

International Center for Performance Auditing

Strategic Plan

Version #7, March 16, 2010

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International Center for Performance Auditing Strategic Plan

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The International Center for Performance Auditing is an educational association dedicated to strengthening the professional practice of performance auditing. The goals and initiatives set forth in this, its initial strategic plan, are relatively modest. The plan is to begin with a few limited initiatives, and pursue more expansive initiatives as the Center grows in membership, influence, and financial resources. Accordingly, the Center's intent in the first five years is to update its strategic plan as necessary to reflect changes in goals and strategies.

Vision Statement

The vision of the International Center for Performance Auditing is to be recognized as the global leader in enhancing the success of performance auditing in government.

Mission Statement

The mission of the International Center for Performance Auditing is to promote performance auditing and strengthen the capacity of government performance auditing organizations by providing education, training, research, assistance, and state of the art guidance.

The Center applies the resources and talents of performance auditing professionals and scholars from around the world to the problems and issues facing performance audit organizations so those organizations are better prepared to do credible work and serve their respective governments and institutions. The Center creates opportunities, within an educational framework, for leaders of the performance auditing profession to come together as colleagues to learn, network, and support each other, and to encourage their personal, professional and organizational renewal and effectiveness. To help strengthen their effectiveness, the Center encourages accredited academic institutions to offer undergraduate and graduate degree programs with an emphasis in performance auditing, and supports their efforts to do so.

Through its efforts, the International Center for Performance Auditing hopes to promote competent, honest, results-focused government and create a better, prosperous, more secure future for citizens around the globe.

Center's Organizational Structure

The International Center for Performance Auditing is a 501(c)(3) not-for-profit educational association. The Center is affiliated with, and located within, a major United States university [to be added]. This cooperative relationship will enhance the prestige and influence of the Center and the University.

The International Center for Performance Auditing is governed by a board of directors. Board members will be unpaid volunteers, primarily from the performance auditing profession. The Board will establish policy, strategy, and compensation of staff. Day-to-day activities of the Center will be directed by the Executive Director. See Appendix A for an organization chart.

The International Center for Performance Auditing expects to be membership-based. A membership-base is central in providing focus to the mission of strengthening the capacity of government performance auditing organizations; this can't be done in the abstract. Members will consist of practicing performance auditing organizations, affiliated academic institutions, and individuals.

Center Staffing

Staffing of the International Center for Performance Auditing will be limited until the Center reaches maturity. The Board Chair will be a performance auditing professional and will provide direction, and will provide specific services at an established minimal compensation level. The Executive Director will be a performance auditing professional and will serve full-time with modest compensation. The compensation of the Executive Director will expand as the Center grows to maturity. There will be from two to five full or part-time, paid associates. Associates will have performance auditing experience, unless unique abilities are needed. The number of associates on staff at a given time will depend on workload requirements related to strategic initiatives being pursued. The Center expects to rely on scholars, with oversight by a member of the performance auditing community, to conduct research projects in which they and the Center have a mutual interest.

Center Resources

The International Center for Performance Auditing expects to obtain resources from a number of sources. On staff, it expects member organizations to allow their staff time to provide support for selected Center activities on a volunteer basis. On revenue, start-up funding will be obtained by grant from a foundation dedicated to improving the operation of governments and foundations. An annual revenue stream of \$500,000 is the minimum goal for the first two years. It is expected that sustaining revenue for operations will come from the following sources:

- Training courses offered via a variety of learning formats.
- Education and training courses offered in a university classroom setting.
- Endowments from foundations and governments dedicated to improving government, public sector organizations, and performance auditing.
- Fees for publications offered by, and produced by, the Center.
- Fees for professional assistance provided to individual performance auditing organizations.
- Fees for audits conducted for small government entities in response to request.
- Mini in-country educational conferences.
- Membership dues by individuals and audit organizations.

Center Focus on Performance Auditing in Government

The Center's focus is on providing education and training, and related initiatives, to improve performance auditing across the spectrum of organizations, public and private.

Performance auditing is most commonly associated with government. Recognizing this reality, the Center has chosen to limit its initial efforts to that of enhancing the success of performance auditing in government. Expansion of its efforts to include Not-for-Profit organizations is under consideration.

Many governments around the globe have an audit organization at the national level that conduct performance audits. These national audit organizations are commonly referred to as Supreme Audit Institutions. The practice of performance auditing at subordinate and local government levels (cities, school districts, etc.) is growing in many countries, such as the United States, Israel, Netherlands, China and Korea. It is safe to say that all are desirous of increasing the professionalism of their staff.

Performance auditing, under the heading of internal audit in some cases, is also practiced by international organizations, including the United Nations, International Monetary Fund, and the World Bank.

Performance auditing is also practiced by foundations and public sector nonprofit organizations, such as Catholic Charities, but the extent is not known, and not believed to be extensive. In the private sector of for-profit and not-for-profit entities, performance auditing is commonly practiced under the title "internal auditing."

Performance auditors are guided by standards in doing their work. Individual countries tend to develop their own auditing standards. The United States was the first to develop standards for performance auditing (in 1972), the *Government Auditing Standards* promulgated by the Government Accountability Office. The International Organization of Supreme Audit Institutions promulgates standards on performance auditing for use by international

Supreme Audit Institutions, *INTOSIA Auditing Standards* (first published in 1989). The Institute of Internal Auditors promulgates standards for use by internal auditors, *International Standards for the Professional Practice of Internal Auditing* (first published in 1978).

Promise of Performance Auditing

The promise of performance auditing¹ is that it adds value by providing impartial, fact-based information – through examining and reporting – on the integrity, economy, and efficiency, of operations and the effectiveness and results achieved by government programs. This promise is realized by providing this information to officials with authority to act, and those charged with governance and oversight, for their use in improving program performance and operations, and reducing costs. Performance audit reports, when made public, contribute to transparency and accountability by disclosing to citizens and other stakeholders what the organizations under audit are doing well and doing poorly. With regard to government, the added promise of performance auditing is that it supports democratic governance by

- strengthening the ability of citizens to govern themselves;
- enhancing citizen trust in government; and
- contributing to honesty in government.

Performance auditing is an independent, impartial assessment activity that provides objective, fact-based information about the stewardship, cost, and performance of programs, activities, and functions, and when applicable, specifics about where and how improvements can be made and the likely impact of those improvements.

Promise of Performance Auditing Is Not Being Fully Realized

Leaders in the international performance auditing community agree that the promise of performance auditing is not being realized to its full potential. While in accord with the overall promise, there is no agreed upon theory on how to fulfill the promise. Nor is there a generally agreed on method for measuring the benefits attributable to performance auditing. Perhaps as a consequence, the practice of performance auditing has not achieved widespread acceptance in many countries and governmental entities, and Not-for-Profit organizations. Also, the nature of auditing done under the heading of performance auditing varies widely.

Leaders in the international performance audit community also agree that many existing performance audit organizations are fragile. Funding is limited and unstable, independence is

¹ Performance auditing goes by other names: Internal Auditing, primarily in the private sector; Value-for-Money Auditing in Commonwealth countries; and Operational Auditing in various quarters.

sometimes tenuous, and support by government leaders is not secure. Of considerable import, at least in the United States, performance auditing is not recognized as a **profession**. Academic requirements and professional competencies have not been established.

It is generally acknowledged, within and outside the performance auditing community, that performance audits take too long, are too irregular in quality, are too costly, and are too narrow in coverage. Performance auditing has a single issue focus, not a comprehensive focus. The practice is to examine, in each audit, a single subject (e.g., program) and report on one or two performance aspects of concern within that subject. Rarely is a comprehensive audit conducted covering all aspects of performance important within a program.

One continuing challenge is a shortage of professionals with broad education and experience in conducting performance audits. In many countries, particularly the United States, the demand for good performance auditors exceeds the supply.

There is no academic program at any college or university that specifically trains students to be performance auditors. Absent a formal education program, audit offices have to grow their own auditors, or hire them from audit offices that have done so. The usual approach is to hire individuals with a college or university degree and develop them into performance auditors through a combination of on-the-job and formal training. To date, formal training is most often delivered in an instructor-lead classroom environment. It is generally recognized that this process of developing a competent performance auditor can take up to six years.

Center's Strategic Goals

1. To promote establishment of at least five new performance auditing organizations each year, counting subordinate governments and internal auditing functions in large government agencies (e.g., in departments of national governments), beginning three years after the Center becomes fully operational. The focus will be on governments of a size sufficient to benefit from, and finance, a performance auditing function

It is widely acknowledged that a multitude of governments do not have a performance audit function. Thus, to help achieve the promise of performance auditing there is a need to expand application of performance auditing to more government organizations.

2. To increase funding and staffing of existing performance auditing organizations.

It is widely acknowledged that many/most government performance auditing organizations are handicapped by limited, unstable funding and staffing. There is no

recognized norm, such as a percentage of a government's budget, for use in deciding a funding level appropriate for a performance auditing function.

3. To increase the professional capacity of member performance auditing organizations beginning three years after the Center becomes fully operational, and to realize a continuing increase in capacity thereafter.

Professional capacity is defined as the capability of individual performance auditing organizations to conduct high quality, fact-based, impartial, broad coverage audits, and do so in a time sensitive manner at low cost.

4. To increase the number of performance auditing organizations that make their audit reports available to the public.

To maximize the promise of performance auditing in contributing to honest, competent, accountable and transparent government, it is important that government performance auditing organizations make their audit reports available to the public. Posting issued reports to the internet is the most efficient way to achieve this promise.

5. To develop the capacity to provide professional performance auditing services.

Government entities may, because they do not have a performance audit function or desire to have a performance audit conducted by an outside entity, desire to commission a performance audit of a specific subject. The Center would provide such performance auditing service at a fee significantly below that charged by established commercial auditors.

Center's Strategic Initiatives

Goal 1. To promote establishment of new performance auditing organizations.

Initiatives

1. The Center will broker and finance research to explore methods for measuring the benefits that are expected, and can be realized, by performance auditing. Once developed, the Center will accumulate statistics of audit benefits and use those statistics to promote creation of new performance auditing organizations and to expand the staffing and funding at existing performance auditing organizations.
2. The Center will create, and borrow when available, model legislation, directives, and policies to use in assisting governments that desire to establish a performance auditing organization.

3. In conjunction with initiatives 1 and 2, the Center will develop a program to educate public officials, community leaders, and professional administrators on the promise and benefits of performance auditing.

Goal 2. To increase the funding and staffing of existing performance auditing organizations.

Initiative

4. The Center will broker or finance research to develop norms for use in deciding staffing and funding levels appropriate for a performance auditing function. The norm might be based on a percentage of government's revenue or expenditures. Once developed, the Center will promote adoption of the norms in funding and staffing existing performance auditing functions, and in creating new performance auditing functions.

Goal 3. To increase the capacity of existing performance auditing organizations.

Initiatives

The strategy initiatives will consist of providing training, guidance, and assistance that will allow performance auditing organizations to (1) complete audits in fewer days, (2) complete audits with fewer staff days, and thus reduce audit costs, and (3) strengthen report quality.

5. The Center will strengthen the practice of performance auditing by accumulating and disseminating innovative ideas and successful audit practices. It will post these to its website.
6. Provide technical training on the conduct of each phase of an audit, to include audit selection, audit survey, planning, field work, and reporting. With the increased knowledge and skill, auditors will be able to conduct audits better, faster, and cheaper. This training will be available to all organizations that conduct performance auditing. The goal is to offer 5 new courses a year for the first four years. Training will be provided in three ways.
 - 1) Training will be provided by various forms of distance learning.
 - 2) Training course materials will be developed for use by individual audit organizations to provide training for their staff.
 - 3) A future initiative is to have training courses offered in a university classroom setting.
7. Develop model guidance for planning performance that will decrease the time and effort devoted to planning, and increase the quality of audit plans.

8. Provide model guidance for writing audit reports, perhaps a model format, that will decrease the time and effort devoted to report writing, and increase the quality of individual audit reports.
9. Assist in promulgation of practical standards for performance auditing by being a member of advisory boards and providing comments on revisions proposed by standard setting bodies.
10. Provide hands-on assistance to performance audit organizations, at their request, to help them resolve problems and issues they are facing. The Center will recruit performance auditing professionals with the requisite qualifications to provide the assistance requested by a performance auditing organization.

Goal 4. To increase the number of performance auditing organizations that make their audit reports available to the public.

Initiative

11. The Center will develop a program to educate public officials, community leaders, and professional administrators on the importance of making issued audit reports available to the public. It will promote posting of issued audit reports to the internet as the most efficient method.

Goal 5. To develop the capacity to provide professional performance auditing services.

Initiative

12. The Center will develop, largely with retired performance auditing professionals and students with the requisite qualifications, the capacity to conduct performance audits at the request of government entities.

Center's Future Goals and Initiatives

The Center will develop a model undergraduate degree program in performance auditing for offer by accredited academic institutions – colleges and universities. Books on performance auditing exist that can be used as textbooks.

The Center will create a model graduate degree program in performance auditing for offer by accredited academic institutions.

The Center will arrange and conduct mini in-country training conferences and symposia focused on current issues and problems facing the international government performance auditing community.

The Center will broker, finance, or find financing for applied research aimed at developing stronger audit methods and concepts. It is particularly interested in research directed at identifying best audit practices, and research directed at developing a cohesive theory of performance auditing that will provide a framework for realizing the promise of performance auditing.

The Center will seek to expand the practice of performance auditing to encompass comprehensive auditing and reporting on program performance. The prevalent practice is to examine and report on one or two performance aspects of concern within a subject – program. Rarely is a comprehensive audit conducted covering all aspects of performance important within a program. This single issue focus not only limits audit coverage, it tends to focus attention on problems rather than providing a balanced perspective of program performance. As possible initiatives, the Center might do the following:

- Provide guidance for use in conducting a comprehensive audit of program performance covering all relevant aspects of performance.
- Provide technical training on the conduct of comprehensive program audits and for reporting on such audits.

Metrics for Assessing the Center's Effectiveness

The International Center for Performance Auditing plans to measure – at the macro and micro levels – its effectiveness in promoting performance auditing and strengthening the capacity of government performance auditing organizations.

Macro Level

The Center, with the assistance of member performance auditing organizations, will track and keep a record of the following metrics.

- Increase – attributable to performance auditing operations – achieved by audited agencies in such performance aspects as program outcomes, timeliness, quality, cost savings, safety, security, and health.

Individual performance auditing organizations will track the results/benefits attributable to their audit efforts and report them to the ICPA on an annual basis.

- Increase in reputation and reliance accorded to existing performance auditing organizations by external parties. The following metrics are examples of what would be assessed:
 - Citizen trust.
 - Citizen satisfaction.
 - Status of relations with the legislature and management.

Individual performance auditing organizations will conduct an annual satisfaction survey and report results to the ICPA. The Center will develop a satisfaction questionnaire.

- Increase in the number of new performance auditing organizations established (net of any that might be abolished).

The Center will rely on member audit organizations to track developments in their country and locality and report changes to the ICPA.

- Increases and decreases in the quantity of performance audit staff by existing performance auditing organizations.

The Center will rely on individual member audit organizations to annually report increases and decreases in staffing levels to the ICPA.

- Increases and decreases in funding (budget) by existing performance auditing organizations.

The Center will rely on individual member audit organizations to annually report increases and decreases in budget/funding levels to the ICPA.

Micro Level

The Center, with the assistance of member performance auditing organizations, will track and keep a record of the following metrics:

1. Improvement in staff capacity at performance auditing organizations – self assessed by performance auditing organizations.

The Center will prepare the survey instrument containing questions on attributes considered important, such as improvement in independence, audit skills, audit methods, audit coverage, advance degrees, productivity, etc. Individual performance auditing organizations will record their perceptions as regards their organization.

2. Increase in the number of performance auditing organizations that post their issued reports to the internet.

The Center will rely on member audit organizations to track developments in their country and locality and report changes to the ICPA.

Center's Competitive Advantage

The competitive advantage the International Center for Performance Auditing has over its potential competitors is that it is dedicated solely to promoting and enhancing the success of performance auditing in government – internationally, at all government levels. This dedication allows a laser focus on performance auditing, limiting the potential for distraction by competing internal interests. All the Center's competitors either address more than performance auditing, are limited to a particular segment of government, or have a target population that includes more than government. Only one has a substantive international focus.

Within the United States there are seven organizations dedicated, in whole or part, to performance auditing. Four are professional associations; two are government organizations; one is a training institute. Only one has aggressively promoted performance auditing. At some level, all seven of the organizations will be supporters rather than competitors.

The Government Accountability Office (GAO) has been a primary supporter of performance auditing in the United States, and internationally. The GAO is a government organization; the audit and investigative arm of the United States Congress. As such, the GAO can be considered a colleague supporter rather than a competitor. The majority of GAO staff conduct performance audits, but these staff have the position designation of "Evaluator," not Auditor. The GAO promulgates standards for the conduct of performance auditing in the United States. It assisted the International Organization of Supreme Audit Institutions in establishing international standards for performance auditing. Also, it has created model legislation for use by state and local government entities desiring to establish a performance auditing function. It also administers the Intergovernmental Audit Forum (discussed below). In addition to performance auditing, the GAO conducts financial statement audits of federal agencies. It is concerned with financial and compliance audits of state and local government organizations, and public and private sector organizations, receiving federal grants.

The Institute of Internal Auditors. It is a large, 160,000 plus member international association with a strong revenue base. However, its membership is composed primarily of internal auditors practicing in the private sector. It has a limited number of members from government. The IIA has numerous Chapters across the United States. It does not have a program to promote performance auditing in government. It provides a limited curriculum

of training for government auditors. It promulgates standards and provides guidance on the conduct of internal auditing. It holds several annual conferences devoted to internal auditing – in government as well as the private sector. It sponsors two certification programs: Certified Government Auditing Professional and Certified Internal Auditor.

The Association of Government Accountants. It is a 15,000 plus member association dedicated to financial management within the United States. Its members come from federal, state, and local government, and private sector CPA firms. Less than 25 percent of the members are government performance auditors. It has numerous chapters across the United States. Over the years, AGA has shifted its focus away from performance auditing to financial management and financial statement auditing. It provides limited training on performance auditing. It has a continuing research program and has directed research projects to performance auditing. It holds five conferences a year, none of which focus exclusively on performance auditing. It sponsors a certification program: Certified Government Financial Manager.

National Association of State Auditors, Comptrollers and Treasurers. It is a 21,000 member association with a focus on state government. Its members come predominantly from state government. As the title indicates, one part of the association is concerned with auditing, but only about 30 state auditors conduct performance auditing; most others conduct financial statement audits. NASACT creates training materials on performance auditing that member state audit offices can purchase to use in providing training to their staff. It has not been a strong supporter of performance auditing.

Association of Local Government Auditors. It is a relatively small association. Its members are predominantly from the United States and Canada. As its title indicates, its members come predominantly from local government, such as cities, school districts, and self financed functions such as water districts, port authorities, etc. It does not conduct research nor issue guidance on performance auditing. However, it has on its website audit plans posted by member audit organizations. It holds an annual education and training conference that is dedicated to performance auditing. It has made efforts to promote performance auditing at the local government level.

Intergovernmental Audit Forum. The Forum is administered by the Government Accountability Office with a special appropriation from the Congress. Any governmental audit organization can be a member. The Forum is dedicated to both performance and financial statement auditing at the federal, state, and local levels. There is a National Forum and a number of Regional Forums. The purpose of the Forum is to address and resolve problems associated with auditing across the three levels of government. It also provides training on auditing at meetings and conferences. The Forum does not “promote” performance auditing.

Graduate School, Government Audit Training Institute. The Graduate School is a private sector education and training organization. Its Government Audit Training Institute is primarily dedicated to providing training on performance auditing. With a curriculum of over 50 courses, available on open enrollment and delivery by contract, it is the preeminent commercial provider of training on performance auditing in the United States. The Institute's training is available to any organization, including international audit organizations. The Institute, in partnership with Thomas Edison State College, offers a Master of Science in Management with an emphasis in Public Sector Auditing.