The Determinants of Performance Audit in the Public Sector in Yemen.

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Abstract: This paper examines possible future improvements in the relationship between performance audit and performance management in the public sector in Yemen. Measuring, managing, and auditing performance are closely linked and influences one another. Scientific literature emphasized that two contrasting sides coexist. The positive side, for example, regards improving accountability and performance. On the other hand, misuse of the performance audit process could lead to several problems such as unintended consequences, paradox of performance, etc. The research investigates based on these premises whether the performance audit makes the difference, that is, how much performance audit contributes to performance management. This paper does not answer this question, but rather highlights the disadvantages and weaknesses resulting from the analysis of different studies.

Keywords: performance audits, economy, effectiveness, efficiency, public sector

I. INTRODUCTION

A fresh emphasis on performance assessment and management in the public sector has been a guiding force in the campaign for "reinventing government" also known as New Public Management – NPM, from here on – after the 1980s (Osbourne and Gaebler, 1992; Leeuw, 2006; Gajda-Lupke, 2009) The NPM system has the following objectives: to reduce public spending, to increase the efficiency of public services, and to allow government operations. The policies to be enforced are more effective and more efficient (Pollit and Bouckaert 2004). Time and energy were spent attaining these targets, and a vast number of instruments from the private sector were used to assess public efficiency. NPM supports performance and result assessment considered important to measuring, monitoring, and auditing performance are closely related and influence each other (Leeuw, 1996; Mussari, 1997; Van Thiel and Leeuw, 2002; Daugotai and Macerinskiene, 2008); In Performance Assessment, scientific literature illustrated the coexistence of two opposing sides. The positive features – i.e. accountability, Quality changes – accepted. Nonetheless, misuse of the Performance Audit process may lead to many issues such as unintended results, paradoxical performance, etc. (Smith, 1995; Van Thiel and Leeuw, 2002; De Brujin, 2002; Mood and Peters, 2004; Kells, 2011) The study investigates whether the performance audit makes the difference, i.e. how much performance audit leads to performance management. The aim of this paper is not to address this issue, but rather to illustrate the disadvantages and limitations arising from the study of different studies. This is a preliminary study to see if a more thorough analysis is needed.

The paper is divided into four sections. The definition and scope of public sector performance audit were clarified in the first chapter. Section two deals with what the auditors will concentrate on. Next, through the input of several writers, the "still" paragraph in traduces the various aspects connected with the actual measurability of performances. The last segment finally the last section draws conclusions on the matter.
II. WHAT IS PERFORMANCE AUDITING?

A specific concept of Quality Audit does not exist in scientific literature. The bodies that elaborated criteria, methodologies, procedures and other authors on Quality Audit have given many concepts, but not contrasting. The most important amongst them are the following: In 1986 the International Supreme Institutional Audit Conference (INCONSAI) described performance Audit as [an] audit which is concerned with the evaluation of economy, efficiency, and effectiveness of public sector management”.

Performance auditing has no origins in the context of the kind of audit that is common to the private sector. Its roots lie in the need for independent, broad-based economic research, productivity and efficacy of non-recurring government programs and agencies (Intosai, 2004, p. 12). An objective and systematic analysis of facts to provide an unbiased evaluation of the performance and promote decision-making by parties responsible for overseeing or implementing corrective action cells and Hodge (2009) suggested a more general one after revising several concepts of Performance Audit: While all of the above meanings vary, they share common objectives such as: (i) economic assessment, productivity and effectiveness; (ii) systematic analysis of a government organization's results, programmer, operation or feature providing public transparency information and promoting decision-making; (iii) publishing confidential information by an independent group.

Some scholars find two of the Performance Audit objectives especially relevant (Barzelay, 1996; Pollit and Summa, 1997; Lonsdale, 2000). Performance auditing will enhance the quality, economy and competitiveness of service delivery; ensure compliance with the law; and, most significantly, make governments more publicly accountable. These benefits, however, depend on how much time and money an audit operation is spending on performance auditing. Performance audits are needed to assess whether public sector stakeholders are getting value for money (Guthrie & Parker 1999); whether public funds can be better invested (Goolsarran 2007); and whether this sector is taking the right actions and activities. Furthermore, performance evaluations determine if such decisions and practices are being carried out correctly and efficiently. If service delivery is carried out as effectively, reliably and efficiently as possible (Guthrie & Parker 1999; Al Athmay 2008; Reichborn-Kjennerud & Johnsen 2011; Van der Knaap 2011). A study on the variations in methodologies implemented by national departments compared with the AGSA approach, Will provide useful knowledge that could lead to the growth of South Africa’s performance audit discipline and make the performance audit process itself more efficient and successful. The phrase “performance audit” needs to be explained before evaluating the basic aims. Despite its success, Performance Audit is still not recognized for what it is about. Performance audit is, on the one hand, seen as an alternative method of conventional auditing. Performance Audit, on the other hand, is considered a misnomer (Barzalay, 1996).

The two positions come from the contrast of the role of conventional auditors with the role of performance auditors. The validity of government activities and the accuracy of financial statements are examined by standard public auditors. Auditors on output instead, to analyze the economy, effectiveness, and efficacy of government activities and to assess if public agencies have delivered the anticipated results and obtained the intended results. To sum up, the role of the conventional public auditor is just to investigate while the performance auditor gives an appraisal (Leeuw, 1996b; Furubo, 2011). Many of priors studies examined financial performance in different countries (such as, Ahmad & Al-homaidi, 2018; Al-homaidi et al., 2018, 2020; Al-Homaidi et al., 2018, 2019; Al-homaidi, Ahmad, et al., 2019; Al-Homaidi, Almaqtari, et al., 2020; Al-homaidi, Tabash, et al., 2019; Al-Homaidi, Tabash, et al., 2020; Almaqtari et al., 2019).

Throughout their report, the key disparities between the private and public sectors were emphasized. They've different roles, first of all. The public sector aims to meet the needs of the people while the goal of private companies is to optimize the income from the investment. Public bodies, in general, are monopolies, it is thus difficult to compare the results obtained and evaluate efficiency changes. Another characteristic of public agencies is the multiplicity of priorities and principles-frequently contrasting and ambiguous (Dixit, 2002; Propper, 2003).

III. WHAT ARE THE COMPONENTS OF PERFORMANCE AUDIT?

Performance audit divided into three groups presented below:
III.1 Economy

| Economy | Minimize the costs of the services used by purchasing them in due time, sufficient Economy quantity and consistency and at the best price |

Judging the economy by itself implies forming an opinion on the deployed capital (human, political, and material). This involves determining whether resources have been obtained, retained and used efficiently and obtained at the best price in sufficient quantity and quality in due time, provided the context. The efficiency auditor would examine whether the means chosen reflect the most or at least the most economically fair use of public funds.

III.2 Efficiency

| Efficiency | The relationship between resources employed and outputs delivered; in terms of quantity, quality and timing |

The idea of productivity means getting the best out of the resources available. Efficiency occurs where the allocation of capital, human, physical and information resources is such that output is maximized for any given set of resource inputs, or input is minimized for any given quantity and output quality. More resources. This refers to the relationship between the quality and quantity of goods and services provided and the expense of energy used to manufacture them, in order to achieve the results.

Efficiency finding can be formulated by comparison with similar efficiency finding can be formulated by comparison with similar operations, with certain ages, or with a model specifically adopted by the organization. Efficiency evaluations may also be focused on factors that are not related to when matters are so complex that standards do not exist. In these cases, reviews must be based on the best practices and knowledge available.

Efficiency audits cover issues such as whether:

- human, financial and other resources are used efficiently;
- public sector systems, agencies and activities are managed, supervised, coordinated and implemented efficiently;
- services are provided promptly;
- public sector program goals are achieved cost-effectively;

III.3 Effectiveness

| Effectiveness | Meet the goals set and Achieve the expected outcomes |

Effectiveness is in fact a definition of achieving objectives. It answers the question of whether the system/operation has accomplished its goals. It is necessary to differentiate between the immediate results or goods
and the final impacts or outcomes when focusing on effectiveness. Outcomes are critical for Program efficiency/activities but may be more difficult to measure and assess than the inputs and yields. Outcomes are often affected by external influences, which may involve long-term evaluators rather than short-term evaluators.

For example, performance audit effectiveness can include:
- assessing whether the objectives and means given (legal, financial, etc.) for a new or ongoing public sector program are acceptable, reasonable, suitable or relevant to the policy;
- assessing and determining with evidence whether the objectives are directly or indirectly observed;
- Identify factors that hinder adequate performance or achievement of the goals
- Assess if the software replaces, duplicates, overlaps or counteracts other programs related
- Assess the adequacy of the control management framework for evaluating, tracking and reporting the success of the programmer; and
- Identify ways to boost the effectiveness of programmers

IV. PERFORMANCE MANAGEMENT CAPACITY AUDITS

Performance management ability audits include determining whether the auditee has the ability to handle its processes and services efficiently and effectively. (Hellstern, Gerd-Michael. 1991). The target of assessment — performance management capability — is essentially non-observable. (Hepworth, Noel P. 1996) Capacity inferences are also created by evaluating the structure and length of an organization. An audit of performance management ability that determines whether an auditee has implemented a results-oriented budget process as prescribed by central agencies; or whether an auditee regularly and competently evaluates the efficacy of its programs; or whether a performance management ability audit is conducted by central agencies.

Table 1: Types of performance audits

<table>
<thead>
<tr>
<th>Type</th>
<th>Unit of Analysis</th>
<th>Mode of Review</th>
<th>Scope of Evaluation</th>
<th>Focus of effort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency Audit</td>
<td>Organizational function, process,</td>
<td>Inspection</td>
<td>Aspects of governmental and &quot;third-party&quot;</td>
<td>Identify opportunities to lower budgetary cost of delivering program outputs.</td>
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<tr>
<td></td>
<td>or program element</td>
<td></td>
<td>operations</td>
<td></td>
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<tr>
<td>Program Effectiveness</td>
<td>Policy, program, or major program</td>
<td>Inspection</td>
<td>Selected aspects of program design and</td>
<td>Assess impact of public policies;</td>
</tr>
<tr>
<td>Audit</td>
<td>element</td>
<td></td>
<td>operation</td>
<td>evaluate program effectiveness.</td>
</tr>
<tr>
<td>Performance Management</td>
<td>Organization</td>
<td>Inspection</td>
<td>That which affects performance of managerial</td>
<td>Assess capacity to achieve generic goals</td>
</tr>
<tr>
<td>Capacity Audit</td>
<td></td>
<td></td>
<td>functions</td>
<td>of economy, efficiency, and effectiveness</td>
</tr>
<tr>
<td>Audit Performance</td>
<td>Organization</td>
<td>Audit</td>
<td>Information generated by performance</td>
<td>Validate/attest to accuracy of</td>
</tr>
<tr>
<td>Information Audit</td>
<td></td>
<td></td>
<td>measurement/reporting systems</td>
<td>information provided by</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>organizations Identify major risks of</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>Program</td>
<td>Inspection</td>
<td>All aspects of program design and operation</td>
<td>program breakdown and</td>
</tr>
<tr>
<td>Best Practice Review</td>
<td>Whole sector, generic process, or</td>
<td>Research</td>
<td>Aspects of organizational and program</td>
<td>Formulate sector-specific standards of</td>
</tr>
<tr>
<td></td>
<td>common function</td>
<td></td>
<td>operation</td>
<td>best practice; reveal relative</td>
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<td></td>
<td>Organization</td>
<td></td>
<td></td>
<td>performance of sector</td>
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<td></td>
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<td></td>
<td>participants</td>
</tr>
<tr>
<td>General Management</td>
<td>Organization</td>
<td>Inspection</td>
<td>Selected aspects of organizational structure,</td>
<td>Assess capacity of organization to</td>
</tr>
<tr>
<td>Review</td>
<td></td>
<td></td>
<td>structure, systems, and programs</td>
<td>deliver upon its mission and policy</td>
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<tr>
<td></td>
<td></td>
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<td>mandates</td>
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</tbody>
</table>
IV.1 Type’s performance audited

Audits of performance information check the accuracy of non-financial informative reporting entities produced. The evaluation body does not determine an agency or program's economy, productivity, or efficacy, but instead offers an opinion on the veracity of the performance details published upward. This type of performance audit enables a traditional organizational assessment process regularly performed by audited performance information "consumers,” such as budget officials and government decision-makers. As the key task performed is verification of recorded facts, Auditing is the primary analytical method, rather than the test. As such, performance audits do not represent a 'main event' of the performance audit theory. Good practice analyses describe were extraordinarily well a given type of task is done and seek to determine the reasons for rela- tive performance. The object of the assessment is typically a task performed in a large number of organizations, such as hospital radiology, or a generic process; Such as the gaining of information technology. The process of collecting and analyzing data through pre-established assessment criteria is driven by research methods of the social sciences. Presuma- just. These methods are needed to define variables that account for the reasonably positive outcomes — as such methods and procedures. Unlike the central performance audit event, analysis is the principal mode of review involved in best practice studies. The use to which the results of best practice studies are placed depends on the organizational approach of the study body. The UK Audit Commission for England and Wales — well known for these studies — makes its findings available and distributes them. Furthermore the audit preparation feature, following the model of computer bureaucracy, translates its conclusions into standards to be used by line auditors in the auditing of performance and efficacy of the services (locally known as audits of value for money. (Glynn, John J. 1996.) Risk assessments provide reasons for concern to policy-makers and top managers that serious vulnerabilities may result from continued operation of a system along the same lines. More future Risk Assessments. Focused like most forms of performance audits; however, they are qualitative ex post evaluations based on knowledge about programs already in service. This type of performance audit differs from successful system audits in not having to take a stance on the efficacy of a program. The purpose is to recognize precise ways in which an established program may break down in the future and to warn politicians and managers accordingly. (Gray, Andrew, Bill Jenkins, and Bob Segsworth. 1993.)

V. THE PERFORMANCE ASPECTS AUDITORS SHOULD FOCUS ON

The performance aspects that auditors will concentrate on can be described through the pertinence framework. By contrasting the performance characteristics of the public sector – discussed in paragraph tow – with the characteristics of the public sector – discussed in paragraph one – several considerations emerged: Key issues to consider in performance audit. Before defining each function, the various roles performance auditors have in relation to traditional auditors' needs are defined once. And again. The role of performance auditors is to assess not only productivity and efficacy but also the organization-defined programs to achieve the targeted goals (Furubo, 2011). Thus, their thoughts are designed to support performance enhancement. As for Economy, it serves the function of assessing the capacity of the management to determine the best quality / price ratio when acquiring inputs. A minimum appropriate level of quality has to be set. The auditors cannot go below this level, as the quality of the production will fall (Mussari 1997).

Evaluation may be arbitrary and inaccurate in the event it is not. The relationship between the effects or outputs and the effort or inputs usually provides efficiency (Mussari, 1997; Mihaieu et al., 2010) lastly, gaming produces use of resources without actually improving performance (Bevan and Hood, 2005). The mechanisms punishing bad performance and rewarding good performance facilitate manipulation of data phenomena causing a misalignment between what is being measured and the planned real goals (Gajda-Lupke, 2009).

VI. PERFORMANCE MANAGEMENT IN THE PUBLIC SECTOR

As already noted, since the 1980s, a modern emphasis on performance assessment and management in the public sector became a guiding factor in the trend towards "reinventing policy," also known as Modern Public Administration (Osborne and Gaebler, 1992; Leeuw, 2006; Gajda-Lupke, 2009), with the following aims: reduction in public spending, enhancement of the efficiency of public services, (Pollit and Bouckaert, Making government operations more efficient and the policies to be implemented more effective 2004) In the previously formulated framework, performance measurement and management are essential for modernizing the public sector and yield a number of benefits: (i) employees deliver better performance, as defining clear goals helps each employee to understand what the organization wants so that they can focus on the right operations to be carried out (ii) by directing their work towards measured goals; Public administration avoids worthless efforts by employees; (iii) performance information improves learning in and related units;

But ... does Performance Audit make the “difference”?

Performance management and performance audit are closely linked: they are based on the same concepts, i.e. inputs, outputs and outcome, and share the Three Es objectives (Leeuw, 1996; Daujotaite and Macerinskiene,
Public managers are involved in the measurement and performance management. Public performance auditors provide an opinion on the system for measuring and managing performance. At the same time, reinforce a specific performance measurement system. Performance Audit's utility is to strengthen the management control system and provide useful guidelines to achieve best management practices.

Survey results show that auditors may perceive the performance audit as useful, even though it does not result in specific policy or organizational changes (Raudla, Taro, Agu, 2016). The study shows that it leads to political debate when audited organizations pay attention to performance audit and media attention, the adoption of changes recommended by the performance audit report is more likely. Thus Performance Management and Performance Audit are directly and indirectly affected by the benefits and disadvantages of public sector performance measurement. This paragraph will discuss the drawbacks of measuring and auditing the performance of the public sector as they arise from reviewing the Performance Audit international literature (Figure 2).

Although Performance Audit benefits in the public sector – e.g. accountability – relate to it, there are several limits. Since performance in the public sector is measurable, the doubt is whether the performance measurement generated information is valid and sensible. For this reason, public sector performance audit could be erroneous and/or lead to misinformation.

Bouckaert and Balk (1991) conducted an interesting investigation of the effects of wrong performance measurement in the public sector. The authors identified a set of 13 diseases - Pangloss Disease-caused by misconceptions, measurement errors or problems with content, misleading about the performance of the public sector.

In 1995, Smith explained in his paper on the unintended effects of publishing performance data in the public sector the so-called unintended consequences, namely the negative consequences resulting from the use of Public administration Performance audit. First, the tunnel vision: an emphasis on phenomena quantified in the performance measurement scheme at the expense of those aspects that the scheme does not consider. There is a misconception that a single quantified measure is a sufficient proxy for generally effective performance (Leeuw, 1996). Linked to the previous unintended consequence, measure fixation occurs when the measure is relevant, and not the underlying objective.

Another well-known consequence is ossification: paralysis of innovation results from the implementation of inflexible performance measurement systems, which can have negative impacts on human and social capital of the audited. The effects of sub-optimization and misrepresentation may originate from a distorted interpretation of reality. Lastly, gaming produces use of resources without actually improving performance (Bievan and Hood, 2005). The mechanisms punishing bad performance and rewarding good performance facilitate manipulation of data.

Figure 2. The drawbacks of performance audit

Source: Marchi and Bertei (2016).
phenomena causing a misalignment between what is being measured and the planned real goals (Gajda-Lupke, 2009). Van Thiel and Leeuw (2002) also analyzed the possible effects of implementation of the Performance Audit System in the public sector and detected what they called the performance paradox phenomena. A paradox of performance is a faint correlation between performance indicators and performance itself. As already observed in the organizations, the best way to achieve this is through many. Meyer and Gupta (1994) At the general level, the paradox is that coordination and monitoring within organizations are best achieved by means of multiple, uncorrelated and changing performance indicators that make it difficult to know exactly what performance is This phenomenon depends on the discrepancy between the policy goals set by politicians and the executive agents goals (Smith, 1995). Often the policy objectives are non-quantifiable and difficult to measure. In addition, there is a strong emphasis within the organizations on efficiency. Public services are not just about efficiency and efficiency but also justice and fairness. Equity and accountability should be taken into account. And it should take account of the accountability. The paradox is not related to performance itself, but it is due to the performance indicators that are exposed to these phenomena: I positive learning, indicators lose their sensitivity in detecting bad performance when a performance improves; (ii) perverse learning occurs when employees understand what indicator is being measured. In this context The paradox is not related to performance itself, but it is due to the performance indicators that are exposed to these phenomena: I positive learning, indicators lose their sensitivity in detecting bad performance when performance improves; (ii) perverse learning occurs when employees understand what indicator is being measured. In this way, the efforts of the employees will focus on activity. This phenomenon contrasts with the view of those who advocate the NPM. (iii) Selection is based on replacing indicators detecting poor performance with indicators enhancing good performance, and (iv) suppression when the performance differences between what emerges and what was planned are ignored. A paradoxical performance can be involuntary and/or deliberate. The former could be generated by a number of related reasons: few indicators are available, contrasting and vague objectives of public administration make it difficult to achieve Decide which aspects are important, and how difficult it is to turn policy objectives into the right measures. The deliberate paradox of performance is voluntarily elicited by the organizations’ intentions. The authors stated that deliberate performance paradox only happens when there is unintended paradox. The first is anti-innovation: performance audit would result in excessive formal control and procedures that would limit the entrepreneurial spirit and reduce efficiency and effectiveness of the public sector. Performance auditors actually evaluate innovative decisions and methods through traditional models which could lead to opposing findings (Kells, 2011) then nit-picking critique, underlying as Performance Audit may focus on micro matters instead of organization matters. This behavior may be caused by the difficulties of organization matter evaluation. The expectation gap critique refers to the scope and reliability of Performance Audit findings which might be exaggerated, leading to overestimate the level of assurance provided. The lapdog critique occurs when audit independence is lacking for a number of reasons according to their particular institutions arrangements.

VII. CONCLUSIONS

The paper aims to investigate whether public sector performance audit truly contributes to performance management. The answer is searched at this preliminary stage by reviewing the literature on the matter to detect possible gaps and suggest future research. This paper can then offer no conclusions but merely a list of the issues to be investigated. First of all, the Performance Audit analysis has shown that this activity has quite vague boundaries, and more precisely, there is no single, commonly agreed definition of it. As a result, its true significance is not yet known and there are contrasting views on the utility of Performance Audit in the public sector.

They might be overcome regarding the contrasting views. There is, in my opinion, no clash between performance auditing and performance improvement, as they pursue the same objectives. The ostensible conflict is caused by deficiencies in the Performance Audit, which should not be ignored. The number of indicators relating to the performance audit system features is to be extended and developed for all the tasks to be performed. In addition to this, indicators should be changed over time to avoid the positive learning effect. Those appointed to develop the indicators should be given special care: organizations that develop their own could manipulate information according to their interests, thus creating perverse learning effects.

There are two key concepts to be considered in relation to Performance Audit activities: balance and contextualization. The former should be obtained by set indicator number. They do not seem to have an ideal quantity for them but rather depend on the organization being evaluated. The latter relates to public sector features. As already mentioned, performance measurement and evaluation techniques are typical of the private sector, so we should never forget the different goals that the two sectors pursue. The private sector is geared towards profit, the public sector seeks not only economic benefits but also social benefits. Performance indicators should also be set Depending on the quality or content, not all of them should be neutral but should be adapted to the type of sector measured.

This issue then offers different aspects that need to be developed, and many improvements could be achieved. Future research could be aimed, on the one hand, at a systematic review of literature with the aim of defining Performance Audit process for assessing its performance management contribution. Performance audit boundaries –
its definition, nature, and usefulness – and, on the other, at carrying out case studies on public organizations which have implemented.

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