCH

Prior to the 1992 reforms, the King held virtually all power, and this remains essentially unchanged. The 1992 basic system of rules, as stated by Aba-Namay (1993), "merely expresses the existing powers of the King in a written and more formal way" (p. 304). The King, according to the basic system of rules, still holds the main levers of power: legislative as well as executive. He may also exercise, in some cases, judicial rule as the head of the state and has the power of pardon. In this regard, Art. 44 states that:

> The authorities of the state consist of the following: the judicial authority; the executive authority; the regulatory authority. These authorities co-operate with each other in the performance of their duties, in accordance with this and other laws. The King shall be the point of reference for all these authorities.

Within the basic system of rules, massive powers have been vested in the King. The above passage (Art. 44) indicates that all authorities in the state are answerable to the King, who is their final point of authority. Further, the King has the power to choose the Crown prince and dismiss him and name someone else by Royal order (Article 5.c). He remains the head of the Council of Ministers (Art. 56) and has the right to appoint his deputies, the ministers, as well as deputy ministers, and may relieve them of office (Arts. 57.a and 58). He also has the power to dissolve and reorganise the Council of Ministers (Art. 57.c).

Furthermore, the King is trusted with the implementation of judicial rulings (Art. 50) and carries out the policy of the nation as well as overseeing the implementation of the Islamic *Shar'iah*[3], the system of government, the state's general policies and the

[3] Shari'ah is the source of guidance for Islamic precepts. It is the Islamic law of human conduct derived from the Koran (the Muslim's Holy Book) and the Sunnah (the deeds and sayings of the Prophet Mohammed [peace be upon him]).

protection and defence of the country (Art. 55). In addition, the King is the Commander in Chief of all the armed forces. He has the right to appoint officers and put an end to their duties (Art. 60). The King is also entrusted with the right to declare a state of emergency, general mobilisation and war (Art. 61). International treaties, agreements, regulations and concessions are approved and amended by the King (Art. 70).

Moreover, the King is granted the right to call the Consultative Council and the Council of Ministers for a joint meeting and to invite whoever he wishes to attend that meeting to discuss whatever matters he wishes (Art. 69). The King is exclusively given the right to change the basic system of rules. Article 83 emphasises that "This law may only be amended in the same way as it was enacted". Since the King was the one who enacted the law, he is the only endorsed authority that can amend it.

The statute of the Consultative Council gives the King the right to select and relieve the chairman of the Council and its members and to set out their rights, duties and salaries (Art. 3). The King also is provided with the power to appoint and dismiss local governors and their deputies as stated in the Regional Authorities Decree, Art. 4.

Other dimensions of the tremendous powers of the monarch have been emphasised in the new statute of the Council of Ministers issued on August 1993. Article 29 of the statute states that:

> The King as Chairman of the Council of Ministers will steer the overall policy of the state. He will steer, coordinate and ensure the cooperation of the various government bodies, and ensure harmony, continuity and uniformity in the work of the Council. He has the authority to supervise the Council, ministries, and governmental bodies. He will monitor the implementation of statutes, rules and decrees. All the ministries and other

> governmental bodies have to submit to the chairman of the Council of Ministers within 90 days of the beginning of every financial year a report on the achievements they have made in comparison with what had been stated in the overall development plan during the previous financial year, the difficulties they had faced and their proposals for improved operations in them.

As was the case with the basic system of rules, the King alone is granted an exclusive authority to amend the statute of the Council of Ministers (Art. 32).

To sum up, the King seems to exercise a superior rule over all the three branches of authority. In this respect, as the head of the state, he controls and oversees the amount of power that goes into each of the three authorities. However, in exercising his assigned powers, the King is expected to be influenced and guided by the Islamic provisions. In this regard, the very first article of the basic system of rules sets out the basic premise which all other codes rely upon: "The Kingdom of Saudi Arabia is a sovereign Arab Islamic state with Islam as its religion; God's Book and the Sunnah of His Prophet, God's prayer and peace be upon him, are its constitution...". Article Seven also emphasises the Holy Koran and the Prophet's traditions as being the sole source from which the Saudi government derives its power. The role of justice, consultation and equality in accordance with the Islamic *Shari'ah* in the practice of the Saudi government has also been established in Article Eight of the basic system of rules.

5.3.3. THE EXECUTIVE AUTHORITIES

The 1992 Basic System of Rules distinguished between two levels of executive authority in the Kingdom: the national government represented in the Council of Ministers; and the local governments of the various regions of the Kingdom with their own regional councils. Although governing the Kingdom's regions is the direct

responsibility of the Regional governors, those governors are subordinated to the national government, and thus tend to be controlled by the power that flows from the national government.

According to the 1992 Provincial Act, each region has its Governor (Amir) with the rank of minister. The Governor is appointed by a Royal Decree upon the recommendation of the Interior Minister and accountable directly to the Interior Minister (Arts. 4, 5). The Governor's main responsibilities include, among others, the following (Art. 7). First, the Governor is expected to run the affairs of the province according to the government's general policies and the Provinces Act regulations. Secondly, he should maintain law and order and take necessary measures to ensure this. Thirdly, he should implement court judgements, after they have been duly deliberated according to the law. Fourthly, the Governor is required to secure the rights and freedom of individuals within the limits of the law. Fifthly, he is expected to take actions to develop the province socially and economically. In addition, the Governor should administer the districts and centres of the province and monitor the efficiency level of the work and services offered. Furthermore, he is obliged to safeguard government properties and prevent trespassing upon them. He is responsible for supervising state agencies and their personnel in the province to ensure that their duties are conducted with complete honesty and diligence. Finally, the Governor should establish direct contact with ministers and heads of government departments in order to discuss the affairs of the region with the aim of promoting the efficiency of the performance of the government organs attached to them.

The provincial system also calls for the establishment of a Regional Council for each province (Art. 15). The Regional Council consists of:

a. The Province Governor as a Chairman of the Council.
b. The Vice-Governor of the Province as Deputy Chairman of the Council.
c. The Deputy Governor of the Province.
d. The Heads of the Government Authorities in the Province named by the Prime Minister, according to the recommendations of the Interior Minister.
e. A team of at least ten well-qualified and experienced citizens, appointed by the Prime Minister, according to the recommendations of the Province Governor and pursuant to the approval of the Interior Minister. The membership will last for a four year renewable term (Art. 16).

The Regional Council is ordained to exercise the following duties (Art. 23). First, the Province Council should consider every matter that will enhance the offering of better services in the province. Secondly, the Council can also determine the needs of the province and suggest their inclusion in the State Development Plan. Thirdly, it can study and determine useful projects according to their priorities and propose their approval in the Annual Budget of the State. Fourthly, the Council should also study the organisational plans of the cities and villages within the province and follow-up their implementation, after approving them. Finally, the Council can follow-up the implementation of that which relates to the region from the Development Plan and State Budget, ensuring evaluation and co-ordination thereof.

The national government, on the other hand, is represented by the Council of Ministers. The Council of Ministers is the main executive authority in the KSA. It derives its authority directly from the King who acts as Chairman of the Council and as Prime Minister. According to the new constitution of the Council of Ministers issued in 1993, the Council is composed of (see Figure 5.1):

a. Chairman of the Council.
b. Deputy Chairman of the Council.
c. Ministers.
d. Ministers of State who are appointed as members of the Council of Ministers by Royal order.
e. Advisers to the King who are appointed as members of the Council of Ministers by Royal order (Art. 12).

As far as the responsibilities of the Council of Ministers are concerned, the Council, until the 1992 reforms, functioned as the state's supreme authority for both the legislative and executive functions under the direct control of the King. With the establishment of the state Consultative Council in 1992, the law of the Council of Ministers was required to be amended in accordance with the basic system of rules (Article 56 of the basic system of rules). In response to this demand, a new constitution for the Council of Ministers was issued in August 1993, as mentioned above. The Council's responsibilities, as stated in its new statute, are mainly limited to exercising executive authority. Article 24 states that the council, as the direct executive power, will have full control over executive and administrative affairs. The Council's executive jurisdictions include the following functions:

a. Monitoring the implementation of statutes, rules and decrees.
b. The creation and organisation of public services.
c. Following up the implementation of the overall development plan.
d. Establishing committees that will investigate the progress of the work of ministries and other governmental bodies or a specific issue (Art. 24).

In addition, the Council's responsibilities include laying down the policy of the state with respect to the internal, external, financial, economic, educational and defence policies and all the public affairs of the state, and overseeing their implementation (Art. 19). The Council is also the final authority and point of reference for financial and

administrative affairs connected with the various ministries of the state and other central government agencies (Art. 19).

Taking into consideration the stipulations of the statute of the Consultative Council, the Council of Ministers is also required to study statutes, international treaties, and agreements. However, according to the Council's regulations such treaties and international agreements require a royal decree to be effective (Art. 20). The Council of Ministers also has the right to look into the decrees of the Consultative Council (Art. 19) and may disagree with them. Furthermore, Article 21 states that the Council of Ministers is required to study draft rules and regulations submitted to it and vote on them in accordance with the measures stipulated in the internal statute of the council.

In addition, the government will not be able to sign a loan (agreement) without the approval of the Council of Ministers and the issuance of a pertinent Royal Decree (Art. 25). Finally, the Council of Ministers is required, as one of its main responsibilities, to study the state budget and vote on it chapter by chapter, before its issuance in accordance with a Royal Decree (Art. 26).

To conclude, the Council of Ministers has functioned until very recently as the state's supreme authority for both legislative and executive functions under the direct control of the King. While the executive power of the Council of Ministers remains mainly intact, the establishment of the Consultative Council as part of the 1992 reforms has had a major impact on the legislative role of the Council.

5.3.4. THE MINISTRIES

The ministries make up the cornerstone of the executive government machinery, as they are vehicles for the implementation of the country's various policies in the diverse affairs of life (Al-Otaibi, 1995, p. 85). To perform its assigned duties, each government ministry is headed by a minister who is regarded as the final authority and the direct supervisor of the affairs and work of his ministry (Art. 10 of the new constitution of the Council of Ministers, 1993).

While the minister is essentially responsible for performing policy and political functions, the day-to-day administration of the ministry is the responsibility of one or more deputy ministers. The deputies are appointed by the Council of Ministers. However, below this top authority there are a variety of specialised departments, agencies and staff divisions, such as finance, planning, internal administration and inspection. These departments and agencies are responsible for carrying out the role assigned to the ministry by the government. Additionally, most ministries and government departments, particularly those responsible for providing services to the public, have many branches in a number of regions in the Kingdom to extend their services to the citizens of the regions in which they are established.

5.3.5. THE CONSULTATIVE COUNCIL

In his speech, the King made it clear that he considered the new established Consultative Council to be an extension of the existing system. In March 1992, the King announced thirty articles governing the Consultative Council which would consists of sixty one (Art. 3), to be extended later to include ninety one, members including the Speaker of the Council. These members are drawn from different sectors, including

religious scholars, military personnel, academics, deputy ministers and members from the professions. The members of the Consultative Council, however, are to be appointed and not elected.

According to Article 4 of the statute, a member of the Consultative Council must be:

a. A Saudi national and residing in Saudi Arabia.
b. Known to be good and competent.
c. At least thirty years old.

In August 1993, the King appointed the members of the Consultative Council and the Speaker. The Council would have a four-year term of office (Art. 13).

The introduction of the Consultative Council entails an adjustment of government functions and a reduction in the Council of Ministers' monopoly over the promulgation of legislation. The impact of this can be seen by looking at the Consultative Council's assigned responsibilities. The Council has the right to examine and express opinions on the general policy of the state, which are referred to it by the Council of Ministers (Art. 15). In particular, the Consultative Council has the following basic roles:

a. Discussing the general plan of economic and social development and expressing an opinion on it (Art. 15).
b. Studying international laws, charters, treaties and agreements, and concessions and making appropriate suggestions regarding them (Art. 15). However, they are issued and amended by Royal decree after being studied by the Consultative Council (Art. 18).
c. Interpreting laws (Art. 15).

In addition, the Council shall act as a watchdog over the government. In this respect, the Council has been enabled to discuss annual reports submitted by the ministries and other government bodies and to make appropriate suggestions regarding them (Art. 15).

It is empowered to disagree with the executive as represented by the Council of Ministers. Furthermore, Article 22 of the constitution of the Consultative Council gives the Council members the right to question any government officials, including ministers (Art. 22).

While the establishment of the Council represents a considerable advance on what was available before within the Kingdom, the constitutional provisions of the Council, however, do not allow it to overrule the Council of Ministers without the King's consent. Article 17 of the Constitution of the Consultative Council proclaims that:

> The decisions of the Shura Council [Consultative Council] will be submitted to the chairman of the Council of Ministers for deliberation. If the views of both Councils are concordant, they will be issued following the King's consent; if the views are different, the King has the right to decide what he deems fit.

Although assessing the effectiveness of the Consultative Council is beyond the scope of this study, the above discussion of the Council seems to imply that a better balance between the legislative and executive powers in the Kingdom should be established in order to promote increased efficiency in the conduct of Saudi authorities.

Despite these shortcomings, some writers argue that the composition of the Council provides some credit for its decisions. Bulloch (1992), for instance, states that:

> Given the balance which the king is bound to seek in the composition of the Council, no ruler would seek to push through laws which had been rejected by the majlis al-shura [the Consultative Council], as such legislation would clearly be opposed by the country at large (p. 4).

In addition, data published on the outcome of the Council during its first two years of work is very promising and indicates how serious its members are in undertaking their

roles. During the course of the 1994 and 1995 sessions, the Consultative Council dealt with a wide range of social and policy issues (Cordesman, 1997, pp. 28-29). During its first year (1994), for example, the Consultative Council met 29 times, discussed 45 issues and presented 25 recommendations. The Council's General Authority held 21 meetings and reached 23 decisions, and the various committees of the Council held more than 260 meetings and submitted more than 50 studies and reports. In addition, during the second year of its first session, the King presented the national budget to the Consultative Council for the first time. Such an action reflects the intention of the Head of the State to empower the Council and activate its role.

5.4. EXTERNAL CONTROL IN THE SAUDI PUBLIC SECTOR

5.4.1. INTRODUCTION

This section and the next section are concerned with describing the internal and external control processes in the Saudi public sector. In this section, the discussion is limited to the external control that is discharged by particular government agencies, namely the Ministry of Finance, the General Auditing Bureau and the Investigation and Control Board, over government bodies. Generally speaking, these agencies are responsible for verifying that proper measures and procedures are carried out in regard to revenues, expenditures, adjusting entries, executing projects, controlling stocks and managing the public movable and real properties. These agencies are also responsible for ensuring that these measures and procedures are performed in accordance with laws and specified regulations. Furthermore, these agencies are obligated to measure the extent to which prescribed objectives and policies are being achieved, and to determine and correct any deviations that might occur. They also suggest what might be needed to develop

operational systems and procedures required for fulfilling the activities of government more efficiently and effectively. In the rest of this section, the roles and functions of the Ministry of Finance, the General Auditing Bureau and the Investigation and Control Board in the control processes in the Kingdom of Saudi Arabia are briefly discussed.

5.4.2. THE MINISTRY OF FINANCE

The Ministry of Finance and National Economy is considered to be the most important player in drawing up and executing the country's financial policy. The main function of the Ministry, as stated by Al-Farsy (1992), "is to manage all government finance, including the budgeting and expenditure of all ministries and government agencies" (p. 54). The Ministry also exercises control over all government bodies when they are either receiving revenues or paying expenditures.

In order to enable the Ministry of Finance to achieve its control role within government ministries and departments, a Royal Decree (No. M/85) was issued in 1960 calling for the establishment of the Financial Representative (Controller) Administration (FRA) as a division of the Ministry of Finance and National Economy (Art. 2). The Royal Decree requires that "every ministry or department, that is part of the Ruling System and that has an approved budget, should have a financial representative [financial controller]" appointed by the Minister of Finance (Art. 1).

Financial Controllers are responsible for performing pre-execution financial control in government departments. More specifically, Financial Controllers are entrusted to fulfil, among others, the following responsibilities (Financial Representatives Regulations, 1960, Arts. 6-13):

1. Monitoring the general budget execution in accordance with approved financial laws and instructions. The financial controller should pay particular attention to constraints on payments to ensure that they are made within the approved expenditures specified for each chapter.
2. Auditing transaction vouchers prior to payments to ensure their legality and that all necessary procedures have been completed: also to ensure that payments are not made twice.
3. Auditing the financial accounts of the institution and its branches to ascertain the validity of the statements that have been given as a justification for exceeding the approved spending limits or for exceeding the approved savings during the last year.
4. Examining loans and deposit-trusts every three months to ensure that the sums available in these two accounts are justified.
5. Providing the Ministry of Finance and National Economy with a three-month report on the financial situation in the government department that he is in charge of. He is also required to provide the department in question, along with the GAB, with a copy of this report.
6. Supervising the filling of all documents after payment to ensure that they are properly kept and ready for the GAB inspection at any time.
7. Providing advice to the government department that he financially controls with regard to its new budget allocation before sending the budget to the Ministry of Finance.
8. Helping the government department in the interpretation of laws and instructions pertaining to financial affairs.
9. Supervising store records to ensure that they are properly kept and to observe inventory transactions and notify both the Ministry of Finance and the GAB.
10. Participating in both the bid committee that is formed to approve tenders for new projects in the government department and the account-closing committee.
11. Participating in committees formed to investigate accidents that result in financial losses.

To conclude, it is clear that the role of financial controller, as stated above, is primarily devoted to procedural aspects. Financial controllers also work as advisors to the government departments in the interpretation of financial instructions issued by the Ministry of Finance and National Economy and in the preparation of budget proposals. However, other important issues, such as the efficient use of the funds allocated to the

government departments in the general budget, have received no attention in the financial controller regulations.

5.4.3. THE GENERAL AUDITING BUREAU

The General Audit Bureau (GAB) is a government body entrusted with the responsibility for auditing public sector organisations and activities. It is legally affiliated to the Prime Minister. It was first established as a specialised branch of the Council of Ministers to audit state accounts. During the last decade or so, the Bureau has moved into a new direction; nowadays its activities are not limited to financial auditing but also include performance auditing. Since the GAB represents the main body with which this study is concerned, a fuller discussion of several important aspects of the Bureau including, among others, its development, role and control responsibilities is presented in the next chapter.

5.4.4. THE INVESTIGATION AND CONTROL BOARD

The Investigation and Control Board (ICB) derived its authority from the Employees Disciplinary Law ratified by Royal Decree No. M/7 of 1971. Article one of the Law states that:

> In accordance with this law, an independent organisation is to be established and to be called: The Investigation and Control Board. It is directly affiliated with the Cabinet's president.

The Law assigned the Board with a specified role in control and investigation in order to uncover and follow-up administrative and financial violations in a way that complements, but does not contradict, the authorisation that is granted to the GAB. Particularly, according to Article 5, the Board is assigned the following responsibilities.

The Board is required to execute control so as to uncover administrative and financial violations. The Board is also obliged to check administrative and financial violation complaints that are forwarded to it by the ministers concerned or by any authorised official department. Furthermore, the Board is empowered to investigate administrative and financial violations that are revealed by the controlling entities, or that are forwarded to the Board by the ministers concerned or by any authorised official department. In addition, it is required to follow-up lawsuits forwarded to the Employees Disciplinary Council.

The Board Internal By-law (issued in 1972) specifies the way in which the Board can implement its investigation and control its duties. The first Article of the Board's By-law emphasises that:

> [T]he control is carried out by an order from the Board President in the following cases:
>
> 1. By virtue of an Eminent Order.
> 2. By virtue of a request from the ministers and the Chairmen of the public corporations and public entities to which the state contributes to their administrative and financial activities.
> 3. By virtue of complaints and information, taking into consideration that the initial inspection showed some indications of their possible trustworthiness.
> 4. By virtue of a request from the controlling agencies concerned; and reports from the inspectors of the General Auditing Bureau and the General Civil Service uncovering some violations.
> 5. By virtue of the cases that are disclosed for the controlling body and that require imposing surveillance.

According to the Duties of the Financial Control Department at the Investigation and Control Board issued by Eminent Order No. R/3/29516 in 1974, the Board can investigate and determine the reasons for achievement and performance inefficiencies;

whether these shortcomings are caused by the existence of system deficiencies or violations which are committed by public servants (p. 12).

With regard to the investigation aspects, the Board's Internal By-law prohibited the investigators from exerting pressure, compulsion or duress by any means while undertaking their duties (Art. 9.a). In addition, the investigators are not allowed to express their opinion before acquiring sufficient evidence (e.g. interrogating the employee, listening to witnesses), completing all the elements of the case and closing the investigation (Art. 13). Finally, at the end of the investigation, the investigators are required to face the employee who was the subject of questioning with all the evidence that was found to be against him/her; the employee must be given the opportunity to respond to each of them separately (Art. 16).

The Board's need of access to information is emphasised by the Employees Disciplinary Law. Article 8 of the Law states that:

> The government institutions are to make it possible for the investigator to look into papers and documents that he might need...

When the government institution refuses to allow the investigator to investigate or to inspect necessary documents, the Board's President has the right to present the whole issue to the Cabinet's President [the Prime Minister]. To solve the dispute, the Prime Minister, on his part, may order whatever he deems necessary (Art. 10).

Finally, in order to ensure that the Board fulfils its role, the Board's President is obliged by the Board's Law to submit a comprehensive report to his immediate authority [the

Prime Minister]. The report should include the achievements of the Board, observations and suggestions (Art. 50).

5.5. INTERNAL CONTROL IN THE SAUDI PUBLIC SECTOR

5.5.1. INTRODUCTION

This section presents a brief discussion of various systems concerned with controlling and monitoring government activities and operations from within the public organisations themselves. In this discussion, the government accounting, budgetary and internal control systems are examined. The objective of this section is to explore the adequacy of these systems and identify the extent to which they can provide the necessary financial and performance information needed for performance evaluation, decision making and control.

5.5.2. GOVERNMENT ACCOUNTING SYSTEM

The government accounting system is a basic component of public accountability and control in the government administrative sector. In both developed and developing countries, the government accounting system, as an important part of the government information system, is designed to ensure that the regularity, propriety and authority of each financial transaction have been duly observed; thus ensuring financial accountability on the part of administrators.

With regard to the government accounting system in Saudi Arabia, a general framework of accounts which has to be followed by all government bodies has been established (see Figure 5.3). Each government organisation is required to keep a complete set of accounting double-entry books, journals and ledgers which are similar to those of other

government organisations. Ministries and government organisations, as stated by Article 15 of the Financial Instructions (MOFNE, 1992), are not allowed to create new books, change the current ones or open any account within their books before getting permission for that purpose.

The main features of the government accounting system in Saudi Arabia can be summarised as follows. Firstly, the instructions and procedures guiding accounting practices in the government sector, which were issued in 1954, are obsolete and outdated. Although the number of government organisations and the size of government activities have increased substantially since that time, these instructions are still effective today without any major amendment (Algaber, 1995, p. 116; Al-Rehaily, 1992, p. 290).

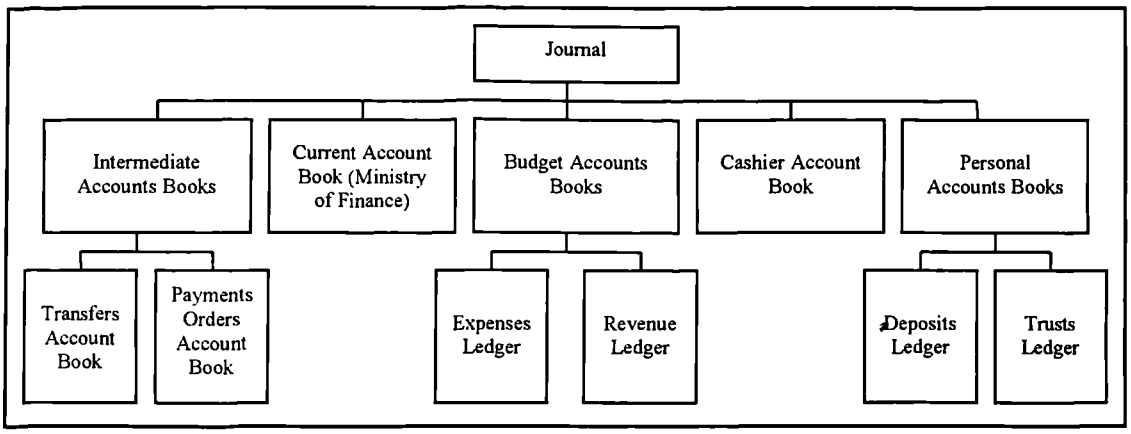


Figure 5.3: Framework of Accounts in Governmental Bodies.
Source: Al-Sultan and Abu Almakarim (1990, p. 685).

This situation gives rise to some criticisms concerning the appropriateness of these instructions and regulations to the current, complex and huge government activities. Al-Rehaily (1992), for instance, states that:

> [T]he government accounting system in Saudi Arabia has not developed sufficiently to keep pace with the rapid economic development and the increasing complexity of financial transactions in the public sector (p. 290).

In addition, these procedures have been characterised as lengthy and complex. Payment vouchers, for instance, have to go through various departments, to be checked and rechecked, and the signatures of various officials have to be obtained before the amount is fully paid. These procedures and their rigid requirements undoubtedly hinder the development of the accounting system.

Another feature of the government accounting system in the Kingdom is its adherence to the cash basis. Although there is increasing support for proposals to adopt accruals accounting in the Saudi public sector, cash accounting is widely used in many public sector and non-profit organisations, including central governments (Algaber, 1995, p. 117). While the outcome of a macro- or micro-economic decision cannot often be achieved in the same period during which the expenditure was made, cash accounting merely records the revenues and expenditures in the period during which the money is received or paid out by the department. As a result, the cash accounting system cannot provide a clear picture of a department's performance during a specific period.

Another feature of the government accounting system in Saudi Arabia is its adherence to the state budgeting system and its estimates. As will be seen, the state annual budget has to go through many phases before it is finally approved. Furthermore, the elements of the budget are estimated in a very unsatisfactory fashion in which the future figures are calculated on the basis of last year's estimates. Since the state budget represents the cornerstone for the government accounting system and plays an important role, particularly as a control instrument for public revenue and expenditure, the next two sub-sections are completely devoted to discussing the budget process and control in

Saudi Arabia. The deficiencies and shortcomings of the budgeting and budgetary control systems in the Saudi public sector are also highlighted.

5.5.2.1. Budget Process

The budget process usually consists of several stages: preparation, review, approval and execution (see Figure 5.4 for illustration). The budget process begins almost six months before the end of the current financial year when the General Budget Department (GBD) at the Ministry of Finance and National Economy (MOFNE) circulates an advisory directive, known as "the budget call circular", to each ministry and public agency with an independent budget. In this circular, each ministry and public agency is required to prepare its own budget based on a specified format. Each ministry and agency then calls upon its related departments to prepare and submit their own annual budgets. After receiving the budget proposals of all departments, the ministry, in turn, incorporates them into one budget and submits it to the GBD by the date specified in the advisory directive. All budgets, whether the department budget, the ministry or the public agency budget, have the same form and contents and the difference is only in the figures contained therein.

Expenditure in the proposed budget consists of four chapters (Algaber, 1995, p. 113; Al-Rehaily, 1992, p. 274). They are:

Chapter I	contains salaries and allowances, including civil and military employees, fixed salaries, wages of daily workers, etc.
Chapter II	deals with general recurrent expenses, including travel and transportation expenses. stationary and printing supplies, maintenance of airports, roads and government installations, etc.

Chapter III includes all aid and subsidies paid by the government for various organisations, such as athletic and sports clubs, social agencies, and utility providers such as electricity companies.

Chapter IV includes the non-recurring items which are described as projects associated with the development of the social and physical infrastructure.

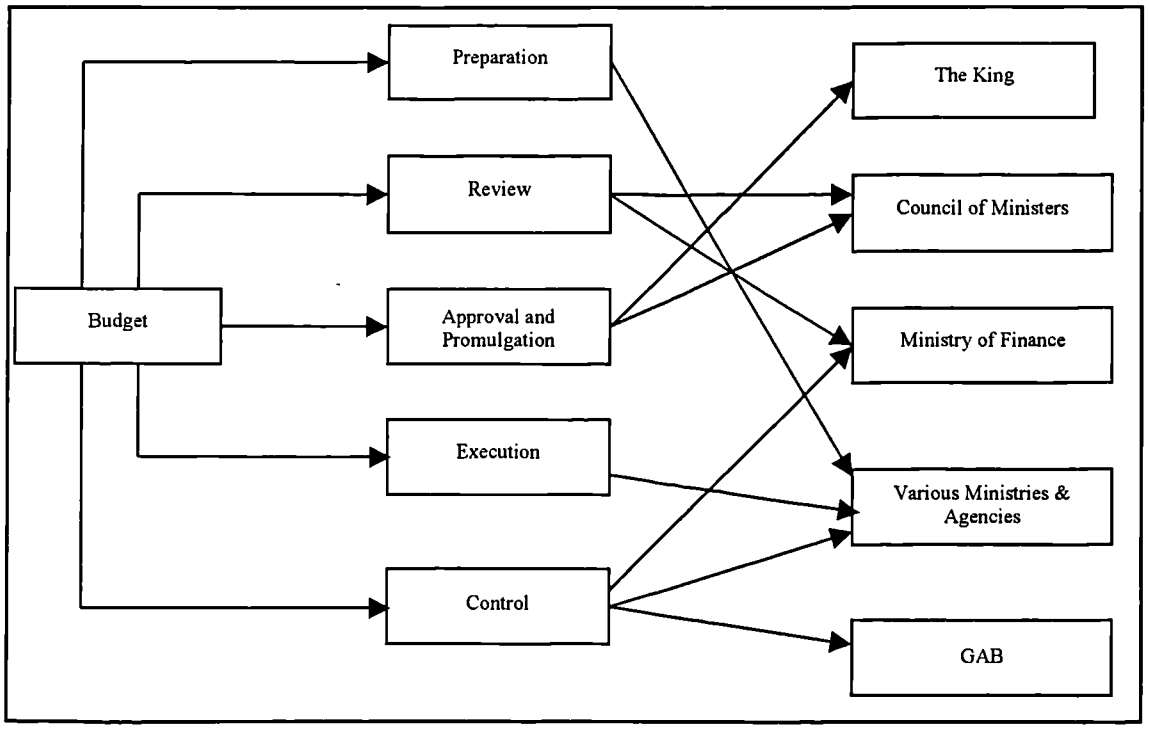


Figure 5.4: Budget Process and Control in Saudi Arabia.
Source: Al-Rehaily (1992, p. 263).

Once the GBD receives the proposed budgets of all ministries and public agencies, it then commences the review phase of the budgets received. The review is undertaken by a group consisting of GBD staff as well as representatives from the Ministry of Planning, the Civil Service Bureau, the General Audit Bureau and the ministries and public agencies whose budgets are being reviewed. During the budget review, the representatives of ministries and public agencies are required to justify every item in their proposed budgets.

After discussion and amendment, the GBD integrates all the proposed budgets together to produce a consolidated budget, known as the "State Budget", and submits it to the Council of Ministers for approval. The Council also reviews the proposed budget "to ensure that it is prepared in accordance with the general policy of the state, the national development plan and the government's financial laws and regulations" (Al-Rehaily, 1992, p. 266). Once the Council of Ministers approves the Budget, it is normally issued by a royal decree promulgating the annual budget for the next year and incorporating rules and guidelines to be followed during the budget's execution. The approved budget then forms the basis on which the total funding needs of all ministries and public agencies for the next financial year are determined. In this respect, the MOFNE, the main body responsible for implementing the budget, sends to each ministry and public agency its approved budget with a copy of the royal decree which includes instructions on budget execution (Al-Rehaily, 1992, p. 269).

The general government budget, however, has its own deficiencies. First, in Saudi Arabia, as in many developing countries, the traditional approach to budgeting in which budgets are prepared on a line-item basis is followed. Although the Planning, Programming and Budgeting System (PPBS) was adopted by the Health and Education Ministries in the late 1960s (Al Saloom, 1997, p. 302) in response to the recommendations provided by the Ford Foundation, currently there are no elements of the Zero-base Budgeting, or Planning, Programming and Budgeting System contained within the budget process.

Another source of inefficiency is the absence of general rules and regulations to be followed by government agencies in estimating their expenditure. Although the

MOFNE provides an advisory directive to all ministries and public agencies to help them in preparing the proposed budgets, there are no clear guiding principles for estimating expenditure to be included in the budget. Since the estimation of the next year's expenditure is normally based on that of the previous year (Al-Rehaily, 1992, p. 264), government units usually rely on their experience of historical budgets to guess what their expenditure is likely to be. In addition, they tend to propose excessive estimates in order to balance the likely reductions by the Ministry of Finance. This conclusion implies that there is a need for a comprehensive budget manual to rationalise and systematise budgeting preparation in the Kingdom. Government organisations, in addition, face other factors which limit their ability to prepare their budgets properly, including the lack of clarified objectives, lack of a sufficient accounting system to generate feedback information, lack of qualified personnel and rapid changes in the economic conditions of the country (Alhumaid, 1981, p. 80).

The third deficiency of the budgetary system in Saudi Arabia is the appropriation of the budget funds in a lump-sum rather than on a continuous basis. The existing method does not assure that allocated funds are spent exactly by the last day of the financial year; as a result, one of the following two possibilities happens. Where there is a surplus at the end of the financial year, people tend to endorse unnecessary and unjustified spending during the last few weeks of the year to protect their future appropriation from cuts. On the other hand, a slowing down of the activities of a public organisation occurs when there is a shortage of funds at the end of the financial year, as budgets have been exhausted and no new funds are available until the beginning of the next financial year.

5.5.2.2. The Budget Control

In Saudi Arabia, there are two types of budgetary control i.e. internal budgetary control and external budgetary control (see Figure 5.4 for illustration). External budgetary control, as reported in Sections 5.4.2 and 5.4.3, is exercised by the Ministry of Finance and the National Economy through its Financial Representatives (FRs) in government organisations and by the General Audit Bureau. Generally speaking, while the former is concerned with pre-audit functions, the latter carries out post-audit functions (Al-Rehaily, 1992, pp. 269-270).

Internal budgetary control, on the other hand, depends upon the rules and regulations accompanying the budget decree issued by the King to approve the budget and is exercised by ministries and government units with an independent budget through a series of accountability relationships. In each government organisation, every person who has authority to collect money as revenue, or spend it as expenditure, is accountable and responsible to his immediate manager who, in turn, is responsible to his direct minister. The minister, on his part, is responsible and accountable to the Council of Ministers. In cases where a government unit with an independent budget is not attached to a specific ministry, managers of the unit concerned are also responsible for implementing its budget; but they are accountable directly to the Council of Ministers.

To sum up, one can conclude that budgetary control in Saudi Arabia is concerned primarily with ensuring that any amount expended for any item of the budget is within the limits of the allocations made for that item. This type of control clearly emphasises regularity and compliance aspects and does not direct any attention towards an

evaluation of the efficient use by the government of its resources or the effectiveness of the government unit's programmes.

5.5.3. INTERNAL CONTROL SYSTEM

The purpose of any internal control system may be, among other things, to ensure the accuracy and reliability of accounting data which, to a large extent, depends on the efficiency and effectiveness of the system producing them, as well as the competence of the staff who operate and oversee the accounting system. The internal control system, moreover, may be aimed at ensuring that operating efficiency and adherence to the managerial policies and procedures is achieved.

With regard to the internal control and internal auditing systems in Saudi Arabia, neither extensive or even sufficient academic research nor a wealth of relevant documentary material exists. Accordingly, the discussion of the adequacy of internal control and auditing in the Saudi public sector will be somewhat limited. The internal control system in the Saudi public sector is mainly composed of various regulations and laws that have been issued to control the activities of government organisations and to specify their responsibilities. These regulations and laws include:

1. The law of the basic system of governing.
2. The Consultative Council Act.
3. The Regional Governments Act.
4. The Council of Ministers' Statute.
5. Civil and Military Service regulations.
6. Retirement regulations.
7. Zakat and Tax regulations.
8. Labour and employment regulations.

9. Social insurance regulations.
10. Financial instructions for budget and accounts.
11. The government purchasing system and its execution guidelines.

In addition, there are other regulations, particular for each ministry and government agency, as well as organisational manuals and internal instructions and procedures for government bodies.

The existence of a sound internal control system seems to be important in all government units regardless of their size, nature of activity and the complexity of their operation. The best possible way available to ensure the soundness of the internal control system in an organisation is to establish an internal audit department to be the management's ears and eyes. In Saudi Arabia, internal auditing has been utilised, under different names (e.g. inspection departments, planning, budgeting and following-up departments, and auditing departments), as an integral part of the financial structure and also as a common feature of internal control applied within government organisations. In a study conducted by Al-Anazy (1991, p. 65), financial managers and external auditors revealed different perceptions concerning the extent to which effective internal auditing exists. While more than 60% of financial managers agreed on the existence of sound internal auditing, only 32% of external auditors did.

The internal Auditing system aims to achieve the following three objectives (Nemeh, 1986, p. 130):

1. The evaluation of the internal control system of the organisation.
2. The evaluation of the degree of compliance with management's policies and procedures.
3. An assessment of the integrity of the management's information system.

According to Al-Sultan (1991, pp. 261-263), the primary responsibilities of internal audit departments in the Saudi public organisations are the traditional roles of internal auditing, such as examining and checking financial transactions in government organisations to prevent errors and fraud and to ensure their correctness and regularity. The internal auditing system pays no attention to the new and more advanced roles of internal auditing. For example, there is no examining of the quality of performance or an auditing of the economy, efficiency and effectiveness aspects of public organisations (Al-Sultan, 1991, p. 262). In addition, other vital functions of internal auditing, including the evaluating and reporting on the adequacy of internal control systems in public organisations, are not addressed by internal auditing departments.

Another issue which reflects the scant attention that internal auditing receives in the Saudi public sector is the absence of a statutory Act governing internal auditing functions. There are no specific laws governing and regulating the duties and responsibilities of internal auditing departments in the Saudi public sector. The existence of a clear Act defining and regulating the scope and roles of internal auditing departments, their relationships with other departments in an organisation, the mandate of internal auditing reports, etc., would be an important step towards increasing the effectiveness of these departments for the following three reasons. First, such regulations would help to achieve uniformity in internal auditing functions, reporting procedures, etc. Second, many of the problems that arise between an internal auditing department and the other departments of the same organisation would be avoided. Third, such regulations may also enhance the effectiveness and efficiency of internal auditing departments by requiring them to concentrate upon their main duties and prohibiting their involvement in duties outside the scope of their responsibilities.

Another important factor worth mentioning is the internal auditors' lack of independence. With reference to this problem, Al-Sultan (1992, p. 262) concludes that internal auditors often work under the direct subordination and supervision of chief financial officers of public organisations. In addition, the internal auditor's recommendations are directed to the party under examination and not to the highest authority within the organisation.

The above discussion indicates the severe shortcomings which the internal auditing system in the Saudi public sector is facing. Thus, one can conclude that the information produced by internal auditing departments in the Saudi public sector is expected to have a limited contribution towards enhancing the proper, economic, efficient and effective use of public resources.

5.6. CONCLUSIONS

This chapter has discussed the different aspects of the accountability and control systems in the Saudi public sector (SPS). It has highlighted the organisation of power in Saudi Arabia and the roles that different agencies and systems play in the accountability processes within the country. The intention is to provide a general background concerning the context in which the performance auditing system (the subject of this thesis) is operating in order to provide some insights which could help the research processes to assess the functioning of the performance auditing system in the SPS and identify any obstacles hindering its effectiveness. The following conclusions emerged from the discussion presented in this chapter.

Firstly, the Saudi government plays a dominant role in many of the country's economic activities. It was obvious that the rapid construction of the country after the discovery of oil was led and continues to be achieved through government spending. In addition, it was suggested that the dominance of the public sector will continue into the foreseeable future as revenues of oil, of which the government is the only recipient, and the government sector contribution are likely to continue to represent the largest components of the Country's GNP (see Table 5.4).

Secondly, the political system in the Kingdom of Saudi Arabia (KSA) can be characterised by the extensive authority of the head of the government (i.e. the King) (e.g. Aba-Namay, 1993, pp. 304-308). According to the basic system of rules, the authorities of the state consist of the judicial, executive, and regulatory authority. The King, however, seems to exercise a superior rule over all the three branches of authority.

In addition, it was stated that the Council of Ministers has functioned until very recently as the state's supreme legislative and executive authority under the direct control of the King. The establishment of the Consultative Council in 1992, however, has reduced the Council of Ministers' monopoly over the promulgation of legislation. In addition, the Council shall act as a watchdog over the government through the deliberation of the annual reports submitted by government bodies and by making appropriate suggestions regarding them.

The third conclusion is related to the external control in the Saudi public sector that is discharged by central government agencies i.e. the MOFNE, the GAB and the ICB over

government bodies. While the role of the GAB will be the subject of the next chapter, the role of the MOF and ICB in the control process is concerned mainly with verifying that proper measures and procedures are carried out. These agencies are also responsible for ensuring that these measures and procedures are performed in accordance with laws and specified regulations. Other important aspects related to the efficient and effective use of public money have received little attention.

The last conclusion is related to the control devices instituted within the public organisations themselves i.e. the accounting, budgetary and internal control systems. The discussion in this chapter revealed several deficiencies which could impede the adequacy of these systems in providing the necessary financial and performance information needed for performance evaluation. The government accounting system, for instance, has the following characteristics. Firstly, the instructions and procedures guiding accounting practices in the government sector, which were issued in 1954, are obsolete and outdated. The substantial increase in the number of government organisations and the size of government activities gives rise to criticisms concerning the appropriateness of these instructions and regulations to the current, complex and huge government activities. The second feature of the government accounting system in the Kingdom is its adherence to the cash basis. It is argued that the cash accounting system cannot provide a clear picture of a department's performance during a specific period.

The budgetary system also has its own deficiencies. First, the general government budget in Saudi Arabia follows the traditional approach to budgeting in which budgets

are prepared on a line-item basis. The second deficiency is the absence of general rules and regulations to be followed by government agencies in estimating their expenditure. There are no clear guiding principles for estimating expenditure to be included in the budget. Government units usually rely on their experience of historical budgets to guess what their expenditure is likely to be. In addition, they tend to propose excessive estimates in order to balance the likely reductions by the Ministry of Finance. Thirdly, budgetary control in Saudi Arabia is concerned primarily with ensuring that any amount expended for any item of the budget is within the limits of the allocations made for that item. This type of control clearly emphasises the regularity and compliance aspects and does not direct any attention towards an evaluation of the efficient use by the government of its resources or the effectiveness of the government unit's programmes.

The debate in this chapter also indicated that internal auditing receives insufficient attention in the Saudi public sector. In this respect, there is no statutory law governing and regulating the duties and responsibilities of internal auditing departments in the Saudi public sector. In addition, internal auditors lack independence as they work under the direct subordination and supervision of chief financial officers of public organisations. Moreover, internal audit departments in the Saudi public organisations are concerned with the traditional roles of internal auditing, such as examining and checking financial transactions in government organisations to prevent errors and fraud and to ensure their correctness and regularity. Examining the economy, efficiency and effectiveness aspects of public organisations has received no attention (Al-Sultan, 1991, pp. 261-263).

The various shortcomings identified within the Saudi public sector shed some doubt on the appropriateness and possibility of undertaking performance audit examinations of public organisations and activities. In particular, it is expected that the capability of the Saudi GAB in carrying out this type of audit will be restricted.

CHAPTER SIX

THE GENERAL AUDIT BUREAU: A BACKGROUND

6.1. INTRODUCTION

Chapter Five of this study discussed the dominant role of the Saudi government in the country's economy and provided a basic description of the various components of the Saudi public sector which included central government, regional governments and public enterprises. Subsequent sections of that chapter also discussed the accountability and control systems in the Saudi public sector. The roles that the different government agencies play in the management of public resources were emphasised. Among the agencies which we referred to was the Saudi General Audit Bureau (GAB). The present chapter extends the discussion of the GAB by examining some important issues related to its work.

The sequence of this chapter is as follows. After this short introduction, the next section provides a brief discussion of the historical development of the GAB. The third section presents its organisational structure. Then, the aims and functions of the GAB are discussed in the fourth section. The fifth section examines the GAB's training programmes. Government auditing standards are highlighted in the sixth section. Finally, a short conclusion is provided.

6.2. AN HISTORICAL DEVELOPMENT OF THE GAB

As stated in Chapter 5 (Section 5.4.3), the state audit in Saudi Arabia is conducted by the General Audit Bureau (GAB) which is responsible for the external audit of public sector organisations and activities. The notion of establishing a central organisation for financial control of state funds and accounts in the Kingdom was associated with the first law organising the Council of Ministers issued in 1954 (GAB, 1992, p.3; GAB, 1999, p. 11). Article 6 of this law states that "A particular controlling department is to

be found at the bureau of the Cabinet Presidency". This department was then called "The State Accounts Department".

Based on the 1954 Law, the Council of Ministers was apparently authorised to exercise control over the State accounts and "the State Accounts Bureau" was an integral part of the Council of Ministers. At that time, the Bureau's functional tasks were of limited nature. It was empowered to perform post- and pre-auditing of the government accounts to ensure the validity of the accounting entries made by the Ministries and Central Government Departments. According to Article 6 of the said Law, the responsibilities of the State Accounts Bureau are:

> [A]uditing all State accounts and examining the validity of the State revenues and expenditures entries at all of the ministries, departments, and agencies, for which the government assumes all or part of their approved annual budgets, as well as the additional budgets that the Cabinet might approve throughout the year.

In 1960, the Financial Representative Administration (FRA) was established as a division of the Ministry of Finance and National Economy by Royal Decree No. M/85. The Minister of Finance is required, by the effect of this Decree, to appoint an officer called the 'Financial Representative or Controller' in each government body to perform pre-audit assignments. The auditing strategy of the State Accounts Bureau, accordingly, had been limited to the execution of post-audit tasks only.

Although at least some form of state audit has been recognised since 1926, there was no detailed Act specifying the authority, responsibilities and duties of state auditors within the Saudi public sector until 1971 when Royal Decree No. 9/M was sanctioned. The

Decree approved the current Articles of Association for the General Audit Bureau (GAB) which include the following sections:

1. The formation of the GAB which emphasises the independent status of the GAB and stated the way by which the President, Vice President and employees of the GAB are appointed or dismissed.
2. The GAB's jurisdictions which specify its responsibilities and the authorities which are subject to its control.
3. The GAB's assumption of jurisdictions which deals with its access to information by requiring all authorities subject to its audit to provide all the data which will allow the GAB to fulfil its roles. Other issues discussed here are the GAB's duty to report its findings to the relevant authority and to ask this authority to take the corrective measures, as well as the action required, should a dispute arise between the audited authority and the GAB.
4. A financial and accounting violations section which defines the cases that shall be considered as financial violations, the actions expected to be taken by the GAB towards these violations and the conditions under which the GAB's President can waive simple financial violations.
5. An annual report section which determines the timing, content and destination of the GAB's annual report.
6. A general provisions section which deals with issues not included in previous sections, such as the right of the GAB's President to determine the percentage of the audit work to be executed based on statistical sampling, the right of the GAB's President to suggest payments of honorarium to certain GAB employees, the duty of the GAB's president to prepare the GAB's draft budget and the responsibility of the GAB's President to prepare the executive regulations required for the implementation of the GAB constitution.

This Decree endorsed the GAB as an independent institution reporting directly to the King who also acts as the Prime Minister (Article 1). In addition, the GAB's responsibilities in exercising post-audit functions were substantially increased to

include: (1) auditing the revenues and expenditures of the entire state; (2) exercising auditing control over the state's movable and fixed assets and resources; and (3) exercising surveillance over all authorities subject to its audit to assure the proper use of all the state's assets and resources (Article 7). Furthermore, due to the intensive expansion in the state's activities, the number of auditees increased remarkably. Other entities such as the Municipalities, the Water Resources Departments, the Public Corporations and Companies with state capital contribution or for which the state offered a guarantee for a minimum profit were added to be subject to the GAB's audit (Article 9).

In 1978, the U.S.-Saudi Arabian Joint Economic Commission created the Audit Project to "help the General Audit Bureau realise an expanded and higher level of technical expertise and professionalism" (GAB, 1995, p. 1). However, most of the effort of the Project, during the period between the signing of the agreement in 1978 and 1987, focused on "providing financial audit training, obtaining U.S-based audit and computer-related training and modernising the Bureau's internal management information systems (MIS)" (GAB, 1995, p. 1).

With regard to performance auditing, the first step towards the introduction of this subject into the Saudi public sector was initiated in 1982 when the GAB issued its Comprehensive Auditing Standards. The comprehensive concept of auditing, as specified in the GAB's publication (1982), includes the following:

1. Financial compliance auditing – an objective, professional and independent opinion on the conformity of an entity's financial reports to the specific accounting standards which have been consistently applied in the current period and in comparison with the preceding financial period. In addition, this type of auditing provides a professional opinion as to compliance with, or deviation from, the general statutory laws and bylaws governing the auditee.

2. Managerial and economic efficiency auditing – assessing available economic resources: assuring that they are managed with reasonable administrative and economic efficiency; identifying the causes of any waste or excessive spending or misuse: and recommending ways of improving resource utilisation.
3. Effectiveness auditing – comparing the degree of closeness or diversion of an establishment's actual performance to the established objectives and, consequently, providing management with advice concerning the reasons for shortcomings (pp. 1-2).

Furthermore, a re-organisation of the GAB commenced, as a result of the Royal Decree No. 7/507/M in 1986, which introduced the concept of performance auditing as one of the GAB's main responsibilities, in addition to traditional financial audits. A separate department for performance auditing under the supervision of the Assistant Vice President was established (see Figure 6.1). This step was supported by changing the direction of the efforts of the Audit Project towards improving the Bureau's capability for auditing and evaluating the Kingdom's programmes and activities in order to ensure accurate, efficient and effective use of the government's resources. More detail concerning these efforts is provided in Section Five.

To sum up this section, we can conclude that the state audit in Saudi Arabia has experienced some important advances throughout the last three decades. A clear constitution of the Audit Bureau was introduced. In addition, the scope of the GAB's audits has expanded from that of traditional financial audits to include more complex and important areas concerned with the efficiency and effectiveness of public sector activities. The GAB's authority has also increased to include all public sector organisations, corporations and companies which receive public funds.

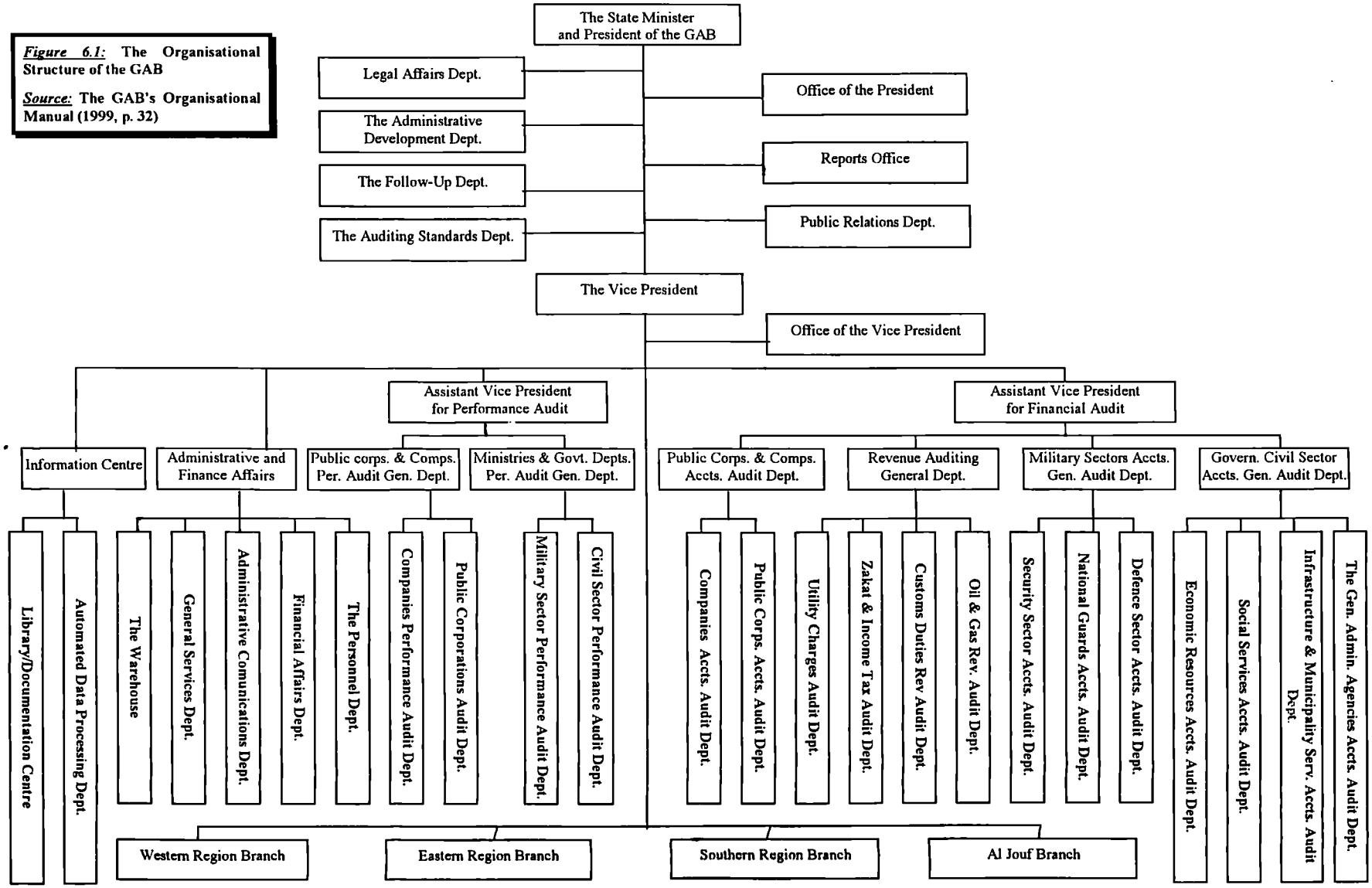
6.3. ORGANISATION OF THE GAB

The Saudi General Audit Bureau is headquartered in Riyadh. At the top of the organisational structure is the GAB's President, who is appointed to a ministerial position by a Royal Decree for a four years term which can be renewed. The GAB's constitution stipulates no educational requirements for the President of the Audit Bureau but, in practice, all presidents have been college graduates. There is also the post of Vice President, appointed by a Royal Decree. In addition, there are two Assistant Vice Presidents, heading the Bureau's two main sections: the financial auditing section and the performance auditing section (see Figure 6.1). The main function of the Vice President and his assistants is to assist the President in organising and managing the Bureau. The GAB also has an adequate number of auditors and other assisting staff.

Figure 6.1 shows that each of the two main sections is further divided into different general departments. Although the activities of the two main sections cover all parts of the Saudi public sector, the division of the public sector components between general departments within the two main sections is different. The performance auditing section is divided into two general departments with respect to the following two areas: the ministries and government departments; and the public corporations and companies. Within the financial auditing section, the responsibility for auditing ministries and government departments is divided between two separate departments i.e. the civil and military sectors general audit departments. In addition to the public corporations and companies general department, another department is established for revenue auditing bringing the number of the general departments within the financial auditing section into four.

Figure 6.1: **The Organisational Structure of the GAB**

Source: **The GAB's Organisational Manual (1999, p. 32)**



Each general department, furthermore, encompasses a number of affiliated departments. These departments are concerned with external auditing in the different public sector organisations throughout Saudi Arabia. The objectives and tasks of these departments have been clearly stated in the GAB's organisational manual (GAB, 1992, pp. 43-72).

In addition to the six general departments, there are also two other general departments reporting directly to the Vice President: the Administrative and Finance Affairs Department and the Information Centre Department (see Figure 6.1). The first of these two departments is concerned with the day-to-day financial and administrative activities carried out within the Bureau, while the second is concerned with providing support services needed by the GAB's various departments by supplying required information (GAB, 1992, pp. 24-39).

The GAB's organisational structure also has a number of advisory and back-up units reporting directly to the Bureau's President. These include the office of the President, the Legal Affairs Department, the Administrative Development Department, the Follow-up Department, the Auditing Standards Department, the Report Office and the Public Relations Department (GAB, 1992, pp. 11-21). In addition, the GAB's organisational structure refers to four regional branches located in the main regions of the Kingdom (GAB, 1992, pp. 40-41).

The organisational structure of the GAB has several distinctive characteristics (GAB, 1992, p. 9; GAB, 1999, p.28). First, it provides a clear-cut distinction between the main departments' executing functions which directly fulfil the GAB's objectives (i.e.

Financial and Performance Audits), and the advisory and the back-up units functionally designed to offer general services to the GAB's entire departments. Secondly, operational activities are assigned to specialised departments based on a clear basis, namely the even distribution and homogeneity of operational tasks. The structure provides a direct linkage between the main general departments in each sector and the Assistant Vice President in charge of that sector and shortens the communication channels between all organisational levels. Finally, the GAB's structure contains two separate departments for performance auditing and financial auditing which provide and further managerial clarity to the operational activities of the GAB. It is hoped that the distinction between these two departments would facilitate accountability and control processes within the GAB and make it easier to identify the objective and subjective features of the departments' performance.

6.4. THE AIMS AND FUNCTIONS OF THE GAB

6.4.1. INTRODUCTION

State audit organisations, like other organisations, should have a clearly defined set of aims, outlining what they are trying to achieve and how they will fulfil their objectives. The aims of the Saudi GAB, as specified in Article 7 of its constitution, is to audit all state revenues and expenditures, movable and immovable state assets, and ensure the proper use of all the state's assets and resources. Article 8 states the functional tasks of the GAB as follows:

1. To ascertain that all state revenues and entitlements such as movable and immovable assets and services have been recorded and that all its expenditures have been made in accordance to the provisions of the annual budget and the administrative and financial regulations in force.
2. To ascertain that all state assets are used for the purposes for which they were intended by the concerned authority and that such authority has adopted procedures which guarantee the safety, and proper use of such

assets, and prevent the misuse of these assets or their use for purposes other than those for which they were intended.

3. To ascertain that all the authorities subject to the GAB's control under the provisions of Article 9, implement the financial and accounting rules and regulations in accordance with their own by-laws and that their financial actions are not in contradiction with such rules and regulations.
4. To follow-up the financial and accounting rules and regulations to ascertain their compatibility, efficiency and adequacy to the new developments in the public administration in the Kingdom, pointing out the deficiencies therein. The GAB shall submit proposals for adoption of better procedures or alterations in existing rules and regulations.

The present constitution does not *explicitly* empower the GAB to investigate government activities other than financial ones. However, a broad interpretation of certain Articles could be used as a justification for the GAB's initiative to expand the scope of its audit activities in the 1980s. In particular, the reference to the Bureau's role in ensuring the proper use of all state assets and resources in Article 7 may provide a good basis for the GAB's move towards examining the efficiency and effectiveness of government activities and programmes.

To achieve its aims, the GAB has been given the authority to prepare the executive regulations needed. However, to be effective, such regulations have to be approved by the Premier (Article 8). In addition, Article 9 of the GAB's constitution specifies the authorities subject to the control of the Bureau, which include all ministries, government departments and their branches; municipalities, the management of water springs and water departments; public corporations and other departments to which the government contributes, either by way of subsidy or investment; private establishments or companies in whose capital the government contributes or guarantees a minimum profit; and any authority that comes under the control of the GAB by an order from the Prime Minister or by a decision from the Council of Ministers.

However, the auditing of private establishments or companies in which the government contributes capital or guarantees a minimum profit are based on a special system which determines that the scope of the GAB's role is compatible with the nature of the operations of these establishments in order to avoid actions that might impede their performance (Article 9). This system was prepared by the GAB in 1977 and issued by the Council of Ministers in its decision No. 390 of 1978.

6.4.2. FINANCIAL AUDIT

The main objective of the financial audit section is to audit the financial and accounting operations made by the GAB's auditees in order to validate their adherence to the established standards, regulations and directives (GAB, 1992, p. 43). So as to accomplish this objective, every individual department within the financial audit section is assigned several tasks. Departments concerned with civil and military sectors, as well as public corporations, seem to have very close operational tasks (GAB, 1992, pp. 46-50 & 56-57). These departments are required to review the payment procedures adopted by the auditee to ensure total adherence to the prevailing rules and regulations, and to the provisions and standards contained in the state's budget. In addition, they audit the payment vouchers to ensure their regularity and propriety and the presence of the required supportive documents. Furthermore, these departments must ascertain the appropriateness of the content of the records, the financial and statistical registers and test their conformity with the established accounting procedures. These departments are also required to examine the general conditions of the warehouses, and review the storage and supply order procedures to ensure their conformity with the government warehouse standards and procedures. In relation to this task, the accounts of warehouses are audited and inventories checked to

assess the conformity and propriety elements. These departments must also audit the contracts sanctioned by the respective auditee with any second party to validate the regularity of the contractual relationship in the light of government standards and rules pertaining to procurement, construction and service contracts. This audit function is based on Article 23 of the 1972 constitution which directs all the public sector organisations to submit to the GAB upon signature an original copy of any contract committing the state to certain obligations or entitling it to certain rights of value exceeding SR 50,000. Moreover, these departments are obligated to examine and analytically review the final accounts of the respective auditee to ensure the presence of the precision and regularity elements.

With respect to revenue auditing, the revenue audit departments have to undertake different tasks including, but not limited to, the following (GAB, 1992, pp. 52-53). First, they evaluate the internal control systems implemented by the agencies responsible for the collection of public revenues and they analyse the regulations, rules and directives pertaining to the collection of state revenues. The purpose of this examination is to assess the competency and credibility of these systems and regulations, to identify any inherited shortcomings and, if there are any, to propose viable corrective action. Further, these departments are required to exercise control over the collection of public revenues to ensure that the collection strategy conforms with the regulations, rules and directives in force and to ensure that the collected amounts have been appropriately entered into the correct accounts. In addition, these departments have to audit the taxable, but exempted, cases to assure that the exemption has been correctly applied.

With respect to private companies to which the state contributes capital or guarantees a minimum profit return, the GAB's executive regulations (1972) state that the degree of auditing control shall vary according to the percentage of the capital share of the state and the limit of the guarantee offered by the state. For public companies and enterprises in which the government has a share of not less than 25% in its capital, the companies accounts audit department is required to review the final accounts of these entities, examine the external auditors reports on the final accounts and examine ledgers and financial records and other related documents (Article 2; GAB, 1992, pp. 58-59). The department shall also establish that the company consistently applies the financial and accounting systems and regulations and assure that there are no actions that violate these systems and regulations (GAB, 1992, pp. 58-59). Companies in which the capital share of the state is below 25% are obligated to provide the GAB with a complete copy of their final accounts and the Board of Directors' report concerning their actions and the final position of the entity for the prior fiscal year (GAB, 1977, Article 5). The role of the GAB is to review and evaluate these reports in order to assess their credibility and accuracy (GAB, 1992, p. 59). Auditing control over companies for which the state is the guarantor of a minimum profit is carried out to ascertain their need for a state subsidy (GAB, 1977, Article 6; GAB, 1992, pp. 59-60).

As seen above, the actual role of the various financial audit departments focuses on the financial and regularity aspects of the transactions carried out by the agencies subject to their audit control. An examination of the efficiency and economy of the operations and an evaluation of the programme results in order to determine whether the desired results have been achieved are the duties of the performance audit section, to which we now turn.

6.4.3. PERFORMANCE AUDIT

The GAB has conducted performance audits since the late 1980s. The aim is to improve government efficiency and effectiveness through examination of government programmes and activities. The GAB can carry out performance audits on all departments and bodies subject to its audit. The role of the performance audit section and its affiliated departments is laid out in the organisational manual of the GAB (GAB, 1992, pp. 61-72). The objectives of the performance audit section are concerned mainly with how economically the GAB's auditees utilise the allocated funds, equipment and human resources made available at their disposal and how effectively the said resources are used to achieve the pre-determined objectives (GAB, 1992, p. 61).

With the exception of the companies performance audit department, the individual tasks of the other three affiliated departments of performance audits, which are concerned with the civil and military sectors as well as public corporations, include, among others, the following (GAB, 1992, pp. 64-70). First, in order to establish evidence that the work in the audited organisation is implemented in the light of the pre-determined objectives, costs and time limit, these departments audit the expenditure of the respective auditee. In addition, they conduct a cost-benefit analysis for projects executed by the audited organisation in order to assess the appropriateness of the costs spent compared to the expected achievable objectives. Thirdly, these departments also conduct an analytical evaluation of the methods employed by the audited organisation to achieve its objectives. These methods are used as measurable criteria for identifying the degree of performance efficiency and effectiveness in the audited organisation. Fourthly, these departments audit the completed projects to

assure that the parties concerned with these projects have taken the necessary steps to utilise them properly. In addition, areas of extravagance and wastage are identified and possible ways to rationalise the expenditure of the respective auditee are suggested. Sixthly, these departments are required to audit the auditee's equipment and instruments and conduct a critical appraisal of manpower in order to ensure that the auditee is properly using its human and material resources to serve its operational purposes. Seventhly, these departments should examine any feature of duplication of effort executed by the different agencies or sources working in the same sector to achieve a specific work assignment. For such cases, the GAB is expected to submit suitable proposals to avoid the recurrence of any duplication and to follow-up these proposals with the parties concerned. Furthermore, an examination of the productivity efficiency rates is required to ensure the attainment of a progressive increase. When the performance is well below the standard rates, the GAB proposes corrective measures. Finally, these departments are obligated to ensure that the audited organisation applies sophisticated and effective systems for its internal control purposes.

The Companies' Performance Audit Department, on the other hand, has several operational tasks (GAB, 1992, pp. 71-72). This department has to audit the efficiency and effectiveness of the managerial and accounting systems of the particular auditee to ascertain and ensure: a) their capacity to contribute towards management processes intended to achieve the company's stated objectives; b) their capacity to determine the cost of production in order to lay down a reasonable pricing policy; c) the presence of an effective warehouse control system for the company; and d) that the systems in question have the required documentation. In addition, the department is required to assess how efficiently the company's resources have been utilised and deployed in

order to serve and achieve the company's objectives. Further, the department has to evaluate the effectiveness of the organisational methods and techniques being implemented by the company to maximise the company's revenue return. The company's planned balance sheet should be examined and compared to the actual achievements. Inconsistencies, if any, have to be considered and analysed. Finally, the department is required to ensure the existence of an adequate plan to diminish costs, rationalise expenditure and avoid extravagance or loss.

6.5. STAFF AND TRAINING IN THE GAB

Having competent auditors available to manage and conduct audits is an issue of great concern for all audit institutions and firms. One fact that is broadly recognised is that auditing practices cannot be mastered solely by obtaining proper academic qualifications. Although auditors and potential auditors typically have decent academic credentials, what they actually need to become proficient is appropriate training designed and tailored specifically for the specific type of audits they are concerned with.

The Saudi authorities seem to give particular attention to the importance of maintaining high professional and qualified staff within the GAB. In 1978, the U.S.-Saudi Arabian Joint Economic Commission created the Audit Project (AP). A number of U.S. professionals (see Table 6.1) have been employed in the Kingdom to help achieve the following two objectives. First, to develop the skills of the Saudi staff of the Bureau and train them in the audit techniques and methodologies newly introduced to the public sector, so that higher quality and more effective audits are obtained. Secondly,

to foster organisational changes that would promote and sustain Saudiazation of these new techniques (GAB, 1995, pp. 1-3).

With respect to training, the Project's approach for developing the skills of the Bureau professionals consisted of two parts: formal classroom and on-the-job training (GAB, 1999, pp.20-25). Project efforts between 1980 and 1987 focused on providing financial audit training and obtaining U.S.-based audit and computer-related training. More specifically, Project advisors offered on-the-job training to Bureau auditors working on financial compliance audits; developed detailed manuals on contract and financial auditing; and obtained specialised training in the U.S. and within the Kingdom for selected bureau staff.

Table 6.1:
U.S. Professional Staff Working with the GAB

Date of Annual Report	Number of Advisors
1980	4
1981	7
1982	8
1983	9
1984	10
1985	10
1986	6
1987	NA
1988	2
1989	2
1990	2
1991	4
1992	4
1993	3
1994	2
1995	2
1996	2
1997	2
1998	2

Source: The GAB (1995, pp. 2-3); and Fieldwork data (May-July, 1998).

Another notable achievement during this period was the Project support given to the modernisation of the Bureau's automated management information systems. In 1984, several Bureau staff were selected for training in this area. The training programme consisted of various computer programming and computer systems courses given by the Ministry of Finance's National Computer Centre, followed by extensive on-the-job training (GAB, 1995, p. 2).

With the GAB's decision to widen its traditional focus on financial auditing to include a broader range of auditing examinations brought by performance auditing, the Project's efforts have shifted towards developing new auditing skills in the Bureau and instituting the means for the Bureau to continue new skills development on its own. Despite a significant reduction in its resources, the Project managed to accomplish its goal by quickly training selected Bureau staff to help in the Project's efforts to teach, train and implement the new techniques. More precisely, the Project adopted the following six-step approach (GAB, 1995):

1. Presenting the new audit techniques during formal classroom instructions using Bureau's facilities.
2. Providing on-the-job training and advice as the staff applied the classroom training to ongoing audits.
3. Training the best students and auditors to become instructors of the new techniques.
4. Making the transfer self-sustaining by monitoring and guiding the instructors as they learn to teach.
5. Working closely with Bureau supervisors as they transfer the material through on-the-job training to their subordinates.
6. Teaching Bureau instructors to train other employees to become instructors in the new techniques (p. 3).

In 1990, the Audit Project developed a curriculum covering four major parts: performance and financial auditing, oral and written communication, computer

auditing and EDP auditing. The different headings given to these parts, however, neither reflect their importance nor signify a clear distinction between them where the materials taught in one part have no value to the others. A look at the different courses taught in these programmes could justify this claim. The subjects include, but are not limited to, the following: developing audit findings, the rules of evidence, comprehensive auditing standards, work paper preparation, effective planning, interviewing techniques, effective communication, supervision, statistical sampling methods, statistical auditing methods, questionnaires, word processing, audit report writing and instructor training. In addition, several courses were concerned mainly with computer-related skills and applications and data base management. Another area which the Project focused on was the development of the English Language skills of the Bureau staff. Efforts in this area have enabled an average of seven employees to attend short, specialised training programmes in the U.S. each year (GAB, 1995, p. 5; GAB, 1999, pp.21-22).

Table 6.2:
Summary of Courses, Instructors, Participants and Hours of Training Managed by the Audit Project (Calendar Years 1990 through 1995)

Year	Number of Courses	Instructors		Staff Trained	Training Hours
		Bureau	Project		
1990	3	0	3	34	1,848
1991	13	3	10	81	10,090
1992	24	10	14	162	16,814
1993	41	35	6	186	16,228
1994	70	65	5	240	18,750
1995*	53	48	5	250	17,009
Total	207	161	46	460	89,055

* Estimated figures.

Source: The GAB (1995, p. 5).

Over a six-year period, as shown in Table 6.2, more than 450 Saudi Bureau staff, representing about two thirds of the Saudi professional staff of the Bureau at that time,

attended at least one of the different training courses managed by the Audit Project. Although it is difficult to break this figure down between financial and performance departments because of a lack of sufficient data, Table 6.2 indicates the advances that the Project has accomplished in fulfilling its goals, reflected in the six-step approach above. A relatively high proportion of GAB employees have been on the training courses and the number is increasing from year to year. In addition, the Project's attempt to make such programmes self-sustaining seem to be successful. This can be seen from the increasing number of Saudi staff participating in the instruction process of the training programmes.

The training approach adopted by the Audit Project allows the auditor to take the knowledge obtained in the classroom into the work environment in the form of on-the-job training (OJT). Less-experienced or newly recruited auditors are attached to the various audit teams under the supervision of experienced performance auditors to ensure that they receive practical real-life work experience (GAB, 1996, p. 6).

Table 6.3:

List of External Training Courses

Year	Programme	No. of Trainees
1986	Performance auditing in the oil and gas sector	2
1990	Performance auditing in the oil and gas sector	2
1991	Performance auditing	2
1992	Performance auditing	2
1994	Performance auditing and measurement strategies	2
1994	Quality management and performance	1
1995	Performance auditing and measurement strategies	2
1996	Performance auditing	2
1997	Performance auditing	2
1998	Performance auditing	5
Total		22

Source: Fieldwork data (May-July, 1998), Saudi Arabia.

In addition to in-house training, some auditors have been given the opportunity to attend an extensive computer and performance audit training in the U.S (see Table 6.3). There are also opportunities for post-graduate studies i.e. M.Sc. in Accounting in a Saudi university or the Institute of Public Administration.

The above discussion reveals that the GAB, through the Audit Project, has made significant efforts in the training domain. A significant number of courses and programmes have been introduced using different approaches i.e. formal classroom and OJT within and outside the Kingdom. By increasing the proficiency of GAB auditors, these efforts are expected to positively affect the way by which auditors execute their work which, in turn, will increase the auditees' acceptance of auditing findings.

6.6. THE GAB AUDITING STANDARDS

Since the early 1980s, the GAB has recognised the importance of establishing auditing standards for public sector programmes and activities. The GAB, in its comprehensive auditing standards (GAB, 1982) states that:

> The Bureau believes that there is an urgent need for codifying auditing standards because there are no standards which are generally accepted in the Kingdom (p. 3).

The GAB's effort in this respect was pioneering and one of the first steps in developing the audit profession and standardising auditing practices in Saudi Arabia.[1] The Comprehensive Auditing Standards consist of five chapters. The introductory chapter

[1] The private sector auditing standards were not observed until 1986 when the Ministry of Commerce issued its report of the accounting development programme. The report consisted of two volumes. While the first volume presented the objectives and concepts of accounting (Ministry of Commerce, 1986a), the second was concerned with auditing standards and was classified into three broad categories: General Standards, Standards of Field Work and Standards of Reporting (Ministry of Commerce, 1986b).

defines the concept of comprehensive auditing and specifies its scope and objectives. The comprehensive concept of auditing is defined as including financial compliance auditing, economic and efficiency auditing and effectiveness auditing (GAB, 1982, p.1).

Chapter 2 outlines the comprehensive auditing standards (see Figure B.1, Appendix B). These standards have been defined as "the criteria or yardstick against which the quality and effectiveness of auditing is evaluated" (GAB, 1982, p. 7, para 12). This chapter also discusses the basic postulates of auditing (see Figure B.1, Appendix B) which include the following (GAB, 1982):

1. Primary responsibility for correctness and sufficiency of the form and content of the financial reports and other information shall be borne by the management of the auditee.
2. There should be no conflict of interest between the auditee and the auditor.
3. Audit evidence should be reasonable and practical, adequate and convincing, but not absolute in quantity or quality.
4. Consistency in applying accounting standards is a source of and not a guarantee of fairness.
5. An auditor protects the interest of the government or the auditee and all are duty-bound to volunteer in assisting him.
6. Auditing services are concerned primarily with guiding and reforming rather than merely revealing fault and applying punishment (p. 10, para 21).

Chapter 3 covers, with more detail, the general auditing standards which are concerned with the professional qualifications and characteristics of an auditor or auditing firm. This set consists of two groups of standards: the standards common to auditors and auditing firms; and the standards for auditing firms (see Figure B.2, Appendix B). The first group includes three standards: the standard of professional competence, the standard of independence and the standard of due professional care. The first standard requires the auditor and the auditing team to possess appropriate academic knowledge

and qualifications, reasonable ability to practice and apply such knowledge and the professional skills and techniques to understand and solve auditing problems (GAB, 1982, p. 24, para 44). In accordance with the independence standard, the auditing and the auditing firm are required to be fully independent in fact (as judged by the auditor himself) and in appearance (as can be reasonably and practically perceived by others) (GAB, 1982, p. 25, para 46). This standard, in addition, requires the auditor or auditing firm to resist any restriction relating to the application of the Comprehensive Auditing Standards; the maintenance of financial, managerial and social independence; and the auditors' freedom to prepare the audit programme, investigate all documents and report the audit findings (GAB, 1982, p. 26, para 51). As far as the due professional care standard is concerned, the GAB acknowledged that there are no comprehensive criteria for due professional care. However, several guidelines were provided (GAB, 1982, pp. 33-34, para 78) outlining that:

1. The auditor and auditing firm are required to apply the Comprehensive Auditing Standards.
2. The auditor should acquire a reasonable understanding of the general and particular circumstances of the auditee.
3. The auditor should determine the nature, scope and timing of auditing procedures in the light of the cost of auditing procedures, the importance of the audited items and the risk expected by the auditor.
4. The auditor is required to use methods that increase the degree of understanding between auditor and auditee and decrease the chances of misunderstanding between them.
5. The auditor should avoid duplication of effort and use, to a reasonable degree, the work of previous and current auditors.
6. The auditor is required to obtain a letter from the management of the auditee acknowledging the auditee's responsibility for the accuracy and adequacy of the information provided.

The second group of the general auditing standards is particularly directed at auditing firms. These standards outline the necessary policies, rules and procedures which ensure that reasonable practices are followed in the following areas: the employment of

auditors; the internal and external consultations; the assignment of personnel to auditing jobs; the audit supervision; and the professional development of auditors (GAB, 1982, p. 49, para 110).

Chapter 4 explains the field standards which represent the minimum requirements for the auditor or auditing firm. These standards provide the overall framework for the purposeful, systematic and balanced steps or actions that auditors are expected to follow on all the levels of an audit assignment (GAB, 1982, p. 65, para 134) and consist of five standards as follows (see Figure B.3, Appendix B). First, adequate auditing evidence that is competent, professional, logical and practical must be obtained (GAB, 1982, p. 66-67, para 137 & 139). Measuring the sufficiency of auditing evidence, however, is left to the auditor's judgement. Secondly, planning and developing a complete strategy for all auditing steps is required to determine the nature, extent, timing and requirements of tests needed to form the auditing evidence (GAB, 1982, p. 73, para 152). In particular, auditors are required to consider the following:

1. Setting a clear definition of all objectives of an auditing assignment.
2. Identifying, in advance, the problems and obstacles that auditors or auditing firm may face and developing appropriate solutions for these obstacles.
3. Specifying all procedures and policies required to realise the objectives of auditing.
4. Ascertaining the compatibility of procedures and policies included in the auditing programme to auditing objectives.
5. Ascertaining the balanced distribution of auditing efforts on the important elements of the audited subjects.
6. The expeditious completion of audit tasks.
7. The proper timing for performing auditing procedures.
8. The efficiency of the auditor's efforts by assigning adequate and sufficiently qualified personnel for the audit task, co-ordination among the auditors within the firm, and between the auditing firm and other

> parties concerned and realising the objectives of training and developing professionals within the auditing firm (p. 74, para 154).

The third rule of the field standards is to provide "proper supervision over all auditors and other personnel involved in carrying out tests or procedures needed to form the auditing evidence" (GAB, 1982, p. 78, para 162). Among the intended aims of audit supervision are ascertaining the effectiveness and quality of auditing activities, assuring adherence to the Comprehensive Auditing Standards, facilitating the completion of the required auditing tests within a reasonable period of time, utilising the judgement of an experienced auditor in guiding and supervising the work of beginners, and assigning the proper auditors to the various activities (GAB, 1982, pp. 78-79, para 163).

The fourth rule of field standards deals with two main issues. The first is concerned with "studying the relevant public laws and bylaws, rules and regulations to determine the extent of compliance therewith"; and the second is concerned with "evaluating the relevant internal control system to determine the nature, scope and timing of tests and procedures required to realize the auditing objectives" (GAB, 1982, p. 80, para 168). The section which deals with the study of internal control systems is the longest, covering almost twenty-two pages.

Finally, the field standards contain another standard connected specifically with financial compliance auditing. With regard to this type of audit, the auditor is required to study and analyse the financial reports which include the final accounts or statements and accompanying notes. A thorough analysis of financial reports is intended to increase the objectivity of the audit opinion (GAB, 1982, p. 104, para 220).

The last chapter of the GAB's 1982 Comprehensive Auditing Standards deals with the basic standards which govern the contents and form of an audit report (see Figure B.4, Appendix B). The GAB's reporting standards were divided into four sections: form standards; common content standards; unique content standards for financial compliance auditing; and unique content standards for efficiency and effectiveness auditing (GAB, 1982, pp. 110-111, para 227). The auditor is required to explain the significance of any restrictions imposed on him[2], specify the subject covered in his report and state his opinion and offer opinions regarding the internal control system (GAB, 1982, p. 110, para 227). In addition, the unique content standards for efficiency and effectiveness auditing require the auditor to observe the following:

1. The views of the auditee's responsible officials should be included in the audit report.
2. While writing the audit report, a balanced perspective taking into consideration the points of strengths and weaknesses of the audited entity should be followed.
3. Suggestions and recommendations should be included in the audit report (p. 111, para 227).

According to Merei (1985, p. 60), the GAB's auditing standards are being considered as models for other countries in the region. In addition, a comparative study of public sector audit standards conducted by the United Nations has classified the GAB's standards to be reasonably complete (Dean, 1988, pp. 233 & 242).

The GAB's creation of a complete set of auditing standards is a positive step towards ensuring the effectiveness of auditing practices. These standards are hoped to provide a concrete basis for supervising auditors on the one hand, and holding them accountable

[2] Al-Rumaihi (1997, pp. 193-194) described the Saudi society as strongly masculine and at the same time moderately feminist. However, the auditing profession in Saudi Arabia is completely dominated by males; women, for religious and cultural reasons, are not allowed to apply for such work. As a result, in our discussion of the state audit in this country, we used masculine terms only.

on the other. Further, such standards should provide reassurance for auditees and other concerned parties that the audit work is governed by professional rules, which, as a result, should increase their acceptance of the audit conclusions.

Before concluding this section, it is worth mentioning that the GAB during the process of establishing auditing standards conducted a comparative study of the auditing standards issued by the following (Merei, 1985):

1. The International Federation of Accountants (IFAC).
2. The Union Europeene des Experts Comptables Economiques et Financiers (UEC).
3. The Institute of Chartered Accountants in England and Wales.
4. The American Institute of Certified Public Accountants.
5. The U.S. General Accounting Office.
6. Constitution No. 133 of the Accounting Profession in Egypt issued in 1951, and the provisions of the Accounting and Auditing Constitution issued by the Egyptian Association of Accountants and Auditors on August 4, 1958 (p. 58).

The strategy followed by the Saudi GAB in developing auditing standards reflects the fact that the GAB has fairly recognised both the experiences and practices of developed countries and the guidelines issued by international accounting organisations (Merei, 1985, p. 54).

In addition, a close look at these standards reveals that the GAB's auditing standards are common for both financial and performance audits. This may reflect the GAB's intention to produce comprehensive standards, covering all its audit practices. However, in certain circumstances where genuine differences do exist between these two types of audit, separate standards for each were promulgated. A clear example, as seen above, can be found within the reporting standards. Common standards for financial and expanded scope audits are widely used. Among the twenty-five SAIs

surveyed by the United Nations, only the US GAO has separate standards for performance audits (Dean, 1988, p. 236).

Finally, two issues are worth discussing. The first is that the GAB standards are almost 18 years old and they have experienced no revision at all during this period. Auditing practices have changed dramatically in the last two decades and such changes, in turn, have necessitated parallel changes in the way that audit examinations are conducted and supervised. Accordingly, it is the time for the GAB to launch a project to evaluate its comprehensive auditing standards. It is suggested that the GAB could approach the auditors and other parties concerned with its work to see how they perceive the comprehensive auditing standards in order to seek their suggestions for improvements.

The second issue is concerned with the audit quality assurance. The existence of a set of professional standards does not alone ensure that auditors will in fact comply with them. Auditors need a scheme for assuring that standards are maintained in their audits. To this end, as the GAB does not at present have a formal scheme for quality assurance, it is important that such scheme is established. The introduction of the performance audit manual in 1998 is a one step in this direction. Other tactics, such as conducting both peer and independent reviews might be useful tools in this regard.

6.7. CONCLUSIONS

This chapter has discussed various issues relating to the work of the Saudi General Audit Bureau (GAB). It has provided a brief discussion of the historical development of the Bureau; its organisational structure; the aims and functions of the GAB; the GAB's training programmes; and the government auditing standards.

As stated above, state audit in Saudi Arabia has experienced various advances throughout the last three decades. In this respect, a clear constitution for the Audit Bureau was introduced. In addition, the scope of the GAB's audits has expanded from traditional financial audits to include more complex and important areas concerned with the efficiency and effectiveness of public sector activities. The GAB's authority has also increased to include all public sector organisations, corporations and companies which receive public funds.

The discussion in this chapter also revealed several characteristics of the organisational structure of the GAB. The first is a clear-cut distinction between the main functions of audit departments, on one hand, and the advisory and back-up units functionally designed to offer general services to the GAB's entire departments, on the other. Secondly, operational activities are assigned to specialised departments based on a clear basis aimed at shortening the communication channels between all organisational levels. Finally, separate departments for performance auditing and financial auditing were established in order to provide managerial clarity to the operational activities of the GAB. While the various financial audit departments focus on the financial and regularity aspects of the transactions carried out by the agencies subject to their audit control, the objectives of the performance audit departments are concerned mainly with how economically the GAB's auditees utilise the allocated funds, equipment and human resources made available at their disposal and how effectively the said resources are used to achieve the pre-determined objectives (GAB, 1992, p. 61). It is suggested that the separation of the financial and performance audit departments would facilitate accountability and control processes within the GAB.

As far as training efforts are concerned, the evidence showed that the GAB seems to give particular attention to the importance of maintaining high professional and qualified staff. With its decision to widen the scope of audit to include performance auditing, the GAB has made significant efforts in the training domain. A significant number of courses and programmes have been introduced using different approaches i.e. formal classroom and OTJ training within and outside the Kingdom. These efforts are expected to positively affect the way by which auditors execute their work which, in turn, will increase the auditees' acceptance of auditing findings and recommendations.

Another positive step undertaken by the GAB towards ensuring the effectiveness of auditing practices was the introduction of a reasonably complete set of government auditing standards in 1982 (Dean, 1988, pp. 233 & 242). These standards were hoped to serve various objectives, such as providing a concrete basis for supervising auditors' work; holding auditors accountable; and reassuring auditees and other parties concerned that the audit work is governed by professional rules. However, it is worth noting that the GAB standards are almost 18 years old and they have experienced no revision at all during this period. Since the dramatic changes in audit practices in the last two decades have necessitated parallel changes in the way that audit examinations are conducted, the GAB should reconsider its comprehensive auditing standards. More specifically, there is a need for the GAB to initiate a project to evaluate the appropriateness of these standards for its current activities.

PART FOUR

PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR: EMPIRICAL EVIDENCE

CHAPTER SEVEN

RESEARRCH METHODOLOGY AND METHODS

7.1. INTRODUCTION

This chapter represents a short break between the background material developed and explored in the previous chapters and the following chapters which are directed towards a close examination of the Saudi experience in the field of performance auditing as applied to the public sector. The purpose of this chapter is to describe the manner in which the research objectives stated in the first chapter are addressed. Following this brief introduction, the next section discusses the research methodology adopted in this study. Section three presents the procedures followed in the development and distribution of the questionnaire, the main research tool used for collecting data. The fourth section explains the techniques used in analysing the research data. The fifth section provides some factual information on the research respondents. In the final section, a short summary is presented.

7.2 RESEARCH METHODOLOGY

In order to gain a better understanding of the subject under investigation and the state auditors' and public managers' perceptions of its nature and effectiveness, it was important when selecting a particular research methodology to take into account the nature of the study objectives and the sensitive information needed to answer any related questions. Accordingly, the researcher employed two research methods. The first involved collecting official documents produced by various government organisations in Saudi Arabia, such as the Council of Ministers, the Ministry of Planning, the Ministry of Finance and the GAB. This official data mainly consisted of government decrees, development plans, as well as the GAB's documents, audit reports and other publications. Documents obtained from the GAB were a useful source when discussing some of the aspects relating to the main concern of the study i.e. the subject

of performance auditing as applied in the Saudi public sector. These documents helped to explore and understand the current state of the performance auditing system and to highlight its possible deficiencies. Documents gathered from other sources, on the other hand, were mainly used to provide background information relating, in particular, to the nature of the public sector and the accountability and control systems in Saudi Arabia.

Although secondary data was collected and used when discussing some of the issues raised in this research, the focus of the study is essentially quantitative rather than qualitative. Accordingly, the principal method used in this study was a questionnaire survey. This method was used, particularly, to elicit data from performance auditors and representatives of public sector managers regarding their attitudes and perceptions of the nature and effectiveness of the current system of performance auditing as applied in the Saudi public sector. Despite the importance of the secondary data, questionnaires were the main method of data collection in this study. Accordingly, more elaboration concerning this tool is presented in the next section.

7.3. QUESTIONNAIRES

As mentioned above, the principal research method was a questionnaire survey. The questionnaire survey is one of the most commonly used research methods for collecting data. This tool is often used to collect data when the issues raised are likely to be confidential and sensitive. In addition, using a questionnaire as a method for eliciting data gives respondents more time to consider their answers. Furthermore, the questionnaire, as stated by Mason and Bramble (1979, p. 301), has the merit of increasing the generality of the data and ensuring a greater level of veracity in the respondents' answers. Other advantages of this method include the following (Moser

and Kalton, 1993, p. 255-62; Nachmias and Nachmias, 1996, p. 225-26; Oppenheim, 1992, p. 102):

1. It is cheaper than the interview.
2. It covers a large number of samples.
3. It guarantees respondent anonymity.
4. Each respondent will receive and be exposed to the same questions and instructions.
5. It avoids bias by an interviewer.
6. It is a quicker way of getting the questionnaire to the respondents.

The questionnaire survey, however, has its limitations (Moser and Kalton, 1993, p. 255-62; Nachmias and Nachmias, 1996, p. 225-26; Oppenheim, 1992, p. 102). The first limitation of the questionnaire survey is related to the fact that one cannot be sure who has completed the questionnaire. A further disadvantage is the possibility of a low response rate, particularly when respondents have no special interest in the subject of the questionnaire. This problem was minimised in this research by directing the questionnaire to individuals who were assumed to have an interest in the subject and by seeking the support of officials from the organisations participating in the study (see Section 7.3.3). The success of this strategy is reflected in the relatively high response rate obtained. Another disadvantage of the questionnaire survey is associated with the questionnaire format which carries the danger of restricting the quality and depth of information provided. The questionnaire also provides no opportunity to clarify questions or to overcome any unwillingness to answer particular questions. These two limitations were tackled by adopting various processes in the questionnaire design stage, including the review of initial questionnaires by experienced academic staff and by conducting a pilot study (see the next two sub-sections). These steps proved to be very useful for developing the final versions of the questionnaires.

7.3.1. THE DESIGN OF THE QUESTIONNAIRES

There are two commonly used types of questionnaires: the closed questionnaire and the open questionnaire (Moore, 1987, p. 16-17) In a closed questionnaire, the respondent is provided with a number of alternative responses to select from for each question when giving his answer. There are various advantages to a closed questionnaire. First, it produces uniformity among respondents concerning the specific issue under investigation. Another advantage is that it requires no writing, quantification is straightforward, and they are quicker and easier to answer, as a result, more questions can be asked within a limited time (Oppenhiem, 1992, p. 114). Third, a close-ended questionnaire provides a range of critical answers and, thus, reduces the chance of overlooking issues of vital importance to the research.

There are some limitations pertinent to this method, however. By providing a number of answers, closed questionnaires may restrict the respondents and prevent them from providing valuable information about the underlying question. In addition, some respondents may ignore questions when they have certain viewpoints that do not fit within the listed options.

By contrast, in an open questionnaire, the responsibility is placed on the respondent, who is expected to formulate and record answers in his/her own words. An open questionnaire can provide quite detailed answers and valuable information on some issues, especially when opinions or suggestions are needed. It also gives an opportunity to respondents to express themselves in their own words and to put more emphasis on what they feel is important about the issues being raised.

This type of questionnaire, however, has its own limitations. First, an open questionnaire produces a wide range of answers and a mass of information which are often very difficult to categorise, and thus, to analyse. Furthermore, it requires more effort from the respondents. Accordingly, as the questionnaire is less likely to be completed, the researcher may end up with poor results after the analysis.

Taking into consideration the advantages and disadvantages of both types of questionnaire, it was decided that the questionnaire chosen for this study would be a closed one. With the exception of question A4 in the auditors' questionnaire, the questions contained in the questionnaires are of one form i.e. close-ended questions requiring a simple tick in the appropriate box. Nevertheless, to overcome the limitations of a close questionnaire, the maximum possible options were set for each question, in addition to an option of "others, please specify" to give respondents the opportunity to express their own points of view whenever the listed alternatives did not fit them (Stacey, 1969, p. 76-77).

The researcher constructed the questions on a five-point rating scale (Likert scale) format. Likert scaling, according to Nachmias and Nachmias (1996, p. 465), is a method designed to measure people's attitudes. This type of scale provides reasonable scope for discrimination without being too sophisticated and helps to increase variation in possible scores, by coding from "strongly agree" to "strongly disagree" instead of merely "agree" or "disagree" (Bailey, 1982).

In addition to the demographic data, the questionnaires contained 21 and 16 questions for the auditors and public sector managers, respectively. They were designed in a structured manner so that the respondent could not deviate too easily from the purpose

of the question. More specifically, the author constructed the questions in a format which was expected to reflect the true nature of the question, be easily understood by the respondents and to produce answers which could be analysed and interpreted in a comprehensive manner. To this purpose, the questions were produced in a short, simple and unambiguous format. It was hoped these structured questions would facilitate the completion and analysis of the questionnaire.

Another issue worth noting is related to the language of the questionnaires. While the first draft of the questionnaires was formulated in English, the researcher translated the two sets of questionnaires into Arabic, the native language of the Saudis (see Appendix D & E). It was felt that translated questionnaires would be easily understood and answered by the respondents since most of the respondents would not be familiar enough with the English language to fully comprehend the questions.

As mentioned above, two different questionnaires were designed: one for performance auditors and the other for public sector managers. Each of the two questionnaires was divided into three sections. In the first and second sections, respondents were asked to make judgements about the nature of performance auditing in the public sector and its effectiveness, respectively. These questions sought to determine respondents' perceptions concerning the two issues. At the end of the questionnaire, some factual information was required; the respondents were asked to provide information about themselves, such as their job titles, educational qualifications, academic majors and work experiences. The respondents were also asked to write down on the back of the questionnaire any suggestions or comments relating to the issues raised in the questionnaire or any other issue relating to the performance auditing system in the Saudi public sector.

7.3.2. THE PRE-TEST OF QUESTIONNAIRES

Questionnaire surveys often face difficulties before reaching their final versions. Oppenheim (1992, p. 47) says: "questionnaires have to be composed and tried out, improved and then tried out again, often several times over, until it is certain that they can do the job for which they are needed". Accordingly, various procedures were followed to ensure the relevance and comprehensibility of those subject areas included in the questionnaires. First, following the primary development of the two questionnaires, they were given to some Saudi Ph.D. students in the UK specialising in the area of auditing in order to obtain their opinion on the design, sequence and the wording of the questionnaires. Moreover, both the Arabic and English versions of the questionnaires were reviewed by various members of the Faculty of the Accounting and Management Sections in the College of Business and Economics at King Saud University who had experience in designing questionnaires and conducting research. This was done to obtain their opinions on the above issues as well as on the translation of the questionnaires.

Furthermore, to ensure that the questionnaire was free from any difficulties and ambiguities which could lead to inadequate or misleading responses, a pilot study was planned for a limited number of performance auditors and public sector managers (8 and 7 members, respectively). The pilot questionnaires invited comments from respondents about difficulties in understanding and completing the questionnaires.

These procedures proved to be very useful for developing the final versions of the questionnaires. Various changes and refinements relating to the size, issues covered, wording, sequence and translation of the questionnaires have been made based on the comments received from the piloting process. The importance of these comments can be

realised from the significant reduction in the size of the initial drafts of the questionnaires (11 pages) to their current size (8 and 6 pages for the auditors' and managers' questionnaires, respectively). In this regard, a whole section in the initial questionnaires dealing with the origin and emergence of the performance auditing system in the Saudi public sector was removed on the ground that the issue of the emergence of the system is not directly related to the stated objectives of the current study. In addition, the managers' questionnaire was reduced further by excluding some of the questions included in the auditors' questionnaire (A2, A3, A4, A5 and B3) since they were considered irrelevant to the public managers. In other cases, the changes were concerned with the way by which the questions were presented to the respondents. For instance, based on the auditors' comments, question A2 in the auditors' questionnaire was modified to take the form of ranking of the approaches provided, instead of a mere selection of one of these alternatives.

7.3.3. THE DISTRIBUTION OF THE QUESTIONNAIRES

Distribution of the questionnaires took place during the researcher's visit to Saudi Arabia between May and July 1998, and consisted of two stages. The first stage was concerned with distributing questionnaires to performance auditors within the GAB. The researcher asked GAB officials for permission to distribute the questionnaires to performance auditors, referring to the prior agreement of the GAB's President to co-operate with the researcher. This agreement had been obtained during a previous visit to the GAB in June 1997. At that time, the researcher visited the GAB, accompanied by a letter from the Dean of the College of Business and Economics at King Saud University (see Appendix C) illustrating the nature and importance of the study and asking for help and co-operation with the researcher. The GAB's officials, thankfully, agreed to participate in this study and to co-operate with the researcher.

As the majority of performance auditors are based in the GAB headquarters in Riyadh, the capital, and only a limited number are attached to the Jeddah office, the researcher decided to concentrate on the GAB headquarters. The number of performance auditors in the GAB headquarters, however, is relatively small, so, the researcher decided to include all the performance auditors working with the GAB at the time of carrying out the fieldwork. The performance auditors were divided between two main departments as shown in Table 7.1.

Table 7.1:
Division of Performance Auditors between Performance Auditing Departments within the GAB

Department	No. of Auditors
Performance Audit General Department for Ministries and Government Departments	**20**
Performance Audit General Department for Public Corporations and Companies	**17**
Total	**37**

In addition, the research sample included nine other individuals consisting of the following: 4 managers from the two performance auditing departments, three GAB officials, and two American consultants working with the Saudi-American Audit Project which has contributed significantly to the development of performance auditing in the Kingdom. These individuals were selected for either of the following two reasons: their current involvement in the practice of performance auditing, as in the case of the managers of performance auditing departments and the American consultants; or their previous experience with the subject, as in the case of the three officials who had once been performance auditors.

Two different modes of administration were available to the researcher. One option involved the distribution of the questionnaires to performance auditors directly by the

researcher. The other alternative was the distribution and gathering of questionnaires by the organisation itself. The researcher, however, selected the second option for two practical reasons. First of all, most of the performance auditors have field audit investigations and work outside the GAB headquarters. Therefore, it was not easy for the researcher to reach them. Secondly, the researcher felt that distribution by the GAB would provide official backing to the questionnaire which, as a result, would increase the response rate.

A total of 46 questionnaires were distributed together with covering letters explaining the nature and importance of the study and the vital role played by each respondent in the successful completion of this thesis. In addition, the general instructions on the first page of the questionnaire gave an assurance of confidentiality (copies of the English and Arabic versions of the questionnaire as well as the covering letter are attached, see appendix D). Of the questionnaires issued, 34 were completed and returned to the researcher, resulting in a response rate of 73.9%.

The second stage was concerned with distributing the questionnaires to public sector managers. An important question arose at this point: who should be considered as a possible respondent for this group? This required a decision on an organisational level. In other words, the researcher had to decide which public sector organisations should be included in the population from which managers would be chosen i.e. all public sector organisations or only those organisations which were under actual investigation from the GAB performance auditors. Due to the relatively recent introduction of the performance auditing system into the Saudi public sector, the researcher felt that the inclusion of all public organisations in the population would not serve the objectives of this study. It was obvious that a quite number of public managers had never dealt

with the GAB in the area of performance auditing, and, as a result, would not be able to give an objective assessment of the performance auditing system applied by the GAB. Therefore, only managers from public organisations who had had experience in this subject through their dealings with the GAB were considered as possible respondents for the public managers' group.

The researcher, accordingly, requested from the GAB a list of public organisations that were subject to performance audit investigations. The GAB supplied the researcher with two useful lists: one for investigations which occurred in the Ministries and Government Departments and the other for investigations which occurred in Public Corporations and Companies.[1] After careful review of these two lists, a total of 28 public organisations were selected: 13 organisations from the Ministries and Government Departments list and 15 organisations from the Public Corporations and Companies list (see Tables 1 and 2, Appendix F). The selection was based on the following two conditions:

1. The timing of audit investigation. In this regard, audit investigations that were 4-years old or less were selected. Older investigations were excluded as the individuals who had dealt with them may not have remembered the case very well or may have moved to another job.
2. The location of the audit examination. Since all government ministries, government independent bodies and public enterprises, with a few exceptions, are headquartered in Riyadh City, only public organisations within the capital were considered. It was hoped that this form of selection would maximise the coverage of public sector organisations within the time and financial constraints applicable.

[1] Although the two lists covered most of the audit missions undertaken by the two departments, they were not all-inclusive. In particular, performance audits undertaken by the Performance Audit Department for the Ministries and Government Departments in 1997 were not included.

As in the case of the auditors' questionnaire, the researcher advocated the distribution and gathering of the managers' questionnaires directly by the participating organisations. The selection of this method was significantly influenced by the particular imperatives of the Saudi environment. For instance, whereas in a developed country a large sample questionnaires can be distributed via the postal service and follow-up procedures conducted through post, telephone or e-mail services, the inadequacy of the communications services in Saudi Arabia meant that these methods were not feasible. As a result, the researcher needed to find an appropriate balance between efficiency and feasibility and what might be desirable in methodological terms. Another reason for selecting this particular method was that personal delivery and follow-up was perceived as likely to generate a higher response rate, particularly in the context of a developing country such as Saudi Arabia.

To facilitate the distribution of the questionnaire and to encourage the respondents into answering all questions, the researcher attached, as in the auditors' case, a covering letter to each questionnaire. The letter explained the purpose of the survey and stressed the vital role played by each respondent in the successful completion of the study (copies of the English and Arabic versions of the questionnaire as well as the covering letter are attached, see Appendix E). In addition, the author, in the general instructions on the first page of the questionnaire assured the respondents that all information given would be treated confidentially and would only be used for the purpose of this research. This step was vital to remove any suspicion or fears on the part of respondents about certain information requested and sensitive issues, such as criticising the deficiencies of the public sector. To support his position, the researcher attached another letter from the Dean of the College of Business and Economics, King Saud University (see Appendix

C). The letter, which was attached to each questionnaire, stated that the author was a teaching member of the College studying for a Ph.D in Accounting. The letter also asked the respondents to co-operate with the researcher.

The researcher then visited each of the selected organisations and held discussions with either the public relations manager, financial officer or internal auditor to gain support for the study, to explain its nature and to identify the individuals most qualified to complete the questionnaires. With the exception of three organisations from the public corporations and companies' group (see Table 1, Appendix F), all the selected organisations welcomed participation in the study and co-operated with the researcher. The questionnaires with the covering letters were given to the selected organisations to be distributed and collected back directly by them. Again this way of distribution was used to infer official backing to the questionnaires. A date for collecting completed questionnaires from participant organisations was agreed at the time of delivery. A reminder telephone call was made as the deadline approached to ensure the completion of the questionnaires before collection.

Table 7.2:
An Analysis of the Auditors' and Public Managers' Responses to the Questionnaires

Group	Distributed Quest.	Received Quest.	Usable Quest.	% of Usable
GAB:				
Performance Auditors of Ministries and Government Depts.	20	12	12	60
Performance Auditors of Public Corps. and Companies	17	13	13	76.5
Managers of Performance Audit Departments	4	4	4	100
Officials of the GAB	3	3	3	100
Consultants	2	2	2	100
Total	46	34	34	73.9
Public Sector Organisations:				
Managers from Ministries and Government Depts.	90	69	66	73
Managers from Public Corps. and Companies	60	48	45	75
Total	150	117	111	74
Total	196	151	145	74

A total of 150 questionnaires were issued to public managers and 117 (78%) copies were returned. Six of the questionnaires received from public managers were excluded from the analysis since most of the questions were left uncompleted, making the response rate of usable questionnaires 74%. The analysis of auditors' and public managers' responses is provided in Table 7.2.

The relatively good response rate from the two groups may relate to the strategy followed by the researcher in distributing the questionnaires. Direct face-to-face contact and discussion with officials of participant organisations and the willingness of the organisations to distribute the questionnaires to their members generated an official backing to the study resulting in a reasonably good response rate. Official backing is an important element in such a study as the possibility of obtaining co-operation among respondents from developing countries may run into difficulties. Following this discussion on the manner by which the research data was collected, the next section presents the techniques used to analyse the data.

7.4. DATA ANALYSIS TECHNIQUES

This section is intended to provide an overview of the data analysis techniques utilised in this study. Data analysis was carried out using the *Statistical Package for Social Sciences* (SPSS). Different statistical techniques were used to analyse the data collected. Firstly, descriptive statistics and frequency distributions were computed for all statements included in the questionnaire for the two groups, except the yes/no questions where frequency distribution only was used. Descriptive statistics were intended to provide descriptive information relating to the perceptions of the participants in the study towards the issues raised in the questionnaire. Descriptive statistics are a way of

organising and summarising data and may take different forms, such as graphs, tables or charts and the calculation of several statistic indicators, such as the mean, standard deviation and percentile (e.g. Weiss and Weiss, 1995).

In cases where the question contains more than one statement, the information is presented in a manner that can be understood more clearly. The statements relating to each question are presented in a table[2] based on their order in the original questionnaire. Each question is presented in a table which includes: the serial number of statements, the mean and standard deviation for each statement and the ranking of the mean scores of these statements.

The second technique used in analysing the data was inferential statistics. Inferential statistics were performed to test whether there were significant differences between and within the two groups of participants in terms of their responses to issues raised in the questionnaire. One-way analysis of variance (ANOVA) was used. The main aim of this technique, as Finn (1988) states, "is to compare systematically the mean response level of two or more independent groups of observations, or of a set of observations measured at two or more points of time". Because the data analysis is based on one variable at a time (e.g. an objective of the performance auditing system) in order to find out if there are any differences between the perceptions of the two groups, this section deals only with one-way ANOVA.

Different tests have been suggested for one-way ANOVA i.e. the *t* test, the Kruskal-Wallis for three independent samples or more, the Mann-Whitney test for two independent samples and the Wilcoxon test for two related samples. In this study, two

[2] An exception to this way of presentation is the question which relates to the limitations of performance auditing in the Saudi public sector. The various factors included in this question were presented in the research analysis under two separate groups and two different headings.

of these tests were used: the Kruskal-Wallis test and the Mann-Whitney test. Theoretically, the Kruskal-Wallis and Mann-Whitney tests, as non-parametric tests, are safer tests to use and preferable to parametric tests, such as the *t* test, because they make no assumptions about the population distributions i.e. that both populations are normally distributed and that the variances of the two populations are equal. The only requirement of these two tests is that the measurement scale for the data generated by the independent samples is at least ordinal (e.g. Healey, 1993, pp. 233-234; Kinnear & Gray, 1994, pp. 74-75).

The Kruskal-Wallis test, according to Borg and Gall (1989), is used to test "whether three or more mean scores on a single factor differ significantly from each other". For the purpose of this study, this test was used to identify significant differences, if any, between performance auditor subgroups. The Mann-Whitney test for two independent samples, on the other hand, was used in two cases, when testing (1) differences between the managers' two subgroups and (2) differences between the two main groups i.e. auditors and managers.

Based on the results of these tests, the responses of the auditors' sub-groups and public managers' subgroups were found to be very similar (see Appendix G & Appendix H). Accordingly, in the analysis of this research, the respondents' sub-groups have been combined to provide two main groups i.e. performance auditors and public managers.

A final matter worth mentioning before we close this section is that only valid percentages are used in the analysis. The reason for using valid percentages only is that those people who actually responded to the questions of the study should be accounted for.

7.5. GENERAL DISCRIPTIVE ANALYSIS OF RESPONDENTS

7.5.1. INTRODUCTION

As mentioned earlier, one important factor that should be considered in the application of a structured questionnaire is its direction at the 'right' respondent from whom the data is sought. This is a critical decision because non-relevant respondents could distort or mislead the whole research and, thus, the consequent results would be inapplicable.

This assumption is of particular importance for this study due to the relatively recent introduction of the performance auditing system into the Saudi public sector. The researcher felt that the selection of a random sample of auditors and managers from the whole population of the GAB and public organisations would not serve the objectives of this study. It was obvious that a quite number of people within the GAB and public organisations had never dealt with the subject of performance auditing and, as a result, would not be able to give an objective assessment of the performance auditing system applied by the GAB. Accordingly, as stated before in Section 7.3.3, the questionnaires were initially directed at individuals or organisations who had had experience of this subject. In addition, a number of questions were included in the questionnaire in order to acquire information about each individual respondent which could provide some indication as to the reliability of the responses given. These questions will be the subject of discussion in the rest of this section, where frequency analysis is used to distribute the respondents according to their various characteristics, including job titles, academic qualifications, academic majors and length of experience.

7.5.2. THE DISTRIBUTION OF RESPONDENTS BY JOB TITLE

The respondents from the two groups were asked to indicate their job position in their organisations. As can be seen in Table 7.3, all respondents within the auditors'

group are associated with the subject of performance auditing mainly as performance auditors and audit managers (85.3%). As this group is frequently involved in the conduct of performance audit examinations, one can expect that the data provided by such a group to be highly relevant to the issues raised in this study.

Table 7.3:

Distribution of Respondents by Job Position

Group	Job Title	No	%
Auditors	Performance auditor	25	73.5
	Performance audit manager	4	11.8
	GAB official	3	8.8
	Performance audit advisor	2	5.9
	Total	34	100.0
Managers	Head of department	29	31.9
	Head of section	11	12.1
	Public sector accountant	14	15.4
	Internal Auditor	9	9.9
	Engineer	6	6.6
	Financial officer	8	8.8
	Others	14	15.4
	Total	91	100.0

Table 7.3 also reveals that the public managers who responded to this question mostly held important positions, with 44% of them being heads of departments or sections within their organisations, 40.7% of them holding professional positions as accountants, internal auditors, engineers and financial officers. The listed occupations of the public managers seem to provide support for the views given in their responses to the questionnaire.

7.5.3. THE DISTRIBUTION OF RESPONDENTS BY EDUCATIONAL LEVEL

Table 7.4 shows the distribution of respondents according to their level of education. With the exception of one respondent, all auditors have at least a university degree. While the majority of auditors (65.5%) hold a bachelor degree, a high proportion (31%) has a higher level of education i.e. Master or equivalent diploma. This might be

attributed to the recruitment policy followed by the General Audit Bureau (GAB) which emphasises the recruitment of university graduates only. The single exceptional case holds a post-high school two-year diploma in accounting.

Table 7.4:

Distribution of Respondents by Educational Level

Academic Level	Auditors		Managers	
	No.	%	No.	%
Intermediate school or less	0.0	0.0	5	5.3
High school	0.0	0.0	11	11.6
Diploma after high school	1	3.4	12	12.6
Bachelor	19	65.5	49	51.6
Master or equivalent diploma	9	31.0	18	18.9
Total	29	100.0	95	100.0

As far as public managers are concerned, Table 7.4 indicates that the educational level of public managers who responded to this question covers the whole spectrum[3], ranging from intermediate school or less to master degree or its equivalent diploma. However, the majority (70.5%) of public managers have a university degree or higher. Only 5.3% of public managers had less than high school education.

One implication that might be inferred from the above table is that the majority of the research respondents from the two groups have a reasonable level of education. It is hoped that such a reasonable level of education might have exposed the research respondents, during their studies, to different perspectives which would enable them to comment objectively and effectively on the issues explored in the questionnaire.

7.5.4. THE DISTRIBUTION OF RESPONDENTS BY EDUCATIONAL MAJOR

Performance auditing, the subject explored in this study, as stated in Chapter Two, is a multidisciplinary subject which requires different types of knowledge and expertise.

[3] The intermediate school education ends at the age of 15 after nine years of education, while the high school education ends at the age of 18 after spending 12 years in school. The diploma after high school is a two-year programme.

Therefore, including the respondents' academic major was intended to check whether the available staff matched the proficiency requirements of this type of audit and whether the respondents, on the other hand, were knowledgeable of the issues explored in the questionnaire.

Table 7.5 shows that the vast majority (83%) of performance auditors majored in accounting. Furthermore, the remaining 17% of auditors also hold business degrees i.e. financial control and management. The purely accounting and business focus of the GAB staff, by any criteria, would raise some doubts concerning the proficiency and appropriateness of such auditors to investigate the performance of public sector organisations. This result may also have some implications for the GAB's recruitment policy.

Table 7.5:

Distribution of Respondents by their Educational Major

Academic Major	Auditors		Managers	
	No.	%	No.	%
Accounting	24	82.8	25	27.5
Financial control	4	13.8	7	7.7
Management	1	3.4	17	18.7
Engineering	0.0	0.0	10	11.0
Economics	0.0	0.0	18	19.8
Others	0.0	0.0	14	15.4
Total	29	100.0	91	100.0

This evident problem is attributed to the GAB's recruitment policy which emphasises the recruitment of the holders of accounting and business degrees only. It seems that no attention is given in the GAB for recruiting consultants or specialists in other important areas, such as computer scientists, engineers or medical and agricultural specialists, without whom effective performance audits are difficult to carry out.

Although the majority of public managers also hold degrees in business subjects, the educational backgrounds of the public managers, as stated in Table 7.5, seem to be more

diversified. 11% of public managers hold an engineering qualification; also the "others" (15.4%) category includes managers with educational degrees in law, social work, Islamic studies and system analysis.

7.5.5. THE DISTRIBUTION OF RESPONDENTS BY WORK EXPERIENCE

Table 7.6 presents the work experience for the two groups of respondents. Almost 40% of auditors have over ten-year's experience of auditing in the public sector. In addition, the majority (60.7%) of performance auditors have at least six years experience.

Table 7.6:

Distribution of Respondents by Work Experience

Work Experience	Auditors		Managers	
	No	%	No	%
Less than one year	1	3.6	1	1.2
1-5	10	35.7	9	10.7
6-10	6	21.4	13	15.5
11-15	4	14.3	22	26.2
More than 15 years	7	25.0	39	46.4
Total	28	100.0	84	100.0

The table also shows that almost half of the public managers (46.4%) have more than fifteen years work experience in the public sector. Furthermore, a decisive majority of managers (88%) have at least six years work experience. Only 12% of public managers have five years of experience or less. The figures included in Table 7.6 might suggest that the respondents from the two groups are well qualified to comment on the issues raised in the questionnaire.

7.5.6. THE AUDITORS EXPERIENCE IN THE FIELD OF PERFORMANCE AUDITING

In this question, respondents from the auditors' group were asked about the length of their experience in the field of performance auditing. As can be seen from Table 7.7, more than two third (69%) of auditors have a five years experience or less in this area.

The only two respondents who have more than ten years experience in the area of performance auditing are the two American GAO consultants. No one from the Saudi auditors has more than 10 years of experience in this area. This is clearly understood taking into consideration the fact that performance auditing is a relatively new subject in the Saudi public sector.

Table 7.7:

Auditors' Experience in the Field of Performance Auditing

Years of Experience	Auditors	
	No	%
Less than one year	4	13.8
1-5	16	55.2
6-10	7	24.1
More than 10 years	2	6.9
Total	29	100.0

7.5.7. THE DISTRIBUTION OF AUDITORS BY PROFESSIONAL QUALIFICATIONS

This question was included to give a general view of the professional qualifications of the auditors' group. With the exception of the two American consultants, no auditors disclosed any kind of professional qualifications. This might be attributed to the fact that the GAB's regulations for recruiting and hiring auditors do not require any kind of professional qualifications.

7.6. CONCLUSIONS

In this chapter, the research methods utilised in collecting and analysing the data needed to achieve the objectives of this study have been discussed. The first section briefly presented the contents of this chapter. The second and third sections provided a detailed description of the research methods used for collecting data. Two methods were employed. The first involved collecting official documents produced by various government organisations in Saudi Arabia, such as the Council of Ministers, the

Ministry of Planning, the Ministry of Finance and the GAB. This official data mainly consisted of government decrees, development plans, as well as the GAB's documents, audit reports and other publications. The second method used in this study was a questionnaire survey. This method was used, particularly, to elicit data from performance auditors and representatives of public sector managers regarding their attitudes and perceptions of the nature and effectiveness of the current system of performance auditing as applied in the Saudi public sector. The chapter also provided a brief discussion of the statistical techniques used in analysing the data collected. Different statistical techniques were used to analyse the data collected, including descriptive statistics, frequency distributions and inferential statistics. Finally, Section Five was devoted to presenting some of the characteristics of the research respondents. The respondents were distributed with reference to the following characteristics: job titles, academic qualifications, academic majors and length of experience.

CHAPTER EIGHT

THE NATURE OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR: SOME EMPIRICAL EVIDENCE

8.1. INTRODUCTION

The preceding chapters covered the following: an introduction to the study (Ch. 1), the nature of performance auditing (Ch. 2), the main factors influencing the effectiveness of performance auditing (Ch. 3), an evaluative model for assessing the effectiveness of performance auditing in the public sector (Ch. 4), the research context of the study (Ch. 5 & Ch. 6) and the basis used for collecting and analysing the data needed for this study (Ch. 7). In this chapter and the next, an analysis of the data collected is presented. The analysis, as mentioned in Chapter One (Section 1.7), is provided under two themes (a) the nature of performance auditing in the Saudi public sector and (b) the effectiveness of performance auditing in the Saudi public sector. This chapter covers the first theme. Five issues are discussed under this theme. After this brief introduction, the second section presents the research's findings related to these issues. Finally, the chapter's conclusions are presented in Section Three.

8.2. THE NATURE OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

8.2.1. INTRODUCTION

It was stated in earlier chapters that performance auditing could be used as an instrument for achieving different objectives and that this tool can use different approaches and processes to achieve these objectives. Therefore, due to the relatively short span of time over which performance auditing system has been introduced to the Saudi public sector, an attempt was made to obtain a broad view of the nature of performance auditing as currently practised in the Saudi public sector.

This section consists of the following. After this brief introduction, the remaining of this section aims to present the research findings concerning the following issues: (8.2.2) the

objectives of performance auditing in the Saudi public sector; (8.2.3) the approaches to performance auditing investigations as followed by the Saudi General Audit Bureau (GAB); (8.2.4) the GAB's processes of performance audit investigations; (8.2.5) the auditors' main sources of information; and (8.2.6) pre- and post-audit of public projects as reflected in GAB practices. Finally, the summary to this section is presented in Sub-section 8.2.7.

Before proceeding to the discussion of these issues, it is worth noting that most of the discussion in this section is based mainly on original data collected from research respondents. Secondary data, however, is used, particularly when discussing the scope and processes of performance auditing as practised by the Saudi GAB.

8.2.2. OBJECTIVES OF PERFORMANCE AUDITING SYSTEM

It was reported in Chapter Two that the introduction of performance auditing to the public sector was aimed at achieving several objectives. These objectives include, among others, the promotion of the economy, efficiency and effectiveness of public organisations; the strengthening of public accountability relationships; the improvement in the performances of public sector organisations; and helping public organisations to set goals and objectives for their achievement (see Chapter 2, Section 2.3.3).

Since Saudi Arabia has a unique environment and the objectives of performance auditing, as stated before in Chapter Two, are influenced and determined by different environmental factors, it has been realised that exploring the main objectives of performance auditing within the Saudi context is important. Accordingly, in order to explore how the respondents from the two participating groups perceive the main

objectives of performance auditing system in the Saudi public sector, a list of ten objectives was provided, and participants were asked to indicate the extent to which they agreed with each of these objectives. One would expect that the responses of the group who undertake performance audits will be different from those of the group who are subject to this kind of investigation. While auditors are expected to have a positive perception of the different objectives of performance auditing, public sector managers might be expected to express less positive feelings towards them, or at least some of them. A summary of the auditors' and managers' perceptions of these objectives is shown in Table 8.1 and Table 8.2 respectively.

Table 8.1:
Auditors' Perceptions of the Objectives of Performance Auditing in the Saudi Public Sector (Q. A1)
(1 = "Of No Importance", 5 = "Very Important")

N	Objectives Of Performance Auditing System	No. Of Cases	Mean	Rank	Std. Dev.*
1	Enhancing organisational accountability	34	3.82	6	1.03
2	Improving organisational performance	34	4.53	1	.96
3	Helping public organisations to set goals and objectives for their achievement	34	4.12	4	1.09
4	Promoting the economy, efficiency and effectiveness of government organisations. programmes and activities	34	4.29	2	1.00
5	Ensuring the importance of developing performance measures and/or indicators for public organisations	34	4.24	3	.96
6	Helping decision makers in the public sector by providing them with information about public organisations productivity	34	3.88	5	1.12
7	Helping public organisations to specify their needs in terms of training and development	34	3.62	9	1.02
8	Providing useful information for reward and punishment purposes	34	2.47	10	1.21
9	Improving the quality of public organisations services	34	3.82	7	1.14
10	Improving the caring of public organisations towards their customers	34	3.65	8	1.07

* *Standard Deviation*

Although participants were provided with a space to add any perceived objectives not included, no objectives were added that could be considered different from those listed. This might be related to the nature of the data collection method used, i.e. the

questionnaire, in which people usually prefer to complete it in the easiest way by ticking one of the available listed options. Another possible explanation is that the list provided was perceived by participants to be comprehensive enough at covering all the possible objectives of performance auditing.

As expected, Table 8.1 shows that, with the exception of objective number eight, "providing useful information for reward and punishment purposes", the auditors' perceptions indicated high agreement with the listed objectives (mean ≥ 3.62). However, the level of importance of these objectives can be categorised, based on the mean and respondents' percentages, into two groups. The first group, which consists of objectives 2, 3, 4 and 5, was perceived as important (scale 4 & 5) by a majority of respondents with a percentage ranging from 73% to 88.2% (see Table 8.1 & Table 1, Appendix J). Improving organisational performance was perceived to be the most important objective with a mean score of 4.53. Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities was ranked second (mean = 4.29). While ensuring the importance of developing performance measures and/or indicators for public organisations was rated third (mean = 4.24), helping public organisations to set goals and objectives for their achievements was ranked almost as high (mean = 4.12). The second group of objectives (numbers 1, 6, 7, 9 & 10) was perceived as important by at least 60% of the auditors and received mean scores ranging from 3.62 to 3.88 (see Table 8.1 & Table 1, Appendix J). With regard to objective number eight, performance auditors demonstrated a low level of agreement (mean = 2.47) with only 17.7% of them indicating this factor as an important objective of performance auditing.

As far as managers' perceptions are concerned, the outcome appears surprising. Contrary to what was expected, Table 8.2 shows that managers also perceived all listed objectives of performance auditing, with the exception of objective number eight, as being important. They indicated high agreement with these objectives (mean ≥ 3.29). For factors numbers 2, 3, 4 and 5, there was also higher agreement among the public managers than for the other factors with mean scores ranging from 3.74 to 4.12. However, the public managers indicated a higher level of agreement over factor number eight, "providing useful information for reward and punishment purposes", as an objective of performance auditing system (mean = 2.95) than the auditors.

Table 8.2:
Managers' Perceptions of the Objectives of Performance Auditing system in the Saudi Public Sector (Q. A1)
(1 = "Of No Importance", 5 = "Very Important")

N	Objectives Of Performance Auditing System	N0. Of Cases	Mean	Rank	Std. Dev.*
1	Enhancing organisational accountability	111	3.66	6	1.27
2	Improving organisational performance	111	4.15	1	1.11
3	Helping public organisations to set goals and objectives for their achievement	109	3.74	4	1.17
4	Promoting the economy. efficiency and effectiveness of government organisations. programmes and activities	109	3.90	2	1.17
5	Ensuring the importance of developing performance measures and/or indicators for public organisations	109	3.76	3	1.23
6	Helping decision makers in the public sector by providing them with information about public organisations productivity	111	3.66	5	1.28
7	Helping public organisations to specify their needs in terms of training and development	110	3.29	9	1.40
8	Providing useful information for reward and punishment purposes	111	2.95	10	1.27
9	Improving the quality of public organisations services	109	3.40	8	1.22
10	Improving the caring of public organisations towards their customers	111	3.47	7	1.34

* *Standard Deviation*

The responses of the respondents regarding the objectives of the performance auditing system implies that the system can serve a wide range of objectives that aim to promote

good public sector administration. In particular, improving organisational performance, helping public organisations to set goals and objectives for their achievement, promoting the economy, efficiency and effectiveness of government organisations, programmes and activities and ensuring the importance of developing performance measures and/or indicators for public organisations were perceived by both groups to be valuable goals of considerable importance that performance auditing can help in achieving them. These findings are in line with what has been reported in Chapter Two concerning the objectives of performance auditing. In that chapter, the literature reviewed suggested various objectives that performance auditing can achieve, objectives that are not of a punitive nature (e.g. Barzelay, 1996; Hatherly & Parker, 1988).

Two conclusions can be drawn from the above findings. First, the high level of agreement in the perceptions of the two groups regarding the listed objectives of performance auditing may indicate the respondents' high expectations of what might be achieved by introducing performance auditing into the public sector. In other words, the research respondents seem to be very optimistic about the possible outcomes that performance auditing might produce for public sector operations and administration. A second related conclusion is that the responses of respondents might give an indication of the positive views that respondents, from both groups, hold towards this type of auditing. Tables 8.1 and 8.2 provide clear evidence that the introduction of performance auditing practices in the Saudi public sector is perceived to be directed towards constructive and positive purposes rather than that of punishment. Since the resistance of managers to performance audit is a natural human behaviour, such positive views are important in order to avoid expected resistance from public managers.

A direct implication of this encouraging result is that the GAB should go further in its application of performance auditing by increasing the extent and frequency of performance auditing in the public sector. The above results should provide GAB officials with the clear support to move towards this purpose. In addition, the reported positive attitudes of research participants might also have some implications for other audit institutions who are interested in expanding their role to include performance auditing practices but are sceptical of the possible reaction of public servants.

Although the two groups gave nearly the same ranking for the listed objectives based on their mean scores, the frequency distribution gives a somewhat different result. The percentages of managers agreeing to the individual objectives of performance auditing are lower than those of the auditors, ranging from 77.5% for objective number two to 46.4% for objective number seven. Furthermore, more managers (33.3%) regarded "providing useful information for reward and punishment purposes" as an objective of performance auditing (see Table 2, Appendix J). This result indicates that while both groups seem to agree on the various objectives that performance auditing can be used as an instrument for achieving, public sector managers are likely to show less enthusiasm than performance auditors towards this issue.

In order to explore whether the differences in the responses of the two participating groups regarding the objectives of the performance auditing system in the Saudi public sector are statistically significant, the following hypothesis is tested:

> H1: There is no significant difference between the perceptions of performance auditors and public managers concerning the objectives of the performance auditing system as applied in the Saudi public sector.

The Mann-Whitney test reveals that with the exception of the second objective, "improving organisational performance", there were no significant differences between the perceptions of the two groups ($\rho > 0.05$) (see Appendix I, Part A). With regard to the second objective, "improving organisational performance", a significant difference between the perceptions of the two groups was found. For this particular objective, the calculated ρ value (0.03) is less than the critical ρ value (0.05). Auditors' perceptions (mean rank = 85.28) tend to indicate higher agreement regarding the importance of this factor as an objective of the performance auditing system in the Saudi public sector those of public managers (mean rank = 69.24) (see Appendix I, Part A).

Further support for the significant difference between the responses of the two groups found in the Mann-Whitney test concerning the second objective can be seen in Tables 1 and 2, Appendix J. Among the 88.2% of the GAB's auditors who agreed that "improving organisational performance" is an objective of the performance auditing system, 73.5% selected number 5, "strongly agree". On the other hand, only 51.4% of the 77.5% of public managers who agreed with this objective selected number 5.

The diverse viewpoints between the two groups concerning the role that performance auditing can play in the enhancement of organisational performance might be attributable to either or both of the following. First, there may be disagreement between performance auditors and public managers as to just what is meant by the phrase "improving organisational performance". While auditors might perceive their efforts as a contributing factor in the improvement of the performance of public organisations, managers' understanding of this statement might be that auditors are overestimating their own roles by crediting themselves with any improvement in the performance of

public organisations. Secondly, there may be disagreement about the specific role that management has in supervising and developing its own performance and about the role of auditors in helping managers to improve their performance.

A direct implication of this finding is that the line between the responsibility of auditors and that of managers must be clear. For performance auditing to be able to enhance organisational performance in the public sector, the willingness of performance auditors to take a collaborative role and the willingness of management to accept the auditors as collaborative partners are of great importance for the accomplishment of this objective. It should be clearly understood by both groups that an auditor's role is to provide alternatives for improvement rather to tell the head of an agency how to do his job. Accordingly, to promote a better understanding of each other's roles, there is a need for more communication between the two groups.

8.2.3. THE GAB APPROACHES TO PERFORMANCE AUDITING

The aim of this section is to explore the approaches to performance audit as utilised by the Saudi GAB. The literature reviewed and the practices of state audit institutions suggest different approaches to performance examinations. These approaches could be discussed in terms of the following: the general approach to performance auditing (scope and extent of performance auditing) and approaches followed by performance auditors while undertaking audit investigations (types of performance investigations).

As stated in Chapter Two, the legal and institutional framework of a given country and the support which state auditors enjoy within this country play a major role in deciding the scope and extent of performance audit examinations. While many countries give their auditors the right to undertake economy, efficiency and effectiveness reviews (e.g.

the UK, New Zealand), others rule out any direct review of effectiveness (e.g. Canada). Some other audit institutions (e.g. the USA GAO) enjoy the complete backing of legislation to go beyond efficiency and effectiveness issues to review and question the government's objectives and policies (Shand & Anand, 1996, p. 61). In other states, legislation has attempted to draw clear boundaries between effectiveness and policy e.g. the UK NAO is not allowed to question the merits of policy objectives (NAO, 1997a, p. 7).

As far as Saudi Arabia is concerned, GAB audits are directed at any area where the wasteful use of money, personnel or other resources is suspected. Although the GAB's constitutional mandate contains no explicit requirement to undertake performance investigations, the current mandate is conceptually unrestrictive as far as the scope of audit is concerned. In fact, the GAB, as specified in Article 7 of its present constitution, is empowered to investigate "the proper use of all state assets". This statement is general enough to be used as a constitutional basis to justify the new approach that the GAB is pursuing in order to expand its scope of audit to cover the economy, efficiency and effectiveness aspects of audited organisations or programmes.

The expanded approach to auditing has been emphasised in one of the GAB's publications entitled "Comprehensive Auditing Standards". In this volume, the GAB claims to apply 'the Comprehensive Auditing' concept which includes: financial compliance auditing, economy and efficiency auditing and effectiveness auditing (GAB, 1982, pp. 1-2).

The economy and efficiency audits cover the following responsibilities (GAB, 1982, pp. 1-2):

1. To assess available economic resources.
2. To ensure that resources are managed with reasonable administrative and economic efficiency.
3. To identify the causes of any waste or excessive spending or misuse.
4. To recommend ways of improving resource utilisation.

The responsibilities of effectiveness auditing, on the other hand, include the following (GAB, 1982, pp. 1-2):

1. To compare the degree of closeness or deviation of an establishment's actual performance from the established objectives.
2. To provide management with advice concerning the reasons for any shortcomings.

The GAB's approach to performance auditing has also been emphasised by its Organisational Framework (GAB, 1992; see Figure 6.1, Chapter 6) in which a separate section for performance auditing concerned with the examination of economy, efficiency and effectiveness of operations and functions of audited organisations was established.

It is thus clear that the GAB's stated approach does adhere to the general approach of performance auditing as advocated in the literature. It encompasses examination of all three types of performance auditing i.e. economy, efficiency and effectiveness.

The second aspect from which performance auditing approaches could be discussed is concerned with the different approaches suggested that auditors follow while undertaking performance audit investigations. It was stated in Chapter Two (Section 2.3.4) that undertaking broad performance investigations simultaneously on every activity, operation, system, procedure or transaction of a particular government organisation or programme is neither practical nor economically feasible. Broad audits

would be costly, difficult to control and of doubtful cost-effectiveness. As a result, different audit approaches, including both broad and smaller-scale investigations, are suggested in the literature and followed by state audit institutions. These approaches have been utilised based on the particular circumstances of each audit operation.

In order to find out the most common approach(es) used by GAB auditors during the course of undertaking performance audit investigations, a list of four approaches was presented to performance auditors, who were then asked to indicate the extent to which they followed each approach.

Table 8.3:
Auditors' Perceptions of the Various Approaches that They Follow while Undertaking Performance Audit Investigations (Q. A2)
(1 = "Never", 5 = "Always")

N	Audit Approach Followed	No. of Cases	Mean	Rank	Std. Dev.
1	An in-depth and detailed investigation into one aspect of the authority's work	34	4.12	2	.98
2	A primary and detailed investigation into all aspects of the audited organisation or entity to specify the possible weaknesses which, in turn, are subject to an in-depth investigation	34	4.26	1	.79
3	Only selected activities, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented	34	4.03	3	.90
4	The whole organisation if small and selected projects or activities if the organisation is large	34	3.85	4	1.02

The results suggest that all approaches were perceived as always or often followed (scale 4 & 5) by at least 73% of the respondents, with mean scores ranging from 3.85 to 4.26 (see Table 8.3 & Table 3, Appendix J). However, performance auditors gave more support to the use of the first two approaches, i.e. "an in-depth and detailed investigation into one aspect of the authority's work" (mean = 4.12) and "a primary and detailed investigation into all aspects of the audited organisation or entity to

specify the possible weaknesses which, in turn, are subject to an in-depth investigation" (mean = 4.26).

The respondents' views might reflect the different investigations which they deal with, and the different ways they adopt to carry them out. A direct implication of auditors' responses is that there is no specific approach that is applicable to performance audit investigations under all conditions and circumstances and at all times. Instead different approaches have to be considered and the selection of the appropriate audit approach seems to be affected by various factors including, but not limited to, the auditee's size, the nature of the activities to be audited, the audit objectives, the GAB's available resources, etc.

8.2.4. PROCESSES OF PERFORMANCE AUDIT INVESTIGATIONS

This section investigates the main processes and procedures that have been utilised by the GAB for conducting performance audits. Audit processes can be distinguished from audit approaches. The former are detailed steps taken to perform an audit assignment.

As discussed in Chapter Two (Section 2.3.5), there is no specific or fully accepted series of procedures applicable to all audited organisations in all circumstances. It has also been stated that each audit must be tailored to the particular circumstances of the situation under investigation. Since the public sector in Saudi Arabia is characterised, as in many other countries, by complex, large organisations and programmes with relatively unclear objectives and goals, one would expect that the methodology applied by the Saudi GAB to performance auditing would be no different.

To explore the GAB's main methodology followed during its performance audit investigations, performance auditors were asked whether they follow a unified methodology for all types of audit investigations or different methodologies according to the situation under investigation (the pragmatic, case by case approach). The majority of the respondents (94%) supported the second alternative (see Table 8.4). This means that performance audit practices in the Saudi public sector provide no consistent methodology or unified technique that can be used to adequately assess the performance of public sector organisations in all settings. In other words, it seems that audit methodology is developed on a case by case basis (i.e. audit methodology is established for a particular performance audit investigation). This result, as expected, is consistent with what has been reported in the literature and in the practices of other state audit institutions.

Table 8.4:
Auditors' Perceptions of whether Different Methodologies Are Used in Different Situations (Q. A3)

Methodologies followed when undertaking performance audit Investigations	N	%
Unified methodology for all types of audit investigations	2	5.9
Different methodologies according to the situation under audit	32	94.1
Total	34	100.0

The auditors were then asked, in an open question, to indicate the criteria used when deciding the proper methodology to be followed. Only eight of the respondents completed this question. Table 8.5 shows a list of the offered criteria. These criteria indicate that performance auditors tailor the audit work by selecting methodologies and techniques that are appropriate, taking into consideration the nature of the audited organisation and its internal control system, data availability and audit objectives and resources.

Table 8.5
Some Criteria Used in Deciding the Proper Procedures to Be Followed During Performance Audit Investigations

No.	Criteria
1	The nature of the audited organisation or programme (e.g. size, activities, sensitivity, complexity)
2	The extent to which performance measures related to the audited area exist
3	The efficiency and suitability of the internal control system in the audited organisation
4	The type of performance audit assignment
5	The number of auditors allocated and their competence
6	Auditors' available resources (e.g. time available to do audit work)
7	The relative importance of expected recommendations
8	The problems found by previous audit work

A direct implication which emerges from these results is that performance auditors need to adjust themselves to a variety of circumstances in order to choose the proper procedures to be followed during their audit work.

These findings, however, do not mean that GAB auditors are left with no guidance at all. Documentary analysis can provide meaningful insights into the general direction that GAB auditors are expected to follow. In a written guide, entitled "Performance Audit Guide", the GAB suggests a general pattern for undertaking performance audit examination, including selecting the audit, initiating the survey, the planning phase of the audit, the review phase of the audit, the implementation phase, the reporting and follow-up procedures (GAB, 1998, pp. 3-31; also see Figure 8.1). These stages will be discussed in the following sections under three headings: the selection stage, the survey phase and the implementation phase.

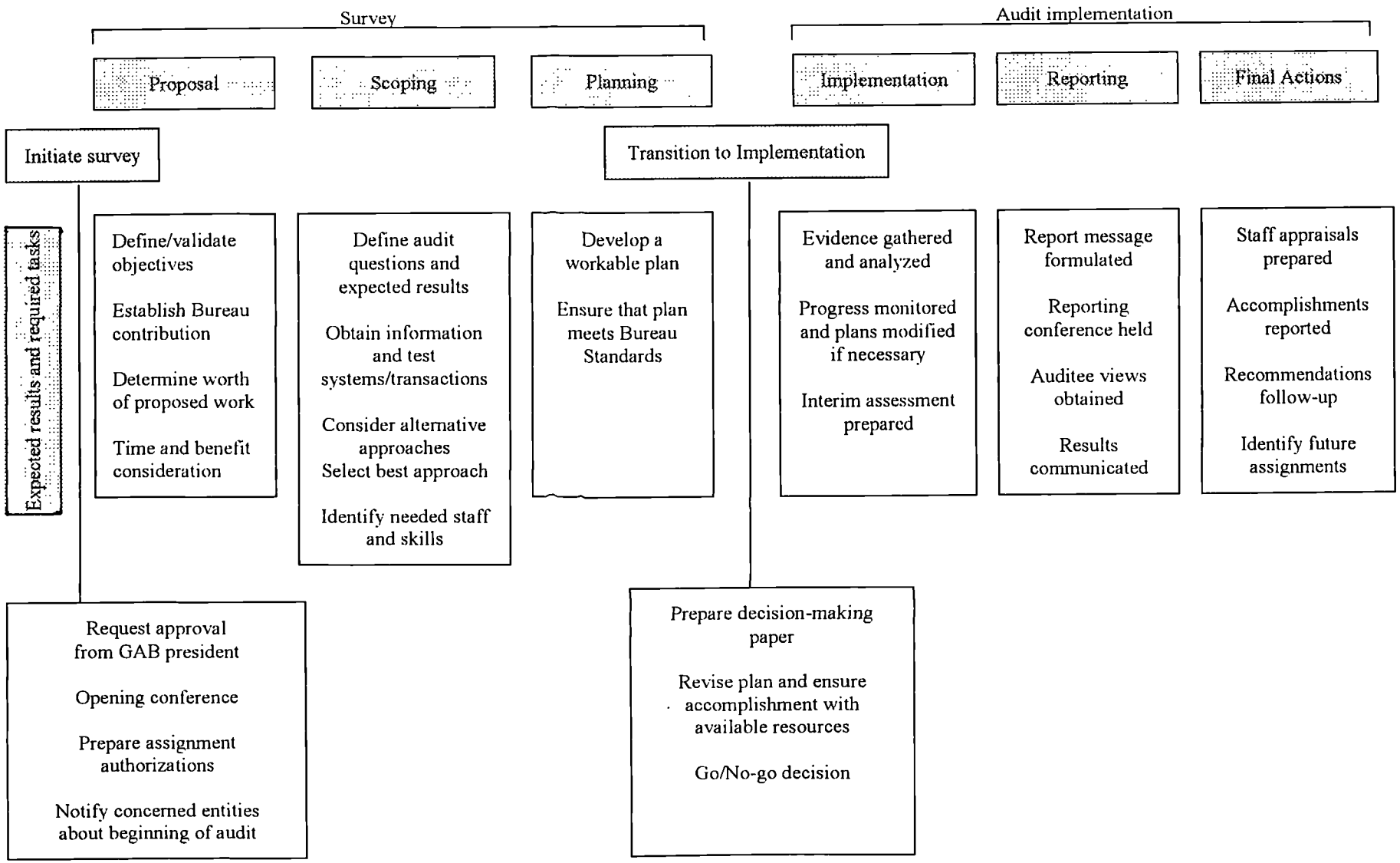


Figure 8.1: Overall Chart of Audit Phases
Source: Performance Audit Guide, (GAB: 1998, p. 42).

8.2.4.1. The Selection Stage

The initial step taken by the GAB in its practice of performance auditing is to select the audit area. The Bureau has demonstrated the importance of this stage by stating that:

> A critical first step in accomplishing a quality performance audit is selecting an audit that has the best chance of making the greatest contribution to the overall objectives of the Bureau (GAB, 1998, p. 3).

As a reflection of this importance, the GAB has emphasised the importance of developing a long-term strategic plan by the performance auditing division. The aim of strategic planning is to: (1) identify and select areas and entities that will be the focus of significant audit work in the future, (2) indicate the nature of that future audit work and (3) include an estimate of the amount of audit resources that will be devoted to the selected areas of investigation (GAB, 1998, p. 3).

Since audit assignments identified in the strategic plan are not assigned to specific periods during which they will be undertaken, the plan is supplemented by a summary of potential audit assignments that will add more specificity to it. This summary, which lists assignments by entity or audit area and includes more than a year's worth of potential assignments, provides some background about the potential assignments, describes the proposed objectives and discusses the potential results that could be achieved (GAB, 1998, p. 3). This summary is clearly important for GAB senior managers to critically assess the proposed audit assignments

The GAB's emphasis on strategic planning is in line with what has been reported in the literature and in practices of other state audit institutions (e.g. INTOSAI, 1997; NAO, 1997a). In support of long-term planning, the UK NAO (1997a, p. 21),

for instance, cited the various benefits that can be obtained from this planning, such as ensuring that Value for Money (VFM) coverage is comprehensive and well planned; determining priorities; and allocating resources cost effectively. In addition, strategic planning produces a work programme that can be related to and balanced against available resources and also provides a basis for accountability within the state audit itself (INTOSAI, 1997, principal paper, p. 6).

The selection of performance audit targets to be added to the strategic plan or to be the subject of a current investigation will be based on and influenced by a number of factors. These various factors have been identified in the literature and include, among others, the size of the auditee's budget, previous audit findings and the availability of audit resources. In order to explore the major factors which play an important role in the selection of the targeted areas for undertaking performance investigations in the Saudi public sector, performance auditors were asked to indicate their agreement concerning a list of given factors and were provided with space to add any of their own perceived factors which were not covered by the list. A summary of the auditors' responses is provided in Table 8.6.

Table 8.6:
Auditors' Perceptions of the Main Factors Influencing the Selection of the Auditee (Q.A5)

N	Factor	No. of Cases	Mean	Rank	Std. Dev.
1	Statutory requirements	34	3.65	5	1.43
2	Size of the auditee's budget	34	3.74	4	1.11
3	Previous audit findings	34	4.03	1	.76
4	Availability of audit resources	34	3.82	3	1.14
5	Date of last performance audit of the auditee	34	3.26	6	1.16
6	Geographical location of the auditee	34	2.44	7	1.31
7	Significant events or changes in the audited organisation or entity	34	3.91	2	.97

Table 8.6 reveals that the respondents perceived six out of the listed seven factors to be important in deciding the area to be investigated (mean ≥ 3.26). The responses of the auditors indicate that GAB's managers give much consideration to areas that are either having suspected problems or are of financial significance. As Table 4 Appendix J shows, the majority of the respondents (73.5%) perceived factor number three, the "previous audit findings" as important (scale 4 & 5) with a mean score of 4.03. This means that areas where previous audit work has identified significant problems will be given higher priority than areas in which no significant problems have been previously identified. Moreover, a high proportion of the respondents (67.7%) showed a relatively high level of agreement over factor number seven, the occurrence of "significant events or changes in the audited organisation or entity" (mean = 3.91). This result is to be expected since the possible existence of fraud, waste and mismanagement is higher in organisations or programmes involving major changes which, in turn, necessitate that more attention is to be given to these vulnerable areas. The auditors' high agreement concerning the third and seventh factors might reflect their belief that the main role of auditing is to investigate areas where suspected practices exist.

Factors number 2 & 4 were perceived as important by 64.7% of the respondents and received mean scores of 3.74 and 3.82 respectively (see Table 8.6 & Table 4, Appendix J). The participants' perceptions of the importance of factor number two, the "size of the auditee's budget", might reflect their belief in the importance of selecting major programmes and operations which involve significant annual expenditure. Two reasons could account for the significance given to this factor. The first is the government's budget deficit which has occurred since the mid-1980s (see Table 5.2,

Chapter Five). This deficit has necessitated the need for more monitoring of the budget's scarce resources. The second reason is provided by the GAB's tendency to consider areas with great potential impact in order to maximise its final outcomes.

The importance attached to factor number four, the "availability of audit resources", might reflect the awareness of the respondents of the dangers of committing themselves to audit investigations where adequate staff and financial resources to carry out such investigations are not available. Such dangers may include, but not be limited to, reputation loss and the negative attitude of auditees. This result might also imply that the availability of audit resources is a vital factor that could either encourage or discourage the GAB from expanding its work.

Factor number 1, the "statutory requirements" and factor number 5, the "date of last performance audit of the auditee" were perceived as fairly important (3.26 < mean < 3.65). The percentages of the auditors' perceptions on the importance of these two factors are 61.8% and 44.1% respectively.

With regard to the sixth factor, "geographical location of the auditee", the majority of the research respondents (55.9%) disagreed with this factor as being an important element in selecting the audited organisation or entity, and only 26.5% of them agreed that it was important. Taking into consideration the huge area of the Kingdom of Saudi Arabia (see Appendix A), this finding is interesting. One possible explanation of the responses of the auditors is that the GAB, in order to maximise its final outcomes, is concerned with investigating areas with great potential impact regardless of their

geographical locations. Moreover, the fact that different branches of the GAB are located in different parts of the Kingdom may contribute to the auditors' perceptions.

Some respondents referred to the requests that the GAB sometimes received from the higher authorities as being another important factor causing a specific organisation to be the subject of an audit investigation. The researcher agrees with the importance of this factor which is also common in the practice of performance audit in many other countries. For instance, approximately 70% of USA GAO activities are in response to congressional requests (The OECD, 1996, p. 101).

The above findings accord with the description given in the GAB's Guide to Performance Auditing of the factors that play an important role in the selection of the audit area (GAB, 1998). These include:

1. Significance – the potential impact that an audit could have... If a possible audit area involves major Ministry programs or operations and/or annual expenditures of many millions of riyals, the potential for [a] Bureau audit to have a significant impact would be far greater...than an audit area involving low level programs and operations that do not involve significant annual expenditures.
2. Vulnerability – the vulnerability of a program or activity to fraud, waste, abuse, or mismanagement... [V]ulnerability is higher in newer programs or programs involving major changes than in programs that have operated in a stable environment for many years.
3. Sensitivity – A program or activity that is critical to the goals or mission of a Ministry or entity or in which a poor performance could cause embarrassment to the Ministry or [the] Kingdom would receive increased attention...
4. Audit experience – Programs or activities that have previously been audited and found to have significant problems would receive higher priority...than areas in which prior audit work had not identified significant problems... Also. a potential audit would generally be given a higher priority if a long time has elapsed since the last audit than if the last audit was only recently completed. Potential for change – if there is a general acceptance that a program or operational area is ready for change, that program or area would have a higher audit priority than programs or areas that may have operational problems but where the need for change is not accepted by Ministry officials (p. 4-5).

The Guide also emphasises the following:

> In determining whether to initiate an audit or in choosing between potential audits, consideration must be given to internal Bureau management issues. For example, an assignment should not be initiated without a determination that adequate staff with the required expertise, experience, and skills are available to carry out the audit. Also, Bureau management will have to determine that staff time and other resources are available to accomplish the audit work, considering the proposed objectives and scope (p. 5).

In summary, the reported perceptions of the auditors gave a high level of importance to all the factors listed in Table 8.6, with the exception of factor number 6. These results are in line with the reported literature of performance auditing which discusses the possible factors affecting the selection of audit areas (e.g. INTOSAI, 1997, principal paper, p. 6; Pollitt, et al., 1999, p. 67). Two possible conclusions can be drawn from the above results. The first is that the selection of an audit issue is influenced by a far greater range of concerns than the monies immediately involved. Secondly, the GAB staff, in practice, are aware of the various factors that play an important role in the selection of audit investigations, that have the clearest potential for making the biggest impact on the management and administration of the public sector and which enable the GAB to utilise its scarce resources in the most efficient and effective way.

8.2.4.2. The Survey Phase

Once the strategic planning process is complete and a particular audit assignment is selected, the audit team is then required to undertake a preliminary survey to increase its understanding of the organisation under investigation and identify any uneconomic, inefficient or ineffective operations. This phase is referred to as the "survey phase". This phase is intended to serve two basic objectives (GAB, 1998, p. 7). First, it provides information which can help in deciding whether to proceed with the audit as

planned, to modify the audit objectives, scope or approach or to terminate the audit work. Second, if it is recommended that the audit should continue, the survey report is likely to include details that would serve to construct an audit plan with more defined objectives, specific audit steps and estimates of staff and time required to complete the remainder of the audit work.

One of the first steps in the survey phase is to contact the entity concerned and hold an opening conference with its officials to inform them of the audit objectives and discuss the possible scope and approaches of the audit work (GAB, 1998, p. 7). This step is vital since an auditee's understanding of the purpose(s) of the performance audit assignment and its expected contribution, at an early stage, is a key factor in the success of any audit project.

The main issues that performance auditors should consider in the survey phase are provided by the GAB in its Guide to Performance Auditing under three overlapping stages, as summarised in Table 8.7 (GAB, 1998, p. 8-18).

Table 8.7
Summary of Survey Phases

Phase	Activities
Proposal	• Define and validate objectives • Establish Bureau contribution • Determine worth of proposed work • Consider timeliness and usefulness
Scoping	• Define questions and results • Obtain information and test systems/transactions • Consider alternative approaches • Select best approach • Identify needed staff skills
Planning	• Develop workable plan that includes: 1. Objectives and approach 2. Information needed 3. Responsibilities statement 4. Beginning/completion dates • Ensure conformity with Bureau standards

Source: The GAB, 1998, p. 8.

In order to address these issues properly, the auditors are expected to collect background material, such as pertinent laws, policies, regulations and procedures; budgets and expenditure reports; organisational charts; locations of operations; number and types of personnel involved; and studies or reviews carried out concerning the area under audit. The extent of the survey work, however, is dependent on various considerations, including the complexity of the assignment; the need to gather data from multiple locations; the clarity of audit objectives; the experience and competence of the allocated staff; and the time available to do the work (GAB, 1998, p. 9).

In addition, an important step in the survey phase is the review of the internal control system applied by the auditee. It is important that auditors in charge familiarise themselves with the departments and sections in which control has been strong and those where control has been weak (INTOSAI, 1997, Country Paper: Saudi Arabia, p. 8).

A final product of the survey phase, as shown in Table 8.7, is the preparation of a written audit programme to direct the audit work during the implementation stage. The audit programme, which should be tailored to fit the audit being planned, includes the following elements: the background, objectives, scope and approach, detailed audit steps and responsibilities, resources and timeframes (GAB, 1998, p. 15-18).

However, as stated in Chapter Two (Section 2.3.5), the performance audit plan is unlikely to be as detailed and rigid as that of the financial audit. The performance audit plan should be constructed in a way that allows a change in the audit direction when more promising areas arise. The GAB's view, as reflected in the following statements, seems to be in line with this argument:

> It is very seldom that performance audits will proceed as planned without the need for changes and adjustments. ... As implementation continues and reports drafting proceeds, the appropriateness of the audit objectives, the scope and approach, the audit program, and specific audit steps should be continuously reassessed by auditors, supervisors, and managers (p. 22).
>
> Managers and supervisors should be prepared to promptly make changes and adjustments in scope, approach, and work steps if warranted by changing circumstances, information, or other factors. For example, the audit staff and supervisors may find numerous reasons for suggesting changes or adjustments, such as that planned work (1) will not meet audit objectives, (2) is excessive to planned reporting, (3) cannot be accomplished because of data constraints, or (4) will take longer than anticipated (p. 23).

At the end of the survey stage, a written summary, usually referred to as a decision paper, is prepared to provide management officials with key information needed for assessing whether the audit should proceed to the implementation stage. Such a decision paper should include the following aspects (GAB, 1998, p. 19):

1. Audit objectives and sub-objectives.
2. Audit scope and approach.
3. Expected contributions resulting from the audit.
4. Estimates of cost, staff days and target dates for issuing the audit report.
5. Any other critical data or factors that could affect the decision to proceed with the audit as planned.

When the survey phase is completed, two different groups are required to assess the audit assignment. First, audit supervisors should review the audit work performed during the proposal, scoping and planning phases in order to ensure that:

1. The audit work was conducted with due professional care.
2. The [audit] work is documented in working papers that have been properly prepared and reviewed.
3. The [audit] work adequately supports the proposed assignment, including timeframes and staff days, presented in the audit programme.
4. A written decision paper, to be used as a basis for management decisions on the assignment, is accurate and complete (GAB, 1998, p. 19).

The second group to review the audit work is the GAB's management officials. They should determine if the audit:

1. Reflects an appropriate use of audit resources.
2. Has defined objectives and includes methodologies, approaches and audit steps to achieve the objectives.
3. Can be accomplished with the resources identified and that the assigned staff collectively possess adequate professional proficiency.
4. Can be accomplished within the stated timeframes.
5. Provides for proper supervision of personnel and their work (GAB, 1998, p. 19-20).

The outcome of the reassessment stage clearly justifies the great emphasis that the Saudi GAB puts on the survey phase. In fact, the ultimate decision as to whether to proceed with the audit assignment is based on the information obtained during this phase. Moreover, the audit objectives as well as the audit resources needed to accomplish them are determined during this stage.

The reassessment of the audit assignment is eminently vital since the initial selection of the proposed audited area is generally based on broad objectives with little available information about it. The information that auditors gather during the survey phase enables them to clarify and validate the audit objectives and scope and to specify the audit work needed, including the resources and time estimates. At this stage, GAB officials will be well informed of the audit issue and can reconsider their decision more objectively.

8.2.4.3. The Review Phase

Once the GAB management has decided to proceed onto the implementation stage of an audit assignment, the main concerns of the auditors should concentrate on

performing the audit work specified in the audit plan, drafting and revising the audit report and completing the actions needed to close the audit. In the GAB's Guide to Performance Auditing, this stage is referred to as the "review phases". This stage has three phases: implementation, reporting and final actions (see Table 8.8). However, these phases do overlap and should be carried out concurrently (GAB, 1998, p. 21).

Table 8.8
Summary of Review Phases

Phase	Activities
Implementation	• Evidence gathered, analyzed, and summarized • Progress monitored and plans modified • Interim assessment prepared
Reporting	• Report message formulated • Reporting conference held • Agency views obtained • Results communicated
Final Action	• Performance appraisals prepared • Accomplishments reported • Recommendations followed-up • Innovative approaches communicated

Source: The GAB. 1998, p. 21.

During the implementation phase, the Bureau's auditors are involved in collecting and documenting sufficient, competent and relevant evidence to support their conclusions and recommendations. The GAB's field standards for audit evidence ask the auditors to obtain "adequate professional auditing evidence that is competent, logical, reasonable, and convincing, rather than absolute in quantity or quality" (GAB 1982, p. 15). To acquire the evidence needed, various methods can be used at this stage. These include examining records and documents, collecting information through questionnaires and interviews with key officials and observing operations.

Another aspect of the implementation stage, as reflected in the GAB's Guide to Performance Auditing, is the interim assessment in which a formal review of the audit

should take place on a specific date by key audit personnel, including staff, supervisors and managers (GAB, 1998, p. 23). This date should be set when the decision is made to proceed from the survey phase to the review phase. The GAB's Guide to Performance Audit suggests that the most appropriate time for undertaking the interim assessment is after one-third of the review phase is completed (p. 23).

At the reporting stage, an audit report based on an in-depth investigation is produced and given to the Ministry or entity responsible for the matters being reviewed. This report is the primary source by which the Bureau communicates its audit findings. Even though the audit report will be issued at the end of the audit work, planning and drafting reports should be started during the early stages of the audit (GAB, 1998, p. 25). Initial drafts should be reviewed and revised many times so that the emphasis of the report should change from the recitation of the audit work completed to the identification of significant issues of interest to officials receiving the report.

One important action that is usually taken when drafting the audit report is the "reporting conference" (GAB, 1998, p. 26-27). During this conference, key audit staff, supervisors, managers and others who provided advice to the audit assignment, or could be involved in reviewing or commenting on the report, will gather to discuss the following issues (GAB, 1998, p. 27):

1. The ultimate message of the final report.
2. The format of the report.
3. The specific recipients of the report.
4. The report outline and the "charge" paragraph for each section and finding.
5. Responsibilities for finalising the report sections.

6. Timeframes for report processing steps, including referencing, management reviews and issuance.

Another aspect of the audit report process is that the audited organisation or entity should be offered the opportunity to make its own comments on the contents of the report prior to its formal release, either through holding exit conferences or by requesting written comments. The auditor is required to give due care to the following points (GAB, 1982, p. 147; 1998, p. 28):

1. Obtaining the opinion of key officials concerned at the appropriate managerial level. It is also preferable to obtain the opinion of the officials responsible for the issues and activities being audited.
2. Holding discussions with key officials regarding the contents of the audit report and finding out their views of the audit results.
3. Assessing, whenever possible, the position of key officials, particularly when they adversely criticise the auditor's methodology. The auditor should incorporate these comments into the final report and state the Bureau's position towards them.

Giving an audited organisation the opportunity to comment on the content of the audit report prior to its formal release and taking the organisation's remarks into consideration is very important for minimising resistance among the auditees. This enables a positive and constructive relationship between auditors and their auditees to be built. This practice, as stated in Chapter Three (Section 3.2.10), provides an open channel of communication with audited organisations, enabling the management of these organisations to be informed of their auditors' progress and findings which, in turn, increases co-operation and strengthens the working relationships between the two parties.

A significant implication that can be drawn from the GAB's audit work is that the auditors' independence should not mean total detachment and isolation from their auditees (Shand & Anand, 1996, p. 71). As stated in the GAB's Guide to Performance Auditing, auditors should communicate their audit criteria and findings to the auditees and the auditees' comments should be included in the audit reports.

However, while auditors are encouraged to work closely with their auditees at the beginning and during the investigation and finalisation phases of an audit (Geist & Mizrahi, 1991, p.40), the GAB seems to give little attention to this issue during the implementation stage. As mentioned above, the GAB, through the opening and exit conferences, places emphasis on communications between the auditors and their auditees only during the initial and reporting stages. This conclusion implies that the expected benefits produced by forming close working ties between the auditors and their auditees will be affected. Implementation is clearly the most crucial phase of an audit; and it is the longest phase of the audit work in which evidence is collected and conclusions are reached. Hence, the GAB needs to improve the communication level between its auditors and their auditees during the phase of audit implementation.

Another positive aspect of the reporting stage can be extracted from the GAB's Comprehensive Auditing Standards (CASs). The CASs require the auditor, in the efficiency and effectiveness report, to report both the good and bad practices of the auditee. Article No. 285 states:

> Concentrate on constructive guidance and write the report in a balanced perspective, including the points of strength and weakness of the audited entity (p. 147).

The balanced stance of the audit report will have a positive impact on its objectivity and may encourage the quality and efficiency of both the good and bad practising auditees. In addition, the audit conclusions, in such a case, are more likely to be acceptable.

The final report of an audit normally contains four sections (GAB, 1998, p. 28). The first is an introductory section which provides the historical background of the audited organisation and describes briefly the activities under audit. The second is the objective, scope and approach section(s) which states the audit objectives, specifies where and when the audit was conducted, identifies any scope impairments, including data limitations, cites the types and sources of evidence and describes the analysis techniques, sampling design, etc. The third section is the finding section which identifies and discusses all the significant problematical areas, identifies the cause(s) of the finding(s), refers to the auditee's views and demonstrates why current conditions must change. The fourth section contains the audit recommendations for correcting any problems reported.

The publication of audit reports pertaining to individual authorities and the use of the local media are not allowed and every attempt is made to ensure that reports remain confidential. The circulation of these reports is limited to the management of the audited entity and/or the responsible Ministry. In addition, a summarised annual report on the audit findings concerning all auditees is prepared and submitted to the Prime Minister, the Council of Ministers and the Ministry of Finance and National Economy. Other parties interested in the report and its findings, particularly the public, are excluded.

Although some argue that management is more receptive to audits that are critical of management if the audits are not released outside the agency, most of the available literature stresses the importance of making performance audit reports available to the public --except in cases where publication might harm the national interest-- in order to enhance the accountability process (e.g. Geist and Mizrahi, 1991, p. 33-34).

A major conclusion to be drawn from this finding is that performance auditing as currently practised by the Saudi GAB does not produce a good basis for strengthening the accountability relationship within the public sector. The current practice also seems to contradict the general expectation of performance auditors and public sector managers, as reported in Section 8.2.2, which showed a great deal of support for enhancing organisational accountability of public sector organisations as an important objective for introducing performance auditing to the Saudi public sector.

A direct implication of this finding is that there is a need for public disclosure of performance audit reports or at least they should be available, on request, to anyone interested. Such disclosure is a basic requirement for a successful performance audit since the main philosophy underpinning this concept is the reality that citizens have the right to know how their monies, as a nation, are being spent and have the right to hold the government accountable for the results of its actions.

A final point worth mentioning concerns the fact that the conduct of performance auditing is not an end in itself. If recommendations are not implemented, performance audits will be a waste of time and resources. This notion has been partially recognised in Saudi Arabia. While recommendations contained in the audit report are mandatory and have to be fulfilled by the auditee (INTOSAI, 1997, Country Paper: Saudi Arabia,

p. 13) and auditors are required to follow up the implementation steps taken by the audited organisations, an enforcement mechanism ensuring such implementation is lacking. The absence of an enforcement mechanism raises some doubts concerning the extent to which audited organisations will take audits' recommendations seriously, on the one hand, and the ability of the GAB to follow-up and improve the implementation level of audits' recommendations, on the other.

8.2.5. AUDITORS' MAIN SOURCES OF INFORMATION

Performance auditing is a system which is focused on results and outcomes. under such a system, the existence of clear organisational and programme goals and performance measures is crucial. The availability of such goals and measures will provide performance auditors with the basis for judging the efficiency and effectiveness of the organisation and programme achievements.

Western literature on performance auditing, however, indicates the difficulty of carrying out performance audit examinations due to the vagueness of the objectives and performance measures of public sector organisations. Identifying sensible measures of final output and clearly defined objectives in the public sector is considered one of the major obstacles facing performance auditors, particularly in the assessment of effectiveness. For instance, a report on standards for the external audit of local authorities under the Local Government Act 1982 published by CIPFA (Quoted by Price Waterhouse, 1990, p. 9) states that:

> The difficulties of measuring the ultimate effectiveness or the effect on the community of the large programme areas of authorities, e.g. Education, Housing, Police and Personal Social Services, are well known. The process of assessing effectiveness in these areas presupposes that policy objectives can be defined with some precision rather than in broad conceptual terms. It also assumes that policy objectives in what could be a large and diverse area of

> activity are cohesive, compatible and not contradictory. Even greater difficulties arise in identifying measures of ultimate effectiveness which are credible and cost effective to ascertain and little progress has been made in this field.

The lack of well-defined objectives and standards of performance in the public sector makes the auditors' task in carrying out performance audit investigations difficult. Since public sector administration in developing countries falls short of its Western counterparts, it is expected that state auditors in developing countries will encounter greater difficulties. The researcher's intention in this section is to discuss the information sources which auditors might use to identify the relevant objectives and performance standards when assessing the output of public sector organisations and programmes. Accordingly, the two participating groups were provided with different sources of information and were asked to indicate the extent to which these sources have been useful in providing performance auditors with the information required. The results are shown in Table 8.9 and Table 8.10.

Table 8.9:
Auditors' Perceptions of the Main Sources which might be Used to Gain the Information Required to Accomplish their Missions (Q. A6)
(1 = "Not Useful at all", 5 = "Very Useful")

N	Source of Information	No. of Cases	Mean	Rank	Std. Dev.
1	Legislative standards relating to objectives and evaluation criteria in the public sector	34	4.71	1	.72
2	The management of the audited organisation	34	4.35	2	.77
3	The personnel and staff of the audited organisation	34	4.06	3	.95
4	The customers of public organisations	34	3.41	5	1.28
5	The objectives and performance measures used in similar organisations	34	3.79	4	1.09

Table 8.9 indicates that performance auditors indicated a high level of agreement with all the listed sources (mean ≥ 3.41). The level of their reliance on these sources, however, varies. The legislative standards relating to the objectives and evaluation

criteria in the public sector were perceived to be a 'quite' or 'very' useful (scale 4 & 5) source of information by 91% of auditors (see Table 5, Appendix J) and received a mean score of 4.71. In addition, at least 80% of the auditors referred to the executives and personnel of the audited organisations as primary sources of information with the mean scores of 4.35 and 4.06 respectively. Fifty-six percent and sixty-two percent of the auditors reported that the last two sources, "the customers of public organisations" and "objectives and performance measures used in similar organisations" are useful sources of information for auditors (mean ≥ 3.41).

The auditors' claim, that they take into consideration the views of the customers of public organisations, seems to be an interesting finding. While other sources are expected to be used for evidence gathering, the auditors' agreement about seeking views of the customers in a context such as that of Saudi Arabia, where the public is usually overlooked, could be exciting. The researcher agrees with the auditors' perceptions over the importance of the customers' views since they are clearly interested and involved in the subject being reviewed and can often provide invaluable insights which could increase the auditors' understanding of the subject being examined.

Public managers, on the other hand, excluded "the customers of public organisations" from being a useful source of information for auditors (see Table 8.10). Almost 37% of managers disagreed with the usefulness of public sector customers as a source of information and only 26% of them thought that this source was quite or very useful. This result might reflect the doubt of public managers over the ability of their customers to appreciate their organisational objectives and performance.

Table 8.10:
Managers' Perceptions of the Main Sources which Performance Auditors Might Use to Gain the Information Required for Accomplishing their Missions (Q.A2)
(1 = "Not Useful at all", 5 = "Very Useful")

N	Source of Information	No. of Cases	Mean	Rank	Std. Dev.
1	Legislative standards relating to objectives and evaluation criteria in the public sector	111	4.06	1	1.13
2	The management of the audited organisation	110	4.01	2	.89
3	The personnel and staff of the audited organisation	111	3.77	3	1.07
4	The customers of public organisations	111	2.85	5	1.14
5	The objectives and performance measures used in similar organisations	110	3.29	4	1.09

Public managers, however, agreed on the usefulness of the other sources suggested in the question (mean ≥ 3.29). The highest percentage of agreement from the public managers (75.4%) was reported for the second source, "the management of the audited organisation" (see Table 6, Appendix J). This result revealed that public managers consider themselves to be the most useful source of information as they have the ability to determine vague organisational objectives and performance measures. This finding may reflect their feelings that they are more familiar with the organisation and its operation and, accordingly, should have priority in deciding its objectives and performance measures.

Legislative standards relating to objectives and evaluation criteria in the public sector were ranked almost as highly by 72% of managers. In addition, sixty-six percent of the public managers reported their agreement with the third source, "The personnel and staff of the audited organisation", and forty seven percent with the fifth source, "The objectives and performance measures used in similar organisations".

The respondents' agreement over the various sources of information for auditors is in line with that in the literature, as well as the practice of state audit institutions in other countries (NAO, 1997a, p. 23). The main implication of the above results is that performance auditors, when faced with situations where the organisation or programme being audited has no clear objectives or performance standards, need to rely on a wide variety of sources to obtain the information required. In tackling this problem, auditors seem to consider collecting evidence from people as well as documentary sources. However, there are no specific rules declaring which source should be used in any given circumstance. In this situation, the auditor's knowledge and experience play their role.

In order to find out whether there are significant differences between the perceptions of the two groups of possible sources of auditors' information, the following hypothesis is tested:

> H2: There are no significant differences between the perceptions of performance auditors and public managers of the possible sources of information that auditors could use to obtain the required information.

The Mann-Whitney test (see Appendix I, Part A) revealed that with the exception of the responses of the two groups for the third source, "the personnel and staff of the audited organisation", there are significant differences between the auditors and managers over the relative usefulness of all the listed sources ($\rho < 0.05$). Performance auditors tend to place a higher importance on these sources than public managers (see the mean ranks of the two groups concerning these sources, Appendix I, Part A). The auditors' high agreement over the relative importance of these sources might reflect the auditors' direct engagement in auditing activities and their immediate dealings

with these sources which allows them to be more positive about their actual usefulness.

The significant differences between performance auditors and public managers might imply that channels of communication should be opened between the two groups. To avoid misunderstanding caused by ambiguities, it is vital that auditors and managers agree on common standards and criteria of performance.

The respondents' sharing of similar views on the relative usefulness of "the personnel and staff of the audited organisation" came as no surprise as it was expected that both auditors and managers would regard this group as a useful source of information because of their familiarity with the audited organisation and its activities.

8.2.6. THE PRE-AUDIT AND POST-AUDIT OF A PUBLIC PROJECT

One of the questions that auditors face is: at what level should they become involved in auditing a public project? Should they associate themselves at the time of planning? Should they carry out their duty during the execution of the project or after its completion?

Geist (1980) argued that the "preventive function of state auditors is most effective at the source i.e. prior to the taking of action and the spending of public money; in other words, state audit ought to check administrative decisions before they are implemented, thus preventing waste and inefficiency" (p. 12-13). In response to this view, some national audit institutions have been asked to address the possible effectiveness of future programmes. The Auditor-General of Denmark has carried out prospective studies of planned infrastructure projects by evaluating the quality of the

information presented to parliament before any decision is made. In other countries e.g. the USA and Germany, state auditors may be involved at the programme design stage (Shand and Anand, 1996, p. 84). The US GAO approach, for instance, comprises:

> 1) a careful, skilled textual analysis of a proposed programme, designed to clarify the implied goals of that programme and what is assumed to get results; 2) a review and synthesis of evaluation studies from similar programmes; and 3) summary judgements of likely success, given a future context that is not too different from the past (GAO, 1990; quoted by Shand and Anand, 1996, p. 84).

Supporters of this view have argued that planning and execution are the critical phases of many public projects and, therefore, a great deal of attention should be given to them. Undertaking a pre-audit at these stages would prevent waste, extravagance and irresponsible decisions being made (Giest & Mizrahi, 1991, p. 32) which, in turn, would result in saving substantial amounts of unnecessary or wasteful expenditure (Khan, 1994, p. 26).

Opponents of the pre-audit, on the other hand, have criticised this view on the following grounds (Khan, 1994, p. 26). First, the auditors' involvement during the planning and/or implementation phases might compromise their independence and lead to a conflict of interest. If auditors are involved in a public project from its initial stages, they undoubtedly will share the responsibility of it, and executives, on the other hand, will be relieved of some of their own responsibility. Inevitably, this situation will affect the post-audit of such programmes. Secondly, the auditors' ability to express an opinion on the project as a whole will be limited as the project's activities, which take place after auditors undertake their audit task at the initial stage, will remain unaudited. One suggestion is that an auditor could overcome this problem by undertaking a second audit after the completion of the project. However, in many

cases, this idea would not be practical since audit institutions possess very limited resources and executives would not welcome the idea of having two audits of the same project.

In order to explore the extent to which the Saudi GAB is involved in pre-audit activities, the respondents from the two participating groups were provided with a list of different stages of a public project[1] and were asked to indicate the stage at which performance auditing usually occurs. For some reason, as mentioned above, the execution of a pre-audit by state audit institutions is extremely rare. As these circumstances seem to be a universal phenomenon, it could be expected that the Saudi GAB would limit its scope and extent of audits to the widely applied post-audit function. A summary of the auditors' and managers' perceptions of this issue is shown in Table 8.11 and Table 8.12 respectively.

Table 8.11:
Auditors' Perceptions of the Stage at which Performance Auditing of a Public Project usually Occurs (Q. A7)
(1 = "Never", 5 = "Always")

N	Project Stage	No. of Cases	Mean	Rank	Std. Dev.
1	Planning stage only	32	1.66	5	1.07
2	Planning stage and continuing through implementation stage	31	2.13	4	1.26
3	Planning stage and continuing through implementation stage, but for selected projects only	31	2.52	3	1.34
4	Implementation stage only	32	3.34	2	1.23
5	After the completion of the project	32	4.00	1	1.08

Table 8.11 suggests that performance auditors were in agreement on the occurrence of performance auditing at two stages only i.e. the implementation and after completion stages (see also Table 7, Appendix J for more details). There was a high level of

[1] Since the Saudi GAB is not involved in auditing public projects of continuous life, the discussion made, and the conclusions reached, in this section concerning the performance auditing of public projects in the Saudi public sector is restricted to projects with defined time horizons.

agreement from the majority of auditors (78%) that performance auditing occurred after the completion of a public project, with a mean score of 4.00. The audit of a public project during the implementation stage, on the other hand, received moderate agreement from auditors where only 50.1% of them agreed with the occurrence of this type of auditing during the implementation stage, with a mean score of 3.34.

The auditors' agreement over the occurrence of performance auditing at the implementation stage represents a major divergence from what might be expected, at least in a developing country. The GAB's execution of pre-audit functions, as perceived by the auditors, may suggest that the Saudi experience, in terms of when state auditors should associate themselves with a public project, represents an encouraging practice.

Table 8.12:
Managers' Perceptions of the Occurrence of Performance Auditing during the Different Stages of a Public Project (Q. A3)
(1 = "Never", 5 = "Always")

N	Project Stage	No. of Cases	Mean	Rank	Std. Dev.
1	Planning stage only	100	1.93	5	1.14
2	Planning stage and continuing through implementation stage	98	2.26	4	1.11
3	Planning stage and continuing through implementation stage, but for selected projects only	98	2.80	3	1.21
4	Implementation stage only	98	2.95	2	1.07
5	After the completion of the project	98	3.51	1	1.06

Public managers, on the other hand, believe that the GAB's auditing of public projects is fully characterised as being post-audits. Table 8.12 shows that when performance auditing of a public project is carried out, the occurrence of such an audit after the project's completion was perceived as the most common practice of the GAB (scale 4 &5) by 53.1% of managers, with a mean score of 3.51. The occurrence of performance

auditing during planning and implementation stages, however, was perceived to be rarely practised (mean < 3.0).

The reported results indicate that performance auditors are concerned mainly with after-the-fact, fault-finding audits. The limited use of pre-audit practices by the GAB is possibly due to the perceived practical difficulties relating to the availability of staff and financial resources and the possible negative effect upon the auditors' independence. In addition, the limited use of pre-audit practices by the GAB might be ascribed to the absence of any pressure in Saudi Arabia to use such types of audit practice.

A direct implication of these findings is the need for auditors to be involved in the up-front planning of programmes and organisations in order to avoid problems before they occur. The researcher believes that the GAB's auditors should have the responsibility of commenting on the potential deficiencies of programme design and on whether or not a programme is going to be effective in achieving its goals.

In order to examine whether the GAB's pre- and post audit activities were perceived differently by the respondents of the two groups, the following hypothesis is tested:

> H3: There are no significant differences between the perceptions of performance auditors and public managers of the level at which performance auditing takes place in a public project.

The Mann-Whitney test (see Appendix I, Part A) revealed that the responses of the two groups differed significantly with respect to the occurrence of performance auditing after the completion of a public project ($\rho = 0.012$). Although the majority of

each group agreed on the occurrence of performance auditing examination of a public project after its completion, this majority varied from 53.1% in the case of public managers, to 78.1% in the case of performance auditors. The mean ranks (Appendix I, Part A) revealed that performance auditors tend to have a higher level of agreement on the occurrence of performance auditing examinations of a public project after its completion than public managers. The views of the managers clearly indicated that performance auditing of public projects is still occasionally practised, even after the completion of the project. However, it is difficult to conclude whether the managers' views emulated from their endorsement of the need to increase performance auditing of public projects.

In addition, although the mean scores of the two groups with respect to the occurrence of performance auditing at the implementation stage of a public project gave rise to different conclusions, the Mann-Whitney test (Appendix I, Part A) showed that the responses of the two groups were not significantly different. This result is quite clear from the frequency distributions presented in Tables 7 and 8, Appendix J. Taking into consideration the respondents who selected the neutral stance, "sometimes" alternative, the percentages of auditors and managers supporting the occurrence of performance auditing at this stage are 75% and 69.4% respectively.

8.2.7. SUMMARY

This section has presented the research findings concerning several issues relating to the nature of performance auditing in the Saudi public sector. These issues include the objectives, approaches and processes of performance auditing; the auditors' main sources of information; and the extent to which the Saudi GAB is involved in pre-

audit activities. The following conclusions have emerged from the discussion of these topics.

Firstly, with regard to the objectives of performance auditing, the perceptions of the respondents indicated that this type of audit could serve a wide range of objectives aimed at promoting good public sector administration. Furthermore, the respondents' views provided clear evidence that the introduction of performance auditing practices in the Saudi public sector is perceived as being directed towards constructive and positive purposes rather than that of punishment. The reported positive views of the respondents may give an indication of the respondents' acceptance of this type of audit and the possible positive outcomes that performance auditing might produce for public sector operations and administration. The above results should provide GAB officials with clear support for moving towards increasing the extent and frequency of performance auditing in the public sector.

The second conclusion is concerned with the scope and extent of performance auditing practices in the Saudi public sector. Although the GAB's constitutional mandate contains no explicit requirement to undertake performance investigations, the expanded approach to auditing has been emphasised in the GAB's Comprehensive Auditing Standards and Organisational Framework. Documentary analysis showed that the GAB's stated approach to performance auditing adheres to the general approach of performance auditing advocated in the literature. It encompasses examination of all three components of performance auditing i.e. economy, efficiency and effectiveness.

The third conclusion relates to the specific approaches that auditors follow while undertaking audit investigations. The majority of performance auditors indicated a high level of agreement with all the listed approaches. The auditors' reported attitude is in line with that reported in the literature: that there is no specific approach applicable to performance audit investigations under all conditions and circumstances and at all times.

Fourthly, an overwhelming majority of auditors supported the notion that performance audit practices in the Saudi public sector provide no consistent methodology or unified technique that can be used to adequately assess the performance of public sector organisations in all settings. Ninety-four percent of them indicated that audit methodology is developed on a case by case basis. The auditors' choice of the proper methodologies and techniques seems to be affected by various factors, including the nature of the audited organisation and its internal control system; data availability; and audit objectives and resources.

However, it is worth noting that the reported findings by no means indicate that the GAB's auditors are left with no guidance at all. Documentary analysis revealed that the GAB suggested a general direction that auditors are expected to follow. The general pattern covers various aspects of an audit project, including the selection, planning, implementation, reporting and the follow-up procedures (GAB, 1998, pp. 3-31).

Fifthly, the respondents believed that there are various factors that could influence the selection of audit investigations. These factors may include, among others, the size of the auditee's budget, previous audit findings and the availability of audit resources.

This evidence might suggest that the selection of an audit issue is influenced by a far greater range of concerns than the monies immediately involved.

Sixthly, the research findings unveiled different positive aspects relating to the report of an audit work, as revealed in the GAB's publications. One important aspect is the opportunity that is given to the audited organisation to make its own comments on the contents of the report prior to its formal release, either through holding exit conferences or requesting written comments. Another aspect of the audit report is the emphasis on the balanced stance of the report where both good and bad practices are considered. These actions represent vital factors which increase the objectivity of an audit report which, in turn, increases the co-operation and strengthens the working relationships between auditors and their auditees.

However, it is important to note that communications between GAB auditors and their auditees has received little attention during the implementation stage of an audit. Since the implementation phase is clearly the longest and the most crucial phase during which much of the audit work is undertaken, evidence is collected and conclusions are reached, the absence of close working ties between auditors and their auditees during this phase obstructs many of the benefits expected from substantiating such practice.

The seventh conclusion is concerned with the dissemination of audit findings. The circulation of audit reports is limited to the management of the audited entity and/or the responsible Ministry. The local media has no access to these reports and every attempt is made to ensure their confidentiality. This practice raises doubts on the

ability of performance auditing, as currently practised by the Saudi GAB, to produce a good basis for strengthening the accountability relationship within the public sector.

The eighth conclusion pertains to the implementation of audit recommendations. The Saudi authorities seem to demonstrate partial recognition of this vital issue. On the one hand, auditees are obliged to fulfil the recommendations contained in the audit reports and auditors are required to follow up the implementation steps taken by auditees. Moreover, on the other hand, there is a lack of enforcement mechanisms needed to ensure such implementation.

Ninthly, the research respondents indicated a high level of agreement about the various information sources which auditors might use to identify the relevant objectives and performance standards when assessing the output of public sector organisations and programmes. Auditors seem to consider collecting evidence from people as well as documentary sources. However, the level of the auditors' reliance on these sources varies depending on the knowledge and experience of the auditors.

Additionally, the respondents indicated a limited use of pre-audit practices by the GAB. This situation might be linked to several factors, including practical difficulties relating to the availability of staff and financial resources; the possible negative effect upon the auditors' independence; and the absence of any pressure in Saudi Arabia to use such types of audit practice.

Finally, it is worth noting that the survey data was collected from two different groups of respondents i. e. performance auditors and public managers. In general, the reported results suggested, in various occasions, the existence of significant differences

between the perceptions of the two groups. These differences can be seen in their attitudes towards the following issues: the improvement of organisational performance as being an objective of performance auditing; the relative usefulness of the main sources of information which performance auditors need to accomplish their missions; and the occurrence of performance auditing after the completion of public projects.

8.3. CONCLUSIONS

It was stated in the introductory chapter and in the introduction to this chapter that the various issues raised in this study would be presented under two themes. This chapter, which covered the first theme, was mainly concerned with analysing and reporting the research findings concerning several issues relating to the nature of performance auditing in the Saudi public sector. These included the objectives, approaches and processes of performance auditing; the auditors' main sources of information; and the extent to which the Saudi GAB is involved in pre-audit activities.

One main conclusion that was drawn from Chapter Two, which reviewed the literature on the nature of performance auditing in Western countries, was that performance auditing could be used as an instrument for achieving various objectives. Another conclusion was that performance auditing is far from establishing a unified approach or specific procedures to be followed in all audit cases.

The results reported in this chapter revealed that the Saudi experience in the field of performance auditing shares, in various instances, a common base to that which has been identified in the literature or reported about the practices of other state audit institutions. With regard to the objectives of performance auditing, this study provided some evidence that this type of audit could serve a wide range of objectives that might

enhance and promote good public sector administration. In addition, it is evident from the respondents' perceptions that performance auditing practices in the Saudi public sector are directed towards constructive and positive purposes rather than that of punishment.

The findings of this study also showed that the GAB's approach to performance auditing adheres to the general approach of performance auditing as advocated in the literature, encompassing the examination of economy, efficiency and effectiveness. Furthermore, the auditors' reported views showed that there is no specific approach or unified techniques applicable to performance audit investigations under all conditions and circumstances and at all times. In fact, the selection of the proper approach and techniques seems to be affected by various factors relating to the audited organisation and the objectives and resources of the audit operation.

Analysis of the GAB's general audit direction which covers the different phases of an audit project unveiled various positive aspects supported by the literature. One important aspect is the opportunity that is given to the audited organisation to make its own comments on the contents of the audit report prior to its formal release. Another aspect is the emphasis on the balanced stance of the audit report where both good and bad practices are considered.

On the other hand, deficiencies were also identified. The first is related to communication between GAB auditors and their auditees. This issue seems to receive little attention during the implementation stage of an audit. The second deficiency is arises from the confidentiality attached to the audit as they are circulated only to the management of the audited entity and/or the responsible Ministry. The third problem

is the lack of enforcement mechanisms which would ensure the implementation of the audit recommendations. The fourth problem is concerned with the limited use of pre-audit practices by the GAB.

While this chapter presented some evidence concerning the nature of the performance auditing system applied by the Saudi GAB, the intention of the next chapter is to report the research findings on the extent to which this system has been effectively operationalised within the Saudi public sector. More specifically, the possible influence of the above stated problems, in addition to the influence of other factors, on the proper functioning of performance auditing will be the main concern of the next chapter.

CHAPTER NINE

THE EFFECTIVENESS OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR: EMPIRICAL EVIDENCE

9.1. INTRODUCTION

Chapter Eight presented the research findings concerning the first theme of the study "the nature of performance auditing in the Saudi public sector". The intention of chapter is to report the research findings concerning the second theme of the research which is examining the effectiveness of performance auditing as currently practised in the Saudi public sector.

This chapter consists of four sections. Following this brief introduction, Section Two is concerned with assessing the effectiveness of performance auditing in the Saudi public sector. Several issues relating directly or indirectly to the effectiveness of performance auditing are discussed. The third section moves on to give an overall impression of the effectiveness of performance auditing. Finally, Section Four presents the conclusions of the chapter.

9.2. HOW WELL IS THE PERFORMANCE AUDITING SYSTEM WORKING?

9.2.1. INTRODUCTION

Broadly speaking, state audit institutions have an interest in expanding their role beyond the traditional financial auditing of government transactions to investigating the broader issues concerning the efficiency and effectiveness of government activities and programmes. Although these new roles have been with us since the 1970s, there have been few academic studies done (e.g. Friedberg, 1991) which evaluate the extent to which state audit institutions have been successful in achieving what they purport to achieve from the expansion of their role.

Assessing the effectiveness of performance auditing is an important issue for different groups, including legislators, the administration, the general public as well as the audit

institution itself. For instance, auditors would be motivated if they find out that their efforts have been effective. Legislators, on whose behalf state auditors undertake performance audit investigations, are interested to know the extent to which the auditors have come close to their expectations in pointing out areas of improvement and in enforcing executive accountability.

As far as performance auditing in the Saudi public sector is concerned, the current system has been in use for long enough for judgements to be made on its effectiveness. In Chapter Four, it was pointed out that there is a need to use a multi-faceted scheme to assess the effectiveness of performance auditing. The proposed scheme, as illustrated in Chapter Four (see Figure 4.2), has five main criteria that are linked to the proper functioning of performance auditing, by which we hope to characterise the effectiveness of the performance auditing system in the Saudi public sector. Accordingly, the rest of this section is devoted to discussing these five dimensions which may all be used as indicators of the success or failure of this system as practised by the Saudi GAB.

9.2.2. ACHIEVEMENT OF PERFORMANCE AUDITING OBJECTIVES

As stated in Chapter Four, a useful criterion for assessing the effectiveness of performance auditing is to find out whether the objectives of the current system of performance auditing have been achieved. It can be seen from Chapter Eight (Section 8.2.2) that performance auditing was perceived as an instrument utilised to serve different objectives. Accordingly, in order to assess the effectiveness of the performance auditing system in the Saudi public sector, the participants were given a list of objectives, similar to the one presented in Section 8.2.2, and asked to indicate how effective the performance auditing system in the Saudi public sector has been in achieving these

objectives. A summary of the perceptions of the performance auditors and public managers is presented in Table 9.1 and Table 9.2 respectively.

Table 9.1 shows that the auditors recorded a relatively high level of agreement (mean > 3.0) on the effectiveness of the current system of performance auditing with respect to eight of the ten listed objectives. The highest percentage of agreement was found for the fourth objective, "promoting the economy, efficiency and effectiveness of government organisations, programmes and activities". Almost 74% of the auditors agreed that the performance auditing system was quite or very effective (scale 4 & 5) with respect to this objective (see Table 1, Appendix K). The second objective, "improving organisational performance" was also perceived by two thirds of the auditors (68%) to be influenced by performance auditing. The auditors also reported that performance auditing has influenced the other objectives, excluding objectives numbers seven and eight. This perceived influence ranged from 56% for objective number 3, "helping public organisations to set goals and objectives for their achievement" to 35.3% for objective number 5, "ensuring the importance of developing performance measures and/or indicators for public organisations".

With regard to objective number 6, "helping decision makers in the public sector by providing them with information about public organisations productivity", the percentage distribution of the responses of the auditors seemed to provide a different conclusion than that given by the mean score. The reason for the relatively high mean score might be that the majority of auditors (56%) selected the middle stance by reporting that performance auditing enjoyed a moderate influence on this factor, while only 26.5% of them agreed

on the 'quite' effect that performance auditing has on this factor and 17.6% of them disagreed.

Table 9.1:
Auditors' Perceptions Concerning the Extent to which the Objectives of the Performance Auditing System Have been Achieved (Q. B1)
(1 = "Ineffective", 5 = "Very Effective")

N	Objectives of Performance Auditing	Cases	Mean	Rank	Std. Dev.
1	Enhancing organisational accountability	34	3.44	6	.99
2	Improving organisational performance	34	3.91	1	1.06
3	Helping public organisations to set goals and objectives for their achievement	34	3.50	4	.96
4	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	34	3.88	2	.91
5	Ensuring the importance of developing performance measures and/or indicators for public organisations	34	3.32	7	.88
6	Helping decision makers in the public sector by providing them with information about public organisations productivity	34	3.18	8	.94
7	Helping public organisations to specify their needs in terms of training and development	34	2.82	9	1.00
8	Providing useful information for reward and punishment purposes	34	2.24	10	1.16
9	Improving the quality of public organisation services	34	3.56	3	1.02
10	Improving the caring of public organisations towards their customers	34	3.47	5	1.02

The auditors, however, retained a relatively low level of agreement (mean < 3.0) on the influence of performance auditing on the seventh and eighth factors, "helping public organisations to specify their needs in terms of training and development" and "providing useful information for reward and punishment purposes" (see Table 9.1). While 47% of auditors perceived that performance auditing was ineffective or rarely effective with regard to objective seven, only 26.5% of them agreed with it having 'quite' or 'high' influence on this factor. The perceptions of auditors on objective eight were as follows: 67.6% ineffective, 17.6% moderately effective and 14.7% effective (see Table 1, Appendix K).

Table 9.2:
Managers' Perceptions Concerning the Extent to which the Objectives of the Performance Auditing System have Been Achieved (Q. B1)
(1 = "Ineffective", 5 = "Very Effective")

N	Objectives of Performance Auditing	Cases	Mean	Rank	Std. Dev.
1	Enhancing organisational accountability	111	3.38	1	1.07
2	Improving organisational performance	111	3.25	2	1.18
3	Helping public organisations to set goals and objectives for their achievement	111	2.87	6	1.10
4	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	110	3.19	3	1.04
5	Ensuring the importance of developing performance measures and/or indicators for public organisations	111	2.97	4	1.12
6	Helping decision makers in the public sector by providing them with information about public organisations productivity	111	2.90	5	1.12
7	Helping public organisations to specify their needs in terms of training and development	111	2.49	9	1.14
8	providing useful information for reward and punishment purposes	111	2.36	10	1.03
9	Improving the quality of public organisation services	111	2.51	8	1.00
10	Improving the caring of public organisations towards their customers	111	2.60	7	1.04

Public managers, on the other hand, seem to have different perceptions from those of performance auditors. Managers perceive that the current system of performance auditing in the Saudi public sector has affected *only* three out of the ten listed objectives. Only the first, second and fourth objectives received a mean score greater than three. The influence of performance auditing on the first objective, "enhancing organisational accountability" and the second objective, "improving organisational performance" received a high percentage for agreement from the auditors, 48.6% and 47% respectively (see Table 2, Appendix K). The influence of performance auditing on the fourth objective, "promoting the economy, efficiency and effectiveness of government organisations, programmes and activities" also received a relatively high level of agreement among the performance auditors (41%). Managers, on the other hand, reported a low level of agreement on the influence that performance auditing brought to other

factors. This agreement ranged from 35% for objective number 5 to 13.5% for objective number eight.

Three main conclusions can be drawn from the above findings. Firstly, both groups placed more stress on both the improvement that performance auditing has produced for the economy, efficiency, effectiveness and performance of public organisations and the enhancement of organisational accountability within the public sector. Taking into consideration the fact that these objectives have been identified in the literature as being the primary aims of performance auditing and that performance auditing is usually defined in relation to the economy, efficiency and effectiveness elements (the 3Es), this result represents an encouraging achievement for all those concerned with the functioning of performance auditing in the Saudi public sector.

The participants' views regarding the improvements that performance auditing has made to the efficiency, effectiveness and performance of public organisations as well as to the organisational accountability within the public sector might be understood within the expected contributions that performance audit reports and recommendations can provide to these aspects of the public sector. Performance audit reports and recommendations can be used as tools for questioning those who are responsible for managing public resources and for providing corrective directions for improvements. However, this possibility has little bearing in the Saudi case as revealed in Section 9.2.4. The respondents' views, particularly those of the auditors, on the extent to which the audit recommendations are implemented are discouraging. In other words, the respondents' perceptions of the extent to which audit recommendations were implemented may cast some doubts on the possible role that performance auditing recommendations may have on the efficiency, effectiveness and performance aspects of public sector organisations.

Accordingly, other explanations should be considered in order to provide a feasible justification for the respondents reported perceptions of the improvements that performance auditing has made to the efficiency, effectiveness and performance of public organisations as well as to the organisational accountability within the public sector. One possible explanation might be linked to the general rationale underpinning the subject of performance auditing. It is assumed that government agencies will pay attention to those aspects of their operations that are being monitored and evaluated by political authorities as well as oversight agencies. Since the GAB performance audit reports are delivered to the responsible officials at the relevant ministries, they are important in the oversight process. Government departments will, accordingly, become more performance-oriented if their programmes and operations are subjected to performance audits.

In addition, the impact expected from conducting performance investigations which are concerned with highlighting examples of good practices and successful processes could provide another explanation. Identifying good practices for auditees may advance organisational performance in two possible ways: (1) providing good solutions for adoption by other areas of the organisation; and (2) creating a potential climate for change i.e. the managers' behaviour will be influenced to be more performance-oriented since this type of performance audits will identify poor performers as well.

The second conclusion, which seems contradictory to the first one, is related to the effect that performance auditing has brought to the decision-making process in the Saudi public sector. Although public managers reported that performance auditing has made some improvements to the economy, efficiency, effectiveness and performance of public organisations as well as to the organisational accountability within the public sector, the same respondents believed that after almost 10 years of application, performance

auditing has made little improvement to the decision-making process in the public sector. In order to explain this inconsistency in the research findings, it must be understood that the decision-making processes in the Saudi public sector are often, as in many developing countries, guided by governing legislation and regulations that are mostly centralised. More specifically, the centralisation of decision-making might provide some possible explanations for the managers' low level of agreement over the effect of performance auditing on the decision-making processes in the Kingdom. The centralisation of decision-making might have prevented the managers of public sector organisations from realising the benefits brought by performance auditing to this area. While there might be an improvement in the decision-making processes on a national level, individual managers of public sector organisations are unaware of this, as they are not directly involved in these processes. The small influence that performance auditing has on decision-making processes in the Saudi public sector could also be attributable to the length of time needed for such a system to influence decision making.

The final conclusion is related to the shared views of the respondents that performance auditing had 'little' influence on factor number 8, "providing useful information for reward and punishment purposes". This result came as no surprise as it had been previously reported (see Chapter 8, Section 8.2.2) that neither the auditors nor managers would agree that this factor was a main objective of performance auditing.

The reported divergence between the participants' attitudes, particularly those of managers, towards "performance auditing objectives", on the one hand, and their attitudes towards "the extent to which these objectives have been achieved", on the other, might provide some support to McSweeny's and Sherer's assertion (1990, p. 294)

regarding the gap between stated theories and theories in action of Value For Money (VFM) auditing. In this respect, they argued that:

> [T]here are both theoretical and implementation deficiencies in the main espoused VFM auditing theory. Stated theories and theories in action may differ. The gap between the general and the specific may be very large: the consequences of VFM audits may or may not articulate closely and automatically with their stated aims (Hopwood, 1984).

While both groups seem to agree that different objectives can be achieved by using performance auditing (see Chapter 8, Section, 8.2), public sector managers are likely to show a lower level of agreement than performance auditors over the actual effects that performance auditing has achieved. In order to explore the extent to which the differences between the responses of the two groups are statistically significant, the following hypothesis is tested:

> H1: There are no significant differences between the perceptions of performance auditors and public managers concerning the extent to which the objectives of performance auditing have been achieved.

The Mann-Whitney test (see Appendix I, Part B) revealed that there are significant differences between the responses of the two groups with respect to the perceived influence of performance auditing on five of the ten listed factors ($\rho < 0.05$). Performance auditors showed a higher level of agreement than public managers on the influence of performance auditing on objectives 2, 3, 4, 9 and 10 (see the mean ranks of the two, Appendix I, Part B). Although the mean scores of the two groups with respect to the influence that performance auditing has on objective 5 and objective 6 gave different conclusions, the Mann-Whitney test (Appendix I, Part B) showed that the responses of the two groups were not significantly different. This result can be explained by taking into consideration the frequency distribution of the responses of the two groups presented

in Tables 1 and 2, Appendix K. By excluding the respondents who selected the neutral stance (scale 3), the percentages of auditors' and managers' agreement on the influence of performance auditing on these two objectives are very close.

The managers' low level of agreement on the achievement level of performance auditing objectives might reflect their perceptions that the GAB is failing to carry out this type of auditing. This conclusion raises questions concerning the various factors that could lead to this outcome. These factors include, among others, the management and execution of performance auditing as practised in the audit field; auditors' development and training; the GAB's recruitment strategies; the GAB's relationship with public sector entities; and the readiness of the general environment of the public sector to this type of audit. In addition, perceptions of the public managers concerning performance auditing objectives and the extent to which these objectives have been achieved might bring about the expectation gap issue. These issues, and others, are the concerns of the remainder of this chapter as part of the assessment of the effectiveness of the current system of performance auditing in the Saudi public sector.

9.2.3. ENVIRONMENTAL CRITERIA

9.2.3.1. Introduction

This section deals with the second and third criteria of the proposed model of performance auditing effectiveness, which are mainly concerned with the different factors relating to the GAB's external and internal environments. The former includes factors linked directly to the general domain of the public sector while the latter involves factors that are directly related to the Bureau's organisational and operational structure.

Due to the relatively short time span since the performance auditing system was introduced to the Saudi public sector, it seems appropriate to explore how various environmental factors might be perceived as limitations of the current system of performance auditing. Investigating this issue is imperative to the assessment of the effectiveness of the current system of performance auditing since its success is largely dependent on the existence of a compatible and sound environment. In practice, the nature and organisation of the public sector and the GAB's organisational and operational structure cannot be separated from the effective functioning of the performance auditing system. In addition, it is hoped that exploring this issue would help us to identify the major obstacles which exist and, accordingly, affect the full implementation of performance auditing in the Saudi public sector, with a view to proposing recommendations that will overcome these deficiencies.

The literature, as reported in Chapters Two and Three, identified various environmental factors which are likely to influence the effectiveness of performance auditing (e.g. Abdulgader, 1991; Barzelay, 1996; Dahmash, 1982; Geist & Mizrahi, 1991; Glynn, 1993; Hassny, 1990; Hosseini & Rezaee, 1990; INTOSAI, 1995; Leclerc, et al., 1996; Barrett, 1996; Price Waterhouse, 1990; Sharkas, 1985; Tantuico, 1980; Zavelberg, 1996). These factors include, but are not limited to, lack of independence, ambiguity of goals and objectives in the public sector organisations/projects, lack of support and interest on the part of legislative and administrative officials at higher levels, absence of performance measures and/or indicators in the public sector, absence of sound financial reporting and internal control systems in public organisations, shortage of qualified staff to undertake performance audits and insufficient training for performance auditors. The

following sub-sections will discuss these factors and the extent to which they affect the utilisation of the performance auditing system in the Saudi public sector.

9.2.3.2. Public Sector Environment

As stated above, there are a series of environmental factors which are likely to have an impact on the effectiveness of performance audits; some factors are within the reach of the GAB's influence and some are not. The research respondents were given several possible problems that might affect the full application and operationalisation of performance auditing, and were asked to indicate the extent to which they agreed that they were obstacles limiting the effectiveness of the current system of performance auditing as applied by the GAB.

The list provided was not intended to be totally comprehensive and, as a result, respondents were invited to mention "other" environmental factors that might influence the effectiveness of the performance auditing system. However, in general, they declined to do so. The auditors' and managers' perceptions of these factors are presented based on their categorisation as proposed in Figure 4.2: factors connected with the public sector environment (Table 9.3 & Table 9.4); and factors connected with the GAB internal environment (Table 9.5 & Table 9.6). The former is the concern of this section while the latter will be covered in section 9.2.3.3.

Table 9.3:
Auditors' Perceptions Concerning some Factors Pertaining to the Public Sector Environment that might be seen as Perceived Limitations of the Current System of Performance Auditing (Q. B2)
(1 = "Strongly Disagree", 5 = "Strongly Agree")

Serial No.	No. in the Questionnaire	Factors	No. of Cases	Mean	Rank	Std. Dev.
1	2	The ambiguity of goals and objectives in public sector organisations/projects	34	3.59	2	.96
2	3	The lack of performance measures and/or indicators in the public sector	34	3.88	1	.81
3	4	The lack of a sound financial reporting system in the public sector	34	3.18	4	.76
4	5	The lack of a sound internal control system in the public sector	34	3.53	3	.75
5	8	The lack of support and interest on the part of legislative and administrative officials at higher levels	34	3.12	5	1.01

With regard to the perceived problems of the public sector environment, Table 9.3 indicates that auditors reported a high level of agreement for all the problems listed (mean scores ≥ 3.12). However, based on the mean and the distribution frequencies, the agreement of the auditors attached to these problems could be categorised into two groups. The first group of factors (numbers 1, 2 and 4) were agreed upon (scale 4 & 5) by a majority of the auditors, ranging from 56% for factor number 4 to 76.4% for factor number 2 (see Table 3, Appendix K). "The lack of performance measures and/or indicators in the public sector" was perceived to be the most important problem in the Saudi public sector impeding the GAB's capabilities to undertake performance audit examinations, with a mean score of 3.88. "The ambiguity of goals and objectives in public sector organisations/projects" was ranked second (mean = 3.59) followed by "the lack of sound internal control system in the public sector" (mean = 3.53). The second group includes factors 3 and 5. These were perceived as obstacles limiting the effectiveness of the current system of performance auditing by at least 38.3% of the auditors and had mean scores ranging from 3.12 to 3.18 (see Table 3, Appendix K).

Table 9.4, by contrast, shows that the perceptions of the public managers indicated a relatively high level of agreement (mean ≥ 3.0) on the importance of three factors only out of the five listed as being perceived limitations of the performance auditing system. Almost half of the managers perceived "the lack of performance measures and/or indicators in the public sector" to be the greatest problem within the Saudi public sector threatening the effective conduct of performance audits, with a mean score of 3.38. However, taking the undecided responses (31.5%) into consideration leaves only 19% of public managers who disagreed that this factor was an obstacle affecting the GAB's ability to undertake performance auditing (see Table 4, Appendix K). Although the mean scores of the third and fourth factors are 3.01 and 3.07 respectively, the managers seem to be divided equally regarding their agreement over these two factors. While 36% of managers perceived "the lack of a sound financial reporting system in the public sector" as an obstacle, 37.8% of them disagreed. On the other hand, managers' responses concerning "the lack of a sound internal control system in the public sector" were as follows: 37.8% agree, 27% undecided and 35.1% disagree (see Table 4, Appendix K).

Table 9.4:
Managers' Perceptions Concerning some Factors Pertaining to the Public Sector Environment that might be seen as Perceived Limitations of the Current System of Performance Auditing (Q. B2)
(1 = "Strongly Disagree", 5 = "Strongly Agree")

Serial No.	No. in the Questionnaire	Factors	No. of Cases	Mean	Rank	Std. Dev.
1	2	The ambiguity of goals and objectives in public sector organisations/projects	111	2.96	4	1.03
2	3	The lack of performance measures and/or indicators in the public sector	111	3.38	1	.96
3	4	The lack of a sound financial reporting system in the public sector	111	3.01	3	1.02
4	5	The lack of a sound internal control system in the public sector	111	3.07	2	1.02
5	8	The lack of support and interest on the part of legislative and administrative officials at higher levels	110	2.77	5	.98

Moreover, public mangers showed higher disagreement than agreement to the other two factors, with mean scores ranging from 2.77 for factor 5 to 2.96 for factor 1. While 38% of managers agreed or strongly agreed with factor 1, 39.6% disagreed or strongly disagreed. The perceptions of managers regarding factor five were as follows: 25.4% agreed, 29% undecided and 45.6% disagreed (see Table 4, Appendix K).

Despite the fact that there are some differences between the responses of the two groups, both auditors and managers, not surprisingly, indicated that there were some serious deficiencies within the public sector environment against which action should be taken if the expected contribution of performance auditing for the public sector was to be fully recognised. These findings provide, again, some support to McSweeny's and Sherer's assertion that there is an existing gap between stated VFM theories and VFM audits in-action (1990, p. 294).

The respondents' perceptions of these problems implied that the successful implementation of the performance auditing system in the public sector organisations and activities will not easily occur of its own accord and there is a need for fundamental changes in the public sector environment in order to achieve the desired benefits expected from this type of audit. In this respect, it is worth noting that advances in performance auditing in the public sector rely heavily on building a public sector environment in which this type of auditing is not only possible, but is able to be successful. The perceptions of the two groups to these factors as being obstacles restraining the effectiveness of the current system of performance auditing are in agreement with what has already been reported in the literature (e.g. Abdulgader, 1991; Dahmash, 1982; Hassny, 1990; Khan, 1994; McSweeny & Sherer, 1990; Tantuico, 1980).

The lack of performance measures or indicators in the public sector was perceived by both groups to be the most notable challenge facing the GAB within the public sector environment. At the time when the research fieldwork was conducted, no formal performance measures or indicators had been established by public organisations. This problem is expected to hinder the GAB's ability to perform its duties, particularly its efforts to carry out effectiveness auditing. In cases where no measures or indicators of performance exist, the auditors' role will turn into a very broad and research-like activity. This situation, particularly when resources are limited, would reduce the possibility for a broad coverage of the audit field (Pollitt, et al., 1999, p. 18).

With regard to "the ambiguity of goals and objectives in public sector organisations and projects", the auditors' agreement on this factor might reflect their belief that established goals for public organisations and programmes are fundamental to the effective implementation of performance auditing. It is assumed that the absence of goals and objectives would place auditors in a difficult situation and would mean that they lacked a basis against which organisational and programme achievements could be judged objectively. The importance of having clear organisational goals and objectives in the public sector is supported by previous research (e.g. Glynn, 1993, p. 118; McSweeney and Sherer, 1990; Price Waterhouse, 1990, p. 76). For example, McSweeney and Sherer (1990) have emphasised that:

> The first and most essential requirement of VFM is a formal statement of unambiguous goals by organisations for each of their activities. These goals then become the targets towards which organisational activity is directed and provide the benchmarks against which accomplishments are assessed (p. 298-299).

The effects of this factor are compounded by the effects of the second factor i.e. "the lack of performance measures and indicators in the public sector".

An immediate implication of the respondents' perception that these two obstacles exist in the public sector is that there is a considerable need to develop clear objectives and performance measures for public organisations in the Saudi public sector. It is possible for the GAB to take certain steps in order to increase pressure on public officials to develop and adapt clear objectives and suitable measures of performance in their organisations. In this respect, it is important that public sector organisations be made aware of the significant role they are expected to play in achieving the expectations of performance audits. However, the filling of this gap by public sector organisations, if occurred, may take a long time. Therefore, the GAB should work on preparing its own version of public sector objectives and performance measures.

The lack of sound financial reporting and internal control systems in the public sector, as perceived by the research respondents, provide support for previous findings that management information systems in the Saudi public sector is a neglected area (see Chapter Five, Section 5.5). This problem will force auditors to spend the majority of their time locating and tracing different transactions when seeking for evidence (Chandler & Holzer, 1981, p. 12).

An implication of this result is that there is an urgent need to develop timely and reliable management information systems in public organisations. Effective management information systems in public sector organisations are very important both to the executives and external auditors. In the interest of both groups, financial reporting and internal control systems will produce information regarding an organisation's activities and, at the same time, ensure the accuracy and reliability of the information. In particular, the availability of these systems means that GAB auditors can carry out their missions more successfully as they will have more reliable information and will save a great

proportion of their time, giving them more time for additional performance audit operations. It is generally recognised that the establishment and maintenance of effective management information systems is a direct management responsibility. Accordingly, auditors should pressurise public officials into developing and utilising effective management information systems in their organisations.

Another obstacle facing the GAB within the general domain of the public sector, as perceived by performance auditors, is "the lack of support from higher officials to performance auditing system". Without the support of top authorities, performance audit examinations will be a waste of time. A possible cause of the lack of interest from top officials might be linked to the fact that the introduction of performance auditing into the public sector was taken on the GAB's own initiative with little publicity. The researcher anticipates that government politicians and high officials are not familiar with this type of auditing and its potential benefits for them and for the country in general.

The significance of the support of top officials can be seen from its implications for both state audit independence and the effective implementation of audit findings. Creating an independent status for state auditors, in the GAB's mandate, (see Section 9.2.3.3.2) is not an end in itself but is a means of ensuring the effective operationalisation of performance auditing in the public sector, thereby allowing it to achieve its stated objectives. Effective operationalisation will, however, never be established without the support and input from top authorities. Masters (1994) states that:

> A successful performance audit function requires balancing independence with elected official support. Without the support of elected officials, auditing can become an exercise in futility. However, without appropriate independence from elected officials, the credibility of the audits can be questioned (p. 1).

Other researchers went further. They concluded that it is the recognition and support which the audit function has won and not the legal provisions of the state audit constitution that provide the best safeguards for audit independence (Nemeh, 1986). When the audited body gives little or no attention to the audit report and disregards its corrective actions, the support from the high authorities in the country, or at least from an authority which possesses direct power over the organisation being audited, seems to be of critical importance.

The above result implies that the GAB should make firm efforts towards publicising the system of performance auditing, explaining its goals and objectives and making clear the potential benefits that the system will offer to public sector administration and organisations. Disseminating more information about performance auditing throughout the public sector and creating better awareness of its usefulness is a necessary step towards gaining the support of top officials, on the one hand, and the acceptance of public sector managers and employees, on the other.

As seen above, differences do exist between the auditors' and managers' perceptions of the environmental limitations within the Saudi public sector which might affect the success of the performance auditing system. In order to explore whether these differences are statistically significant, the following hypothesis is tested

H2: There is no significant difference between the perceptions of performance auditors and public managers concerning the extent to which some environmental factors within the Saudi public sector might affect the effectiveness of the performance auditing system as applied in the Saudi public sector.

Analysis of the results obtained from the Mann-Whitney test reveals that there are significant differences in attitude between performance auditors and public managers with regard to three factors which might limit the effectiveness of the performance auditing system in the Saudi public sector (numbers 1, 2 and 4) (see Appendix I, Part B). For these factors, the null hypothesis was rejected ($p < 0.05$). Performance auditors placed greater emphasis on the importance of these factors as perceived limitations. With respect to the other two factors, the test indicated that there were no significant differences between the perceptions of the two groups ($p > 0.05$).

These results are unsurprising since it was anticipated that some of the possible limitations listed in Table 9.3 and Table 9.4, would, in general, be acknowledged by auditors more than managers. For behavioural reasons, the managers' agreement on the lack of adequate support from top officials was expected to be lower than that of auditors.

Within this general prospect, the auditors' high level of agreement over the existence of these obstacles might reflect their disappointment with the level of support that the government top officials devoted to performance auditing practices to ensure that audit findings and recommendations are taken seriously. This explanation can be validated by referring to the auditors' general dissatisfaction regarding the implementation level of performance audit recommendations (see Section 9.2.4). As the GAB has no power to enforce its corrective actions of its audits, auditors will surely feel that the support of top officials is the most important factor giving credence and value to their audits. If this kind of support is denied, auditors feel that their work is valueless.

9.2.3.3. GAB's Internal Environment

9.2.3.3.1. Introduction

This section concentrates on the third criterion of the multi faceted model of effectiveness which discusses some issues located within the Saudi GAB, relating to the adequate functioning of performance auditing. As stated in Section 9.2.3.1 of this chapter, there are a series of environmental factors which are likely to have an impact on the effectiveness of performance auditing; some within the reach of the GAB's influence and some outside. Among the various environmental factors that might affect the full application and operationalisation of performance auditing, a list of which were given to the research respondents in the second question of part B of the questionnaire, six are directly related to the GAB's internal environment. These factors are presented under two main headings: the GAB's technical factors; and the management and execution of performance audits. However, before proceeding to the discussion of these factors, the GAB's independence as an important element influencing the proper functioning of performance auditing is also discussed. While the discussion of the former factors is mainly based on original data collected from research respondents, the independence issue is covered by secondary materials.

Since the GAB's independence is expected to be seen as a sensitive issue from the GAB officials' point of view, the researcher decided to exclude it from the questionnaire to avoid possible loss of co-operation with the research. The researcher's decision to exclude this issue from the questionnaire was also influenced by the availability of some secondary sources, such as the GAB's constitution and performance audit's guide which, at least from the researcher's point of view, seem to be sufficient for examining this issue.

9.2.3.3.2. The GAB's Independence

Independence, as stated in Chapter Three (Section 3.2.7), is the key concept of a successful state audit. An adequate degree of independence is essential for both the conduct of an audit and the credibility of its results (INTOSAI, 1995, p. 24). The auditors' independence is also vital for convincing the policy makers and audited managers that the audit recommendations are formulated by an independent, objective source which, in turn, will result in accepting audit findings and acting upon them.

The literature reviewed suggests various elements which should be considered in discussing the independence of the state audit institution (SAI) including: the independence of the head of the state audit institution; the SAI's budgetary independence; the SAI's control of hiring and firing of its personnel; the right of the SAI's head to make his own choices of what to audit and when, and what not to audit; the right of the SAI's head to publish all audit findings and to have the discretion of what to publish; and the SAI's power to access information (e.g. Geits & Mizrahi, 1991, p. 17-18; Barrett, 1996, p. 7).

A close look at some of the provisions of the Saudi General Audit Bureau's (GAB) constitution of 1972 reveals that the Bureau's independence from government has been given special emphasis. For instance, the constitution emphasises that the Bureau's President is responsible directly to the Head of the State (the King and Prime Minister) and reports directly to him. Articles 1 & 3 state that:

> The GAB is an independent body that reports directly to the Prime Minister (Article 1).
>
> The president is to be appointed by virtue of a Royal Edict. He shall not be pensioned off or discharged except by a Royal Order (Article 3).

Although the GAB's President is accountable directly to the King as Head of State, the essence of this provision seems to be debatable as the King also maintains chairmanship of the Council of Ministers (the executive authorities). In this connection, a desirable recommendation with implications for GAB independence is for new legislation to give the Consultative Council the right to appoint and dismiss the president of the GAB. The significant involvement of the Consultative Council in the appointment and dismissal of President could *at least strengthen the perception of the GAB's independence*. This recommendation, however, seems to be impractical, particularly in the short run, because of its political implications as it moves the role of the Consultative Council beyond that of mere consultation.

This issue, however, should not be taken as a major obstacle to GAB independence. It needs to be understood in the light of the country's political culture and government structure. As mentioned in Chapter Five, the state authorities consist of judicial, executive and regulatory authorities with the King as their point of reference (Article 44 of the Basic System of Rules). According to Aba-Namay (1993, p. 305), the king controls the main levers of power, both legislative and executive.

Taking into consideration the particular circumstances of Saudi Arabia, it could be concluded that the President of the GAB is directly appointed by and responsible to the highest authority in the Kingdom. It is hoped that such attachment to the Head of the State would give the Bureau the support it requires to have, at least, some assurance that its audit findings and recommendations receive proper attention and are acted upon.

Furthermore, to make the President of the GAB more independent from the administrative ministries, the 1972 constitution gave him more power by granting him a ministerial post. Article 3 states that:

> He [the GAB's President] will enjoy the merits of ministers as to the monthly salary, pension salary and prosecution rules.

Granting the President of the GAB a ministerial post will probably lead to a strengthening of his independence as he will not see himself, nor will others see him, as inferior to administrative Ministers.

The GAB's constitution, additionally, does not allow the Bureau's President and staff to do any job that conflicts with their audit work. In this respect, Article 28 states the following:

> 1. The President, his Deputy, or any other employee of the GAB shall not during the term of their office practice any other government employment against salary or gratuity from the State's treasury or accept membership of any company or financial body whether against a return or not, or practise any commercial or professional work.
> 2. In addition to the provision of the preceding paragraph, the President and the Vice President of the GAB, during the term of their office, are not allowed to purchase any of the state assets, or to lease or sell any of their property to the State or to conclude barter deals with the State relevant to such.

This provision is intended to maintain the independence of the auditors' mental attitude and to avoid the appearance of a conflict of interest. This seems to be an appreciation of the assertion that state auditors need not only be independent but must also be seen to be independent (Barrett, 1996, p. 7). This requirement, additionally, is a vital factor in ensuring that auditors conduct their activities as objectively as possible which, as a result, assists in adding more credibility to their findings.

With regard to the GAB's financial resources, the president of the Bureau is required to prepare a draft budget for his institution in accordance with the rules followed by all government entities (Article 27). While the GAB's appropriation is allocated directly to the bureau and not indirectly through one of the budgets of the government Ministries which represents a positive element for strengthening the perception of independence, the Bureau's budget has to be reviewed by the Ministry of Finance and National Economy and approved by the Council of Ministers. In this respect, questions might be raised about the control that executives have through the budget review and approval processes. This provision seems to be ill-defined since it gives the executives the final say concerning the financial resources allocated to the GAB. This apparent limitation to the GAB's independence might be minimised, in the researcher's point of view, by linking approval of the GAB budget to the King himself as Head of State. Another, yet more optimistic, possibility is that the right to review and approve the GAB's budget is granted to a special committee within the Consultative Council, similar to the Public Accounts Committee of the UK. This Committee might also be given the right to hold the GAB accountable for the efficient and effective use of these resources by reviewing its performance, which would have decided implications for improving the GAB's effectiveness.

The GAB's President assumes the responsibility of managing the personnel affairs of the Bureau. GAB employees, however, are subject to the established rules for all government employees. To discharge this responsibility, the President of the GAB has the same authority as that determined for a minister (Article 5).

A definite indication of state audit independence is the extent by which the head of the state audit institution can initiate audit work without reference to the person or group to

whom he is directly responsible. In this respect, the GAB's President appears to have complete discretion in deciding the timing of his investigations, the appropriate subjects to be audited and the methods his auditors use to examine them, based on a predetermined plan prepared by the Bureau's various departments (GAB, 1998, p. 5-6).

The GAB also has complete access to all organisations subject to its audit. It has been established that all authorities must provide all accounting statements, documents and papers necessary for the GAB to fulfil its responsibilities. They must also provide all facilities required by GAB representatives (Article 10). In addition, an original copy of any contract signed by any entity subject to GAB jurisdiction and committing the State to certain obligations exceeding SR 50,000 should be submitted to the GAB upon signature accompanied by all pertaining documents and statements (Article 23). The executive regulations of the GAB's constitution approved by Royal Order No. 18835/3/S, dated 1972, also give the Bureau's auditors "the right to carry out their tasks without the need to obtain permission from the head of the authority in cases where the element of surprise is essential to realise the audit objectives" (Article 8).

As far as audit reports are concerned, the GAB is required to prepare an annual report and to submit it before the end of the ninth month of the following financial year. This report must contain the results and findings of all GAB audits, including financial and performance audits, along with comments and suggestions. The GAB is required also to inform the relevant authority of its findings and ask it to undertake corrective actions (Article 11).

However, the circulation of the annual report is limited to the King, Council of Ministers and the Ministry of Finance and National Economy. As stated in Chapter Eight (Section

8.2.4.3), the GAB is not allowed to publish or distribute to the public its annual report or any of its audit findings pertaining to individual authorities. The researcher can think of two reasons for such a limited circulation. The first is of a political nature. Politicians and government top officials are unlikely to want the weaknesses of public organisations which have been uncovered by auditing examinations to be publicised since this may eventually lead to the general public questioning the efficiency and effectiveness of the government itself. Secondly, it might be thought that public dissemination of audit reports might increase the resistance of public sector managers to auditing activities.

A direct implication of this finding is that the destination of audit reports should be reconsidered. In other words, there is a need for a radical change in the provisions of the GAB's mandate relating to the issue of disclosure of audit results. Performance audit reports and other audit reports should be disclosed publicly or at least made available on request to anyone interested. In addition, the Consultative Council should be given an opportunity to be active in this matter. These changes are seen, by the researcher, as a basic requirement for strengthening GAB independence and, hence, for increasing the potential success of performance auditing.

It is worth mentioning that the proposed involvement of the Consultative Council does not violate its current constitutional provisions. As reported in Chapter Five (Section 5.3.5), the country's new constitutional provisions, dated 1992, have allowed the Consultative Council to evaluate the work of the Council of Ministers and to play a supervisory role over the Cabinet. Based on Articles 15 and 22 of its constitution, the Consultative Council can discuss annual reports submitted by Ministries and other government bodies, make appropriate suggestions regarding them and question the Ministers and other government officials.

Taking into consideration the nature of the Saudi public administration, allowing the Consultative Council to have an actual, active role in discussing and commenting upon performance audit reports seems to be the best possible and most practical solution. This step, if undertaken, will have the positive effects of enhancing the GAB's independent status and activating the supervisory role of the Consultative Council over the government.

To sum up this section, the researcher considers that, overall, the GAB enjoys a reasonable, though not complete, degree of independence. GAB attachment to the Head of the State, who also acts as Premier, gives rise to some debate over the real independence of the Bureau. This issue, however, should be understood by taking into consideration the political framework of the Saudi administration. In addition, the way in which the GAB's budget is approved and audit findings are circulated might raise questions over its independence. It is hoped that if suggestions laid down throughout our discussion in this section are accepted and implemented, the possible diverse effects of these limitations on the independent status of the GAB might be minimised.

9.2.3.3.3. GAB's Operational Factors

In this and the next sub-sections, environmental factors which are likely to have an impact on the full application and operationalisation of performance auditing, and that are within the reach of the GAB's influence, are discussed. The research respondents were asked to point out the extent to which they agreed that each factor was an obstacle limiting the effectiveness of the current system of performance auditing. The auditors' and managers' perceptions of these factors are presented in Table 9.5 & Table 9.6.

Table 9.5:
Auditors' Perceptions Concerning some Factors Pertaining to the GAB's Internal Environment that might be seen as Perceived Limitations of the Current System of Performance Auditing (Q. B2)
(1 = "Strongly Disagree", 5 = "Strongly Agree")

Serial No.	No. in the Questionnaire	Factors	No. of Cases	Mean	Rank	Std. Dev.
1	1	The ambiguity of performance audit goals and objectives	34	2.94	3	1.15
2	6	The shortage of qualified staff to undertake performance audits	34	2.62	6	1.04
3	7	The lack of specialised staff from different disciplines to carry out such audits	34	3.62	1	1.02
4	9	The GAB's shortage of enforcement powers to follow-up performance audit recommendations	34	2.79	4	1.01
5	10	Insufficient training for performance auditors	34	2.74	5	1.08
6	11	Shortage of sufficient financial resources	34	3.35	2	.98

Table 9.5 shows that the perceptions of performance auditors indicated a high level of agreement on the importance of the third and sixth factors as being limitations of the performance auditing system. The majority of auditors (67.6%) perceived "the lack of specialised staff from different disciplines to carry out such audits" to be the greatest challenge facing the GAB within its internal environment with a mean score of 3.62. Only 17.6% of performance auditors disagreed with this factor being an obstacle (see Table 3, Appendix K). The "shortage of sufficient financial resources" was perceived to be an important limitation of performance auditing practices by almost 62% and had a mean score of 3.35.

Performance auditors, on the other hand, showed a low level of agreement regarding the importance attached to other factors with mean scores ranging from 2.62 for factor 2, "the shortage of qualified staff to undertake performance audits" to 2.94 for factor 1, "the ambiguity of performance audits' goals and objectives". The most notable responses, however, were auditors' attitudes to the "insufficient training for performance auditors" and to "the GAB's shortage of enforcement powers to follow-up performance audit

recommendations". While 56% of auditors disagreed with the former being a limitation of performance auditing in the Saudi public sector, half of them disagreed with the latter. Only 38% and 26.5%, respectively, of auditors perceived these two factors to be genuine challenges facing the GAB (see Table 3, Appendix K).

Table 9.6:

Managers' Perceptions Concerning some Factors Pertaining to the GAB's Internal Environment that might be seen as Perceived Limitations of the Current System of Performance Auditing (Q. B2) (1 = "Strongly Disagree", 5 = "Strongly Agree")

Serial No.	No. in the Questionnaire	Factors	No. of Cases	Mean	Rank	Std. Dev.
1	1	The ambiguity of performance audit goals and objectives	111	3.18	2	1.11
2	6	The shortage of qualified staff who undertake performance audits	111	2.98	3	1.05
3	7	The lack of specialised staff from different disciplines to carry out such audits	111	3.67	1	.97
4	9	The GAB's shortage of enforcement powers to follow-up performance audit recommendations	111	2.83	6	.95
5	10	Insufficient training for performance auditors	111	2.96	4	.88
6	11	Shortage of sufficient financial resources	111	2.86	5	.89

As far as managers' perceptions are concerned, only two factors, as reported in Table 9.6, were perceived to be possible obstacles. As with the auditors, the majority of public managers (57.6%) indicated a high level of agreement with factor three seeing it as the greatest challenge (mean score = 3.67) within the GAB's internal environment. However, taking undecided responses (33.3%) into consideration leaves only 9% of managers disagreeing that this factor is an obstacle. In addition, more than 43% of managers emphasised that "the ambiguity of performance audit goals and objectives" was an important limitation to performance auditing practices with a mean score of 3.18, while only 31.5% of them disagreed (see Table 4, Appendix K).

It is significant that factor 2, "the shortage of qualified staff to undertake performance audits", was not perceived by public managers as an obstacle facing the effective

application of performance auditing. Managers seem to be almost equally divided over this factor as 37.8% of them disagreed, 34.2% agreed and 28% were undecided.

As one would expect, managers indicated low agreement with factor 4, "the GAB's shortage of enforcement powers to follow-up performance audit recommendations". While more than 41% of managers disagreed with this factor as a limitation hindering performance auditing, only 24.3% agreed with it.

Finally, the managers showed a low level of agreement over factor 5, "insufficient training for performance auditors" and factor 6, "the shortage of sufficient financial resources" with mean scores of 2.96 and 2.86 respectively. However, more managers took a neutral stance concerning these two factors.

The findings reported in this section so far have revealed the following. First, several years after the introduction of the performance auditing system into the Saudi public sector, the GAB is, as perceived by performance auditors and public managers, still facing some internal deficiencies limiting its ability to conduct this type of audit more efficiently and effectively. These deficiencies need to be considered in order to enhance the effectiveness of performance auditing in the Saudi public sector.

The biggest challenge facing the GAB is the lack of expertise from the different disciplines which could help in undertaking performance audits. Since performance auditing, by its nature, requires people of special talent with diversified knowledge and experience, the lack of such individuals is expected to lower the effectiveness of performance auditing. The conduct of performance auditing, particularly in sophisticated areas, can not be achieved as efficiently and effectively as it should. In addition, the

auditees' positive attitudes towards performance audit investigations might be diminished (for more clarification of the research participants' perceptions of the composition of performance audit teams and its possible effect on auditees' attitudes see Appendix L).

The shortage of expertise from different disciplines is a deficiency facing most countries, both developed and developing (e.g. Bokhari, 1986; Tantuico, 1980), and Saudi Arabia is not an exception. In the Saudi case, the lack of multi-disciplinary personnel might be attributed to the following two possible causes. First, the state of the country as a whole where, as in many developing countries, there is a shortage in the supply of these types of expertise. Secondly, the GAB's recruitment strategies since they focus mostly on recruiting individuals holding accounting, auditing or management degrees (see Chapter Seven, Section 7.5.4).

This finding should have implications for GAB's recruitment and training strategies. In order to carry out performance audit examinations as effectively as possible, the GAB should make real efforts to diversify its technical staff by recruiting a wide range of specialists and consultants. In addition, the present absence of expertise will place more burdens on performance auditors to acquire new skills in order to fill, at least, part of this gap. This proposition holds, in turn, implications for GAB's training and development programmes. Auditors should be encouraged and enabled to develop and obtain new skills in all matters pertaining to their work by the launch of effective and stimulating training programmes. Auditors should also be encouraged to seek professional qualifications.

Another point worth mentioning here is whether the evidence obtained from the two groups gives any indication that they are dubious of the auditors' ability to undertake this type of audits. Pendlebury and Shreim (1990, 1991) have raised this issue in their study of UK external auditors' and local authority managers' attitudes to effectiveness auditing. Among the five groups surveyed about the appropriateness and importance of external auditors to investigate effectiveness, the NAO auditors and service department managers held different opinions. While the NAO auditors disagreed with the assertion that auditors are not the appropriate people to judge effectiveness, almost 60 percent of the service department managers showed their agreement/strong agreement with this (Pendlebury and Shreim, 1991, p. 59). With respect to our study, the possibility of this assertion might be undermined by the positive perceptions of the two groups to the second factor, "the shortage of qualified staff who undertake performance audits".

Another obstacle hindering the effectiveness of performance auditing, as perceived by performance auditors, is the lack of sufficient financial resources available to performance auditing. This finding seems to be in line with what has been reported in the literature (e.g. Hassny, 1990; Sharkas, 1985). A lack of sufficient financial resources will hinder the GAB's ability to expand the scope and coverage of performance auditing. This highlights problems concerning the financing resources of the GAB. As pointed out in Section 9.2.3.3.2, the GAB is wholly dependent on the executive authorities i.e. Ministry of Finance for its financing. As government executives continue to have the final say concerning GAB's financial appropriations, they will assert their role as financial controllers of the GAB, and, as a result, a controller of the extent of its activities.

The above finding also draws attention to the GAB's financial and regularity audit activity. As the GAB is required to undertake financial auditing of a large proportion of

the public sector organisations, it is left with limited resources to carry out more performance audit investigations. Hence, in order to attain a more balanced stance in its activities, the GAB should take real steps to reduce its emphasis on financial and regularity audit in order to free more of its resources for more important activities i.e. performance audit examinations.

The second conclusion which could be drawn from our investigation of the GAB's internal environment is that, whilst such deficiencies need to be acknowledged and addressed, the fact remains that there are some improvements which would be widely welcomed. The most significant improvement can be extracted from the positive attitudes of the two groups towards the audit staff and their fitness to undertake performance audits and the GAB's training efforts.

Presumably, these two factors are positively related, as qualified auditors require a proper professional and educational background. Hence, the managers' and auditors' low level of agreement with these two factors as perceived limitations of performance auditing would support the validity of this finding. The participants' attitudes might also reflect their satisfaction with the level of the Bureau's training efforts devoted to the development of its personnel.

The research findings concerning auditors training programmes have direct implications for the independence of auditors. In their suggestions for enhancing the independence of internal auditors, Neale and Holmes, (1991, p. 76) claimed that the proper education and experience of auditors not only improve their general efficiency and effectiveness of performance auditing functions, but also has immediate implications for their independence by increasing their status and confidence.

The positive attitudes of the two groups towards the qualification of the audit staff and the GAB's training programmes can be interpreted as diverging from the reported literature (e.g. Dahmash, 1982; Hassny, 1990; Khan, 1986) and from what one may expect to find in the context of a developing country. These results are more surprising when one takes into consideration the human and financial resources of the GAB devoted to performance audits. At the time of the researcher's fieldwork, the GAB employed more than 700 auditors, of which only 37 were allocated to performance auditing departments

Accordingly, the unexpected response regarding the availability of competent performance auditors might be explained by considering two possible aspects to the question: the quantity and quality of present auditors. It is possible that the research participants stated their responses in the light of the latter but not the former (see Appendix M for more evidence supporting this argument from the respondents' perceptions of the level and appropriateness of financial and staff resources devoted to performance audits).

Moreover, the shared attitudes of both the performance auditors and public managers towards factor 4, "the GAB's shortage of enforcement power to follow-up performance audit recommendations" provide evidence that the two groups do not support an increase in GAB's powers. This response from the public managers was expected as few managers, if any, would support greater intervention in their own activities from outsiders. The auditors' low level of agreement with this factor might be explained by their fear that providing the GAB with more power would increase the reluctance of public organisations to undergo this type of auditing.

As seen above, there are some differences between the two groups' responses regarding the GAB environmental factors which might possibly prevent the effective functioning of the performance auditing system in the Saudi public sector. Accordingly, in order to explore whether these differences are statistically significant, the following hypothesis is tested:

> H3: There is no significant difference between the perceptions of performance auditors and public managers concerning the extent to which some environmental factors within the GAB might affect the effectiveness of the performance auditing system as applied in the Saudi public sector.

The Mann-Whitney test, as shown in Appendix I, Part B, reveals that the two groups shared similar perceptions regarding the relative importance of the various factors listed. The only significant exception was their attitude to the last factor, "the shortage of sufficient financial resources". For this particular factor, the calculated ρ value (0.004) is not large enough to accept the null hypothesis. Auditors' perceptions (mean rank = 90.21) tend to indicate a higher level of agreement on the importance of this factor as an obstacle to performance auditing in the Saudi public sector than the perceptions of the public managers (mean rank = 67.73). The managers' low agreement on this factor might be attributed to their lack of knowledge about the GAB's financial resources which are rarely disclosed publicly.

9.2.3.3.4. Management and Execution of Performance Audits

In order to be effective, performance audits require careful thought and preparation. The audit work must be designed to provide a good account of the issues under investigation, yet remain flexible enough to adapt to unexpected discoveries. A well-designed audit is necessary both to provide auditors with guidelines for performing their duties and in order to gain the confidence and trust of managers in the auditors' work.

As pointed out in Chapter Eight (Section 8.2.4), the GAB's auditors, theoretically, are expected to follow the following general pattern while undertaking performance audit examinations: selecting the audit; initiating the survey; the planning phase of the audit; the review phase of the audit; the implementation phase; and the reporting and final actions, including, the follow-up procedures (see also GAB, 1998, p. 3-31). While the existence of competent staff and sufficient training for auditors within the GAB, as perceived by the research participants, might give some indication of the existence of good management and execution of performance audits, it is not enough to guarantee an absolute judgement on this issue. Hence, in order to explore the extent to which the GAB's auditors have operationalised the aforementioned methodology in their actual audit work and to increase our understanding of this issue, a further question was presented to the research participants. This question is concerned with the content and format of performance audit reports.

The researcher placed greater emphasis on audit reports than on applying a more direct approach, e.g. observation of the auditors' in-action methodology, for three reasons. Firstly, the audit report represents the final product of all the efforts made by auditors during the audit assignment; so the strength of the audit report may reflect the quality of its execution. Secondly, due to time and information access constraints, it was not possible to undertake an in-depth investigation. Finally, this is not the objective of the study which is more concerned with providing a general picture as to how the performance auditing system is working than with establishing in-depth evidence on the methodology used by auditors when carrying out performance audit assignments or with examining the detailed effects of this system on the administration and functioning of the public sector.

Khan (1992) states that there are five conditions which an effective performance audit report should meet:

1. The report should provide current and significant information.
2. The report should be fair and objective by not focusing only on negative findings but also by reporting positive achievements of the auditee. In addition, the report should mention the constraints facing the auditee in achieving economy, efficiency and effectiveness in managing its affairs and include the auditee's point of view.
3. The report should use commonly understood and simple language. Technical terms which are hard to comprehend should be avoided.
4. The report should be presented in a style which is quick to grasp.
5. The report should suggest remedial actions to provide auditees with guidance for improvements (p. 3-5).

Accordingly, the research participants from both groups were introduced to the above five features characterising the effective performance audit report, and asked to indicate their agreement with the extent to which these features are contained in the performance audit reports as issued by the GAB. A summary of the auditors' and managers' responses is presented in Table 9.7 and Table 9.8.

Table 9.7:
Auditors' Perceptions of Performance Audit Reports (Q. B7)
(1 = "Strongly Disagree", 5 = "Strongly Agree")

No.	Statement	N	Mean	Rank	Std. Dev.
1	The report contains current and significant information	34	4.44	2	.79
2	The report is fair and objective	34	4.26	5	.93
3	The report uses simple expressions	34	4.26	4	.99
4	The report is well-presented and uses a style which is easy to grasp	34	4.41	3	.78
5	The report suggests remedial actions	34	4.68	1	.64

The figures in Table 9.7 show that performance auditors indicated a high level of agreement with all the statements listed (mean scores ≥ 4.26). The majority of auditors (97%) agreed or strongly agreed with the last statement that "the report suggests remedial actions", with a mean score of 4.68. Other statements also received support from at least

85% of auditors and had mean scores ranging from 4.26 for statements 2 and 3 to 4.44 for statement 1 (for more information, see Table 5, Appendix K).

Table 9.8:
Managers' Perceptions of Performance Audit Reports (Q. B6)
(1 = "Strongly Disagree", 5 = "Strongly Agree")

No.	Statement	N	Mean	Rank	Std. Dev.
1	The report contains current and significant information	107	3.42	5	1.12
2	The report is fair and objective	105	3.63	2	1.07
3	The report uses simple expressions	104	3.81	1	1.03
4	The report is well-presented and uses a style which is easy to grasp	105	3.59	4	.94
5	The report suggests remedial actions	105	3.62	3	1.03

Public managers, as Table 9.8 indicates, also showed a relatively high level of agreement with all the listed statements (mean scores ≥ 3.81). The highest agreement among managers was reported for the third statement, "the report uses simple expressions". Based on the mean scores, managers tend to have nearly the similar perceptions on statement 2 "the report is fair and objective", statement 4, "the report is well-presented and uses a style which is easy to grasp" and statement 5, "the report suggests remedial actions", with mean scores ranging from 3.59 to 3.63 (see Table 6, Appendix K for more detail).

The conclusion to be drawn from the above findings is that few of the research respondents would argue with the assertion that the audit report is carried out at an adequate level of effectiveness. This conclusion may assist in creating a positive impression of the practicality and effectiveness of the GAB's structured methodology as stated in its guide to performance audits.

To get more insights into the quality of performance audit reports, and, indirectly, of the quality of the management and execution of performance audits, a qualitative analysis of

a sample of the GAB's audit reports has been undertaken. The content and format of six audit reports issued by the GAB were examined. The criteria employed in assessing the format and content of the reports were based on two sources: the GAB's requirements for finalising its audit reports as stated in the GAB's Reporting Standards and Guide to Performance Audits, and other guidelines reported in the literature.

To finalise the audit report, the GAB instructs its auditors to address the following issues about the basic components of the report (GAB, 1982, p. 109-112; 1998, p. 28):

1. The report should be addressed to the Minister or the head of the entity or, at least, to an official one level above the level audited.
2. The report should be distributed to those responsible for action on the findings and recommendations.
3. The report should include an introductory section that briefly describes the activities under audit and provides a frame of reference for the audit report.
4. The report should include an objective, scope and approach section(s) that
    a. Clearly identifies the audit objectives that are being addressed in the audit report.
    b. Explains the relationship between what was audited and the related programmes and operations within the Ministry so that the audit can be put into proper context.
    c. Identifies where and when the audit was conducted.
    d. Identifies any scope impairments, including data limitations.
    e. Cites the kinds and sources of evidence and describes analysis techniques, sampling designs, etc.
5. The report should include a finding section(s) that
    a. Identifies all significant areas of non-compliance with laws, policies and regulations, and internal control weaknesses that could result in fraud, waste or abuse.

b. Includes a full discussion of the conditions identified.

c. Identifies the cause(s) for the finding(s).

d. Appropriately discloses the auditees' views and, to the extent necessary, provides an accurate and adequate discussion of significant issues.

e. Clearly demonstrates why current conditions must change.

6. The report should include recommendation(s) to correct the problems reported on and to improve operations.

In addition, the literature on performance auditing identifies various elements that might contribute to the quality of such reports. Hatherly and Parker (1988, p. 32), in their study of selected performance audit reports produced by Auditors-General in three Australian Audit Offices, identified several features of audit reports that should be taken into consideration when assessing its format and content. Accordingly, the criteria employed in this section include the following factors:

1. The report destination clearly specified.
2. Audit objectives specified.
3. Audit scope specified.
4. Scope impairments, including data limitations identified.
5. Audit procedures employed.
6. Problems identified.
7. Causes of problems identified.
8. Future-oriented recommendations.
9. Auditee accomplishments and improvements recognised.
10. Views of auditee officials published [included].
11. Clear use of language.
12. Concise and clear presentation.

Six reports were examined (see Table 9.9 for summary). The first report examined was issued in 1990 and reviewed the performance of several activities within a large

government organisation concerned with providing water and sewerage services. The report was directed to the Governor of the region who was also acting as the Head of the Board of Directors of the organisation under review. This report which is almost 57 pages long stated the period in which the audit took place and identified several objectives for the audit. In addition, the report provided some general, but unclear, references to audit scope and procedures. While the report did not specify any audit impairments faced by auditors, the report did state several problems arising during the auditee operations and suggested possible recommendations for overcoming these problems. In many situations, the causes of the observed problems were established. Although the report referred to the date of some of the auditee's responses and to the auditee's sincere efforts to improve its operations, no description of the nature of these responses and efforts was provided. The presentation and language of the report were reasonably clear. It started by providing a concise summary of the most important observations and recommendations of the audit review followed by an introductory section and six other chapters. The introductory section was entitled "Introduction: Objective, Scope and Approach" of the audit mission. It is apparent, however, that this section suffered from some inadequacies as no separate headings were given to the different areas it covered i.e. background, objectives and procedures. Furthermore, contrary to what could be presumed from the title of this section, the scope and procedures of the audit review were not clearly stated since they were mentioned together in one section and in joint statements. Each of the six chapters of the report was concerned with a particular area of investigation and contained several sections, with each one covering one of the existing problems, its causes and possible future recommendations. Finally, despite the fact that performance audit reports are usually much longer than their financial audit counterparts, the massive length of this report

could raise questions concerning the quality of its contents particularly as long reports are considered overwhelming and rather daunting to their recipients. However, in this particular case, the length of the report was mainly the result of the number of issues examined.

The second report reviewed some aspects of the activities of the health sector and was issued in 1991 directly to the Minister concerned. The time period in which the audit was conducted was clearly stated in the report. As with the first report examined, this report clearly stated the audit objectives, but the audit scope and procedures tended to be confusing as they were combined with each other. The report, however, did identify problems within the auditee's operations and offered future-oriented recommendations for solving them. For many of the areas examined, the causes of the identified problems and the scope impairments were stated precisely. The responses and efforts of the auditee towards the improvements were acknowledged in the report with limited detail. This report also appeared to be somewhat long (52 pages plus some Appendices) but seemed to be fairly presented. In line with the 1990 report, it began by a summary of the most important observations and recommendations of the audit review. This summary was followed by an introductory section and seven chapters. Although the introductory section and the main chapters had similar features to those of the 1990 report, in comparison the1991 report used an inconsistent layout for its seven chapters.

The next report studied was issued in 1995 and was concerned with one specific area within a university. It is a relatively concise report, totalling 13 pages. The report was directed to the Ministry of Higher Education under which the university comes under control. The time of undertaking the audit was not specified. The report started with an introduction, which was followed by six other sections. In the introductory section, the

main objective of the audit review and four main problems observed were briefly highlighted. Each of the next four sections provided a deep assessment of one of the identified problems including a background to the problem, causes of the problem and recommendations for solving it. Although the report was fairly presented, the fifth section, "the results" and sixth section, "the recommendations" were considered to be the main weakness of the report. These two sections were actually a repetition of what have been reported in the previous four sections. The audit scope and procedures, the scope impairments, the auditee's improvements and responses were not covered by the report.

Table 9.9:
Comparative Performance Audit Reports Format

Criterion	The 1990 Report	The 1991 Report	The 1995 Report	The 1998 Report s
Audit destination	1	1	1	NA
Timing	1	1	3	NA
Objectives	1	1	1	1
Scope	2	2	3	1
Scope impairments	3	1	3	3
Procedures	2	2	3	1
Problems	1	1	1	1
Causes	1	1	1	1
Recommendations	1	1	1	1
Improvements	2	1	3	3
Responses	2	1	3	3
Language	1	1	1	1
Presentation	1	2	2	1

Notes: (1 = Clearly Stated; 2 = Not clearly stated; 3 = Not covered; NA = Not available)

The next three reports were issued in 1998. These reports seemed to show significant improvements for various aspects compared to the 1995 report. They were clearly presented with informed use of headings, tables and graphs. The objectives, scope and procedures of the audits were clearly specified in the introductory section as separate subsections. However, the content sections of these reports seemed to be different to some extent. Whereas two of these reports discussed the problems identified, their causes and audit recommendations under one section, i.e. "results and recommendations" which

was divided into subsections based on the number of problems identified, the third report contained separate sections for the results and recommendations. In the latter report, the problems were identified in the results section whereas their recommended solutions were presented in the recommendations section. These reports, however, did have their shortcomings. Other criteria such as the audit scope impairments, the auditees' responses and auditees' improvements were overlooked.

To sum up, an examination of the six reports indicated that with the exception of the 1995 report, they all conformed to most, although not all, of the criteria of the report format recommended in the literature and specified in the GAB's Comprehensive Audit Standards and Guide to Performance Audit. This conclusion supports, to some extent, the above findings obtained from the perceptions of the auditors and managers of the performance audit reports.

The fundamental issue which should be examined is whether the corrections and recommendations brought about by audit reports have been implemented and acted upon. Needless to say that if the information and recommendations that the audit report provided were not considered and implemented by the parties concerned, the whole operation would be a waste of time and resources, regardless of how well the audit report had been presented. This issue and other related issues will now be discussed.

9.2.4. THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The fourth criterion of the evaluative model of effectiveness is concerned with the implementation of performance audit recommendations and corrective actions. This issue has been raised here because of its direct influence on the effectiveness of the performance auditing system. This influence can be illustrated by taking into

consideration the fact that developing appropriate audit recommendations is an exercise that requires intensive human and financial resources which, as such, would be wasted if these recommendations were not implemented. The US GAO (1991) states that:

> Getting action on audit recommendations has been a persistent problem-one that, over the years, has limited the effectiveness of audit organizations (p. 8).

As seen above, few of the research respondents would argue with the contention that performance audit reports have been carried out at a reasonable level of effectiveness (see Section 9.2.3.3.4). The other, and more important, side of this issue that is worthy of investigation, however, is the ability of the GAB and the willingness of audited bodies to implement audit recommendations and take into consideration the corrective actions set out within the audit reports.

Accordingly, in order to assess the effectiveness of performance auditing in the Saudi public sector, research respondents were asked to indicate how often performance audit recommendations are implemented. The summary of the responses of the performance auditors given to question (B.8) and the responses of the public managers given to question (B.7) is presented in Table 9.10.

Table 9.10:
Auditors' and Public Managers' Perceptions of the Extent to which Performance Audit Recommendations are Implemented

Implementation of performance audit recommendations	Auditors (Q. B8)		Managers (Q. B7)	
	No.	%	No.	%
Never	0	0.0	2	1.8
Rarely	1	2.9	8	7.2
Sometimes	22	64.7	35	31.5
Often	10	29.4	46	41.4
Always	1	2.9	20	18.0
Total	34	100.0	111	100.0

Table 9.10 shows that the majority of performance auditors (64.7%) indicated that their recommendations were "sometimes" implemented by their auditees, while only 32.3%

stated that their recommendations were "often" or "always" implemented. Only one auditor out of the thirty four answered this question by stating that audit recommendations were "rarely" implemented.

The public managers, unsurprisingly, seem to have somewhat different views from the auditors. Table 9.10 reveals that managers seemed to be more satisfied with the implementation level of audit recommendations. At least 59% of the public managers confirmed that audit recommendations were "often" or "always" implemented. Furthermore, almost one third of the public managers replied that audit recommendations were "sometimes" implemented, while the remaining 9% indicated that audit recommendations were "rarely" or "never" implemented.

The above findings, particularly those of the state auditors, might cast some doubts on the effectiveness of performance auditing as currently practised in the Saudi public sector. The respondents' perceptions of the extent to which audit recommendations were implemented may evoke more serious discussions of some issues related to this subject to understand the main causes of having low rate of implementation. In order to explore the main factors impeding the implementation of performance audit recommendations, respondents showing dissatisfaction (scale 1, 2 & 3) with the implementation level of audit recommendation were introduced to four possible factors and asked to indicate the extent to which they agreed with each of them as a reason for the limited implementation of performance audit recommendations. Tables 9.11 and 9.12 summarise the responses of the two groups.

Table 9.11:
Auditors' Perceptions of some Factors Affecting the Implementation of Performance Auditing Recommendations (Q. B9)
(1 = "Not At All", 5 = "To a Very Great Extent")

N	Factors	No. of Cases	Mean	Rank	Std. Dev.
1	Lack of support from higher legislative and administrative authorities	23	3.43	2	.99
2	Lack of support from the ministry controlling the audited body	23	3.61	1	.99
3	Lack of enough power on the part of the Audit General Bureau to follow up and enforce its recommendations	22	3.27	3	1.24
4	The Saudi culture, in general, is not conducive to such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	23	3.26	4	1.05

Table 9.11 shows that performance auditors perceived the second factor, the "lack of support from the ministry controlling the audited body", to be the most important reason of unsatisfactory implementation of audit recommendations. This factor was perceived to be very influential (scale 4 & 5) by almost 61% of the twenty three auditors responding to this question and received a mean score of 3.61 (see Table 9.11 & Table 7, Appendix K). The first factor, the "lack of support from higher legislative and administrative authorities", was ranked second by at least 52% of auditors with a mean score of 3.43. Furthermore, at least 41% of auditors indicated almost similar support for the importance of the third factor, the "lack of enough power on the part of the GAB to follow-up and enforce its recommendations" (mean = 3.27), and the fourth factor, "the Saudi culture, in general, is not conducive to such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making" (mean = 3.26). The percentage of disagreement with these factors as reasons for unsatisfactory implementation of audit recommendations were less than 30% for all the factors; and for factors 1 and 2 it was even lower, 22.7% and 17.4% respectively.

Table 9.12:
Managers' Perceptions of some Factors Affecting the Implementation of Performance Auditing Recommendations (Q. B8)
(1 = "Not At All", 5 = "To a Very Great Extent")

N	Factors	No. of Cases	Mean	Rank	Std. Dev.
1	Lack of support from higher legislative and administrative authorities	44	3.32	1	1.05
2	Lack of support from the ministry controlling the audited body	44	3.11	3	.99
3	Lack of enough power on the part of the Audit General Bureau to follow up and enforce its recommendations	44	3.11	4	1.17
4	The Saudi culture, in general, is not conducive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	44	3.20	2	1.11

On the other hand, the responses given by forty-four managers gave more emphasis to the importance of the first and fourth factors, with mean scores of 3.32 and 3.20 respectively. Half the managers who were not satisfied with the implementation of audit recommendations considered these two factors to be the most important (see Table 9.12 & Table 8, Appendix K). In addition, the second and third factors were perceived to be equally important (mean = 3.11) by 36.3% and 43.2% of the public managers respectively.

The above results show that both the public managers and performance auditors indicated a relatively high level of agreement for all the listed factors as possible reasons for the limited implementation of performance audit recommendations. Tables 9.11 and 9.12 also reveal that performance auditors' agreement on these factors is higher than that of public managers. The two participating groups, furthermore, provided a different ranking for the importance of these factors as possible causes for the unsatisfactory level of implementation of audit recommendations.

Based on these findings, it can be concluded that the support of the top government authorities and officials plays a key role in implementing audit recommendations. The importance given to this factor is in line with the conclusion reached by Nemeh (1986, p. 441) in his study of operational auditing practices in Western developed countries. Another conclusion that might be drawn is that Saudi society, in general, is either passive and not willing to act upon the information produced by the auditing system, or that it has not been sufficiently informed of the potential benefits to be obtained from such systems. The researcher's opinion supports the latter possibility.

Although the four factors perceived by participants as acceptable reasons for the limited implementation of performance audit recommendations, they could initially be considered outside the control of the Audit Bureau. This by no means implies that the GAB can do nothing to at least minimise the effect of these factors. For instance, the above two conclusions raise, once again, the communication issue and the role that the GAB is expected to play in dealing with it. A direct implication of these conclusions is that there is a need to increase the awareness of top officials in particular, and Saudi society as a whole, of the significance and relevance of performance auditing to their needs in order to gain their support and acceptance which, in turn, will enhance the effectiveness of performance auditing. Substantiating the notion of relevance is a critical factor that might ensure the continuing use and support of performance audit. The GAB, therefore, must undertake various activities to publicise and communicate the probable and possible benefits that auditing, and other control, systems might provide to enhance the efficiency and effectiveness of public sector services and administration.

In addition, the GAB, when stating its recommendations, must take into consideration the type of environments within which the managers operate as they could cause

circumstances which limit the ability of the managers to carry out their duties. This practice would lead auditors into devising audit recommendations which could be implemented without too much difficulty. As a result, public managers might be encouraged to implement and act upon auditors' recommendations.

Another observation worthy of some explanation is the participants' support for the third factor, the "lack of enough power on the part of the GAB to follow-up and enforce its recommendations", as being a possible reason for the unsatisfied implementation of audit recommendations. This result should be interpreted in the light of the two groups' shared perceptions concerning "the GAB's shortage of power to follow-up audit recommendation" as stated in Section 9.2.3.3.3. Taking into consideration the participants' disagreement with this factor as being an obstacle limiting the effectiveness of performance auditing practices, their stated view of the GAB's lack of power as being a possible reason for the unsatisfied implementation of audit recommendations should not be seen passively as an obvious indication of their aspiration for the GAB to gain enforcement powers over its auditees. Rather, the perceptions of the participants might communicate what actually occurs in real life where GAB auditors rarely, if ever, try to enforce their audit recommendations, as they do not have the right to do so.

Furthermore, the relatively low level of implementation may raise questions concerning the effectiveness of the process currently used in following-up audit recommendations. The reported results establish the need for auditors to pay increased attention to recommendation implementation. This conclusion has direct implications for auditors and higher authorities within the Kingdom. The auditors' role in monitoring the implementation of their recommendations should be reconsidered. Possible actions

expected to be taken by auditors may take different forms including the following (Nemeh, 1986, p. 483):

1. Enforcing audit findings on auditees.
2. Discussing audit findings with executives of the audited body to convince them of the importance of acting upon audit findings.
3. Discussing audit findings with elected officials of audited bodies. In the Saudi case, as there are no elected officials in government entities, this action might be substituted for by having discussions with higher government officials who have power over audited bodies.
4. Acting passively by leaving the matter to the management to decide what to do with the audit findings.

These actions are not alternatives and auditors may proceed with more than one mechanism simultaneously (Nemeh, 1986, p. 483). In the Saudi case, the two extreme courses of action, i.e. enforcement and delegation to management, seem to be less attractive for enhancing the implementation rate of audit recommendations and improving the follow-up processes of these recommendations. The GAB, as its mandate indicates, has no power to dictate its audit findings to audited bodies nor is such an action supported by both groups of the research respondents (Section 9.2.3.3.3). On the other hand, although it is the responsibility of management to initiate actions to ensure that the audit findings have been promptly considered and implemented (The GAO, 1991, p. 6), leaving the implementation of audit recommendations entirely to the discretion of the management of the audited organisation, without any form of monitoring from outsiders, would diminish the situation further. The other two courses of actions i.e. discussion with and the persuasion of executives and/or higher authorities were perceived to be the most essential roles for auditors in the follow-up process (Nemeh, 1986, p. 484-486). These two actions seem to be more practical and would encourage auditees to accept more

readily the audit recommendations. Therefore, in order to promote action on audit recommendations, the GAB should develop a follow-up system based basically on building trust and confidence with auditees through the means of effective communication.

9.2.5. RELATIONSHIPS BETWEEN AUDITORS AND AUDITEES

9.2.5.1. Introduction

The last criterion of the multi-faceted model of effectiveness is concerned with the relationship between auditors and auditees. This relationship occupies a central position in performance auditing literature. It is well-recognised that performance auditing, by its very nature as a social activity that involves enormous amounts of interaction between those who perform it (the auditors) and those who are subject to it (the auditees), can lead to tensions between the two parties. In such a case when there are fundamental differences between auditors and audited agencies, performance auditing is less likely to accomplish its objectives. Minimising the effect of these differences, and, consequently, increasing the effectiveness of performance auditing is dependent, to a large extent, on the willingness of the two parties to show positive and constructive co-operation with each other.

Based on the research findings discussed so far, the development of a good relationship between auditors and their auditees is certainly an important issue within the Saudi context for three reasons. First, absence of sound documentation and reporting systems in the public sector will limit the auditor's ability to obtain the data needed for his mission. Secondly, lack of support from top officials will impede the auditor's success in bringing any desired changes. Under these circumstances, the auditor's ability to get the necessary

information and achieve the desired changes will be dependent on his ability to establish good relationships with audited bodies. Finally, the relationship between auditors and their auditees seems to be more important in cases where audit organisations lack an explicit mandate for performance audits and in countries where performance auditing has only recently been introduced (ASOSAI, 1997, Comparative Review Paper: 13).

The remainder of this section is devoted to the discussion of the following two issues:

1. The attitudes of auditors and auditees concerning general issues that might enhance their mutual co-operation such as friendship, support, willingness to co-operate, providing opportunity for the other to express his concern and willingness to explain activities and actions to the other, etc.
2. The level and timing of feedback given to auditees concerning the audit project and its findings.

It is hoped that the examination of these two issues will demonstrate the extent to which a satisfactory relationship between auditors and their auditees exists.

9.2.5.2. Attitudes of Auditors and Auditees towards Each Other

This section is concerned with investigating the attitudes of auditors and auditees towards some general issues that might enhance co-operation between the two parties such as friendship, support, willingness to co-operate, providing opportunity for the other to express his concern, willingness to explain activities and actions to the other, etc. The researcher hopes that the examination of these issues might provide an approximate reflection of the trust and sense of fairness that auditors and auditees have established during their dealings with each other. This is an important factor in promoting co-operation and confidence between the two parties.

The two participating groups were provided with different statements relating to the above issues and were asked to indicate the extent to which they agreed with these statements. The results are shown in Tables 9.12 and 9.13.

Table 9.13:
Auditors' General Perceptions of Public Sector Managers (Q. B10)
(1 = "Never", 5 = "Always")

N	Elements	No. of Cases	Mean	Rank	Std. Dev.
1	Public managers are friendly and approachable	34	3.50	2	.79
2	Public managers have a good attitude towards audit teams	34	3.24	3	.96
3	Public managers are willing to co-operate with audit teams	34	3.50	1	.79
4	Public managers maintain definite standards of performance	34	2.56	6	.89
5	Public managers know the performance level required from them	34	2.82	4	.76
6	Public managers do not explain their activities and actions	34	2.71	5	.87

Table 9.13 indicates that performance auditors indicated a relatively high level of agreement with three of the six listed statements (mean ≥ 3.24). The first statement, "public managers are friendly and approachable" and the third statement, "public managers are willing to co-operate with audit teams", received the highest agreement level (scale 4 & 5) from 53% of auditors (see Table 9, Appendix K), with a mean score of 3.50. By excluding the neutral responses, only 5.8% of the auditors disagreed with these two statements. Furthermore, while 41% of the auditors indicated a high level of agreement with the second statement, "public managers have a good attitude towards audit teams" with a mean score of 3.24, only 17.7% disagreed with this statement. With regard to the last statement, "public managers *do not* explain their activities and actions", auditors showed a higher level of disagreement than agreement. While 38.2% of auditors disagreed with this statement, only 17.6% agreed with it. However, performance auditors indicated negative perceptions of the maintenance of definite standards of performance by managers and their knowledge of the performance level required from them. While forty seven percent and thirty eight percent of auditors respectively revealed high

disagreement with these two factors with mean scores of 2.56 and 2.82, only 14.7% and 20.6% of them agreed with these two factors. The auditors' views of these two factors seems to support earlier findings relating to the lack of organisational objectives and performance measures in the Saudi public sector reported in Section 9.2.3.2.

Table 9.14:
Managers' Perceptions of Performance Auditors (Q. B9)
(1 = "Never", 5 = "Always")

N	Elements	No. of Cases	Mean	Rank	Std. Dev.
1	Performance auditors are friendly and supportive	111	3.64	2	1.07
2	Performance auditors have a good attitude towards public managers	111	3.64	1	1.03
3	Performance auditors are willing to give managers an opportunity to explain their concerns	111	3.61	3	.99
4	Performance auditors maintain clear objectives and goals of their job	110	3.32	4	1.15
5	Performance auditors maintain clear standards to follow during their audit mission	107	3.26	5	1.16
6	Performance auditors do not explain their activities and actions	108	2.58	6	1.14

Contrary to what one would expect, public managers showed highly positive attitudes towards their auditors (see Table 9.14). They indicated a high level of agreement on the first five statements listed (mean ≥ 3.26). The highest agreement (mean = 3.64) was reported for the second statement, "performance auditors have a good attitude towards public managers" by 60.3% of the public managers (see Table 8.14 & Table 10, Appendix K). Only 11.7% of managers disagreed with this statement. The first statement, "performance auditors are friendly and supportive", and the third statement, "performance auditors are willing to give managers an opportunity to explain their concerns", were ranked almost as highly by at least 57.6% of managers with mean scores of 3.64 and 3.61, respectively. In addition, at least forty five percent of public managers reported agreement with the fourth statement, "performance auditors maintain clear objectives and goals of their job", and the fifth statement, "performance auditors maintain clear standards to follow during their audit mission" with mean scores of 3.32

and 3.26, respectively. With respect to the last statement, "performance auditors do not explain their activities and actions", while 49% of public managers indicated a high level of disagreement, only 20.4% of them agreed with this statement.

The reported results might reflect the positive attitudes that the two groups hold towards each other and the possible satisfactory relationship between them. This finding may reflect, in particular, the managers' sense of trust in performance auditors and their acceptance of the task that auditors have to accomplish. In addition, the responses of the auditors also indicate their awareness of the limitations inherent within their auditees' environment i.e. lack of definite performance standards. However, this obstacle was not strong enough to lessen the managers' willingness to co-operate with their auditors and to explain their activities and actions to them. These findings demonstrate a clear credit to both performance auditors and public managers and show, at the same time, how the two groups appreciate each other's attitudes.

A direct implication of this issue that should be considered is how to obtain the right balance between the level of independence required and the need for a more friendly, collaborative environment. Moreover, ensuring a more collaborative environment to avoid tensions between auditors and auditees should not be understood as a call for auditors to avoid criticising the auditee altogether. In fact, for auditees to be convinced to pursue some corrective actions for any observed shortcoming within their discretion, audit reports must show an adequate degree of criticism.

9.2.5.3. Feedback to Auditees

Another aspect that may affect the relationship between auditors and auditees is the level and timing of feedback given to auditees concerning the audit project and its findings.

Ample opportunity should be given to an auditee to express his opinions of the audit findings at the beginning, during the phase of investigation and in the final summing-up stage (Geist & Mizrahi, 1991, p. 40). This practice provides an open channel of communication with audited organisations, which enables the management of these organisations to be informed of their auditors' progress and findings. An expected result of providing auditees with an opportunity to explain their concerns is an escalation of co-operation and a strengthening of working relationships between auditors and their auditees.

As seen in Chapter Eight (Section 8.2.4), in order to strengthen the co-operation of auditees, various steps have been emphasised by the GAB. One of the first steps in the survey phase is contacting the entity concerned and holding an opening conference with its officials to inform them about the audit objectives and discuss possible scopes and approaches to the audit work. In addition, the audited organisation or entity is offered the opportunity to comment on the content of the report prior to its formal release through either holding exit conferences or requesting written comments (GAB, 1998, p. 27).

In order to explore the feedback issue from the auditors' and managers' point of view, the two groups were asked whether there has been any feedback from auditors to auditees concerning audit findings. The majority of both groups (94.1% and 66.7%, respectively) responded positively to this question (see Table 9.15).

Table 9.15:
Auditors' and Managers' Responses Concerning the Provision of Feedback to Auditees

Group	Yes		No		Total	
	No.	%	No.	%	No.	%
Auditors (Q. B11)	32	94.1	2	5.9	34	100.0
Managers (Q. B10)	74	66.7	37	33.3	111	100.0

Although the above result indicated that the GAB is currently seeking feedback from the recipients of its reports, one cannot develop a final conclusion about the effectiveness of this feedback without examining its adequacy in terms of the appropriateness of its quantity and timing. Accordingly, participants were provided with two more questions dealing with these two issues. Table 9.16 summarises the responses of the two groups regarding the timing of audit feedback.

Table 9.16:
Auditors' and Managers' Responses Concerning the Timing of Feedback to Auditees

	Auditors(Q. B12)		Managers(Q. B11)	
Feedback Timing	**N**	**%**	**N**	**%**
While auditors undertaking their mission	5	16.13	11	15.94
Immediately after the completion of the audit	23	74.19	25	36.23
Three months after the completion of the audit	3	9.68	18	26.09
Six months after the completion of the audit	0.0	0.0	10	14.49
One year after the completion of the audit	0.0	0.0	5	7.25
Total	31	100.0	69	100.0

As Table 9.16 reveals, the majority of the thirty one auditors responding to this question (74.2%) indicated that feedback was given to auditees immediately after the completion of the audit review. Sixteen percent of auditors claimed that feedback to auditees was given while they were undertaking their investigations and almost 10% said feedback was provided three months after the completion of the audit.

Moreover, the majority (78.3%) of public managers who responded to this question claimed that they received feedback within three months from the completion of the audit mission. While almost 16% of them stated that they received feedback during the phase of investigation, 36.2% of them indicated that they received feedback immediately after the completion of the audit review. Additionally, 26.1% confirmed that they received feedback three months after the completion of the audit mission. Only 14.5% and 7.25%

of managers stated that they received feedback six months or one year after the completion of the audit (see Table 9.16).

Furthermore, the feedback issue was further investigated by examining the perceptions of the respondents concerning the appropriateness of the amount of feedback given to auditees. The majority of auditors (62.5%) indicated their satisfaction with the level of feedback they provided to their auditees. Only 12.5% of auditors showed their dissatisfaction, while the remaining (25%) were not sure (see Table 9.17).

Table 9.17:
Auditors' and Managers' Responses Concerning the Appropriateness of Feedback to Auditees

Appropriateness of Audit Feedback	Auditors (Q. B13)		Managers (Q. B12)	
	N	%	N	%
Extremely inappropriate	0.0	0.0	1	1.35
Inappropriate	4	12.5	13	17.57
I am not sure	8	25	12	16.22
Appropriate	16	50	38	51.35
Extremely appropriate	4	12.5	10	13.51
Total	32	100.0	74	100.0

Managers, on the other hand, as Table 9.17 indicates, showed their satisfaction with the amount of feedback they received from their auditors. While most managers (64.9%) indicated that the amount of feedback they received was appropriate or extremely appropriate, only 19% of them revealed that feedback was inappropriate or extremely inappropriate.

The conclusion that might be drawn from the above findings is that auditors do currently, in most cases, provide their auditees with an adequate amount of feedback. Auditors seem to encourage auditees to comment on and react to their findings not only after the completion of their audit but, in some cases, during the implementation phase of the audit project as well. However, the feedback given during the implementation phase of the

audit project is still weak. The perceptions of the respondents support previous findings, based on documentary analysis, criticising the GAB's communication process with its auditees, as reported in Chapter Eight (Section 8.2.4.3). Auditors, therefore, need to place more emphasis on the provision of audit feedback during the implementation stage.

9.3. OVERALL IMPRESSION OF THE EFFECTIVENESS OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

9.3.1. INTRODUCTION

The discussion presented in this chapter so far has highlighted various elements which might either strengthen or impede the effectiveness of the performance auditing system in the Saudi public sector. This discussion was primarily constructed around the five criteria that are linked to the proper functioning of performance auditing in the public sector (see Chapter Four, Figure 4.2). This section is intended to make some kind of judgement on the overall effectiveness of performance auditing as practised by the Saudi GAB. This judgement is based on the following two accounts. The first is a direct one, in which respondents were asked to give their opinion on the general effectiveness of the current system of performance auditing. The second is a synthesis of the evidence that has been collected from the research respondents concerning the various issues raised throughout this chapter. The rest of this section, accordingly, will be presented under these two headings.

9.3.2. THE GENERAL OPINION OF THE RESEARCH RESPONDENTS

Throughout the questionnaire, the research respondents were asked to record their perceptions regarding a number of important issues relevant to the effective functioning of performance auditing in the public sector (see Section 9.2). The last question in the questionnaire moved further to ask the research respondents to judge, based on their

knowledge of performance auditing practices in the Saudi public sector, the general effectiveness of the current system of performance auditing. In this respect, respondents were introduced to the following question, *"From your point of view, how effective, in general, is the current system of performance auditing?"*. Five options (ranging from ineffective to very effective) were given in the questionnaire.

Table 9.18:
Auditors' and Managers' Responses Concerning the Effectiveness of the Performance Auditing System in General

	Auditors (Q. B14)		Managers (Q. B13)	
	No.	%	No.	%
Ineffective	0.0	0.0	5	4.5
Rarely effective	2	5.9	22	19.8
Moderately effective	7	20.6	31	27.9
Quite effective	12	35.3	35	31.5
Very effective	13	38.2	18	16.2
Total	34	100.0	111	100.0

Table 9.18 shows that more than two thirds (73.5%) of GAB auditors thought that the performance auditing system as currently practised in the Saudi public sector was, at least, quite effective. Moreover, 20.6% of auditors thought that their performance auditing practices were moderately effective. Furthermore, while only 6% of auditors indicated that the performance auditing system was rarely effective, none of them thought that it was ineffective.

Public sector managers, on the other hand, present a rather different picture. For just under 48% of the public managers saw the performance auditing system as "quite" or "very effective", with 28% regarding the current system as moderately effective. Only 4.5% and 20% of the public managers thought that the performance auditing system was either ineffective or rarely effective.

These findings indicate that auditors tended, as one might expect, to be more convinced than managers of the *real influence* that performance auditing practices may have brought to the operation and administration of the public sector. While the auditors' responses may suggest that they had few misgivings about the role that their audit activities have produced, the managers' views may reflect their perceptions that the GAB is failing to carry out this type of auditing.

The auditors' and managers' perceptions of the general effectiveness of the performance auditing system seem to be consistent with their opinions regarding the various elements previously reported in Section 9.2 as indicators of the effectiveness of performance auditing in the Saudi public sector. Section 9.2 showed several significant examples of the difference in attitudes between auditors and managers in that the auditors tended to express more sympathy than managers with performance auditing and its expected contribution to the management of the public sector (e.g. performance auditors showed higher agreement than public mangers towards the actual effect that performance auditing has achieved, see Section 9.2.2).

9.3.3. A SYNTHESIS OF THE PERCEPTIONS OF THE RESPONDENTS

This sub-section aims to report the researcher's attempt to synthesise the evidence that has been collected from the two participating groups on the effectiveness of performance auditing in the Saudi public sector. This synthesis is particularly linked to the five characteristics of the effectiveness of performance auditing in the public sector (see Chapter Four, Figure 4.2) to demonstrate the extent to which the researcher was able to suggest plausible explanations for these characteristics and to assess their possible effect on the proper functioning of performance auditing in the Saudi public sector. Accordingly, in terms of the respondents' perceptions of the various issues which are

linked to the effectiveness of performance auditing in the public sector, the following conclusions can be stated.

As far as the achievement of performance auditing objectives is concerned, the respondents from both groups emphasised on the moderate improvements that performance auditing has brought to the economy, efficiency, effectiveness and performance of public organisations and the enhancement of organisational accountability within the public sector. Taking into consideration the fact that these objectives have been advocated in the literature as being the primary aims of performance auditing, and bearing in mind the apparent limitations of the GAB to carry out performance examinations which were identified in the study, the reported improvements, although are not high as one would hope, represent an encouraging outcome for all those concerned with the success of performance auditing in the Saudi public sector.

Public managers, however, indicated that performance auditing has provided little improvement to the decision-making process in the Saudi public sector. It has been argued that this inconsistency in the research findings can be understood by taking into account *the centralisation* of decision-making processes in the Saudi public sector where individual managers of public sector organisations are not directly involved in these processes. In addition, this inconsistency in the research findings might be illustrated by considering the time range needed to allow such a system to bring any influence to decision making.

The results of the research, furthermore, indicated that the public sector environment is not well conducive to support the proper functioning of performance auditing practices.

Both auditors and managers, not surprisingly, supported the existence of various deficiencies within the public sector environment. The most notable challenge facing the GAB within the public sector environment is the lack of performance measures or indicators in the public sector. As indicated above, public sector organisations have no formal performance measures or indicators. This problem is expected to hinder the GAB's ability to perform its duties, particularly its efforts to carry out effectiveness auditing. Another major deficiency stated by state auditors is the ambiguity of goals and objectives in public sector organisations and projects. It is argued that the absence of such goals and objectives would leave auditors without a fair basis against which organisational and programme achievements can be judged objectively. The third deficiency is related to the management information systems in the Saudi public sector. The lack of sound financial reporting and internal control systems in the public sector, as perceived by the research respondents, would oblige auditors to spend the majority of their time locating and tracing different transactions seeking for evidence (Chandler & Holzer, 1981, p. 12). Another obstacle facing the GAB in its practice of performance auditing is the lack of support from higher officials for the performance auditing system. Since there is no enforcement mechanism to ensure the effective implementation of audit recommendations, the support of top officials will be the most important factor which could give credence and value to auditors efforts. When this kind of support and co-operation are denied, auditors will feel that their work is valueless.

The respondents' perceptions of these problems implied that advances in performance auditing in the public sector rest heavily on building a public sector environment in which this type of auditing is not only possible, but can be successful. In this regard, fundamental changes in the public sector environment (see Sections 9.2.3.2 & 10.3)

should be made if the expected contribution of performance auditing to the public sector can be fully achieved.

As far as the GAB's independence is concerned, the study showed that the Bureau enjoys a reasonable, though not complete, degree of independence. A likely deficient factor is the GAB attachment to the Head of the State, who also acts as Premier. This issue may raise some doubts over the real independence of the Bureau. As indicated previously, the possible effect of this issue should be understood by taking into consideration the political framework of the Saudi administration in which the King as the Head of the state is the main reference for both legislative and executive authorities. Further deficiencies which could raise questions over GAB's independence are related to the way in which the GAB's budget is approved and audit findings are circulated. As pointed out before, the executives have the final say concerning GAB's financial appropriations. Executives are anticipated to assert their role as financial controller of the GAB, and, as a result, a controller of the extent of its activities.

The results of the research, furthermore, revealed that the GAB faces some internal deficiencies limiting its ability to conduct this type of audit more efficiently and effectively. The biggest challenge facing the GAB is the lack of expertise from different disciplines to help in undertaking performance audits. It has been argued that the lack of such individuals is expected to produce two possible influences. Firstly, the ability of the GAB to conduct performance audit examinations, particularly in sophisticated areas, efficiently and effectively will be lowered. In addition, the auditees' attitudes towards performance audit investigations might be diminished.

Performance auditors, in addition, perceived the lack of sufficient financial resources to be a major obstacle hindering the effectiveness of performance auditing. The lack of sufficient financial resources, it is suggested, will impose considerable limitations on the GAB's ability to expand performance auditing scope and coverage. This problem brings attention into the following. First, the need for reconsidering the way by which the financing resources of the GAB are determined. In addition, the GAB, on its part, should take real steps to reduce its emphasis on financial and regularity audit to free more resources for performance audit examinations.

Furthermore, the respondents' perceptions, particularly those of auditors, concerning the extent to which audit recommendations were implemented might cast some doubts on the effectiveness of performance auditing as currently practised in the Saudi public sector. While 59% of public managers indicated that audit recommendations were "often" or "always" implemented, only 32.3% of performance auditors reported the same feeling. Respondents showing dissatisfaction emphasised the lack of support from higher legislative and administrative authorities and the lack of enforcement mechanism as being important reasons for the limited implementation of performance audit recommendations.

The perceptions of the research respondents, on the other hand, revealed positive attitudes towards some elements related the GAB's technical and operational environment, such as the availability of competent audit staff to undertake performance audits, the GAB's training efforts as well as the quality of performance audit reports. While documentary evidence (see Sections 6.5 & 9.2.3.3.4) supports the research participants' views of the GAB's training efforts and the quality of performance audit reports, their attitudes towards the availability of competent audit staff seem surprising.

While the GAB, at the time of the researcher's fieldwork, employed more than 700 auditors, only 37 of them were allocated to performance auditing departments. The participants' views regarding this issue, accordingly, should be interpreted within the frame of the actual figures of human resources devoted to performance audits. In order to provide a feasible explanation for this unexpected response, two possible aspects to the question were considered: the quantity and quality of present auditors. It is possible that the research participants stated their responses in the light of the latter but not the former.

Another aspect to which the research respondents showed positive attitudes is related to the relationship between auditors and their auditees. With regard to this issue, the research findings demonstrated a clear credit to both performance auditors and public managers. Both groups revealed an appreciation of each other's attitudes and roles. Auditors also seemed to encourage auditees to comment on and react to their findings particularly after the completion of their audit. The feedback given during the implementation phase of the audit project is, however, still weak.

9.4. CONCLUSIONS

As stated before in Chapter One (Section 1.7), the analysis of this research will be presented under two main themes. This chapter covered the second theme which is mainly concerned with assessing the effective operationalisation of performance auditing in the Saudi public sector. One main conclusion that was drawn from Chapters Three and Four which discussed the effectiveness of performance auditing in the public sector is that there is a need to expand the relevant indicators of effectiveness to include more than the relatively narrow, but widely used, goal-oriented indicators. Hence, an evaluative framework adapting broader view of effectiveness was constructed. The framework considers both the impacts of the system as well as the environment in which the system

operates. A related conclusion drawn from these two Chapters was that when environmental deficiencies exist, it would be fairly pointless to state that the performance auditing system is ineffective due to the non-achievement of its objectives. The question of the system's effectiveness, it was argued, should be turned into a question of the capability of the state audit institution to adapt itself to these inadequate circumstances.

In the light of the above two conclusions, the analysis that was provided in this chapter revealed several interesting findings concerning the effectiveness of performance auditing in the Saudi public sector. Some of the main findings are summarised as follows. In general, performance auditing in the Saudi public sector, as perceived by the research respondents, has brought moderate improvements to the economy, efficiency, effectiveness and performance of public organisations as well as organisational accountability within the public sector. The achievement of other objectives of performance auditing, on the other hand, has received lower agreement from the respondents, particularly public sector managers.

As far as the environmental limitations are concerned, the study revealed various obstacles and limitations both within the GAB environment and the general domain of the public sector, impeding the proper functioning of performance auditing in the Saudi public sector. The results indicated that the public sector environment is not well conducive to support the proper functioning of performance auditing practices. The biggest challenge facing the GAB within the public sector environment is the lack of performance measures or indicators in the public sector. Another major deficiency stated by state auditors is the ambiguity of goals and objectives in public sector organisations and projects. The third deficiency is related to the management information systems in the Saudi public sector i.e. the lack of sound financial reporting and internal control

systems in the public sector. Other obstacles facing the GAB in its practice of performance auditing within the general domain of the public sector are the lack of support from higher officials to performance auditing practices and the lack of enforcement mechanism to ensure the effective implementation of performance audit recommendations.

As far as the GAB's internal conditions are concerned, the study also showed various deficiencies. The biggest challenge facing the GAB is the lack of expertise from different disciplines to help in undertaking performance audits. Another perceived deficiency is the lack of sufficient financial resources. In addition, further deficiencies which could raise questions over GAB's independence were identified including, the way in which the GAB's budget is approved and audit findings are circulated.

The respondents' perceptions of these problems implied the following two conclusions. The first is that the effective operationalisation of performance auditing in the public sector rest heavily on building a proper public sector environment as well as improving the GAB's capabilities to undertaking this type of audits. Accordingly, in order to observe the expected contribution of performance auditing to the public sector, fundamental changes in the environment of the public sector and that of the GAB should be taken. Secondly, taking into consideration the various limitations unveiled in the study, the reported achievements of the objectives of performance auditing, although seem moderate, may indicate the success, at least partially, of the GAB's efforts to adopt itself to the various inadequacies inherited in its environment.

Finally it is worth noting that many of the problems which the Saudi GAB is facing in the area of performance auditing resemble those confronting other countries throughout the world as identified in the literature.

This section ends the discussion of the data analysis and leads us to the final part of the study which will cover the summary, conclusions, recommendations and suggestions for future research.

PART FIVE

CONCLUSIONS, RECOMMENDATIONS AND FUTURE RESEARCH

CHAPTER TEN

CONCLUSIONS, RECOMMENDATIONS AND FUTURE RESEARCH

10.1. INTRODUCTION

During the last two decades, Saudi Arabia has experienced great challenges represented by a continuing increase in its need for resources accompanied by a substantial decline in the state revenues, generated mainly from oil exports, leading to a deficit financing in the country's annual budget. This situation has brought about an increased need for more reliable information to enable the country's authorities to exercise full accountability concerning the efficient and effective use of available, scarce resources.

Therefore, in response to this need, the Saudi General Audit Bureau (GAB), in its effort to promote the efficient and effective use of public resources, has moved in new directions in its audit work (The GAB, 1999, p. 33). The Bureau has widened the scope of its audit activities to incorporate performance audits, in addition to its traditional financial audits. The primary concern of this thesis was to explore and evaluate the current system of performance auditing as practised by the GAB in order to identify any obstacles which may obstruct the effective functioning of the system.

This chapter concludes the thesis. It encompasses five sections including this introduction. Section 10.2 provides a summary of the discussions included in the previous chapters. The research findings are also reported in this section. The research implications and recommendations are presented in Section 10.3. Section 10.4 discusses the limitations of the study and how these limitations were dealt with during the actual research process. Finally, Section 10.5 provides suggestions for future research.

10.2. SUMMARY AND CONCLUSIONS OF THE THESIS

This section provides a summary of the discussion presented in each chapter and the main findings of this thesis overall. In Chapter One, it was stated that the contents of this study are divided into five major parts. The first part, which consisted of Chapter One, provided a general background to the research problem. It was stated in this part that the purpose of this study is twofold: (1) to explore the nature of performance auditing practices utilised by the Saudi GAB for assessing the performance of public organisations and programmes; and (2) to evaluate the current system of performance auditing as practised by the Saudi GAB in order to identify any obstacles which may obstruct the effective functioning of the system.

In its justification of the research, Chapter One also highlighted the existing gap in the previous literature by emphasising two issues. The first being that most of the literature on performance auditing was written with reference to developed countries. Despite the fact that an increasing number of state audit institutions in developing countries are adopting performance auditing into their work and have made great attempts in this area during the last few years, performance auditing in these countries has received little attention in research. Secondly, the written literature tended to be occupied by a description of the technical aspects of performance auditing, such as its components, processes and procedures, with little empirical work on more important issues such as assessing the effective operationalisation of this technique by individual state audit institutions. It was in response to this apparent gap in the literature that this study was originally undertaken.

The second part of the thesis (Chapters 2, 3 & 4) reviewed the previous literature on performance auditing. This review was used as a frame of reference for developing

the issues discussed in the main part (fourth part) of this thesis. In particular, this review was used to develop the questions presented in the questionnaire. In addition, the literature reviewed was used, in Chapter Four, as a foundation for constructing an evaluative framework of the effectiveness of performance auditing.

Chapter Two reviewed various aspects of performance auditing, including, among others, the nature, objectives, approaches and procedures of performance auditing. It was found that the changing circumstances in the public sector during the second half of the twentieth century (i.e. the increase in the role of governments in the management of scarce public resources) has generated huge pressures for greater accountability concerning the efficient and effective use of available resources. The appeal for full accountability has, in turn, caused the scope of government auditing to expand rapidly beyond its traditional concern with regularity and compliance audits to include the investigation of whether government organisations and programmes are achieving their objectives and are doing so economically and efficiently (GAO, 1994, p. 8).

Chapter Two also provided convincing arguments concerning the different objectives that performance auditing can be utilised to achieve. Various objectives of performance auditing were discussed. These objectives were mainly concerned with promoting good public sector administration, by enhancing accountability relationships and improving the economy, efficiency, effectiveness and performance of public agencies. However, the discussion also showed that performance auditing is not likely to be a panacea for all public sector problems. Performance auditing has its own inherited problems, such as the conflicts between the goals of performance

accountability and performance improvement and the possible negative effects caused by poor audit recommendations.

As far as performance auditing in developing countries is concerned, the literature reviewed seems to show less support for the notion that performance auditing can serve different objectives within the public sector. It has been argued that the institutions and mechanisms which have extended government auditing and strengthened its role in public accountability in many Western democracies are almost non-existent in most developing countries. For instance, in many developing countries, Parliament and its committees, if they exist, have less power compared to the executives, and the media is more closely controlled by the government, etc. (Ghartey, 1985, pp. 153-155). This finding, it was suggested, casts some doubts on the appropriateness and possible success of introducing some aspects of Western patterns of auditing and accountability into other societies, where many of the institutions, processes and mechanisms which support and complement these systems of auditing and accountability are absent.

Approaches to performance auditing were also discussed in Chapter Two. It was found that the country's legal and institutional framework and the backing given to state auditors within the country play an essential role in deciding the general approach to performance auditing. For example, the scope of performance audits, in many countries, may involve examining the economy, efficiency and effectiveness aspects, while in other countries performance auditing is even allowed to review and question the government's objectives and policies.

Because of the large size of public sector organisations and programmes and the great amount of resources that each performance investigation usually needs, it is neither practical nor economically feasible to undertake performance auditing investigations on every activity, operation, system, procedure and transaction of a particular government organisation or programme simultaneously. Accordingly, the reported literature suggested different types of performance audit investigations ranging from major broad-based investigations of a whole audited body or of important activities, projects or programmes to smaller-scale investigations. State audit institutions have usually utilised one or more audit approaches based on the particular circumstances of each audit operation.

Furthermore, Chapter Two dealt with the procedures of performance auditing. It was argued that there is no unified audit methodology to be followed in all performance audit examinations; and hence, specific audit procedures should be tailored to meet the needs of the case under examination. This finding means that performance auditors, unlike their financial counterparts, are granted more freedom to decide on the technical aspects needed to undertake performance audit examinations.

Chapter Three discussed the main factors that have been debated in the literature as being influential in the effective operationalisation of performance auditing systems in the public sector. In this regard, the literature suggested different factors that might support or impede the work of State Audit Institutions (SAIs) in the area of performance auditing. These factors include the identification of goals and objectives in the public sector; the existence of accounting and internal control systems in the public sector; the existence of performance measurement in the public sector; the existence of sufficient support from higher authorities; the independence of state audit

institutions; the auditors' competence and skills; the adequate management and execution of performance audits; the co-operation of audited bodies; the relationship between the auditors and auditees; and the implementation of audit recommendations. It was stated that although most of these problems are common for both developed and developing countries, their effects in the context of developing countries are more serious.

Chapter Four constructed an evaluative framework for assessing the effectiveness of performance auditing in the public sector. It was stated that the effectiveness of performance auditing system in the public sector, based on the proposed framework, is a function of (a) the achievement of performance auditing objectives; (b) the existence of an adequate public sector environment; (c) the audit institution's organisational and operational structure; (d) the relationship between performance auditors and their auditees; and (e) the auditees' commitment to the audit recommendation and corrective actions. The thesis argues that these five criteria, which take into account the impact of the system as well as the environment in which the system operates, will provide a good representation of the effectiveness of performance auditing in the Saudi public sector.

Part Three of the study, which consisted of Chapters Five and Six, gave background information regarding the environment in which the research was undertaken. Chapter Five discussed the different aspects of the accountability and control systems in the Saudi public sector (SPS). In this regard, the organisation of power in Saudi Arabia and the roles that different agencies and systems play in the accountability processes within the country were highlighted. It was evident that the Saudi government has played a dominant role in many of the country's economic activities. The

government's dominant role is also expected to continue into the foreseeable future as revenues of oil, of which the government is the only recipient, and the government sector contribution are likely to continue to represent the largest components of the Country's GNP (see Table 5.4).

The discussion in Chapter 5, more importantly, revealed various important insights into the control processes in the Saudi public sector. The external control exercised by central government agencies (e.g. MOFNE) over government bodies was found to be concerned mainly with verifying that proper measures and procedures are carried out and performed in accordance with laws and specified regulations. Other important aspects related to the efficient and effective use of public money have received little attention. In addition, accounting, budgeting and internal auditing systems within public organisations were found to have different drawbacks. The instructions and procedures guiding accounting practices in the government sector, issued in 1954, are obsolete and outdated. The Saudi budgetary system, furthermore, follows the traditional approach to budgeting in which budgets are prepared on a line-item basis. In addition, the budgetary control in Saudi Arabia is concerned primarily with regularity and compliance aspects and does not direct any attention towards an evaluation of the efficient use of public resources or the effectiveness of the government programmes. Finally, the internal auditing in the public sector seems to show various inefficiencies. These include a lack of statutory law governing and regulating the duties and responsibilities of internal auditing departments in the Saudi public sector; a lack of independence of the internal auditors as they work under the direct subordination and supervision of chief financial officers of public organisations; and a concentration on the traditional roles of internal auditing, such as

examining and checking financial transactions in government organisations to prevent errors and fraud and to ensure their correctness and regularity. An examination of the economy, efficiency and effectiveness aspects of public organisations has received no attention from internal auditors. It was emphasised that the various shortcomings identified within the Saudi public sector could raise doubts concerning the appropriateness and possibility of undertaking performance audit examinations of public organisations and activities or, at least, could limit the capability of the Saudi GAB in carrying out this type of audit.

Chapter Six discussed various issues relating to the work of the Saudi GAB. The evidence revealed that the GAB's audit activities have achieved various advances throughout the last three decades. One important aspect is the introduction of a clear constitution for the Audit Bureau. Another aspect is the expansion of the scope of the GAB's audits, to include not only traditional financial audits but also the more complex and important areas concerned with the efficiency and effectiveness of public sector activities. A third aspect is the increase in the GAB's authority to include all public sector organisations, corporations and companies which receive public funds.

To carry out its audit activities, the GAB established two separate sections for performance auditing and financial auditing. While the financial audit departments focuse on the financial and regularity aspects of the transactions carried out by the agencies subject to their audit control, the objectives of the performance audit departments are concerned mainly with how economically the GAB's auditees utilise the allocated funds, equipment and human resources made available at their disposal and how effectively the said resources are used to achieve the pre-determined objectives (GAB, 1992, p. 61).

The GAB seems to give particular attention to the importance of maintaining highly professional and qualified staff. The evidence showed that the GAB has introduced a significant number of courses and programmes using different approaches i.e. formal classroom and On-the-Job training (OJT) within and outside the Kingdom. It is expected that these efforts will positively influence the way by which auditors execute their work.

In addition, the GAB, in another positive step towards ensuring the effectiveness of auditing practices, introduced a reasonably complete set of government auditing standards in 1982 (Dean, 1988, pp. 233 & 242). Despite the various benefits that could be obtained from the existence of these standards, it was stated that the GAB should reconsider the appropriateness of these standards for its current activities since they are almost 18 years old and at the same time have experienced no revision at all during this period.

The substantive part of this study is Part Four, which consisted of Chapters 7, 8 & 9. This part was devoted completely to the research methodology and findings. Chapter Seven presented the manner by which the data required to achieve the research objectives was collected and analysed. For the purpose of data collection, two techniques were utilised in this thesis: collecting relevant documents from the GAB and various governmental sources; and distributing questionnaires to performance auditors and a sample of public sector managers. This chapter also discussed the data analysis techniques utilised in this study. In this regard, different statistical techniques were used to analyse the data collected, including: descriptive statistics, frequency distributions and inferential statistics.

The research findings together with their implications for the concern of the thesis have been fully discussed in Chapters Eight and Nine under two headings: (a) the nature of performance auditing in the Saudi public sector; and (b) the effectiveness of performance auditing in the Saudi public sector, respectively. Although the main conclusions and implications of this research will be the subject of the rest of this chapter, the reader is advised to refer to Chapters 8 and 9 to gain a better understanding of the issues raised in this research.

Chapter Eight presented the research findings concerning the several issues relating to the nature of performance auditing in the Saudi public sector. These issues include the objectives, approaches and processes of performance auditing; the auditors' main sources of information; and the extent to which the Saudi GAB is involved in pre-audit activities. Generally speaking, the results reported in this chapter showed that, in various instances, the Saudi experience in the field of performance auditing shares a common base with that discussed in the literature or reported in the practices of other state audit institutions.

As far as the objectives of performance auditing are concerned, the evidence indicated that this type of audit could serve a wide range of objectives aimed at promoting good public sector administration. The respondents' reported perceptions also provided clear evidence that the introduction of performance auditing practices in the Saudi public sector have been directed towards constructive and positive purposes rather than towards punishment. These positive views may indicate the respondents' acceptability of this type of audit and may reflect their optimistic view of the possible outcomes that performance auditing might produce for public sector operations and administration. The above results, it was suggested, should encourage GAB officials

to increase the extent and frequency of performance auditing in the Saudi public sector.

The research findings presented in Chapter 8 also showed that the GAB's approach to performance auditing follows the general approach of performance auditing as suggested in the literature, encompassing the examination of economy, efficiency and effectiveness. Furthermore, the results showed that there is no specific approach or unified techniques applicable to performance audit investigations under all conditions and circumstances and at all times. In fact, various factors relating to the audited organisation and the objectives and resources of the audit operation were perceived to be influential in the selection of the proper approach and techniques.

The reported findings by no means, however, indicate that GAB auditors are left with no guidance at all. The GAB, in its guide to performance auditing (1998, pp. 3-31), suggested a general audit methodology covering the various aspects of an audit project i.e. the selection, planning, implementation, reporting and follow-up procedures. Analysis of the proposed methodology unveiled different positive aspects given support in the literature. One important aspect is the opportunity that is given to the audited organisation to make its own comments on the contents of the audit report prior to its formal release. Another aspect is the emphasis on the balanced stance of the audit report where both good and bad practices are considered.

The research also identified some deficiencies with the GAB's methodology. Firstly, communication between GAB auditors and their auditees seems to receive little attention, particularly, during the implementation stage of an audit. Secondly, the confidentiality attached to audit reports where the circulation of these reports is limited

only to the management of the audited entity and/or the responsible ministry. Finally, the lack of an enforcement mechanism required to ensure the implementation of audit recommendations.

As far as the selection of audit investigations is concerned, the results of the study suggested that the decision is influenced by a far greater range of concerns than the monies immediately involved. The evidence gathered indicated that various factors, including the size of the auditee's budget; previous audit findings; statutory requirements; significant changes which have occurred in the audited organisation; and the availability of audit resources are influential in this connection.

The research findings also showed that GAB auditors, in response to the absence of clear objectives and performance standards in public organisations, have utilised various sources to gain sufficient information needed to assess the output of public sector organisations and programmes. Auditors seem, as indicated by research respondents, to consider collecting evidence from people as well as documentary sources. However, the level of the auditors' reliance on these sources is left to the auditor to decide; hence, it will vary and depend on the knowledge and experience of the auditor.

The last issue raised in Chapter Eight examined the extent to which the Saudi GAB is involved in pre-audit activities. It was pointed out that the GAB gave little attention to pre-audit practices. This situation, as suggested, could be attributed to several factors, such as the practical difficulties relating to the availability of staff and financial resources; the fear of possible negative effects on the auditors' independence; and the absence of any pressure in Saudi Arabia for the use of this type of audit practice.

The research findings on the extent to which the performance auditing system has been effectively operationalised within the Saudi public sector were reported in Chapter Nine. The reported evidence on this issue was particularly linked to the five characteristics of the effectiveness of the performance auditing system in the public sector which consider both the impacts of the system as well as the environment in which the system operates (Chapter Four, Figure 4.2). As far as the achievement of performance auditing objectives is concerned, the results indicated that the research respondents agreed with the *moderate* improvements that performance auditing has brought to the economy, efficiency, effectiveness and performance of public organisations and the enhancement of organisational accountability within the public sector. The achievement of other objectives of performance auditing, on the other hand, received a lower level of agreement, particularly from public sector managers. Public managers, for instance, indicated that performance auditing has provided little improvement to the decision-making process in the Saudi public sector. It was argued that the centralisation of decision-making in the Saudi public sector might provide some possible explanations for this inconsistency in the research findings. While there might be an improvement in the decision-making processes on a national level, individual managers of public sector organisations are unaware of this, as they are not directly involved in these processes.

Concerning environmental factors, the research findings revealed positive attitudes towards some elements relating to the GAB's technical and operational environment, such as the availability of competent audit staff to undertake performance audits, the GAB's training efforts as well as the quality of performance audit reports. While documentary evidence supports the research participants' views of the GAB's training

efforts and the quality of performance audit reports, their attitudes towards the availability of competent audit staff seem surprising. While the GAB, at the time of the researcher's fieldwork, employed more than 700 auditors, only 37 of them were allocated to performance auditing departments.

The research findings, however, revealed various environmental limitations impeding the proper functioning of performance auditing in the Saudi public sector. These limitations exist within both the GAB environment and the general domain of the public sector. The most notable challenge facing the GAB within the general domain of the public sector is the lack of performance measures or indicators. Public sector organisations have no formal performance measures or indicators. This problem is expected to hinder the GAB's ability to perform its duties, particularly its efforts to carry out effectiveness auditing. Another major deficiency stated by state auditors is the ambiguity of goals and objectives in public sector organisations and projects. The ambiguity of such goals and objectives, it is argued, leave auditors without a fair basis against which organisational and programme achievements can be judged objectively. The third and fourth deficiencies are the lack of sound financial reporting and internal control systems in the public sector. These deficiencies would oblige auditors to spend the majority of their time locating and tracing different transactions looking for evidence. Another obstacle facing the GAB within the public sector general environment is the lack of support from higher officials for the performance auditing system. Since there is no enforcement mechanism to ensure the effective implementation of audit recommendations, as will be stated shortly, the support of top officials is the most important factor giving credence and value to auditors' efforts.

These findings raise serious doubts on the fitness and willingness of the public sector environment to support the proper implementation of performance auditing practices.

As far as the GAB's internal environment is concerned, various deficiencies were identified. The biggest challenge facing the GAB is the lack of expertise from different disciplines which would help in undertaking performance audits. The lack of such individuals, it has been argued, hinders the ability of the GAB to conduct performance audit examinations, particularly in sophisticated areas, efficiently and effectively. In addition, the auditees' attitudes towards performance audit investigations might be affected. Another perceived deficiency is the lack of sufficient financial resources. It was suggested that this obstacle will impose considerable limitations on the GAB's ability to expand the scope and coverage of performance auditing. In addition, further deficiencies, such as the way in which the GAB's financial resources are approved and audit findings are circulated were recognised since they could limit the GAB's independence from executives.

With regard to the fourth criterion (i.e. the implementation of audit recommendations), the reported results, particularly those of the auditors, cast some doubts on the effectiveness of performance auditing as currently practised in the Saudi public sector. Only 32.3% of performance auditors indicated that audit recommendations were "often" or "always" implemented. The main reasons for the limited implementation of performance audit recommendations, as perceived by the research respondents, are the lack of support from the higher legislative and administrative authorities and the lack of an enforcement mechanism. These two factors would raise some doubts concerning the extent to which audited organisations will take audits' recommendations seriously,

on the one hand, and the ability of the GAB to follow-up and improve the implementation level of audits' recommendations, on the other.

The last criterion used to assess the effectiveness of performance auditing as practised in the Saudi public sector was the relationship between GAB auditors and their auditees. The research results showed that both auditors and managers revealed an appreciation of each other's attitudes and roles. This finding provided a clear credit to both groups. In addition, auditors also seemed to encourage auditees to comment on, and react to, their findings particularly after the completion of their audit. The feedback given during the implementation phase of the audit project is, however, still weak.

By taking into consideration the various limitations unveiled in the study one could conclude that the reported improvements brought into the Saudi public sector by performance auditing, although they may seem moderate, may reflect the success, at least partially, of the GAB's efforts to adapt itself to the various inadequacies inherent in its internal and external environment. However, in order to realise the maximum contribution of performance auditing to the public sector, there is a need for a real effort to build a proper public sector environment and to improve the GAB's capabilities of undertaking this type of audit (see the next section).

The first four objectives of this study, as stated in Chapter One, have been explicitly addressed in various parts of the previous chapters and the main conclusions relating to these objectives have been summarised in this section. Working from these conclusions, the main implications and recommendations of the research (the last two objectives of the study) will be presented in the following section.

10.3. IMPLICATIONS AND RECOMMENDATIONS

The most obvious implication from this work lies in its assessment of performance auditing effectiveness. The research findings supported what have been reported in the reviewed literature concerning the various factors influencing the effectiveness of performance auditing in the public sector. This would imply that conditions that cause ineffectiveness ought to be understood and, therefore, remedied in an attempt to ensure that advances in performance auditing in the public sector are not only possible, but can be successful. Resulting from this general implication, the more precise implications relating to the various issues discussed in this research are as follows.

There are various implications for enhancing the fitness of the public sector environment to performance auditing practices. The present study indicated that various challenges within the public sector environment still remain to be met. This finding implies that there is a need for a number of initiatives which would bring fundamental changes into the public sector environment in order to recognise the desired benefits expected from performance audit. These initiatives should be undertaken in a variety of areas including performance measurement; the goals and objectives of public sector organisations and projects; and the accounting and internal control systems in the public sector.

The lack of clear objectives and performance measures for public organisations must be solved in a way that give managers at all levels the ability to assess the efficiency and effectiveness of their programmes and to demonstrate programme achievement, on the one hand, and help auditors to express an opinion on organisational performance and effectiveness, on the other. Although the establishment of precise measures for some public sector services, such as health and education, is not simple

and might be impossible, at least some sort of surrogate indicators relating the inputs to the outputs must be found. These indicators should take into account the qualitative as well as the quantitative aspects of inputs and outputs changes and must be acceptable and understood by managers so that they are fully familiar with the criteria by which they are judged. An important step towards attracting public organisations to the issue of performance measurement, from the researcher's point of view, is the introduction of performance reporting into the public sector. The preparation of a distinct report on performance is expected to help public organisations develop a more integrated approach to performance measurement (Treasury Board of Canada Secretariat, 1997, p. 6).

In addition, the urgent need for developing timely and reliable accounting and internal control systems in public organisations can be inferred from the weak status of these systems as currently operationalised (see Section 5.5 & Section 9.2.3.2). The development of reliable accounting and internal control systems in public organisations are expected to serve the interest of both the executives and external auditors by providing them with information about the activities of an organisation and, at the same time, ensuring the accuracy and reliability of such information. The availability of more reliable information will, particularly, enable performance auditors to carry out their audit work more successfully and to save a great proportion of their time which could then be used to accomplish more performance audit operations. The following actions, therefore, are needed. Firstly, the accounting system used in the Saudi public sector should be modernised by establishing special units (i.e. financial and management accounting units) within the accounting departments and recruiting qualified, capable staff to these units. The lengthy

instructions and procedures guiding accounting practices in the Saudi public sector since 1954 should also be updated and simplified. In addition, the adoption of accruals accounting should be considered since the cash accounting system, currently used, cannot provide a clear picture of the performance of government departments during a specific period.

Secondly, the traditional budgeting approach followed in the Saudi public sector should be changed into programme budgets or zero-base budgets.[1] Although programme budgeting was unsuccessfully tried in some areas of the Saudi public sector in the late 1960s (Al Saloom, 1997, p. 302), the researcher believes that these two systems are worth some consideration. By focusing on the inputs, outputs and objectives of government activities and operations, these two systems are likely to improve decision-making and future planning in the public sector, in general, as well as within individual public organisations.

Thirdly, internal audit departments should be established in all central and regional government organisations as well as public enterprises. A formal Act should be introduced stating clearly the mission and responsibilities of internal audit departments and establishing an auditor's right of full access to all the organisation's personnel, properties and records relevant to the audit work. This Act should also provide internal auditors with the opportunity to conduct financial, compliance and performance audits

[1] Jones and Pendlbury (1996, p. 227) state that "The necessity of predetermined standards in many areas of performance measurement in the public sector seems inevitably to lead to the conclusion that budgets should be either programme budgets or zero-base budgets. Both kinds are not without their critics and have not been particularly successful as management tools during the past twenty years in practical applications. However, the important contribution they can make is in producing budgeted and actual input data which are explicitly matched at the budgeting and reporting stages with measurable outputs".

or any combination of the three. In addition, a governmental body should be established to regulate and control the internal audit function in public organisations.

The present study also reported that the current GAB's constitutional mandate contains some deficient aspects i.e. the lack of explicit requirement for undertaking performance audit investigations and for ensuring the GAB's independence with regard to its financing resources. The nature and extent of the mandate have an important bearing on the state audit institution because it determines the institution's roles and responsibilities and the resources required to accomplish these roles. The GAB's constitution, which was issued in 1971 and never been amended, should be revised to reflect the changes in the administrative structure of the GAB and the expanded scope of its audit activities. This revision should include new provisions which explicitly direct the GAB to carry out performance audit examinations and assure its independent financial status.

The shortage of both financial resources and competent manpower assigned to performance auditing departments within the GAB, as indicated by the present study, also have various possible implications. The first concerns the financing resources of the GAB. The GAB, as stated in Section 9.2.3.3.2, is wholly dependent on the executive authorities i.e. Ministry of Finance, for its financing. The researcher believes that there is a need to abandon the executives' control of the GAB's finance. In this regard, the approval of the GAB's financial appropriations should be assigned to either the Head of the State (the King) or to a specified committee within the Consultative Council (CC). The second implication is concerned with the strategy currently followed by the GAB when allocating its available resources. The researcher believes that even within these financial and manpower constraints, there is a scope

for utilising the available resources more effectively. The GAB should pay attention to the level of its current financial and regularity audit activity. Since the GAB is required to undertake financial auditing of a large proportion of public sector organisations, it is left with limited resources for carrying out more performance audit investigations. Accordingly, the researcher suggests that the GAB, in order to attain a more balanced stance in its activities, should take real steps to reduce its emphasis on financial and regularity audit to free more resources for performance audit examinations.

The research findings also have some implications for the GAB's recruiting policies. The perceptions of the research respondents regarding the GAB's shortage of expertise from other disciplines provide support for a more multi-disciplinary recruiting strategy. Although the 1971 constitution has not restricted the GAB from diversifying its audit staff, the research findings revealed that the GAB's current policy emphasises the recruiting of holders of accounting and business degrees only (see Section 7.5.4). It was argued that the purely accounting and business focus of the GAB staff, by any criteria, would raise some doubts concerning the proficiency and appropriateness of such auditors to investigate the performance of public sector organisations. Accordingly, the GAB should take real steps to recruit consultants and specialists from other important areas, such as computer scientists, engineers or medical and agricultural specialists. This multi-disciplinary recruitment policy would widen the pool of talents available to the GAB and would increase the prospect of undertaking effective performance audit investigations. The impact of this policy might be enhanced by hiring consultants from schools of business administration and the Institute of Public Administration to advise GAB officials on the recruitment and development of auditing staff.

The present absence of expertise also holds clear implications for the GAB's training and development programmes. Present performance auditors should be encouraged and enabled to develop and obtain new skills in all matters pertaining to their work by the launching of effective and stimulating training programmes. At present, the GAB's current training programmes are seen to be highly productive (see Sections 6.5 & 9.2.3.3.3) and efforts should be directed toward maintaining and improving these programmes.

The results reported in this research also have implications for the enforcement of audit recommendations. The present study emphasised the absence of an appropriate mechanism for enforcing audit recommendations as a major obstacle hampering the effectiveness of the performance auditing system in the Saudi public sector. The foremost cause of this problem is inherited from the country's political system in which the power is mainly centred in the hands of the executives (the government). This finding implies that in order to promote action on audit recommendations, the manner in which audit reports are deliberated and audit recommendations are followed-up should be reconsidered by state authorities. In this regard, the state authorities should think about the role that the Consultative Council (CC), as the country's main legislative body, can play in promoting the implementation of audit recommendations.

The lack of support from the higher officials to performance auditing practices and the unsatisfactory implementation of performance audit recommendations, as reported in this study, have unquestionable implications for the efforts needed for publicising and promoting the system of performance auditing. Disseminating more information about performance auditing throughout the public sector and creating better awareness of its

usefulness is a necessary step towards gaining the support of top officials, on the one hand, and the acceptance of public sector managers and employees, on the other. The GAB, for instance, should develop an effective communication system to attract the trust and confidence of auditees and top authorities. This can be accomplished, more specifically, by holding discussions with both the executives of audited bodies and higher government officials who have power over audited bodies to convince them of the importance of acting upon audit findings. The GAB may also consider various activities to publicise and communicate the probable and possible benefits that performance auditing might provide for enhancing the efficiency and effectiveness of public sector services and administration, such as holding seminars and lectures on the subject and conducting visits to public organisations. The GAB, in addition, may need to think about improving the technical aspects that could influence the quality of performance audits (e.g. developing audit teams consisting of multi-professionals) as a means of enhancing the auditees' acceptance of performance auditing and its findings.

There are also implications for auditing education. The need for improving auditing education can be inferred from the purely accounting and business focus of the GAB staff which is accompanied by a complete neglect of public sector auditing in the Saudi universities. Accordingly, the content of the auditing curriculum should be updated and extended to cover topics relating to financial and performance auditing in the public sector. In order to increase the academicians' awareness of this issue, the GAB should hold orientation programmes for faculty members of accounting and business administration schools in order to acquaint them with its audit activities.

Lastly, the GAB should take some action to enhance its Audit Quality Control. This can be done on two levels. At the GAB's presidential level, it is important that the

President of the GAB should be seen to have an internal decision-making structure which permits real challenge. In other words, the President of the GAB should not be seen as a single, unaccountable individual to stop any illusion regarding his own role. In this respect, the GAB's President could form a team encompassing individuals of great distinction and prominence in the area of performance auditing to support, and at the same time to challenge, his decisions. Although decisions, at last, are personal to the GAB's President and the accountability is his, he should show that the decision processes that he follows are checked and balanced. At the auditors level, it essential to have an accepted level of assurance that government auditors have paid a reasonable level of care while undertaking audit investigations. Thus, it is important to establish a department, attached directly to the President of the GAB, to review the technical quality of auditors' work. These reviews should consider the extent to which auditors have exercised due professional care, followed generally accepted auditing standards and applied rules of professional ethics.

In conclusion, to recognise the various contributions that the performance auditing system is expected to offer, the limitations identified in this study must be overcome, either by adopting the above recommendations or by any other solutions which the government thinks more appropriate. The above recommendations, however, assume that there is a complete willingness on the part of the GAB's and government's officials, public managers and academicians to undertake real action to eliminate, or at least minimise, the effects of the various obstacles impeding the effectiveness of performance auditing in the public sector. Since the recommended changes and improvements, particularly those related to the general domain of the public sector or those which require a constitutional amendment, would be lengthy and involve a slow

process for political and economic reasons, the GAB should give immediate consideration to the issues which come under its control, such as improving the effective utilisation of its available resources and establishing audit quality control.

10.4. LIMITATIONS

Any research effort has its own limitations. These should be frankly admitted and discussed in detail as a means of furthering the understanding of what the research has accomplished. In the rest of this section, several limitations of this thesis are presented.

The first limitation is related to the evaluative framework which was constructed particularly for the purpose of this study and was used as a guide in assessing the effectiveness of performance auditing in the Saudi public sector. It was well acknowledged that the effectiveness of performance auditing in the public sector is a complex subject encompassing various issues; hence, the research, as indicated earlier in Chapter Four, calls for a definition of effectiveness that considers a wide set of necessary criteria which are hoped will become a sufficient, though not an ideal, set to characterise this subject. The effectiveness of performance auditing system in the public sector, based on the proposed framework, is seen to be a function of (a) the achievement of performance auditing objectives; (b) the existence of an adequate public sector environment; (c) the audit institution's organisational and operational structure; (d) the relationship between performance auditors and their auditees; and (e) the auditees' commitment to the audit recommendation and corrective actions.

By utilising this framework, the present research contributed to the understanding of the effectiveness of performance auditing and to the appreciation of it within the public sector. Since the proposed five criteria reflect both the impact of the

performance auditing system as well as the environment in which the system operates, they are all potentially fruitful ways of gaining more insights into performance auditing effectiveness. As the research findings demonstrated, the proposed framework, in addition to assessing the extent to which the objectives of performance auditing have been achieved, has the prospect of increasing the emphasis upon environmental limitations and obstacles which obstruct the capability of state audit institutions to undertake performance auditing practices effectively. It also provides a more appealing context for exploring the influence that the implementation of audit recommendations and the relationship between auditors and their auditees have on the effectiveness of performance auditing in the public sector. However, as has been stated in Section 4.2.3, our objective was not to build a comprehensive model of performance auditing effectiveness. Although all the criteria and elements included seem, at least from the researcher's point of view, to be important in evaluating the effectiveness of a performance auditing system, it should be noted that it is difficult to come up with all the factors that could affect this issue. The factors considered here, as mentioned earlier, are only a set of necessary conditions which might not be a sufficient, let alone an ideal, set. In other words, potentially important factors may have been omitted.

In addition, like any other research, this study has some limitations in its methodology and methods. The primary data collection method in this research was the survey questionnaires reproduced in Appendixes D & E. The various shortcomings of survey research have been discussed in several places including Moser and Kalton (1993, p. 255-62), Nachmias and Nachmias (1996, p. 225-26) and Oppenheim (1992, p. 102). While its beyond the scope of this research to discuss all the concerns raised in this literature, a few points can be highlighted.

The first shortcoming of the questionnaire survey is related to the fact that survey research distances the collection of the data from the intimate control of the researcher. One cannot be sure who has completed the questionnaire. At the start of the data collection stage, the advantages of having tight control over the way in which the data is gathered has to be weighed against other disadvantages that are produced. Since most of the performance auditors have field audit investigations and work outside the GAB headquarters, it was not easy for the researcher to reach them directly. In addition, given the extreme inconvenience imposed upon the participating organisations, a demand for such tight control of the data collection process would have greatly affected their co-operation. This factor was too critical to sacrifice.

A further disadvantage of the survey research is the possibility of having a low response rate, which may distort results if there are systematic differences between those who respond and those who do not. This problem was minimised in this research by directing the questionnaire to individuals who were assumed to have an interest in the subject and by seeking the support of officials from the organisations participating in the study (see Section 7.3.3). The relatively high response rate obtained (74%) indicates the success of this strategy.

Another disadvantage of the questionnaire survey is associated with the questionnaire format which carries the danger of restricting the quality and depth of information provided. The questionnaire also provides no opportunity for clarifying questions or for overcoming any unwillingness to answer particular questions. During the questionnaire design stage, various actions were taken to tackle these two limitations, including the review of initial questionnaires by experienced academic staff and the

conduct of a pilot study (see Section 7.3.2). These steps proved to be very useful for developing the final versions of the questionnaires.

The value of the research findings could have been better had the research sample been randomly selected and widened to include other groups interested in the subject. However, for practical reasons, this condition was not favoured in this study. From the various groups that could be interested in the subject of performance auditing, this study dealt only with performance auditors and a non-random sample of public managers *who had had experience in this subject through their dealings with the GAB*. Due to the relatively recent introduction of performance auditing into the Saudi public sector, other groups, such as public managers who had never dealt with the GAB in the area of performance auditing and the general public, would not have been able to give an objective assessment of the performance auditing system applied by the GAB as they presumably have limited knowledge of this subject. Hence, the researcher felt that the inclusion of these groups would not serve the objectives of this study.

Furthermore, there were limitations of access to information, particularly those related to audit reports, the GAB's annual reports and audit working papers. Access to such information is sometimes impossible due to confidentiality. For the purpose of this thesis, the researcher was able to overcome at least some of these problems, sometimes through friendly relationships and sometimes through official access as a representative of an academic institution.[2]

[2] King Saud University where the researcher is a teaching assistant at the department of Accounting, College of Economic and Business.

In addition, it is worth mentioning two further limitations connected with the context of the study. Firstly, this study dealt only with performance auditing practices in the public sector. This was mainly due to the unpopularity of performance auditing in the private sector. It has been argued that this technique is almost distinctive to the context of public audit, and does not have a close counterpart in the private sector audit (Pollitt, et al., 1999, pp. 18-19). Secondly, all the public organisations which took part in this study was selected from the civil sector. The expected co-operation of the organisation was the main thrust behind this kind of selection. Due to the somewhat sensitive nature of some of the issues raised in this study, the researcher felt that obtaining the co-operation of public organisations within the military sector was of doubt.

The last limitation considered is associated with the research purpose. In this regard, it should be noticed that it is beyond the objectives of this research to suggest new approaches or techniques which could be used in undertaking performance auditing examinations in the Saudi public sector. The research was mainly concerned with exploring and examining the nature of performance auditing in the Saudi public sector and the extent to which this technique was effectively operationalised by the GAB.

10.5. FUTURE RESEARCH

The main objective of this section is to highlight some areas where further research might be pursued in order to contribute to the understanding and advancement of performance auditing practices in the public sector. In the light of the preceding findings and limitations, opportunities to extend and improve upon the present work do exist. The following paragraph present some of the areas which may bear fruit in the continuing attempts to explain the practice of performance auditing and might

contribute further insights into the existing body of knowledge on performance auditing practices.

Perhaps one of the main contributions of this study is the evaluative framework of performance auditing effectiveness developed and used in this study which might provide researchers with a tool that allows further investigations into performance auditing effectiveness in the public sector. This framework is certainly worth continued investigation. Accordingly, one important extension of this research is the use of the proposed framework in replication studies within the context of other countries. This is important to validate or question variables presented in the evaluative framework and, hence, to enhance its structure. Variables could be expanded for specific areas, such as the general environment of the public sector, to obtain a greater understanding of the influence of that aspect on the effectiveness of performance auditing.

Another interesting area of research is the utilisation of other methodological perspectives. The researcher shares the view that the nature of accounting practices and systems is not only a technical phenomenon but a social one as well which necessitates the understanding of the social roots of accounting and the interconnections and interrelationships between the social and the technical (e.g. Hopwood, 1985; Burchell et al., 1985; Laughlin, 1987). Although the present study discussed various issues relating to the broader context in which performance auditing operates, obtaining an in-depth understanding of these issues seems to be confined when one uses a survey research. Accordingly, qualitative research approaches (i.e. interpretive and critical approaches) should be considered for examining the nature and effectiveness of performance auditing practices. These approaches utilise various

research methods, such as interviews, direct observations and content analysis that can be used to obtain in-depth understanding of the issues under investigation. For instance, the researcher may use these methods to explore how auditors actually undertake their audit work (Radcliffe, 1999) and how auditees react to auditors' activities and conclusions. Such an examination might provide in-depth evidence on the methodology used by auditors to carry out performance audit assignments and could yield insights into the real obstacles facing performance auditing practices and how auditors cope with them. This examination may also provide information on whether public managers pay much attention to performance auditing findings and recommendations, or only little as suggested in this study.

In addition, further research can be undertaken to analyse the processes which allowed performance auditing to be articulated, debated and ultimately introduced into the public sector (Radcliffe, 1998). Another possible area of research is to develop an enforcement mechanism for implementing audit recommendation and corrective actions in the Saudi public sector, taking into consideration the main environmental factors which prevail in this country. Finally, investigating the feasibility of introducing and performing this type of audit by other developing countries is another interesting area of research.

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APPENDICES

Official Name	The Kingdom of Saudi Arabia.
Local Name	al-Mamlaka al-Arabiyah al-Saudiyah
The Emergence	The emergence of the modern Saudi Arabia could be traced back to the early years of this century when King Abdul Aziz Al-Saud recaptured the city of Riyadh in 1902. During the next three decades, King Abdul Aziz extended his power over four-fifths of the Arabian Peninsula, and lastly, in 1932, unified all parts of the country under the name of "the Kingdom of Saudi Arabia".
Religion	Saudi Arabia is predominantly an Islamic country where religion plays a dominant role in the behaviour, lives and functions of its people. The very first Article of the Basic System of Rules set out the basic premise on which all else rested: "The Kingdom of Saudi Arabia is a sovereign Arab Islamic state with Islam as its religion: God's book (the Koran) and the Sunnah of His Prophet are its constitution...".
Language	The official language is Arabic but English is widely used, especially in the private sector where most employees are foreigners.
Capital	Riyadh in which all ministries and most government agencies are headquartered.
Style of Government	Saudi Arabia is an absolute monarchy where there are no political parties or unions. Article five of the Basic System of Rules states that "The system of government in the Kingdom of Saudi Arabia is monarchy".
Constitution	The country is governed based on Shari'a (Islamic) Law. There is no written constitution except the Quran (the Muslims Holy Book) which provides the basis for most Saudi laws. However, the Basic Law which details the government's rights and responsibilities was introduced in 1993.
Legislature	Consultative Council of 90 members, appointed by the King to 4-year term.
Executive	Chief of State–King & Prime Minister. Current: Fahad bin Abd Al-Aziz Al-Saud (since 13 June 1982). Cabinet – Council of Ministers appointed by the King.

Borders	Saudi Arabia is bounded by seven countries and three bodies of water. Saudi Arabia is bordered on the north by Jordan, Iraq and Kuwait, on the east by the Arabian Gulf, Oman, Qatar and the United Arab Emirates, on the south by Oman and Yemen and on the West by the Red Sea and Gulf of Aqaba.
Size of the Country	The total area is 2,240,000 square kilometres (over 865,000 square miles). This size gives the country a chance of being the largest country in the Arab world and the twelfth in the globe (MEED, 1983, p. 1).
Population	At the time of the census of 1992, the population was 16,929,000 of whom 4,624,000 (27.3%) were not citizens (Al-Jazeerah Newspaper, 1992, p. 5).
Population Growth Rate	3.41% (1998 est.) (The CIA World Factbook 1998).
Literacy	62.8% (1995 est.) (Ibid).
The Topography	The topography of Saudi Arabia is diverse, varying from mountains reaching up to 8,200 feet in the Southwest to oases in the east to desert comprising most of the country in the Southeast (the Empty Quarter). Saudi Arabia has a desert climate which is affected by the subtropical pressure system. The summers are long, hot and dry. The winters are short and cold, particularly at night.
Provinces	Saudi Arabia is divided into fourteen provinces, or amirates, each governed by an amir (governor) appointed by the king. These amirates include Al Baha, Al Hudud ash Shamaliyah, Al Jawf, Al Madinah, Al Qasim, Al Qurayyat, Ar Riyadh, Ash Sharqiyah, Asir, Hail, Jizan, Makkah, Najran, and Tabuk. Administratively, each region consists of a number of governorates, districts and centres created after taking account of demographic, geographical, and security considerations, environmental conditions and communications (Article 3 of the Regional Act).
Society Aspects	The Saudi society is characterised by close family ties and kinship. In such an environment, an individual's loyalty is usually to his family and tripe.

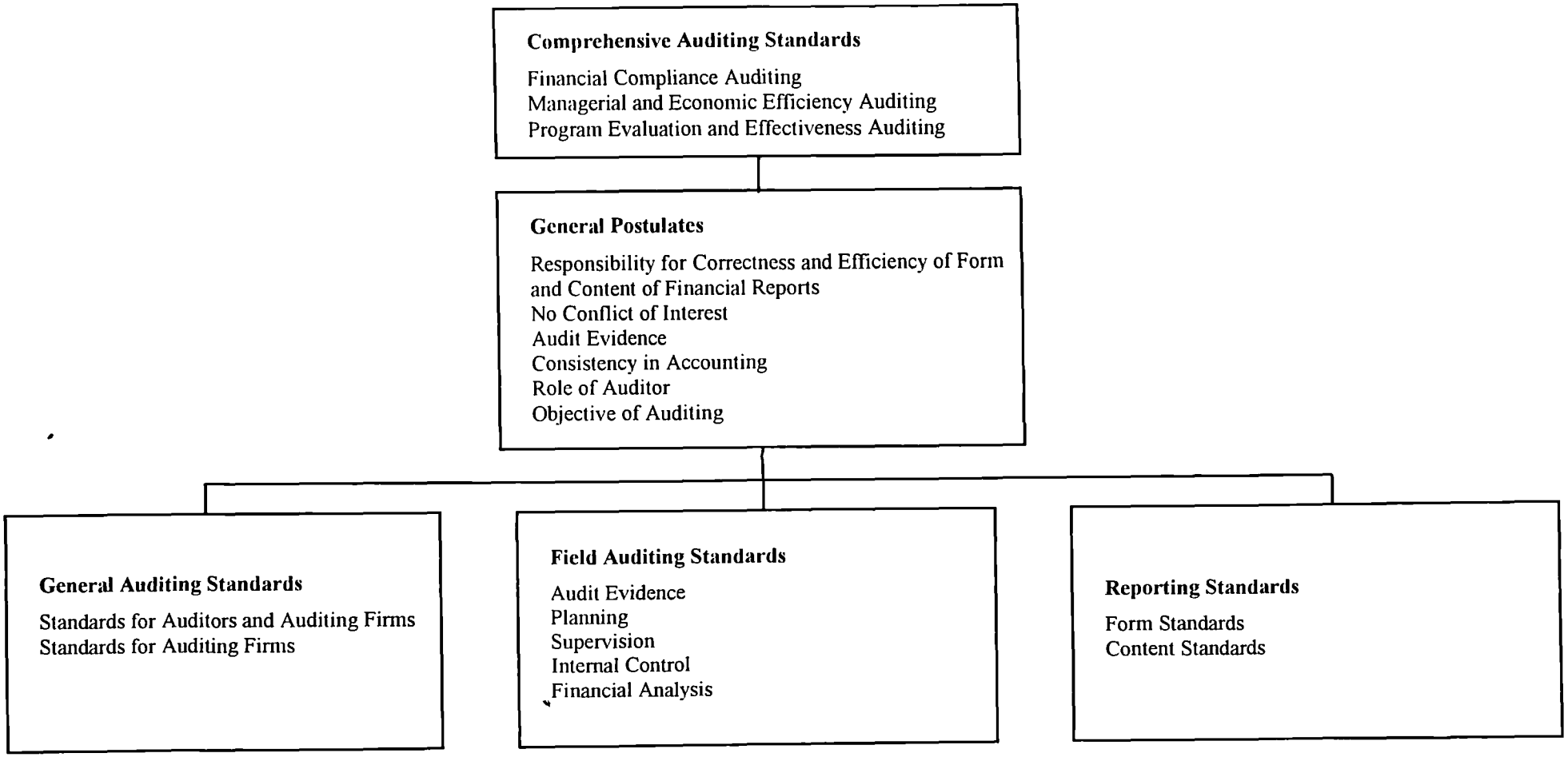

Figure B.1: Comprehensive Auditing Standards.
Source: GAB (1982, p. 8).

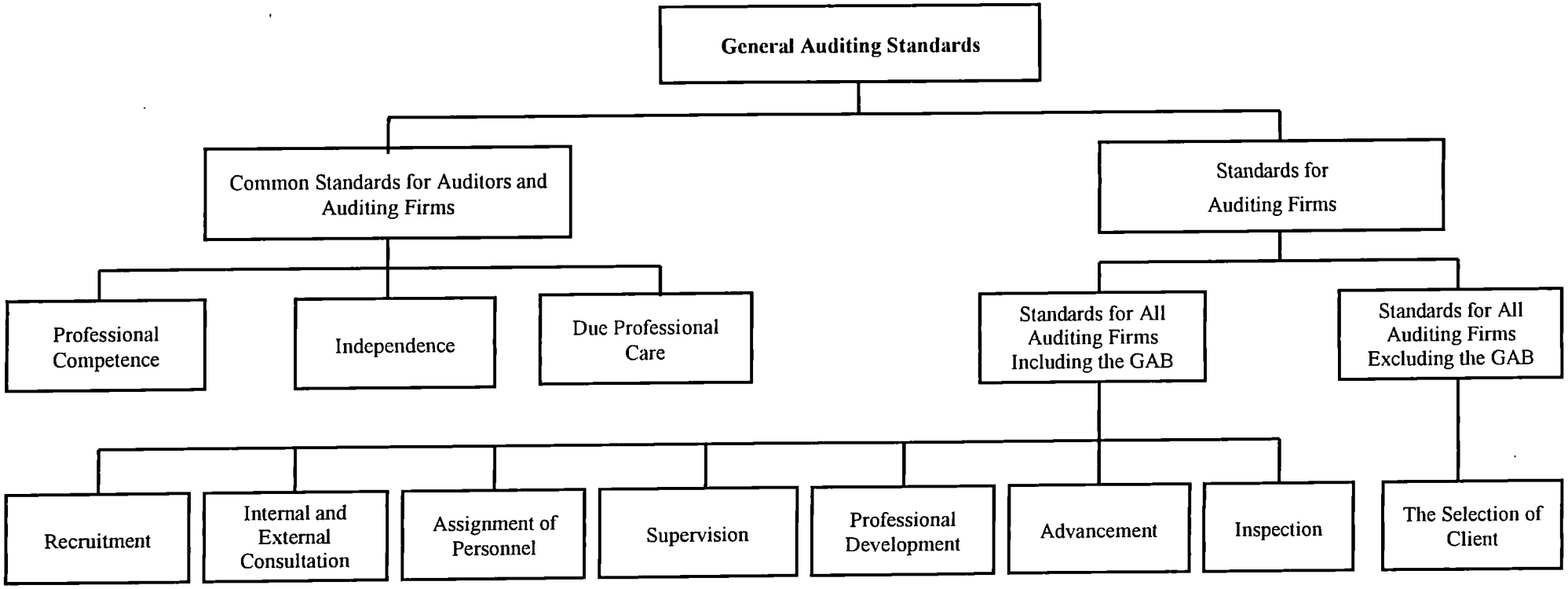

Figure B.2: General Auditing Standards
Source: GAB (1982, p. 13)

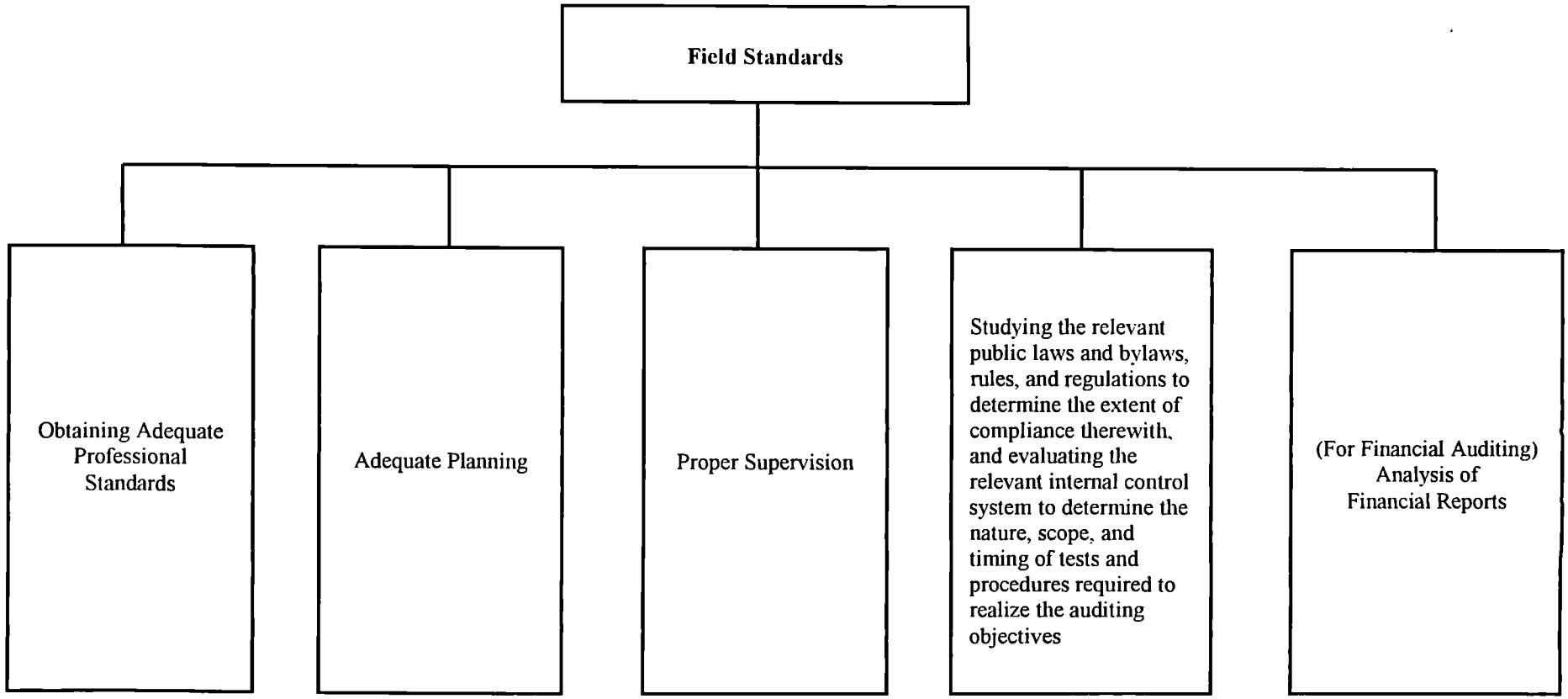

Figure B.3: Field Standards.
Source: GAB (1982, p. 16).

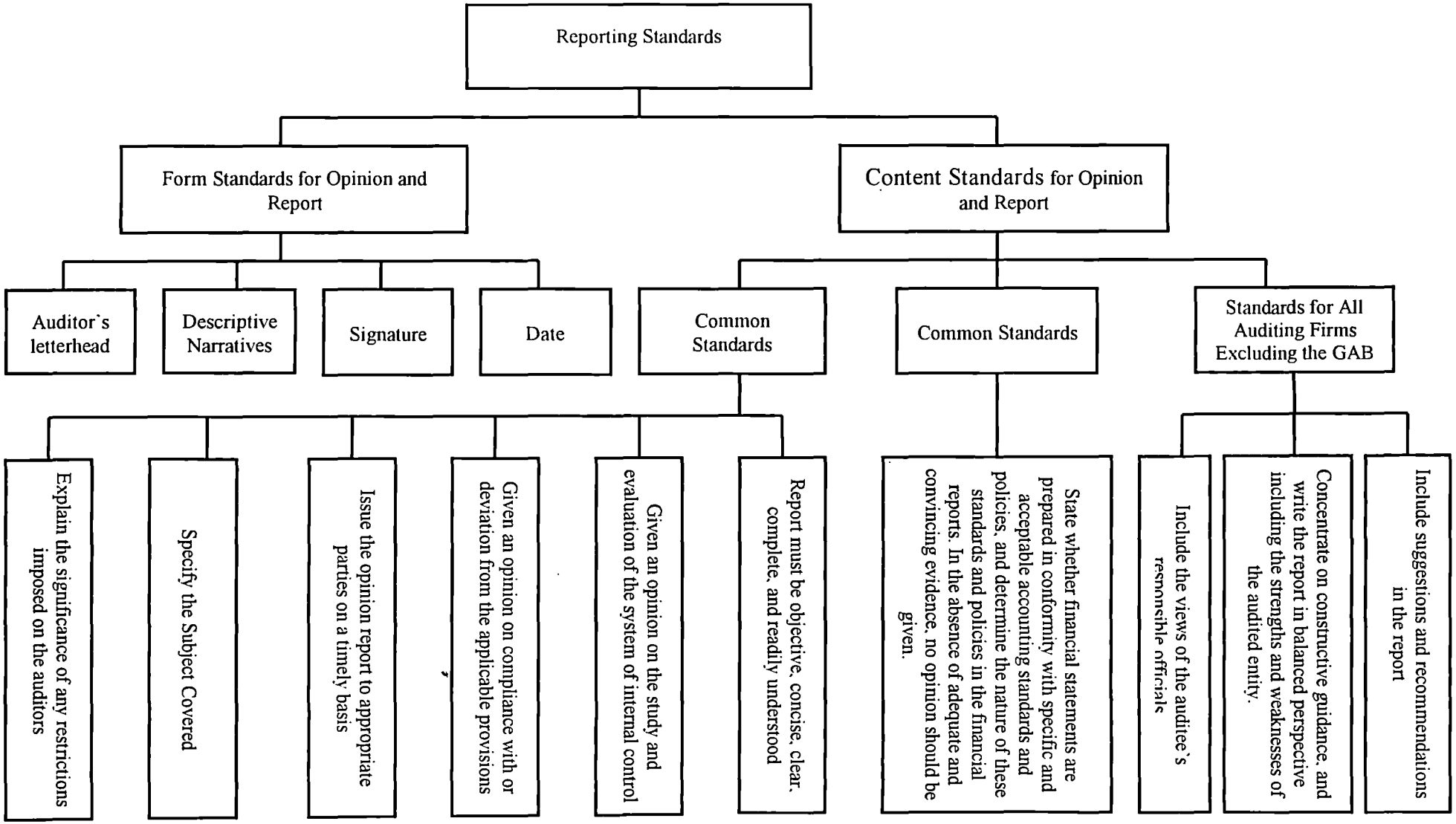

Figure B.4: Reporting Standards ***Source:*** GAB (1982, p. 18)

Letters from the Dean of the College of Business and Economics to:

1. **The President of the GAB.**
2. **Officials of Public Organisations.**

المملكة العربية السعودية
وزارة التعليم العالي
جامعة الملك سعود
فرع القصيم
كلية الاقتصاد والإدارة
مكتب العميد

الرقم: ٣٩/٥٨
التاريخ: ١٥/ ١/ ١٤١٩هـ
المرفقات: .....
الموضوع: .....

معالي الأستاذ / توفيق إبراهيم توفيق **المحترم**

رئيس ديوان المراقبة العامة – الرياض

السلام عليكم ورحمة الله وبركاته وبعد

نفيد معاليكم بأن الأستاذ / علي بن محمد المحيميد احد مبتعثي جامعة الملك سعود – كلية الإقتصاد والإدارة للتحضير لنيل درجة الدكتوراة في تخصص المراجعة، والبحث الذي يقوم به كمتطلب أساسي لنيل هذه الدرجة يتعلق بموضوع المراجعة في القطاع العام، وبشكل خاص موضوع تدقيق الأداء في هذا القطاع حيث يهدف الباحث في دراسته هذه –بشكل رئيس– إلى تقديم عرض متعمق لتجربة المملكة في تطبيق نظام تدقيق الأداء في قطاعها العام، ويؤمل من نتائج هذه الدراسة –إن شاء الله– أن تسهم في تحديد المستوى الذي وصل إليه نظام تدقيق الأداء في القطاع العام في بلادنا، ومدى نجاح وفعالية هذا النظام في تحقيق الأهداف المرجوة منه .

كما نحيط معاليكم علماً بأن الباحث في الوقت الراهن يعمل على جمع المعلومات الضرورية المتعلقة بموضوع الدراسة، واللازمة في الوقت نفسه لإستكماله، ويتمثل الجزء الرئيس من المعلومات المنشودة في إستقصاء أراء الجهات المهتمه بالنظام وبفعاليته، وعلى رأسها الديون ممثلاً بالمراجعين الحكوميين الذي يقومون بمهمة التدقيق، وبناءً عليه فإننا نرجو من معاليكم التعاون مع السيد / المحيميد وإتاحة الفرصة له لتوزيع الإستبيان المعد لهذا الغرض والقيام بإجراء بعض المقابلات الشخصية، حيث يمثل ذلك أمراً مهماً جداً لإستكمال هذه الدراسة ونجاحها – بإذن الله .

شاكرين ومقدرين لمعاليكم حسن تعاونكم، ولكم خالص التحية والتقدير .

عميد كلية الإقتصاد والإدارة
٥/١/١٤
د. عبدالله بن سليمان العزاز

١٤-١-٤

المنيداء ص.ب ٦٠٣٣ - ☎ ٣٨٠٠٧٢٥ (٠٦) - فاكس ٣٨٠٠٧٠٨ (٠٦)
melaida, P.O. Box 6033 - ☎ (06) 3800725 - Fax. :06) 3800708

Kingdom of Saudi Arabia
Ministry of Higher Education
ING SAUD UNIVERSITY
Qasseem Branch
GE OF BUSINESS & ECONOMICS
Dean's Office

وزارة التعليم العالي
جامعة الملك سعود
فرع القصيم
كلية الاقتصاد والإدارة
مكتب العميد

الموضوع ..... التاريخ : .....

سعادة / حفظه الله

السلام عليكم ورحمة الله وبركاته وبعد

نفيد سعادتكم بأن الأستاذ / علي بن محمد المحيميد احد مبتعثي جامعة الملك سعود - كلية الإقتصاد والإدارة للتحضير لنيل درجة الدكتوراة في تخصص المراجعة، والبحث الذي يقوم به كمتطلب أساسي لنيل هذه الدرجة يتعلق بموضوع المراجعة في القطاع العام، وبشكل خاص موضوع تدقيق الأداء في هذا القطاع حيث يهدف الباحث في دراسته هذه -بشكل رئيس- إلى تقديم عرض متعمق لتجربة المملكة في تطبيق نظام تدقيق الأداء في قطاعها العام، ويؤمل من نتائج هذه الدراسة -إن شاء الله- أن تسهم في تحديد المستوى الذي وصل إليه نظام تدقيق الأداء في القطاع العام في بلادنا، ومدى نجاح وفعالية هذا النظام في تحقيق الأهداف المرجوة منه .

كما نحيط سعادتكم علماً بأن الباحث في الوقت الراهن يعمل على جمع المعلومات الضرورية المتعلقة بموضوع الدراسة، واللازمة في الوقت نفسه لإستكماله، ويتمثل الجزء الرئيس من المعلومات المنشودة في إستقصاء أراء الجهات المهتمه بالنظام وبفعاليته، ومن ضمنها مؤسستكم الموقرة. وبناءً عليه فإننا نرجو من سعادتكم التعاون مع السيد / المحيميد وإتاحة الفرصة له لتوزيع الإستبيان المعد لهذا الغرض والقيام بإجراء بعض المقابلات الشخصية، حيث يمثل ذلك أمراً مهماً جداً لإستكمال هذه الدراسة ونجاحها - بإذن الله .

شاكرين ومقدرين لسعادتكم حسن تعاونكم، ولكم خالص التحية والتقدير .

عميد كلية الإقتصاد والإدارة

د. عبدالله بن سليمان العراز

١٤-٣-٤

Almelaida, P. O. Box 6033 ☎ (06) 3800725 - 3800656 - Fax.: (06) 3800708
الملبداء ص.ب ٦٠٣٣ ☎ ٣٨٠٠٧٢٥ - ٣٨٠٠٦٥٦ (٠٦) فاكس: ٣٨٠٠٧٠٨ (٠٦)

1. **A Copy of the English Version of the Auditors' Questionnaire with the Covering Letter**

2. **A Copy of the Arabic Version of the Auditors' Questionnaire with the Covering Letter**

Kingdom of Saudi Arabia
Ministry of Higher Education
King Saud University
Qasseem Branch
College of Business & Economic

المملكة العربية السعودية
وزارة التعليم العالي
جامعة الملك سعود
فرع القصيم
كلية الاقتصاد والإدارة

التاريخ: / / ١٤هـ

الموضوع:

Subject: Research in Performance Auditing in the Public Sector

Dear Sir,

Assalamu' alaikum Warahmatullahi Wabarakatuh

I would like to inform you that I am a teaching assistant at King Saudi University, College of Business and Economics. Currently, I am enrolled as a full-time Ph.D. student at Canterbury Business School, Kent University, the UK. The aim of my thesis is to get a comprehensive understanding of performance auditing system in the Saudi Public sector, with particular emphasis on the nature and effectiveness of this system.

At this stage of my research I am trying to gather some information regarding the issues under investigation from some related parties. In this questionnaire, I seek your perception, as a public sector auditor, concerning performance auditing in general and its effectiveness as applied in the Saudi public sector in particular. You have been chosen, among others, to represent individuals who carry out performance auditing; thus, your co-operation is vital to the completion and success of this research.

I would be extremely grateful if you would kindly spend a few minutes of your time to complete the attached questionnaire. The questionnaire is relatively short and has been carefully designed to minimise the amount of time required for its completion.

Finally, I very much appreciate your willingness to help in my research effort and look forward to receiving your reply soon. May Allah SWT bless you for your good deeds that you have rendered.

Wassalamu' alaikum Warahmatullahi Wabarakatuh.

Your Brother,

Ali Almohaimeed
College of Business and Economics
King Saud University

Almelaida. P. O. Box 6033 ☎ (06) 3800050 - Fax (06) 3800708

المليداء ص.ب ٦٠٣٣ ☎ ٣٨٠٠٠٥٠ (٠٦) فاكس ٣٨٠٠٧٠٨ (٠٦)

General Instruction

1. Please respond to all questions as accurately as possible. If you feel that none of the answers provided adequately expresses your view, please select the response that you consider most accurate, and feel free to put down your own interpretation and modifications. if you wish.

2. Replies to questionnaires are anonymous and cannot be traced to any particular respondent and results will be presented in aggregate form.

A. The Nature of the Performance Auditing System

1. How important do you think each of the following factors as a main objective for introducing performance auditing to the public sector by the GAB?

(Please tick one box for each factor based on their importance as very important = 5, quite important = 4, of some importance = 3, of little importance = 2 and of no importance = 1)

	1	2	3	4	5
Enhancing organisational accountability					
Improving organisational performance					
Helping organisations to set goals and objectives for their achievement					
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities					
Ensuring the importance of developing performance measures and/or indicators for public organisations					
Helping decision makers in the public sector by providing them information about public organisations productivity					
Helping organisations to specify their needs in terms of training and development					
Providing useful information for reward and punishment purposes					
Improving the quality of public organisations services					
Improving the caring of public organisations towards their customers					
Other reasons (*please specify*)					

2. To what extent do you think each of the following approaches have been adopted by GAB auditors while undertaking performance auditing?

(Please tick one box for each line based on the following: always = 5, often = 4, sometimes = 3, rarely = 2 and never = 1)

	1	2	3	4	5
An in-depth and detailed investigation into one aspect of the authority's work					
A primary and detailed investigation into all aspects of the audited organisation or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation					
Only selected organisations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented					
The whole organisation if small and selected projects or activities if the organisation is large					
Others (*please specify*)					

3. **With regard to the procedures followed when undertaking performance auditing, which of the following alternatives is used by GAB auditors?**

   (Please tick one box that applies)

Unified methodology for all types of audit investigations (programmes and institutions)	
Different methodologies according to the situation under investigation (pragmatic approach: case by case)	
Others (*please specify*)	

4. **With reference to your answer to the last question, if GAB auditors use different approaches according to the situation under investigation, what kind of criteria is used to decide the specific approach to be followed?**

5. **Based on your experience, how important is each of the following criteria in the selection of the auditee?**

(Please tick one box for each criterion based on their importance as very important = 5, quite important = 4, of some importance = 3, of little importance = 2 and of no importance = 1)

	1	2	3	4	5
Statutory requirements					
Size of the auditee's budget					
Previous audit findings					
Availability of audit resources					
Date of last performance audit of the auditee					
Geographic location of the auditee					
Significant events or changes in the audited organisation or entity					
Others (*please specify*)					

6. **Could you please state how useful each of the following sources is in providing GAB performance auditors with the required information whilst carrying out their audit?**

(Choose your answer based on the following: very useful = 5, quite useful = 4, moderately useful = 3, rarely useful = 2 and not at all = 1)

	1	2	3	4	5
Legislative standards relating to objectives and evaluation criteria in the public sector					
The management of the audited organisation					
The personnel and staff of the audited organisation					
The customers of public organisations					
The objectives and performance measures used in similar organisations					
Others (*please specify*)					

7. **With reference to the construction and implementation of a public project, how often do you think that performance auditing occurs in each of the following stages?**

(Please tick one box for each line based on: always = 5, often = 4, sometimes = 3, rarely = 2 and never = 1)

	1	2	3	4	5
Planning stage only					
Planning stage and continuing through implementation stage					
Planning stage and continuing through implementation stage, but for selected projects only					
Implementation stage only					
After the completion of the project					
Others (*please specify*)					

B. The Effectiveness of the Performance Auditing System

1. **In your opinion, how effective do you feel that the performance auditing system, which is applied by the GAB, has been concerning the following factors?**

(Please tick one box for each factor based on the following: very effective = 5, quite effective = 4, moderately effective = 3, rarely effective = 2 and ineffective = 1)

	1	2	3	4	5
Enhancing organisational accountability					
Improving organisational performance					
Helping public organisations to set goals and objectives for their achievement					
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities					
Ensuring the importance of developing performance measures and/or indicators for public organisations					
Helping decision makers in the public sector by providing them with information about public organisations productivity					
Helping public organisations to specify their needs in terms of training and development					
Providing information for reward and punishment purposes					
Improving the quality of public organisations services					
Improving the caring of public organisations towards their customers					
Others (*This is applicable only if you added other aims in Q. A1, Page 1)*					

2. **To what extent do you agree with each of the following elements as being an obstacle which may limit the effectiveness of the current system of performance auditing as applied by the GAB?**

(Please tick one box for each line based on the following: strongly agree = 5, agree = 4, undecided = 3, disagree = 2 and strongly disagree = 1)

	1	2	3	4	5
The ambiguity of performance audit goals and objectives					
The ambiguity of goals and objectives in public sector organisations/projects					
The lack of performance measures and/or indicators in the public sector					
The lack of a sound financial reporting system in the public sector					
The lack of a sound internal control system in the public sector					
The shortage of qualified staff to undertake such audits					
The lack of specialised staff from different disciplines to carry out such audits					
The lack of support and interest on the part of legislative and administrative officials at higher levels					
The GAB's shortage of enforcement powers to follow-up performance audit recommendations					
Insufficient training for performance auditors					
Shortage of sufficient financial resources					
Others (*please specify*)					

3. **To the best of your knowledge, how much of the GAB's financial and staff resources is devoted to performance auditing departments?**
(Please tick the percentage rage that applies)

	Financial resources	Staff Resources
Up to 5%		
Up to 10%		
Up to 20%		
Up to 30%		
Other (*please specify*)		

4. **Do you think the resources, which are allocated to performance auditing departments, are:**
(Please tick each line the appropriate boxes that apply)

	Financial resources	Staff Resources
Extremely appropriate		
Appropriate		
I am not sure		
Inappropriate		
Extremely inappropriate		

5. **In performance audit cases carried out by you, how was the audit team typically composed?**
(Please tick one box for each line based on the following: always = 5, often = 4, sometimes = 3, rarely = 2 and never = 1)

	1	2	3	4	5
Auditors					
Engineers					
Economists					
Statisticians					
Others (*please specify*)					

6. **To what extent do you think the auditee's attitude towards performance auditing has been affected by audit team composition?**
(Please tick one box that applies)

To a very great extent ..... ☐
To a considerable extent ..... ☐
To some extent ..... ☐
To a very limited extent ..... ☐
Not at all ..... ☐

7. **With regard to performance audit reports, to what extent do you agree with the following:**

(Please tick one box for each line based on the following: strongly agree = 5, slightly agree = 4, undecided = 3, slightly disagree = 2 and strongly disagree = 1)

	1	2	3	4	5
The report contains current and significant information					
The report is fair and objective					
The report uses simple expressions					
The report is well-presented and uses a style which is easy to grasp					
The report suggests remedial actions					
Others (*please specify*)					

8. **To the best of your knowledge, how often are performance audit recommendations implemented?**

(Please tick one box that applies)

Always ..... ☐
Often ..... ☐
Sometimes ..... ☐
Rarely ..... ☐
Never ..... ☐

9. **Based on your answer to the last question, if the level to which the recommendations of performance auditing are implemented is unsatisfactory, could you please indicate the extent to which you agree with each of the following factors as a reason for this situation?**

(Please tick one box for each line based on the following: to a very great extent = 5, to a considerable extent = 4, to some extent = 3, to a very little extent =2 and not at all = 1)

	1	2	3	4	5
Lack of support from higher legislative and administrative authorities					
Lack of support from the ministry controlling the audited body					
Lack of enough power on the part of the Audit General Bureau to follow up and enforce its recommendations					
The Saudi culture in general is not conducive to such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making					
Others (*please specify*)					

10. **With regard to your relationship with public sector managers, would you say that, in general, public managers:**

(Please tick one box for each line based on the following: always = 5, often = 4, sometimes = 3, rarely = 2 and never = 1)

	1	2	3	4	5
Are friendly and approachable					
Have a good attitude towards audit teams					
Are willing to cooperate with audit teams					
Maintain definite standards of performance					
Know the performance level required of them					
Do not explain their activities and actions					
Others (*please specify*)					

11. **Has there been any feedback for auditees concerning audit findings?**

Yes ..... ☐
No ..... ☐

If ***YES***, please answer the next two questions.

12. **How immediate is the feedback provided?**

(Please tick one box that applies)

While auditors were undertaking their mission	
Immediately after the completion of audit	
Three months after the completion of audit	
Six months after the completion of audit	
One year after the completion of audit	
Other (*please specify*)	

13. **Do you think the amount of feedback given to the auditee is:**

(Please tick one box that applies)

Extremely appropriate ..... ☐
Appropriate ..... ☐
I am not sure ..... ☐
Inappropriate ..... ☐
Extremely inappropriate ..... ☐

14. From your point of view, how effective, in general, is the current system of performance auditing?

(Please tick one box that applies)

Very effective ..... ☐
Quite effective ..... ☐
Moderately effective ..... ☐
Rarely effective ..... ☐
Ineffective ..... ☐

C. Respondents' Background

1. Job title: .....
2. Academic qualification: .....
3. Academic major: .....
4. Professional qualifications: .....
5. Work experience: .....
6. Experience in the field of performance auditing: .....

Notes:

- ***Please write below any suggestions you may have with respect to the issues raised in this questionnaire or any other issue related to the subject of performance auditing in the Saudi public sector.***

THANK YOU VERY MUCH FOR YOUR COOPERATION

and

MAY ALLAH (SWT) REWARD YOU

Kingdom of Saudi Arabia
Ministry of Higher Education
King Saud University
Qasseem Branch
College of Business & Economic

وزارة التعليم العالي
جامعة الملك سعود
فرع القصيم
كلية الإقتصاد والإدارة

الموضوع: التاريخ: / / ١٤هـ

أخي العزيز:

السلام عليكم ورحمة الله وبركاته ... وبعد،،،

أفيدك بأني أحد أعضاء هيئة التدريس بجامعة الملك سعود، كلية الإقتصاد والإدارة، وفي الوقت الراهن، أواصل دراستي للحصول على درجة الدكتوراه -إن شاء الله- في تخصص المراجعة في كلية الأعمال، جامعة Kent، المملكة المتحدة. والبحث الذي أقوم به كمتطلب أساسي لنيل هذه الدرجة يتعلق بموضوع المراجعة في القطاع العام، وبشكل خاص موضوع تدقيق الأداء في هذا القطاع. وتهدف هذه الدراسة -بشكل رئيس- إلى تقديم عرض متعمق لتجربة المملكة العربية السعودية في تطبيق نظام تدقيق الأداء في قطاعها العام، وإلى أي مدى ساهم تطبيق هذا النظام في تحسين أداء هذا القطاع.

في المرحلة الحالية من مراحل هذا البحث أعمل على جمع المعلومات الضرورية المتعلقة بموضوع الدراسة، واللازمة في الوقت نفسه لاستكماله، ويتمثل جزء رئيس من المعلومات المنشودة في استقصاء أراء الجهات المهتمة بنظام تدقيق الأداء، وعلى رأسها الديوان ممثلاً بالمراجعين الحكوميين الذين يقومون بمهمة التدقيق. هذا الإستقصاء الذي بين يديك يستوضح وجهة نظرك -كمراجع حكومي- حول بعض الأمور المتعلقة بنظام تدقيق الأداء كما هو مطبق في القطاع العام في المملكة. لقد تم إختيارك -أخي- مع آخرين لتمثل الأشخاص الذين يقومون بمهمة التدقيق على الأداء، وبناءً عليه فإن تعاونك ومشاركتك في تعبئة هذا الإستقصاء يعد أمراً ضرورياً جداً لاستكمال هذه الدراسة ونجاحها -بإذن الله.

أخي العزيز...
سأكون سعيداً جداً لو أمضيت جزءًا يسيراً من وقتك الثمين في استكمال الإستقصاء المرفق. مع العلم بأن الإستقصاء قد تم إعداده وتصميمه بعناية ليكون قصيراً -نسبياً- من أجل تقليل الوقت المطلوب لتعبئته.

وفي الختام أقدر لك تعاونك معي لمساعدتي في استكمال دراستي هذه، آملاً إستلام الإستبيان المعبأ من قبلك عاجلاً. أسأل الله تعالى أن يجزيك على عملك هذا خير الجزاء.

والسلام عليكم ورحمة الله وبركاته،،،

أخوك

علي بن محمد بن عبدالله المحيميد
كلية الإقتصاد والإدارة
جامعة الملك سعود

البلدة ص.ب ٦٠٣٣ ☎ ٣٨٠٠٠٥٠ (٠٦) فاكس ٣٨٠٠٧٠٨ (٠٦)
Buraida ca. P. O. Box 6033 ☎ (06) 3800050 - Fax.. (06) 3800708

تعليمات عامة

١. فضلاً أجب على كل الأسئلة الموجودة في الاستمارة وبأعلى قدر ممكن من الدقة، وفي حالة عدم وجود إجابة تعكس وجهة نظرك على نحو دقيق من بين الإجابات المتضمنة في الإستقصاء، إختر الإجابة التي ترى أنها الأقرب إلى الصواب، وقم بوضع أي تعليق أو تفسير ترى أنه مناسب لتوضيح إجابتك.

٢. الإجابات على أسئلة الاستقصاء غير مسماة ولا يمكن نسبتها لشخص محدد؛ كما أن نتائج البحث سيتم عرضها بشكل إجمالي، ولن يرد اسم أحد من المشاركين في الاستقصاء داخل محتويات البحث.

أ. *طبيعة نظام تدقيق الأداء*

١. من وجهة نظرك، ما أهمية كل عامل من العوامل التالية من حيث كونه سبباً رئيساً لقيام ديوان المراقبة العامة بتطبيق نظام تدقيق الأداء في القطاع العام؟

(فضلا اختر الإجابة المناسبة لكل عامل بناءً على المعيار التالي: مهم جداً = ٥، مهم إلى حد بعيد = ٤، مهم إلى حد معتدل = ٣، قليل الأهمية = ٢، عديم الأهمية = ١)

	١	٢	٣	٤	٥
تعزيز عملية المساءلة في وحدات ومنظمات القطاع العام					
تطوير الأداء في وحدات ومنظمات القطاع العام					
مساعدة وحدات ومنظمات القطاع العام على وضع أهداف وغايات للأداء المتوقع منها					
تعزيز وتشجيع الوفر الإقتصادي والكفاءة والفعالية في منظمات ومشاريع وأنشطة القطاع العام					
تأكيد أهمية تطوير مقاييس ومؤشرات الأداء الخاصة بوحدات ومنظمات القطاع العام					
مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع					
مساعدة الوحدات والمنظمات الموجودة في هذا القطاع في تحديد احتياجاتها في مجال التدريب والتطوير					
تقديم المعلومات المفيدة لأغراض المكافأة أو العقاب					
تحسين جودة الخدمات والسلع التي تقدمها وحدات ومنظمات القطاع العام					
الرفع من مستوى اهتمام وعناية وحدات ومنظمات القطاع العام بالعملاء والمراجعين					
أسباب أخرى (حدد *لو سمحت*)					

٢. ما مدى استخدام مدققي الديوان لكل طريقة من الطرق التالية أثناء قيامهم بمهمة تدقيق الأداء في القطاع العام؟

(فضلا اختر الإجابة المناسبة لكل طريقة بناءً على ما يلي: دائما = ٥، غالبا = ٤، أحيانا = ٣، نادرا = ٢، لا يتم مطلقا = ١)

	١	٢	٣	٤	٥
الفحص المتعمق والمفصل لأحد جوانب أداء المنظمة أو الوحدة التي يتم تدقيق أدائها					
الفحص المبدئي الشامل لكل جوانب أداء المنظمة أو الوحدة التي يتم تدقيق أدائها لتحديد نقاط الضعف الموجودة فيها والتي يتم إخضاعها بعد ذلك لفحص أكثر عمقا					
فحص تلك الوحدات والمشاريع والبرامج التي توجد علامات تدل على وجود ضعف في كفاءتها وفعاليتها ونظم التحكم الداخلي فيها					
الفحص الشامل لكل جوانب أداء التنظيم إن كان صغيراً، أو فحص أنشطة وبرامج معينة داخل التنظيم إن كان كبيراً					
إجابة أو إجابات أخرى (حدد *لو سمحت*)					

٣. آخذاً بالاعتبار الإجراءات التي يتم إتباعها أثناء القيام بمهام تدقيق الأداء، أي من البدائل الآتية يتم إتباعه من قبل مدققي الديوان؟

(فضلا إختر الإجابة الوحيدة المناسبة)

الإعتماد على طريقة موحدة لكل أنواع تدقيق الأداء سواءً منها المتعلق بالمنظمات والوحدات أو تلك المتعلقة بالمشاريع والبرامج	
إتباع طرق مختلفة حسب طبيعة الحالة التي يتم تدقيقها	
أخرى (حدد *لو سمحت*)	

٤. بالإشارة إلى إجابتك على السؤال السابق، إذا كان الديوان يستخدم طرقاً مختلفة حسب طبيعة الحالة التي يتم تدقيقها، فما هو الأساس الذي يبني الديوان عليه قراره في اختيار الطريقة المناسبة لكل حالة؟

٥. **من خبرتك السابقة، ما أهمية كل عامل من العوامل التالية في عملية اختيار الجهة التي ينبغي تدقيق أدائها ؟**

(فضلاً إختر الإجابة المناسبة لكل سطر، معتمداً في اختيارك على الآتي: مهم جداً = ٥، مهم إلى حد بعيد = ٤، مهم إلى حد معتدل = ٣، قليل الأهمية = ٢، عديم الأهمية = ١)

	١	٢	٣	٤	٥
المتطلبات التشريعية والنظامية					
حجم الموازنة للجهة التي يراد تدقيقها					
نتائج المراجعة السابقة للجهة التي يراد تدقيقها					
مدى توفر الإمكانات اللازمة للقيام بمهمة تدقيق الأداء					
تاريخ اخر عملية مراقبة أداء تمت في الجهة التي يراد تدقيقها					
الموقع الجغرافي للجهة التي يراد تدقيقها					
وجود تغيرات أو أحداث مهمة في الجهة التي يراد تدقيقها					
عوامل أخرى (حدد *لو سمحت*)					

٦. **هل من الممكن –لو سمحت– أن تحدد مدى فائدة كل مصدر من المصادر التالية في إمداد المدققين بالمعلومات المطلوبة أثناء عملية التدقيق؟**

(فضلاً إختر الإجابة المناسبة لكل مصدر بناءً على المعيار التالي: مفيد جداً = ٥، مفيد إلى حد بعيد = ٤، مفيد إلى حد معتدل = ٣، قليل الفائدة = ٢، عديم الفائدة = ١)

	١	٢	٣	٤	٥
المعايير التشريعية المتعلقة بأهداف منظمات القطاع العام وأسس تقويم أدائها					
إدارة المنظمة التي تخضع لعملية التدقيق					
أفراد وموظفو المنظمة التي تخضع لعملية التدقيق					
عملاء ومراجعي المنظمة التي تخضع لعملية التدقيق					
أهداف ومقاييس الأداء الخاصة بمنظمات أخرى مماثلة					
مصادر أخرى (حدد *لو سمحت*)					

٧. **حسب علمك، ما معدل حدوث تدقيق الأداء في كل مرحلة من المراحل الآتية المتعلقة بمشروع أو برنامج عام؟**

(فضلاً اختر الإجابة المناسبة لكل سطر، معتمداً في اختيارك على الآتي: دائماً = ٥، غالباً = ٤، أحياناً = ٣، نادراً = ٢، لا يتم مطلقاً = ١)

	١	٢	٣	٤	٥
مرحلة التخطيط فقط					
مرحلة التخطيط ويستمر خلال مرحلة التنفيذ					
مرحلة التخطيط ويستمر خلال مرحلة التنفيذ، لكن فقط لمشاريع وبرامج معينة					
فقط أثناء تنفيذ المشروع أو البرنامج العام					
فقط بعد إتمام إنشاء المشروع أو البرنامج العام					
أخرى (حدد *لو سمحت*)					

ب. فعالية نظام تدقيق الأداء

١. من وجهة نظرك، ما مدى فعالية نظام تدقيق الأداء المطبق من قبل ديوان المراقبة العامة في التأثير على العوامل التالية؟

(فضلا إختر الإجابة المناسبة لكل عامل بناءً على المعيار التالي: فعال جدا = ٥، فعال إلى حد بعيد = ٤، فعال إلى حد معتدل = ٣، قليل الفعالية = ٢، عديم الفعالية = ١)

	١	٢	٣	٤	٥
تعزيز عملية المساءلة في وحدات ومنظمات القطاع العام					
تطوير الأداء في وحدات ومنظمات القطاع العام					
مساعدة وحدات ومنظمات القطاع العام على وضع أهداف وغايات للأداء المتوقع منها					
تعزيز وتشجيع الوفر الإقتصادي والكفاءة والفعالية في منظمات ومشاريع وأنشطة القطاع العام					
تأكيد أهمية تطوير مقاييس ومؤشرات الأداء الخاصة بوحدات ومنظمات القطاع العام					
مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع					
مساعدة الوحدات والمنظمات الموجودة في هذا القطاع في تحديد احتياجاتها في مجال التدريب والتطوير					
تقديم المعلومات المفيدة لأغراض المكافأة أو العقاب					
تحسين جودة الخدمات والسلع التي تقدمها وحدات ومنظمات القطاع العام					
الرفع من مستوى اهتمام وعناية وحدات ومنظمات القطاع العام بالعملاء والمراجعين					
أخرى (*إستخدم هذه الخانة فقط في حالة إيرادك لأسباب إضافية في السؤال رقم ١١ في صفحة ١*)					

٢. إلى أي مدى توافق على كون كل عنصر من العناصر التالية يمثل نقطة ضعف تحد من فعالية النظام الحالي لتدقيق الأداء المطبق من قبل الديوان؟

(فضلا اختر الإجابة المناسبة لكل عامل بناءً على المعيار التالي: أوافق بشدة = ٥، أوافق = ٤، غير متأكد = ٣، لا أوافق = ٢، لا أوافق بشدة = ١)

	١	٢	٣	٤	٥
عدم وضوح أهداف وغايات نظام مراقبة الأداء					
عدم وضوح أهداف وغايات الوحدات والمنظمات والمشاريع الخاضعة لعملية تدقيق الأداء					
عدم وجود مقاييس ومؤشرات لأداء وحدات القطاع العام يتم الاعتماد عليها أثناء عملية التدقيق					
عدم وجود نظام مناسب للتقارير المالية في وحدات ومنظمات القطاع العام					
عدم وجود نظام مناسب للتحكم الداخلي في وحدات ومنظمات القطاع العام					
عدم وجود أفراد مؤهلين لتنفيذ هذا النوع من التدقيق (تدقيق الأداء)					
عدم وجود أفراد مؤهلين من تخصصات مختلفة للقيام بهذا النوع من التدقيق (تدقيق الأداء)					
عدم توفر الدعم الكافي لهذا النظام من الجهات العليا التشريعية والتنفيذية					
عدم وجود القدرة الكافية والصلاحيات اللازمة لدى الديوان لمتابعة تنفيذ التوصيات التي تفضي إليها عملية تدقيق الأداء					
عدم توفر التدريب الكافي للمدققين الذين يقومون بتدقيق الأداء					
قلة الموارد والإمكانات المالية الضرورية للقيام بمثل هذا النوع من التدقيق					
أخرى (*حدد لو سمحت*)					

٣. **حسب علمك، ما نسبة الموارد المالية والبشرية المخصصة لأقسام تدقيق الأداء من إجمالي الموارد المتاحة للديوان؟**
(فضلاً إختر النسبة المناسبة لكل عنصر)

	الموارد المالية	الموارد البشرية
تقريبا ٥%		
تقريبا ١٠%		
تقريبا ٢٠%		
تقريبا ٣٠%		
إجابة أخرى (*حدد لو سمحت*)		

٤. **هل تعتقد أن مقدار الموارد المالية والبشرية المخصصة لأقسام تدقيق الأداء:**
(فضلاً إختر الإجابة الوحيدة المناسبة لكل عنصر)

	الموارد المالية	الموارد البشرية
مناسب جداً		
مناسب		
غير متأكد من الإجابة		
غير مناسب		
غير مناسب بتاتاً		

٥. **في مهام تدقيق الأداء التي شاركت بتنفيذها، يتشكل فريق التدقيق "عادة" من:**

(فضلاً إختر الإجابة المناسبة لكل طريقة بناءً على ما يلي: دائما = ٥، غالبا = ٤، أحيانا = ٣، نادرا = ٢، لا يتم مطلقا = ١)

	١	٢	٣	٤	٥
مراجعون					
مهندسون					
اقتصاديون					
إحصائيون					
آخرون (*حدد لو سمحت*)					

٦. **من وجهة نظرك، ما مدى تأثير تشكيلة فريق التدقيق على موقف الجهات التي يتم تدقيق أدائها تجاه عملية تدقيق الأداء؟**

(فضلاً إختر الإجابة الوحيدة المناسبة)

مؤثرة جداً ..... ☐
مؤثرة إلى حد بعيد ..... ☐
مؤثرة إلى حد معتدل..... ☐
مؤثرة بشكل ضعيف ..... ☐
ليس لها تأثير ..... ☐

٧. **آخذاً بالاعتبار تقرير تدقيق الأداء، ما مدى موافقتك على الجمل التالية:**

(فضلا إختر الإجابة المناسبة لكل سطر، معتمداً في اختيارك على الآتي: أوافق بشدة = ٥، أوافق = ٤، غير متأكد = ٣، لا أوافق = ٢، لا أوافق بشدة = ١)

	١	٢	٣	٤	٥
التقرير يشتمل على معلومات حديثة ومهمة					
التقرير عادل وموضوعي					
التقرير يستخدم ألفاظ واضحة					
التقرير معروض بشكل منظم وأسلوبه سهل الفهم					
التقرير يشتمل على توصيات علاجية للمشاكل التي يتم اكتشافها					
أخرى (حدد *لو سمحت*)					

٨. **حسب علمك، ما معدل تنفيذ الجهات التي تم تدقيق أدائها للتوصيات المقترحة من قبل مدققي الأداء؟**

(فضلا إختر الإجابة الوحيدة المناسبة)

- دائماً ..... ☐
- غالباً ..... ☐
- أحياناً ..... ☐
- نادراً..... ☐
- لا تنفذ مطلقاً ..... ☐

٩. **بناءً على إجابتك للسؤال السابق، إذا كان مستوى تنفيذ توصيات تدقيق الأداء غير مرضي، حدد لو سمحت مدى موافقتك على كون كل عامل من العوامل التالية سبباً من الأسباب التي أدت لذلك الأمر؟**

(فضلا اختر الإجابة المناسبة لكل سطر بناءً على المعيار التالي: موافق بقوة = ٥، موافق = ٤، غير متأكد = ٣، لا أوافق = ٢، لا أوافق بشدة = ١)

	١	٢	٣	٤	٥
عدم وجود الدعم الكافي من الجهات التشريعية والتنفيذية العليا					
عدم وجود الدعم الكافي من الوزارة التي تتبع لها الجهة التي يتم تدقيق أدائها					
عدم وجود القدرة الكافية والصلاحيات اللازمة لدى الديوان لمتابعة تنفيذ التوصيات التي تفضي إليها عملية تدقيق الأداء					
البيئة السعودية، بشكل عام، غير مناسبة لتقبل نظام تدقيق الأداء حيث لا يوجد ميل قوي لديها لاستخدام المعلومات التي ينتجها نظام المراجعة والتدقيق لتحسين مستوى القرارات التي يتم اتخاذها وطرق اتخاذ هذه القرارات.					
أخرى (حدد *لو سمحت*)					

١٠. **آخذاً بالاعتبار نوع ومستوى تعاملكم مع مد راء القطاع العام، بشكل عام، هل تعتقد بأن هؤلاء المد راء:**

(فضلا إختر الإجابة المناسبة لكل سطر بناءً على المعيار التالي: دائما = ٥، غالبا = ٤، أحياناً = ٣، نادراً = ٢، أبدا = ١)

	١	٢	٣	٤	٥
إيجابيون في تعاملهم ويسهل الوصول إليهم					
لديهم شعور طيب نحو فريق التدقيق الذي يقوم بمهمة تدقيق الأداء					
مستعدون للتعامل مع فريق التدقيق الذي يقوم بمهمة تدقيق الأداء					
لديهم معايير واضحة للأداء المتوقع منهم					
مدركون لمستوى الأداء المتوقع منهم					
لا يوضحون الأنشطة والأعمال التي يقومون بها					
أخرى (حدد *لو سمحت*)					

١١. هل هناك أي نوع من التغذية الإسترجاعية "العكسية" والتي يتم من خلالها إعطاء الجهات التي تم تدقيق أدائـــها معلومات كافية عن النتائج التي توصلت إليها عملية تدقيق الأداء؟

نعم ..... ☐
لا ..... ☐

إذا كانت الإجابة "**نعم**"، من فضلك أجب على السؤالين التاليين.

١٢. متى يتم تقديم هذه المعلومات "التغذية العكسية"؟

(فضلاً إختر الإجابة الوحيدة المناسبة)

أثناء قيام المدققين بأداء مهمتهم	
مباشرة بعد انتهاء المدققين من أداء مهمتهم	
بعد ثلاثة أشهر من انتهاء المدققين من أداء مهمتهم	
بعد ستة أشهر من انتهاء المدققين من أداء مهمتهم	
بعد سنة من انتهاء المدققين من أداء مهمتهم	
إجابة أخرى (حدد *لو سمحت*)	

١٣. هل تعتقد بأن كمية المعلومات المقدمة للجهات التي يتم تدقيق أدائها عن عمليات التدقيق التي تتم فيها:

(فضلاً إختر الإجابة الوحيدة المناسبة)

مناسبة جداً ..... ☐
مناسبة..... ☐
غير متأكد من الإجابة..... ☐
غير مناسبة..... ☐
غير مناسبة البتة..... ☐

١٤. من وجهة نظرك، ما مدى فعالية نظام تدقيق الأداء بشكل عام؟

(فضلاً إختر الإجابة الوحيدة المناسبة)

فعال جداً ..... ☐
فعال إلى حد بعيد..... ☐
فعال إلى حد معتدل..... ☐
قليل الفعالية..... ☐
عديم الفعالية..... ☐

ج. معلومات عامة:

١. مسمى الوظيفة: .....
٢. المؤهل العلمي: .....
٣. التخصص العلمي: .....
٤. المؤهل المهني: .....
٤. الخبرة العملية: .....
٦. الخبرة العملية في مجال تدقيق الأداء: .....

ملحوظة:

- ***في حالة وجود أي اقتراحات أو تعليقات تريد أضافتها بخصوص القضايا التي تم التطرق إليها في الإستبيان أو أي قضايا أخرى متعلقة بموضوع تدقيق الأداء في القطاع العام في المملكة فالرجاء عدم التردد في تدوينها.***

شاكراً لكم حسن تعاونكم، وجزاكم الله خير الجزاء

1. **A Copy of the English Version of the Managers' Questionnaire with the Covering Letter**

2. **A Copy of the Arabic Version of the Managers' Questionnaire with the Covering Letter**

Kingdom of Saudi Arabia
Ministry of Higher Education
King Saud University
Qasseem Branch
College of Business & Economic

وزارة التعليم العالي
جامعة الملك سعود
فرع القصيم
كلية الاقتصاد والإدارة

الموضوع : ..... التاريخ : / / ١٤هـ

Subject: Research in Performance Auditing in the Public Sector

Dear Sir,

Assalamu' alaikum Warahmatullahi Wabarakatuh

I would like to inform you that I am a teaching assistant at King Saudi University, College of Business and Economics. Currently, I am enrolled as a full-time Ph.D. student at Canterbury Business School, Kent University, the UK. The aim of my thesis is to obtain a comprehensive understanding of performance auditing in the Saudi public sector, with particular emphasis on the nature and effectiveness of this system.

At this stage of my research I am trying to gather some information regarding the issues under investigation from some related parties. In this questionnaire, I seek your perception, as a public sector manager, concerning performance auditing in general and its effectiveness as applied in the Saudi public sector in particular. Your organisation has been chosen, among others, to represent bodies that are being audited; thus, your co-operation is vital to the completion and success of this research.

I would be extremely grateful if you would kindly spend a few minutes of your time to complete the attached questionnaire. The questionnaire is relatively short and has been carefully designed to minimise the amount of time required for its completion.

Finally, I very much appreciate your willingness to help in my research effort and look forward to receiving your reply soon. May Allah SWT bless you for your good deeds that you have rendered.

Wassalamu' alaikum Warahmatullahi Wabarakatuh.

Your Brother,

Ali Almohaimeed
College of Business and Economics
King Saud University

Almelaida, P. O. Box 6033 ☎ (06) 3800050 - Fax.: (06) 3800708
المليداء ص.ب ٦٠٣٣ ☎ ٣٨٠٠٠٥٠ (٠٦) فاكس: ٣٨٠٠٧٠٨ (٠٦)

General Instruction

1. Please respond to all questions as accurately as possible. If you feel that none of the answers provided adequately expresses your view, please select the response that you consider most accurate, and feel free to put down your own interpretation and modifications. if you wish.

2. Replies to questionnaires are anonymous and cannot be traced to any particular respondent and results will be presented in aggregate form.

A. The Nature of the Performance Auditing System

1. **How important do you think each of the following factors as a main objective for introducing performance auditing to the public sector by the GAB?**

(Please tick one box for each factor based on their importance as very important = 5, quite important = 4, of some importance = 3, of little importance = 2 and of no importance = 1)

	1	2	3	4	5
Enhancing organisational accountability					
Improving organisational performance					
Helping public organisations to set goals and objectives for their achievement					
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities					
Ensuring the importance of developing performance measures and/or indicators for public organisations					
Helping decision makers in the public sector by providing them with information about public organisations productivity					
Helping organisations to specify their needs in terms of training and development					
Providing useful information for reward and punishment purposes					
Improving the quality of public organisations services					
Improving the caring of public organisations towards their customers					
Other reasons (*please specify*)					

2. **Could you please state how useful each of the following sources is in providing GAB performance auditors with the required information during their mission?**

(Choose your answer based on the following: very useful = 5, quite useful = 4, moderately useful = 3, rarely useful = 2 and not at all = 1)

	1	2	3	4	5
Legislative standards relating to objectives and evaluation criteria in the public sector					
The management of the audited organisation					
The personnel and staff of the audited organisation					
The customers of public organisations					
The objectives and performance measures used in similar organisations					
Others (*please specify*)					

3. **With reference to the construction and implementation of a public project, how often do you think that performance auditing occurs in each of the following stages?**

(Please tick one box for each line based on: always = 5, often = 4, sometimes = 3, rarely = 2 and never = 1)

	1	2	3	4	5
Planning stage only					
Planning stage and continuing through implementation stage					
Planning stage and continuing through implementation stage, but for selected projects only					
Implementation stage only					
After the completion of the project					
Others (*please specify*)					

B. The Effectiveness of Performance Auditing System

1. **In your opinion, how effective do you feel that the performance auditing system, which is applied by the GAB, has been concerning the following?**

(Please tick one box for each line based on the following: very effective = 5, quite effective = 4, moderately effective = 3, rarely effective = 2 and ineffective = 1)

	1	2	3	4	5
Enhancing organisational accountability					
Improving organisational performance					
Helping public organisations to set goals and objectives for their achievement					
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities					
Ensuring the importance of developing performance measures and/or indicators for public organisations					
Helping decision makers in the public sector by providing them with information about public organisations productivity					
Helping public organisations to specify their needs in terms of training and development					
Providing information for reward and punishment purposes					
Improving the quality of public organisations services					
Improving the caring of public organisations towards their customers					
Others (*This is applicable only if you added other aims in Q. A1, page 1)*					

2. **To what extent do you agree with each of the following elements as being an obstacle which may limit the effectiveness of the current system of performance auditing as applied by the GAB?**

(Please tick one box for each line based on the following: strongly agree = 5, agree = 4, undecided = 3, disagree = 2 and strongly disagree = 1)

	1	2	3	4	5
The ambiguity of performance audit goals and objectives					
The ambiguity of goals and objectives in public sector organisations/projects					
The lack of performance measures and/or indicators in the public sector					
The lack of a sound financial reporting system in the public sector					
The lack of a sound internal control system in the public sector					
The shortage of qualified staff to undertake such audits					
The lack of specialised staff from different disciplines to perform such audits					
The lack of support and interest on the part of legislative and administrative officials at higher levels					
The GAB's shortage of enforcement powers to follow-up performance audit recommendations					
Insufficient training for performance auditors					
Shortage of sufficient financial resources					
Others (*please specify*)					

3. **Based on your experience, do you think the resources, which are allocated to performance auditing work by the GAB, are:**

(Please tick the appropriate box/boxes that applies/apply for time and/or resources)

	Financial resources	Staff Resources
Extremely appropriate		
Appropriate		
I am not sure		
Inappropriate		
Extremely inappropriate		

4. **In performance audit cases which your organisation was subject to, how was the audit team composed?**

(Please tick one box for each line based on the following: always = 5, often = 4, sometimes = 3, rarely = 2 and never = 1)

	1	1	3	4	5
Auditors					
Engineers					
Economists					
Statisticians					
Others (*please specify*)					

5. **To what extent do you think that your attitude towards performance auditing has been affected by audit team composition?**

(Please tick one box that applies)

To a very great extent ..... ☐
To a considerable extent ..... ☐
To some extent ..... ☐
To a very limited extent ..... ☐
Not at all ..... ☐

6. **With regard to performance audit reports, to what extent do you agree with the following:**

(Please tick one box for each line based on the following: strongly agree = 5, slightly agree = 4, undecided = 3, slightly disagree = 2 and strongly disagree = 1)

	1	2	3	4	5
The report contains current and significant information					
The report is fair and objective					
The report uses simple expressions					
The report is well-presented and uses a style which is easy to grasp					
The report suggests remedial actions					
Others (*please specify*)					

7. **To the best of your knowledge, how often are performance audit recommendations implemented?**

(Please tick one box that applies)

Always ..... ☐
Often ..... ☐
Sometimes ..... ☐
Rarely ..... ☐
Never ..... ☐

8. **Based on your answer to the last question, if the level to which the recommendations of performance auditing are implemented is unsatisfactory, could you please indicate the extent to which you agree with each of the following factors as a reason for this situation?**

(Please tick one box for each line based on the following: to a very great extent = 5, to a considerable extent = 4, to some extent = 3, to a very little extent =2 and not at all = 1)

	1	2	3	4	5
Lack of support from legislative authorities					
Lack of support from the ministry controlling the audited body					
Lack of enough power on the part of the General Audit bureau to follow up and enforce its recommendations					
The Saudi culture, in general, is not conducive to such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making					
Others (*please specify*)					

9. **With regard to your relationship with performance auditors, would you say that, in general, the auditors:**

(Please tick one box for each line based on the following: always = 5, often = 4, sometimes = 3, rarely = 2 and never = 1)

	1	2	3	4	5
Are friendly and supportive					
Have a good attitude towards public managers					
Are willing to give managers an opportunity to explain their concerns					
Have clear objectives and goals of their job					
Maintain clear standards to follow during their audit mission					
Do not explain their activities and actions					
Others (*please specify*)					

10. **Have you received any feedback concerning the performance audit findings?**

Yes ..... ☐
No ..... ☐

If ***YES***, please answer the next two questions.

11. **When did you receive this feedback?**

(Please tick one box that applies)

While auditors were undertaking their mission	
Immediately after the completion of audit	
Three months after the completion of audit	
Six months after the completion of audit	
One year after the completion of audit	
Other (*please specify*)	

12. **Do you think the amount of feedback you received was:**

(Please tick one box that applies)

Extremely appropriate ..... ☐
Appropriate ..... ☐
I am not sure ..... ☐
Inappropriate ..... ☐
Extremely inappropriate ..... ☐

13. **From your point of view, how effective, in general, is the current system of performance auditing?**

(Please tick one box that applies)

Very effective ..... ☐
Quite effective ..... ☐
Moderately effective ..... ☐
Rarely effective ..... ☐
Ineffective ..... ☐

C. Respondents' Background

1. Job title: .....
2. Academic qualification: .....
3. Academic major: .....
4. Professional qualifications: .....
5. Work experience: .....

Notes:

- ***Please write below any suggestions you may have with respect to the issues raised in this questionnaire or any other issue related to the subject of performance auditing in the Saudi public sector.***

THANK YOU VERY MUCH FOR YOUR COOPERATION

and

MAY ALLAH (SWT) REWARD YOU

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وزارة التعليم العالي
جامعة الملك سعود
فرع القصيم
كلية الاقتصاد والإدارة

الموضوع: التاريخ: / / ١٤هـ

أخي العزيز:

السلام عليكم ورحمة الله وبركاته ... وبعد،،،

أفيدك بأني أحد أعضاء هيئة التدريس بجامعة الملك سعود، كلية الإقتصاد والإدارة، وفي الوقت الراهن أواصل دراستي للحصول على درجة الدكتوراه -إن شاء الله- في تخصص المراجعة في كلية الأعمال، جامعة Kent، المملكة المتحدة. والبحث الذي أقوم به كمتطلب أساسي لنيل هذه الدرجة يتعلق بموضوع المراجعة في القطاع العام، وبشكل خاص موضوع تدقيق الأداء في هذا القطاع. وتهدف هذه الدراسة -بشكل رئيس- إلى تقديم عرض متعمق لتجربة المملكة العربية السعودية في تطبيق نظام تدقيق الأداء في قطاعها العام، وإلى أي مدى ساهم تطبيق هذا النظام في تحسين أداء هذا القطاع.

في المرحلة الحالية من مراحل هذا البحث أعمل على جمع المعلومات الضرورية المتعلقة بموضوع الدراسة، واللازمة في الوقت نفسه لاستكماله، ويتمثل جزء رئيس من المعلومات المنشودة في استقصاء أراء الجهات المهتمة بنظام تدقيق الأداء، ومنها الوحدات الخاضعة للتدقيق من قبل ديوان المراقبة العامة. هذا الإستقصاء الذي بين يديك يستوضح وجهة نظرك -كأحد المدراء في القطاع العام- حول بعض الأمور المتعلقة بنظام تدقيق الأداء كما هو مطبق في القطاع العام في المملكة. لقد تم إختيارك -أخي- مع آخرين لتمثلوا الجهات التي يتم تدقيق أدائها من قبل مدققي الديوان. وبناءً عليه فإن تعاونك ومشاركتك في تعبئة هذا الإستقصاء يعد أمراً ضرورياً جداً لاستكمال هذه الدراسة ونجاحها -بإذن الله.

أخي العزيز...
سأكون سعيداً جداً لو أمضيت جزءًا يسيراً من وقتك الثمين في استكمال الإستقصاء المرفق. مع العلم بأن الإستقصاء قد تم إعداده وتصميمه بعناية ليكون قصيراً -نسبياً- من أجل تقليل الوقت المطلوب لتعبئته.

وفي الختام أقدر لك تعاونك معي لمساعدتي في استكمال دراستي هذه، آملاً استلام الإستبيان المعبأ من قبلك عاجلاً. أسأل الله تعالى أن يجزيك على عملك هذا خير الجزاء.

والسلام عليكم ورحمة الله وبركاته،،،

أخوك

علي بن محمد بن عبدالله المحيميد
كلية الإقتصاد والإدارة
جامعة الملك سعود

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تعليمات عامة

١. فضلا أجب على كل الأسئلة الموجودة في الإستمارة وبأعلى قدر ممكن من الدقة، وفي حالة عدم وجود إجابة تعكس وجهة نظرك على نحو دقيق من بين الإجابات المتضمنة في الإستقصاء، إختر الإجابة التي ترى أنها الأقرب إلى الصواب، وقم بوضع أي تعليق أو تفسير ترى أنه مناسب لتوضيح إجابتك.

٢. الإجابات على أسئلة الإستقصاء غير مسماة ولا يمكن نسبتها لشخص محدد؛ كما أن نتائج البحث سيتم عرضها بشكل إجمالي، ولن يرد إسم أحد من المشاركين في الإستقصاء داخل محتويات البحث.

أ. طبيعة نظام تدقيق الأداء

١. من وجهة نظرك، ما أهمية كل عامل من العوامل التالية من حيث كونه هدفا رئيسا لقيام ديوان المراقبة العامة بتطبيق نظام تدقيق الأداء في القطاع العام؟

(فضلا اختر الإجابة المناسبة لكل عامل بناء على المعيار التالي: مهم جدا = ٥، مهم إلى حد بعيد = ٤، مهم إلى حد معتدل = ٣، قليل الأهمية = ٢، عديم الأهمية = ١)

	١	٢	٣	٤	٥
تعزيز عملية المساءلة في وحدات ومنظمات القطاع العام					
تطوير الأداء في وحدات ومنظمات القطاع العام					
مساعدة وحدات ومنظمات القطاع العام على وضع أهداف وغايات للأداء المتوقع منها					
تعزيز وتشجيع الوفر الإقتصادي والكفاءة والفعالية في منظمات ومشاريع وأنشطة القطاع العام					
تأكيد أهمية تطوير مقاييس ومؤشرات الأداء الخاصة بوحدات ومنظمات القطاع العام					
مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع					
مساعدة الوحدات والمنظمات الموجودة في هذا القطاع في تحديد احتياجاتها في مجال التدريب والتطوير					
تقديم المعلومات المفيدة لأغراض المكافأة أو العقاب					
تحسين جودة الخدمات والسلع التي تقدمها وحدات ومنظمات القطاع العام					
الرفع من مستوى اهتمام وعناية وحدات ومنظمات القطاع العام بالعملاء والمراجعين					
أسباب أخرى (حدد لو سمحت)					

٢. هل من الممكن -لو سمحت- أن تحدد مدى فائدة كل مصدر من المصادر التالية في إمداد مدققي الديوان بالمعلومات المطلوبة أثناء عملية التدقيق؟

(فضلا اختر الإجابة المناسبة لكل مصدر بناء على المعيار التالي: مفيد جدا = ٥، مفيد إلى حد بعيد = ٤، مفيد إلى حد معتدل = ٣، قليل الفائدة = ٢، عديم الفائدة = ١)

	١	٢	٣	٤	٥
المعايير التشريعية المتعلقة بأهداف منظمات القطاع العام وأسس تقويم أدائها					
إدارة المنظمة التي تخضع لعملية التدقيق					
أفراد وموظفو المنظمة التي تخضع لعملية التدقيق					
عملاء ومراجعي المنظمة التي تخضع لعملية التدقيق					
أهداف ومقاييس الأداء الخاصة بمنظمات أخرى مماثلة					
مصادر أخرى (حدد لو سمحت)					

٣. حسب علمك، ما معدل حدوث تدقيق الأداء في كل مرحلة من المراحل الآتية المتعلقة بمشروع أو برنامج عام؟

(فضلا اختر الإجابة المناسبة لكل سطر، معتمداً في اختيارك على الآتي: دائماً = ٥، غالباً = ٤، أحياناً = ٣، نادراً = ٢، لا يتم مطلقاً = ١)

	١	٢	٣	٤	٥
مرحلة التخطيط فقط					
مرحلة التخطيط ويستمر خلال مرحلة التنفيذ					
مرحلة التخطيط ويستمر خلال مرحلة التنفيذ، لكن فقط لمشاريع وبرامج معينة					
فقط أثناء تنفيذ المشروع أو البرنامج العام					
فقط بعد إتمام إنشاء المشروع أو البرنامج العام					
أخرى (*حدد لو سمحت*)					

ب. فعالية نظام تدقيق الأداء

١. من وجهة نظرك، ما مدى فعالية نظام تدقيق الأداء المطبق من قبل ديوان المراقبة العامة في التأثير على العوامل التالية؟

(فضلا إختر الإجابة المناسبة لكل عامل بناء على المعيار التالي: فعال جدا = ٥، فعال إلى حد بعيد = ٤، فعال إلى حد معتدل = ٣، قليل الفعالية = ٢، عديم الفعالية = ١)

	١	٢	٣	٤	٥
تعزيز عملية المساءلة في وحدات ومنظمات القطاع العام					
تطوير الأداء في وحدات ومنظمات القطاع العام					
مساعدة وحدات ومنظمات القطاع العام على وضع أهداف وغايات للأداء المتوقع منها					
تعزيز وتشجيع الوفر الإقتصادي والكفاءة والفعالية في منظمات ومشاريع وأنشطة القطاع العام					
تأكيد أهمية تطوير مقاييس ومؤشرات الأداء الخاصة بوحدات ومنظمات القطاع العام					
مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع					
مساعدة الوحدات والمنظمات الموجودة في هذا القطاع في تحديد احتياجاتها في مجال التدريب والتطوير					
تقديم المعلومات المفيدة لأغراض المكافأة أو العقاب					
تحسين جودة الخدمات والسلع التي تقدمها وحدات ومنظمات القطاع العام					
الرفع من مستوى اهتمام وعناية وحدات ومنظمات القطاع العام بالعملاء والمراجعين					
أخرى (*إستخدم هذه الخانة فقط في حالة ايرادك لأسباب إضافية في السؤال رقم أ-١ في صفحة ١*)					

٢. **إلى أي مدى توافق على كون كل عنصر من العناصر التالية يمثل نقطة ضعف تحد من فعالية النظام الحالي لتدقيق الأداء المطبق من قبل الديوان؟**
(فضلا اختر الإجابة المناسبة لكل عامل بناء على المعيار التالي: أوافق بشدة = ٥، أوافق = ٤، غير متأكد = ٣، لا أوافق = ٢، لا أوافق بشدة = ١)

	١	٢	٣	٤	٥
عدم وضوح أهداف وغايات نظام مراقبة الأداء					
عدم وضوح أهداف وغايات الوحدات والمنظمات والمشاريع الخاضعة لعملية تدقيق الأداء					
عدم وجود مقاييس ومؤشرات لأداء وحدات القطاع العام يتم الاعتماد عليها أثناء عملية التدقيق					
عدم وجود نظام مناسب للتقارير المالية في وحدات ومنظمات القطاع العام					
عدم وجود نظام مناسب للتحكم الداخلي في وحدات ومنظمات القطاع العام					
عدم وجود أفراد مؤهلين لتنفيذ هذا النوع من التدقيق (تدقيق الأداء)					
عدم وجود أفراد مؤهلين من تخصصات مختلفة للقيام بهذا النوع من التدقيق (تدقيق الأداء)					
عدم توفر الدعم الكافي لهذا النظام من الجهات العليا التشريعية والتنفيذية					
عدم وجود القدرة الكافية والصلاحيات اللازمة لدى الديوان لمتابعة تنفيذ التوصيات التي تفضي إليها عملية تدقيق الأداء					
عدم توفر التدريب الكافي للمدققين الذين يقومون بتدقيق الأداء					
قلة الموارد والإمكانات المالية الضرورية للقيام بمثل هذا النوع من التدقيق					
أخرى (حدد *لو سمحت*)					

٣. **بناء على خبرتك، هل تعتقد أن مقدار الوقت والموارد المخصصة لعمليات تدقيق الأداء من قبل الديوان:**
(فضلا إختر الإجابة الوحيدة المناسبة لكل عنصر)

	الموارد المالية	الموارد البشرية
مناسب جدا		
مناسب		
غير متأكد من الإجابة		
غير مناسب		
غير مناسب بتاتا		

٤. **في مهام تدقيق الأداء التي خضعت لها دائرتكم أو منظمتكم، ما هي نوعية الأفراد الذين تشكل منهم فريق التدقيق؟**
(فضلا إختر الإجابة المناسبة لكل سطر بناء على المعيار التالي: دائما = ٥، غالبا = ٤، أحيانا = ٣، نادرا = ٢، أبدا = ١)

	١	٢	٣	٤	٥
مراجعون					
مهندسون					
اقتصاديون					
إحصائيون					
اخرون (حدد *لو سمحت*)					

٥. ما مدى تأثير تشكيلة فريق التدقيق على موقفك وشعورك تجاه عملية تدقيق الأداء؟

(فضلا إختر الإجابة الوحيدة المناسبة)

مؤثرة جدا ..... ☐
مؤثرة إلى حد كبير ..... ☐
مؤثرة إلى حد معتدل ..... ☐
مؤثر بشكل ضعيف ..... ☐
ليس لها تأثير ..... ☐

٦. آخذا بالاعتبار تقرير تدقيق الأداء المعد بواسطة مدققي الديوان، ما مدى موافقتك على الجمل التالية:

(فضلا إختر الإجابة المناسبة لكل سطر، معتمدا في اختيارك على الآتي: أوافق بشدة = ٥، أوافق = ٤، غير متـــأكد = ٣، لا أوافق = ٢، لا أوافق بشدة = ١)

	١	٢	٣	٤	٥
التقرير يشتمل على معلومات حديثة ومهمة					
التقرير عادل وموضوعي					
التقرير يستخدم ألفاظ واضحة					
التقرير معروض بشكل منظم وأسلوبه سهل الفهم					
التقرير يشتمل على توصيات علاجية للمشاكل التي يتم اكتشافها					
أخرى (حدد *لو سمحت*)					

٧. حسب علمك، ما معدل تنفيذ التوصيات المقترحة من قبل مدققي الأداء؟

(فضلا إختر الإجابة الوحيدة المناسبة)

تنفذ دائما ..... ☐
تنفذ غالبا ..... ☐
تنفذ أحيانا ..... ☐
تنفذ نادرا ..... ☐
لا تنفذ مطلقا ..... ☐

٨. بناء على إجابتك للسؤال السابق، إذا كان مستوى تنفيذ توصيات تدقيق الأداء غير مرضي، حدد لو ســـمحت مـــدى موافقتك على كون كل عامل من العوامل التالية سببا من الأسباب التي أدت لذلك الأمر؟

(فضلا إختر الإجابة المناسبة لكل عامل معتمدا في إجابتك على الآتي: أوافق بشدة = ٥، أوافق = ٤، غير متأكد = ٣، لا أوافق = ٢، لا أوافق بشدة = ١)

	١	٢	٣	٤	٥
عدم وجود الدعم الكافي من الجهات التشريعية والتنفيذية العليا					
عدم وجود الدعم الكافي من الوزارة التي تتبع لها الجهة التي يتم تدقيق أدائها					
عدم وجود القدرة الكافية والصلاحيات اللازمة لدى الديوان لمتابعة تنفيذ التوصيات التي تفضي إليها عملية تدقيق الأداء					
البيئة السعودية، بشكل عام، غير مناسبة لتقبل نظام تدقيق الأداء حيث لا يوجد ميل قوي لديها لاستخدام المعلومات التي ينتجها نظام المراجعة والتدقيق لتحسين مستوى القرارات التي يتم اتخاذها وطرق اتخاذ هذه القرارات.					
أخرى (حدد *لو سمحت*)					

٩. آخذا بالاعتبار نوع ومستوى علاقتكم مع مدققي الديوان، بشكل عام، هل تعتقد بأن هؤلاء المدققين:

(فضلا إختر الإجابة المناسبة لكل سطر معتمدا في إجابتك على الآتي: دائما = ٥، غالبا = ٤، أحيانا = ٣، نـــادرا = ٢، أبدا = ١)

	١	٢	٣	٤	٥
إيجابيون في تعاملهم ومشجعون للجهات التي يقومون بتدقيقها					
لديهم شعور طيب نحو مدراء القطاع العام					
مستعدون لإعطاء الفرصة للمدراء لتوضيح ما يهمهم ويتعلق بعملهم					
لديهم أهداف وغايات واضحة لمهام التدقيق التي يقومون بها					
لديهم معايير واضحة تقودهم أثناء أداء عملهم					
لا يوضحون الأنشطة والأعمال التي يقومون بها					
أخرى (حدد *لو سمحت*)					

١٠. هل هناك أي نوع من التغذية الإسترجاعية "العكسية" والتي يتم من خلالها إعطاءك معلومات كافية عن النتائج التـــي توصلت إليها عملية تدقيق الأداء؟

نعم..... ☐

لا..... ☐

إذا كانت الإجابة "**نعم**"، من فضلك أجب على السؤالين التاليين.

١١. متى يتم تقديم هذه المعلومات "التغذية العكسية"؟

(فضلا إختر الإجابة الوحيدة المناسبة)

أثناء قيام المدققين بأداء مهمتهم	
مباشرة بعد انتهاء المدققين من أداء مهمتهم	
بعد ثلاثة أشهر من انتهاء المدققين من أداء مهمتهم	
بعد ستة أشهر من انتهاء المدققين من أداء مهمتهم	
بعد سنة من انتهاء المدققين من أداء مهمتهم	
إجابة أخرى (حدد *لو سمحت*)	

١٢. هل تعتقد بأن كمية المعلومات المقدمة لكم عن عمليات التدقيق التي خضعت لها دائرتكم أو منظمتكم:

(فضلا إختر الإجابة الوحيدة المناسبة)

مناسبة جدا ..... ☐

مناسبة..... ☐

غير متأكد من الإجابة..... ☐

غير مناسبة ..... ☐

غير مناسبة بتاتا ..... ☐

١٣. من وجهة نظرك، ما مدى فعالية نظام تدقيق الأداء بشكل عام؟

(فضلا إختر الإجابة الوحيدة المناسبة)

فعال جدا ..... ☐
فعال إلى حد بعيد..... ☐
فعال إلى حد معتدل..... ☐
قليل الفعالية..... ☐
غير فعال مطلقا..... ☐

ج. معلومات عامة:

١. مسمى الوظيفة: .....
٢. المؤهل العلمي: .....
٣. التخصص العلمي: .....
٤. المؤهل المهني: .....
٥. الخبرة العملية: .....

ملحوظة:

♦في حالة وجود أي اقتراحات أو تعليقات تريد أضافتها بخصوص القضايا التي تم التطرق إليها في الإستبيان أو أي قضايا أخرى متعلقة بموضوع تدقيق الأداء في القطاع العام في المملكة فالرجاء عدم التردد في تدوينها.

شاكرا لكم حسن تعاونكم، وجزاكم الله خير الجزاء

Table1:
The Public Corporations and Companies Selected to Participate in the Research Project

No.	Organisation Name	No. of Audit Missions Undertaken*
1	The Saudi Public Transportation Corp.	5
2	The Central Province Electric Company	3
3	The National Gas Company	1
4	The Saudi National Corp. for Maritime Transportation	1
5	The Saudi Real Estate Corp.	1
6	Water and Sewerage Authority	2
7	King Saud University	5
8	Imam Mohammad Ibn Saud University	3
9	The General Organisation of Water Desalination	5
10	The General Organisation for Technical Education and Vocational Training	2
11	Grain Silos and Flour Mills Organisation	5
12	The Saudi Red Crescent Society	2
13	The National Hospital	1**
14	The Insurance Hospital	1**
15	King Khalid Hospital	1**
Total		41

* Source: Fieldwork data (May-July, 1998), Saudi Arabia.

** Organisations which did not take part in the study.

Table2:
The Ministries and Government Departments Selected to Participate in the Research Project

No.	Organisation Name	No. of Audit Missions		
		Within Riyadh	Outside Riyadh	Total
1	Ministry of Health	8	43	51
2	Ministry of Labour and Social Affairs	5	4	9
3	Ministry of Education	4	0	4
4	Ministry of Islamic Affairs	1	0	1
5	Ministry of Industry and Electricity	2	0	2
6	Ministry of Agriculture and Water	2	14	16
7	Ministry of Information	5	2	7
8	Ministry of Commerce	2	0	2
9	Ministry of Municipalities and Rural Affairs	4	23	27
10	Ministry of Justice	2	8	10
11	Ministry of Information	4	2	6
12	The General Presidency for Girls Education	1	3	4
13	Riyadh Metropolitan (Amanah)	9	--	9
Total		49	99	148

PART A: THE NATURE OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

Ranks:

Q. No.	Statement	Sub-Group	N	Mean Rank
A1	Enhancing organisational accountability	Auditors of Public Companies and Corporations	13	16.77
		Auditors of Ministries and Government Entities	12	18.63
		Officials of the GAB	9	17.06
		Total	34	
	Improving organisational performance	Auditors of Public Companies and Corporations	13	18.15
		Auditors of Ministries and Government Entities	12	17.46
		Officials of the GAB	9	16.61
		Total	34	
	Helping public organisations to set goals and objectives for their achievement	Auditors of Public Companies and Corporations	13	15.85
		Auditors of Ministries and Government Entities	12	16.04
		Officials of the GAB	9	21.83
		Total	34	
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	Auditors of Public Companies and Corporations	13	14.88
		Auditors of Ministries and Government Entities	12	17.04
		Officials of the GAB	9	21.89
		Total	34	
	Ensuring the importance of developing performance measures and/or indicators for public organisations	Auditors of Public Companies and Corporations	13	15.85
		Auditors of Ministries and Government Entities	12	16.96
		Officials of the GAB	9	20.61
		Total	34	
	Helping decision makers in the public sector by providing them with information about public organisations productivity	Auditors of Public Companies and Corporations	13	16.38
		Auditors of Ministries and Government Entities	12	18.13
		Officials of the GAB	9	18.28
		Total	34	
	Helping public organisations to specify their needs in terms of training and development	Auditors of Public Companies and Corporations	13	19.46
		Auditors of Ministries and Government Entities	12	16.38
		Officials of the GAB	9	16.17
		Total	34	
	providing useful information for reward and punishment purposes	Auditors of Public Companies and Corporations	13	19.88
		Auditors of Ministries and Government Entities	12	16.92
		Officials of the GAB	9	14.83
		Total	34	
	Improving the quality of public organisations services	Auditors of Public Companies and Corporations	13	16.58
		Auditors of Ministries and Government Entities	12	17.42
		Officials of the GAB	9	18.94
		Total	34	
	Improving the caring of public organisations towards their customers	Auditors of Public Companies and Corporations	13	19.35
		Auditors of Ministries and Government Entities	12	16.08
		Officials of the GAB	9	16.72
		Total	34	
A2	An in-depth and detailed investigation into one aspect of the authority's work	Auditors of Public Companies and Corporations	13	20.23
		Auditors of Ministries and Government Entities	12	18.50
		Officials of the GAB	9	12.22
		Total	34	
	A primary and detailed investigation into all aspects of the audited organisation or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation	Auditors of Public Companies and Corporations	13	19.58
		Auditors of Ministries and Government Entities	12	18.25
		Officials of the GAB	9	13.50
		Total	34	
	Only selected organisations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented	Auditors of Public Companies and Corporations	13	20.19
		Auditors of Ministries and Government Entities	12	16.92
		Officials of the GAB	9	14.39
		Total	34	

Ranks (Cont.):

Q. No.	Statement	Sub Group	N	Mean Rank
Q2 (Cont.)	The whole organisation if small and selected projects or activities if the organisation is large	Auditors of Public Companies and Corporations	13	17.81
		Auditors of Ministries and Government Entities	12	19.75
		Officials of the GAB	9	14.06
		Total	34	
A3	Audit methodology followed when undertaking performance auditing	Auditors of Public Companies and Corporations	13	17.19
		Auditors of Ministries and Government Entities	12	17.08
		Officials of the GAB	9	18.50
		Total	34	
A5	Statutory requirements	Auditors of Public Companies and Corporations	13	19.96
		Auditors of Ministries and Government Entities	12	18.46
		Officials of the GAB	9	12.67
		Total	34	
	Size of auditee's budgets	Auditors of Public Companies and Corporations	13	17.12
		Auditors of Ministries and Government Entities	12	17.08
		Officials of the GAB	9	18.61
		Total	34	
	Previous audit findings	Auditors of Public Companies and Corporations	13	18.04
		Auditors of Ministries and Government Entities	12	15.08
		Officials of the GAB	9	19.94
		Total	34	
	Availability of audit resources	Auditors of Public Companies and Corporations	13	18.46
		Auditors of Ministries and Government Entities	12	16.29
		Officials of the GAB	9	17.72
		Total	34	
	Date of last performance audit of the auditee	Auditors of Public Companies and Corporations	13	14.00
		Auditors of Ministries and Government Entities	12	17.38
		Officials of the GAB	9	22.72
		Total	34	
	Geographical location of the auditee	Auditors of Public Companies and Corporations	13	14.27
		Auditors of Ministries and Government Entities	12	14.92
		Officials of the GAB	9	25.61
		Total	34	
	Significant events or changes in the audited organisation or entity	Auditors of Public Companies and Corporations	13	19.19
		Auditors of Ministries and Government Entities	12	15.75
		Officials of the GAB	9	17.39
		Total	34	
A6	Legislative standards related to objectives and evaluation criteria in the public sector	Auditors of Public Companies and Corporations	13	19.31
		Auditors of Ministries and Government Entities	12	14.79
		Officials of the GAB	9	18.50
		Total	34	
	The management of the audited organisation	Auditors of Public Companies and Corporations	13	13.81
		Auditors of Ministries and Government Entities	12	20.17
		Officials of the GAB	9	19.28
		Total	34	
	The personnel and staff of the audited organisation	Auditors of Public Companies and Corporations	13	14.04
		Auditors of Ministries and Government Entities	12	18.63
		Officials of the GAB	9	21.00
		Total	34	
	The customers of public organisations	Auditors of Public Companies and Corporations	13	17.42
		Auditors of Ministries and Government Entities	12	21.04
		Officials of the GAB	9	12.89
		Total	34	
	The objectives and performance measures used in similar organisations	Auditors of Public Companies and Corporations	13	16.42
		Auditors of Ministries and Government Entities	12	18.83
		Officials of the GAB	9	17.28
		Total	34	

Ranks (Cont.):

Q. No.	Statement	Sub Group	N	Mean Rank
A7	Planning stage only	Auditors of Public Companies and Corporations	13	15.96
		Auditors of Ministries and Government Entities	10	16.70
		Officials of the GAB	9	17.06
		Total	32	
	Planning stage and continuing through implementation stage	Auditors of Public Companies and Corporations	12	14.63
		Auditors of Ministries and Government Entities	10	18.05
		Officials of the GAB	9	15.56
		Total	31	
	Planning stage and continuing through implementation stage, but for selected projects only	Auditors of Public Companies and Corporations	13	15.73
		Auditors of Ministries and Government Entities	10	17.25
		Officials of the GAB	8	14.88
		Total	31	
	Implementation stage only	Auditors of Public Companies and Corporations	13	15.35
		Auditors of Ministries and Government Entities	10	15.35
		Officials of the GAB	9	19.44
		Total	32	
	After the completion of the project	Auditors of Public Companies and Corporations	13	15.15
		Auditors of Ministries and Government Entities	10	14.25
		Officials of the GAB	9	20.94
		Total	32	

Kruskal Wallis Test Statistics:

Q. No.	Statements	Chi-Square	df	Sig.
A1	Enhancing organisational accountability	.262	2	.877
	Improving organisational performance	.213	2	.899
	Helping public organisations to set goals and objectives for their achievement	2.707	2	.258
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	3.313	2	.191
	Ensuring the importance of developing performance measures and/or indicators for public organisations	1.506	2	.471
	Helping decision makers in the public sector by providing them with information about public organisations productivity	.292	2	.864
	Helping public organisations to specify their needs in terms of training and development	.896	2	.639
	providing useful information for reward and punishment purposes	1.550	2	.461
	Improving the quality of public organisations services	.328	2	.849
	Improving the caring of public organisations towards their customers	.798	2	.671
A2	An in-depth and detailed investigation into one aspect of the authority's work	4.160	2	.125
	A primary and detailed investigation into all aspects of the audited organisation or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation	2.442	2	.295
	Only selected organisations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented	2.173	2	.337
	The whole organisation if small and selected projects or activities if the organisation is large	1.947	2	.378
A3	Audit Methodology followed when undertaking performance auditing	.747	2	.688
A5	Statutory requirements	3.317	2	.190
	Size of auditee's budgets	.167	2	.920
	Previous audit findings	1.478	2	.478
	Availability of audit resources	.328	2	.849
	Date of last performance audit of the auditee	4.351	2	.114
	Geographical location of the auditee	8.671	2	.013
	Significant events or changes in the audited organisation or entity	.822	2	.663
A6	Legislative standards related to objectives and evaluation criteria in the public sector	3.190	2	.203
	The management of the audited organisation	3.573	2	.168
	The personnel and staff of the audited organisation	3.268	2	.195
	The customers of public organisations	3.684	2	.159
	The objectives and performance measures used in similar organisations	.403	2	.818

Kruskal Wallis Test Statistics (Cont.):

Q. No.	Statements	Chi-Square	df	Sig.
A7	Planning stage only	.103	2	.950
	Planning stage and continue through implementation stage	.898	2	.638
	Planning stage and continue through implementation stage, but for selected projects	.345	2	.842
	Implementation stage only	1.307	2	.520
	After the completion of the project	3.256	2	.196

PART B: THE EFFECTIVENESS OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

Ranks:

Q. No.	Statements	Sub Group	N	Mean Rank
B1	Enhancing organisational accountability	Auditors of Public Companies and Corporations	13	19.00
		Auditors of Ministries and Government Entities	12	17.71
		Officials of the GAB	9	15.06
		Total	34	
	Improving organisational performance	Auditors of Public Companies and Corporations	13	21.58
		Auditors of Ministries and Government Entities	12	16.33
		Officials of the GAB	9	13.17
		Total	34	
	Helping public organisations to set goals and objectives for their achievement	Auditors of Public Companies and Corporations	13	21.35
		Auditors of Ministries and Government Entities	12	15.96
		Officials of the GAB	9	14.00
		Total	34	
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	Auditors of Public Companies and Corporations	13	19.96
		Auditors of Ministries and Government Entities	12	16.38
		Officials of the GAB	9	15.44
		Total	34	
	Ensuring the importance of developing performance measures and/or indicators for public organisations	Auditors of Public Companies and Corporations	13	18.42
		Auditors of Ministries and Government Entities	12	16.29
		Officials of the GAB	9	17.78
		Total	34	
	Helping decision makers in the public sector by providing them with information about public organisations productivity	Auditors of Public Companies and Corporations	13	17.62
		Auditors of Ministries and Government Entities	12	16.13
		Officials of the GAB	9	19.17
		Total	34	
	Helping public organisations to specify their needs in terms of training and development	Auditors of Public Companies and Corporations	13	16.38
		Auditors of Ministries and Government Entities	12	19.42
		Officials of the GAB	9	16.56
		Total	34	
	providing useful information for reward and punishment purposes	Auditors of Public Companies and Corporations	13	16.19
		Auditors of Ministries and Government Entities	12	19.79
		Officials of the GAB	9	16.33
		Total	34	
	Improving the quality of public organisations services	Auditors of Public Companies and Corporations	13	18.50
		Auditors of Ministries and Government Entities	12	14.92
		Officials of the GAB	9	19.50
		Total	34	
	Improving the caring of public organisations towards their customers	Auditors of Public Companies and Corporations	13	17.50
		Auditors of Ministries and Government Entities	12	16.17
		Officials of the GAB	9	19.28
		Total	34	

Ranks (Cont.):

Q. No.	Statements	Sub Group	N	Mean Rank
B2	The ambiguity of performance audits' goals and objectives	Auditors of Public Companies and Corporations	13	16.65
		Auditors of Ministries and Government Entities	12	18.08
		Officials of the GAB	9	17.94
		Total	34	
	The ambiguity of goals and objectives in the public sector organisations/projects	Auditors of Public Companies and Corporations	13	16.04
		Auditors of Ministries and Government Entities	12	17.92
		Officials of the GAB	9	19.06
		Total	34	
	The lack of performance measures and/or indicators in the public sector	Auditors of Public Companies and Corporations	13	17.08
		Auditors of Ministries and Government Entities	12	16.17
		Officials of the GAB	9	19.89
		Total	34	
	The lack of a sound financial reporting system in the public sector	Auditors of Public Companies and Corporations	13	14.62
		Auditors of Ministries and Government Entities	12	20.38
		Officials of the GAB	9	17.83
		Total	34	
	The lack of a sound internal control system in the public sector	Auditors of Public Companies and Corporations	13	17.62
		Auditors of Ministries and Government Entities	12	17.96
		Officials of the GAB	9	16.72
		Total	34	
	Shortage of qualified staff who undertake performance audits	Auditors of Public Companies and Corporations	13	13.38
		Auditors of Ministries and Government Entities	12	16.29
		Officials of the GAB	9	25.06
		Total	34	
	The lack of specialised staff from different disciplines to carry out such audits	Auditors of Public Companies and Corporations	13	15.96
		Auditors of Ministries and Government Entities	12	17.75
		Officials of the GAB	9	19.39
		Total	34	
	The lack of support and interest in the part of legislative and administrative officials at higher levels	Auditors of Public Companies and Corporations	13	13.69
		Auditors of Ministries and Government Entities	12	21.04
		Officials of the GAB	9	18.28
		Total	34	
	The GAB's shortage of enforcement powers to follow-up performance audit recommendations	Auditors of Public Companies and Corporations	13	15.54
		Auditors of Ministries and Government Entities	12	21.00
		Officials of the GAB	9	15.67
		Total	34	
	Insufficient training for performance auditors	Auditors of Public Companies and Corporations	13	15.85
		Auditors of Ministries and Government Entities	12	19.71
		Officials of the GAB	9	16.94
		Total	34	
	Shortage of sufficient financial resources	Auditors of Public Companies and Corporations	13	15.19
		Auditors of Ministries and Government Entities	12	21.00
		Officials of the GAB	9	16.17
		Total	34	
B3	Financial resources devoted to performance auditing departments	Auditors of Public Companies and Corporations	13	16.00
		Auditors of Ministries and Government Entities	12	15.75
		Officials of the GAB	9	22.00
		Total	34	
	Staff resources devoted to performance auditing departments	Auditors of Public Companies and Corporations	13	15.92
		Auditors of Ministries and Government Entities	12	18.17
		Officials of the GAB	9	18.89
		Total	34	

Ranks (Cont.):

Q. No.	Statements	Sub Group	N	Mean Rank
B4	The appropriateness of the allocated financial resources	Auditors of Public Companies and Corporations	13	16.85
		Auditors of Ministries and Government Entities	12	18.00
		Officials of the GAB	9	17.78
		Total	34	
	The appropriateness of the allocated staff resources	Auditors of Public Companies and Corporations	13	16.19
		Auditors of Ministries and Government Entities	12	19.21
		Officials of the GAB	9	17.11
		Total	34	
B5	Auditors	Auditors of Public Companies and Corporations	13	17.77
		Auditors of Ministries and Government Entities	11	13.23
		Officials of the GAB	9	20.50
		Total	33	
	Engineers	Auditors of Public Companies and Corporations	13	13.88
		Auditors of Ministries and Government Entities	11	19.95
		Officials of the GAB	9	17.89
		Total	33	
	Economists	Auditors of Public Companies and Corporations	13	12.73
		Auditors of Ministries and Government Entities	11	19.27
		Officials of the GAB	9	20.39
		Total	33	
	Statisticians	Auditors of Public Companies and Corporations	13	14.65
		Auditors of Ministries and Government Entities	11	18.73
		Officials of the GAB	9	18.28
		Total	33	
B6	The effect of audit team composition on the auditee's attitude	Auditors of Public Companies and Corporations	13	13.77
		Auditors of Ministries and Government Entities	12	19.71
		Officials of the GAB	8	18.19
		Total	33	
B7	The report contains current and significant information	Auditors of Public Companies and Corporations	13	15.42
		Auditors of Ministries and Government Entities	12	18.96
		Officials of the GAB	9	18.56
		Total	34	
	The report is fair and objective	Auditors of Public Companies and Corporations	13	17.46
		Auditors of Ministries and Government Entities	12	16.38
		Officials of the GAB	9	19.06
		Total	34	
	The report uses simple expressions	Auditors of Public Companies and Corporations	13	17.69
		Auditors of Ministries and Government Entities	12	18.75
		Officials of the GAB	9	15.56
		Total	34	
	The report is well-presented and uses a style which is easy to grasp	Auditors of Public Companies and Corporations	13	15.85
		Auditors of Ministries and Government Entities	12	19.42
		Officials of the GAB	9	17.33
		Total	34	
	The report suggests remedial actions	Auditors of Public Companies and Corporations	13	16.92
		Auditors of Ministries and Government Entities	12	19.25
		Officials of the GAB	9	16.00
		Total	34	
B8	Implementation of performance audit recommendations	Auditors of Public Companies and Corporations	13	16.54
		Auditors of Ministries and Government Entities	12	18.29
		Officials of the GAB	9	17.83
		Total	34	

Ranks (Cont.):

Q. No.	Statements	Sub Group	N	Mean Rank
B9	Lack of support from higher legislative and administrative authorities	Auditors of Public Companies and Corporations	13	18.19
		Auditors of Ministries and Government Entities	12	16.96
		Officials of the GAB	9	17.22
		Total	34	
	Lack of support from the ministry that the audited body comes under its control	Auditors of Public Companies and Corporations	13	18.54
		Auditors of Ministries and Government Entities	12	16.63
		Officials of the GAB	9	17.17
		Total	34	
	Lack of enough powers for the GAB to follow-up and enforce its recommendations	Auditors of Public Companies and Corporations	13	16.38
		Auditors of Ministries and Government Entities	11	19.05
		Officials of the GAB	9	15.39
		Total	33	
	The Saudi culture in general is not conductive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	Auditors of Public Companies and Corporations	13	17.54
		Auditors of Ministries and Government Entities	12	17.79
		Officials of the GAB	9	17.06
		Total	34	
B10	Public managers are friendly and approachable	Auditors of Public Companies and Corporations	13	17.00
		Auditors of Ministries and Government Entities	12	17.75
		Officials of the GAB	9	17.89
		Total	34	
	Public managers have a good attitude towards audit teams	Auditors of Public Companies and Corporations	13	14.19
		Auditors of Ministries and Government Entities	12	21.83
		Officials of the GAB	9	16.50
		Total	34	
	Public managers are willing to co-operate with audit teams	Auditors of Public Companies and Corporations	13	14.69
		Auditors of Ministries and Government Entities	12	18.50
		Officials of the GAB	9	20.22
		Total	34	
	Public managers maintain definite standards of performance	Auditors of Public Companies and Corporations	13	19.92
		Auditors of Ministries and Government Entities	12	16.92
		Officials of the GAB	9	14.78
		Total	34	
	Public managers know the performance level required from them	Auditors of Public Companies and Corporations	13	19.58
		Auditors of Ministries and Government Entities	12	16.63
		Officials of the GAB	9	15.67
		Total	34	
	Public managers do not explain their activities and actions	Auditors of Public Companies and Corporations	13	15.54
		Auditors of Ministries and Government Entities	12	17.88
		Officials of the GAB	9	19.83
		Total	34	
B12	Feedback timing	Auditors of Public Companies and Corporations	12	15.83
		Auditors of Ministries and Government Entities	12	20.58
		Officials of the GAB	9	13.78
		Total	33	
B13	The appropriateness of audit feedback	Auditors of Public Companies and Corporations	13	15.73
		Auditors of Ministries and Government Entities	12	18.83
		Officials of the GAB	9	18.28
		Total	34	
B14	The effectiveness of performance auditing system in general	Auditors of Public Companies and Corporations	13	18.50
		Auditors of Ministries and Government Entities	12	19.00
		Officials of the GAB	9	14.06
		Total	34	

Kruskal Wallis Test Statistics:

Q. No.	Statement	Chi-Square	df	Sig.
B1	Enhancing organisational accountability	.930	2	.628
	Improving organisational performance	4.450	2	.108
	Helping public organisations to set goals and objectives for their achievement	3.767	2	.152
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	1.559	2	.459
	Ensuring the importance of developing performance measures and/or indicators for public organisations	.344	2	.842
	Helping decision makers in the public sector by providing them some information about public organisations' productivity	.590	2	.745
	Helping public organisations to specify their needs in terms of training and development	.776	2	.678
	providing useful information for reward and punishment purposes	1.077	2	.584
	Improving the quality of public organisations' services	1.427	2	.490
	Improving the caring of public organisations towards their customers	.541	2	.763
B2	The ambiguity of performance audit goals and objectives	.164	2	.921
	The ambiguity of goals and objectives in the public sector organisations/projects	.614	2	.736
	The lack of performance measures and/or indicators in the public sector	.966	2	.617
	The lack of a sound financial reporting system in the public sector	2.425	2	.297
	The lack of a sound internal control system in the public sector	.099	2	.952
	Shortage of qualified staff who undertake performance audits	8.350	2	.015
	The lack of specialised staff from different disciplines to carry out such audits	.761	2	.683
	The lack of support and interest in the part of legislative and administrative officials at higher levels	3.806	2	.149
	The GAB's shortage of enforcement powers to follow-up performance audit recommendations	2.621	2	.270
	Insufficient training for performance auditors	1.163	2	.559
	Shortage of sufficient financial resources	2.993	2	.224
B3	Financial resources devoted to performance auditing departments	2.739	2	.254
	Staff resources devoted to performance auditing departments	.640	2	.726
B4	The appropriateness of the allocated financial resources	.115	2	.944
	The appropriateness of the allocated staff resources	.726	2	.696
B5	Auditors	5.810	2	.055
	Engineers	2.706	2	.258
	Economists	5.437	2	.066
	Statisticians	1.671	2	.434
B6	The effect of audit team composition on the auditee's attitude	2.777	2	.249
B7	The report contains current and significant information	1.198	2	.549
	The report is fair and objective	.449	2	.799
	The report uses simple expressions	.658	2	.720
	The report is well-presented and uses a style which is easy to grasp	1.018	2	.601
	The report suggests remedial actions	1.048	2	.592
B8	Implementation of performance audit recommendations	.294	2	.863
B9	Lack of support from higher legislative and administrative authorities	.112	2	.945
	Lack of support from the ministry controlling the audited body	.261	2	.878
	Lack of enough power on the part of the GAB to follow-up and enforce its recommendations	.840	2	.657
	The Saudi culture, in general, is not conducive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	.030	2	.985
B10	Public managers are friendly and approachable	.065	2	.968
	Public managers have good attitudes towards audit teams	4.291	2	.117
	Public managers are willing to co-operate with audit teams	2.211	2	.331
	Public managers maintain definite standards of performance	1.655	2	.437
	Public managers know the performance level required from them	1.112	2	.574
	Public managers do not explain their activities and actions	1.150	2	.563
B12	Feedback timing	4.292	2	.117
B13	The appropriateness of audit feedback	.773	2	.679
B14	The effectiveness of performance auditing system in general	1.659	2	.436

PART A: THE NATURE OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

Ranks:

Q. No.	Statement	Sub Group	N	Mean Rank
A1	Enhancing organisational accountability	Managers of Public Companies and Corporations	45	56.73
		Managers of Ministries and Government Entities	66	55.50
		Total	111	
	Improving organisational performance	Managers of Public Companies and Corporations	45	58.20
		Managers of Ministries and Government Entities	66	54.50
		Total	111	
	Helping public organisations to set goals and objectives for their achievement	Managers of Public Companies and Corporations	44	58.35
		Managers of Ministries and Government Entities	65	52.73
		Total	109	
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	Managers of Public Companies and Corporations	45	54.78
		Managers of Ministries and Government Entities	64	55.16
		Total	109	
	Ensuring the importance of developing performance measures and/or indicators for public organisations	Managers of Public Companies and Corporations	44	56.19
		Managers of Ministries and Government Entities	65	54.19
		Total	109	
	Helping decision makers in the public sector by providing them information about public organisations productivity	Managers of Public Companies and Corporations	45	54.49
		Managers of Ministries and Government Entities	66	57.03
		Total	111	
	Helping public organisations to specify their needs in terms of training and development	Managers of Public Companies and Corporations	44	52.56
		Managers of Ministries and Government Entities	66	57.46
		Total	110	
	providing useful information for reward and punishment purposes	Managers of Public Companies and Corporations	45	50.30
		Managers of Ministries and Government Entities	66	59.89
		Total	111	
	Improving the quality of public organisations services	Managers of Public Companies and Corporations	44	49.03
		Managers of Ministries and Government Entities	65	59.04
		Total	109	
	Improving the caring of public organisations towards their customers	Managers of Public Companies and Corporations	45	54.54
		Managers of Ministries and Government Entities	66	56.99
		Total	111	
A2	Legislative standards relating to objectives and evaluation criteria in the public sector	Managers of Public Companies and Corporations	45	56.78
		Managers of Ministries and Government Entities	66	55.47
		Total	111	
	The management of the audited organisation	Managers of Public Companies and Corporations	44	53.31
		Managers of Ministries and Government Entities	66	56.96
		Total	110	
	The personnel and staff of the audited organisation	Managers of Public Companies and Corporations	45	55.76
		Managers of Ministries and Government Entities	66	56.17
		Total	111	
	The customers of public organisations	Managers of Public Companies and Corporations	45	58.97
		Managers of Ministries and Government Entities	66	53.98
		Total	111	
	The objectives and performance measures used in similar organisations	Managers of Public Companies and Corporations	44	50.98
		Managers of Ministries and Government Entities	66	58.52
		Total	110	

Ranks (Cont.):

Q. No.	Statement	Sub Group	N	Mean Rank
A3	Planning stage only	Managers of Public Companies and Corporations	40	48.19
		Managers of Ministries and Government Entities	60	52.04
		Total	100	
	Planning stage and continuing through implementation stage	Managers of Public Companies and Corporations	38	51.03
		Managers of Ministries and Government Entities	60	48.53
		Total	98	
	Planning stage and continuing through implementation stage, but for selected projects only	Managers of Public Companies and Corporations	38	53.05
		Managers of Ministries and Government Entities	60	47.25
		Total	98	
	Implementation stage only	Managers of Public Companies and Corporations	38	54.07
		Managers of Ministries and Government Entities	60	46.61
		Total	98	
	After the completion of the project	Managers of Public Companies and Corporations	38	49.21
		Managers of Ministries and Government Entities	60	49.68
		Total	98	

Test Statistics:

Q. No.	Statement	Mann-Whitney U	z	Sig. (2-tailed)
A1	Enhancing organisational accountability	1452.000	-.206	.837
	Improving organisational performance	1386.000	-.647	.517
	Helping public organisations to set goals and objectives for their achievement	1282.500	-.949	.343
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	1430.000	-.065	.948
	Ensuring the importance of developing performance measures and/or indicators for public organisations	1377.500	-.338	.736
	Helping decision makers in the public sector by providing them information about public organisations productivity	1417.000	-.424	.672
	Helping public organisations to specify their needs in terms of training and development	1322.500	-.811	.417
	providing useful information for reward and punishment purposes	1228.500	-1.583	.114
	Improving the quality of public organisations services	1167.500	-1.681	.093
	Improving the caring of public organisations towards their customers	1419.500	-.405	.685
A2	Legislative standards relating to objectives and evaluation criteria in the public sector	1450.000	-.226	.821
	The management of the audited organisation	1355.500	-.629	.529
	The personnel and staff of the audited organisation	1474.000	-.069	.945
	The customers of public organisations	1351.500	-.832	.405
	The objectives and performance measures used in similar organisations	1253.000	-1.269	.205
A3	Planning stage only	1107.500	-.702	.482
	Planning stage and continuing through implementation stage	1082.000	-.441	.659
	Planning stage and continuing through implementation stage, but for selected projects only	1005.000	-1.020	.308
	Implementation stage only	966.500	-1.320	.187
	After the completion of the project	1129.000	-.084	.933

PART B: THE EFFECTIVENESS OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

Ranks:

Q. No.	Statement	Sub Group	N	Mean Rank
B1	Enhancing organisational accountability	Managers of Public Companies and Corporations	45	55.04
		Managers of Ministries and Government Entities	66	56.65
		Total	111	
	Improving organisational performance	Managers of Public Companies and Corporations	45	60.37
		Managers of Ministries and Government Entities	66	53.02
		Total	111	
	Helping public organisations to set goals and objectives for their achievement	Managers of Public Companies and Corporations	45	59.48
		Managers of Ministries and Government Entities	66	53.63
		Total	111	
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	Managers of Public Companies and Corporations	45	59.01
		Managers of Ministries and Government Entities	65	53.07
		Total	110	
	Ensuring the importance of developing performance measures and/or indicators for public organisations	Managers of Public Companies and Corporations	45	57.26
		Managers of Ministries and Government Entities	66	55.14
		Total	111	
	Helping decision makers in the public sector by providing them with information about public organisations productivity	Managers of Public Companies and Corporations	45	55.04
		Managers of Ministries and Government Entities	66	56.65
		Total	111	
	Helping public organisations to specify their needs in terms of training and development	Managers of Public Companies and Corporations	45	54.82
		Managers of Ministries and Government Entities	66	56.80
		Total	111	
	providing useful information for reward and punishment purposes	Managers of Public Companies and Corporations	45	54.91
		Managers of Ministries and Government Entities	66	56.74
		Total	111	
	Improving the quality of public organisations services	Managers of Public Companies and Corporations	45	51.68
		Managers of Ministries and Government Entities	66	58.95
		Total	111	
	Improving the caring of public organisations towards their customers	Managers of Public Companies and Corporations	45	51.42
		Managers of Ministries and Government Entities	66	59.12
		Total	111	
B2	The ambiguity of performance audits' goals and objectives	Managers of Public Companies and Corporations	45	55.90
		Managers of Ministries and Government Entities	66	56.07
		Total	111	
	The ambiguity of goals and objectives in the public sector organisations/projects	Managers of Public Companies and Corporations	45	58.82
		Managers of Ministries and Government Entities	66	54.08
		Total	111	
	The lack of performance measures and/or indicators in the public sector	Managers of Public Companies and Corporations	45	52.11
		Managers of Ministries and Government Entities	66	58.65
		Total	111	
	The lack of a sound financial reporting system in the public sector	Managers of Public Companies and Corporations	45	53.39
		Managers of Ministries and Government Entities	66	57.78
		Total	111	
	The lack of a sound internal control system in the public sector	Managers of Public Companies and Corporations	45	53.67
		Managers of Ministries and Government Entities	66	57.59
		Total	111	
	Shortage of qualified staff who undertake performance audits	Managers of Public Companies and Corporations	45	59.97
		Managers of Ministries and Government Entities	66	53.30
		Total	111	
	The lack of specialised staff from different disciplines to carry out such audits	Managers of Public Companies and Corporations	45	57.69
		Managers of Ministries and Government Entities	66	54.85
		Total	111	

Ranks (Cont.):

Q. No.	Statement	Sub Group	N	Mean Rank
B2 (Cont.)	The lack of support and interest in the part of legislative and administrative officials at higher levels	Managers of Public Companies and Corporations	44	52.84
		Managers of Ministries and Government Entities	66	57.27
		Total	110	
	The GAB's shortage of enforcement powers to follow-up performance audit recommendations	Managers of Public Companies and Corporations	45	53.59
		Managers of Ministries and Government Entities	66	57.64
		Total	111	
	Insufficient training for performance auditors	Managers of Public Companies and Corporations	45	56.23
		Managers of Ministries and Government Entities	66	55.84
		Total	111	
	Shortage of sufficient financial resources	Managers of Public Companies and Corporations	45	57.56
		Managers of Ministries and Government Entities	66	54.94
		Total	111	
B3	The appropriateness of the allocated financial resources	Managers of Public Companies and Corporations	45	54.72
		Managers of Ministries and Government Entities	66	56.87
		Total	111	
	The appropriateness of the allocated staff resources	Managers of Public Companies and Corporations	45	54.56
		Managers of Ministries and Government Entities	66	56.98
		Total	111	
B4	Auditors	Managers of Public Companies and Corporations	41	55.83
		Managers of Ministries and Government Entities	64	51.19
		Total	105	
	Engineers	Managers of Public Companies and Corporations	38	45.21
		Managers of Ministries and Government Entities	60	52.22
		Total	98	
	Economists	Managers of Public Companies and Corporations	38	46.30
		Managers of Ministries and Government Entities	61	52.30
		Total	99	
	Statisticians	Managers of Public Companies and Corporations	39	44.23
		Managers of Ministries and Government Entities	62	55.26
		Total	101	
B5	The effect of audit team composition on the auditee's attitude	Managers of Public Companies and Corporations	44	50.68
		Managers of Ministries and Government Entities	66	58.71
		Total	110	
B6	The report contains current and significant information	Managers of Public Companies and Corporations	44	51.61
		Managers of Ministries and Government Entities	63	55.67
		Total	107	
	The report is fair and objective	Managers of Public Companies and Corporations	44	50.09
		Managers of Ministries and Government Entities	61	55.10
		Total	105	
	The report uses simple expressions	Managers of Public Companies and Corporations	44	49.24
		Managers of Ministries and Government Entities	60	54.89
		Total	104	
	The report is well-presented and uses a style which is easy to grasp	Managers of Public Companies and Corporations	44	49.84
		Managers of Ministries and Government Entities	61	55.28
		Total	105	
	The report suggests remedial actions	Managers of Public Companies and Corporations	43	48.01
		Managers of Ministries and Government Entities	62	56.46
		Total	105	
B7	Implementation of performance audit recommendations	Managers of Public Companies and Corporations	45	56.71
		Managers of Ministries and Government Entities	66	55.52
		Total	111	

Ranks (Cont.):

Q. No.	Statement	Sub Group	N	Mean Rank
B8	Lack of support from higher legislative and administrative authorities	Managers of Public Companies and Corporations	19	21.11
		Managers of Ministries and Government Entities	25	23.56
		Total	44	
	Lack of support from the ministry controlling the audited body	Managers of Public Companies and Corporations	19	21.45
		Managers of Ministries and Government Entities	25	23.30
		Total	44	
	Lack of enough power on the part of the GAB to follow-up and enforce its recommendations	Managers of Public Companies and Corporations	19	21.68
		Managers of Ministries and Government Entities	25	23.12
		Total	44	
	The Saudi culture in general is not conducive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	Managers of Public Companies and Corporations	19	21.47
		Managers of Ministries and Government Entities	25	23.28
		Total	44	
B9	Performance auditors are friendly and supportive	Managers of Public Companies and Corporations	45	55.51
		Managers of Ministries and Government Entities	66	56.33
		Total	111	
	Performance auditors have a good attitude towards public managers	Managers of Public Companies and Corporations	45	59.78
		Managers of Ministries and Government Entities	66	53.42
		Total	111	
	Performance auditors are willing to give managers an opportunity to explain their concerns	Managers of Public Companies and Corporations	45	57.36
		Managers of Ministries and Government Entities	66	55.08
		Total	111	
	Performance auditors maintain clear objectives and goals of their job	Managers of Public Companies and Corporations	45	56.13
		Managers of Ministries and Government Entities	65	55.06
		Total	110	
	Performance auditors maintain clear standards to follow during their audit mission	Managers of Public Companies and Corporations	42	57.00
		Managers of Ministries and Government Entities	65	52.06
		Total	107	
	Performance auditors do not explain their activities and actions	Managers of Public Companies and Corporations	45	57.16
		Managers of Ministries and Government Entities	63	52.60
		Total	108	
B11	Feedback timing	Managers of Public Companies and Corporations	45	49.68
		Managers of Ministries and Government Entities	61	56.32
		Total	106	
B12	The appropriateness of audit feedback	Managers of Public Companies and Corporations	45	56.46
		Managers of Ministries and Government Entities	66	55.69
		Total	111	
B13	The effectiveness of performance auditing system in general	Managers of Public Companies and Corporations	45	59.57
		Managers of Ministries and Government Entities	66	53.57
		Total	111	

Test Statistics:

Q. No.	Statement	Mann-Whitney U	Z	Sig. (2-tailed)
B1	Enhancing organisational accountability	1442.000	-.269	.788
	Improving organisational performance	1288.500	-1.218	.223
	Helping public organisations to set goals and objectives for their achievement	1328.500	-.974	.330
	Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	1304.500	-1.013	.311
	Ensuring the importance of developing performance measures and/or indicators for public organisations	1428.500	-.351	.726

Test Statistics (Cont.):

Q. No.	Statement	Mann-Whitney U	Z	Sig. (2-tailed)
B1 (Cont.)	Helping decision makers in the public sector by providing them with information about public organisations productivity	1442.000	-.270	.787
	Helping public organisations to specify their needs in terms of training and development	1432.000	-.329	.742
	providing useful information for reward and punishment purposes	1436.000	-.306	.759
	Improving the quality of public organisations services	1290.500	-1.219	.223
	Improving the caring of public organisations towards their customers	1279.000	-1.294	.196
B2	The ambiguity of performance audits' goals and objectives	1480.500	-.028	.978
	The ambiguity of goals and objectives in the public sector organisations/projects	1358.000	-.800	.423
	The lack of performance measures and/or indicators in the public sector	1310.000	-1.107	.268
	The lack of sound financial reporting system in the public sector	1367.500	-.738	.461
	The lack of sound internal control system in the public sector	1380.000	-.659	.510
	Shortage of qualified staff who undertake performance audits	1306.500	-1.115	.265
	The lack of specialised staff from different disciplines to carry out such audits	1409.000	-.480	.631
	The lack of support and interest in the part of legislative and administrative officials at higher levels	1335.000	-.750	.453
	The GAB's shortage of enforcement powers to follow-up performance audit recommendations	1376.500	-.686	.493
	Insufficient training for performance auditors	1474.500	-.068	.946
	Shortage of sufficient financial resources	1415.000	-.447	.655
B3	The appropriateness of the allocated financial resources	1427.500	-.361	.718
	The appropriateness of the allocated staff resources	1420.000	-.405	.686
B4	Auditors	1196.000	-.834	.404
	Engineers	977.000	-1.301	.193
	Economists	1018.500	-1.090	.276
	Statisticians	945.000	-1.963	.050
B5	The effect of audit team composition on the auditee's attitude	1240.000	-1.338	.181
B6	The report contains current and significant information	1281.000	-.693	.488
	The report is fair and objective	1214.000	-.872	.383
	The report uses simple expressions	1176.500	-1.036	.300
	The report is well-presented and uses a style which is easy to grasp	1203.000	-.985	.325
	The report suggests remedial actions	1118.500	-1.488	.137
B7	Implementation of performance audit recommendations	1453.000	-.204	.839
B8	Lack of support from higher legislative and administrative authorities	211.000	-.661	.509
	Lack of support from the ministry controlling the audited body	217.500	-.504	.615
	Lack of enough power on the part of the GAB to follow-up and enforce its recommendations	222.000	-.380	.704
	The Saudi culture in general is not conducive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	218.000	-.487	.626
B9	Performance auditors are friendly and supportive	1463.000	-.138	.890
	Performance auditors have good attitudes towards public managers	1315.000	-1.074	.283
	Performance auditors are willing to give managers an opportunity to explain their concerns	1424.000	-.390	.697
	Performance auditors maintain clear objectives and goals of their job	1434.000	-.179	.858
	Performance auditors maintain clear standards to follow during their audit mission	1239.000	-.828	.407
	Performance auditors do not explain their activities and actions	1298.000	-.770	.441
B11	Feedback timing	1200.500	-1.135	.256
B12	The appropriateness of audit feedback	1464.500	-.128	.898
B13	The effectiveness of performance auditing system in general	1324.500	-.997	.319

PART A: THE NATURE OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

Ranks:

Statement	Group	N	Mean Rank
Enhancing organisational accountability	Auditors	34	75.24
	Managers	111	72.32
	Total	145	
Improving organisational performance	Auditors	34	85.28
	Managers	111	69.24
	Total	145	
Helping public organisations to set goals and objectives for their achievement	Auditors	34	82.65
	Managers	109	68.68
	Total	143	
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	Auditors	34	82.56
	Managers	109	68.71
	Total	143	
Ensuring the importance of developing performance measures and/or indicators for public organisations	Auditors	34	83.51
	Managers	109	68.41
	Total	143	
Helping decision makers in the public sector by providing them some information about public organisations' productivity	Auditors	34	77.63
	Managers	111	71.58
	Total	145	
Helping public organisations to specify their needs in terms of training and development	Auditors	34	78.65
	Managers	110	70.60
	Total	144	
providing useful information for reward and punishment purposes	Auditors	34	61.44
	Managers	111	76.54
	Total	145	
Improving the quality of public organisations' services	Auditors	34	82.63
	Managers	109	68.68
	Total	143	
Improving the caring of public organisations towards their customers	Auditors	34	75.43
	Managers	111	72.26
	Total	145	
Legislative standards related to objectives and evaluation criteria in the public sector	Auditors	34	92.06
	Managers	111	67.16
	Total	145	
The management of the audited organisation	Auditors	34	84.29
	Managers	110	68.85
	Total	144	
The personnel and staff of the audited organisation	Auditors	34	81.43
	Managers	111	70.42
	Total	145	
The customers of public organisations	Auditors	34	88.46
	Managers	111	68.27
	Total	145	
The objectives and performance measures used in similar organisations	Auditors	34	86.35
	Managers	110	68.22
	Total	144	

Ranks (Cont.):

Statement	Group	N	Mean Rank
Planning stage only	Auditors	32	59.52
	Managers	100	68.74
	Total	132	
Planning stage and continue through implementation stage	Auditors	31	60.13
	Managers	98	66.54
	Total	129	
Planning stage and continue through implementation stage, but for selected projects	Auditors	31	58.53
	Managers	98	67.05
	Total	129	
Implementation stage only	Auditors	32	75.28
	Managers	98	62.31
	Total	130	
After the completion of the project	Auditors	32	79.38
	Managers	98	60.97
	Total	130	

Test Statistics:

Statement	Mann-Whitney U	Z	Sig. (2-tailed)
Enhancing organisational accountability	1811.000	-.369	.712
Improving organisational performance	1469.500	-2.173	.030
Helping public organisations to set goals and objectives for their achievement	1491.000	-1.794	.073
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	1494.000	-1.807	.071
Ensuring the importance of developing performance measures and/or indicators for public organisations	1461.500	-1.947	.052
Helping decision makers in the public sector by providing them some information about public organisations' productivity	1729.500	-.765	.445
Helping public organisations to specify their needs in terms of training and development	1661.000	-1.011	.312
providing useful information for reward and punishment purposes	1494.000	-1.887	.059
Improving the quality of public organisations' services	1491.500	-1.774	.076
Improving the caring of public organisations towards their customers	1804.500	-.397	.692
Legislative standards related to objectives and evaluation criteria in the public sector	1239.000	-3.364	.001
The management of the audited organisation	1469.000	-2.014	.044
The personnel and staff of the audited organisation	1600.500	-1.409	.159
The customers of public organisations	1361.500	-2.528	.011
The objectives and performance measures used in similar organisations	1399.000	-2.305	.021
Planning stage only	1376.500	-1.294	.196
Planning stage and continue through implementation stage	1368.000	-.866	.386
Planning stage and continue through implementation stage, but for selected projects	1318.500	-1.143	.253
Implementation stage only	1255.000	-1.755	.079
After the completion of the project	1124.000	-2.498	.012

PART B: THE EFFECTIVENESS OF PERFORMANCE AUDITING IN THE SAUDI PUBLIC SECTOR

Ranks:

Statement	Group	N	Mean Rank
Enhancing organisational accountability	Auditors	34	74.07
	Managers	111	72.67
	Total	145	
Improving organisational performance	Auditors	34	90.56
	Managers	111	67.62
	Total	145	
Helping public organisations to set goals and objectives for their achievement	Auditors	34	90.81
	Managers	111	67.55
	Total	145	
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	Auditors	34	93.76
	Managers	110	65.93
	Total	144	
Ensuring the importance of developing performance measures and/or indicators for public organisations	Auditors	34	82.50
	Managers	111	70.09
	Total	145	
Helping decision makers in the public sector by providing them with information about public organisations productivity	Auditors	34	78.34
	Managers	111	71.36
	Total	145	
Helping public organisations to specify their needs in terms of training and development	Auditors	34	82.09
	Managers	111	70.22
	Total	145	
providing useful information for reward and punishment purposes	Auditors	34	67.60
	Managers	111	74.65
	Total	145	
Improving the quality of public organisations services	Auditors	34	101.54
	Managers	111	64.26
	Total	145	
Improving the caring of public organisations towards their customers	Auditors	34	96.00
	Managers	111	65.95
	Total	145	
The ambiguity of performance audits goals and objectives	Auditors	34	67.00
	Managers	111	74.84
	Total	145	
The ambiguity of goals and objectives in the public sector organisations/projects	Auditors	34	91.85
	Managers	111	67.23
	Total	145	
The lack of performance measures and/or indicators in the public sector	Auditors	34	89.97
	Managers	111	67.80
	Total	145	
The lack of sound financial reporting system in the public sector	Auditors	34	78.96
	Managers	111	71.18
	Total	145	
The lack of sound internal control system in the public sector	Auditors	34	87.71
	Managers	111	68.50
	Total	145	
Shortage of qualified staff who undertake performance audits	Auditors	34	62.53
	Managers	111	76.21
	Total	145	
The lack of specialised staff from different disciplines to carry out such audits	Auditors	34	73.06
	Managers	111	72.98
	Total	145	

Ranks (Cont.):

Statement	Group	N	Mean Rank
The lack of support and interest in the part of legislative and administrative officials at higher levels	Auditors	34	82.99
	Managers	110	69.26
	Total	144	
The GAB's shortage of enforcement powers to follow-up performance audit recommendations	Auditors	34	70.81
	Managers	111	73.67
	Total	145	
Insufficient training for performance auditors	Auditors	34	65.90
	Managers	111	75.18
	Total	145	
Shortage of sufficient financial resources	Auditors	34	90.21
	Managers	111	67.73
	Total	145	
Financial resources devoted to performance auditing departments	Auditors	34	17.50
	Managers	0	.00
	Total	34	
Staff resources devoted to performance auditing departments	Auditors	34	17.50
	Managers	0	.00
	Total	34	
The appropriateness of the allocated financial resources	Auditors	34	51.22
	Managers	111	79.67
	Total	145	
The appropriateness of the allocated staff resources	Auditors	34	57.49
	Managers	111	77.75
	Total	145	
Auditors	Auditors	33	85.23
	Managers	105	64.56
	Total	138	
Engineers	Auditors	33	75.82
	Managers	98	62.69
	Total	131	
Economists	Auditors	33	59.73
	Managers	99	68.76
	Total	132	
Statisticians	Auditors	33	58.09
	Managers	101	70.57
	Total	134	
The effect of audit team composition on the auditee's attitude	Auditors	33	77.79
	Managers	110	70.26
	Total	143	
The report contains current and significant information	Auditors	34	99.46
	Managers	107	61.96
	Total	141	
The report is fair and objective	Auditors	34	88.81
	Managers	105	63.91
	Total	139	
The report uses simple expressions	Auditors	34	85.22
	Managers	104	64.36
	Total	138	

Ranks (Cont.):

Statement	Group	N	Mean Rank
The report is well-presented and uses a style which is easy to grasp	Auditors	34	96.51
	Managers	105	61.41
	Total	139	
The report suggests remedial actions	Auditors	34	103.09
	Managers	105	59.29
	Total	139	
Implementation of performance audit recommendations	Auditors	34	58.44
	Managers	111	77.46
	Total	145	
Lack of support from higher legislative and administrative authorities	Auditors	23	34.96
	Managers	44	33.50
	Total	67	
Lack of support from the ministry controlling the audited body	Auditors	23	39.85
	Managers	44	30.94
	Total	67	
Lack of enough power on the part of the GAB to follow-up and enforce its recommendations	Auditors	22	34.70
	Managers	44	32.90
	Total	66	
The Saudi culture in general is not conducive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	Auditors	23	34.28
	Managers	44	33.85
	Total	67	
Feedback to the auditee	Auditors	34	57.76
	Managers	111	77.67
	Total	145	
Feedback timing	Auditors	33	43.61
	Managers	106	78.22
	Total	139	
The appropriateness of audit feedback	Auditors	34	57.82
	Managers	111	77.65
	Total	145	
The effectiveness of performance auditing system in general	Auditors	34	92.84
	Managers	111	66.92
	Total	145	

Test Statistics

Statement	Mann-Whitney U	Z	Sig. (2-tailed)
Enhancing organisational accountability	1850.500	-.178	.859
Improving organisational performance	1290.000	-2.876	.004
Helping public organisations to set goals and objectives for their achievement	1281.500	-2.932	.003
Promoting the economy, efficiency and effectiveness of government organisations, programs and activities	1147.000	-3.579	.000
Ensuring the importance of developing performance measures and/or indicators for public organisations	1564.000	-1.564	.118
Helping decision makers in the public sector by providing them with information about public organisations productivity	1705.500	-.892	.372
Helping public organisations to specify their needs in terms of training and development	1578.000	-1.492	.136
providing useful information for reward and punishment purposes	1703.500	-.891	.373
Improving the quality of public organisations services	916.500	-4.697	.000
Improving the caring of public organisations towards their customers	1105.000	-3.793	.000

Test Statistics (Cont.):

Statement	Mann-Whitney U	Z	Sig. (2-tailed)
The ambiguity of performance audits goals and objectives	1683.000	-.985	.324
The ambiguity of goals and objectives in the public sector organisations/projects	1246.000	-3.133	.002
The lack of performance measures and/or indicators in the public sector	1310.000	-2.860	.004
The lack of sound financial reporting system in the public sector	1684.500	-.990	.322
The lack of sound internal control system in the public sector	1387.000	-2.443	.015
Shortage of qualified staff who undertake performance audits	1531.000	-1.730	.084
The lack of specialised staff from different disciplines to carry out such audits	1885.000	-.010	.992
The lack of support and interest in the part of legislative and administrative officials at higher levels	1513.500	-1.757	.079
The GAB's shortage of enforcement powers to follow-up performance audit recommendations	1812.500	-.367	.714
Insufficient training for performance auditors	1645.500	-1.185	.236
Shortage of sufficient financial resources	1302.000	-2.866	.004
The appropriateness of the allocated financial resources	1146.500	-3.595	.000
The appropriateness of the allocated staff resources	1359.500	-2.563	.010
Auditors	1213.500	-2.926	.003
Engineers	1293.000	-1.848	.065
Economists	1410.000	-1.278	.201
Statisticians	1356.000	-1.730	.084
The effect of audit team composition on the auditee's attitude	1624.000	-.949	.343
The report contains current and significant information	851.500	-4.855	.000
The report is fair and objective	1145.500	-3.287	.001
The report uses simple expressions	1233.500	-2.851	.004
The report is well-presented and uses a style which is easy to grasp	883.500	-4.727	.000
The report suggests remedial actions	660.000	-5.822	.000
Implementation of performance audit recommendations	1392.000	-2.465	.014
Lack of support from higher legislative and administrative authorities	484.000	-.305	.760
Lack of support from the ministry controlling the audited body	371.500	-1.867	.062
Lack of enough power in the part of the GAB to follow-up and enforce its recommendations	457.500	-.371	.711
The Saudi culture in general is not conducive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	499.500	-.090	.928
Feedback to the auditee	1369.000	-3.147	.002
Feedback timing	878.000	-4.468	.000
The appropriateness of audit feedback	1371.000	-2.505	.012
The effectiveness of performance auditing system in general	1212.500	-3.258	.001

Table 1:
Frequency Distribution of Auditors' Responses Concerning the Objectives of the Performance Auditing System in the Saudi Public Sector (Q. A1)

Objectives of Performance Auditing System		ONI	OLI	OSI	QI	VI	Total
Enhancing organisational accountability	N	0	4	9	10	11	34
	%	.0	11.8	26.5	29.4	32.4	100.0
Improving organisational performance	N	1	1	2	5	25	34
	%	2.9	2.9	5.9	14.7	73.5	100.0
Helping public organisations to set goals and objectives for their achievement	N	1	2	6	8	17	34
	%	2.9	5.9	17.6	23.5	50.0	100.0
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	N	1	1	4	9	19	34
	%	2.9	2.9	11.8	26.5	55.9	100.0
Ensuring the importance of developing performance measures and/or indicators for public organisations	N	1	0	6	10	17	34
	%	2.9	.0	17.6	29.4	50.0	100.0
Helping decision makers in the public sector by providing them with information about public organisations productivity	N	2	1	8	11	12	34
	%	5.9	2.9	23.5	32.4	35.3	100.0
Helping public organisations to specify their needs in terms of training and development	N	1	3	11	12	7	34
	%	2.9	8.8	32.4	35.3	20.6	100.0
providing useful information for reward and punishment purposes	N	10	6	12	4	2	34
	%	29.4	17.6	35.3	11.8	5.9	100.0
Improving the quality of public organisations services	N	1	4	7	10	12	34
	%	2.9	11.8	20.6	29.4	35.3	100.0
Improving the caring of public organisations towards their customers	N	0	6	9	10	9	34
	%	.0	17.6	26.5	29.4	26.5	100.0

Note: *ONI = Of No Importance; OLI = Of Little Importance; OSI = Of Some Importance; QI = Quite Important; VI = Very Important.*

Table 2:
Frequency Distribution of Managers' Responses Concerning the Objectives of the Performance Auditing System in the Saudi Public Sector (Q. A1)

Objectives of Performance Auditing System		ONI	OLI	OSI	QI	VI	Total
Enhancing organisational accountability	N	12	4	30	29	36	111
	%	10.8	3.6	27.0	26.1	32.4	100.0
Improving organisational performance	N	6	3	16	29	57	111
	%	5.4	2.7	14.4	26.1	51.4	100.0
Helping public organisations to set goals and objectives for their achievement	N	8	5	28	34	34	109
	%	7.3	4.6	25.7	31.2	31.2	100.0
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	N	5	9	23	27	45	109
	%	4.6	8.3	21.1	24.8	41.3	100.0
Ensuring the importance of developing performance measures and/or indicators for public organisations	N	7	13	17	34	38	109
	%	6.4	11.9	15.6	31.2	34.9	100.0
Helping decision makers in the public sector by providing them with information about public organisations productivity	N	12	7	22	36	34	111
	%	10.8	6.3	19.8	32.4	30.6	100.0
Helping public organisations to specify their needs in terms of training and development	N	18	12	29	22	29	110
	%	16.4	10.9	26.4	20.0	26.4	100.0
providing useful information for reward and punishment purposes	N	19	20	35	22	15	111
	%	17.1	18.0	31.5	19.8	13.5	100.0
Improving the quality of public organisations services	N	12	11	27	39	20	109
	%	11.0	10.1	24.8	35.8	18.3	100.0
Improving the caring of public organisations towards their customers	N	14	13	21	33	30	111
	%	12.6	11.7	18.9	29.7	27.0	100.0

Note: *ONI = Of No Importance; OLI = Of Little Importance; OSI = Of Some Importance; QI = Quite Important; VI = Very Important.*

Table 3:
Frequency Distribution of Auditors' Perceptions of Some Approaches Followed by Auditors While Undertaking Performance Audit Investigations (Q. A2)

Audit Approach Followed		Never	Rarely	Sometimes	Often	Always	Total
An in-depth and detailed investigation into one aspect of the authority's work	N	1	1	5	13	14	34
	%	2.9	2.9	14.7	38.2	41.2	100.0
A primary and detailed investigation into all aspects of the audited organisation or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation	N	0	0	7	11	16	34
	%	.0	.0	20.6	32.4	47.1	100.0
Only selected organisations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented	N	0	3	4	16	11	34
	%	.0	8.8	11.8	47.1	32.4	100.0
The whole organisation if small and selected projects or activities if the organisation is large	N	1	3	5	16	9	34
	%	2.9	8.8	14.7	47.1	26.5	100.0

Table 4:
Frequency Distribution of Auditors' Responses of the Criteria Used in the Selection of the Auditee (Q.A5)

Criteria		ONI	OLI	OSI	QI	VI	Total
Statutory requirements	N	3	7	3	7	14	34
	%	8.8	20.6	8.8	20.6	41.2	100.0
Size of auditee's budgets	N	2	2	8	13	9	34
	%	5.9	5.9	23.5	38.2	26.5	100.0
Previous audit findings	N	0	0	9	15	10	34
	%	.0	.0	26.5	44.1	29.4	100.0
Availability of audit resources	N	1	4	7	10	12	34
	%	2.9	11.8	20.6	29.4	35.3	100.0
Date of last performance audit of the auditee	N	1	10	8	9	6	34
	%	2.9	29.4	23.5	26.5	17.6	100.0
Geographical location of the auditee	N	11	8	6	7	2	34
	%	32.4	23.5	17.6	20.6	5.9	100.0
Significant events or changes in the audited organisation or entity	N	0	3	8	12	11	34
	%	.0	8.8	23.5	35.3	32.4	100.0

Note: *ONI = Of No Importance; OLI = Of Little Importance; OSI = Of Some Importance, QI = Quite Important; VI = Very Important.*

Table 5:
Frequency Distribution of Auditors' Responses of the Main Sources Which They usually Use to Get the Information Required to Accomplish their Missions (Q. A6)

Sources of Information		Not at all	Rarely useful	Moderately useful	Quite useful	Very useful	Total
Legislative standards related to objectives and evaluation criteria in the public sector	N	0	1	2	3	28	34
	%	.0	2.9	5.9	8.8	82.4	100.0
The management of the audited organisation	N	0	0	6	10	18	34
	%	.0	.0	17.6	29.4	52.9	100.0
The personnel and staff of the audited organisation	N	1	1	5	15	12	34
	%	2.9	2.9	14.7	44.1	35.3	100.0
The customers of public organisations	N	4	4	7	12	7	34
	%	11.8	11.8	20.6	35.3	20.6	100.0
The objectives and performance measures used in similar organisations	N	1	3	9	10	11	34
	%	2.9	8.8	26.5	29.4	32.4	100.0

Table 6:
Frequency Distribution of Managers' Perceptions of the Main Sources Which Performance Auditors usually use to Get the Information Required to Accomplish their missions (Q.A2)

Sources of Information		Not at all	Rarely useful	Moderately useful	Quite useful	Very useful	Total
Legislative standards related to objectives and evaluation criteria in the public sector	N	4	8	19	26	54	111
	%	3.6	7.2	17.1	23.4	48.6	100.0
The management of the audited organisation	N	2	3	22	48	35	110
	%	1.8	2.7	20.0	43.6	31.8	100.0
The personnel and staff of the audited organisation	N	5	8	24	44	30	111
	%	4.5	7.2	21.6	39.6	27.0	100.0
The customers of public organisations	N	15	26	41	19	10	111
	%	13.5	23.4	36.9	17.1	9.0	100.0
The objectives and performance measures used in similar organisations	N	9	14	35	40	12	110
	%	8.2	12.7	31.8	36.4	10.9	100.0

Table 7:
Frequency Distribution of Auditors' Responses of the Occurrence of Performance Auditing during the Construction and Implementation Stages of a Public Project (Q. A7)

Project Stage		Never	Rarely	Sometimes	Often	Always	Total
Planning stage only	N	19	9	2	0	2	32
	%	59.4	28.1	6.3	.0	6.3	100.0
Planning stage and continuing through implementation stage	N	12	11	2	4	2	31
	%	38.7	35.5	6.5	12.9	6.5	100.0
Planning stage and continuing through implementation stage, but for selected projects	N	10	5	9	4	3	31
	%	32.3	16.1	29.0	12.9	9.7	100.0
Implementation stage only	N	3	5	8	10	6	32
	%	9.4	15.6	25.0	31.3	18.8	100.0
After the completion of the project	N	1	3	3	13	12	32
	%	3.1	9.4	9.4	40.6	37.5	100.0

Table 8:
Frequency Distribution of Managers' Responses of the Occurrence of Performance Auditing During the Construction and Implementation Stages of a Public Project (Q. A3)

Project Stage		Never	Rarely	Sometimes	Often	Always	Total
Planning stage only	N	50	21	19	6	4	100
	%	50.0	21.0	19.0	6.0	4.0	100.0
Planning stage and continuing through implementation stage	N	31	26	30	7	4	98
	%	31.6	26.5	30.6	7.1	4.1	100.0
Planning stage and continuing through implementation stage, but for selected projects	N	20	15	36	19	8	98
	%	20.4	15.3	36.7	19.4	8.2	100.0
Implementation stage only	N	11	19	38	24	6	98
	%	11.2	19.4	38.8	24.5	6.1	100.0
After the completion of the project	N	4	12	30	34	18	98
	%	4.1	12.2	30.6	34.7	18.4	100.0

Table 1:
Frequency Distribution of Auditors' Perceptions Concerning the Extent to which the Objectives of Performance Auditing System Have been Achieved (Q.B1)

Objectives of Performance Auditing		IE	RE	ME	QE	VE	Total
Enhancing organisational accountability	N	1	4	13	11	5	34
	%	2.9	11.8	38.2	32.4	14.7	100.0
Improving organisational performance	N	1	2	8	11	12	34
	%	2.9	5.9	23.5	32.4	35.3	100.0
Helping public organisations to set goals and objectives for their achievement	N	1	4	10	15	4	34
	%	2.9	11.8	29.4	44.1	11.8	100.0
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	N	1	1	7	17	8	34
	%	2.9	2.9	20.6	50.0	23.5	100.0
Ensuring the importance of developing performance measures and/or indicators for public organisations	N	0	5	17	8	4	34
	%	.0	14.7	50.0	23.5	11.8	100.0
Helping decision makers in the public sector by providing them with information about public organisations productivity	N	1	5	19	5	4	34
	%	2.9	14.7	55.9	14.7	11.8	100.0
Helping public organisations to specify their needs in terms of training and development	N	1	15	9	7	2	34
	%	2.9	44.1	26.5	20.6	5.9	100.0
providing useful information for reward and punishment purposes	N	10	13	6	3	2	34
	%	29.4	38.2	17.6	8.8	5.9	100.0
Improving the quality of public organisations services	N	1	4	10	13	6	34
	%	2.9	11.8	29.4	38.2	17.6	100.0
Improving the caring of public organisations towards their customers	N	0	7	10	11	6	34
	%	.0	20.6	29.4	32.4	17.6	100.0

Note: *IE = Ineffective; RE = Rarely Effective; ME = Moderately Effective; QE = Quite Effective; VE = Very Effective*

Table 2:
Frequency Distribution of Managers' Perceptions Concerning the Extent to which the Objectives of Performance Auditing System Have Been Achieved (Q. B1)

Objectives of Performance Auditing		IE	RE	ME	QE	VE	Total
Enhancing organisational accountability	N	6	16	35	38	16	111
	%	5.4	14.4	31.5	34.2	14.4	100.0
Improving organisational performance	N	10	20	29	36	16	111
	%	9.0	18.0	26.1	32.4	14.4	100.0
Helping public organisations to set goals and objectives for their achievement	N	15	24	38	28	6	111
	%	13.5	21.6	34.2	25.2	5.4	100.0
Promoting the economy, efficiency and effectiveness of government organisations, programmes and activities	N	10	12	43	37	8	110
	%	9.1	10.9	39.1	33.6	7.3	100.0
Ensuring the importance of developing performance measures and/or indicators for public organisations	N	10	31	31	30	9	111
	%	9.0	27.9	27.9	27.0	8.1	100.0
Helping decision makers in the public sector by providing them some information about public organisations' productivity	N	18	15	44	28	6	111
	%	16.2	13.5	39.6	25.2	5.4	100.0
Helping public organisations to specify their needs in terms of training and development	N	27	29	34	16	5	111
	%	24.3	26.1	30.6	14.4	4.5	100.0
providing useful information for reward and punishment purposes	N	26	36	34	13	2	111
	%	23.4	32.4	30.6	11.7	1.8	100.0
Improving the quality of public organisations services	N	22	29	41	19	0	111
	%	19.8	26.1	36.9	17.1	.0	100.0
Improving the caring of public organisations towards their customers	N	21	25	44	19	2	111
	%	18.9	22.5	39.6	17.1	1.8	100.0

Note: *IE = Ineffective; RE = Rarely Effective; ME = Moderately Effective; QE = Quite Effective; VE = Very Effective.*

Table 3:
Frequency Distribution of Auditors' Perceptions Concerning some Factors that might be seen as a Perceived Limitation of the Current System of Performance Auditing (Q. B2)

Factors		SDG	DG	UND	AG	SAG	Total
The ambiguity of performance audit goals and objectives	N	4	9	8	11	2	34
	%	11.8	26.5	23.5	32.4	5.9	100.0
The ambiguity of goals and objectives in the public sector organisations/projects	N	2	1	10	17	4	34
	%	5.9	2.9	29.4	50.0	11.8	100.0
The lack of performance measures and/or indicators in the public sector	N	1	0	7	20	6	34
	%	2.9	.0	20.6	58.8	17.6	100.0
The lack of sound financial reporting system in the public sector	N	0	7	14	13	0	34
	%	.0	20.6	41.2	38.2	.0	100.0
The lack of sound internal control system in the public sector	N	0	3	12	17	2	34
	%	.0	8.8	35.3	50.0	5.9	100.0
Shortage of qualified staff to undertake performance audits	N	4	14	8	7	1	34
	%	11.8	41.2	23.5	20.6	2.9	100.0
The lack of specialised staff from different disciplines to carry out such audits	N	1	5	5	18	5	34
	%	2.9	14.7	14.7	52.9	14.7	100.0
The lack of support and interest on the part of legislative and administrative officials at higher levels	N	1	10	9	12	2	34
	%	2.9	29.4	26.5	35.3	5.9	100.0
The GAB's shortage of enforcement powers to follow-up performance audit recommendations	N	1	16	8	7	2	34
	%	2.9	47.1	23.5	20.6	5.9	100.0
Insufficient training for performance auditors	N	3	16	2	13	0	34
	%	8.8	47.1	5.9	38.2	.0	100.0
Shortage of sufficient financial resources	N	1	8	4	20	1	34
	%	2.9	23.5	11.8	58.8	2.9	100.0

Note: *SDG = Strongly Disagree; DG = Disagree; UND = Undecided; AG = Agree; SA = Strongly Agree.*

Table 4:
Frequency Distribution of Managers' Perceptions Concerning Some Factors That Might Be Seen as Perceived Limitations of the Current System of Performance Auditing (Q. B2)

Factor		SDG	DG	UND	AG	SAG	Total
The ambiguity of performance audits goals and objectives	N	6	29	28	35	13	111
	%	5.4	26.1	25.2	31.5	11.7	100.0
The ambiguity of goals and objectives in the public sector organisations/projects	N	6	38	25	38	4	111
	%	5.4	34.2	22.5	34.2	3.6	100.0
The lack of performance measures and/or indicators in the public sector	N	3	18	35	44	11	111
	%	2.7	16.2	31.5	39.6	9.9	100.0
The lack of sound financial reporting system in the public sector	N	4	38	29	33	7	111
	%	3.6	34.2	26.1	29.7	6.3	100.0
The lack of sound internal control system in the public sector	N	3	36	30	34	8	111
	%	2.7	32.4	27.0	30.6	7.2	100.0
Shortage of qualified staff to undertake performance audits	N	6	36	31	30	8	111
	%	5.4	32.4	27.9	27.0	7.2	100.0
The lack of specialised staff from different disciplines to carry out such audits	N	3	7	37	41	23	111
	%	2.7	6.3	33.3	36.9	20.7	100.0
The lack of support and interest on the part of legislative and administrative officials at higher levels	N	7	43	32	24	4	110
	%	6.4	39.1	29.1	21.8	3.6	100.0
The GAB's shortage of enforcement powers to follow-up performance audit recommendations	N	5	41	38	22	5	111
	%	4.5	36.9	34.2	19.8	4.5	100.0
Insufficient training for performance auditors	N	3	30	52	20	6	111
	%	2.7	27.0	46.8	18.0	5.4	100.0
Shortage of sufficient financial resources	N	3	38	46	19	5	111
	%	2.7	34.2	41.4	17.1	4.5	100.0

Note: *SDG = Strongly Disagree; DG = Disagree; UND = Undecided; AG = Agree; SA = Strongly Agree.*

Table 5:
Frequency Distribution of Auditors' Perceptions of Performance Audit Reports (Q. B7)

		SDG	DG	UND	AG	SAG	Total
The report contains current and significant information	N	0	1	3	10	20	34
	%	0	2.9	8.8	29.4	58.8	100.0
The report is fair and objective	N	0	3	2	12	17	34
	%	0	8.8	5.9	35.3	50.0	100.0
The report uses simple expressions	N	0	4	1	11	18	34
	%	0	11.8	2.9	32.4	52.9	100.0
The report is well-presented and uses a style which is easy to grasp	N	0	1	3	11	19	34
	%	0	2.9	8.8	32.4	55.9	100.0
The report suggests remedial actions	N	0	1	0	8	25	34
	%	0	2.9	.0	23.5	73.5	100.0

Note: *SDG = Strongly Disagree; DG = Disagree; UND = Undecided; AG = Agree; SA = Strongly Agree.*

Table 6:
Frequency Distribution of Managers' Perceptions of Performance Audit Reports (Q. B6)

		SDG	DG	UND	AG	SAG	Total
The report contains current and significant information	N	5	21	22	42	17	107
	%	4.7	19.6	20.6	39.3	15.9	100.0
The report is fair and objective	N	4	13	23	43	22	105
	%	3.8	12.4	21.9	41.0	21.0	100.0
The report uses simple expressions	N	6	6	13	56	23	104
	%	5.8	5.8	12.5	53.8	22.1	100.0
The report is well-presented and uses a style which is easy to grasp	N	4	9	25	55	12	105
	%	3.8	8.6	23.8	52.4	11.4	100.0
The report suggests remedial actions	N	5	10	23	49	18	105
	%	4.8	9.5	21.9	46.7	17.1	100.0

Note: *SDG = Strongly Disagree; DG = Disagree; UND = Undecided; AG = Agree; SA = Strongly Agree.*

Table 7:
Frequency Distribution of Auditors' Perceptions of the Reasons for Unsatisfied Implementation of Performance Auditing Recommendations (Q. B9)

Factors		Not at all	To a very limited extent	To some extent	To a considerable extent	To a very great extent	Total
Lack of support from higher legislative and administrative authorities	N	0	5	6	9	3	23
	%	.0	21.7	26.1	39.1	13.0	100.0
Lack of support from the ministry controlling the audited body	N	0	4	5	10	4	23
	%	.0	17.4	21.7	43.5	17.4	100.0
Lack of enough power on the part of the GAB to follow-up and enforce its recommendations	N	1	6	6	4	5	22
	%	4.5	27.3	27.3	18.2	22.7	100.0
The Saudi culture, in general, is not conducive for such an auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	N	1	5	6	9	2	23
	%	4.3	21.7	26.1	39.1	8.7	100.0

Table 8:
Frequency Distribution of Managers' Perceptions of the Reasons for Unsatisfied Implementation of Performance Auditing Recommendations (Q. B8)

Factors		Not At All	To a Very Limited Extent	To Some Extent	To a Considerable Extent	To a Very Great Extent	Total
Lack of support from higher legislative and administrative authorities	N	3	6	13	18	4	44
	%	6.8	13.6	29.5	40.9	9.1	100.0
Lack of support from the ministry controlling the audited body	N	4	5	19	14	2	44
	%	9.1	11.4	43.2	31.8	4.5	100.0
Lack of enough power in the part of the GAB to follow-up and enforce its recommendations	N	5	8	12	15	4	44
	%	11.4	18.2	27.3	34.1	9.1	100.0
The Saudi culture, in general, is not conductive for such auditing system i.e. there is no strong tradition of using information produced by auditing systems for more informed decision making	N	4	8	10	19	3	44
	%	9.1	18.2	22.7	43.2	6.8	100.0

Table 9:
Frequency Distribution of Auditors' Perceptions of Public Sector Managers (Q. B10)

Element		Never	Rarely	Sometimes	Often	Always	Total
Public managers are friendly and approachable	N	1	1	14	16	2	34
	%	2.9	2.9	41.2	47.1	5.9	100.0
Public managers have good attitudes towards audit teams	N	2	4	14	12	2	34
	%	5.9	11.8	41.2	35.3	5.9	100.0
Public managers are willing to co-operate with audit teams	N	1	1	14	16	2	34
	%	2.9	2.9	41.2	47.1	5.9	100.0
Public managers maintain definite standards of performance	N	4	12	13	5	0	34
	%	11.8	35.3	38.2	14.7	.0	100.0
Public managers know the performance level required from them	N	0	13	14	7	0	34
	%	.0	38.2	41.2	20.6	.0	100.0
Public managers do not explain their activities and actions	N	3	10	15	6	0	34
	%	8.8	29.4	44.1	17.6	.0	100.0

Table 10:
Frequency Distribution of Managers' Perceptions of Performance Auditors (Q. B9)
(1 = "Never", 5 = "Always")

Statement		Never	Rarely	Sometimes	Often	Always	Total
Performance auditors are friendly and supportive	N	5	9	33	38	26	111
	%	4.5	8.1	29.7	34.2	23.4	100.0
Performance auditors have good attitudes towards public managers	N	5	8	31	45	22	111
	%	4.5	7.2	27.9	40.5	19.8	100.0
Performance auditors are willing to give managers an opportunity to explain their concerns	N	5	8	30	50	18	111
	%	4.5	7.2	27.0	45.0	16.2	100.0
Performance auditors maintain clear objectives and goals of their job	N	9	15	36	32	18	110
	%	8.2	13.6	32.7	29.1	16.4	100.0
Performance auditors maintain clear standards to follow during their audit mission	N	7	23	29	31	17	107
	%	6.5	21.5	27.1	29.0	15.9	100.0
Performance auditors do not explain their activities and actions	N	21	32	33	15	7	108
	%	19.4	29.6	30.6	13.9	6.5	100.0

Extending the role of the auditor to include the examination of the economy, efficiency and effectiveness aspects of public sector activities and programmes has led some writers, as stated in Chapter Three (Section 3.2.8), to question the auditor's competence to conduct performance audit reviews. The conduct of performance audit investigations, as argued by (Bosiclaire, 1984, p. 29), requires multidisciplinary audit teams.

Despite the importance of this issue, the research respondents referred to the lack of expertise from the different disciplines which could help in undertaking performance audits as being the biggest challenge facing the GAB (see Chapter Nine, Section 9.2.3.3.3). This conclusion is confirmed by the auditors' and managers responses to another question included in the questionnaire. In that question, the two groups were asked to give their opinion on the composition of the audit team in the audit cases which they conducted or were subject to. The responses of performance auditors and public managers are summarised in Tables 1 and 2 as follows.

Table 1:
Frequency Distribution of Auditors' Perceptions of the Composition of Audit Teams in the Auditing Cases which They Carried Out (Q. B5)

		Never	Rarely	Sometimes	Often	Always	Total
Auditors	N	0	0	1	6	26	33
Auditors	%	.0	.0	3.0	18.2	78.8	100.0
Engineers	N	11	11	9	2	0	33
	%	33.3	33.3	27.3	6.1	.0	100.0
Economists	N	19	10	3	1	0	33
	%	57.6	30.3	9.1	3.0	.0	100.0
Statisticians	N	20	8	4	1	0	33
	%	60.6	24.2	12.1	3.0	.0	100.0

Table 2:
Frequency Distribution of Managers' Perceptions of the Composition of Audit Teams in the Performance Auditing Cases which their Organisations Were Subject to (Q. B4)

		Never	Rarely	Sometimes	Often	Always	Total
Auditors	N	4	4	11	32	54	105
Auditors	%	3.8	3.8	10.5	30.5	51.4	100.0
Engineers	N	51	28	11	5	3	98
	%	52.0	28.6	11.2	5.1	3.1	100.0
Economists	N	48	26	19	1	5	99
	%	48.5	26.3	19.2	1.0	5.1	100.0
Statisticians	N	45	31	13	6	6	101
	%	44.6	30.7	12.9	5.9	5.9	100.0

The vast majority of the auditors and managers, as shown in Tables 1 & 2, believed that auditors dominate the GAB's performance audit teams, with very little consideration given to the role that specialists from other disciplines can play.

In addition, it was claimed in Chapter Nine that the specialists could serve as a bridge of communication between the audit team and the auditee, and the lack of such specialists might affect the auditee's positive attitude towards performance audit investigations. This claim is strongly supported by the research respondents. Both performance auditors and public managers were asked to indicate the extent to which the audit team composition has affected the auditee's attitude towards performance auditing. As Tables 3 and 4 indicate, 64% of performance auditors and 52.7% of public managers agreed with the possible effect that the audit team composition could have on the auditee's attitude.

Table 3:
A Summary of Auditors' Responses Concerning the Extent to which the Auditees' Attitude towards Performance Auditing Has been Affected by Audit Team Composition (Q. B6)

	The effect of audit team composition on the auditee's attitude	
	N	%
Not at all	1	3.0
To a very limited extent	2	6.1
To some extent	9	27.3
To a considerable extent	13	39.4
To a very great extent	8	24.2
Total	33	100.0

Table 4:
A Summary of Managers' Responses Concerning the Extent to Which their Attitude towards Performance Auditing Has Been Affected by Audit Team Composition (Q. B5)

	The effect of audit team composition on the auditee's attitude	
	N	%
Not at all	12	10.9
To a very limited extent	7	6.4
To some extent	33	30.0
To a considerable extent	31	28.2
To a very great extent	27	24.5
Total	110	100.0

Identifying the precise proportion of financial and staff resources that the GAB uses for performance audit is not a straightforward task. Because of the confidential status that is given to such information, it is particularly difficult to present exact figures on the growth of the share of performance audit work from the GAB resources and to show exactly how this share has changed during the last ten years since this type of audit was first introduced. However, an overall picture of the importance of performance auditing in the activities of the GAB can be extracted from the opinions of the parties interested in such activities i.e. performance auditors and public managers.

The research findings reported in Chapter Nine indicated that the lack of sufficient financial resources and competent staff was perceived as one of the main obstacles hindering the effectiveness of performance auditing in the Saudi public sector. This finding is confirmed by the responses of the two groups to other questions pertaining to this issue, provided in the questionnaire. In the first question, the auditors were asked to indicate the proportion of GAB's financial and staff resources that has been devoted to performance audit work (see Table 1 for a summary of their responses).

Table 1:
Summary of Auditors' Responses of the Amount of Financial and Staff Resources Devoted to Performance Audits (Q. B3)

	Financial resources devoted to performance auditing departments		Staff resources devoted to performance auditing departments	
	N	%	N	%
Up to 5%	11	32.4	15	44.1
Up to 10%	9	26.5	12	35.3
Up to 20%	11	32.4	5	14.7
Up to 30%	3	8.8	2	5.9
Total	34	100.0	34	100.0

As Table 1 reveals, 59% of performance auditors indicated that the financial resources devoted to performance auditing departments do not exceed 10% of the GAB's financial resources. Furthermore, the vast majority (91.2%) of auditors confirmed that the share of performance auditing departments from the GAB's financial resources are 20% or less and only 8.8% claimed that the devoted resources to performance audit work could reach 30%.

As far as the staff resources are concerned, more than 79% of performance auditors stated that the staff resources devoted to performance auditing departments might reach 10%. While 94% of the auditors indicated that the proportion of GAB's staff resources devoted to performance auditing work do not exceed 20%, only 6% claimed that this proportion might reach 30%.

Furthermore, the resources issue was further investigated by examining the perceptions of the respondents concerning the appropriateness of the financial and staff resources devoted to performance audit. The majority of auditors (at least 64%) indicated the inappropriateness or extreme inappropriateness of the proportion of financial and staff resources given to performance audit work. Only 20% of auditors showed their satisfaction, while the remaining were not sure (see Table 2).

Table 2:
Summary of Auditors' Responses of the Appropriateness of the Amount of Financial and Staff Resources Devoted to Performance Audits (Q. B4)

	The appropriateness of the allocated financial resources		The appropriateness of the allocated staff resources	
	N	%	N	%
Extremely inappropriate	3	8.8	4	11.8
Inappropriate	19	55.9	19	55.9
I am not sure	5	14.7	4	11.8
Appropriate	7	20.6	7	20.6
Extremely appropriate	0	.0	0	.0
Total	34	100.0	34	100.0

Managers, on the other hand, as Table 3 indicates, seem to show less agreement on this issue. While 25% of managers showed their dissatisfaction with the share that performance audit receives from the GAB's financial resources, 36% stated that these resources were appropriate or extremely appropriate. In addition, only 37.8% of managers indicated the inappropriateness or extreme inappropriateness of the proportion of staff resources received by performance audit departments. While thirty two percent of managers showed their satisfaction, the remaining (29.7%) were not sure.

Table 3:
A Summary of Managers' Responses of the Appropriateness of the Amount of Financial and Staff Resources Devoted to Performance Audits (Q. B3)

	The appropriateness of the allocated financial resources		The appropriateness of the allocated staff resources	
	N	%	N	%
Extremely inappropriate	4	3.6	9	8.1
Inappropriate	24	21.6	33	29.7
I am not sure	42	37.8	33	29.7
Appropriate	29	26.1	28	25.2
Extremely inappropriate	12	10.8	8	7.2
Total	111	100.0	111	100.0

Although these percentages are only possible indicators, they may communicate the importance and role of performance auditing in the work of the GAB. The conclusion that might be drawn from the above findings is that although performance auditing is firmly on the agenda of the GAB for almost ten years, there seems to be misallocation of resources between financial and performance audits. This finding is in line with what has been reported in Chapter Nine.