

Performance Auditing in the Libyan Public Sector

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Author's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas.

Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed ..

..... Date *03/03/2011*.....

IN THE NAME OF ALLAH, MOST GRACIOUS, MOST MERCIFUL

DEDICATION

My Parents

For their patience and prayers

My Wife

For her continuous support, patience and love

My Sons

Mohamed and Saif Al-Eslam

Brothers, Sisters and their Families

For their support, encouragement and love

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ABSTRACT

Libya is a developing Arab State with a small population and a large geographic area. After the Al-fatah revolution in 1969, the Libyan economy changed. Most activities such as agriculture, industry, investment, and other associated services were developed. Accordingly, the number of users of financial information in Libya rose steadily and has continued to grow ever since due to economic growth and flourishing business. This situation has led to an increased need for more reliable information to enable the country's authorities to exercise full accountability concerning the efficient and effective use of the available scarce resources on the part of those entrusted with administering public programmes and activities. In a response to this need, PA was required to be conducted by auditors in 1989. Consequently, PA examinations are carried out by two separate institutions, namely the Institute of Financial Auditing (IFA) and the Institute of Investigation and Public Control (IIPC).

Accordingly, a comprehensive description of the nature of PA as practised by the Libyan auditors, assessing the degree to which these practices have been effectively operated and suggesting improvements in these practices, was felt necessary.

A mixed-methodological design was utilized in this study. Close-ended questionnaires and semi-structured interviews are the data collection techniques. The questionnaires were sent to a sample of performance auditors and public sector managers. The interviews were also conducted with a sample of performance auditors and public sector managers.

The findings of this study revealed that the Libyan experience in the field of PA 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 findings, furthermore, showed that PA in the Libyan public sector is "rarely effective" or "ineffective" due to many obstacles that the current system of PA is facing, such as "ambiguity of organizations' objectives", "lack of performance measures", "lack of a sound internal control system", and "shortage of qualified performance auditors and specialized staff from different disciplines to carry out PA investigations". In addition, the findings showed that the PA system in Libya can be improved through the adoption of certain procedures, of which the most important are improving performance auditors' skills and attention being paid to PA by the legislative and administrative officials at higher levels in Libya. Lastly, in the light of these findings recommendations were proposed to overcome the reported deficiencies and to improve PA practices in the Libyan public sector.

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List of Abbreviations

AAO	Australian Audit Office
AICPA	American Institute of Certified Public Accountants
ANAO	Australian National Audit Office
ARABOSAI'S	Arabic Supreme Audit Institutions
ASOSAI	Asian Organization of Supreme Audit Institutions
ASSC	Accounting Standards Steering Committee
BPC	Basic People Congresses
CAG	Commonwealth Auditor-General
CAO	Central Auditing Organization
CIGAC	Central Institute for General Administration Control (CIGAC)
CNAO	Chinese National Audit Office
FCA	Federal Court of Audit
GAAP	Generally Accepted Accounting Principles
GAB	General Audit Bureau
GAO	General Accounting Office
GDP	Gross Domestic Product
GNP	Gross National Product
GPC	General People's Congress
GSPLAJ	Great Socialist People's Libyan Arab Jamahiriya
IFA	Institute of Financial Auditing
IFTC	Institute of Financial and Technical Control
IIPC	Institute of Investigation and Public Control
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Institute of Public Control
IPFU	Institute for Public Follow-Up
JBA	Japanese Board of Audit
LAAA	Libyan Accountants and Auditors Association
NAB	National Audit Bureau
NAO	National Audit Office
OAG	Office of Auditor General
OECD	Organization for Economic Co-operation and Development
PA	Performance Auditing
PAD	Pakistani Audit Department
PAU	Performance Auditing Unit
PPPs	Public Private Partnerships
RCC	Revolutionary Command Council
RRV	Riksrevisionsverket (Swedish National Audit Office)
SAAG	South Australian Auditor-General
SAB	State Accounting Bureau
SAI	Supreme Audit Institution
SAICA	South African Institute of Chartered Accountants
SAIs	Supreme Audit Institutions

VAG	Victorian Auditor-General (State of Victoria, Australia)
VFM	Value For Money
UK	United Kingdom
UN	United Nations
USA	United States of America
3Es	Economy, Efficiency and Effectiveness

Chapter one

Introduction to the research

1.1 Introduction

Before the second half of the twentieth century, the profession of auditing was simple and concentrated mainly on checking the financial correctness and legal propriety of transactions¹ (Yamamoto and Watanabe, 1989). This was the situation when government transactions and activities were limited. However, since many political, economic and administrative developments took place in the second half of the twentieth century, the audit profession has changed (Almohaimeed, 2000). Furthermore, as organizations expanded, and as resources became more scarce, and with the continuing increase in demand for the activities, there came an urgent need to improve the effectiveness and efficiency of government agencies and programmes. Legislative bodies in particular and the public in general became highly interested in the way in which governments spend public funds. In this respect, and due to the fact 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 (Brown, et. al., 1982). They have asked for more sophisticated information which can provide 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 (Dittenhofer, 2001).

¹ This kind of audit is known as financial and compliance auditing.

As a result, performance auditing (PA) or value for money (VFM) auditing, as an advanced auditing system, which incorporating more sophisticated information concerned with programme objectives and achievements, obtained popularity in most Western countries and, increasingly, in developing nations during the second half of the twentieth century (Guthrie and Parker, 1999; Hamburger, 1989; Longdon, 1996; Scott, 1996; Shand and Anand, 1996). In addition, governmental auditors were encouraged to broaden their investigations into efficient use of scarce resources (Dittenhofer, 2001). In these developing 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. Libya is one of the countries which have been influenced by this trend and the scope of government auditing, as practised by the Libyan performance auditors who belong to the Institute of Financial Auditing (IFA) and to the Institute of Investigation and Public Control (IIPC). The activities involved include financial and compliance audit and PA which examines the economy, efficiency and effectiveness aspects of the government's operations and programmes (Ahmad, 2004).

According to this introduction, this study intends to examine PA in the Libyan public sector. Subsequent sections of this chapter cover the following issues: research background, research questions and objectives, research approach and method, research justifications, research importance, research findings, organization of the remaining chapters, and a summary.

1.2 Research background

Prior to the discovery of oil in the 1950s, Libya was a relatively poor developing country. However, oil discovery led to a rapid growth in the economy. As a result, other activities such as agriculture, industry, investment, and other associated services were developed. Accordingly, the number of users of financial information in Libya rose steadily and has continued to grow ever since due to economic growth and business flourish. This situation has led to the development of the accounting discipline and the need for independent auditors' services.

The Declaration of the People's Authority on 2 March 1977 in the city of Sebha following the Al-fatah revolution in 1969 is regarded as the cornerstone of the Libyan political system. The Libyan economy, as mentioned previously, was poor before the discovery of oil in 1959, and it was based on agriculture. Therefore, there was little need and demand for auditing practices due to the nature of the financial and administrative systems within the country. However, after the revolution, the Libyan economy changed and Libya became one of the richest countries in the world (Bait El-mal, 1973). Moreover, since 1969, Libya has changed from capitalism to socialism. In the second half of the twentieth century, particularly in the 1970s, when oil production and revenue rocketed, the situation changed. Substantial developments in various aspects of Libyan society (i.e. social, economic and administrative) took place. The huge increase in oil revenues, which is the only source of revenue for government, provided the Libyan government with ample resources for expanding and improving the functions and services provided to its people. Hence, the government began expanding the public sector and cutting back the private sector. In the 1980s, most activities became owned or controlled by the public (Ahmad, 2004).

Furthermore, in that period, the economy developed rapidly and it witnessed the formation of a wide range of public enterprises (Kilani, 1988). Ahmad (2004) referred to the fact that “the public or state came to dominate all manufacturing activities, foreign and domestic retail trade, and banking and insurance services” (p.142). The accounting and auditing profession in Libya started to be organized when the number and size of accounting firms increased in the 1970s. Law 116 / 1973 was enacted for this reason. In the early 1970s, Libya witnessed the birth of large public companies. In this regard, Kilani (1988) characterized that period as the “golden area” of Libyan public accountants, when they became more careful and thorough in their investigations due to large companies being owned and supervised by the government which they were dealing with. However, although their reports became more informative, they still suffered from short-comings owing to the fact that they were concerned with financial accounts auditing and made no reference to management performance or to the effectiveness and efficiency of the operations of the companies (Kilani, 1988).

In 1989, PA was required to be conducted by auditors according to the decision of the General People’s Congress (GPC) article (10) No. 49. Many changes have occurred in the control system in Libya since 1973 (see Chapter three, Section 3.6). In 2007, the control system in Libya was reorganized, and the Institute of Financial Auditing (IFA) was established by the Law 3/2007 in order to achieve effective financial auditing of all public bodies that the IFA is responsible for; while the IIPC became responsible for administrative and technical control. Furthermore, according to article No. 9 of Law 3 / 2007, the IFA is responsible for performance evaluation of all public bodies. In addition, article No. 51 of Law 2 / 2007 stated that the IIPC must follow-up the performance of public bodies in order

to ensure that its objectives have been achieved in an effective and economic way, and that the employees are doing their job in accordance with legislation (see chapter three for more details). Consequently, PA examinations are carried out by two separate institutions, namely the IFA and the IIPC, which are concerned with the following two areas: public companies and strategic projects; and public institutions and agencies.

1.3 Research questions and objectives

According to the above discussion of the research background, this study seeks to answer the following questions:

1. What is the nature of performance auditing (PA) as practised by auditors in the Libyan public sector?
2. To what extent is the current system of PA in the Libyan public sector effectively operated from the perception of Libyan performance auditors and public sector managers?
3. How can the PA system be improved in the Libyan public sector?

According to these questions, the purpose of this study is three-fold. Firstly, due to the lack of previous studies examining the subject of PA in the Libyan public sector, it is essential to explore the nature of PA as practised by Libyan auditors. Secondly, the study will assess the degree to which the current system of PA in the Libyan public sector has been effectively operated from the perception of Libyan performance auditors and public sector managers. In this regard, special emphasis will be given to the possible obstacles limiting the effective operation of the current system as perceived by the performance auditors. Thirdly, the study will seek to discover how the PA system can be improved. When the

deficiencies of the current system have been determined, the study aims to provide proposals and recommendations to overcome any deficiency.

In particular, the study is aimed to achieve the following specific objectives:

1. To explore the nature of the current state of PA in the Libyan public sector from the perceptions of the research participants (performance auditors and public sector managers), and whether there are significant differences between the perceptions of the two groups. Several issues will be investigated including: the objectives of PA; the audit approach to be adopted; the procedures followed; criteria used in selecting the auditees; sources of obtaining PA information; stages in which PA occurs; the types of audits to be conducted; and the time spent in conducting PA.
2. To explore the perceptions of the research participants regarding the effectiveness of the PA in Libya and whether there are significant differences between the perceptions of the two groups (performance auditors and public sector managers).
3. To discover how the current system of PA in the Libyan public sector can be improved.

The above-mentioned objectives were achieved by using two methods (a mixed-methods approach). The following section provides a brief description of these methods.

1.4 Research approach and methods

This section provides a summary of the research approach and method applied in this thesis. A detailed specification of the method including the rationale for the selection of the research method is provided in chapter four.

In order to achieve the research objectives, a mixed-methodological design was utilized in this study. In a mixed-methodological design study, one finds "mixed methods" presented where the author collects both qualitative and quantitative data (Creswell, 2003). The research plan consists of two stages. The first stage was devoted to a review of the PA literature in the public sector in developed and developing countries. The purpose of this review is to identify important aspects and key issues relating to the subject of PA that need to be explored throughout the study. More specifically, this review provided the theoretical basis to be used as a practical benchmark to develop the questionnaire presented to the research participants during the second stage. In the second stage, both qualitative and quantitative methods (mixed methods) were used. A close-ended questionnaire and semi-structured interviews are the main methods adopted as primary data collection techniques to elicit data from a sample of performance auditors and public sector managers regarding their attitudes and perceptions about the nature and effectiveness of the current system of PA in Libya. A combination of qualitative and quantitative methods was chosen because the interviews tend to provide a more in-depth understanding of the survey responses, thus improving the validity of the study. 310 close-ended questionnaires were distributed for data collection including 110 to performance auditors and 200 to public sector managers. Furthermore, sixteen semi-structured interviews were conducted with performance auditors and public sector managers (eight from each group). The questions were constructed on a five-point rating scale (Likert scale) format, and the Statistical Package for Social Sciences (SPSS) was utilized for data analysis, while a qualitative data analysis package (Nvivo) was utilized for semi-structured interviews analysis. During this research activity, the researcher followed all the University of Gloucestershire's ethics for carrying out his study.

1.5 Research justifications

Most PA literature has focused on developed countries. Despite the fact that an increasing number of state audit institutions in developing countries have adopted PA into their work, and made great attempts in this area in the 1990s (ASOSAI, 1997), PA in these countries has received little attention in the literature. Moreover, this lack of knowledge is not unique to the subject of PA. A lack of comprehensive studies concerning accounting and auditing systems, in general, in developing countries is well acknowledged (Ahmad, 2004).

Consequently, this study is motivated by this lack of research, and considers PA practice in Libya. In spite of the fact that many studies have been undertaken on auditing in Libya, there is a lack of research which examines the nature of PA in the Libyan environment. This gives more support for this study to explore the nature of PA practice in the public sector by Libyan auditors.

1.6 Research importance

As stated above, this study seeks to explore and understand the subject of PA in the Libyan public sector. A number of arguments justify the importance of this study.

1. The importance of PA to the proper functioning of the public sector, where the PA system is capable of rendering substantial benefits to the public sector of countries employing such a system. Theoretically, well-conducted performance audits, as 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; Trodden, 1996; Zavelberg, 1990).

2. Most of the literature on this subject has been written by Western writers with reference to developed countries, while developing countries have received little attention in the literature. The lack of PA research in developing countries may be attributed to the fact that PA only started to be practised in these countries in recent years, although the demand for PA emerged during the 1980s (see Chapter Two, Section 2.4.2). Therefore, this thesis addresses the current state of PA and its effectiveness in the Libyan public sector. It is hoped that an attempt to carry out a research project in PA 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.
3. Drawing the attention of the high authorities, in general, and the IFA, and the IIPC, in particular, in Libya to the importance of the PA system, and to its shortcomings, and ways to overcome them.
4. A final point as to the importance of this study is the potential contributions that this study can make, such as the promotion of a better understanding of PA in the public sector in general, and in Libya in particular; and the expected benefits to be gained by state audit institutions both locally and internationally.

1.7 Research findings

The research findings concerned two main themes: the nature of PA in the Libyan public sector and the effectiveness of PA in the Libyan public sector. In terms of the former, several issues were investigated, including the objectives, approaches and processes of PA;

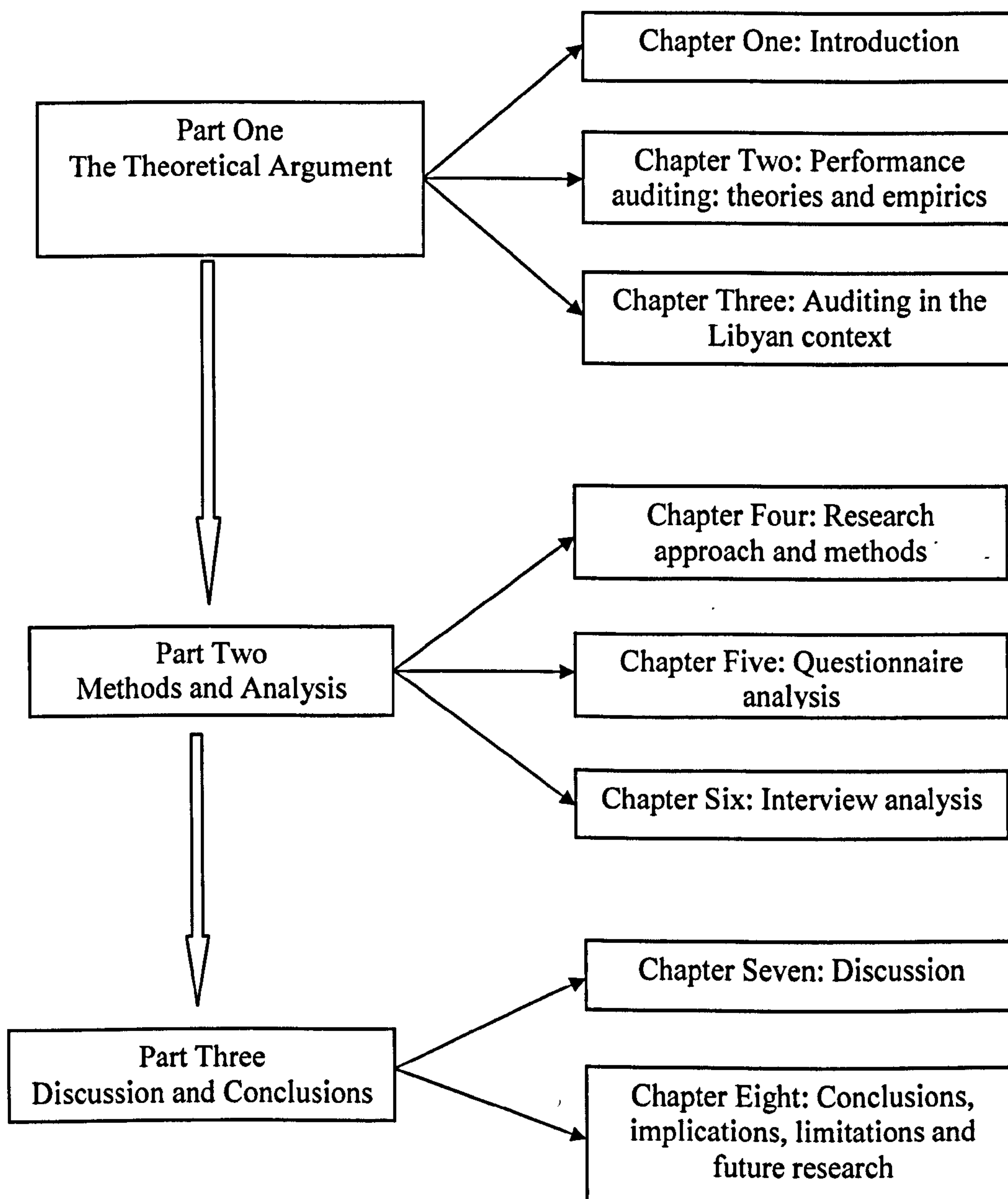
the criteria used in selecting the auditee; the auditors' main sources of information; the stages in which PA occurs; the type of audit with which PA is primarily concerned; and time spent in carrying out PA. The findings revealed that the Libyan experience in the field of PA shares, in various instances, a common base with what has been identified in the literature or reported in the practices of other state audit institutions. In terms of the latter, several issues were investigated, including achievement of objectives of PA in the Libyan public sector; obstacles which limit the effectiveness of the current system of PA; financial and staff resources for conducting PA investigations; the composition of a PA team; PA reports; implementation of PA recommendations; relationship between performance auditors and public sector managers; PA feedback; and overall impression of the effectiveness of PA in the Libyan public sector. The findings showed that PA in the Libyan public sector is "rarely effective" or "ineffective" due to many obstacles that the current system of PA is facing, such as "ambiguity of organizations' objectives", "lack of performance measures", "lack of a sound internal control system", and "shortage of qualified performance auditors and specialized staff from different disciplines to carry out PA investigations".

In addition, the findings showed that the PA system in Libya can be improved through the adoption of certain procedures, of which the most important are improving performance auditors' skills and attention being paid to PA by the legislative and administrative officials at higher levels in Libya. Lastly, in the light of these findings, recommendations were proposed to overcome the reported deficiencies and to improve PA practices in the Libyan public sector.

1.8 Organization of the remaining chapters

This thesis is divided into three parts; comprising eight chapters including this introduction (see Figure 1.1). The remainder of this thesis is structured as follows:

Figure (1.1) organization of the study



Chapter 2: Performance auditing: theories and empirics

This chapter provides a review of previous literature regarding PA issues relevant to the study. It deals with the definition, nature, objectives, approaches, procedures and problems of PA. In addition, it reviews the previous studies that are relevant to PA in developed and developing countries to understand what other researchers have found, and then to determine if there is any gap in these related studies.

Chapter 3: Auditing in the Libyan context

The purpose of this chapter is to study the auditing profession in Libya in order to gain a better understanding of PA practice, and to build up a sound basis for the later discussion in Chapters Five and Six which deal with the nature and the effectiveness of PA practices in Libya. The first section of this chapter gives a brief review of Libya in terms of location, population, climate, and the country's history. Other sections discuss Libya as a developing country, the Libyan public sector, the auditing profession in Libya, and history of auditing in the Libyan public sector.

Chapter 4: Research approach and methods

The chapter describes the method adopted by the researcher in conducting the study, namely the questionnaire approach and the interview approach. Data analysis techniques, reliability, validity, and research ethics are also discussed in this part of the thesis.

Chapter 5: Questionnaire analysis

This chapter presents the analysis of the data collected by the questionnaire. Questionnaire results related to the nature and the effectiveness of PA in the Libyan public sector are presented with discussion in the light of relevant academic and professional literature.

Chapter 6: Interview analysis

This chapter presents the analysis of the data collected by semi-structured interviews. The analysis and discussion of the interviews provide more in-depth understanding contributing to the information gained from the questionnaire regarding the perception and the attitude of the Libyan auditors and public sector managers to the nature and the effectiveness of PA in the Libyan public sector. Furthermore, semi-structured interviews were used to fulfill the third objective of this research, namely to explore how the PA system can be improved in the Libyan public sector.

Chapter 7: Discussion

This chapter presents the discussion of the results of the questionnaire analysis (Chapter Five) and interview analysis (Chapter Six), and links them with the research objectives (Chapter One) and relevant literature and theories (Chapter Two).

Chapter 8: Conclusions, implications, limitations and future research

This chapter presents a summary of the previous chapters, introduces the implications and recommendations of the research, addresses the limitations of this research and offers some suggestions for future research.

1.9 Summary

PA in the public sector has received a great deal of attention in different countries, especially in developed countries since the second half of the twentieth century. This study explores the PA system in the Libyan public sector, which was introduced to the public sector in 1989. This introductory chapter has provided the basis for the thesis and given a brief introduction to the research background. In this regard, this chapter has presented a

general background to the research issue in terms of its objectives, approach and method, and importance, as well as its structure. Based on the organization of the study, the next chapter reviews various aspects relating to the nature and effectiveness of PA, such as its definition, nature, objectives, approaches, procedures, and the main problems influencing the effectiveness of PA in the public sector.

Chapter two

Performance auditing: theories and empirics.

2.1 Introduction

The foremost concern of this study is the PA system implemented in the Libyan public sector. PA as advanced auditing system obtained popularity in most Western countries and, increasingly, in developing nations during the second half of the twentieth century (Guthrie and Parker, 1999; Hamburger, 1989; Longdon, 1996). The PA system as contestable subject has been widely debated (Guthrie, 1987; Shand and Anand, 1996; Hatherly and Parker, 1988; Elliott, 2002; Johnsen, Meklin, Oulasvirta and Vakkuri, 2001). The discussion initiates with its definition and embodies many other related issues e.g. the objectives, nature, principles and standards, and procedures and methodologies of PA as well as technical and environmental obstacles limiting the effective operation of this concept (Desautels, 2000; Bucharest, 2003, Larsson, 2004).

This chapter provides a review of the existing literature related to the subject of PA. The purpose of reviewing the literature on PA is twofold: firstly, to provide general background information about public sector auditing, and particularly about PA and secondly, to identify some important aspects and key issues concerning the subject of PA that need to be explored throughout the study. More specifically, this review will provide the theoretical basis that can be used as a practical benchmark to develop the questionnaire that will be presented to the research participants.

Accordingly, this chapter covers the general nature of public sector auditing including the definition, nature, objectives, approaches and procedures of PA; problems which face the PA system; PA in developing and developed countries; review of existing studies; and the chapter summary.

2.2 Performance auditing: nature and aspects

2.2.1 General nature of public sector auditing

This section aims to provide a general description of public sector auditing in order to gain a fully understanding about this field, and to know where PA is situated within the general framework of government auditing. Government auditing is a function primarily concerned with financial operations and whether governmental organizations act economically and efficiently and comply with laws and regulations (Flesher and Zarzeski, 2002).

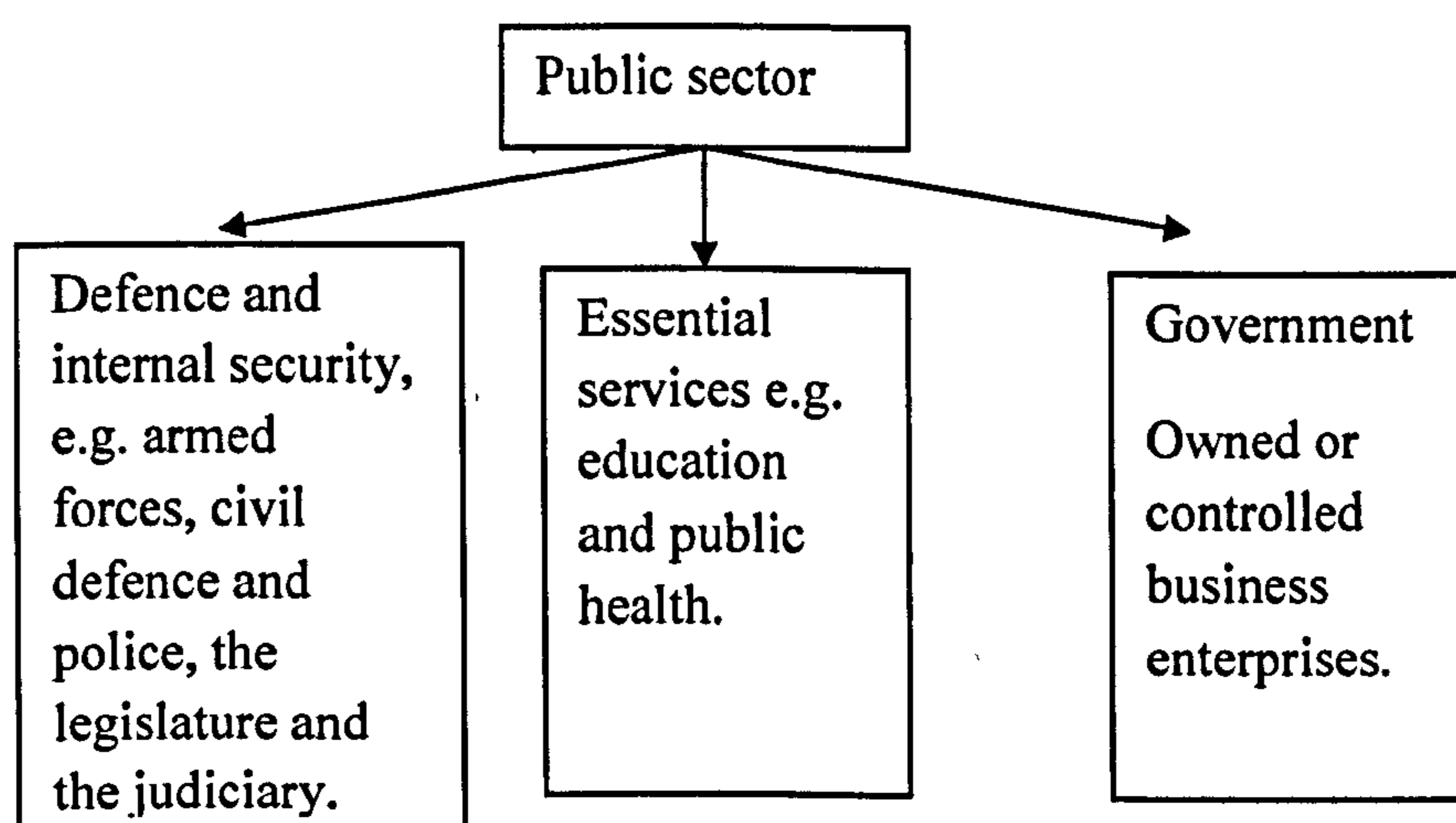
Yamamoto and Watanabe (1989) stated that the focus of government auditing, since the past two decades, has shifted from financial auditing, whose objective is to audit financial statements, to comprehensive auditing including PA which aims for economy, efficiency and effectiveness auditing.

Government auditing contains all auditing activities carried out by government audit agencies and all audits of government (Flesher and Zarzeski, 2002). In the USA, for instance, government audit agencies include the General Accounting Office (GAO), the Defence Contact Audit Agency and State Audit Agencies, whereas the main government audit agencies in the UK are the National Auditing Office (NAO), and the Audit

Commission Reference⁽³⁾. In Libya, both the Institute of Inspection and Public Control (IIPC) and the Institute of Financial Auditing (IFA) are responsible for the audit of government organizations.

The public sector is defined as all government departments and agencies, as well as the organizations and activities which are controlled by the government (Hong, 1991). Accordingly, the public sector is classified into three categories, as shown in Figure (2.1).

Figure (2.1) public sector categories



Source: Hong (1991)

Consequently, all these categories of public sector are audited by government auditors or independent public accountants. In Libya, State Auditors who are members of the IIPC and the IFA, and external auditors who are members of Libyan Accountants and Auditors Association are entrusted with auditing the public sector organizations.

² See OECD (1996) for more details.

Traditionally, financial auditing and compliance auditing were the main types of audits of government auditing. The former was concerned with investigating past economic activities, while the latter was concerned with past adherence to established requirements (GAO, 1994). These two types of government auditing were important parts of the accountability process in government organizations since they provided independent views concerning whether an organization's financial statements fairly presented the results of its financial transactions, and whether the organizations had complied with the significant laws and regulations applicable to its activities (GAO, 1994).

However, according to government auditing, the concept of public accountability is mainly dedicated to certifying the honesty and impartiality of government officials. The traditional audit does not uncover extravagance, waste, and inefficiency, or evaluate the effectiveness of the organizations programmes. The role of government became increasingly important in the last three decades of the twentieth century due to scarce public resources. In response, governments generated huge pressures for greater accountability, efficiency and performance in public sector (Tomkins, 1982).

To sum up, the scope of government auditing has expanded as a result of the need for sophisticated information about, and full accountability of public sector activities and programmes. Government auditing has moved, since the second half of the twentieth century, from financial and compliance auditing (traditional auditing) to performance auditing. In the former, public officials, legislators and the public in general needed such auditing to know whether government managers handled the money appropriately and in compliance with the laws and regulations. In the latter, however, they need this auditing to

know whether government organizations have reached their intended goals (effectiveness audits) and whether these organizations are operating economically and efficiently.

However, this situation within the public sector led government auditors to develop their role into covering the sophisticated aspects of economy, efficiency and effectiveness of public organizations, all of which have been referred to as “performance auditing”.

2.2.2 Performance auditing definition

Defining performance auditing (PA) is not easy (OECD, 1996). A clear definition for this term has not been offered by the academic and professional literature (Shand and Anand, 1996). Different meanings of PA to different people have been found since PA, as a generic activity, has covered a broad range of activities (Grimwood and Tomkins, 1986).

Published audit literature has argued different concepts which pursue the same objectives of PA, such as value for money auditing, operational auditing and management auditing (Hatherly and Parker, 1988; Kandasamy, 2003). All these concepts have been generally defined with reference to the 3Es: economy, efficiency and effectiveness (Kandasamy, 2003). Furthermore, these concepts are used in different countries (Funnell, 2004). In the auditing literature, the overlap of these terms has been well recognized (e.g. Flesher, 1977; Boys, 1984; Hatherly and Parker, 1988; Hong, 1991; Guthrie and Parker, 1999; Funnell, 2004). Funnell (2004), for example, stated that the value for money auditing, PA, efficiency auditing and management auditing are terms which are used in different countries to refer to operational auditing.

Accordingly, the term “performance auditing” has been selected for use throughout this thesis and to be the title for this study because this term, in the auditing literature, has been particularly widely used in comparison to other terms. Academics and audit institutions have given more concern to PA than other terms (Kent, Sheres and Turley, 1985). Moreover, the use of the PA term has been supported by some international organizations, such as the International Organization of Supreme Audit Institutions (INTOSAI), the Asian Organization of Supreme Audit Institutions (ASOSAI), and the Organization for Economic Co-operation and Development (OECD) (INTOSAI, 1977; Barzelay, 1996; ASOSAI, 1997). The INTOSAI, for instance, adopted PA in 1986 as the most appropriate common term to examine the economy, efficiency and effectiveness of transactions (Hatherly and Parker, 1988). In addition, on the basis of the above discussion, PA cannot be attributed to any particular country, whereas, on the other hand, other terms have been utilized by many audit institutions in certain developed countries e.g. VFM auditing in the UK, Effectiveness Audit in Sweden and Comprehensive Auditing in Canada (Pollit et al., 1999; Burrowes and Persson, 2000).

As mentioned above, there is no universally accepted definition of PA (Kandasamy, 2003). The Canadian Comprehensive Auditing Foundation defines PA as a comprehensive audit which is “an examination that provides an objective and constructive assessment of the extent to which: (a) Financial, human and physical resource are managed with due regard to economy, efficiency and effectiveness; and (b) Accountability relationships are served” (Kandasamy, 2003, p.1). The INTOSAI auditing standards define PA as “an audit of the economy, efficiency and effectiveness with which the audit entity uses its resources in carrying out its responsibilities” (Bucharest, 2003, p.11).

The United States General Accounting Office Auditing Standard defines PA as:

an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, 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 (GAO, 1994, p. 14).

PA, also, was defined by the Auditor of State's Office as "a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits", (Auditor of State, 1996, as cited in Radeluffe, 2008, p 108).

According to the above definitions, there are some differences in the definition of PA. However, it is clear that the core of PA is the framework of economy, efficiency and effectiveness. Moreover, the definition of PA by the GAO seems to be the most comprehensive one. In summary, the three key elements of PA are: economy, efficiency and effectiveness. Each of these elements is discussed widely in the next section.

2.2.3 Nature of performance auditing

According to Power (1997, as cited in Elliott, 2002) PA and its equivalents (e.g. operational auditing, VFM auditing) evaluated performance of government organizations by using

three types of criteria which were called “The Three Es” Economy, Efficiency and Effectiveness. In the UK, for instance, the Local Government Finance Act of 1982 states that the municipality auditors should make proper arrangements for the entity whose accounts are being audited to secure economy, efficiency and effectiveness in using its resources (Butt, 1987). In the case of New Zealand, in the late 1970s, PA was developed as a response to government calls for economy, efficiency and effectiveness in departments and a public call for mechanisms of accountability (Jacobs, 1998). PA, therefore, needs an independent assessment of whether 3Es have been conducted by the organizations concerned (Hossain, 2000). According to Leclerc et al. (1996), the economy concept has been defined by the office of the Auditor General of Canada, in its comprehensive auditing manual as:

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).

According to the above definition of the economy concept, unwanted results might be obtained, in the case of a lack of economy in acquiring resources. Smith (1990) indicated that performance indicators which may include factors such as unit-input cost and a comparison of actual input are required for economy audits to plan levels of input. An economy audit of hospital buildings, for instance, would examine the contract and control procedures of this project in order to decide the extent to which the buildings had been constructed according to specifications; time schedule and at the lowest achievable cost or within approved cost limits (NAO, 1991).

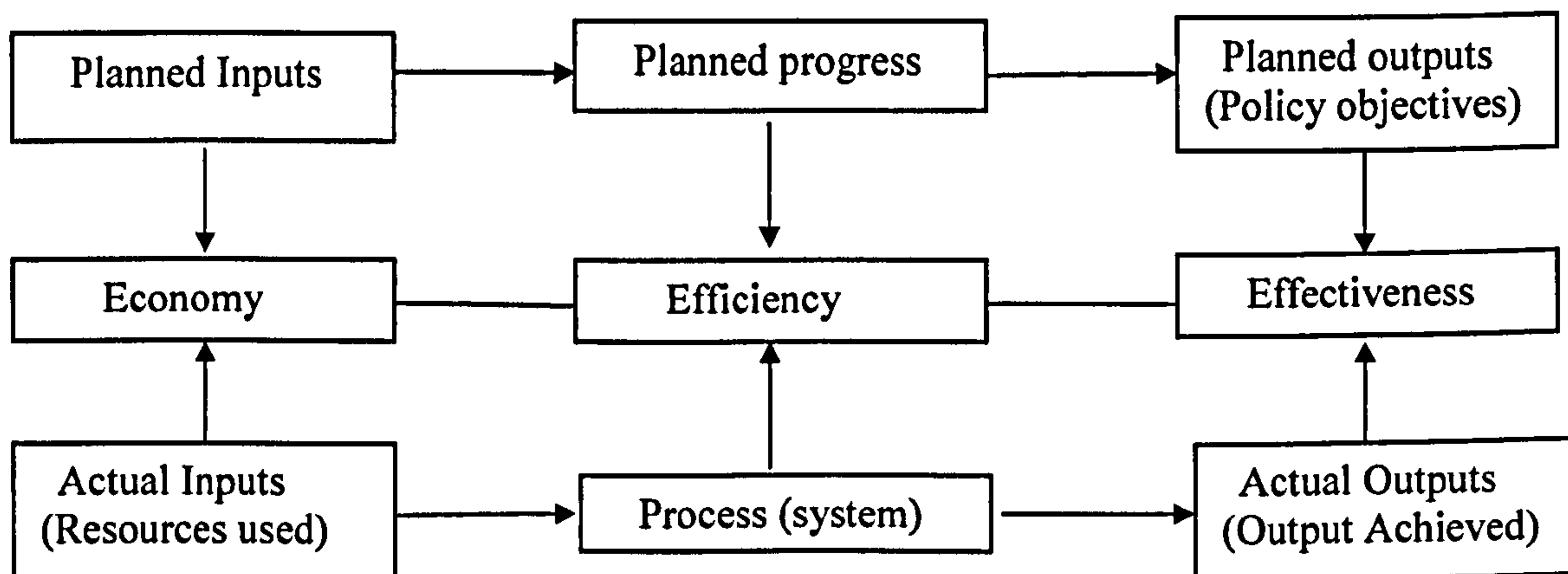
Efficiency as defined by the office of the Auditor General of Canada (as cited in Leclerc, et al., 1996), is concerned with “[T]he relationship between the quantity and quality of the goods and services produced (output) and the cost of resources used to produce them at a required service level to achieve program results” (p.119). According to the UK National Audit Office, the entity might obtain efficient operations either by minimizing inputs used to produce a given quantity and quality of output, or by maximizing the quantity of output of a given quality for any given resource inputs (NAO, 1991). Efficiency can be measured by dividing obtained results (actual output) by used resources (actual input). According to this formula, if the result is equal or higher than 1, the situation is favourable (Jones and Pendlebury, 1996; Bucharest, 2003). Performance indicators of efficiency might contain, inter alia, measures of productivity or unit cost. In the case of hospitals, for example, an efficiency audit might include investigating the usage of hospital wards, equipment and beds; medical and administrative staff allocations and mix; and management and resources allocation systems (NAO, 1991).

The third element of PA is effectiveness. Effectiveness is concerned with the relationship between objectives or goals, outputs and impacts (Larsson, 2004). In other words, it is concerned with achieving predetermined objectives (specific planned achievements) and with the actual impact (the output achieved) compared with the intended impact (the objectives) (Jones and Pendlebury, 1996; Leclerc et al., 1996; Hossain, 2000). Hatherly and Parker (1988) stated that effectiveness is considered an ends-oriented rather than a means-oriented concept. Effectiveness might be assessed by comparing outcomes with the goals set down in the policy objectives (Larsson, 2004). It is measured by dividing results obtained by results intended (Bucharest, 2003). In a hospital context, for instance, an

effectiveness audit might include the investigation of achieved results in terms of reductions in patient waiting lists, increases in operations performed, improved diagnostic and treatment rates, etc (NAO, 1991).

In summary, the three key elements of PA are: economy, efficiency and effectiveness. Economy means minimizing the cost resources used for an activity, having regard to quality (spending economically, whilst maintaining quality). Efficiency means ensuring that maximum output of goods and services has been gained from the resources used in their production (spending well). Effectiveness means ensuring that the desired results, objectives, targets or policies have been successfully achieved (spending wisely) (Hossain, 2000; English et al. 2010). Figure (2.2) illustrates the interactions between the 3Es.

Figure (2.2) Economy, Efficiency and Effectiveness



Source: Hossain (2000)

The figure above illustrates the interactions between the PA criteria (the 3Es): input-based review (economy) which is comprised largely of cost analyses and comparisons; system-

based review (efficiency) which covers a review of pricing policies, staffing levels, staff duties, organization, and procedures; and output-based review (effectiveness) which involves a review of policy objectives, the activities required to achieve the objectives, and the use of output or performance indicators to measure the effectiveness of policies.

2.2.4 Performance auditing objectives

Many factors might affect the policy of an audit institution concerning its auditing of efficiency and effectiveness of public sector activities and programmes. For example, the objectives of PA investigation not only vary with the scope of the audit but also depend on the statutory rights and duties of the auditors involved. Sloan (1996) stated that the main objectives of PA in Parliamentary systems are providing advice to Parliament on the workings of the executives, and helping them to improve value for money. Burrowes and Persson (2000) stated that one of the responsibilities of the NAO, which established in 1983 in the UK, is to provide information and assurance to Parliament on central government spending in England, Scotland and Wales. Parliament in the 1997/98 fiscal year received fifty VFM reports. This dealt with the economy, efficiency and effectiveness of public expenditure.

PA can serve the public sector by one or more of the following related objectives (Bucharest, 2003). Firstly, PA has been considered as an element for strengthening accountability relationships in the public sector. Government systems cannot be found working properly without rigorous public accountability. In this regard, government bodies can enforce responsibility for performance onto managers of public organizations in order

to create public accountability. Glynn and Murphy (1996) indicated that political accountability to the public at large has long been seen as key essential component for the proper functioning of a democratic political system such as operates in the UK. Sonntag (2007), who is a Washington State Auditor, states that the purpose of performance audits, which is conducted by the State Auditor's Office in state and local government entities, is to promote accountability and cost-effectiveness of public resources.

In the public sector, however, public accountability can be assured by exercising an external audit of government activities. Audit institutions have considerable access to information regarding government activities that permits them to report the conclusions of their assessment governing body about the fairness of management representations on performance. Moreover, many commentators and audit institutions have admitted the impact of government auditing, in general, and PA, in particular, on the accountability issue in the public sector (e.g. Barzelay, 1996; GAO, 1994; McCandless, 1993; Parker and Guthrie, 1993, NAO, 1997; Zavelberg, 1990).

However, PA is not an aspect of accountability, and not a substitute for it (OECD, 1996). Glynn and Murphy (1996) stated that, in recent years, auditing processes, in the case of managerial accountability, involve "an evaluation of the economy, efficiency and effectiveness of resource deployment in pursuance of programme objectives" (p. 127).

Improving and promoting the performance of public sector organizations are the two objectives which have been argued in the auditing literature (Barzelay, 1996; Trodden,

1996; Hatherly and Parker, 1988; Hossain, 2000; Bucharest, 2003; SAICA, 2006). These two objectives seem to be similar since performance improvement is mainly concerned with conducting desired changes in efficiency and effectiveness within public sector organizations.

The contribution of PA in improving the performance of public sector organizations has been well recognized. Performance improvement has been given high priority by audit bodies such as the Office of the Inspector-General of the US Department of Veterans Affairs and the Swedish National Audit Office (Sandberg and Larsson, 1996; Trodden, 1996). As a result, the audit bodies consider their role towards management's efforts as supporting to achieve performance improvement (Barzelay, 1996) and as aiding organizations managers to recognize why some activities are more productive than others (Trodden, 1996). Furthermore, Barzelay (1996) stated that PA is an implement to accomplish the performance improvement which is considered by audit executives as a substantively valuable goal of public organizations and programmes.

Moreover, the South African Institute of Chartered Accountants (SAICA, 2006), also stated that bring the attention of management to improve its management measures is one of PA objective. In addition, corrective recommendations, which could help to stimulate improvements in public sector operations and obtain better value for money, should be provided by performance auditors after identifying major deficiencies in the audited programme or activity and after assessing the consequences and causes of such shortcomings (Scott, 1996).

Improving performance within the public sector could be conducted by adopting a prospective orientation to PA (Barzelay, 1996; Trodden, 1996). In this regard, Zavelberg (1996) suggest that the overseers believe that, at least in Germany and the US, the goal of PA is served by adopting a prospective orientation to PA.

The auditing literature, as mentioned above, has given a great attention to the promotion of the economy, efficiency and effectiveness of government organizations, programmers or activities which is considered as a vital objective of PA. In this respect, Longdon (1996) also indicated that the Code of Practice of the Audit commission of England and Wales requires auditors to give their opinions on the entity's accounts and to ensure that the management arrangements of the entity for securing economy, efficiency and effectiveness if the use of its resources are appropriate.

In short, the targets of performance auditors are: ensuring that government organizations are audited in an economic, efficient, and effective way and specifying any fault associated with the economy, efficiency and effectiveness of these organizations and then recommending practical solutions.

Another objective of PA is to improve the quality of services provided by public sector organizations (Sloan, 1996). Boisclair (2008) maintained that VFM auditing leads to an improvement in the quality of public services when elected officials exercise their control over the government. The NAO (1998) stated that in the past three years, fifteen reports have been conducted and all of them mentioned the quality of service issues. Furthermore,

the Audit Commission (1997) indicated that PA plays a significant role in improving quality of services and management.

Bowerman (1996) mentioned that the quality of public services can be affected by the quality approach in two ways. First, customer perceptions about the services that they receive might be examined in order to evaluate successful performance. Second, the quality of services would be affected through the involvement of auditors in the verification of information provided on quality assurance. In this regard, the Audit Commission, for example, in its role in quality assurance in health care, proposed a variety of approaches can be used for assessing quality, including the prioritizing of the patient perspective and developing tools, such as questionnaires and analysis software for use by NHS practitioners (Bowerman, 1996).

Controlling performance is another objective of PA. Morin (2003) stated that PA is an important tool to control performance. Furthermore, according to Barzelay (1996, as cited in Morin, 2003) in democratic management of public affairs, controlling performance is a fundamental issue.

Another objective of PA systems is the emphasis given by these systems to the need for well-established, attainable objectives for public organizations, programmes and activities and the help provided by audit institutions to public entities for developing the organizational objectives, performance measures and criteria needed for measuring performance against established objectives (INTOSAL, 1992; PricewaterhouseCoopers,

1990; Trodden, 1996). In practice, the need for performance measurement and information systems in public organizations has been recommended by certain audit institutions such as the US GAO and the Office of the Auditor General (OAG) of Canada (Shand and Anand, 1996).

In addition, PA 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). Furthermore, Hossian (2000) stated that providing independent information about the economy, efficiency and effectiveness of revenue, expenditure and the management of resources to Parliament is one of the main objectives of PA. Zavelberg (1990), moreover, indicated that PA might contribute to the improvement of information reporting in the public sector, both in quantity and quality, 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.

On the other hand, the audit literature discussed some opposing arguments related to PA and the enhancement of accountability, efficiency, effectiveness and performance in the public sector. It has indicated that the earlier mentioned objectives of PA might fall in tension. For instance, a conflict may arise between the goals of performance accountability and performance improvement (Barzelay, 1996). In this respect, Morin (2003) mentioned that if audit institutions, in their role of helping audited bodies, concentrate on improving their performance, it might easily conflict with the maintenance of full and transparent

accountability to elected representatives and wider public. Shand and Anand (1996) indicated that auditors prefer areas or topics containing something wrong to examine and then provide reports to advance public accountability which may impact negatively on performance improvement by encouraging managers to adopt a risk adverse approach.

According to the above discussion, it can be concluded that achievement of PA leads to the promotion and improvement of the economy, efficiency and effectiveness of government organizations, enhancing performance accountability and controlling performance. On the other hand, PA is not likely to be a salve for all public sector problems. Figure (2.3) illustrates clearly the objectives of PA.

2.2.5 Performance auditing approaches

To achieve the objectives of PA, different approaches have been practiced by state audit institutions. According to Glynn's study in the early 1980s, which examined the developments of PA in the national audit offices in six countries, namely, the UK, the USA, Canada, New Zealand, Sweden and Australia, there were no standard approaches able to cover all aspects of PA (cited in Johnsen, Meklin, Oulasvirta and Vakkuri, 2000).

Generally speaking, a performance auditor, before undertaking his investigation, should take into account the large size of public sector organization, programmes and the amount of resources that each PA usually requires. He should also consider whether the scope of PA will include all activities, operations, systems and procedures of the entity. Such a broad investigation would be expensive, difficult to control and of doubtful cost-

effectiveness. Consequently, the state audit institutions must choose their areas of examination with great care.

Figure (2.3) performance auditing objectives



In order to decide upon the type of performance investigation, state auditors have used one or more audit approaches based on the particular circumstances of each audit operation. For example, the Supreme Audit Institution (SAI) of Bangladesh in its publication 'Performance Audit Manual' divided performance audit examinations into four broad categories (Hossian, 2000):

1. An investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented.
2. Major broad-based examinations which may include detailed investigation into one aspect of the institution's work.
3. Basic examination of management actions, which will cover common procedures, systems, or to identify good practices.
4. Small-scale investigations aimed at producing improvements in VFM, enhancing systems and encouraging cost-consciousness.

Furthermore, Tomkins (1980) mentioned that a top-down approach has been favoured by the US GAO in PA investigations. The top-down approach encompasses the review of both the structures and processes of an effective measurement system (Glynn, 1985). Larsson (2004) indicated that a top-down perspective is an overall owner perspective on which PA is normally based. This approach, according to Glynn, begins with a preliminary examination of information systems of the audited department. If the trends and weaknesses are found in these systems, the auditor is expected to undertake an in-depth investigation of the irregularities in order to identify their sources. Moreover, Larsson (2004) referred also to a bottom-up perspective which might be used as an interpretation of

the audit mission in order to meet citizens' interest. This perspective focuses on problems of real significance to the people and the community.

In addition, the Romanian Court of Accounts in its publication 'Performance Auditing Guide (Bucharest, 2003) and the INTOSAI Auditing Standards Committee in its publication 'Implementation Guidelines for Performance Auditing (Larsson, 2004) stated that there are two approaches of PA, namely, the result-oriented approach and the problem-oriented approach. The former deals mainly with the performance resulted, the results obtained, the fulfillment of criteria and the observance of requirements. In other words, the resulted performance (in the context of economy, efficiency and effectiveness) is compared with the auditors' observations to the given norms (goals, objectives, regulations, standards, etc.) and the audit criteria that are defined before the main study begins. On the other hand, the latter approach deals primarily with problem verification, identification and analysis, without reference to pre-defined audit criteria. In other words, indication of shortcomings and problems is the starting point in this approach.

Bourn (2007) identified four approaches that performance auditors might use to analyze public programmes. These approaches are: the experimentalist approach, the eclectic approach, the descriptive approach, and cost-benefit analysis. According to the first approach, the auditor seeks to establish linkages between cause and effect; while in the second approach, the auditor seeks to augment causal link analysis with much more contextual data and evidence. With regard to the third approach, the auditor is primarily looking at value for money from the perspective of beneficiaries of a service or those

delivering it. As with the last approach, the auditor estimates the cost and expected benefits from the outcomes of an activity.

Overall, the audit team should identify at an early stage of any approach, whether an audit will be cost-effective or whether the approach needs to be modified in order to revise or cancel it before significant costs are incurred. Figure (2.4) illustrates the basic PA approach (Desautels, 2000).

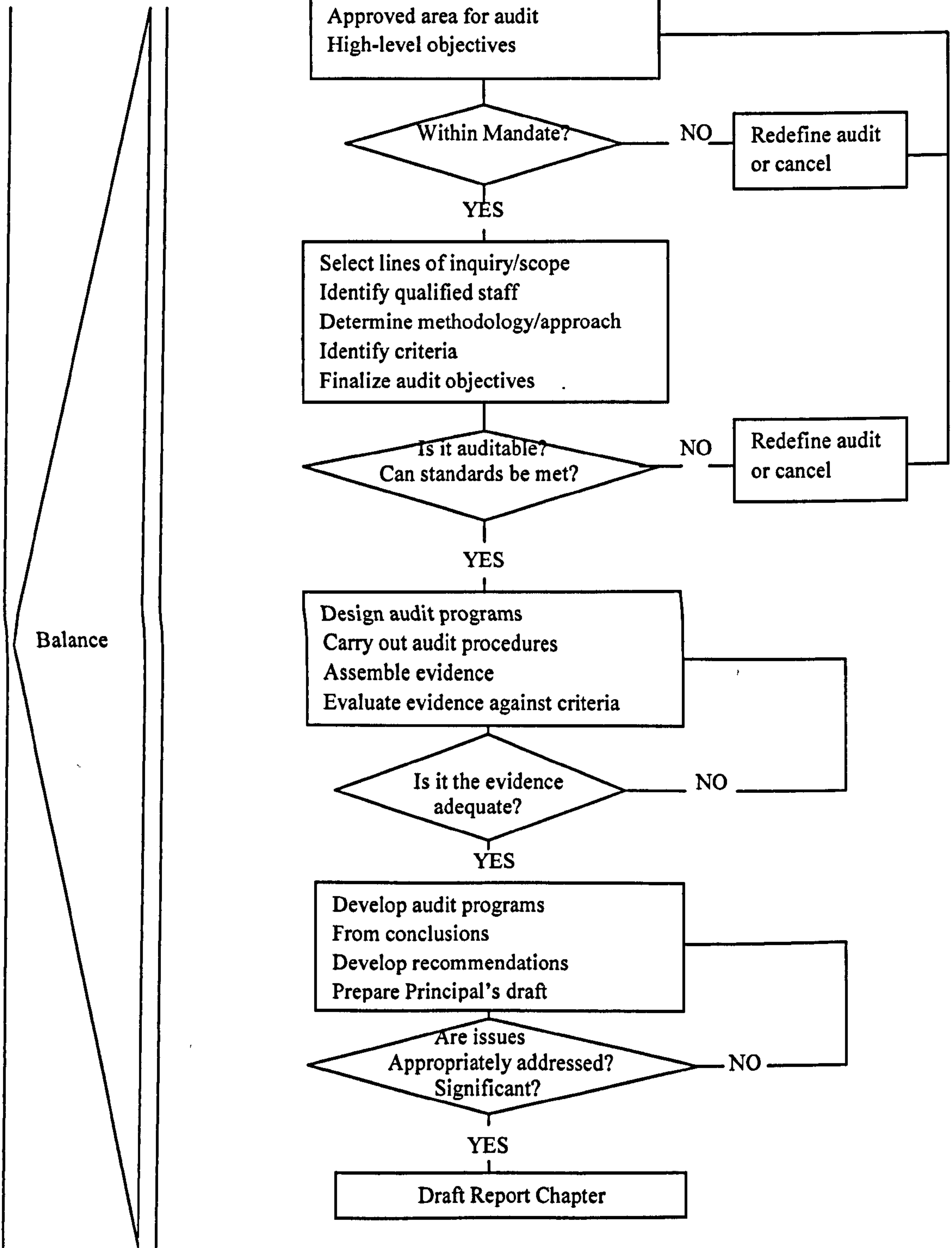
However, based on the above discussion, there is no exhaustive approach to PA. Different approaches might be selected for different projects. Hence, the auditor, in his decision to choose an approach for a specific audit project, should consider various factors, such as the nature of the audited entity or programme, the number of the allocated auditors, the auditors' competence and the auditors' available resources.

2.2.6 Performance auditing procedures

As stated in the above section, there is no standard approach that can be used for PA. Hence, there are no specific audit procedures to be followed in PA investigations. Instead, each situation requires specific audit procedures to be followed, and these procedures should be tailored carefully to meet the purpose of audit examination (Pollitt, Girre, Lonsdale, Mul, Summa and Waerness, 1999). Larsson (2004) stated that, according to auditing standards of the INTOSAI “the auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner” (p. 47).

Figure (2.4) Basic performance audit approach

Significance Interest
to Parliament



Source: Desautels (2000)

In practice, PricewaterhouseCoopers from its experience in a variety of authorities has identified ten key factors in conducting successful PA (Butt, 1985).

1. Clear terms of reference understood by officers, auditors, and staff members.
2. Careful selection of a subject.
3. Good lines of communication between the auditor, officers and politicians.
4. Consultation with staff involved in activities under review.
5. Formal progress meeting with officers and preferably also with politicians to keep them informed of conclusions and findings as they are developed.
6. The use of experienced consultants. Staff working on value for money audits needs to be matured, experienced and understanding the local government culture.
7. Political awareness.
8. Officer commitment.
9. There should be a formal procedure to follow up the results of a review to ensure that positive action is taken to implement improvements within a reasonable time scale. Otherwise no real benefit will be gained from the work.
10. Finally, the key element in the whole jigsaw is political commitment. Elected politicians must understand the purposes of value for money audit and be determined themselves to achieve improvements. Without this commitment everything else is likely to be wasted and value for money audit reports will just gather dust.

Furthermore, according to 'the Performance Audit Manual' of SAI of Bangladesh, the major phases in each PA process are planning, examination and reporting (Hossian, 2000). According to Bourn (2007), the NAO in its publication "Value for money handbook" referred to three important phases for securing effective PA:

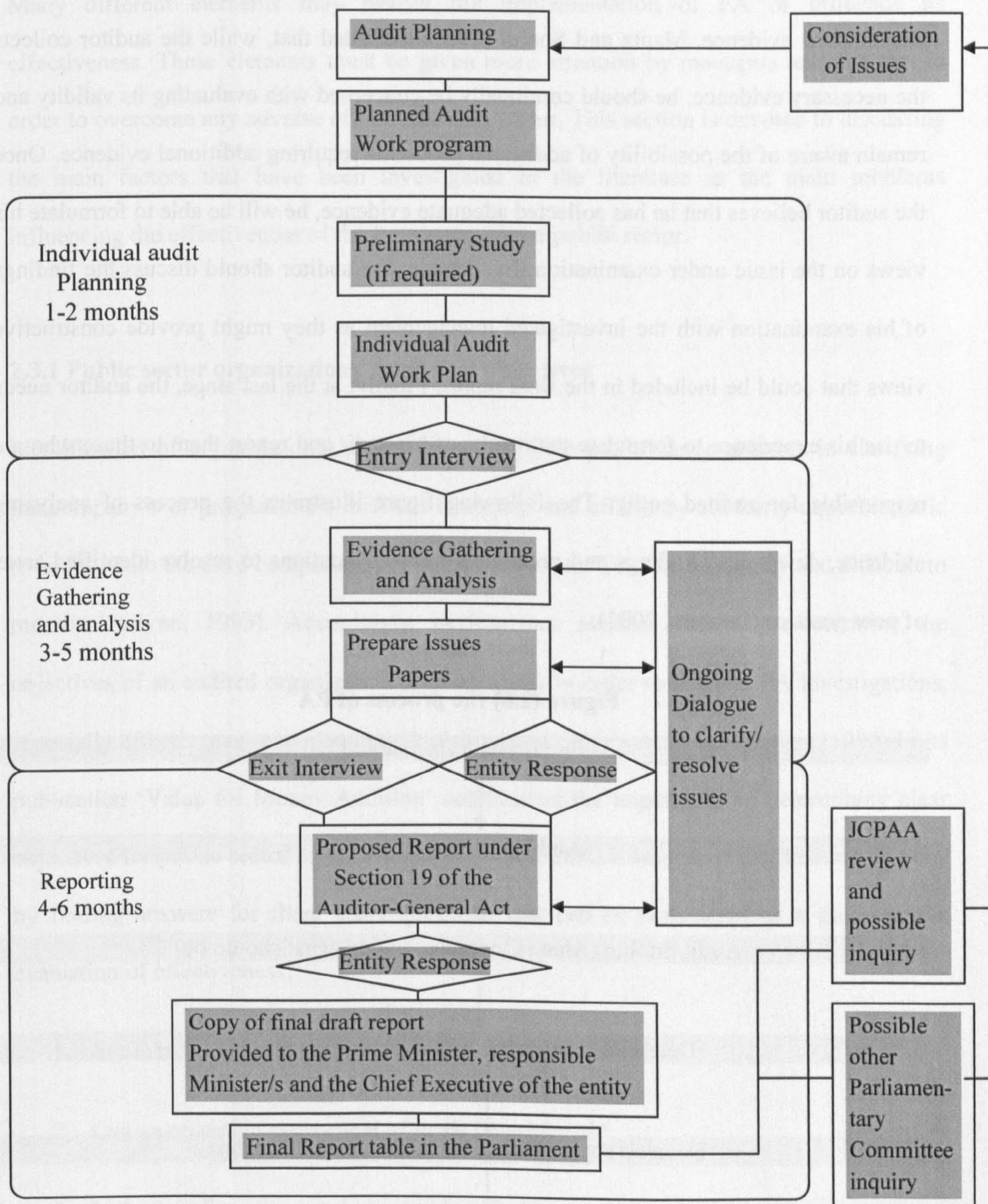
1. Defining a clear set of issues to be examined, the auditor should identify two or three broad issues and then analyze them into a series of sub-issues (the issue analysis approach).
2. Having appropriate methodologies which include reviewing department files, conducting a survey, or running a series of focus.
3. Obtaining sufficient, relevant and reliable evidence; and then preparing a good report.

In addition, the Australian National Audit Office (ANAO, 2008) indicated that individual audit planning, evidence gathering and analysis and reporting are the main elements of the PA cycle. Figure (2.5) illustrates the PA cycle.

According to the above explanation of PA procedures, the auditor should define the audit objectives, the scope and the methodology before starting his audit. This can be done by an initial meeting with the auditee and by a preliminary study (Larsson, 2004).

Generally speaking, it will be possible for the auditor to commence his field study after identifying the issue to be investigated and putting the work's plan. At first stage of the field study, the auditor must evaluate the problem more carefully and decide upon the expected level of evidence needed to carry out the inspection by observing any pertinent facts relating to the problem. In this regard, the auditor should review the internal management control system, test the effectiveness of specific operating and administrative procedures and practices followed; and identify all important weaknesses found (Larsson, 2004).

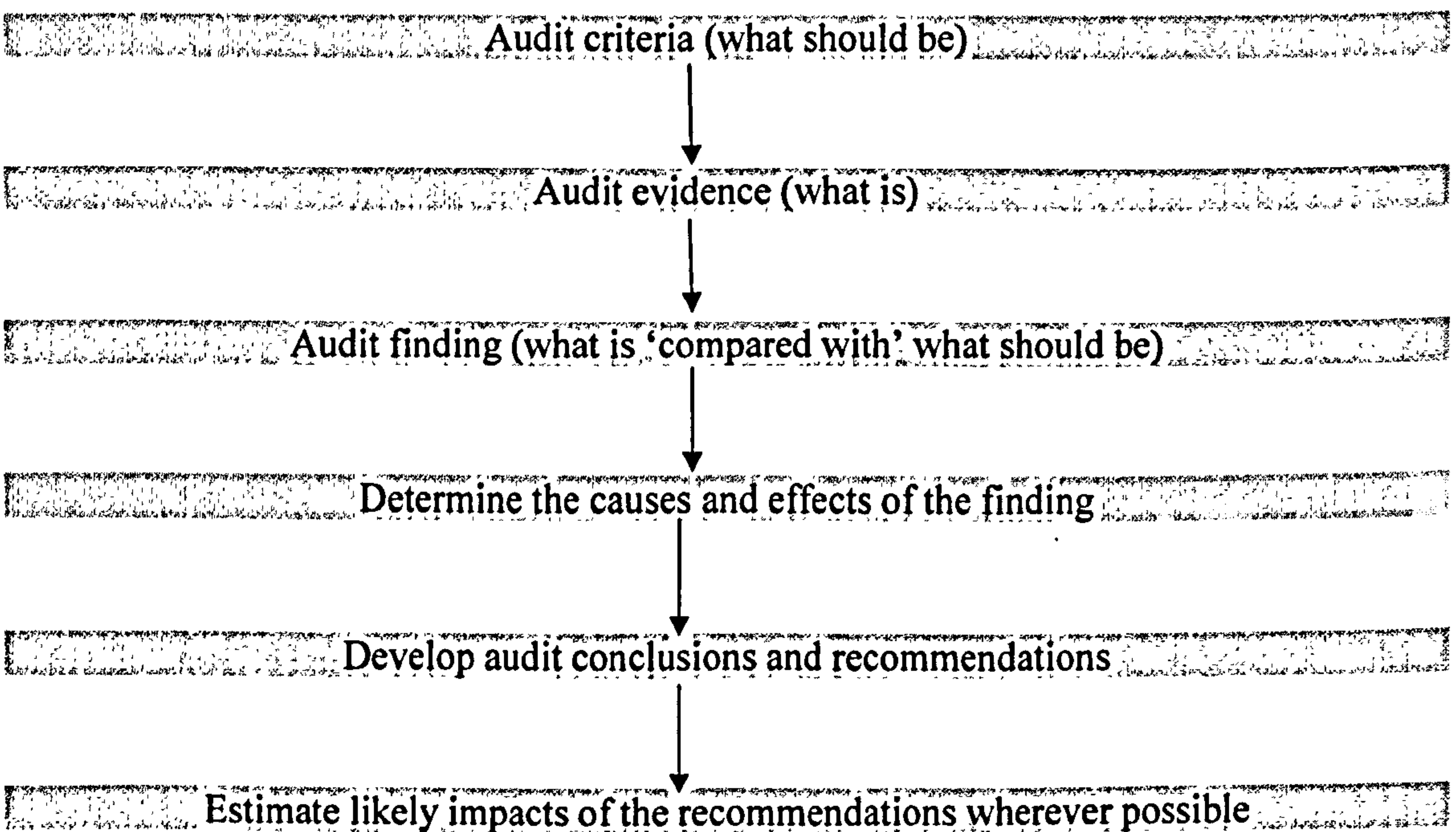
Figure (2.5) performance audit cycle



Source: ANAO (2008)

At the next stage, the appropriate tools should be selected carefully in order to gather sufficient audit evidence and analyzing it. At the following stage, the auditor should collect the required evidence. Mautz and Sharaf (1961) indicated that, 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. Once the auditor believes that he has collected adequate evidence, he will be able to formulate his views on the issue under examination. In addition, the auditor should discuss the findings of his examination with the investigated management as they might provide constructive views that could be included in the final report. Finally, at the last stage, the auditor needs to use his experience to formulate the results of his audit and report them to those who are responsible for audited entity. The following figure illustrates the process of analyzing evidence, developing findings and producing recommendations to resolve identified areas of poor practice (Larsson, 2004).

Figure (2.6) the process of PA



Source: Larsson (2004)

2.3 Problems associated with the implementation of performance auditing

Many different elements may restrict the implementation of PA or influence its effectiveness. These elements must be given more attention by managers and auditors in order to overcome any adverse effects that may occur. This section is devoted to discussing the main factors that have been investigated in the literature as the main problems influencing the effectiveness of the PA system in the public sector.

2.3.1 Public sector organizations' goals and objectives

Identification of organizational objectives would help performance auditors in clarifying the company's or programme's mission. Economy and efficiency are fairly unproblematic to audit, while the third component of PA, "effectiveness", is hard to specify and difficult to measure (Glynn, 1993). Accordingly, performance auditors should pre-determine the objectives of an audited organization or programme in order to conduct PA investigations, especially effectiveness examinations. In this regard, PricewaterhouseCoopers (1990) in its publication 'Value for Money Auditing' emphasized the importance of determining clear objectives for public sector organizations to carry out PA. It suggested that this can be done by finding answers for three basic questions that can be considered as a guide in the evaluation of effectiveness:

1. Are there clearly defined objectives?
2. Can an objective assessment of goals be achieved?
3. Is the "aim" service level clearly identified?

If the answers are positive, then effectiveness examinations can be conducted in an easy way; while if the answers are negative, then the effectiveness examinations are difficult to be conducted.

Overall, most performance auditors, when conducting PA, concentrate upon the economy and efficiency aspects of the audited organizations. They find it difficult to measure and assess effectiveness because of the difficulty of determining the goals and objectives of public sector.

2.3.2 Performance measurement in the public sector

Performance measurements and/or indicators⁴ are an important factor in conducting PA. Anand (1988) emphasised the importance of performance measurement in the evaluation of public sector organizations. Furthermore, both auditors and managers need performance measurements in order to compare the performance of the organization with similar organizations in the public sector to determine the extent to which performance has improved or worsened over time (Smith, 1995).

However, measuring performance of public sector organizations is often difficult. Smith (1995) for instance, mentioned the difficulty of measuring the performance of the public sector due to the fact that the measurement process is often dependent on data provided directly by public sector workers.

⁴ 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 (PricewaterhouseCoopers, 1990, p.114).

As for developing countries, some writers (e.g. Hassny, 1990) have mentioned the difficulties that auditors faced in identifying performance measures and indicators of government activities due to the lack of clear objectives, effective accounting system and an internal control system in public sector organizations.

Consequently, the absence of clear performance measures and/or indicators in the public sector will lead performance auditors to use their own subjective judgement to evaluate the performance of the audited organization, thereby causing irreconcilable differences between the audit staff and programme management over the appropriateness of the system used to measure effectiveness (GAO, 1978 as cited in Almohaimeed, 2000).

2.3.3 Accounting system in public sector organizations

A sound accounting system is one of the most important factors for an organization to be successful. The purpose of the accounting system is to provide necessary, useful and reliable information for different users, such as owners, managers, shareholders, creditors, and auditors. For example, managers need accounting system for planning, budgeting, performance analysis and internal control. Moreover, information yielded by an accounting system is necessary for the preparation of financial statements.

PA needs an adequate accounting system to help in measuring the effectiveness, efficiency, and economy of management activities (Hosseini and Rezaee, 1990).

Almohaimeed (2000) described the accounting system in public sector of many developing countries as still suffering from different shortcomings. For example, it still mainly focuses on producing information about what has been consumed or about the amount of money collected or distributed. Moreover, government auditors may spend the majority of their time locating and tracing different transactions looking for evidence due to poor information that a deficient accounting system produced. Accordingly, one of the main problems facing performance auditors in developing countries is the absence of a sound and effective accounting system.

2.3.4 Internal control system of public sector organizations

The existence of a sound and effective internal control system is very important for both public sector managers and performance auditors. Public sector managers rely heavily on this system to get information about the operational and financial activities of their organizations, in order to have a clear picture of how activities are achieved, and to help them in making future plans and decisions. Performance auditors also depend on the internal control system in setting clear detailed plans and procedures of reviewing the economy, efficiency and effectiveness of public sector organizations.

With regard to developing countries, (Dahmash, 1982; Khorwatt, 2006) referred to the fact that one of the major obstacles facing state auditors is the absence of an effective internal control system in public organizations of these countries.

Accordingly, the presence of a deficient or inefficient internal control system in the audited organization will make auditors spend a lot of their limited time looking for evidence; thereby, little time will be left for economy, efficiency and effectiveness examinations.

2.3.5 Performance auditor's competence and skills

Auditing practice requires auditors with competence and skills in order to achieve their job effectively, specially, when the auditing function expands to include examining the economy, efficiency and effectiveness of public sector organizations and activities (Pendlebury and Shrem, 1991). In addition, the involvement of people from other disciplines in carrying out PA examinations is considered as a crucial element for their effectiveness. Therefore, the composition of the performance audit team may include, along with others, specialized expertise from different disciplines, such as economists, statisticians, lawyers, engineers, and computer specialists, depending on the scope of the audit task (Almohaimeed, 2000). In this regard, Bokhari (1986) and Tantuico (1980) referred to the fact that most developed and developing countries faced a shortage of multi-disciplinary personnel to conduct PA examinations. Consequently, the lack of expertise from different disciplines to carry out PA examinations would influence its effectiveness.

Accordingly, in order to conduct PA examinations as effectively as possible, the state audit institutions should diversify their technical staff by recruiting a wide range of specialists and consultants. In addition, training and development programmes are important components for auditors to improve their competence and skills. With regard to performance auditors, due to the continuing changes occurring within the public sector and

within the auditing environment, they should be encouraged and enabled to develop and obtain new skills by joining training programmes in all matters related to PA.

2.3.6 Support from higher authorities

Since the main concern of performance auditors is accountability to the legislatures by providing them with information and advices about how economically, efficiently and effectively the public sector organizations have used their resources, it is necessary for performance auditors to be supported by the higher authorities. The potential benefits of PA will not be realised unless performance auditors obtain the confidence and support from higher authorities in the state (Almohaimeed, 2000). In addition, the legislatures' support can be represented in the establishment of an appropriate organizational status, ensuring a practical independence for performance auditors, and acceptance of performance auditors' reports and corrective recommendations.

In contrast, PA without legislature's support will lead to the failure of top officials and politicians in appropriately considering PA reports; thereby the auditors and managers will become indifferent. Consequently, that case will make the conduct of PA a waste of time and resources.

2.3.7 Independence of state audit institutions

Independence is a necessary component for external auditors to conduct successful auditing. The users of audit findings and recommendations must be convinced that the auditing reports are formulated by independent auditors.

In the auditing literature, different aspects of the independence of state audit institutions have been discussed. Geist and Mizrahi (1991), for example, argued some of these aspects. First, sufficient funds should be guaranteed for state audit institutions to enable them to conduct their work effectively (financial independence). Second, the state audit institutions should be given the authority to choose and appoint its staff, and set their conditions of work. Third, state auditors must have the ability to decide what to audit and when. Finally, the right to publish all audit findings must be given to state audit institutions. In this respect, the independence of performance auditors from auditees and political executive should be enhanced by: (1) specific institutional protections against undue influence, and (2) the standards of the auditing profession (Barzelay, 1996).

According to above discussion, it is concluded that the potential benefits of PA can be realised when performance auditors have a sufficiently independent position.

2.3.8 Management and execution of performance auditing

It is very important to manage and execute PA in order to ensure its effectiveness. Due to non-compliance with performance auditors' recommendations by many public sector organizations, and the lack of sufficient power for state auditors to implement or impose their recommendations, performance auditors rely on the quality of their audit work to assure their usefulness to public sector organizations (Zavelberg, 1996). In this respect, in order to assure the quality of audit work, the state audit institutions must establish professional standards and develop audit techniques.

With regard to PA, the National Audit Office (NAO) in the UK issued the “Reporting and Operational Standards”, these standards cover all audit work including that in the field of PA (Goodson, 1987). These standards offer the most appropriate quality guidelines for the technical conduct of PA. Moreover, such standards are hoped to reassure auditees that the audit work is governed by professional rules. As a result, the auditor-auditee relationship will be affected by audit work. If the auditee feels that the auditors are working as qualified practitioners with integrity and objectivity, they will co-operate by providing needed information and by implementing audit recommendations. If the auditors are perceived as unqualified or as lacking in integrity or objectivity, auditees may refuse to co-operate (Almohaimeed, 2000).

Furthermore, audit manuals are needed to provide auditors with guidelines to achieve their task and to obtain managers’ confidence. Moreover, with regard to the above mentioned, audit reports must be clear, objective, reasonable, and persuasive (Leclerc, 1996) in order to reflect a clear picture of the audited organization. Audit reports are an important element of audit quality. Accordingly, the adequate execution and conduct of PA examinations can be cultivated through the audit report.

2.3.9 Relationship and co-operation between performance auditors and auditees

It has been stated in the PA literature that the relationship and co-operation between auditors and their auditees represents a central position in audit work (Barzelay, 1996; Danon, 1996; Leclerc, 1996; Scott, 1996). Barzelay (1996), for instance, indicated that an intimate relationship between auditors and managers is required in order to overcome the

problems that auditors might face while conducting PA investigations and to achieve effective PA. Danon (1996), furthermore, referred to the importance of such a co-operative approach for conducting a successful audit.

Hence, performance auditors should seek to build a good relationship with all staff related to the audited activities and departments, such as departments' managers, internal auditors, and financial department officers. A mutual understanding between the organization managers and auditors, for example, and the exchange of information will result in a reduction of performance auditors' workload and beneficial findings for both parties.

However, due to the fact that PA is a social activity of its nature which involves an enormous amount of interaction between auditors and their auditees, it can lead to tensions between them (Trodden, 1996). In the case when there are tensions between those who perform PA (the auditors) and those who are subject to it (the auditees), PA is less likely to accomplish its goals. Conflicts between auditors and auditees can be minimised by the willingness of the two parties to co-operate positively with each other. Trodden (1996) suggested two possible ways to gain a good relationship between performance auditors and organizations' managers, and to increase the acceptance of managers of PA. First, performance auditors should refocus on the methodology of conducting PA and their reports should be concerned with proposing alternatives for improvement rather than assigning blame for poor management. Second, performance auditors concentrate on the specific information that the decision-makers need and are concerned with. However, these methods have been challenged. In the first case, performance auditors at some point in time may need to refer to poor management practices that cause poor performance; while in the

second case, performance auditors require in-depth interviews with decision-makers to identify the information that they need, but that is not as easy as expected (Longdon, 1996).

The relationship between the two parties mentioned above also might be affected by the level and timing of feedback given to auditees about the audit findings. In this respect, if auditee's managers have been given ample opportunity to express their opinion on the audit findings at all audit stages (the beginning, during the phase of investigation, and the end), the relationship and co-operation between them will strengthen (Geist and Mizrahi, 1991).

With regard to developing countries, the building of a good relationship between performance auditors and their auditees is certainly an important issue owing to the absence of sound documentation and a reporting system, the lack of support from top officials, and the lack of an explicit mandate for PA and an enforcement power to assure the implementation of their recommendations (Almohaimeed, 2000).

2.3.10 Implementation of performance auditing recommendations

The effectiveness of PA will not be realised unless the PA recommendations are implemented. The implementation of PA recommendation requires intensive human and financial resources (Almohaimeed, 2000). Furthermore, due to the fact that performance auditors do not have the power to enforce their recommendations, they can highlight some procedures that may help in the implementation of PA recommendations, such as matching sensitive audit topics to the current policymaker; working with legislative and executive

officials in a constructive, positive manner; and ensuring that audit findings and recommendations are communicated promptly to the management (Almohaimeed, 2000).

In previous sections in this chapter many issues related to PA, such as its objectives, approaches, procedures, and problems were discussed. The two next sections are devoted to review PA in developed and developing countries, and to review existing relevant studies.

2.4 Performance auditing in developing and developed countries

PA practices in some developing countries are reviewed in this section. This review seems necessary for the systematic development of this thesis because most discussion of PA has mainly focused on PA within the context of Western developed countries (see sub-section 2.4.3). Furthermore, a revision of the experiences of developed and developing countries in this subject would hopefully provide a more balanced account of how these countries have presented their discussions concerning the need for PA, the suitable approach to be followed, the problems they face, and the possible methods that they can use to overcome or reduce their impact. In addition, as Libya is a developing country and PA in Libya is the main topic of this thesis, so the awareness and understanding of the current state of PA in other developing countries will help to examine and analyse PA in the Libyan public sector.

Generally, this section contains three sub-sections. PA background is stated in the next subsection; the second part is devoted to reviewing PA in developing countries and PA in developed countries is discussed in the third subsection.

2.4.1 Performance auditing background

In the auditing literature, the concept of PA has been recognised for centuries (Flesher, Samson and Previts, 2003). For example, Dewar (1985) stated that an audit was achieved as early as 1180 and 1662 by English governmental auditors. Flesher and Zarzeski (2002) also indicated that some Roman (Sic.) writers such as Aristophanes, Caesar and Cicero carry this concept back to Biblical times and the Zenon Papyri record the implementation of PA on the Egyptian estate of the Greek ruler Ptolemy Philadelphus II as early as 2500 years ago. However, despite the fact that ancient audits were similar to the modern PA in many aspects, PA is essentially considered as a twentieth century phenomenon (Flesher and Zarzeski, 2002).

Flesher and Zarzeski (2002) stated that when auditing activity was expanded, the term “operational auditing” was adopted. In March 1948, Kent, in his article, frequently mentioned an operations audit and this concept has been discussed by earlier authors; but had been called ‘non-accounting matters’, instead of ‘operational auditing’ (Flesher and Zarzeski, 2002). According to Flesher and Zarzeski (2002) the term ‘operational auditing’ was used for the first time as a title by Mints in his paper which was published in ‘The Internal Auditor’ in June 1954. Following Mints’ article, hundreds of articles have been published in professional journals on this subject, and Mints in 1968 was called the ‘father of operational auditing’ (Flesher, 1991 cited in Flesher and Zarzeski, 2002). In 1957 the Institute of Internal Auditors in its publication ‘Statement of Responsibilities of the Internal Auditor’ mentioned the duties of operational or performance auditors (Flesher and Zarzeski, 2002).

PA has been classified by the Organization for Economic Cooperation and Development (OECD) into two main categories, namely, systematic and substantive studies. The former emphasizes the adequacy of the use of performance information audits, representing summative evaluation, while standards and benchmarks for government policies and programs are specified by the latter. These standards and benchmarks represent formative evaluation of programs and policies (OECD, 1995, as cited in Al Athamy, 2008).

2.4.2 Performance auditing in developing countries

In order to give a clear picture of PA in developing countries, characteristics and public resources management of developing countries are articulated in the following paragraphs respectively, while the last part is devoted to stating how PA emerged in these countries.

2.4.2.1 Developing countries characteristics

Defining 'developing countries' is not easy as there is no precise definition nor can definite standards in the literature be employed to categorise a country as a "developing" country. Furthermore, "Third World" and "Less Developed Countries" are other phrases which are utilized loosely in the literature related to these countries which are "different in terms of GNP, population, culture, degree of literacy, economic and political systems" (Wallace, 1990, p. 4). Goode (1984) stated that there are about 130 countries classified as developing countries including all of Africa, Asia (except Japan), Latin America and the Caribbean, the Middle East, and some of the peripheral European countries. Goode (1984) went further to categorise them into four subgroups: (1) the industrialising or semi-industrial countries such as Brazil, Argentina, Korea, Singapore and Turkey; (2) the major oil exporter

countries such as Libya, Saudi Arabia; (3) the least developed and very poor countries such as much of Sub-Saharan Africa, Ethiopia, Yemen; and (4) all the others.

2.4.2.2 Public resources management in developing countries

During the last three or four decades, the roles and activities of governments in developing countries have grown considerably. For example, during the past few years, as cited in a report on world development, the number of public sector employees in developing countries has increased four or five times faster than that of industrial countries (International Bank for Reconstruction and Development, 1983).

On the other hand, developing countries have not developed adequate systems to help them manage and monitor their functions and responsibilities efficiently and effectively (Almohaimeed, 2000). In general, developing countries have been described as having ineffective government financial and management systems. Sharkas (1985) mentioned that, in the third world, many efforts are needed to improve financial management due to the lack of integrated financial information, effective productivity and skilled auditing staff and financial managers.

Moreover, Kinder (1988) examined the issue of resource management in the Third World and states that the basic economics of running developing countries are disturbing. Kinder (1988), in addition, indicated that the administrative environment in many developing countries is facing some problems, such as low labour productivity, inadequate management control systems and inadequate measures for judging performance. In brief, in

developing countries, public resources management and control systems have received little attention.

2.4.2.3 Emergence of performance auditing in developing countries

In developing countries, the demand for PA emerged during the 1980s when many countries faced various problems, such as fiscal stress, inferior performance of public sector and lack of accountability (Common, 1988; Al Athmay, 2008). Dahmash (1982) stated that most current audits in some Arabic countries are still mainly concerned with the financial and compliance aspects of government transactions and activities, with less attention being paid to operational auditing or PA. Sharkas (1985) indicated that the audit scope in the Kuwaiti Supreme Audit Institution did not include measurements of the economy, efficiency and effectiveness of public expenditures, and it was basically concerned with legal and financial compliance audits.

In Saudi Arabia, a new PA sector was created in 1985 to ascertain the success of government institutions in conducting predetermined objectives and distributing resources at their disposal efficiently and effectively (INTOSAI, 2003). In addition, Almohaimeed (2000) referred to the fact that, in the Saudi public sector, PA has been conducted by the General Audit Bureau (GAB) since the late 1980s. He also mentioned that the aim of this type of auditing is to improve government efficiency and effectiveness through investigation of government activities and programmes.

In Egypt, PA has been required by the Central Auditing Organization (CAO) since as early as 1981. Furthermore, it was enhanced by the 1988 law of CAO to include an evaluation of the economy, efficiency and effectiveness of audited entities, and an examination of resources, information systems, performance measures and monitoring systems (INTOSAI, 1995). The CAO, as mentioned in INTOSAI, consists of twenty-four central departments, eighteen of which are line departments and six being service departments. Line departments are classified into three groups as follows: financial audit (13 departments), performance audit (3 departments), and legal audit (2 departments).

In Pakistan, the history of PA may go back to 1980 when the Pakistani Audit Department (PAD) achieved PA of government department projects (Ilyas, 1986). As a result, the PAD, after conducting this kind of auditing, felt that there was a need to develop a suitable approach that could serve the institution in its mission to audit projects with the varied nature found in the various departments. Accordingly, technical assistance was obtained from the government of the Netherlands who financed the appointment of consultants for methodology development and training in PA (Bokhari, 1986). This programme was very useful in the context of developing countries. It provided broad instructions concerning the planning, executing and reporting stages of PA (Bokhari, 1986). Moreover, the Pakistani efforts to develop a PA methodology provide an indication of the fact that some developing countries are quite alive in this area (Bokhari, 1986).

In China, more attention has been paid to PA since the Audit Administration was officially established in 1983 (China Audit Society, 1991). Lio (1993) states that efficiency audits (including economy and effectiveness audits) aim to assist entities to find problems and

weaknesses in operation, production and management and thereby improve entities efficiency. However, efficiency audits in China were criticised for some reasons. First, the same audit department achieves both financial and efficiency audits. As a result, the independence of state auditors might be lost when they conduct financial audits. Secondly, efficiency audits are confused with the function of management. State auditors seem to fulfil part of the management function, such as finding the reasons for increased production costs and cost-benefit analysis.

Hence, the Chinese National Audit Office (CNAO) on July 1, 2003, published a five-year strategic plan (2003-2007) (INTOSAI, 2003). This plan aims to improve the quality of audit work by strengthening management and enhancing the workforce quality. It also seeks to further standardize its government auditing processes. Jinhua (2003) mentioned that by the year of 2007, the CNAO will concentrate on both financial and performance audits; wherein half of its audits will focus on PA (INTOSAI, 2007).

In Mongolia, the history of its new State Audit and Inspection (SAI) dates only to 1995, when the SAI performed the functions of state external audit in a democratic society with a market-oriented economy (Badamdorj, 2003). The Mongolian SAI continued achieving traditional financial audits until 2003 when a mandate to conduct PA was obtained according to the 2003 Law on State Audit (Badamdorj, 2003). In addition, the Mongolian SAI has developed and introduced its own PA guidelines based on the fifth ASOSAI Research Project on PA Guidelines, and afterwards they have issued a handbook explaining the use of government auditing standards. Accordingly, State auditors in Mongolia can

conduct PA in a professional manner and according to international best practices (Badamdorj, 2003).

In Tanzania, PA is carried out by the organizations themselves and not by the national audit institution. A survey was conducted by Kitindi in 1992, aiming to ascertain the implementation of PA in Tanzanian parastatals (municipalities), found out that among the 43 organizations which responded to the questionnaire 29 organizations had conducted PA (Kitindi, 1992). Moreover, the findings of this survey indicated that Tanzanian parastatals, on the average, are interested in the use of their resources and in improving the quality of their output.

In Brunei, PA was commenced as a pilot project in 1996 and was conducted by a Singapore consultant (Al Athmay, 2008). Al Athmay (2008), furthermore, stated that the performance auditing unit (PAU) was established in Brunei in 1998 and just one officer worked in this unit; and only three PA projects were completed and two PA reports were published. However, the focus on compliance with financial and legal procedures is still the main concern of government auditing in Brunei, despite the expansion in the audit scope and the establishment of a PAU (Al Athmay, 2008).

In Singapore, the concept of value for money auditing is being pursued vigorously (Hong, 1991). In 1988 the Singapore Audit Department (SAD) in its publication stated that government auditing is a PA or VFM auditing and it is designed to enhance management controls and accountability (Hong, 1991). In addition, Singapore has developed a booklet

on the measurement of effectiveness audit and adopts standards of international auditing (Vallance, 2000).

However, to the best of the researcher's knowledge no study has been conducted in Libya to investigate the current state of PA and particularly in the public sector.

In the light of the above discussion, PA in developing countries is still in its infancy. Despite the fact that many Supreme Audit Institutions (SAIs) in these countries have expanded the scope of auditing to include areas of efficiency and effectiveness in the public sector, various limitations and obstacles have prevented these institutions from conducting PA. Njoroge (1990) argued that the ability of the Audit Office to achieve VFM audit is still limited in Kenya due to the lack of a sufficient and well trained staff. Modavo (2005) stated that the fundamental challenges including corruption, poverty, poor governance, poor infrastructure and a continuous brain drain to developed countries constrain application of PA function in the public sector in Sub-Saharan Africa. PA is hard to apply, particularly in the public sector of the developing countries due to the high level of resources that it requires such as, costs, training in other disciplines other than accounting, adequate management information system and the definition of objectives (Al Athmay, 2008). Abdusalam (2005) in his PA investigation in the Tunisian health sector found that the main problems of conducting PA in this sector are: the lack of information systems and internal control systems; inadequate local standards and difficulties of applying international standards; and the lack of performance indicators.

Al Athmay (2008), furthermore, according to his interview with PA unit's officer found that there had been no thorough investigation of government performance in Brunei owing to inadequate knowledge and skills of PA and the lack of performance indicators and difficulties of performance measurement.

On the other hand, William (2001) indicated that PA can be used in enhancement of accountability in developing countries. However, it is important to depend on external PA experts to get started On-the-job Training (OJT). In this respect, some developing countries have made great efforts to improve PA practice. For example, Tonga in May 2003, held a Performance Audit Workshop. Seven trainers supported by experienced performance auditors from New Zealand and 27 members from 16 audit offices participated in this workshop. A case study and other methods were used to help participants conduct PA (INTOSAI, 2003). In Egypt, in September 2003, a PA-design meeting was organised by the Arabic Supreme Audit Institutions (ARABOSAI's) and the Regional Audit workshop took place in Kuwait in December 2003 when a Course Design and Development and Instructional Techniques Workshop was completed by selected training specialists from the INTOSAI Development Initiative (IDI). In Malaysia, in June 2008, a 7-day workshop was held by the National Audit Academy to design and develop a performance audit course for auditors from the Audit Board of the Republic of Indonesia (INTOSAI, 2008).

To sum up, although PA practise emerged in the 1980s in developing countries, financial and compliance auditing are still the main concern of these countries, and PA is in its infancy. Moreover, most existing literature related to PA in developing countries focused

on general issues such as the importance of this kind of auditing and problems which limit the ability of SAI's to carry out PA examinations. However, some developing countries have made a lot of efforts to improve PA function.

2.4.3 Performance auditing in developed countries

PA as an extension of the auditing role began with the General Accounting Office in the USA during the 1960s, and in the 1970s it spread to other European countries (Mulgan, 2001). However, By the late 1990s PA had been fully established, with its own procedures and staff, in Australia, Canada, Finland, France, the Netherlands, New Zealand, Norway, Sweden, the UK and USA (Johnsen, 2001).

2.4.3.1 Emergence of performance auditing in developed countries

In the USA, the importance of independent review of efficiency and effectiveness has been stressed by the General Accounting Office since the early 1970s. The GAO in 1972 published 'the yellow book' that entitled 'Standards for Audit of Government Organizations, Programs, Activities and Function'. This publication concentrates on the role of audit within the public sectors. Glynn (1985) stated that the objectives of auditing as indicated in the yellow book are: (a) financial and compliance auditing, (b) economy and efficiency auditing, and (c) effectiveness auditing. Furthermore, in 1982 the American Institute of Certified Public Accountants (AICPA) published a report dealing with the conduct of PA in both public and private sectors (Burrowes and Persson, 2000).

In Sweden, PA was introduced into the function of the Swedish National Audit Office in the 1960s (OECD, 1996). Glynn (1985) mentioned that Sweden was the first European country to adopt PA. Two main auditing bodies conduct auditing in Sweden, namely; the Parliamentary Auditors who carry out auditing for Parliament; and the National Audit Bureau (NAB) which conducts the main activities of central administrative auditing. The former carries out effectiveness auditing, whereas the latter carries out both financial and effectiveness auditing (Glynn, 1985). Furthermore, Burrowes and Persson, (2000) indicated that VFM auditing was started by Riksrevisionsverket (RRV) (the Swedish National Audit Office) in 1970. The Performance Audit Department of RRV was established in order to examine and promote effectiveness and efficiency in central government. As a result, 31 performance audits were conducted in 1997/98 (Burrowes and Persson, 2000).

In the UK, the efficiency auditing was demanded by the Conservative Government in the 1960s when public expenditure often jumped dramatically by more than 10% annually. A manifesto of the Conservative Government stated that it would improve efficiency and reduce waste in the public sector (Glynn, 1985). Garner (1982) mentioned that efficiency audits received more attention in 1979, and in November 1981, it was announced that annual efficiency audits of nationalised industries would be conducted by the Monopolies and Mergers Commission. However, in 1982 local government auditors were required by the Local Government Finance Act to carry out audits of efficiency, effectiveness and economy (Glynn, 1984). In addition, in 1982, the general duties of local government auditor, for England and Wales, were laid down by the local Government Finance Act 1982 (Section 15). Hence, all local authority auditors were expected to investigate value for money as part of their audit programme (Glynn, 1985). In Scotland, the duties of the local

auditors were included in the Local Government (Scotland Act, 1983). The UK National Audit Office (NAO) was established in 1983 with the responsibility for providing information and assurance to parliament on central government spending in England, Scotland and Wales (Yamamoto and Watanabe, 1989; Burrowes and Persson, 2000). In 1984, the Comptroller and Auditor General were required by the National Audit Act of 1983 to conduct VFM audits of most government departments (Glynn, 1984). Burrowes and Persson (2000) mentioned that fifty VFM reports, which dealt with the economy, efficiency and effectiveness of public expenditure, were provided to parliament in the 1997/98 fiscal year.

In Australia, the Australian Audit Office paid attention to PA and started to develop it as early as 1970s (Glynn, 1989). The Auditor General started to consider VFM audits in 1974, but the scope was limited to efficiency (Flesher and Zarzeski, 2002), whereas the review of effectiveness was not part of the Auditor General's craft. Until 1985 no Auditor General had conducted an effectiveness review in Australia (Glynn, 1985). However, the National Audit Office (NAO) has had a statutory mandate to conduct PA since 1979 (Guthrie, 1987; Yamamoto and Watanabe, 1989). The NAO PA role was clarified and made explicit by Parliament in 1989 (OECD, 1996). Moreover, Parker (1986) states that VFM auditing or PA is applied in both public and private sectors in Australia. Furthermore, in August 1992, in order to enhance implementation of PA, the Australian Auditing Standards Board issued Statement of Auditing Practice No. 33, entitled Performance Auditing (O'Leary, 1996). In addition, various commentators have remarked upon the importance of the Australian National Audit Office (ANAO) as a world leader in the development and practice of PA (Hamburger, 1989; English and Guthrie, 1999; Parker and Guthrie; 1991).

In Canada, the Federal Audit Office carried out a series of government studies during the period from 1973 to 1978 which laid the foundation for comprehensive auditing (Flesher and Zarzeski, 2002). Moreover, staff of the Federal Auditor General of Canada was engaged in transactions auditing in the early 1970s. In 1975 an independent review committee of the federal auditor general provided a report to Parliament. This report was the initial thrust towards the comprehensive auditing (Glynn, 1985). However, the 1977 Auditor General Act requires the Auditor-General to report to the House of Commons on economy or efficiency of the government expenditure (Glynn, 1985; OECD, 1996). In 1977, the task of the Auditor-General was extended by Parliament to include a review of economy, efficiency and effectiveness (Flesher and Zarzeski, 2002). A value for money (VFM) audit is conducted by the Office of Auditor General of Canada according to the Act of 1977 issued by the Auditor General (Yamamoto and Watanabe, 1989). In 1987 the results of the first VFM auditing were disclosed in the annual report. The report of thirty-five studies, which were conducted in twenty-three departments, states that there was a lack of economy and efficiency. Accordingly, a special committee chaired by Adams was established in 1978 by the Canadian Institute of Chartered Accountants to examine the role of the external auditor. Adams in his report in 1978 endorsed the formation of VFM audit as suitable for all levels of government (Glynn, 1985). Moreover, the year of 1980 was an important step in evaluating VFM auditing in Canada when the Canadian Comprehensive Auditing Foundation was created (Morin, 2003). In addition, Canada was among the first countries to adopt efficiency auditing in 1977 (Radcliffe, 1998).

In Germany, the Federal Court of Audit (FCA) established the concept of efficiency as an audit standard by the amendment of the constitutional law of the Federal Republic of Germany in 1969 (Yamamoto and Watanade, 1989).

In New Zealand, efficiency auditing was conducted as early as 1972 (Parker, 1986). In 1974, efforts were started to develop PA functions within the New Zealand Audit Office (Jacobs, 1998). In 1977, the Audit Office began performing efficiency and effectiveness audits when the Public Financial Act provided the necessary authority, and VFM audit was at a minimum due to limited resources (Parker, 1986). However, the Audit Office has carried out PA since 1977, when a legal mandate was provided by the Public Finance Act 1977 Section 25 (3) (Jacobs, 1998). In 1980s, a core group was created in the New Zealand Audit Office in order to conduct PA reviews. In 1986, a designated VFM group was established to allow VFM auditing in New Zealand to develop and a number of non-accounting professionals such as managers of public sector and engineers; policy experts were allowed to work in this group. By 1987, the group name was changed into the Major Projects Group and the new philosophy was that everyone should be doing VFM work as part of the annual audit process. However, during the period 1977-1992 more than forty VFM projects were fulfilled. The audit function of the New Zealand Audit Office has been summarised into an acronym "CARE"; namely, C for Control, A for Attest and Authority, R for Reporting and E for Effectiveness and Efficiency. The CARE philosophy was seen as a comprehensive approach, which examines financial statements together with some aspects of the organization giving an opinion on VFM and management controls (Glynn, 1985).

In Norway, PA was requested by the Norwegian Parliament in 1977 and the Office of the Auditor-General (OAG) provided it with more extensive information on the activities of government. In 1980 a concept of PA was proposed in a report provided by an OAG committee. In addition, about 250 PAs had been conducted before 1992 (OECD, 1996).

In Ireland, PA has been carried out since 1993 by local government audit (LGA) with the cooperation of local authorities. The scope of PA coverage is closer to that found in Canada than in the UK (OECD, 1996).

In Denmark, the Danish government auditing system was reformed in 1926 from a purely financial and legalistic audit to an economic or PA. The approach of PA in Denmark is based on three different elements, namely, economy relates to how resources are acquired; productivity is evaluated through the relationship between the use of resources and the goods and services produced by the organization; and effectiveness is evaluated by the extent to which objectives are achieved in relation to the resources used (OECD, 1996). Moreover, the office of the Auditor General continued to be a part of the executive branch of government until 1991, and then was transferred to the Parliament and became completely independent of the government. Furthermore, PA has developed in recent years due to changes that happened in Danish public administration (OECD, 1996).

In Japan, the Japanese Board of Audit (JBA) is responsible for auditing the accounts of central government, while the Audit Committee is responsible for auditing the accounts of

local government. The JBA has practiced PA in the Meiji era since 1970s (Yamamoto and Watanabe, 1989).

To sum up, the PA literature stated that emphasis has shifted from financial and compliance auditing towards PA practice in developed countries in the second half of the twentieth century. In developing countries, the demand for PA emerged during the 1980s. Table (2.1) illustrates the differences between PA in developed and developing countries.

2.5 Review of existing studies

Following the second half of twentieth century, the emphasis had been shifted from financial and compliance auditing towards PA practice in both developed and developing countries (Guthrie and Parker, 1999; Mulgan, 2001). Furthermore, in early 1990s, as mentioned earlier, PA had been fully established with its own procedures and staff in many developed countries. Accordingly, a number of studies have explored the technical aspects of PA within various nations (Butt and Palmer, 1985). The following are the main studies relating to PA practices in both developed and developing countries.

PricewaterhouseCoopers (1983) developed a methodology for carrying out VFM auditing and set it out in a manual. This methodology was developed through very useful discussions with some prominent experts in the field of comprehensive auditing. PricewaterhouseCoopers, according to this methodology, has identified ten key factors to conduct successful PA (see Section 2.2.6). This methodology aims to help auditors who work in the local government field (Butt, 1985).

Table (2.1) PA in developed and developing countries

Statement	Developed countries			Developing countries		
Reason for PA emergence	To improve the economy, efficiency and effectiveness of government organizations due to an increase in demand for the activity and the services combined with limited resources.			To improve the economy, efficiency and effectiveness of government organizations, and, also to enhance the organizations accountability when many countries faced various problems, such as fiscal stress, inferior performance of public sector and lack of accountability.		
Emergence of PA	Country	Year	Institute	Country	Year	Institute
	USA	1970	GAO	Pakistan	1980	PAD
	Sweden	1970	NAB	China	1983	CNAO
	New Zealand	1972	NAO	Saudi Arabia	1985	GAB
	Japan	1975	JBA	Egypt	1988	CAO
	Canada	1977	OAG	Singapore	1988	SAD
	Norway	1977	OAG	Libya	1989	IFA & IIPC
	Australia	1979	NAO	Tanzania	1990	Public organizations
	England	1982	NAO	Brunei	1996	PAU
	Wales	1982	NAO	Mongolia	2003	SAI
	Scotland	1983	NAO			
	Ireland	1993	LGA			
PA improvement	Great efforts made, for example, AICPA published a report dealing with conduct of PA in both public and private sectors. In New Zealand, a core group was created to develop PA functions and a number of non-accounting professionals, such as managers of public sector and engineers; policy experts were allowed to work in this group.			PA workshops in some countries. Singapore has developed a booklet related to PA practice. Mongolian SAI has introduced PA standards, guidelines, and handbooks that reflect international best practices		

In 1986, a comparative study of PA outcomes was done by Hatherly and Parker (Hatherly and Parker, 1988). The aim of this study was to provide preliminary evidence to ascertain apparent outcomes of PA. A sample of reports produced by the Australian Audit Office (AAO), Victorian Auditor-General (VAG) and South Australian Auditor-General (SAAG) was examined with respect to the concepts employed, report content, report format and auditee responses. The primary hypothesis of this study was 'Variant approaches to PA make no significant difference to actual audit outcomes'. The findings are that variant approaches to PA do appear to make some difference to actual outcomes. The lack of difference encountered in auditee responses stand as a significant exception in this regard.

A surveyed study was conducted by Smith, Lanier and Taylor in the US in 1972 on the attitudes of corporate controls and auditors towards PA (O'Leary, 1996). The finding of this survey indicated that auditors can give their opinion on the performance of management by using financial ratio data. However, O'Leary (1996) criticized this conclusion and mentioned that the performance of management cannot be adequately reflected by utilizing financial ratio data. He suggested that the only way to measure adequately the efficiency and effectiveness of management is by carrying out a separate PA.

Hamburger (1989) in his study on the development of PA technologies in the Australian public sector during the period 1974-1989 indicated that PA emerged from "a contested process shaped by the interests of competing groups and individuals" (p. 4). Moreover, he noted that significant changes happened between 1974 and 1989 in the PA of the Australian

Audit Office and these changes could be traced to the personal influence of successive Auditors General.

In 1990, a study was conducted in the UK by Pendlebury and Shriem to examine whether auditors or audit departments are qualified to fulfil a PA of local authority programmes (Pendlebury and Shriem, 1991). The sample consisted of three groups, namely, auditors from the National Audit Office, the Audit Commission and a major private accounting firm. Their study found that all three groups held the opinion that PA is achieved and that it is appropriate for auditors to be involved. Pendlebury and Shriem (1991) extended their study to include local authority departments in the study sample. The result was different from that recorded in 1990. They found that the majority of managers indicated that auditors are not the most appropriate persons to provide judgements and attached a much lower importance to auditors in the evaluation of local authority programs. Furthermore, managers suggest that in order to carry out an effective PA, an audit team should include trained personnel from other disciplines, service experts and accountants.

An empirical study was carried out by Jacobs during the period of 1994-1997 aiming to ascertain how the role of VFM audit has changed within New Zealand public sectors. Reports, published newspaper and interviews were the main sources of data. Furthermore, three interviews were conducted in 1994 and 1995, and further three were done in 1997. This study illustrated that VFM auditing was developed as a response to government calls for economy, efficiency and effectiveness in departments and a public call for accountability (Jacobs, 1998).

During the period of 1995-1997, an independent academic study was completed by a Performance Audit Project team in the supreme audit institutions (SAIs) of five Western European countries, namely; Finland, France, The Netherlands, Sweden and the UK. The purpose of the study was to discover the development of PA in SAIs in these countries. It addressed the following questions: what are methods used, what are criteria applied, what are products generated by PA and what is the nature of the performance auditor's craft. The Performance Audit Project team consisted of six persons as follows: one worked in each of the five countries, one worked as co-ordinator and the other four had worked for audit offices. Furthermore, experienced staff at each SAI was interviewed and about 611 reports were investigated in order to collect data. The findings of this study were as follows:

1. **Methods used in conducting PA:** there was a growing self-consciousness concerning method in all five SAIs between the mid-1980s and the mid-1990s. In the 1990s a wider range of tools and techniques were used by SAIs and more manuals and training courses were produced. Documentary analysis and interviewing remained the most common methods, surveys and case studies were also utilized, while economic analysis and statistical techniques were used occasionally. Moreover, tools including a focus group and model building were initially used.
2. **Criteria applied:** most SAIs stated that they investigated the "3Es" (economy, efficiency and effectiveness), but the analysed reports indicated that true effectiveness studies were rare. In practice, "good management practice" or "good administration" seems to be the criteria applied. Furthermore, most SAIs focused on time-bounded events rather than on on-going activities and a tendency to work in groups rather than just as individual studies seems to be increased among the SAIs.

3. Products included CD ROMS, good practice guides, glossier annual reports, various types of special report and more professional press releases.
4. As for the nature of the performance auditor's craft, Pollitt (2003) states that the question on the nature of the performance auditor's craft is not easy to answer, and he mentioned that a performance auditor in the UK is an accountant, in France a lawyer, and in Sweden a social scientist.

A study carried out by Boys in the UK on a sample of public companies and their audit firms, stated that most PA conducted regularly, and these audits were performed by the internal audit department (O'Leary, 1996).

A study by McCrae and Vada was carried out in 1997 on the Australian National Audit Office (ANAO) in order to investigate whether or not PA reports by the ANAO include recommendations related to operational and administrative effectiveness matters (McCrae and Vada, 1997). 440 recommendations in 23 PA reports for the 1992/1994 audit cycle were examined, while the hypothesis of this study was 'the ANAO does not make recommendations on matters of administrative effectiveness in its PA reports to Parliament'. The results show that the hypothesis was firmly rejected. A large number of effectiveness recommendations were made by the ANAO in PA reports that were provided to Parliament. In addition, about fifty per cent of recommendations concentrated on effectiveness issues.

A historical study of PA in the Australian federal public sector was conducted by Guthrie and Parker (Guthrie and Parker, 1999). The purposes of the study were: (1) to identify the changing nature and form of PA within the Australian National Audit Office (ANAO) and (2) to explain how the ANAO PA is a malleable social construct with various configurations. This study examined the development in ANAO PA through four important events in the period 1973-1998.

1. The Royal commission on Australian Government Administration (1973-1979).
2. The Australian National Audit Office efficiency audit developments (1980-1988).
3. The Joint Committee of Public Accounts Inquiry (1989-1992).
4. The struggles over the passage of the Audit Act 1997 (1993-1998).

This study states that the nature, occurrence, explication and impact of PA emerged from the complex interaction of institutional and individual agendas. Furthermore, PA resembles a malleable social construct rather than a definitive performance review technology. (Guthrie and Parker, 1999)

An exploratory study of perceived efficiency of municipal VFM auditing in Finland and Norway, was conducted by Johnsen, Meklin, Oulasvirte and Vakkuri (Johnsen et al, 2001). The purpose of this study was to explore how PA practices are conducted to assess and verify VFM auditing in local government and to enhance the accountability of municipalities and counties. Interviews were conducted with the informants to collect data. The informants were chosen as a convenient sample of professionals from both auditors and auditees. In Norway, the first informant was the chief administrative officer in one of the largest counties; the second one was the chief audit officer in one of the largest cities

and the third was the chief administrative officer in one of the larger municipalities. In Finland six informants were interviewed from two large municipalities. The financial director, the chief administrative officer of health care and the auditing manager represented the informants from the first municipality, while the other informants were the auditing manager, the financial director and the sector director of education and cultural activities. The result of this study states that PA has specific instrumental functions in local government and PA reports are used by the symbolic and decoupling propositions. Furthermore, PA has a conspicuous connection to both performance improvements and day-to-day management processes in the municipalities and counties. Lastly, PA in Finland seems to be the management consultancy style, while PA in Norway seems to be more inclined to the public accountants' style.

A study was conducted by Linda English on PA of Australian Public Private partnerships (PPPs) (English, 2007). The objectives of this study were to examine PA of Australian PPPs; to determine whether Australian PPP audits can be classified as substantive or as systems-based; and to examine whether there is a link between audit classification, auditors-general and controversy surrounding audit/audited PPP Projects. The study was based on a historically-informed documentary study of PPP steering mechanisms and PA reports. The results of this study state that:

1. For the first objective, Australian audit office did not strategically audit PPPs on an ongoing basis. As for the nature of PPP auditing the study states that state audit of offices lacks resources and expertise. The concentration of audits was on the pre-contracting stage due to the long gestation of PPP projects. The evidence suggested

an apparent unwillingness of most auditors-general to actively engage with PPP performance and VFM achievement.

2. For the second objective, the Australian auditors-general have no a strategic plan to audit PPPs substantively on a regular basis, because they have not established an audit methodology to facilitate substantive evaluation of PPP arrangements from the perspective of the achievement of program effectiveness or cost-benefit. The pre-contracting stage depended on systems-based audits which provide assurance that steering mechanisms have been applied adequately.
3. For the third objective the study indicated that there is a connection between individual auditors-general, PA and controversy.

In 2010, a follow-up study was conducted by Linda English, James Guthrie, Jane Broadbent and Richard Laughlin on PA of Australian Public Private partnerships (PPPs) (English et al. 2010). The purpose of this study was to investigate the challenges associated with designing a system to evaluate the mature operating phase of long-term partnerships with the private sector for the provision of public services (PPPs). It was based on an analysis of the literature and an engagement with staff of the Office of the Victorian Auditor-General (VAGO) and a number of government officials and others familiar with establishing and monitoring long-term contracting for public services. It argued that assessing economy, efficiency and effectiveness are key to any PA, but that their nature is contextually defined; that auditing for effectiveness involves going beyond a watchdog to a sheepdog role; and that internal evaluation procedures provide insights that are necessary, but are not necessary and sufficient to evaluate the achievement of the three Es in the PPPs mature operating stage.

As for Arabic countries, Almohaimeed (2000) carried out an empirical study in the Saudi public sector. The main aim of this study was to explore the nature of PA practice and its effectiveness in the Saudi public sector. Two research methods were applied. The first method incorporated collecting and reviewing relevant publications, reports and documents from the General Audit Bureau, while in the other method, close-ended questionnaires were distributed. Performance auditors and public sector managers including (head of departments, head of sections, public sector accountants, internal auditors, engineers and financial officers) were the study population. It was found that the Saudi experience in applying PA resembles other state audit institutions in practicing this type of audit. Furthermore, moderate improvements were brought into the Saudi public sector by PA practices. Moreover, external and internal limitations, such as the vagueness of goals and objectives in public organizations, the lack of performance measures, the lack of sound financial accounting and internal control systems, and the lack sufficient staff and sufficient financial resources, prevented the full contribution of PA to the public sector realised. Almohaimeed (2000), furthermore, recommended that more research in the area of PA in developing countries is required, particularly, in countries with similar environments to that of Saudi Arabia. In addition, he suggested for future researchers to use qualitative method (i.e. interviews, direct observations and content analysis) to obtain an in-depth understanding of the nature and effectiveness of PA practices. Accordingly, these recommendations have given an impetus for this study for the research in the subject of PA in the public sector in Libya.

In another study, Abdulsalam (2005) investigated PA in the Tunisian health sector. He investigated certain of Tunisian health centres. The purpose of this study is twofold: first, to

explore the procedures of PA in the health sector and, second, to identify the obstacles of PA in the health sector. The results were: (1) the procedures of PA include (a) an initial survey in order to plan the audit work, (b) the preparation of an audit programme, (c) conducting a field study, and (d) preparation of the audit report, and (2) the obstacles of PA practise were: the lack of information systems and internal control systems, inadequate local standards and difficulties of applying international standards; and the lack of performance indicators.

The following points can be concluded from a review of these existing studies:

First, most of the extant literature on PA tends to display a heavy emphasis upon the clearer aspects of PA, such as its nature, processes and procedures (first objective of this study). In this regard, an importance of PA was reviewed by Smith, Lanier and Taylor (1972), McCrae and Vada (1997), and Johnsen, Meklin, Oulasvirte and Vakkuri (2001). The nature of PA was reviewed by Guthrie and Parker (1999), Pollitt (2003), Almohaimeed (2000), and English (2007). Procedures of PA was investigated by Butt (1985), Hatherly and Parker (1986), and Abdusalam (2005). Development of PA was identified by Hamburger (1989), Jacobs (1998), and Pollitt (2003). How often PA carried out and by who were reviewed by Pendlebury and Shriem (1990, 1991) and O'Leary (1996).

Second, only a few studies have examined the problems of applying PA (Almohaimeed, 2000; and Abdusalam, 2005) (the second objective of this study). In contrast, the other prior studies which have conducted in developed countries ignored this aspect of PA; possibly, due to the fact that developed countries have competent that makes

implementation of PA easy for those who carry out PA. As a result, problems or obstacles of PA practice have not given sufficient attention in the Western literature. Accordingly, this study will give more attention upon the problems that might face performance auditors in carrying out PA (second objective).

Third, Australia is one of the countries that were given more attention in the literature review (Hatherly and Parker, 1986; Hamburger, 1989; McCrae and Vada, 1997; Guthrie and Parker, 1999; English, 2007; Linda English, James Guthrie, Jane Broadbent and Richard Laughlin, 2010). Furthermore, the Australian National Audit Office (ANAO) was considered as a world leader in developing and practicing PA (Hamburger, 1989; Parker and Guthrie, 1991; English and Guthrie, 1999).

Forth, in terms of research methodology, two approaches were adopted in existing studies in investigating PA practise namely; (1) qualitative approach (Hatherly and Parker (1986) used reports in their study; McCrae and Vada (1997) utilized reports; Jacobs (1998) used reports, newspapers and interviews; Johnsen, Meklin, Oulasvirte and Vakkuri (2001) used interviews; Pollitt (2003) used observations; and English (2007) utilized a historically-informed documentary and reports). (2) Quantitative approach (Smith, Lanier and Taylor, 1972 used survey; Pendlebury and Shriem (1990, 1991) utilized a survey as well; and Almohaimeed (2000) used questionnaires). However, according to these studies, qualitative methods are fundamentally used rather than quantitative methods. Therefore, one of the main contributions of this study is that using mixed method design for data collection incorporating both qualitative method (interviews) and quantitative method (questionnaires). State auditors and public sector managers are the population of this study.

Attitudes and perceptions of these two groups towards PA practice would provide a fuller, richer and more comprehensive picture of current state of PA in Libya. Neuman (2003) stated that “by observing something from different angles or more viewpoints, one can get a fix on its true location” (p. 137).

Fifth, despite the fact that a number of studies have been conducted across the world, they have focused primarily on the European countries, Australia, Canada and the USA. There is, however, a general lack of knowledge on the subject of PA in developing countries, especially in Arab countries. As a result, the researcher has taken the initiative to examine the state of PA in Libya, and to bridge this gap in the PA literature. It provides the first detailed description of PA practise among the given country. This description provides the basis for a comparison with other Arabic and developing countries and as well with developed countries.

2.6 Theoretical justification for performance auditing practice

The aim of this section is to identify the theoretical perspective of PA practice in developed and developing countries, more particularly in Libya. Both agency theory and institutional theory are used by the researcher in the explanation of PA practice in Libya. This section is organized into three subsections. Following an introduction, the second subsection discusses agency theory. Institutional theory is explained in the third part.

2.6.1 Agency theory

Agency theory describes the relationship between two parties which are the principal and the agent (Eisenhardt, 1988; Hoque, 2006). The agency relationship is defined by Jensen and Meakling (1976) as “a contract under which one or more parties (the principals) engage another party (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent” (p. 308).

2.6.1.1 Assumption of agency theory

Agency theory is built on the premise that principals have less information than agents and that this information asymmetry adversely affects the principals' ability to monitor effectively whether their interests are being properly served by agents (Adams, 1994). It also assumes that principals and agents conduct their task rationally and that they seek to maximize their wealth (Adams, 1994). These assumptions, according to Adams, represent at the same time problems of agency theory.

2.6.1.2 Agency theory problems

Agency theory is mainly concerned with two basic problems that arise in the agency relationship. The first problem is that the agents hold information not available to the principals which lead to “adverse selection” (Scott, 1997). In other words, it is cost-inefficient for the principals to possess full information about the position of the firm to assess the decision which has been made by the agents and whether it is in their best interest (Tuttle, Harrell & Harrison; 1997). More clearly, the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what

the agent is actually doing. The second problem is risk sharing that arises when the principal and agent have different attitudes towards risk. The problem here is that the principal and the agent may prefer different actions because of different risk preferences (Eisenhardt, 1989).

The agency literature refers more often to the first problem (information asymmetry), which usually takes two different forms: moral hazard and adverse selection. Moral hazard refers to a lack of effort by the agent. More generally it refers to the risk of opportunism. Moral hazard problems may arise in any situation in which someone is tempted to take an inefficient action or provide distorted information because the individual's interests are not aligned with the group interest, and because the action cannot be accurately monitored. Adverse selection refers to the situation that the principal is able to observe a manager's behaviour but is unable to determine if the effort extended by the agent (manager) is the most appropriate behaviour. (Hoque, 2006; Williamson, 1975).

To solve these problems, Pareto-efficiency is presented as the optimal solution. According to Ross (1973), Pareto-efficiency is a situation where participants can obtain perfect information. In this regard, both principals and agents will incur contracting costs. Principals will incur the costs of external audit scrutiny, while agents will incur the cost of internal audit in order to signal to their principal that they are acting responsibly and in a manner consistent with their contract of employment.

Hoque (2006) stated that agency problems can be mitigated through three strategies: monitoring costs, bonding costs, and residual costs⁵. He also indicated that the most common strategy to minimize agency problems is monitoring agency costs which include undertaking external and internal audits, having more independent directors on the board, and designing effective budgetary and other performance evaluation systems.

Due to the separation of management and ownership, external auditors play a central role in protecting owners' interest. Agency theory suggests that owners require protection because managers (agents) may not always act in the interest of the owners (the principal) (Fama, 1980; Fama and Jensen, 1983; Jensen and Meckling, 1976). To minimize agency costs, external auditors assume an oversight role that typically involves monitoring the management performance, evaluating the internal control system and ensuring that the financial statements of the entity are accurately prepared and fairly presented.

According to the above discussion of agency theory, it can be stated that agency theory is reflected in PA practice in the Libyan public sector, where the principal is the State, represented by the GPC. It authorizes the IIPC and the IFA, through their auditors to conduct PA investigations (agency cost) on public sector companies, represented by managers (agent), to indicate if the latter administers these companies in an economic, efficient, and effective way.

⁵ For more details about these strategies, see Hoque (2006), p. 61.

In addition to agency theory, institutional theory provides an explanation for how PA is practised. According to the literature review related to PA, there is a lack of research in this area, and consequently this provides the motivation for the researcher to contribute to the body of knowledge.

2.6.2 Institutional theory

The idea of institutionalization is that the pattern of things that happens within many organizations evolves over time and they then become legitimized within an institution and an environment (Eisenhardt, 1988). According to Hatch (1997) the American Neo-institutional theorist, Richard Scott, defined institutionalization as “the process by which actions are repeated and given similar meaning by self and others.” (p. 84). Hatch (1997) stated that some actions are repeated due to the fact that explicit laws or rules exist to ensure their repetition such as the legal and political influences, while other actions are supported by norms, values, expectations, and cultural influences.

Al-Twaijry et al. (2003) stated that each organization is subject to regulations and rules which are necessary to secure its legitimacy, to have access to resources and to ensure its survival. In contrast, other researchers believe that these regulations and rules are not necessary for organizations to operate efficiently; for example, Meyer and Rowan (1977); DiMaggio and Powell (1983); and Scott and Meyer (1983). The structure of organizations has been changed due to competition or the need for efficiency. In the context of PA, for instance, it has arisen as a response to an increase in the demand for efficiency and effectiveness of service delivery, and obtaining value for the taxpayer’s money (Guthrie and Parker, 1999).

On the other hand, the common organizational form is bureaucratic, and there is a trend for organizations to be homogeneous (DiMaggio and Powell, 1983). The process of homogenization is known as isomorphism. Isomorphism is a process that leads an organization to resemble other organizations that face the same set of environmental circumstances (DiMaggio and Powell, 1983). There are three forms of isomorphism resulting from different pressures: they are coercion isomorphism, mimetic isomorphism and normative isomorphism (DiMaggio and Powell, 1983).

2.6.2.1 Coercion isomorphism

Formal and informal pressures which are exercised by some organizations on dependent organizations, and pressures of cultural expectations on organizations lead to coercive isomorphism. For instance, monopolistic firms such as telecommunications and transportation can exert public pressure over the firms that utilize them (DiMaggio and Powell, 1983). Carpenter and Feroz (1992) stated that coercion isomorphism results from political influence and problems of legitimacy. Scott (1987) distinguished this type of isomorphism into two sub-types: coercion by means of authority and coercion by means of coercive power.

However, organizations may change as a response to government mandate, for example, new pollution control technologies adopted by manufacturers in order to comply with environmental regulations (DiMaggio and Powell, 1983). In addition, several aspects of an organization's behaviour and structure are affected by a common legal environment.

2.6.2.2 Mimetic isomorphism

According to Carpenter and Feroz (1992), mimetic isomorphism occurs “when organisations model themselves after others” (p. 621). Organizations tend to imitate other successful organizations in their field when they face obstacles with vague causes or unclear solutions (DiMaggio and Powell, 1983; Oliver, 1991). Moreover, uncertainty is one of the main reasons that encourage imitation (DiMaggio and Powell, 1983).

Moreover, in response to state social and cultural pressures or predictions of professionals, organizations take refuge in mimicking other similar organizations in their structures, activities, and routines (Oliver, 1991).

Furthermore, Johnsen, et al (2001) referred to the fact that one of the common organizational means that can be used to cope with uncertainty and ambiguity is the imitation of other successful organizations.

2.6.2.3 Normative isomorphism

This kind of isomorphism results from professionalization (Carpenter and Feroz, 1992). Professionalization is interpreted as the collective struggle of a group or an organization to determine methods and requirements of their work (Larson, 1977). Formal education delivered by university specialists and the growth of professional networks are the two aspects of professionalization which are the essential sources of normative isomorphism (DiMaggio and Powell, 1983).

Moreover, hiring individuals from companies within the same industry such as top executives from financial or legal departments, for a particular job is an important mechanism for encouraging normative isomorphism (DiMaggio and Powell, 1983). Furthermore, normative isomorphism can occur by exchanging information among professionals (DiMaggio and Powell, 1983)

As for PA practices in Libya, PA was required to be practised in Libya in 1989 according to the decision of the General People's Congress (GPC) No. 49 (Coercion isomorphism). Article (10) of this decision dictated that "an expert⁶ is required to conduct an evaluation of the performance of the firm and the extent to which it has succeeded in achieving its aims and the level of its adherence to existing rules and legislation" (Ahmad, 2004, p. 156).

PA emerged in the Libyan public sector in order to enhance the accountability of the public sector and to provide evidence on efficiency of using public resources. Moreover, PA was conducted by Libyan auditors who had studied auditing abroad or in Libyan higher education institutions and universities, and then trained to practise the auditing profession (see chapter three, section 3.5) (Normative isomorphism). Furthermore, in response to the GPC's decision, which is mentioned above, Libyan auditors take refuge in mimicking auditing institutions in other countries who conduct PA in the public sector (Mimetic isomorphism).

⁶ Expert: signifies anyone in the accounting or auditing offices working in Libya, or any person or group of persons with the qualification and experience in accounting and auditing charged with a particular inquiry.

To sum up, both agency theory and institutional theory are used by the researcher in the explanation of PA practice. The former, describes the relationship between two parts which are the principal (the state) and the agent (managers of public sector companies) where the agency cost represents in PA activities cost. According to the later, PA practices in developed and developing countries exists as a response to government mandate or to obey a state regulation (coercive isomorphism), by mimicking other similar organizations in their structures, activities, and routines (mimetic isomorphism), or due to normative isomorphism.

2.7 Summary

A general review of the existing literature related to the different aspects and themes of the subject of PA were provided in this chapter. First, it is argued that government auditing was concerned with financial operations and the extent to which government organizations comply with the laws and regulations. However, the scope of government auditing has expanded to include the examination of whether government organizations and programmes are accomplishing their goals (effectiveness audit) and whether they are doing economically and efficiently. The expanded role of government auditing towards covering the sophisticated aspects of economy, efficiency and effectiveness of public organizations and programmes has been generally referred to as “performance auditing”.

Second, in the auditing literature, there is no universally accepted definition of PA and its equivalents (operational auditing, FVM auditing, management auditing, effectiveness

auditing), but these concepts have been generally defined with reference to the 3Es, namely, economy, efficiency and effectiveness.

Third, the auditing literature has suggested that PA is an essential element for strengthening accountability relationships in the public sector. Moreover, PA can be seen as an incontestable contribution to performance improvement in public sector organizations. In addition, PA can be directed towards promoting the economy, efficiency and effectiveness of government organizations, programmes or activities. Other objectives of PA were discussed in this chapter.

Fourth, as for the approaches of PA, there is no exhaustive approach to be followed. Different approaches might be selected for different projects. 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, the auditor in his decision to select an approach for a specific audit project should take into consideration various factors such as the nature of audited entity, the number of auditors allocated and their competence and the auditors' available resources.

Fifth, there are no specific audit procedures to be followed in all PA inspections. It is generally assumed that specific audit procedures should be tailored to meet the needs of each situation examined.

Sixth, the literature suggested different factors that might support or impede the work of Supreme Audit Institutions (SAIs) in the area of PA. 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.

Seventh, as for PA in developed and developing countries, through reviewing the PA literature stated that emphasis has shifted from financial and compliance auditing towards PA practice in developed countries in the second half of the twentieth century. In developing countries, the demand for PA emerged during the 1980s when many countries faced various problems, such as fiscal stress, inferior performance of public sector and lack of accountability. In these countries, various limitations and obstacles have prevented performance auditors from conducting PA effectively. However, some developing countries have made a lot of efforts to improve PA function.

Eighth, a number of studies have explored the technical aspects of PA within various nations in both developed and developing countries. These studies have indicated that (1) most of the existing literature on PA tends to display a heavy emphasis upon the much clearer aspects of PA, such as its nature, processes and procedures, while problems or obstacles of PA practice have not given sufficient attention in the Western literature; (2)

qualitative methods are fundamentally used rather than quantitative methods; (3) there is a general lack of knowledge on the subject of PA in developing countries, especially in Arabic countries, owing to the written literature have focused primarily on developed countries.

Finally, with regard to the theories related to PA, both agency theory and institutional theory have been used by the researcher to explain PA practices in Libya. Agency theory describes the relationship between two parts which are the principal (the state) and the agent (managers of public sector companies) where the agency cost represents in PA activities cost. Institutional theory is based on the idea of isomorphism. Isomorphism is divided into coercion isomorphism, mimetic isomorphism and normative isomorphism. PA practice, in Libya, existed in 1989 in obedience to a decision of the General People's Congress (GPC) No. 49 (coercive isomorphism), practises by auditors who studied and trained auditing (normative isomorphism), and these auditors mimic other auditing institutions to conduct PA investigations (mimetic isomorphism). In brief, agency theory describes the need for PA (why), while institutional theory describes how PA is practised.

After reviewing the existing literature to the subject of PA in the public sector, the following chapter is devoted to discussing the auditing profession in Libya in order to gain a fully understanding of PA practice in Libya.

Chapter three

Auditing in the Libyan context

3.1 Introduction

Libya as a developing country was poor. After oil was discovered in the 1950s, the Libyan economy grew rapidly. As a result, other activities such as agriculture, industry, investment, and other associated services have been generated. Accordingly, the number of users of financial information in Libya has risen due to the economic revival and business flourish. This situation has led to the development of the accounting discipline and the need for the independent auditors services.

The purpose of this chapter is to examine the auditing profession in Libya in order to gain a fully understanding of PA practice. However, to achieve this purpose, it is necessary to understand the Libyan context. Lowe and Puxty (1989, as cited in Bait El-Mal, 2000, p.18) stated that “the nature of an organization’s relation to its environment and its goals cannot be understood except in the context of its relations with its wider social context”. Hence, this chapter is divided into seven sections. Libya overview and Libya as a developing country is highlighted in sections two and three respectively, while sections four, five and six are devoted to discuss the Libyan public sector, the auditing profession in Libya, and history of auditing in the Libyan public sector. The last section summarizes.

3.2 Libya overview

Libya is a developing Arab State. Its official name is the Great Socialist People's Libyan Arab Jamahiriya (GSPLAJ). The official language is Arabic, and Italian and English are utilized in business. The State religion in the country is Islam, and about 97% of all Libyans are Sunni Muslim (Mahmud, 1997; Ahmad and Gao, 2003). It is situated (see Figure 3-1) in North Africa, bordered by the Mediterranean Sea to the north, Tunisia and Algeria to the west, Egypt to the east, Sudan to the southeast and Niger and Chad to the south. The country covers an area of 1,759,540 square kilometres (African Development Bank, 1995). This area is equal to seven times that of the UK (Wright, 1969, as cited in Alkizza, 2006). According to Bait El-Mal (1973), Libya is the fourth largest country in Africa, and fifteenth in the world.

Figure (3.1) Map of Libya



Source: Ahmad (2004)

The population in Libya according to the first census in 1954 was 1,088,873. The census has been undertaken every ten years since 1954. The 1995 official census recorded a population of 5,407,000 (Libyan Secretariat of Economic and Planning, 1995). The latest official census in 2005 recorded a population of 6,097,556 (General People's Committee, 2010). Ahmad (2004) referred to a demographic imbalance in Libya owing to higher population density in the coastal cities, particularly, in Zawia, Tripoli, Misratah, Benghazi, and Derna.

As for the climate, it is very hot in summer. The temperature reaches 40-46°C, and the south is hotter than the north. In winter, it is instable. It can be sunny, raw, and cold; and sometimes there is light snow in the area of Al-Jabal Al Akhdar. Rainfall varies from one year to another. It ranges between 100-350 mm at the coastal strip. The rainiest area is Al-Jabal Al-Akhdar, where the annual average is about 600mm, especially around Al-Beida and Shahat cities, while it is dry in southern regions (GEA, 2002).

Historically, Libya was divided into three provinces: Tripolitania (Tripoli today) in the west, Cyrenaica (Shahat today) in the east, and Fezzan in the south. Its strategic situation in the middle of North Africa with a Mediterranean Sea coastline of 1900 kilometers made it sought after by different waves of military invasion, including the Phoenicians, the Greeks, the Romans, the Byzantines, and Italians (Kilani, 1988). However, on 24 December 1951, the United Nations granted Libya its independence, and, accordingly, it became a federal monarchy, ruled by King Al-Sanusi. On 1 September 1969, the monarchy was abolished by the Al-Fatah Revolution (an army coup), and the new name of Libya, the Libyan Arab Republic, was proclaimed. This army group became known as the Revolutionary Command

Council, and its leader was Colonel Muammar Al-Gaddafi (Kilani, 1988; Mahmud, 1997; Ahmad, 2004; Alkizza, 2006; Khorwatt, 2006).

3.3 Libya as a developing country

In the literature, there is a lack of accurate classifications for the terms of “developed” and “developing” countries. Gibert (1986) stated that “the distinction between developed and less developed, rich and poor, powerful and subordinate is only a preliminary one” (p. 7). According to Higgind (1968) the terms of “developing” or “less developed” countries are used by the United Nations instead of the less-polite expression “underdeveloped countries”. He, furthermore, indicated that if more than half of a country’s population lives in poverty the country can be described as an underdeveloped country. However, the concept of poverty is an ambiguous term and it changes over time.

Politically, a country is labeled as underdeveloped if it has applied for foreign aid and assistance has been received. Moreover, Morrish (1988) argued that less developed countries are characterized by: (1) people leaving the countryside to find work in urban areas; (2) industries facing difficulties due to a lack of experience; and (3) an outdated transport system.

In addition, some studies referred to the fact that the characteristics of developing countries exist in some developed countries. For instance, Beddis (1995) indicated that there is much poverty and unemployment in the USA, which is unquestionably a developed country and is considered one of the richest and most powerful countries in the world. In this regard,

Beddis reported that during the Reagan Administration, the demand for emergency food and shelter rose between 100 and 500 percent. On the other hand, Bakhshi (1991) reported that some countries, such as India, despite the fact that most of its regions are less developed, also has regions that are as highly developed as the known developed countries.

In the light of the above discussion, there is no perfect definition or precise standards in the literature that can be utilized to determine a country as a developing country. Although Libya witnessed a lot of improvements in education, health care, and housing after the discovery of oil, it is still considered as one of the developing countries.

3.4 The Libyan public sector

Libya, after the Al-Fatah revolution, became a “State of Masses” or a Jamahiriya. The Declaration of the People’s Authority on 2 March 1977 in the city of Sebha is regarded as the cornerstone of the Libyan political system. The important implications of this declaration were: (1) the Socialist Libyan Arab Jamahiriya is the official name of Libya; (2) the law of society for the country is the Qur’an; (3) the basis of the political regime of Libya is through popular direct authority, the power is for people, and they practise their power through Basic People Congresses (BPC). As for the administrative structure, Libya, in 1998, was divided into 21 municipalities “Al-Shabiyat”, each municipality “Shabiya” is administered by a governor.

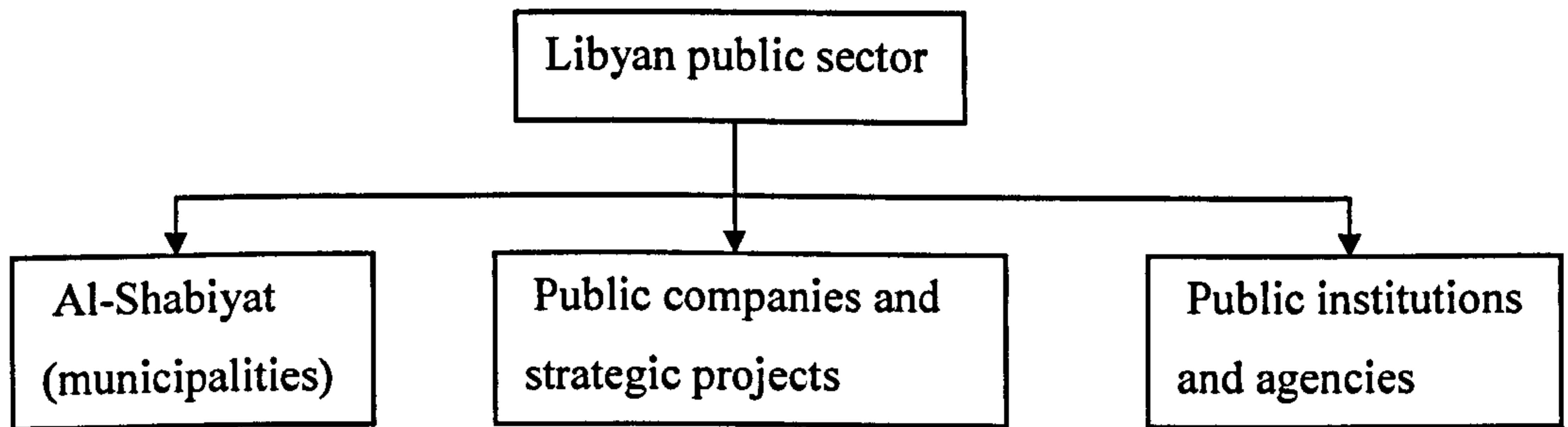
The Libyan economy, as mentioned previously, was poor before the discovery of oil in 1959, and it was based on agricultural. Therefore, during the period of the 1950s and 1960s,

it was characterized in four main ways by economists: (1) the level of literacy and health was low; (2) levels of domestic production and consumption were low; (3) there was a chronic weakness in the balance of trade; (4) natural resources were inadequately exploited (El Fathaly, 1977).

However, after the Al-Fatah revolution of 1969, the Libyan economy changed and Libya became one of the richest countries in the world (Bait El-mal, 1973). Moreover, since 1969, Libya has changed from capitalism to socialism. Hence, the government began expanding the public sector and cutting back the private sector. In the 1980s, most activities became owned or controlled by the public (Ahmad, 2004). Furthermore, in that period, the economy developed rapidly and it witnessed the formation of a wide range of public enterprises (Kilani, 1988). However, in the 1990s, some private companies emerged and started to operate.

Overall, all the above led to the formation of the Libyan public sector. Consequently, the Libyan public sector consists of three parts (see Figure 3-2): (1) Al-Shabiyat (see Appendix D), whose annual budget is devoted to each Shabiya to be spent on different activities of society; (2) Public companies and strategic projects (a total of 325, according to data collected from the Institute of Financial Auditing (IFA)); (3) Public institutions and agencies which include public hospitals, universities and higher education institutions, and other services agencies and institutions (a total of 313, according to data collected from the IFA).

Figure (3.2) Libyan public sector



Source: this figure is created by the researcher

3.5 Auditing profession in Libya

Auditing is concerned with accounting information in order to determine whether this information is recorded properly and reflects the financial state of the project in a correct way. Auditing is defined according to Dodge (1990) as “an independent examination of, and expression of an opinion on, the financial statements of an enterprise” (P. 3). Auditors must have worked or have been trained as accountants in order to achieve their task effectively (Mautz and Sharaf, 1961).

In Libya, auditing is taught as a part of the requirements for a degree in accounting in universities and higher institutes. Furthermore, the law of the Libyan Accountants and Auditors Association (LAAA) dictated that at least a bachelor’s degree in accounting must be obtained for anyone to be an auditor. A review of the accounting practice and education in Libya is needed to give a clear picture of the auditing profession.

3.5.1 Accounting education in Libya

Before the Al-Fatah revolution in 1969, there was no formal accounting education in Libya (Kilani, 1988). The accounting education system after 1969 was divided into pre-university level and university level (Ahmad, 2004). Pre-university level began in 1953, when the Libyan government established the School of Public Administration. In 1975, this school became the Institute of Public Administration when co-ordination with the UN occurred (Khorwatt, 2006). Accounting education at university level started in 1957 at the Accounting Department in the Faculty of Economics and Commerce at the University of Libya⁷ (Ahmad, 2004; Khorwatt, 2006). According to Kilani (1988), this faculty was the only faculty that taught accounting in Libya during the period 1957-1981. During the period 1981-1990, due to an increase in demand for accountants and accounting services, a few other universities were established such as the Faculty of Economics at Al-Fatah University and the Faculty of Accounting at Al-Jabal Al-Gharbi University (Ahmad, 2004).

This system before 1976 was influenced by the British education system, where the academic year was a nine-month year and a period of four years was required for students to obtain a bachelor's degree in accounting. Moreover, accounting textbooks were British books or Arabic books translated from English (Kilani, 1988). The new system since 1976 is based on two semesters in a year. Each semester contains sixteen weeks, and the accounting textbooks are American books or Arabic books translated from American books, and some books have been written by Arabic authors who graduated from US universities or UK universities (Kilani, 1988). In this regard, Mahmud (1997) indicated that the accounting education in Libya is divided into two systems: the British-orientated

⁷ The University of Libya was established in Benghazi in 1957 with a branch in Tripoli.

system (the old system, 1957-1976) and the American-orientated system (the new one, 1976 - present).

In addition, in both systems, accounting courses focus on financial topics dealing with external reporting, taxation and external auditing (Buzied, 1998). Most of the faculty staff until 1980 were Egyptian, while a few were British, American and Canadian (Kilani, 1988). However, the majority of accounting teaching members in recent years are Libyans who have graduated from USA, UK, Libya, and other universities in the world such as Egypt, Syria, Australia, and Poland. Furthermore, an accounting master programme has been offered at Garyounis University since 1988. This programme has also been offered by the High Studies Academy in Tripoli and the Accounting Faculty at Al-Jabal Al-Gharbi University in the 1990s (Ahmad, 2004), and in recent years a few other universities in Libya have started offering it. However, a PhD programme in accounting has not been offered in Libyan universities yet. Accordingly, the lack of this kind of research in Libya led to the slow development of accounting education (Ahmad and Gao, 2004).

3.5.2 Accounting and auditing practice in Libya

The accounting profession did not exist in Libya until the 1960s, when most the business companies depended on foreign accounting firms from Italy and the UK in that period (Bait El mal, 1973). Consequently, many foreign accounting firms opened branches in Libya in the 1960s such as Egyptian and American accounting firms (Bait El Mal, 1973). However, in the 1970s, many Libyan accounting firms were established when the number of Libyan accountants who graduated from the university of Libya or from abroad increased (Ahmad,

2004). Kilani (1988) argued that several factors led to the development of the Libyan accounting profession, included the Libyan accounting education system, international companies, accounting academics, and international accounting firms. Furthermore, he went on to say that the Libyan accounting profession resembled its counterparts in the UK and the USA.

However, the accounting and auditing profession in Libya started to be organized when the number and size of accounting firms increased in the 1970s. The Law No. 116 of 1973 was enacted for this reason. Furthermore, the LAAA was established in June 1975 for some reasons, such as improvement the accounting profession, raising accounting and auditing standards, and organizing and participating in internal and external accounting conferences. (Kilani, 1988; Ahmad, 2004).

The auditing profession, in Libya, is practiced by two groups: (1) State auditors who are members of the IFA and the IIPC. These auditors are employed by the Libyan government to audit the public sector. Furthermore, these auditors must have an accounting degree and pass a special examination or an interview designed by the IFA or the IIPC in order to be employed as state auditors. (2) External auditors who practise their profession through private offices. These auditors must register as chartered accountants at the LAAA (Law No. 116, article 32) in order to practise the auditing profession. The requirements for registration at the LAAA are:

1. Applicants having a Libyan nationality.
2. Applicants should reside in Libya.

3. Applicants should have a bachelor's degree in accounting with at least five years experience of accounting work, while applicants who have a degree higher than a bachelor's degree are exempt from the experience requirement. Moreover, applicants who have a qualification lower than a bachelor's degree should have five years experience or more in a full time accounting job and pass a special examination designed by the LAAA, to be able to register as chartered accountants (Ahmad, 2004; Faraj, 2010; Khorwatt, 2006).

However, these auditors can offer services such as preparing financial reports, auditing, tax services, bankruptcy, management consulting, system design and installation.

As for the types of auditing conducted in Libya, Libyan auditors conduct financial, compliance and performance auditing. Financial and compliance auditing are conducted every year for all public bodies, with the IFA is responsible for financial auditing, while the IIPC is responsible for administrative and technical control (Law No. 3, 2007, The Institute of Inspection and Public Control).

With regard to PA practice in Libya, it is undertaken only by state auditors who are members of the IFA and the IIPC (Law No. 2, No. 3, 2007). Furthermore, it is conducted according to a decision from the IFA or the IIPC, which depends on the guidance that is issued by the GPC⁸.

⁸ This information was obtained through the interviews that were conducted for this research. No references related to this information were found.

In addition, there are no local auditing standards followed by Libyan auditors. Faraj (2010) stated that the absence of Libyan auditing and accounting standards indicated the limited role of the LAAA. Accordingly, Libyan auditors follow accounting principles and auditing standards of the UK and the USA (Ahmad, 2004; Faraj, 2010; Khorwatt, 2006). From the point of view of the researcher, the reasons for adopting these standards can be attributed to:

1. The UK and the USA, through their direct foreign oil investment in Libya, having strongly influenced Libyan accounting practice and promoted the audit profession in Libya.
2. The English accounting system and then the American one, as mentioned earlier, being adopted by the Libyan universities.
3. Most Libyan accountants who hold higher degrees in accounting having studied in UK or USA universities.
4. The absence of the LAAA role in developing and issuing local standards.

On the other hand, there are some auditing practices in Libya which are not compliant with generally accepted auditing standards and professional ethics (Ahmad, 2004). Other developments in the auditing profession are stated in the next section allocated to reviewing the history of auditing in the Libyan public sector.

3.6 History of auditing in the Libyan public sector

According to the law of the Libyan public sector companies these companies are subject to independent audit every year. Auditing of public sector companies was conducted by accounting firms licensed by the Ministry of the Treasury. In 1955, the State Accounting Bureau (SAB) was established by Law N0. 31 under the responsibility of the Ministry of Treasury. By the Audit Bureau Law of 1966, the SAB became responsible directly to the whole Ministries' Council of Libya. Auditors were responsible only to the ministry, which served as the general assembly of shareholders of each company. In the early 1970s, Libya witnessed the birth of large public companies. In this regard, Kilani (1988) characterized that period as the "golden area" of Libyan public accountants, when they became more careful and thorough in their investigations due to the large companies owned and supervised by the government. Although their reports became more informative, they still suffered from short-comings owing to the fact that they were concerned with financial accounts auditing and made no reference to management performance or to the effectiveness and efficiency of the operations of the companies (The Audit General's Office, 1985).

In 1973, Law No. 116, as mentioned previously, was enacted to organize the accounting and auditing profession, and by the issue of the Law No. 118, the responsibility of the appointment of external auditors for all public companies was transferred to the Audit General. In 1974, the Central Institute for General Administration Control (CIGAC) was established by the Law No. 88. This institute was responsible for administration control, following up the implementation of legislation and public projects, and investigating all crimes and administrative and financial irregularities. In 1975, the Law No. 79 gave the

Office of the Auditor General (AGO) the option of auditing public organizations and corporations, where the government owns at least 25 percent of its ownership, or appointing public accountants who would be directly responsible to the Auditor General instead of the respective ministry of the company (Kilani, 1988). In this regard, Kilani (1988) referred to the fact that although the AGO had been given the option to appoint independent public accountants to audit public companies, most of those companies were audited by staff of the AGO in that period.

Moreover, the AGO was changed by the Law No. 79 of 1975 to be responsible directly to the Revolutionary Command Council (RCC). Article (1) of the Law No. 79 of 1975 stated that the AGO was an independent agency affiliated to the RCC, and its purpose was to apply effective control over the public funds. In addition, article (18) of the same Law stated that the AGO was responsible for examining and auditing of the accounts of the state, organizations, and public agencies. Also, the AGO is responsible for auditing government-owned companies and any account of entity assigned for government audit by the RCC. In addition, the LAAA was established in 1975 in order to be responsible mainly for registering public accountants, maintaining a register of public accountants and for other objectives as mentioned previously (Mahmud, 1997). In 1977, the RCC transferred its authority to the General People's Congress (GPC). Accordingly, the AGO became responsible directly to the GPC. In 1986, the Institute for Public Follow-Up (IPFU) was established by the Law No. 16 in order to follow up public projects and review contracts entered into by public bodies in the state. In 1988, the Law No. 7, which was issued by the GPC, combined the AGO with the CIGAC under the new name "the Institute for Public Follow-Up" (IPFU). The IPFU was an independent body, conducted the same functions as

the AGO, and reported directly to the GPC. In 1989, performance auditing was required to be conducted by auditors according to the decision of GPC article (10) No. 49. In 1996, the name of the IPFU was changed into the Institute of Public Control (IPC) by the Law No. 11, and the responsibility of the IPC was extended to include the auditing of foreign companies operating in Libya. In 2001, according to the Law No. 30 the name of the IPC was changed to the Institute of Inspection and Public Control (IIPC). In 2003, the Institute of Financial and Technical Control (IFTC) was established by the Law No. 13, and was responsible directly to the GPC. The purpose of establishing this institute was to achieve an effective financial and technical control on all public bodies in the state. By this Law (article No. 8) the IIPC became responsible only for administrative control. In 2007, the control system in Libya was reorganized, and the Institute of Financial Auditing (IFA) was established by the Law No. 3 in order to achieve effective financial auditing of all public bodies that the IFA is responsible for; while the IIPC became responsible for administrative and technical control.

According to article No. 5 of the Law No. 3 of 2007 public bodies include:

1. Bodies that are financed by the public budget and all its administrative units.
2. Public institutions and administrative units that depend on self-financing.
3. Public organizations.
4. Overseas people's bureaux.
5. Public companies.
6. Companies where the state owns at least 25 percent of its capital.

7. Foreign companies that conduct contracts in Libya for public bodies subject to the IFA.
8. Any other body that may be issued with a decision from the IFA to audit it in future.

Furthermore, according to article No. 9 of the Law No. 3 of 2007, the IFA is responsible for performance evaluation of all bodies mentioned above. In addition, the article No. 51 of Law No. 2 of 2007 stated that the IIPC must follow up performance of public bodies whose audit it is responsible for in order to ensure that its objectives have been conducted in an effective and economic way, and to ensure that the employees are doing their job in accordance with legislation (The Institute of Inspection and Public Control).

3.7 Summary

Libya is a developing Arab State with a small population and a large geographic area. Arabic is its official language and Islam is the official religion in the country. After the discovery of oil in 1959, and the Al-Fatah revolution of 1969, the Libyan economy grew rapidly and Libya became one of the richest countries in the world. The Libyan public sector consists of three parts: Al-Shabiyat (municipalities), public companies and strategic projects, and public institutions and agencies. The accounting education in Libya developed from the mid-20th century from the old system to the new one. The old system (1957-1976) was British-orientated, whereas the new one (1976- present) is American orientated. The accounting and auditing profession in Libya started to be organized when the number and size of accounting firms increased in the 1970s. The Law No. 116 of 1973 was enacted to organize it and the Libyan Accountants and Auditors Association (LAAA) was established.

The period 1955- present witnessed a lot of changes in public sector auditing in Libya. However, since 2007, the control system (auditing system) in Libya has been reorganized, and the Institute of Financial Auditing (IFA) was established by the Law No. 3 in order to achieve effective financial auditing of all public bodies that the IFA is responsible for; while the IIPC became responsible for administrative and technical control. Moreover, both the IFA and IIPC are responsible for carrying out PA in the Libyan public sector.

After reviewing the existing literature related to PA in the public sector (Chapter Two) and discussing the auditing profession in Libya (this Chapter), the next chapter explains the research approach and methods adopted for this study.

Chapter Four

Research Approach and Methods

4.1 Introduction

The tradition of research investigation in this field is broadly empiricist, model-based, and concerned with practice (see Ryan et al., 2007). This investigation of PA in the Libyan public sector emanated from performance auditors' and public organizations managers' perceptions of PA in the Libyan public sector (its nature and effectiveness). This study, as stated in Chapter One, seeks to answer three questions which are:

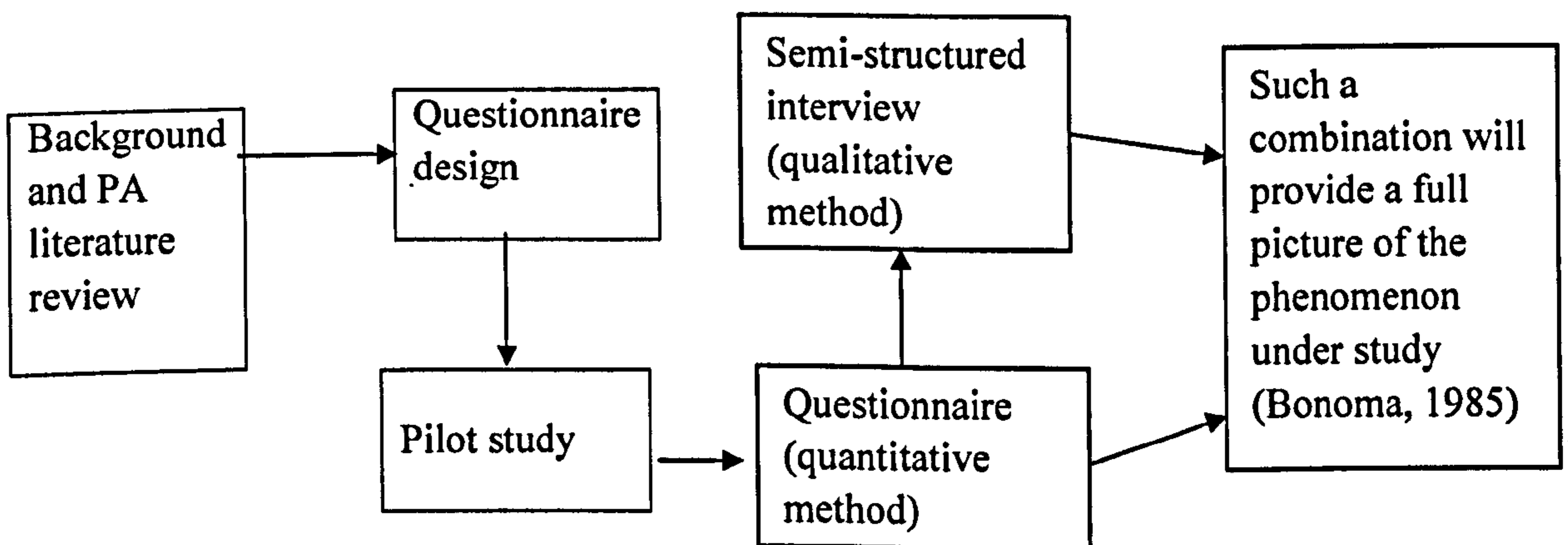
1. What is the nature of performance auditing (PA) as practised by auditors in the Libyan public sector?
2. To what extent is the current system of PA in the Libyan public sector effectively operated from the perceptions of Libyan performance auditors and public sector managers?
3. How can the PA system be improved in the Libyan public sector?

The reasons behind selecting these questions are: (1) this study is the first empirical study investigating the PA system in Libya; therefore, it is felt necessary to explore the nature, effectiveness, and procedures of improving PA in the Libyan public sector; (2) Almohaimeed (2000), who conducted a similar study that investigated the nature of PA and its effectiveness in the Saudi public sector (see Chapter Two, section 2.3), recommended more research in the area of PA in developing countries, particularly in countries with similar environments to that of Saudi Arabia.

In other words, the objectives of this study are to explore the nature of PA in the Libyan public sector, to explore the extent to which the current system of PA has been effectively operated, and to discover how PA in the Libyan public sector can be improved. Therefore, in order to obtain a good understanding of this subject, it is important to select a particular research methodology by taking into account the nature of the study objectives and the sensitive information needed to answer any related question.

Accordingly, a mixed-methodological design was utilized in this study as the tradition of this type of research, as mentioned previously, is broadly empiricist, model-based, and concerned with practice. Two research methods (qualitative and quantitative)⁹ were employed, namely, semi-structured interviews and close-ended questionnaires (see, Figure 4.1).

Figure (4.1) Research methods



Source: this figure is created by the researcher

Qualitative research is a uniquely useful method of finding out about people, what they think, feel, hope, believe and understand (Mark, 2000). Hussey and Hussey (2007) stated

⁹ Qualitative and quantitative methods can be seen as complementary rather than as adversaries (Sieber, 1973; Smith, 1975; Jick, 1979; Van Maanen, 1983; Ghauri, Gronhaug and Kritainslund, 1995).

that qualitative research is subjective in nature and involves examining and reflecting on perceptions in order to gain an understanding of social and human activities. In contrast, quantitative research is objective in nature, concentrates on measuring phenomena, and involves collecting and analyzing numerical data and applying statistical tests. Particularly, both quantitative and qualitative research is empirical research where the data are in the form of numbers in the former only (Punch, 1998). In a mixed-methodological design study, one finds "mixed methods" presented where the author collects both qualitative and quantitative data (Creswell, 1994). The use of mixed methods ensures the validity and reliability of the research. However, each type of data collection method has some biases associated with it. Qualitative methods entail weaknesses such as the researcher's detachment, while in quantitative methods, for example, the questionnaire survey lacks richness in detail of the phenomenon studied (Hoque and Hoper, 1997). Thus, collecting data through a triangulation method from multiple sources leads to greater rigour in the research findings (Sakaran, 2003). This use of both qualitative and quantitative methods in the same study aims to ensure that the data from different collection methods agree. For example, semi-structured group interviews may be a valuable way of triangulating data collected by other means such as by questionnaire (Saunders, Lewis and Thornhill, 1979). Denzin (1978) defined a triangulation approach as "a combination of methodology in the study of the same phenomenon" (p.291). Patton (1987) defined it as "building checks and balances into a design through multiple data collection strategies" (p. 60).

Indeed, collecting different types of data from different sources and by different means results in a broader and full picture of the phenomenon or unit of analysis under study (Bonoma, 1985).

According to the above discussion, a mixed method was utilized in this study, as mentioned previously, in order to obtain a good understanding of the nature and effectiveness of PA in the Libyan public sector. Furthermore, a review of existing studies related to PA indicated that qualitative methods are fundamentally used rather than quantitative methods, and no study incorporated these two methods together for data collection. Therefore, one of the main contributions of this study is that of using mixed-method design for data collection incorporating both the qualitative method (interviews) and the quantitative method (questionnaires).

Following this introduction the subsequent sections discuss data collection methods, population and sample of the study, distribution and collection of the questionnaires, data analysis techniques, reliability, validity, and research ethics.

4.2 Data collection methods

There are different ways that can be used to collect data. Denscombe (1998) stated that there are different research methods that can be used for data collection. However, each of these methods has its particular advantages and disadvantages. Taylor and Bogdon (1984) reported that no method is equally suited for all purposes and the selection of research methods should be determined by the research interests, the circumstances of people, the setting to be studied and the practical restrictions faced by the research.

Two commonly used data collection methods include carrying out questionnaire surveys and conducting interviews. Data collected by these techniques can be considered as primary

rather than secondary. In the following sub-sections the questionnaire and interviews, which have been used in the current study, are discussed separately.

4.2.1 Questionnaire

As mentioned previously, in this study, a questionnaire survey was used along with a semi-structured interview for collecting data. Saunders et al. (1997) indicated that although questionnaires may be used as the only data collection method, it is often better to link them with other methods in a multi-method approach.

Questionnaires and interviews are popular ways to collect data about organizations and people, and find out what they think, believe or do (Maylor and Blackmon, 2005). Furthermore, Hussey and Hussey (2007) mentioned that individuals' perspectives can be examined by utilizing either questionnaire or interview.

Thus, for the purpose of this study, questionnaire surveys were utilized to determine the performance auditors' and public organization managers' attitudes and perceptions about the nature and effectiveness of the current system of PA.

4.2.2 Interview

One of the main data collection tools in qualitative research is interview (Punch, 1998). It is a proven way of accessing people's perceptions, meanings, and definitions of situations and constructions of reality (Punch, 1998). It is characterized by the fact that it applies verbal questioning as its principal technique of data collection (Sarantakos, 2005). One of the most

popular techniques of social research is the survey method, which consists of both questionnaires and interviews (Sarantakos, 2005). Interviews might be used as the only data gathering technique in a study, or, frequently, in conjunction with other quantitative or qualitative techniques (Punch, 1998).

Accordingly, semi-structured interviews were used in this study along with close-ended questionnaire to provide more in-depth understanding about the nature and effectiveness of the current system of PA. Furthermore, semi-structured interviews were used to conduct the third objective of this study, namely to explore how the PA system can be improved in the Libyan public sector.

4.2.3 Structure of the questionnaire

Regardless of whether the questionnaire is administered personally or by mail, it has to include three main elements: the cover letter, the instructions and the main body (Sarantakos, 1998).

4.2.3.1 Cover letter

The cover letter has been recognized as one of the factors that influence the response rate, because it introduces the research topic and research team to the respondents (for more details see Sarantakos, 1998). Accordingly, in this study, the cover letter was prepared carefully in order to obtain a high response rate (76.4% for auditors' group and 75% for managers' group, see section 4.4).

4.2.3.2 Instructions

Instructions are one of the major elements to get a high response rate (Hussey and Hussey, 2007). Instructions about how to fill in the questionnaire, how much time is needed to fill it in and what the respondents should do, when the questionnaire has been completed, are usually given on the questionnaire or on a separate sheet (Sarantakos, 1997).

Hence, in this study, the instructions were written clearly, in a simple way, and were given on the questionnaire, in order to get a high response rate (see, Appendix A and B).

4.2.3.3 Main body

This part of the questionnaire includes the questions that are to be answered. Foddy (1993) stated that in order to be effective, this part must be worded very carefully. The next sections discuss this at greater length.

4.2.4 Questionnaire design

In order to construct the questions, an extensive review and analysis of the subject of PA were carried out. High quality questionnaire design principles should focus on the principles of wording. The principles of wording allude to a variety of factors including, inter alia, how questions are worded and the level of complexity of the language used, the kind and form of questions asked, how long the questionnaire should be, the sequencing of the questions in the questionnaire and the personal data required from the participants (Sekaran, 1992).

In addition, there are other significant issues to be considered in the development of the questionnaire (discussed in the next sub-sections) such as sources of questions, wording and language, types of questionnaire, type of questions, order of the questions, types of scaling used and pilot study.

4.2.4.1: Sources of questions

The questions included in the questionnaire were derived from an extensive review of the existing auditing literature, and in particular, the questionnaires of Almohaimeed (2000) and Pendlebury and Shreim (1991), which included issues similar to the issues of this study. Remenyi et al. (1998) stated that using existing questionnaires or questions from them is permissible. For this study, some alterations to the questions were made to be consistent with the Libyan socio-economic environment. In addition, questions related to the effectiveness of PA were derived from the literature review (refer to section 2.3).

4.2.4.2 Wording and language

The wording and tone of questions are important in developing the questionnaire (Sekaran, 1992). Accordingly, the following factors were considered in the composition of the questionnaire of this survey: (1) preventing jargon and technical terms as much as possible; (2) making questions short wherever possible; (3) avoiding double-barrelled questions which ask more than one question at once and can also be seen as confusing and ambiguous; (4) avoiding phrasing questions that might make the respondents give the responses that the researcher would like, or may come across as wanting to be elicited; (5) preventing questions which use 'not' as they are difficult to understand, particularly in the

case of asking respondents to specify whether they agree or disagree (Zikmund, 1994; Oppenheim, 1992; Cooper and Emory, 1995; Hussey and Hussey, 2007; Kumar, 1999; Ticehurst and Veal, 2000).

Moreover, as the researcher's native language is Arabic, the translation process needs some further care, for the reason that a word or expression can have various meanings, which might influence the perception of the sought meaning. Emery (1987) illustrated that English tends to be more implicit than Arabic. Consequently, in this study, the questionnaire was initially constructed in English, and then translated into Arabic.

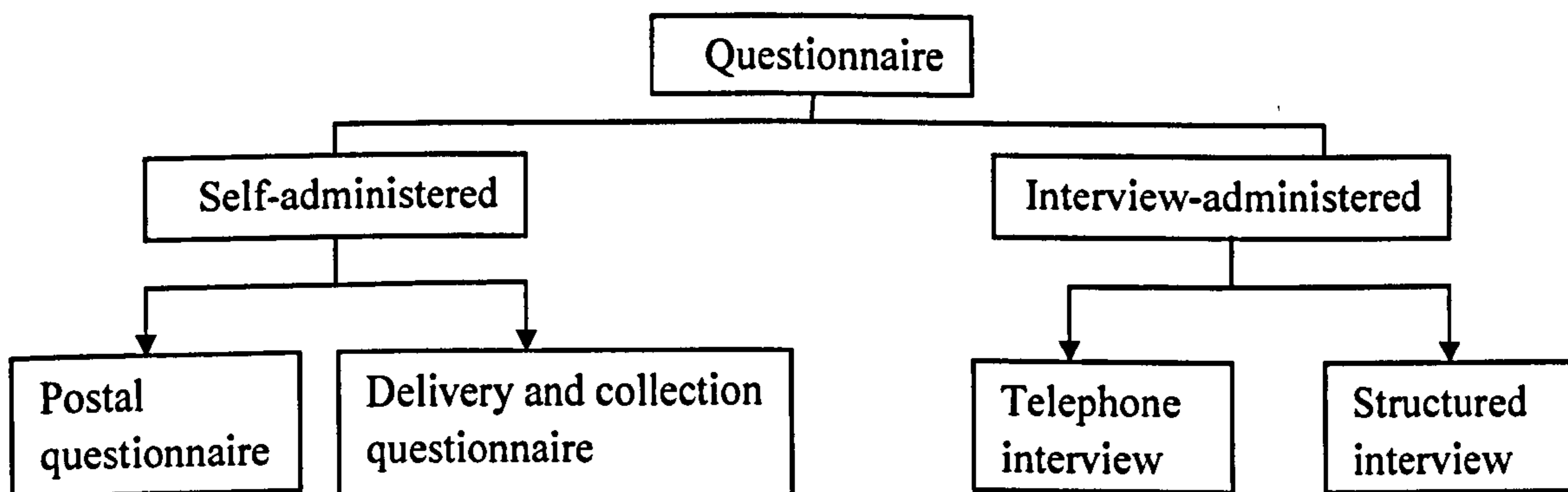
4.2.4.3 Types of questionnaire

The design of a questionnaire differs according to how it is administered. There are two types of administration of the questionnaire, namely self-administered questionnaire and interviewer-administered questionnaire (see Figure, 4.2) (Saunders et al., 1997). With a self-administered questionnaire, respondents answer questions by completing the questionnaire themselves. Such questionnaires are either posted to respondents who return them by post after completion (postal or mail questionnaires), or delivered by hand to each respondent and collected later (delivery and collection questionnaires). While with an interviewer-administered questionnaire, responses are recorded by the interviewer on the basis of each respondent's answers. Such questionnaires can be conducted using the telephone (telephone questionnaire) or by structured interviews (interview schedules) (Saunders et al., 1997; Bryman and Bell, 2003). Moreover, self-administered questionnaires, as compared to interviewer-administered questionnaires, tend to: (1) have

fewer open questions, since closed ones tend to be easier to answer; (2) have easy-to-follow designs; (3) be shorter to reduce the risk of respondent fatigue (Bryman and Bell, 2003).

Consequently, in this study, the self-administered questionnaire was adopted. The main reasons for this are that self-administered questionnaires compared with interviewer-administered are cheaper, quicker to administer, free of interviewer effects and variability, and more convenient for respondents (Bryman and Bell, 2003).

Figure (4.2) Types of questionnaire



Source: this figure is created by the researcher

4.2.4.4 Types of questions

When wording the questions for the questionnaire, there are two types of questions, which are considered, namely close-ended and open-ended questions (Hussey and Hussey, 2007; Kumar, 1999; Saunders et al., 1997; Ticehurst and Veal, 2000). With close-ended questions, a number of alternative responses are provided and the respondents are asked to tick or circle the appropriate boxes when giving their answers. In contrast, with open-ended

questions, the responsibility is placed on the respondents to write the answers in their own words on a line or in a space provided for this purpose.

There are various advantages to closed questions (Oppenheim, 1992; Saunders et al., 1997), such as (1) they are usually quicker and easier to answer; (2) they require minimal writing; (3) they are easy to analyze; (4) they produce uniformity among respondents concerning the specific issue under investigation; (5) they provide a range of critical answers which reduce the chance of overlooking issues of vital importance to the researcher. However, one of the major disadvantages of this type of questions is that the information obtained through them lacks depth and variety. There is, furthermore, a greater possibility of investigation bias because the response patterns may be listed only according to the researcher's interests, or those that come to his/her mind (Kumar, 1999). In addition, questions may be ignored by some respondents when they have certain viewpoints that do not fit with the listed options (Kumar, 1999).

On the other hand, the advantages of the open-ended questions are that: (1) they can provide quite detailed answers and valuable information on some issues; (2) they give an opportunity to respondents to express themselves in their own words; (3) the researcher does not influence the respondent's answers unduly (Ticehurst and Veal, 2000). However, this type of questions has three major disadvantages: (1) analysis of such questions is more difficult because they produce a wide range of answers and a mass of information; (2) response rate can be very low because open questions require more effort from respondents and they are often disinclined or too busy to write out full-length answers; (3) such questions give respondents the opportunity to express themselves freely, resulting in a

greater variety of information, so information can be lost (Kumar, 1999; Ticehurst and Veal, 2000).

According to the advantages and disadvantages of both types of questions, the close-ended questionnaire was used for this study. Moreover, to overcome the limitation of close questions, 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. Furthermore, for further information, a space was left at the end of the questionnaire.

4.2.4.5 Order of questions

The ordering of the questions in the questionnaire is important as it affects the quality of the information, the interests and even the willingness of a respondent to participate in a study. However, there are two categories of opinions as to the best way to order questions. The first is that questions should be asked in a random order, while in the second, questions should follow a logical progression based upon the objectives of the study (Kumar, 1999). Kumar and Saunders et al. (2000) believe that the latter procedure is better as it gradually leads respondents into the themes of study, starting with simple themes and progressing to complex ones.

In constructing the questionnaire of this study, the following guidelines regarding the questions sequence were considered: (1) starting with simple themes and progressing to complex ones; (2) keeping open-ended questions to a minimum and wherever possible

placed towards the end of the questionnaire; (3) classifying questions into parts or sections as this helps structure the questionnaire and provides a flow; and (4) making use of filter questions¹⁰ to ensure that questions are relevant to respondents. In addition, particular efforts were made to achieve a high rate of response such as: (1) having a covering letter accompanying the questionnaire explaining the importance of the study and assuring the respondents that all the responses of the questions would be confidential and anonymous; and (2) using personal contact during the distribution of questionnaires with public sector managers, and with co-operation with the manager of the IFA and the IIPC.

4.2.4.6 Scaling of questions

The researcher in seeking the respondent's attitude towards an issue may use a series of either questions or statements. The researcher selects questions or statements that reflect the issue in question. In this case, participants are requested to indicate their degree of agreement/disagreement or satisfaction/dissatisfaction by choosing the appropriate response category or a number on a numerical scale (Kumar, 1999).

Certain scales have been devised that allow the researcher to measure the data. In the first part of the questionnaire (general information), a nominal (or classificatory) scale was used in order to collect personal information about the respondents. The nominal scale, according to Sekaran (2000), can be used for obtaining personal information. In the second and third part, the questions were constructed on a five-point rating scale (Likert scale)

¹⁰ Filters questions arise when the necessity for respondents to answer certain questions depends on their answer to a prior question (Ticehurst and Veal, 2000).

format. The Likert scale, according to Nachmias and Nachmias (1996), is a method designed to measure people's attitudes.

4.2.4.7 Pilot study

A questionnaire survey often faces some difficulties before reaching its final version. Although the two questionnaires of this study (one for performance auditors and the other for public sector managers, see the next sub section) were adopted from previous studies, as mentioned previously, pilot work was needed to help the researcher to identify and modify technical problems and defects relating to the two questionnaires. The pilot study is the final step in the questionnaire construction and one of the most important. In line with Borg and Gall (1989), two advantages might be gained by doing a pilot study. (1) A pilot study might be utilized as a tool in collecting data about the research subject. (2) Feedback can be obtained from the participants in the pilot study with regard to the subject discussed in the research, which might be used in improving the main study.

Accordingly, various procedures were followed for the pilot study in May and June 2009. First, the two completed questionnaires were sent via email to three staff members¹¹ from three different UK universities who are interested in auditing; and to twelve Libyan PhD auditing students in the UK in order to obtain their opinion about the design, sequence and the wording of the questionnaires. Second, the completed English and Arabic versions of the questionnaires were delivered to three Libyan professors¹², two of whom obtained PhDs in accounting from the UK and the other from the USA, in order to give their comments on

¹¹ Staff members who I met at the BAA Conference held 21-23 April 2009 at Dundee University, and asked for permission to send the questionnaires.

¹² Those professors had an experience in conducting research and have published books in accounting and auditing field.

the above issues of the questionnaire, and English/Arabic translation. Third, a limited number of questionnaires were delivered to performance auditors and public sector managers (five for each group) in order to ensure that the questionnaire was free from any difficulties and ambiguities which may lead to inadequate or misleading responses. Fourth, two interviews were conducted (one with one of the IFA managers, and the other with one of the IIPC performance auditors) where the issues related to the questionnaire were discussed. Finally, all the replies were carefully examined and then some modifications relating to the design, sequence, wording, and translation of the questionnaires were made. For example, questionnaires were numbered to facilitate distribution, collection and analysis; choices such as "not important" to "very important" were written instead of numbers 1 to 5 in order to facilitate the participants' answering the questions; some definitions related to PA, such as performance auditing, economy, efficiency, effectiveness and feedback were written at the beginning of related questions to help the participants to understand them; and forms of some questions were modified (see Appendix A and B).

Consequently, the Arabic and English versions of questionnaire were revised and constructed, and finally the final Arabic copies of the questionnaire were distributed (see Sub-section 4.4).

4.2.5 Content of the questionnaire

The length of the questionnaire is an important concern in research design. Short questionnaires are often recommended as they result in higher response rates than longer questionnaires (Dillman, 1978; Linsky, 1975). Therefore, the two different questionnaires

of this study were restricted to a limited number of pages and items. The first questionnaire of this study was designed for performance auditors and the other for public sector managers, and both questionnaires consist of three parts (see Appendix A and B).

Part one consists of questions seeking to gather factual information such as job titles, educational qualifications, work experience, and professional qualifications. The purpose of this part is to identify to what extent those auditors and managers have experience and knowledge about the nature of PA and its effectiveness in the Libyan public sector. Part two of the performance auditors' questionnaire consists of eight questions, while part two of the public sector managers' questionnaire consists of five questions. Respondents in this part were asked to make judgments about the nature of PA in the public sector. Part three of both questionnaires consists of thirteen questions. Respondents were asked to give their opinion on the effectiveness of PA in the Libyan public sector. Furthermore, a space for additional views and comments relating to the issues were raised in the questionnaire or any other issue relating to the PA system in the Libyan public sector was provided at the end of the questionnaire.

4.2.6 Type of interviews

There are many types of interviews; they differ from one to another in structure, purpose, role, and number of respondents involved in each interview, and form and frequency of administration (Sarantakos, 2005). Much has been written on the topic of different types of interviews. For example, Patton (1980) distinguishes three main types of interview: the informal conversational interview, the general interview guide approach and the standardized open-ended interview. Minichiello et al., (1990) provide a useful continuum of

interviewing methods, based on the degree of structure involved. Fielding (1996b) describes the interview using the terms “standardized”, “semi-standardized” and “non-standardized”. Similarly, Fontana and Frey (1994) use a three-way classification of structured, semi-structured and unstructured interviewing, and they employ that to individual and group interviews. Punch (1998) states that the main dimensions of the variation of interviews are the degree of structure in the interview. Clearly, different types of interviews are suited to different situations.

4.2.6.1 Structured interview

This kind of interview is similar to a questionnaire based on a strict procedure and a highly structured interview guide (Saunders et al., 1997; Sarantakos, 2005). “A structured interview is in reality a questionnaire read by the interviewer as prescribed by the researcher” (Sarantakos, 2005, p.247). In this interview, the respondent is asked a series of pre-established questions, with pre-set response categories, though open-ended questions may sometimes be used (Punch, 1998). In addition, to reduce interview bias to a minimum and to achieve the highest degree of uniformity in procedure, the interviewer is expected to play a neutral role by keeping the same tone of voice; offering the same impression to the respondents; using the same style, appearance, prompts, and probes; and showing no initiative, spontaneity or personal interest in the research topic (Punch, 1998; Sarantakos, 2005). Moreover, the structured interview can be used in descriptive studies as a means to identify general patterns and may also be used in relation to an explanatory study, in a

statistical sense¹³. Furthermore it is open employed in quantitative research (Sarantakos, 2005).

4.2.6.2 Unstructured interview

This type of interview has no strict procedures to follow and there are no restrictions in the wording and order of the questions, or the interview schedule (Sarantakos, 2005). Saunders et al. (1997) state that in the unstructured interview there is no pre-determined list of questions to work through, and the interviewee is given the opportunity to talk freely about events, behaviour and beliefs in relation to the topic area. The traditional type of unstructured interview is the non-standardized, open-ended, in-depth interview and it has been labeled as an informal interview (Punch, 1998; Saunders et al., 1997). Furthermore, it is used as a way of understanding the complex behaviour of people without imposing any priori categorization which might limit the field of inquiry (Punch, 1998). It can be used in an exploratory study. Robson (1993) indicated that in-depth interviews can be very helpful to discover what is happening and to seek new insights.

The unstructured interview is a powerful research tool and it is capable of producing rich and valuable data. It is widely used in social research and other fields, and is mostly used in qualitative research (Punch, 1998; Sarantakos, 2005).

¹³ For more details about prescriptive and explanatory studies see Robson, 1993, p.42.

4.2.6.3 Semi-structured interview

This sort of interview is positioned between structured and unstructured interviews. The degree to which interviews are structured depends on the research topic and purpose, resources, methodological standards and preferences, and the type of information sought, which is determined by the research objectives (Sarantakos, 2005). The researcher in the semi-structured interview will have a list of themes and questions to be covered, often referred to as an interview guide, although these questions may vary from interview to interview, and the interviewee has a great deal of freedom in how to reply (Saunders et al., 1997; Bryman and Bell, 2003). Furthermore, questions that are not included in the guide may be asked as the interviewer notes replies by interviewees, and other additional questions may be required to explore the research question and objectives given the nature of events within particular organizations (Saunders et al., 1997; Bryman and Bell, 2003). Semi-structured interviews can be used in an explanatory study in order to understand the relationships between variables, such as those revealed from a descriptive study, and they may also be used in relation to an exploratory study, so they can be a qualitative or quantitative technique (Saunders et al., 1997; Sarantakos, 2005).

Accordingly, on the basis of the above discussion, a semi-structured interview is chosen for this study because it is exploratory and seeks to collect information about attitudes or perceptions of the participants in terms of the nature and effectiveness of PA in the Libyan public sector. Moore (2000) stated that semi-structured interviews are the best tool used when the researcher intends to gather both structured information and information about beliefs and attitudes of the participants. It was used in this study to obtain more in-depth understanding of the issues raised in the questionnaire and to fulfill the third objective of

this study, namely to find out how the PA system can be improved in the Libyan public sector.

4.3 Population and sample

This section is devoted to illustrating the population of the study and how the sample size was determined.

4.3.1 Population of the study

Libyan auditors and public sector managers are the population of this study, and most of the questionnaires were distributed to performance auditors and public sector managers in Tripoli and Benghazi (the two biggest cities in Libya), because most Libyan auditors work in these cities (85% in 1998 according to Darraji [1998]). Furthermore, most large public organizations and companies are in these cities. Moreover, some questionnaires were distributed in three other cities in Libya (see Table 4.2).

4.3.2 Questionnaire sample size

One of the most important factors that should be considered in the application of a questionnaire is its direction at the right respondents from whom the data is sought. The researchers have to select the representative sample, because non-relevant respondents could distort or mislead the whole research and, thus, the consequent result would be inapplicable (Almohaimeed, 2000).

Consequently, selecting a random sample of auditors and managers from the whole population would not serve the objectives of this study. As a result, the sample was divided into two groups and determined as follows:

1- Libyan auditors: the Libyan public sector is reviewed by two groups of auditors. (a) State auditors who are members of the Institute of Inspection and Public Control (IIPC) and the Institute of Financial Auditing (IFA). They are employed by the Libyan government to audit the public sector. 110 questionnaires were distributed to performance auditors¹⁴ in this group. (b) External auditors who belong to the Libyan Accountants and Auditors Association (LAAA), and who practise their profession through private offices, and who are often entrusted by the IIPC and the IFA to audit the public sector. One of main findings of the pilot study indicated that external auditors are not entrusted to review the performance of public sector companies. Therefore, questionnaires were not distributed to them.

2- Public sector managers: the questionnaires were distributed to public sector managers who have had experience in PA; accordingly, a list of public organizations that were subject to PA investigations was requested from the IFA. As a result, 200 questionnaires were distributed to fifty organizations (see Appendix E and F).

¹⁴ The IIPC and the IFA do not accept an unlimited number of questionnaires; they often determine a limited number because many research students in Libya request their involvement.

4.3.3 Interview sampling procedures

Sampling procedures are less structured, less quantitative, and less strict than the techniques quantitative researchers employ (Sarantakos, 2005). Kuzel (1992) stated that qualitative studies employ a form of non-probability sampling such as accidental or purposive sampling, as well as snowball sampling and theoretical sampling. The sampling procedures employed by qualitative researchers demonstrate a number of characteristics (for more details see Miles and Huberman, 1994).

In terms of this study, due to the fact that it is difficult for the researcher to identify auditors and managers who have had experience in PA, the snowball sampling technique was used. Saunders et al. (1997) stated that snowball sampling is commonly used when it is difficult to identify members of the desired population. With this approach to sampling, Bryman and Bell (2003) stated that in order to establish contacts with interested participants, an initial contact with certain people who are relevant to the topic under investigation should be made.

Accordingly, 16 auditors and 13 managers were contacted by the researcher as recommended. 11 auditors and 10 managers agreed to participate in this research, while the others refused.

4.3.4 Interview sample size

As mentioned above, non-probability sampling is employed in qualitative research. In non-probability sampling, the researcher has a greater chance of selecting some units to study

than other units (Maylor and Blackmon, 2005). Sample size in qualitative research is relatively small because qualitative research studies a small number of respondents (Crabtree and Miller, 1992; Patton, 1990). Mason (2002), furthermore, stated that for practical reasons, qualitative samples are usually small due to the cost of generating and analyzing data.

In terms of this study, 11 auditors and 10 managers agreed to be interviewed, as mentioned previously, but only 8 auditors and 8 managers were interviewed owing to (1) difficulty of conducting interviews in Libya, which it is attributed to the Libyan culture, and (2) the interviewees' answers in the last three interviews were similar to their predecessors' answers. In other words, the interviewer felt that no more substantial information would be obtained from other additional participants. Sarantakos (2005) stated that the process of snowball sampling "is continued with the new respondents until saturation - that is, until no more substantial information can be acquired through additional respondents - or until no more respondents are available" (p.165). Consequently, the sample size was represented in eight performance auditors and eight public organizations' managers, and the snowball sampling technique as referred to earlier was used.

4.3.5 Process of semi-structured interviews

Semi-structured interviews are conducted in a number of stages, as follows:

4.3.5.1 Seeking respondents

As mentioned formerly, eight performance auditors and eight public organizations' managers are the interview sample size. The researcher arranged the interviews by visiting

the prospective respondents at work. When meeting the respondents, the researcher introduced himself, explained the intention of the visit, and the purpose of the research, ensured anonymity and confidentiality, determined how long the interview will take, and how the interview will be recorded, and arranged a date for the interview. In addition, as mentioned above, the snowball sampling technique was used where the interviewees of the both groups were asked, at the end of the interview, if they knew other auditors or managers who could be useful participants in this study. As a result, 16 auditors and 13 managers were contacted but the researcher reached the point of saturation with 8 performance auditors and 8 public organizations' managers, when the answers were repetitive and nothing new was said (see Section 4.3.3).

4.3.5.2 Asking and recording questions

A list of open-ended questions was prepared on the subject of PA and the interviews were conducted face to face in the second visit to the interviewees. The same questions were directed to each interviewee, in the same manner, in the same sequence as stated in the questions list, and using the same wording and language. Sarantakos (2005) stated that “in qualitative interviews only open-ended questions are used.” (p.255). As for recording the interview, the interviewer has two choices, either taking notes or using audio recording devices. However, there are some problems associated with both methods. For instance, when taking notes, some respondents may interpret it as a breach of anonymity and confidentiality, and when using audio recording devices, some respondents might be reluctant to speak in front of a microphone, and also the fact that listening to recordings after the interview is very time consuming (Sarantakos, 2005). In this study, most of the interviews were recorded using a voice digital recorder, and few were conducted only by

taking notes owing to the fact that few interviewees refused to be recorded. Each interview lasted approximately between half to one hour, and took place in the participants' offices and firms.

4.3.5.3 Completion of interview

At the end of the interview, the interviewees were thanked, made to feel that their contribution to the research and to society through the interview was appreciated, and assured that these recorded interviews will only be used for the research objectives. Table 4.1 summarizes the study interview schedules according to the interviewee's place of work, position, and the date of the interview.

4.4 Distribution and collection of questionnaires

Distribution and collection of the questionnaires took place during the period from July to September 2009, and consisted of two stages. The first stage was concerned with distributing questionnaires to performance auditors within the IFA and the IIPC. The researcher met managers of the IFA and the IIPC at their offices in Tripoli and Benghazi¹⁵, accompanied by a letter from the culture affairs department of the Libyan embassy in London (see Appendix C) illustrating the nature and importance of the study and asking for help and co-operation with the researcher. Those managers agreed to participate in this study and to co-operate with the researcher by accepting 85 questionnaires and distributing them randomly to performance auditors.

¹⁵ The majority of performance auditors are in these two cities.

Table (4.1) interviews schedules

N	Place of work	Position	Date
1	The IFA/ Tripoli	Performance auditor	16/07/2009
2	The IIPC / Tripoli	Performance auditor	16/07/2009
3	General Electric Company / Tripoli	Internal auditing department manager	19/07/2009
4	The IIPC/ Tripoli	Performance auditor	20/07/2009
5	Horoj oil company/ Tripoli	Internal auditing department manager	21/07/2009
6	The IIPC/ Tripoli	Performance auditor	22/07/2009
7	The IIPC/ Tripoli	Department manager	23/07/2009
8	The General Company for Iron and Steel / Misratah	Internal auditing department manager	29/07/2009
9	The IFA / Tripoli	General manager	03/08/2009
10	The General Company for Chemical Industries/ Abu Kemash	Internal auditing department manager	04/08/2009
11	The IFA / Benghazi	General manager	08/08/2009
12	Arab Medical University/ Benghazi	Financial manager	08/08/2009
13	Jamhoriya Bank HQ	Financial officer	12/08/2009
14	The IFA / Zawarah	Performance auditor	13/08/2009
15	Railway project/ Tripoli	Financial manager	24/08/2009
16	Social Security Fund/ Zawarah	Financial manager	26/08/2009

Furthermore, due to the fact that the number of the questionnaires which were distributed was to some extent small, the other 25 questionnaires were distributed to performance auditors in three other cities in Libya which are Misratah, Zawiah and Zuwarah (see Table 4.2).

The questionnaires were distributed and collected by the managers of the IFA and the IPC, as mentioned above, owing to the fact that most performance auditors have field audit investigations and work outside the IFA and the IPC headquarters. Therefore, it was not easy for the researcher to reach them. Furthermore, distribution by the IFA and the IPC provided official backing for the questionnaire, which resulted in a response rate of 76.4%. Finally, the researcher arranged by phone to collect those questionnaires.

Table 4.2 distribution of performance auditors' questionnaire and response rate

City	Distributed Qs	Received Qs	Usable Qs	% of usable
Tripoli:				
Performance auditors of the IFA	20	18	17	85
Performance auditors of the IPC	30	28	26	86.7
Total	50	46	43	86
Benghazi:				
Performance auditors of the IFA	20	14	12	60
Performance auditors of the IPC	15	10	10	66.7
Total	35	24	22	62.8
Misratah:				
Performance auditors of the IFA	10	7	6	60
Performance auditors of the IPC	0	0	0	-
Total	10	7	6	60
Zawiah:				
Performance auditors of the IFA	3	2	2	66.7
Performance auditors of the IPC	5	5	4	80
Total	8	7	6	75
Zuwarah:				
Performance auditors of the IFA	7	7	7	100
Performance auditors of the IPC	0	0	0	-
Total	7	7	7	100
Total	110	91	84	76.4

The second stage was concerned with distributing the questionnaires to public sector managers. According to an interview with one of the IFA managers, as mentioned in the pilot study, not all public sector companies and organizations have been reviewed with regard to their performance. Moreover, PA is not conducted every year for those companies and organizations whose performance has been reviewed. Furthermore, the interviewee

stated that PA of public sector companies often depends on a decision from the IFA or the IIPC. Although, the Libyan public sector consists of three parts, as mentioned in Chapter Three, the interviewee referred to the fact that the first part Al-Shabiyat (municipalities), has not been reviewed since 2008 because the funding of these municipalities was centralized in 2008. In addition, there are no statistics available for the number of managers working in the Libyan public sector.

Consequently, a list of public organizations that are subject to PA investigations, as mentioned in sub-section 4.3.2, was requested from the IFA. The IFA supplied the researcher with two useful lists: one for public companies and strategic projects and the other for public institutions and agencies.

A careful review of these two lists was conducted, and the following points were considered in selecting the sample of the study (public organizations).

1. Organizations that have been investigated in the last five years. Other organizations were excluded because the individuals who had dealt with them may not have remembered the case very well or may have moved to another job. Accordingly, it became clear that only 47 public companies and strategic projects, and only 26 public institutions and agencies had been subject to PA during the last five years. This number is relatively small, considering the fact that PA has been required since 1989. In fact PA has only started to be practised in Libya more recently.

2. Organizations located in the cities where performance auditors' questionnaires were distributed (Tripoli, Benghazi, Misratah, Zawiah, and Zuwarah). Due to the fact that

questionnaires cannot be distributed efficiently via the postal system, and as Libya is a huge country (see map of Libya, Figure 3.1), questionnaires were not distributed to other Libyan cities because of the limitations and costs of the study.

Finally, a total of 50 public organizations were randomly selected: 32 public companies and strategic projects (68%) and 18 public institutions and agencies (70%) (see Appendix E and F). 200 questionnaires (four to each auditee) were personally distributed and collected due to the fact that distribution via the postal or e-mail services in developing country such as Libya is not feasible. Questionnaires were given to the financial manager of each selected auditee, and the researcher agreed with them to take one and distribute the other three questionnaires to an internal auditing department manager, a financial officer, and an internal auditor in each auditee¹⁶. Furthermore, to increase the response rate of distributed questionnaires, a cover letter explaining the purpose and importance of the survey was attached to encourage the respondents to answer all the questions (see Appendix A and B). Finally, telephone calls were made to ensure the completion of the questionnaires and to make collection arrangements. A total of 163 questionnaires were received; 150 of them were usable to analyze, making the response rate of usable questionnaires 75% (see Table 4.3).

Table 4.3 distribution of public managers' questionnaire and response rate

Group	Distributed Qs	Received Qs	Usable Qs	% of usable
Public companies and strategic projects	128	108	102	79.7
Public institutions and agencies	72	55	48	66.7
Total	200	163	150	75

¹⁶According to discussions with few public sector managers, financial managers, internal auditing department managers, financial officers, and internal auditors were considered as possible respondents for the public managers' group, because they have had experience in PA through their dealings with performance auditors.

It is worth mentioning that the advantages of using a questionnaire are (Moser and Kalton, 1993; Nachmias and Nachmias, 1996; Oppenheim, 1992; Sarantakos, 1998): it is cheaper than other methods, it covers a large number of samples, it guarantees respondent anonymity, it offers less opportunity for bias or errors, it is a stable, consistent and uniform measure, without variation, each respondent will receive and be exposed to the same questions and instructions, it is a quicker way of collecting data from the respondents, and it produces quick results.

On the other hand, the questionnaire survey has its limitations (Moser and Kalton, 1993; Nachmias and Nachmias, 1996; Oppenheim, 1992). The first limitation is related to the fact that one cannot be sure who has completed the questionnaire (if the right person has answered 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 and thus have low motivation. This problem was minimized in this study by directing the questionnaire to individuals who have an interest in the subject and by seeking the support of officials from the organizations participating in the study (see Section 4.3.2). 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 by probing or prompting. These limitations were tackled by adopting various processes in the questionnaire design stage, including the review of initial questionnaires by experienced academic staff and some Libyan PhD students who are studying in the UK and researching subjects related to

auditing, and also by conducting a pilot study. In addition, a space for additional views and comments was provided at the end of the questionnaire (see Sub-section 4.2.4.4).

4.5 Data analysis techniques

In order to carry out data analysis, the Statistical Package for Social Sciences (SPSS) was utilized. Different statistical techniques were used. The descriptive statistics included the frequencies (counts and percentages), measures of central tendency (mean) and measures of spread (standard deviation) which were computed for all statements included in the questionnaire for the two groups, except the yes/no questions where only frequency distribution was used. Frequencies enable the researcher to describe the characteristics of the studied sample and to know the frequency distributions of the information under investigation. Measures of central tendency enable the researcher to characterise the observations in a meaningful way. Measures of deviations or spread describe the differences between each observation and the mean. Descriptive statistics are a way of organizing and summarizing 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 this study, most questions contain more than one statement; therefore, the statements relating to each question are presented in a table based on the ranking of the mean scores. Each question is presented in a table which includes: the serial number, the mean, the standard deviation and the ranking of the mean scores for each statement (see next Chapter).

The other technique used in analyzing the data was inferential statistics. This was 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. As the data analysis is based on one variable at a time (e.g. an objective of the PA 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, e.g. the t test, the Mann-Whitney test for two independent samples, and the Wilcoxon test for two related samples. In this study, due to the fact that the study samples are independent and their populations are not normally distributed, the Mann-Whitney test was used. The test was used in three cases, when testing (1) differences between the performance auditors' two subgroups; (2) the managers' two subgroups; and (3) differences between the two main groups i.e. performance auditors and public managers. The responses of the subgroups were found to be very similar (see Appendix G and H). Accordingly, in the analysis of this study, the respondents' sub-groups have been combined to provide two main groups, i.e. performance auditors and public managers.

As for semi-structured interviews, a qualitative data analysis package (Nvivo) was utilized. The interviews were translated from Arabic into English, and then the interviews transcripts were imported into Nvivo to be ready for exploration.

4.6 Principles of research methodology

Kidder (1981) pointed out that there are three tests for measuring the quality of a research programme: reliability, internal validity and external validity. Therefore, it is important for

any research to be designed in a logical way in order to increase the reliability and validity of the data presented.

4.6.1 Reliability

Reliability refers to the capacity of measurement to produce consistent results (Sarantakos, 2005). Patton (2002) defined reliability as “the degree to which the findings are independent of accidental circumstances of the research” (p.94). In the same respect, Sekaran (2000) stated that “the reliability of a measure indicates the extent to which the measure is without bias (error free) and hence offers consistent measurement across time and across the various items in the instruments” (p. 204).

In quantitative research, there are three types of reliability, all of which are considered by social researchers, namely stability, equivalence and representative reliability (Krippendorff, 1980; Sarantakos, 2005). Stability refers to reliability across time (Sarantakos, 2005). Krippendorff (1980) noted that tests of stability measure whether particular items classified by the same researcher at different times have remained stable (reliability across time). Equivalence relates to reliability across indicators and to multiple indicators in operationalization procedures (Sarantakos, 2005). Representative reliability relates to reliability across groups of subjects, which means the measure will be reliable if employed in groups other than the original group of subjects (Sarantakos, 2005).

Qualitative researchers give little attention to reliability in the way that quantitative ones do (Sarantakos, 2005). According to McCall (1979 as cited in Sarantakos, 2005), qualitative

researchers use measures of reliability which they believe effective, such as increasing the variability of perspectives in research, or setting up a list of possible errors or distortions which they aim to avoid.

According to the above discussion, reliability means the ability to produce the same findings if the study is replicated exactly by another researcher following the same procedures. The main aim of reliability is to minimize the errors and bias in the study. In an attempt to ensure the reliability of this study, consideration was given as to whether the conclusions drawn would be replicated by other researchers using the same procedures. This research adopted the methodology that aims to give high reliability; it triangulated two methods to collect the needed data (questionnaire and interviews). Therefore, the threats of bias or unreliability should be at a minimum.

4.6.2 Internal validity

Internal validity is a measure of how effective the measuring instrument is within the general logic of the research programme. Leedy (1993) stated that, "Internal validity is the freedom from bias informing conclusions in view of the data" (p. 41). Internal validity refers to the extent to which the research design impacts on the research outcomes. Internal validity checks to ensure that the findings of the research have not been affected by instruments or procedures, and that they are the results of the independent variable (Sarantakos, 2005).

In terms of this research, different tactics were used in order to ensure the internal validity. In fact, the researcher tried to strengthen internal validity by three steps: (1) reviewing the relevant literature and building the questionnaire and interview questions; (2) investigating the attitudes and perceptions of Libyan auditors and public sector managers about the nature and effectiveness of PA in the Libyan public sector according to the questionnaire and semi-structured interviews; and (3) comparing Libyan auditors' attitudes and perceptions towards the nature and effectiveness of PA with public sector managers' attitudes and perceptions. In this respect, the findings concluded that there is no significant differences between the perceptions of the two groups for all the issues related to the nature and the effectiveness of PA in the Libyan public sector (see Chapter Five). At the same time, the analysis process combined evidence from the questionnaire, triangulated with semi-structured interviews.

4.6.3 External validity

External validity refers to the extent to which research findings can be generalized, and is mostly relevant to explanatory studies (Sarantakos, 2005). Anderson (1990) indicates that while internal validity is required to be confident that the results obtained are true for those participating in the study, external validity is needed to be able to generalize these results.

In terms of this study, due to the fact that not all Libyan auditors as well as public sector managers have adequate knowledge of the PA system, only participants who have had experience in PA were involved in this study (refer to Section 4.3.2). Furthermore, the snowball sampling technique was used in this study to identify auditors and managers who

are familiar with the PA system. Accordingly, the findings drawn from the sample can be generalized to the whole population of this study.

4.7 Research ethics

In the context of research, ethics refers to the appropriateness of behaviour in relation to the rights of those who become the subject of the study, or are affected by it (Saunders et al., 1997). Punch (1998) states that all social research involves ethical issues. This is because the research involves collecting data from people and about people. Ethical issues are more likely and acute in some qualitative approaches. This is because the qualitative approach intrudes to some extent into people's lives more than other approaches (Punch, 1998).

Ethical issues need to be considered throughout the period of the research and to remain sensitive to the impact of work on those approached to help, those who provide access and co-operation, and those affected by results (Saunders et al., 1997; Maylor and Blackmon, 2005; Bryman and Bell, 2003). The researcher in business and management research will depend on other people for access, and the ethical issues related to business and management research are divided into three ethical issues: ethical issues during design and initial access stages, ethical issues during data collection stage, and ethical issues related to analysis and reporting stages (for more details see, for example, Saunders et al., 1997; Robson, 1993; Cooper and Emory, 1995; Zikmund, 1994).

In terms of this study, the researcher followed all the University of Gloucestershire's ethics during this research activity. The participants and interviewees were informed of the

purpose of the research, the time required and the confidentiality of the data provided. After completion, interviewees were given the opportunity to clarify any misunderstanding or misinterpretations by the researcher. For reasons of confidentiality, the names of the interviewees remain anonymous. The participants also were assured of the confidentiality of their replies. In addition, the researcher has offered to provide the participants with a copy of the research findings if they would like.

4.8 Summary

The research methods utilized in collecting and analyzing the data needed to achieve the objectives of this study are discussed in this chapter. A mixed-methodological design was utilized in this study. Close-ended questionnaires and semi-structured interviews are the data collection techniques.

Libyan auditors and public sector managers are the population of this study. 310 questionnaires were distributed to the participants of the study, 110 to performance auditors and 200 to public sector managers in Tripoli and Benghazi (the two biggest cities in Libya) and in three other Libyan cities. 84 questionnaires usable for analysis were received from performance auditors (76.4%), and 150 questionnaires usable for analysis were received from public sector managers (75%). As for semi-structured interviews, the sample size was represented in eight performance auditors and eight public organizations' managers, and the snowball sampling technique was used. The questions were constructed on a five-point rating scale (Likert scale) format, and the Statistical Package for Social Sciences (SPSS)

was utilized for data analysis, while a qualitative data analysis package (Nvivo) was utilized for semi-structured interviews analysis.

Two techniques were used for questionnaire analysis. The descriptive statistics including the frequencies, mean and standard deviation were computed for all statements included in the questionnaire for the two groups. The inferential statistics technique based on the Mann-Whitney test was 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. Reliability, internal validity, external validity and research ethics were discussed in this chapter.

The next two chapters are devoted to stating and discussing the results of the questionnaire and semi-structured interviews analysis.

Chapter five

Questionnaire analysis

5.1 Introduction

This chapter reports the results of the empirical analysis of the data collected from questionnaire survey. It concentrates on the perception and attitude of performance auditors and public sector managers regarding the nature and effectiveness of PA in the Libyan public sector. It is divided into three sections according to the three parts of the questionnaire, namely: (1) general information of participants; (2) the perception and the attitude of performance auditors and public sector managers about the nature of PA, and (3) the perception and the attitude of performance auditors and public sector managers to the effectiveness of PA.

Before analyzing data, it is worth mentioning that most questions were constructed on a five-point Likert scale (interval scale). In the Likert scale, the location of the zero point (cut-off-point) is not fixed (Malhotra and Birks, 2007; Sarantakos, 2005). Malhotra and Birks (2007) stated that "Both the zero point and the units of measurement are arbitrary. Hence, any positive linear transformation of the form $y=a+bx$ will preserve the properties of the scale" p. 340. In this instance, "y" means the transformed scale value, "x" means the original scale value, while "a" and "b" are constants. In the transforming equation both constants drop out in the computations.

Accordingly, for data analysis, it is worth defining the extension of coding regarding responses to items of dimensions. In this study typical scales, which consisted of “not important=1 to very important= 5; never=1 to always=5; not at all useful=1 to very useful=5; ineffective=1 to very effective=5; strongly disagree=1 to strongly agree=5; and extremely inappropriate=1 to extremely appropriate=5” were followed (see Appendix A and B). Hence, the extension of this scale is determined by $5-1=4$, and in order to identify the length of each scale “b” was computed. $b=4 / 5 = 0.80$. Accordingly, the upper limit for each cell is determined by using the equation “ $y= a+bx$ ”, whereas “ $a=1$ ” (the constant “a” represents the difference between any two adjacent scale value), “ $b= 0.80$ ” (as mentioned above), and “ $x= 1, 2, 3, 4$ and 5 ”. As a result of using this equation, the following shows the range of each scale used in this study:

1 to 1.80 represents “not important”, “never”, “not at all useful”, “ineffective”, “strongly disagree”, and “extremely inappropriate”. 1.81 to 2.60 represents “of little importance”, “rarely”, “rarely useful”, “rarely effective”, “disagree”, and “inappropriate”. 2.61 to 3.40 represents “moderately important”, “sometimes”, “moderately useful”, “moderately effective”, “undecided”, and “I am not sure”. 3.41 to 4.20 represents “important”, “often”, “useful”, “effective”, “agree”, and “appropriate”. 4.21 to 5 represents “very important”, “always”, “ very useful”, “very effective”, “strongly agree”, and “extremely appropriate”. Based on the above mentioned, measure of central tendency (mean), which was computed for all statements included in the questionnaire, will be interpreted according to the range of each scale.

5.2 General information of participants

As mentioned previously, the questionnaires were distributed to individuals or organizations that had had experience of PA. A number of questions were included in the questionnaire in order to acquire general information about each respondent which could provide some indication as to the reliability of the responses given. Therefore, the first part of the questionnaire dealt with general information about the participants in terms of their job titles, academic qualifications, professional qualification and length of experience.

5.2.1 Participants' job title

The participants from the two groups were asked to indicate their job position in their institutions or organizations. As shown in Table 5.1, all participants within the performance auditors' group are associated with the subject of PA mainly as performance auditors and PA managers (93%), while the rest (7%) are officers. As this group is frequently involved in the conduct of PA examinations, one can expect the data provided by such a group to be highly relevant to the issues raised in this study.

Table (5.1) Participants' job title

Group	Job title	Number	%rate
Performance auditors	Performance auditor	68	81
	Performance auditing manager	10	12
	Officer	6	7
	Total	84	100
Public sector managers	Financial officer	48	32
	Financial department manager	38	25.3
	Internal auditing department manager	38	25.3
	Internal auditing officer	26	17.4
	Total	150	100

Table 5.1 also shows that the public sector managers who responded to this question are financial officers (32%), financial department managers (25.3%), internal auditing

department managers (25.3%), and internal auditing officers (17.4%). The listed occupations of the public managers seem to provide support for the views given in their responses to the questionnaire.

5.2.2 Participants' academic qualifications

Table 5.2 shows academic qualifications of the two groups. All performance auditors have at least a 'higher diploma'. The majority of them 60.7% (51) held a bachelor of accounting, 17.8% (15) held a master of accounting, and 8.3% (7) held a higher diploma of accounting, while the remaining 13.2% (11) held a non-accounting degree, but they had experience in PA because an audit team often includes a lawyer and an economist (see Section 5.4.4).

Table (5.2) Participants' academic qualifications

Academic qualifications	Performance auditors		Public managers	
	Number	% rate	Number	% rate
Bachelor of Accounting	51	60.7	109	72.7
Master of Accounting	15	17.8	18	12
Diploma of Accounting	7	8.3	14	9.3
Master of Finance and Banking	5	6	--	--
Bachelor of Management	--	--	7	4.7
Bachelor of Economic	3	3.6	2	1.3
Bachelor of Law	3	3.6	--	--
Total	84	100	150	100

As for public sector managers, Table (5.2) indicates that the educational level of most public sector managers (72.7%) is bachelor of accounting, 12% (18) master of accounting,

and 9.3% (14) higher diploma of accounting, while the remaining 6% (9) have a non-accounting degree.

One implication that might be inferred from the above table is that the majority of the participants from the two groups have an accounting degree which means that they are fully aware of the auditing process and therefore their perceptions should objectively and effectively serve the research objectives.

5.2.3 Participants' professional qualification

This question was included to give a general view of the professional qualifications of the performance auditors' group. According to participants' responses, none of the performance auditors has any kind of professional qualifications in the field of auditing. This might be attributed to the fact that the IPC and the IFA regulations for recruiting and hiring auditors do not require any kind of professional qualifications.

5.2.4 Participants' work experience

The two groups' work experience is stated in Table (5.3). 58.4% (49) of performance auditors have over ten years experience of auditing. In addition, the majority (91.7%) of performance auditors have at least five years experience. This table also illustrates that more than half of the public sector managers (52.6 %) have more than fifteen years working experience. Moreover, a majority of managers (86.6%) have at least eleven years working experience. Only 12.7% (19) have experience ranging from 5 to 10 years, while just 0.7% (1) has less than five years experience.

Table (5.3) Participants' working experience

Work experience	Performance auditors		Public managers	
	Number	% rate	Number	% rate
Less than 5 years	7	8.3	1	0.7
5-10 years	28	33.3	19	12.7
11-15 years	27	32.2	51	34
16-20 years	16	19.1	47	31.3
More than 20 years	6	7.1	32	21.3
Total	84	100	150	100

5.2.5 Participants' working experience in the field of performance auditing

In this question, participants from the performance auditors' group were asked about the length of their experience in the field of PA. As can be seen from Table (5.4), a majority of performance auditors (83.4%) have ten years experience or less in this area, while 16.6% (14) have more than ten years experience. This can be attributed to the fact that PA started to be practised in Libya in 1989 (refer to Chapter three).

Table (5.4) Participants' working experience in the field of PA

Work experience in PA	Performance auditors	
	Number	% rate
Less than 5 years	23	27.4
5-10 years	47	56
11-15 years	9	10.7
More than 15 years	5	5.9
Total	84	100

5.3 Perception and attitude of performance auditors and public sector managers towards the nature of PA

It was indicated in Chapter two of this research that PA could be used as an instrument for achieving different objectives and that this tool can use different approaches and procedures to achieve these objectives. Therefore, a broad view of the nature of PA as currently practised in the Libyan public sector is stated in this section depending on the participants' perceptions.

The internal consistency reliability test (Cronbach's Alpha) within the Statistical Package for Social Sciences (SPSS) was used to test the reliability coefficient for the nature of PA. The result ($\alpha= 0.65$) for the auditors group and ($\alpha=0.66$) for managers group indicates that the reliability of the nature of PA is acceptable and can be measured¹⁷ (see Table 5.5).

Table (5.5) test of reliability for the nature of PA

Group	Cronbach's Alpha	N of Items
Performance auditors	0.65	37
Public sector managers	0.66	26

After this brief introduction, the remainder of this section presents the research findings concerning the following issues: (1) the objectives of PA in the Libyan public sector; (2) the approaches to PA investigations as followed by performance auditors; (3) the procedures of PA investigations; (4) the criteria used in selecting the auditee; (5) the main sources of information of PA; (6) the stages in which PA occurs; (7) the type of audit which PA is primarily concerned; and (8) time spent in carrying out PA.

¹⁷ Nunnally (1988) indicated that new developed measures can be accepted with an alpha value of 0.60; otherwise, 0.70 should be the threshold. Furthermore, Berthoud (2000, as cited in Bryman, 2008) stated that a minimum level of 0.60 for alpha value is good.

5.3.1 Objectives of PA in the Libyan public sector

PA was introduced to the public sector in order to achieve several objectives. These objectives, as discussed in Chapter two, include the strengthening of public accountability relationships; improving the performance of public sector organizations; promoting the economy, efficiency and effectiveness of public organizations; improving the quality of public organization services; controlling organizational performance; helping public organizations to set goals and objectives for their achievement; developing performance measures and/or indicators for public organizations; helping decision-makers in the public sector by providing them with information about public organizations' productivity; helping organizations to specify their needs in terms of training and development; and providing useful information for reward and punishment purposes (e.g. Barzelay, 1996; Boisclair 2008; Bucharest, 2003; Burrowes and Hatherly and Parker, 1988; Persson, 2000; and Sonntag, 2007).

In order to explore how the participants of the two groups perceive the main objectives of PA system in the Libyan 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. A summary of the auditors' and managers' perceptions about these objectives is shown in Table (5.6) and Table (5.7) respectively. It is worth mentioning that, for convenience purposes, 'Minimum', 'Maximum' and 'Standard Deviation' were coded in this chapter as can be seen in Table (5.6) below.

The level of importance of these objectives can be categorized, based on the mean and participants' percentages, into three groups. The first group, which consists of objectives 1,

2, 3, 4, 5 and 6 were perceived as “important” with a total percentage of 79.7%, 86.9%, 84.5%, 73,8%, 52.4% and 52,4% as “important” and “very important” respectively (see Table 5.6 and Appendix J, Table 1).

Table (5.6) performance auditors’ perceptions about PA system in the Libyan public sector (Q.B1¹⁸)

N	Objectives of the PA system	No. of cases	Min*	Max*	Mean	Rank	Std. Dev*
1	Enhancing organizational accountability	84	1	5	4.18	1	.907
2	Improving organizational performance	84	3	5	4.15	2	.630
3	Controlling organizational performance	84	3	5	4.08	3	.625
4	Promoting economy, efficiency and effectiveness of government organizations, programmers and activities.	84	2	5	3.90	4	.786
5	Improving quality of public organization services	84	2	5	3.57	5	.826
6	Developing performance measures and/or indicators for public	84	1	5	3.54	6	.911
7	Helping public organizations to set goals and objectives.	84	1	5	3.19	7	.843
8	Helping decision-makers in public sector by providing them with information about public organizations’ productivity	84	1	5	3.02	8	.918
9	Helping organizations to specify their needs in terms of training and development	84	1	5	2.57	9	.997
10	Providing useful information for reward and punishment purposes.	84	1	5	2.08	10	.881

*Min= Minimum, Max= Maximum, and Std. Dev= Standard Deviation.

Enhancing organizational accountability was perceived to be the most important objective with a mean score of 4.18. Improving organizational performance was ranked second (mean = 4.15). Controlling organizational performance was rated third (mean = 4.08),

¹⁸ Q.B1 means question number one of the part B of the questionnaire (see Appendix A and B). Accordingly, all the next tables in Section 5.3 are coded in the same way.

while the mean scores for the other three objectives were 3.90, 3.57 and 3.54 respectively. The second group of objectives (numbers 7 and 8) were perceived as “moderately important” with mean scores of 3.19 and 3.02 and with a total percentage of 34.6% and 22% as “important” and “very important” respectively. The third group is objective (9), helping organizations to specify their needs in terms of training and development, and (10) providing useful information for reward and punishment purposes. These objectives demonstrated a low level of agreement; they were perceived as “of little importance” (mean = 2.57, 2.08), with only 14.3%, and 6% ranking them as “important” and “very important”.

As for public sector managers' perceptions, the outcome appears to be similar to the performance auditors' results. Table (5.7) shows that managers perceived objective number 1 “improving organizational performance” as “very important” with a total percentage of 83.3% as “important” and “very important”. Objectives number 2, 3 and 4 were perceived as “important” by at least 71.3% as “important” and “very important” (see Appendix J, Table 2). Objectives number 5, 6, 7 and 8 were perceived as “moderately important” (mean scores ranging from 3.13 to 3.40).

However, in a similar way to performance auditors' perceptions, objective (9) “helping organizations to specify their needs in terms of training and development”, and (10) “providing useful information for reward and punishment purposes” demonstrated a low level of agreement (mean = 2.36, 2.19). These two objectives were perceived as “of little importance” with a total of only 11.3%, and 14% ranking them as “important” and “very important”.

Table (5.7) public sector managers' perceptions about PA system in the Libyan public sector (Q.B1)

N	Objectives of the PA system	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Improving organizational performance	150	1	5	4.21	1	.822
2	Enhancing organizational accountability	150	1	5	4.14	2	.786
3	Promoting economy, efficiency and effectiveness of government organizations, programmers and activities	150	2	5	4.09	3	.802
4	Controlling organizational performance	150	2	5	3.91	4	.708
5	Developing performance measures and/or indicators for public	150	2	5	3.40	5	.724
6	Helping public organizations to set goals and objectives	150	1	5	3.37	6	.824
7	Improving quality of public organization services	150	1	5	3.33	7	1.008
8	Helping decision-makers in the public sector by providing them with information about public organizations' productivity	150	1	5	3.13	8	.887
9	Helping organizations to specify their needs in terms of training and develop	150	1	5	2.36	9	1.025
10	Providing useful information for reward and punishment purposes	150	1	5	2.19	10	1.052

The responses of the two participants' groups regarding the objectives of the PA system imply that the system can serve a wide range of objectives that aim to promote good public sector administration. In particular, enhancing public accountability; improving the performance of public sector organizations; promoting the economy, efficiency and effectiveness of public organizations; improving the quality of public organization services; controlling organizational performance; helping public organizations to set goals and objectives for their achievement; and developing performance measures and/or indicators for public organizations were perceived to be valuable goals of considerable importance that PA can help to achieve. These findings are in line with what has been reported in Chapter two concerning the objectives of performance auditing (e.g. Boisclair, 2008;

Barzelay, 1996; Hatherly and Parker, 1988; Hossain, 2000; Morin, 2003; SAICA, 2006; Sonntag, 2007).

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 (see Appendix J, Table 1 and 2.). Accordingly, in order to explore whether the differences in the responses of the two participating groups regarding the objectives of the PA system in the Libyan public sector are statistically significant, Mann-Whitney test was used. The Mann-Whitney test reveals that there were no significant differences between the perceptions of the two groups with ($p > 0.05$) for all objectives (see Appendix I).

5.3.2 Approaches of PA investigations in the Libyan public sector

The aim of this section is to explore the approaches to PA as used by Libyan performance auditors. The literature review and the practices of state audit institutions suggest different approaches to performance examinations. It was stated in Chapter two that undertaking broad performance investigations simultaneously on every activity, operation, system, procedure or transaction of a particular government organization 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 utilized based on the particular circumstances of each audit operation.

In order to discover the most common approach used by the IFA and the IIPC auditors during the course of undertaking performance audit investigations, a list of the four most common approaches used by state auditors (Hossian, 2000) was presented to the performance auditors' group only. In this regard, it is worth mentioning that despite the fact that 73% of public managers had an accounting background (see Table 5.2), they were not asked to provide their perceptions about the approaches of PA or the procedures of PA and the criteria used in selecting the auditees (presented in the next two sections) due to the fact that these issues are related only to performance auditors' work. In other words, due to the fact that public sector managers do not conduct PA they might have no or little idea about these issues which prevents them from providing relevant information.

Performance auditors were asked to indicate the extent to which they followed each approach. Table (5.8) indicates that the results for approaches numbers 1 and 2 "a primary and detailed investigation into all aspects of the audited institution or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation" and "an investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented" were nearly the same, being perceived as often followed with the same percentage 84.5% as "often" and "always" for both approaches, and mean scores of 4.17 and 4.15 (see Table 5.8 and Appendix J, Table 3). Approaches numbers 3 and 4 were perceived as "sometimes" applied (mean = 2.85 and 2.56), with only 20.2% and 15.5%, ranking them as "often" and "always". Accordingly, a direct implication of auditors' responses is that approaches numbers 1 and 2 are the most commonly used by Libyan performance auditors.

Table (5.8)
performance auditors' perceptions about approaches
of PA investigations in the Libyan public sector (Q.B2)

N	Approaches of the PA investigations	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	A primary and detailed investigation into all aspects of the audited institution or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation.	84	1	5	4.17	1	.848
2	An investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented.	84	2	5	4.15	2	.703
3	An investigation into the whole organization if small, and selected projects or activities if the organization is large.	84	1	5	2.85	3	1.047
4	An in-depth and detailed investigation into one aspect of the institution's work.	84	1	5	2.56	4	.923

5.3.3 Procedures of PA investigations in the Libyan public sector

This section investigates the main procedures that have been utilized by the IIPC and the IFA auditors for conducting PA investigations. As discussed in Chapter two, there is no specific or fully accepted series of procedures applicable to all audited organizations in all circumstances. It has also been stated that each audit must be tailored to the particular circumstances of the situation under investigation.

In order to explore the main methodology followed by Libyan performance auditors during their investigations, the performance auditors' group only was asked whether they follow a unified methodology for all types of audit investigations or different methodologies according to the situation under investigation.

As can be seen from Table (5.9), the majority of the participants (86.9%) supported the second alternative. This result means that Libyan performance auditors have not followed a consistent methodology or unified technique during their investigations. In other words, it seems that audit methodology is developed on a case by case basis. This result is consistent with what has been reported in the literature (e.g. Hossian, 2000; Larsson, 2004; Pollitt et al., 1990) and the practices of other state audit institutions such as the Australian National Audit Office (ANAO), SAI of Bangladesh, PricewaterhouseCoopers and the INTOSAI (refer to Chapter Two, Section 2.2.6).

Table (5.9) performance auditors' perceptions about the procedures of PA investigations in the Libyan public sector (Q.B3)

N	Procedures of the PA investigations	N	% rate
1	Unified methodology for all types of audit investigations	11	13.1
2	Different methodologies according to the situation under investigation (pragmatic approach: case by case).	73	86.9
Total		84	100

5.3.4 Criteria used in selecting auditee in the Libyan public sector

The selection of an organization, institution or project to audit its performance is 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 (e.g. Almohaimeed, 2000; PricewaterhouseCoopers, 1990). 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 Libyan public sector, only the performance auditors' group was asked to indicate their agreement concerning a list of given factors¹⁹ and was provided with space

¹⁹ Some of these factors have been identified in the literature, as mentioned above, while the others were selected according to the findings of the pilot study.

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 (5.10).

Table (5.10) performance auditors' perceptions about the criteria used in selecting the auditee in the Libyan public sector (Q.B4)

N	Criteria used in selecting the auditee	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Size of the auditee's budget	84	2	5	4.30	1	.724
2	Significant events or changes in the audited organization or entity	84	1	5	3.75	2	.863
3	Statutory requirements	84	1	5	3.68	3	1.020
4	Previous audit findings	84	2	5	3.44	4	.841
5	Availability of audit requirements	84	2	5	3.35	5	.829
6	Date of last performance audit of the auditee	84	1	5	2.61	6	1.042

As can be seen from the table above, factor number 1 "size of the auditee's budget" was perceived as "very important" (mean score= 4.30), with a total percentage of 86.9% as "important" and "very important". This means that large and strategic companies are given higher priority than other companies. Factors number 2, 3 and 4 were perceived as "important" (mean scores= 3.75, 3.68 and 3.44 respectively) by at least 47.6% as "important" and "very important" (see Appendix J, Table 4). Factor number 2, the occurrence of "significant events or changes in the audited organization or entity" was perceived as "important" and "very important" by 63% of the participants. This result is to be expected because of the possible existence of fraud, waste and mismanagement is higher in organizations or programmes involving major changes which, in turn, necessitate that more attention is given to these vulnerable areas (e.g. Almohaimeed, 2000; Pollitt, et al., 1999).

However, factors number 5 and 6 "availability of audit requirements" and "date of last performance audit of the auditee" were perceived as "moderately important" (mean scores=

3.35 and 2.61), with a total of 42.8% and 21.4% as “important” and “very important” respectively. These findings are in line with the reported literature of PA which discusses the possible factors affecting the selection of audit areas (e.g. INTOSAI, 1997; and Pollitt, et al., 1999).

5.3.5 Main sources of information of PA in the Libyan public sector

PA is a system which focuses on results and outcomes. Under such a system, the existence of clear organizational 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 organization and programme achievements.

The literature of PA, as mentioned previously, indicates the difficulty of conducting PA examinations due to the vagueness of the objectives and performance measures of public sector organizations. Identifying sensible measures of final output and clearly defined objectives in the public sector is considered as one of the major obstacles facing performance auditors, particularly in the assessment of effectiveness (e.g. Anand, 1988; Smith, 1995). Smith (1995), for instance, stated 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).

The lack of well-defined objectives and measures of performance in the public sector makes the auditors' mission in conducting PA investigations difficult. It is expected that performance auditors in developing countries will face greater difficulties due to the

problems that public sector administrators are facing. This section discusses the information sources which performance auditors might use to identify the relevant objectives and performance standards when assessing the output of public sector organizations and programmes. Accordingly, the two participating groups were provided with different sources of information²⁰. The performance auditors group was asked to indicate the extent to which these sources have been used in PA investigations, while the managers group was asked to indicate the extent to which these sources are useful in providing performance auditors with the information required. The results are stated in Table (5.11) and Table (5.12).

Table (5.11) performance auditors' perceptions about the main sources of information of PA in the Libyan public sector (Q.B5)

N	Sources of PA information	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Legislative statutes relating to objectives and evaluation criteria in the public sector	84	3	5	4.25	1	.618
2	Management of the audited organization	84	1	5	3.90	2	.816
3	Objectives and performance measures used in similar organizations.	84	1	5	3.10	3	.926
4	Personnel and staff of the audited organization	84	1	5	2.94	4	.986
5	Prior customers and auditors of public organizations	84	1	5	2.80	5	.902

Table (5.11) illustrates that performance auditors always depended on the source number 1 “legislative statutes relating to objectives and evaluation criteria in the public sector”, and often depended on source number 2 “management of the audited organization” in obtaining PA information (mean= 4.25, 3.90), with a total percentage of 90.5%, 72.6% as “often” and “always” (see Appendix J, Table 5). Other sources “objectives and performance measures

²⁰ These ‘sources of PA information’ were adopted from the questionnaire of Almohaimeed (2000), refer to Chapter Four, Section 4.2.4.1.

used in similar organizations”, “personnel and staff of the audited organization”, and “prior customers and auditors of public organizations”, were used less often by Libyan performance auditors, and were perceived as “sometimes” used for obtaining PA information (mean= 3.10, 2.94 and 2.80), with a percentage of sometimes (46.4%, 42.9% and 44%) respectively (see Appendix J, Table 5).

Table (5.12) public sector managers’ perceptions about the main sources of information of PA in the Libyan public sector (Q.B2)

N	Sources of PA information	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Legislative statutes relating to objectives and evaluation criteria in the public sector.	150	1	5	4.23	1	.752
2	Management of the audited organization.	150	2	5	4.21	2	.638
3	Personnel and staff of the audited organization.	150	1	5	3.39	3	.785
4	Objectives and performance measures used in similar organizations.	150	1	5	3.00	4	1.068
5	Prior customers and auditors of public organizations.	150	1	5	2.88	5	.851

Public sector managers, as can be seen from Table (5.12), agreed on the usefulness of all the sources suggested in the question. They believe that the sources number 1 and 2 “legislative statutes relating to objectives and evaluation criteria in the public sector”, and “management of the audited organization” were the most useful in obtaining information on PA compared with the other listed sources. They perceived that these two sources were “very useful” for obtaining PA information (mean= 4.23, 4.21) with a total percentage of 88.7%, and 89.3% as “useful” and “very useful” (see Appendix J, Table 6). While the three other sources were perceived as “moderately useful” (mean= 3.39, 3.00 and 2.88).

This result revealed that public managers consider the legislative statutes of their organizations and themselves to be the most useful source of information as they have the ability to determine vague organizational objectives and performance measures. This finding may reflect their feelings that they are more familiar with the organization and its operation and, accordingly, should have priority in deciding its objectives and performance measures.

The participants' 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).

In order to discover whether there are differences in the responses of the two participating groups regarding the possible sources of auditors' information (what Libyan performance auditors have used and what public sector managers suggest as useful sources), Mann-Whitney test was used.

The Mann-Whitney test (see Appendix I) revealed that with the exception of the responses of the two groups for the second and third source, "management of the audited organization", and "the personnel and staff of the audited organization", there are no significant differences between the performance auditors and managers about all the listed sources ($p > 0.05$). Public sector managers tend to place a higher importance on these sources than performance auditors (see the mean ranks of the two groups concerning these two sources, Table 5.11 and 5.12).

The managers' strong agreement over the relative importance of these two sources might be attributed to the fact that they consider themselves, as discussed previously, and the staff of their organizations as the most useful source of information.

5.3.6 Stages in which PA occurs in the Libyan public sector

It is difficult to decide at which stage of a project or programme PA should occur, whether performance auditors should conduct their duty at the time of planning or the execution of the project or after its completion or at all these stages. 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).

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. Shand and Anand (1996) stated that state auditors in some countries, such as the USA and Germany, were involved at the programme design stage. Furthermore, undertaking a pre-audit at these stages would prevent waste, extravagance and irresponsible decisions being made (Giest & Mizrahi, 1991).

On the other hand, conducting PA at planning and/or implementation phases might compromise the independence of performance auditors and lead to a conflict of interest due to the responsibility that they will share (Khan, 1994). Undertaking PA investigations after

the completion of the project would overcome this problem, but conducting PA at all stages of the project seems to be unfeasible due to the very limited resources of audit institutions.

In order to explore at which stage of the project, programme or activity PA occurs in the Libyan public sector, the participants from the two groups were provided with a list of different stages of a public project and were asked to indicate the stage at which PA usually occurs. Table (5.13) and Table (5.14) indicate the performance auditors' and public sector managers' perceptions of this issue.

Table (5.13) performance auditors' perceptions about the stages in which PA occurs in the Libyan public sector (Q.B6)

N	Stages in which PA occurs	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	After the completion of the project.	84	1	5	4.49	1	.857
2	Implementation stage only.	84	1	5	3.06	2	1.045
3	Planning stage through to implementation stage.	84	1	5	2.01	3	1.058
4	Planning stage through to implementation stage, but for selected projects only.	84	1	5	1.94	4	.961
5	Planning stage only.	84	1	4	1.56	5	.683

As can be seen from Table (5.13), performance auditors were in agreement that PA always occurs after the completion of the project (stage) (mean= 4.49), with a total percentage of 92.9% as “often” and “always” (see Appendix J, Table 7). The audit of a public project during the implementation stage, on the other hand, was perceived as “sometimes” occurring (mean= 3.06), with a total percentage of 65.5% as “sometimes” and “often”. Stages number 3 and 4 “planning stage through to implementation stage” and “planning stage through to implementation stage, but for selected projects only” were perceived as “rarely” occurring (mean= 2.01 and 1.94) respectively, with a total percentage of 75% and 72.6% as “never”

and “rarely”. While stage number 5 “planning stage only” was perceived as “never” occurring (mean= 1.56”, with a total percentage of 52.4% as “never” (see Appendix J, Table 7).

Public sector managers, as Table (5.14) shows, believe that PA investigations always occurred after the project's completion (mean= 4.33), with a total percentage of 88.7% as “often” and “always”. The occurrence of PA during the implementation stage, however, was perceived to be sometimes practised (mean =2.84), with a percentage of 49.3% as “sometimes”. Stages number 3 and 4 were perceived by public sector managers to be rarely practised (Mean = 2.07 and 1.79), with a total percentage of 71.3% and 83.4% as “never” and “rarely”. While stage number 5 “planning stage only” was perceived to be never practised (mean= 1.39), with a total percentage of 70% as “never” (for more details see Appendix J, Table 8).

Table (5.14) public sector managers’ perceptions about the stages in which PA occurs in the Libyan public sector (Q.B3)

N	Stages in which PA occurs	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	After the completion of the project.	150	1	5	4.33	1	.855
2	Implementation stage only.	150	1	5	2.84	2	.828
3	Planning stage through to implementation stage, but for selected projects only.	150	1	4	2.07	3	.816
4	Planning stage through to implementation stage.	150	1	5	1.79	4	.840
5	Planning stage only.	150	1	4	1.39	5	.673

The Mann-Whitney test, furthermore, (see Appendix I) revealed that with the exception of the responses of the two groups for the stage number five “planning stage only”, there are no significant differences between the performance auditors and managers about all the

listed stages ($p>0.05$). The mean ranks (Table 5.13, and Table 5.14) revealed that performance auditors tend to have a higher level of agreement on the occurrence of PA examinations of a public project at planning stage than public sector managers.

5.3.7 Type of audit which PA is concerned within the Libyan public sector

PA, as discussed in Chapter two, is an audit of the economy, efficiency and effectiveness of an entity's transactions. Economy means minimizing the cost resources used for an activity, having regard to quality (spending economically, whilst maintaining quality). Efficiency means ensuring that maximum output of goods and services has been gained from the resources used in their production (spending well). Effectiveness means ensuring that the desired results, objectives, targets or policies have been successfully achieved (e.g. Bucharest, 2003; Larsson, 2004).

In order to find out the type of audits (economy, efficiency, and effectiveness) that performance auditors have been concerned with while carrying out PA investigations, a list of the three types of PA were provided to the participants from the two groups and they were asked to indicate the type of the audit that performance auditors are usually concerned with. A summary of the findings are shown in Table (5.15) and Table (5.16).

Table (5.15) performance auditors' perceptions about the types of audits which PA is concerned within the Libyan public sector (Q.B7)

SN	Type of audit	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Effectiveness	84	2	5	4.25	1	.790
2	Efficiency	84	1	5	3.98	2	.931
3	Economy	84	1	5	3.74	3	.880

As can be seen from Table (5.15) there is a high level of agreement from the performance auditors on the three types of audit (effectiveness, efficiency, and economy) that have been

focused on by the Libyan performance auditors while conducting PA examinations (mean= 4.25, 3.98 and 3.74). The audit of effectiveness was perceived as being “always” conducted in the Libyan public sector, with a total percentage of 85.8% as “often” and “always”. The other two types “efficiency”, and “economy” were perceived as “often” conducted with a total percentage of 75%, and 67.9% ranking them as “often” and “always” (see Appendix J, Table 9).

Table (5.16) public sector managers’ perceptions about the type of audit which PA is concerned with in the Libyan public sector (Q.B4)

N	Type of audit	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Effectiveness	150	1	5	4.27	1	.800
2	Efficiency	150	1	5	3.92	2	.747
3	Economy	150	1	5	3.81	3	.781

Perceptions of the public sector managers’ group were very similar to the perceptions of performance auditors’ group, where the participants of this group provide a high level of agreement on the three types of audit (effectiveness, efficiency, and economy) that performance auditors have focused on in the Libyan public sector (mean= 4.27, 3.92 and 3.81, see Table 5.16).

Audit of effectiveness was also perceived as “always” conducted in the Libyan public sector, with a total percentage of 86% as “often” and “always”. The other two areas “efficiency” and “economy” were perceived as “often” conducted with a total percentage of 75.3%, and 73.4% ranking them as “often” and “always” (see Appendix J, Table 10).

Although the two groups gave nearly the same ranking for the three types of audit based on their mean scores, the Mann-Whitney test was used to discover whether there are

differences in the responses of the two participating groups regarding the type of PA that performance auditors are concerned with in the Libyan public sector.

The Mann-Whitney test reveals that there were no significant differences between the perceptions of the two groups ($p > 0.05$) for the three types of audit (see Appendix I).

5.3.8 Time spent in conducting PA in the Libyan public sector

Auditing literature does not refer to a specific time to be spent in conducting PA investigations. The time spent in PA examinations depends on the size and nature of the auditee. In order to explore the current state of PA in the Libyan public sector, it is worth exploring the time spent in conducting PA investigations. Accordingly, a list of three different periods of time for three kinds of projects (small, medium, and large) was provided to the participants from the two groups and they were asked to indicate their perception about this issue (see Table 5.17, and Table 5.18).

As can be seen from Table (5.17), there is agreement from all the participants that Libyan performance auditors spend one to three months in conducting PA in small projects, while, with regard to medium projects, 50% indicated that one to three months are spent in conducting PA, and the other 50% indicated that four to six months are spent. As for large projects, there was no agreement from the participants on the time that performance auditors spend in PA investigations. 14.3% (12) of the participants answered one to three months, 61.9% (52) answered four to six months, and 23.8% (20) answered more than six months.

Table (5.17) performance auditors' perceptions about the time spent in conducting PA in the Libyan public sector (Q.B8)

N	Kind of project		Time			Total
			1-3 months	4-6 months	More than 6 months	
1	Small	N	84	-	-	84
		%	100	-	-	100
2	Medium	N	42	42	-	84
		%	50	50	-	100
3	Large	N	12	52	20	84
		%	14.3	61.9	23.8	100

Perceptions of the public sector managers' group, as can be seen from Table (5.18) below, indicated that one to three months are spent in carrying out PA in small projects (100% of the participants). As for medium and large projects, there was no agreement from the participants on the time that performance auditors spend in PA investigations. With regard to medium projects, 44% (66) of the participants answered one to three months, 55.3% (83) answered four to six months, and 0.7% (1) answered more than six months. With regard to large projects, 10% (15) answered one to three months, 55.3% (83) answered four to six months, and 34.7% (52) answered more than six months.

Table (5.18) public sector managers' perceptions about the time spent in carrying out PA in the Libyan public sector (Q.B5)

N	Kind of project		Time			Total
			1-3 months	4-6 months	More than 6 months	
1	Small	N	150	-	-	150
		%	100	-	-	100
2	Medium	N	66	83	1	150
		%	44	55.3	0.7	100
3	Large	N	15	83	52	150
		%	10	55.3	34.7	100

The Mann-Whitney test, moreover, reveals that there were no significant differences between the perceptions of the two groups ($p > 0.05$) for the three kinds of projects (see Appendix I).

5.4 Perception and attitude of performance auditors and public sector managers about the effectiveness of PA

In the last section (5.3), the research findings concerning the first theme of the study “the nature of PA in the Libyan public sector” was presented. This section presents the research findings concerning the second theme of the research which is examining the effectiveness of PA as currently practised in the Libyan public sector. Assessing the effectiveness of performance auditing is an important issue for different groups, including legislators, the administration, performance auditors, and the audit institution itself. Auditors, for instance, would be motivated if they discover that their efforts have been effective.

The internal consistency reliability test (Cronbach's Alpha) within the Statistical Package for Social Sciences (SPSS) was used to test the reliability coefficient for the effectiveness of PA. The result ($\alpha = 0.75$) for the auditors group and ($\alpha = 0.65$) for managers group indicates that the reliability of the effectiveness of PA is acceptable and can be measured (see Table 5.19).

Table (5.19) test of reliability for the nature of PA

Group	Cronbach's Alpha	N of Items
Performance auditors	0.75	48
Public sector managers	0.65	48

This section presents the research findings concerning the following issues: (1) achievement of objectives of PA in the Libyan public sector; (2) obstacles which limit the effectiveness of the current system of PA; (3) financial and staff resources for conducting PA investigations; (4) the composition of a PA team; (5) PA reports; (6) implementation of PA recommendations; (7) relationship between performance auditors and public sector managers; (8) PA feedback; and (9) overall impression of the effectiveness of PA in the Libyan public sector. All these issues are related to the PA function. Accordingly, these issues will be used as criteria to assess the effectiveness of PA in the Libyan public sector.

5.4.1 Achievement of objectives of PA in the Libyan public sector

Exploring whether the objectives of the current system of PA have been achieved is one of the main factors to assess the effectiveness of PA. Accordingly, in order to assess the effectiveness of the PA system in the Libyan public sector, the participants of the two groups were given the same list of objectives as presented in Section 5.3.1, and they were asked to indicate how effective the PA system in the Libyan public sector has been in achieving these objectives. A summary of the perceptions of the two groups is presented in Table (5.20) and Table (5.21).

As can be seen from Table (5.20), the PA system was perceived as “effective” with respect to objectives number 1 and 2 “enhancing organizational accountability” and “controlling organizational performance” (mean= 3.82 and 3.68), with a total percentage of 70.2% and 63.1% as “effective” and “very effective” respectively. Objectives number 3, 4 and 5 were perceived as “moderately effective” (mean= 2.99, 2.77 and 2.73 respectively), with a percentage of 60.7%, 52.4% and 33.3% as “moderately effective” respectively. Objectives

6 to 10 received a low level of agreement on the influence of PA (mean ranged between 2.08 and 2.54). These objectives were perceived as “rarely effective”, with a maximum total percentage of 14.4% as “effective” and “very effective” (see Appendix J, Table 11).

Table (5.20) performance auditors’ perceptions about the extent to which the objectives of the PA system have been achieved (Q.C1²¹)

N	Objectives of the PA system	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Enhancing organizational accountability	84	1	5	3.82	1	.907
2	Controlling organizational performance	84	2	5	3.68	2	.747
3	Improving organizational performance	84	1	5	2.99	3	.685
4	Promoting economy, efficiency and effectiveness of government organizations, programmes and activities	84	1	5	2.77	4	.782
5	Helping decision-makers in public sector by providing them with information about public organizations’ productivity	84	1	5	2.73	5	.961
6	Helping public organizations to set goals and objectives	84	1	4	2.54	6	.842
7	Developing performance measures and/or indicators for public	84	1	4	2.49	7	.829
8	Improving quality of public organization services	84	1	4	2.36	8	.705
9	Helping organizations to specify their needs in terms of training and development	84	1	4	2.35	9	.784
10	Providing useful information for reward and punishment purposes	84	1	5	2.08	10	1.032

Public sector managers, on the other hand, seem to have relatively different perceptions from those of performance auditors. Managers perceived that the current system of PA in the Libyan public sector is “effective” in only two out of the ten listed objectives. Only the first objective “enhancing organizational accountability”, and the second objective

²¹ Q.C1 refers to question number one of part C of the questionnaire (see Appendix A and B). Accordingly, all the tables in Section 5.4 are coded in the same way.

“controlling organizational performance”, received mean scores greater than 3 (mean=3.75 and 3.52 respectively), with a total percentage of 69.3% and 50.7% as “effective” and “very effective” respectively (see Appendix J, Table 12).

Furthermore, only objectives 3 and 4 were perceived as “moderately effective” (mean= 3.10 and 2.94), with a percentage of 41.3% and 48.7% as “moderately effective”. Objectives 5 to 10 perceived as “rarely effective” (mean score ranged from 2.41 for objective number 5 to 1.85 for objective number 10), with a maximum total percentage of 11.4% as “effective” and “very effective” (see Appendix J, Table 12).

Table (5.21) public sector managers’ perceptions about the extent to which the objectives of the PA system have been achieved (Q.C1)

N	Objectives of the PA system	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Enhancing organizational accountability	150	1	5	3.75	1	.802
2	Controlling organizational performance	150	2	5	3.52	2	.792
3	Improving organizational performance	150	1	5	3.10	3	.918
4	Promoting economy, efficiency and effectiveness of government organizations, programmes and activities.	150	1	5	2.94	4	.796
5	Improving quality of public organization services	150	1	5	2.41	5	.795
6	Developing performance measures and/or indicators for public organizations	150	1	5	2.33	6	.917
7	Helping decision-makers in public sector by providing them with information about public organizations’ productivity	150	1	5	2.33	6	.847
8	Providing useful information for reward and punishment purposes	150	1	4	1.99	7	.879
9	Helping public organizations to set goals and objectives	150	1	4	1.96	8	.826
10	Helping organizations to specify their needs in terms of training and development	150	1	5	1.85	9	.862

The Mann-Whitney test (see Appendix I) revealed that with the exception of the responses of the two groups for the three following objectives “helping public organizations to set goals and objectives”, “helping decision-makers in public sector by providing them with information about public organizations’ productivity”, and “helping organizations to specify their needs in terms of training and development”, there are no significant differences between the performance auditors and public sector managers about all the listed objectives ($p > 0.05$). Performance auditors showed a higher level of agreement than public managers on the influence of the PA system on the three objectives that mentioned above (see the mean ranks and the percentage of agreement of the two groups concerning these three objectives, Table 5.20 and 5.21, and Appendix J, Table 11 and 12).

The managers' low level of agreement on the achievement level of PA objectives might reflect their perceptions that Libyan performance auditors failed to carry out this type of auditing.

5.4.2 Obstacles which limit the effectiveness of the current system of PA

In order to assess the effectiveness of the PA system in the Libyan public sector, it is important to investigate the obstacles that face performance auditors while conducting PA examinations. Furthermore, exploring this issue helps in identifying the major obstacles which exist and, accordingly, affect the full implementation of PA in the Libyan public sector, with a view to proposing recommendations that will overcome these deficiencies.

The literature, as reported in Chapter two, identified various problems which are likely to influence the effectiveness of PA. These problems include lack of independence, ambiguity

of goals and objectives in the public sector organizations/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 organizations, shortage of qualified staff to undertake performance audits and insufficient training for performance auditors (e.g. Almohaimeed, 2000; Khorwatt, 2006; and Smith, 1995).

Accordingly, the research participants were given several possible problems that might affect the full application and operation of PA, and were asked to indicate the extent to which they agreed that they were obstacles limiting the effectiveness of the current system of PA as applied by the Libyan performance auditors. The list provided was not intended to be totally comprehensive and, as a result, participants were invited to mention "other" problems that might influence the effectiveness of the PA system. However, in general, they did not mention any other problems. The results of the perceptions of the two groups about these problems are presented in Table (5.22) and Table (5.23).

Table (5.22) indicates that performance auditors reported a high level of agreement "agree" for most problems listed (eight problems) with mean scores greater than or equal to 3.56, and total percentages as "agree" and "strongly agree" ranging from 48.8% for the problem number (8) to 83.3% for the problem number (1) (see Appendix J, Table 13). As for the other three listed problems, number 9, 10 and 11 "ambiguity of goals and objectives in public sector organizations", "auditors' lack of enforcement power to follow-up performance audit recommendations", and "shortage of sufficient financial resources" received no agreement "undecided" to be problems for conducting PA (mean= 3.12, 3.12,

and 2.61 respectively). However, problem number (1) “the lack of performance measures and/or indicators in the public sector” was perceived to be the most important problem in the Libyan public sector impeding performance auditors’ capabilities to undertake PA examinations, with a mean score of 4.19.

Table (5.22) performance auditors’ perceptions about the obstacles which limit the effectiveness of the current system of PA in the Libyan public sector (Q.C2)

N	Obstacles of the PA system	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	The lack of performance measures and/or indicators in the public sector	84	1	5	4.19	1	.938
2	Shortage of qualified staff to carry out such audits	84	1	5	4.06	2	.855
3	The lack of a sound internal control system in the public sector	84	2	5	4.05	3	.805
4	The lack of a sound financial reporting system in the public sector	84	2	5	3.90	4	.845
5	The lack of specialized staff from different disciplines to carry out such audits	84	2	5	3.88	5	.767
6	Insufficient training for performance auditors	84	2	5	3.87	6	.788
7	Ambiguity of performance auditing goals and objectives	84	1	5	3.75	7	.980
8	The lack of support and interest on the part of legislative and administrative officials at higher levels	84	1	5	3.56	8	.949
9	Ambiguity of goals and objectives in public sector	84	1	5	3.12	9	1.102
10	Auditors’ lack of enforcement power to follow-up performance audit recommendations	84	1	5	3.12	9	1.113
11	Shortage of sufficient financial resources	84	1	5	2.61	10	.932

Furthermore, the problems number 2 and 3 “shortage of qualified staff to carry out such audits”, and “the lack of a sound internal control system in the public sector” were ranked second and third with nearly the same high level of agreement “agree” (mean = 4.06 and

4.05), and with a total percentage of 79.7% and 77.4% as “agree” and “strongly agree” (see Appendix J, Table 13).

Table (5.23) public sector managers’ perceptions about the obstacles which limit the effectiveness of the current system of PA in the Libyan public sector (Q.C2)

N	Obstacles of the PA system	Cases	Min	Max	Mean	Rank	S. D
1	The lack of performance measures and/or indicators in the public sector	150	2	5	4.32	1	.754
2	The lack of specialized staff from different disciplines to carry out such audits	150	2	5	3.98	2	.781
3	Shortage of qualified staff to carry out such audits	150	2	5	3.96	3	.858
4	The lack of a sound internal control system in the public sector	150	2	5	3.89	4	.845
5	The lack of a sound financial reporting system in the public sector	150	2	5	3.70	5	.841
6	Insufficient training for performance auditors	150	2	5	3.67	6	.773
7	Ambiguity of performance auditing goals and objectives	150	2	5	3.65	7	.665
8	The lack of support and interest on the part of legislative and administrative officials at higher levels	150	2	5	3.35	8	.827
9	Ambiguity of goals and objectives in public sector organizations	150	2	5	3.01	9	.794
10	Auditors’ lack of enforcement power to follow-up performance audit recommendations	150	2	5	3.01	9	.705
11	Shortage of sufficient financial resources	150	1	5	2.37	10	.886

Public sector managers, as can be seen from the Table (5.23), have relatively different perceptions from those of performance auditors. They agreed that problems number 1 to 7 are the main problems that impede Libyan performance auditors when conducting PA investigations (mean ≥ 3.65). Problem number 1 “the lack of performance measures and/or indicators in the public sector” received “strongly agree” as a problem for conducting PA

(mean= 4.32), with a total percentage of 89.3% as “agree” and “strongly agree”. Objectives 2 to 7 received “agree”, with at least 60.7% of the participants ranking them as “agree” and “strongly agree”. However, problems number 8 to 10 “the lack of support and interest on the part of legislative and administrative officials at higher levels”, “ambiguity of performance auditors goals and objectives”, and “auditors’ lack of enforcement power to follow-up performance audit recommendations” received no agreement “undecided” as problems for PA investigation (mean= 3.35, 3.01 and 3.01), with a total percentage as “agree” and “strongly agree” ranging between 21.3% and 40%. Problem number 11, it received a high level of disagreement “disagree” as a problem which impedes performance auditors in carrying out PA investigations (mean= 2.37), with a percentage of 46% as “disagree” (see Appendix J, Table 14).

Furthermore, in a similar way to the performance auditors group, the public sector managers group perceived that the problem number (1) “the lack of performance measures and/or indicators in the public sector” is the most important problem in the Libyan public sector impeding performance auditors’ capabilities to undertake PA examinations, with a mean score of 4.32. The problems number 2 and 3 “the lack of specialized staff from different disciplines to carry out such audits”, and “shortage of qualified staff to carry out such audits” were ranked second and third with nearly the same high level of agreement (mean = 3.98 and 3.96), and with a total percentage of 76.6% and 74.7% as “agree” and “strongly agree”, while the problem number (4) “the lack of a sound internal control system in the public sector” was ranked fourth (mean = 3.89) with a total percentage of (72%) as “agree” and “strongly agree” (see Appendix J, Table 14).

The Mann-Whitney test reveals that there were no significant differences between the perceptions of the two groups ($p > 0.05$) for all listed obstacles (see Appendix I).

5.4.3 Financial and staff resources for conducting PA investigations

Financial and staff resources are considered as the most important factor for any programme or project to be successful. It has been reported in the literature that the lack of sufficient financial resources will hinder the ability of auditors to expand their investigations (Hassny, 1990). Therefore, in order to explore the effectiveness of PA in the Libyan public sector, the participants of the two groups were asked to give their perception to what extent financial and staff resources were appropriate for conducting PA investigations. A summary of the findings is shown in Table (5.24) and Table (5.25).

Table (5.24)
Performance auditors' perceptions about financial and staff resources for conducting PA investigations (Q.C3)

N	Resources of the PA system	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Financial resources	84	1	5	3.58	1	.839
2	Staff resources	84	1	5	3.25	2	.943

Table (5.24) indicates that financial resources were considered by the performance auditors group as “appropriate” for conducting PA investigations in the Libyan public sector (mean= 3.58), with a total percentage of 66.7% ranking them as “appropriate” and “extremely appropriate”. As for staff resources, there was no agreement “I am not sure” to be appropriate or inappropriate (mean= 3.25), with a total percentage of 40.4% as “appropriate” and “extremely appropriate” (see Appendix J, Table 15).

As for public sector managers' perceptions, the result appears to be similar to performance auditors' findings. Table (5.25) shows that the managers group also perceived financial resources as "appropriate" for conducting PA investigations in the Libyan public sector (mean= 3.47) with a total percentage of 52.6% ranking them as "appropriate" and "extremely appropriate". Staff resources received no agreement "I am not sure" to be appropriate or inappropriate (mean= 3.05), with a total percentage of 24.7% ranking them as "appropriate" and "extremely appropriate" (see Appendix J, Table 16).

Table (5.25)
Public sector managers' perceptions about financial and staff resources
for conducting PA investigations (Q.C3)

N	Resources of the PA system	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Financial resources	150	1	5	3.47	1	.800
2	Staff resources	150	1	5	3.05	2	.740

Although the two groups gave nearly the same ranking for the two listed resources based on their mean scores, the frequency distribution gives a somewhat different result (see Appendix J, Table 15 and 16). Accordingly, in order to explore whether the differences in the responses of the two participating groups regarding the financial and staff resources for conducting PA investigations are statistically significant, the Mann-Whitney test was used.

The Mann-Whitney test reveals that there were no significant differences between the perceptions of the two groups with ($p > 0.05$) for the two resources (see Appendix I).

5.4.4 Composition of a PA team

PA, as discussed in the auditing literature, is an audit of the economy, efficiency and effectiveness with which the audit entity uses its resources in carrying out its

responsibilities. Therefore, PA is perceived as a complex system and it is difficult to accomplish. Hence, the audit team includes auditors and specialized staff from different disciplines, who are needed to conduct effective PA investigations.

In order to explore the composition of the PA team that carry out PA investigations in the Libyan public sector, the participants of the two groups were provided with a list of five specialized staff from different disciplines, and were asked to give their perception about it. A summary of the findings are stated in Table (5.26) and Table (5.27).

Table (5.26)
Performance auditors' perceptions about the composition of a PA team (Q.C4)

N	A composition of a PA team	No. of cases	Min	Max	Mean	Rank	Std. Dev.
1	Auditors	84	3	5	4.82	1	.415
2	Lawyers	84	2	5	3.39	2	.850
3	Engineers	84	1	5	2.99	3	.898
4	Economists	84	1	4	1.92	4	.867
5	Statisticians	84	1	4	1.79	5	.762

Table (5.27)
Public sector managers' perceptions about the composition of a PA team (Q.C4)

N	A composition of a PA team	No. of cases	Min	Max	Mean	Rank	Std. Dev.
1	Auditors	150	3	5	4.83	1	.408
2	Lawyers	150	1	5	3.30	2	.968
3	Engineers	150	1	5	2.93	3	.880
4	Economists	150	1	4	2.04	4	.881
5	Statisticians	150	1	4	1.59	5	.795

As can be seen from Table (5.26) and Table (5.27), the participants of the two groups perceived that auditors are “always” included in the composition of a PA team (mean= 4.82 and 4.83), with a percentage of 83.3%, and 84.7% as “always” respectively (see Appendix

J, Table 17 and 18). Lawyers and engineers were perceived by the participants of the two groups as being “sometimes” included in the composition of a PA team (mean for lawyers = 3.39, 3.30), with a total percentage of 76.2% and 74.7% as “sometimes” and “often”, while (mean for engineers = 2.99, 2.93), with a percentage of 45.2% and 52.7% ranking them as “sometimes” included, respectively (see Appendix, Table 17 and 18). Economists were perceived as “rarely” included in the composition of a PA team (mean= 1.92, 2.04), with a total percentage of 39.3% and 34.7% ranking them as “rarely” included, respectively. As for statisticians, they were perceived as “never” included in the composition of a PA team (mean= 1.79, 1.59), with a total percentage of 84.5% and 86% ranking them as “never” and “rarely” included, respectively (see Appendix J, Table 17 and 18).

Furthermore, the participants of the two groups were asked to give their perceptions about to what extent the auditee’s attitude has been affected by audit team composition. Accordingly, the majority of the participants of the two groups, as can be seen from the Table (5.28), perceived that the auditee’s attitude had been affected by the audit team composition with a total percentage of 61.9%, and 75.3% as “to a considerable extent” and “to a very great extent”. Moreover, the Mann-Whitney test reveals that with the exception of statisticians ($p = 0.025$), there were no significant differences between the perceptions of the two groups with ($p > 0.05$) for the audit team composition and its impact on the attitude of the auditee (see Appendix I).

Table (5.28)
The two groups' perceptions about to what extent has the auditee's attitude has been affected by audit team composition(Q.C5)

N	Level of the impact	Performance auditors		Public managers	
		N	%	N	%
1	not at all	3	3.6	6	4.0
2	to a very limited extent	6	7.1	6	4.0
3	to some extent	23	27.4	25	16.7
4	to a considerable extent	30	35.7	74	49.3
5	to a very great extent	22	26.2	39	26.0
Total		84	100	150	100

5.4.5 Performance auditors' reports

Performance auditors' reports represent the final product of all the efforts made by the PA team during their assignment; therefore, the strength of the audit reports will reflect the effectiveness of the PA system. Khan (1992, as cited in Almohaimeed, 2000, p. 310), indicated that there are five conditions which an effective PA 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.
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.

Accordingly, the participants of the two groups were provided with the above five features characterising the effective performance of audit reports, and were asked to indicate their

agreement with the extent to which these features are contained in the PA reports issued by the Libyan performance auditors. A summary of the findings is presented in Table (5.29) and Table (5.30).

Table (5.29)
Performance auditors' perceptions about performance auditors' reports (Q.C6)

N	Statement	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	The report suggests remedial actions.	84	2	5	4.26	1	.679
2	The report uses simple expressions.	84	2	5	4.17	2	.618
3	The report is well-presented and uses a style which is easy to grasp.	84	2	5	4.01	3	.570
4	The report is fair and objective.	84	1	5	3.76	4	.900
5	The report contains current and significant information.	84	1	5	3.56	5	.961

Table (5.29) states that performance auditors indicated a high level of agreement with all the listed statements (mean ≥ 3.56). The majority of auditors (89.3%) "agreed" or "strongly agreed" with the first statement that "the report suggests remedial actions" (mean score = 4.26). Other statements received an agreement "agree" (mean scores ranging from 3.56 for statements 5 to 4.17 for statement 2) with at least 54.7% of auditors as "agree" and "strongly agree"(see Appendix J, Table 19).

Table (5.30)
Public sector managers' perceptions about performance auditors' reports (Q.C6)

N	Statement	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	The report uses simple expressions.	150	2	5	4.07	1	.652
2	The report is well-presented and uses a style which is easy to grasp.	150	2	5	3.80	2	.613
3	The report is fair and objective.	150	1	5	3.68	3	.736
4	The report contains current and significant information.	150	1	5	3.28	4	.836
5	The report suggests remedial actions.	150	1	5	3.24	5	.841

Public sector managers, as can be seen from Table (5.30), showed a relatively high level of agreement “agree” with statements number 1, 2 and 3 (mean =4.07, 3.80 and 3.68), with a total percentage of 86%, 73.4% and 72% as “agree” and “strongly agree” for the three statements respectively. The highest agreement among managers was reported for the first statement, “the report uses simple expressions”. Statements number (4) “the report contains current and significant information” and (5) “the report suggests remedial actions” received no agreement “undecided” (mean= 3.28, 3.24), with a total percentage of 44.6%, and 44% as “undecided” (see Appendix J, Table 20).

The Mann-Whitney test reveals that with the exception of the two following statements “the report is fair and objectives” and “the report uses simple expressions” ($p > 0.05$), there were significant differences between the perceptions of the two groups for the performance auditors’ reports ($p \leq 0.05$) (see Appendix I).

5.4.6 Implementation of PA recommendations

An implementation of PA recommendations 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 exercise that requires intensive human and financial resources which, as such, would be wasted if these recommendations were not implemented (Almohaimeed, 2000). The other important side of this issue is the ability of Libyan auditors and the willingness of the auditee 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 the PA system in the Libyan public sector, the participants of the two groups were asked to indicate how often PA recommendations are implemented. The summary of the responses of the participants given to this issue is shown in Table (5.31).

Table (5.31) shows that 65.5% of performance auditors group indicated that their recommendations were “often” or “always” implemented by their auditees, 25% stated that their recommendations were “sometimes” implemented, while only 9.5% stated that their recommendations were “rarely” or “never” implemented.

Table (5.31)
The two groups’ perceptions about to what extent
the auditee implements the performance auditors’ recommendations (Q.C7)

N	Level of the implementation	Performance auditors		Public managers	
		N	%	N	%
1	Never	1	1.2	-	-
2	Rarely	7	8.3	4	2.7
3	Sometimes	21	25	19	12.7
4	Often	43	51.2	100	66.6
5	Always	12	14.3	27	18
Total		84	100	150	100

However, the public sector managers, unsurprisingly, seem to have somewhat different views from the performance auditors. The same table above reveals that managers seemed to be more satisfied with the implementation level of performance auditors’ recommendations. 127 public sector managers (84.6%) confirmed that PA recommendations were “often” or “always” implemented. 12.7% stated that PA recommendations were “sometimes” implemented, while only 2.7% answered “rarely”, and nobody answered “never” implemented.

Although the above findings indicated that the majority of the two participants groups illustrated that PA recommendations were “often” or “always” implemented, the participants who answered “sometimes”, “rarely”, or “never” (29 performance auditors and 23 public sector managers) were introduced to three possible factors and asked to indicate the extent to which they agreed with each of them as a reason for the limited implementation of PA recommendations. Table (5.32) and Table (5.33) summarize the responses of the two participants groups.

Table (5.32) Performance auditors’ perceptions about factors affecting the implementation of PA recommendations (Q.C8)

N	Factors	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Libyan culture in general not conducive to such an auditing system.	29	3	5	4.14	1	.639
2	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.	29	2	5	3.62	2	.775
3	Lack of support from higher legislative and administrative authorities.	29	2	5	3.45	3	.985

As can be seen from Table (5.32), there is agreement “agree” from performance auditors that the three factors limited the implementation of the PA recommendations (mean \geq 3.45). The first factor, “the Libyan culture in general is not conducive to such an auditing system”, was perceived to be the most important reason for unsatisfactory implementation of audit recommendations (mean= 4.14), with a total percentage of 86.2% as “agree” and “strongly agree” by the twenty-nine auditors responding to this question (see Appendix J, Table 21). Factor number (2) “lack of power on the part of Libyan auditors to follow up and enforce recommendations” was ranked second, while factor number (3) “lack of support from higher legislative and administrative authorities” was ranked third with a total

percentage of 58.6%, and 51.7% as “agree” and “strongly agree” respectively (see Appendix J, Table 21).

Table (5.33) Public sector managers’ perceptions about factors affecting the implementation of PA recommendations (Q.C8)

N	Factors	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Lack of support from higher legislative and administrative authorities.	23	2	5	3.57	1	1.037
2	Libyan culture in general not conducive to such an auditing system.	23	2	5	3.48	2	.947
3	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.	23	2	4	3.26	3	.864

On the other hand, twenty three managers who answered this question gave somewhat different answers from the performance auditors group. They agreed with the first factor “lack of support from higher legislative and administrative authorities” and the second factor “the Libyan culture in general is not conducive to such an auditing system” are the two most important reasons for unsatisfactory implementation of audit recommendations (mean= 3.57 and 3.48), with a total percentage of 52.2% and 60.8% ranking these issues as “agree” and “strongly agree” (see Appendix J, Table 22). The third factor was received no agreement “undecided” as being a factor affecting the implementation of PA recommendations (mean = 3.26).

The Mann-Whitney test reveals that with the exception of factor number 3 ($p = 0.01$), there were no significant differences between the perceptions of the two groups for the factors affecting ($p > 0.05$, see Appendix I).

5.4.7 Relationship between performance auditors and public sector managers

The relationship between auditors and auditees occupies a central position in performance auditing literature (Barzelay, 1996). It is well-recognized that PA, 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 (Trodden, 1996). In such a case when there are fundamental differences between auditors and their auditees, PA is less likely to achieve its objectives (Danon, 1996). Minimising the effect of these differences, and, consequently, increasing the effectiveness of PA is dependent, to a large extent, on the willingness of the two parties to show positive and constructive co-operation with each other. Hence, the development of a good relationship between auditors and their auditees is certainly very important in order to help performance auditors to obtain the necessary information related to the PA process, especially in cases where auditors lack an explicit mandate for PA.

Accordingly, the two participating groups were provided with different statements relating to the attitudes of auditors and auditees towards each other, 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. The findings are stated in Table (5.34), and Table (5.35).

Table (5.34) states that performance auditors indicated that public sector managers are “often” friendly and approachable and willing to co-operate with audit team (mean= 3.57 and 3.48) with a total percentage of 60.7%, and 50% as “often” and “always” respectively (see Appendix J, Table 23).

Table (5.34)

Performance auditors' perceptions about public sector managers (Q.C9)

N	Statement	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Are friendly and approachable.	84	1	5	3.57	1	.781
2	Are willing to cooperate with audit team.	84	2	5	3.48	2	.799
3	Have a good attitude towards audit team.	84	1	5	3.27	3	.869
4	Do not explain their activities and actions.	84	2	5	3.24	4	.801
5	Know the performance level required of them.	84	1	5	2.81	5	.950
6	Have definite standards of performance.	84	1	4	2.11	6	.850

Furthermore, performance auditors perceived that public sector managers “sometimes” have a good attitude towards audit team, “sometimes” do not explain their activities and actions²², and “sometimes” know the performance level required of them (mean= 3.27, 3.24 and 2.81), with a percentage of 42,9%, 38.1% and 46.4% as “sometimes” respectively. They also perceived that public sector managers “rarely” have definite standards of performance (mean= 2.11), with a percentage of 52.4% as “rarely” (see Appendix J, Table 23).

Public sector managers, as can be seen from Table (5.35), showed somewhat different agreement from performance auditors. They indicated that performance auditors are “often” willing to give managers an opportunity to explain their concerns, “often” friendly and supportive, and “often” do not explain their activities and actions²³ (mean =3.71, 3.62 and

²² The statement: “sometimes do not explain their activities and actions” means at the same time “sometimes explain their activities and actions”.

²³ The statement: “often do not explain their activities and actions” means at the same time “rarely explain their activities and actions”.

3.41), with a percentage of 64.7%, 54.6% and 44.6% as “often”, while the total percentage as “never” and “rarely” was 5.3%, 5.4% and 9.4% respectively (see Appendix J, Table 24). In addition, public sector managers perceived that performance auditors “sometimes” have a good attitude towards public sector managers and “sometimes” have clear standards to follow during their audit mission (mean= 3.35 and 2.73), with a percentage of 38%, and 35.4% as “sometimes” respectively. They also perceived that performance auditors “rarely” have clear objectives and goals of their job (mean= 2.58), with a percentage of 50.7% as “rarely” (see Appendix J, Table 24).

Table (5.35)
Public sector managers’ perceptions about performance auditors (Q.C9)

N	Statement	No. of cases	Min	Max	Mean	Rank	Std. Dev
1	Are willing to give managers an opportunity to explain their concerns.	150	2	5	3.71	1	.659
2	Are friendly and supportive.	150	1	5	3.62	2	.711
3	Do not explain their activities and actions.	150	1	5	3.41	3	.787
4	Have a good attitude towards public managers.	150	1	5	3.35	4	.803
5	Have clear standards to follow during their audit mission.	150	1	5	2.73	5	.849
6	Have clear objectives and goals of their job.	150	1	5	2.58	6	.805

5.4.8 Performance auditing feedback

The level and timing of feedback given to auditees concerning performance auditors’ investigations and their findings is another aspect that may affect the effectiveness of PA system. Geist and Mizrahi (1991) stated that “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” (p. 40). This practice enables the

management of the auditees to be informed of their performance auditors' progress and findings. An expected result of providing auditees with an opportunity to explain their concerns is an escalation of cooperation and a strengthening of working relationships between auditors and their auditees.

In order to explore the feedback issue from the performance auditors' and public sector managers' point of view, the two groups were asked whether there had been any feedback from auditors to auditees concerning audit findings. The majority of both groups (89.3% and 81.3%, respectively) responded positively to this question (see Table 5.36).

Table (5.36)
The two groups' perceptions about PA feedback (Q.10)

Group	Yes		No		Total	
	No	%	No	%	No	%
Performance auditors	75	89.3	9	10.7	84	100
Public sector managers	122	81.3	28	18.7	150	100

Although the two participants groups indicated that there was feedback related to PA investigations, they were provided with two more questions dealing with the amount and timing of this feedback in order to examine its effectiveness which reflects the effectiveness of PA (see Table 5.37 and Table 5.38).

Table (5.37)
The two groups' perceptions about the time of feedback to auditees (Q.C11)

N	The time of feedback	Performance auditors		Public managers	
		N	%	N	%
1	While auditors were undertaking their mission	9	12	16	13.1
2	Immediately after the completion of audit.	60	80	97	79.5
3	Three months after the completion of audit	5	6.7	9	7.4
4	Six months after the completion of audit.	1	1.3	-	-
5	One year after the completion of audit.	-	-	-	-
Total		75	100	122	100

Table (5.37) illustrates that the majority of the seventy five performance auditors responding to this question (80%) indicated that feedback was given to auditees immediately after the completion of their review. Nine auditors (12%) stated that feedback to auditees was given while they were undertaking their mission, five auditors (6.7%) answered feedback was provided three months after the completion of the audit, while only one auditor said feedback was provided six months after the completion of the audit. However, none of the performance auditors answered that feedback was provided one year after the completion of an audit.

As for public sector managers, their answers came very close to the answers of performance auditors, where ninety-seven (79.5%) of 122 managers who responded to this question confirmed that they received feedback immediately after the completion of the audit review. Sixteen (13.1%) stated that they received feedback during the phase of investigation, while the rest (7.4%) indicated that they received feedback three months after the completion of the audit mission.

Furthermore, the feedback issue, as mentioned above, was further investigated by examining the perceptions of the participants concerning the amount of feedback given to auditees. The majority of auditors (78.7%) indicated their satisfaction with the amount of feedback they provided to their auditees. Only 4% of auditors showed their dissatisfaction, while the remaining (17.3%) were “not sure” (see Table 5.38).

Table (5.38)**The two groups' perceptions about the amount of feedback to auditees (Q.C12)**

N	Level of the appropriateness	Performance auditors		Public managers	
		N	%	N	%
1	extremely inappropriate	1	1.3	1	0.8
2	Inappropriate	2	2.7	12	9.8
3	I am not sure	13	17.3	47	38.5
4	Appropriate	43	57.3	59	48.4
5	extremely appropriate	16	21.4	3	2.5
Total		75	100	122	100

Public sector managers, on the other hand, indicated that they were, to some extent, satisfied with the amount of feedback they received from their auditors. While (50.9%) of them indicated that the amount of feedback they received was “appropriate” or “extremely appropriate”, 38.5% were “not sure”, and only (10.6%) revealed that the amount of feedback was “inappropriate” or “extremely inappropriate” (see Table 5.38 above).

The Mann-Whitney test reveals that there were no significant differences between the perceptions of the two groups for the timing of the PA feedback ($p= 0.77$), while there were significant differences between the perceptions of the two groups for the amount of the PA feedback ($p< 0.05$) (see Appendix I).

5.4.9 Overall impression of the effectiveness of PA in the Libyan public sector

Throughout the third part of the questionnaire, as stated above, the research participants were asked to record their perceptions regarding a number of important issues relevant to the effectiveness of the PA system in the Libyan public sector. The last question in the questionnaire moved further to ask the two participant groups to judge, based on their knowledge of PA practices in the Libyan public sector, the general effectiveness of the

current system of PA. In this respect, they were introduced to the following question, “From your point of view, how effective, in general, is the current system of performance auditing?”, and five options (ranging from “ineffective” to “very effective”) were given in the questionnaire. The results of this question are shown in Table (5.39).

Table (5.39)
The two groups’ perceptions about
the effectiveness of the performance auditing system in general (Q.C13)

N	Level of the effectiveness	Performance auditors		Public managers	
		N	%	N	%
1	Ineffective	23	27.4	36	24
2	rarely effective	37	44	62	41.3
3	moderately effective	20	23.8	40	26.7
4	Effective	3	3.6	12	8
5	very effective	1	1.2	-	-
Total		84	100	150	100

As can be seen from Table (5.39), the majority of performance auditors (71.4%) thought that the PA system as currently practised in the Libyan public sector was “ineffective” or “rarely effective”. 23.8% thought that their PA practices were “moderately effective”, while only 4.8% indicated that the PA system was “effective” or “very effective”.

Public sector managers, in the same way, present similar perceptions as performance auditors about the effectiveness of the current system of PA in the Libyan public sector. While 65.3% thought that the PA system was “ineffective” or “rarely effective”, 26.7% regarded it as “moderately effective”, only 8% indicted that it was “effective”, and none of the public sector managers answered that it was “very effective”. The Mann-Whitney test reveals that there were no significant differences between the perceptions of the two groups

for the overall impression of the effectiveness of PA in the Libyan public sector ($p = 0.32$, see Appendix I).

5.5 Summary

This chapter stated the participants' general information, and the research findings concerning several issues relating to the nature and effectiveness of PA in the Libyan public sector based on perceptions of the participants who responded to the questionnaires. With regard to participants' general information, most participants of the two groups have jobs, academic qualifications, and experience that made them familiar with the PA system; consequently, their perceptions are assumed to be objective and as effectively serving the research objectives. As for the nature of PA in the Libyan public sector, the findings are indicated in the Table (5.40).

Table (5.40)
Findings related to the nature of PA in the Libyan public sector

N	Nature of PA	Performance auditors	Public sector managers
1	Objectives of PA	<p>The main objectives are:</p> <ol style="list-style-type: none"> 1. Enhancing organizational accountability. 2. Improving organizational performance. 3. Controlling organizational performance. 4. Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities. 5. Improving the quality of public organisation goods and services. 6. Developing performance measures and/or indicators for public organizations. 	<p>The main objectives are:</p> <ol style="list-style-type: none"> 1. Enhancing organizational accountability. 2. Improving organizational performance. 3. Promoting economy, efficiency and effectiveness of government organizations, programmes and activities. 4. Controlling organizational performance.
2	Approaches of PA investigations	<p>The main approaches are:</p> <ol style="list-style-type: none"> 1. A primary and detailed investigation into all aspects of the audited institution or entity to specify the possible weaknesses which, in turn, are subject to 	

		in-depth investigation. 2. An investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented.	
3	Procedures of PA investigations	Different methodologies according to the situation under investigation (pragmatic approach: case by case).	
4	Criteria used in selecting the auditee	The main criteria are: 1. Size of the auditee's budget. 2. Significant events or changes in the audited organization or entity. 3. Statutory requirements. 4. Previous audit findings.	
5	Main sources of information of PA	1. Legislative statutes relating to objectives and evaluation criteria in the public sector. 2. Management of the audited organization	1. Legislative statutes relating to objectives and evaluation criteria in the public sector. 2. Management of the audited organization.
6	Stages in which PA occurs	1. After the completion of the project. 2. Implementation stage only.	1. After the completion of the project. 2. Implementation stage only.
7	Kind of audit which PA is concerned	1. Economy. 2. Efficiency. 3. Effectiveness.	1. Economy. 2. Efficiency. 3. Effectiveness.
8	Time spend in carrying out PA: -Small projects -Medium projects - Large projects	1-3 months 1-6 months 4-6 months	1-3 months 1-6 months 4-6 months, some times more

The results of the effectiveness of PA in the Libyan public sector are summarized in Table (5.41) below.

Table (5.41)
Findings related to the effectiveness of PA in the Libyan public sector

N	Effectiveness of PA	Performance auditors	Public sector managers
1	Objectives of PA	The PA system is moderately or rarely effective for most of the objectives.	The PA system is moderately or rarely effective for most of the objectives.
2	Obstacles limiting the effectiveness of the current system of PA	The most important obstacles are: 1. The lack of performance measures and/or indicators in the public sector. 2. The lack of a sound financial reporting	The most important obstacles are: 1. The lack of performance measures and/or indicators in the public sector.

		<p>system in the public sector.</p> <p>3. The lack of a sound internal control system in the public sector.</p> <p>4. Shortage of qualified staff to carry out such audits.</p> <p>5. The lack of specialized staff from different disciplines to carry out such audits.</p> <p>6. Insufficient training for performance auditors.</p> <p>7. Ambiguity of performance auditing goals and objectives.</p> <p>8. The lack of support and interest on the part of legislative and administrative officials at higher levels.</p>	<p>2. The lack of a sound internal control system in the public sector.</p> <p>3. Shortage of qualified staff to carry out such audits.</p> <p>4. The lack of specialized staff from different disciplines to carry out such audits.</p> <p>5. The lack of a sound financial reporting system in the public sector.</p> <p>6. Insufficient training for performance auditors.</p> <p>7. Ambiguity of performance auditing goals and objectives.</p>
3	Financial and staff resources for conducting PA investigations	Financial resources are appropriate, while there is no agreement for the appropriateness of staff resources.	Financial resources are appropriate, while there is no agreement for the appropriateness of staff resources.
4	Composition of a PA team, and its impact on the auditees' attitude	Always from auditors, and sometimes from lawyers and engineers. / influence	Always from auditors, and sometimes from lawyers and engineers. / influence
5	PA reports	The reports contain current and significant information, fair and objective, use simple expressions, well-presented, and suggest remedial actions.	The reports fair and objective, use simple expressions, and well-presented.
6	Implementation of PA recommendations	Often implemented	Often implemented
7	Relationship between performance auditors and public sector managers	Public managers are often friendly and co-operative, but only sometimes have a good attitude towards audit team, sometimes do not explain their activities and actions, and only sometimes know the performance level required of them. However, it is rarely when they have definite standards of performance.	Performance auditors are often friendly and co-operative, but often do not explain their activities and actions. Sometimes have a good attitude towards managers, and sometimes have clear objectives, and standards of PA. However, it is rarely when they have clear objectives and goals of their job.
8	PA feedback	Often given to the auditees immediately after the completion of audit process, and the amount of the feedback is appropriate.	Often received immediately after the completion of audit process, and the amount of the feedback is appropriate.
9	Overall impression of the effectiveness of PA in Libya	Rarely effective	Rarely effective

In addition, the Mann-Whitney test was used to test whether there were significant differences between the two groups of participants in terms of their responses to issues raised in the questionnaire. The results, in general, reveal that there were no significant differences between the perceptions of the two groups. The next chapter is devoted to show and discuss the results of the semi-structured interviews analysis.

Chapter six

Interview Analysis

6.1 Introduction

The empirical investigations reported in this thesis rely on the analysis of quantitative and qualitative data, the former being analyzed in the previous chapter. This chapter focuses on the qualitative data analysis, based on the semi-structured interviews conducted with a sample of Libyan performance auditors and public sector managers (see Appendix K and L). The sections in this chapter each deal with a specific issue relating to the auditors' and managers' perceptions and attitudes to PA in the Libyan public sector.

The belief is that this analysis will provide more in-depth understanding of the issues highlighted in the questionnaire analysis. Furthermore, semi-structured interviews were used to fulfill the third objective of this research, namely to explore how the PA system can be improved in the Libyan public sector.

For reporting purposes, the sixteen participants were classified according to their job status into eight performance auditors (A), and eight public sector managers (M). Each individual interviewee is identified by his or her group code, followed by a digit representing his or her serial number within that group. For example, A-1 means performance auditor number one, and M-5 means public sector manager number five.

For analyzing the data, Nvivo software was used. According to Bazeley (2007), using Nvivo will assist qualitative researchers to manage data, manage ideas, query data, build a graphic model, and report from the data. The interviews were conducted in Arabic and then

translated from Arabic into English due to the fact that Nvivo software does not accept Arabic language. The interviews transcripts then written in word files (see Appendix M) were imported into Nvivo to be ready for exploration. Each file is assigned an attribute which is related to work status. The basic coding was used for data documents line by line. The codes were saved within the Nvivo database as 'free nodes' that could then be reordered, duplicated, merged or removed to help visualise and locate analytical items or categories. Related free nodes which represented a certain theme were combined into 'tree nodes' (103 free nodes were combined into 24 tree nodes). These tree nodes then reduced into four. In this chapter, all the opinions of the interviewees were presented, even if they were repeated, to reflect the importance of each theme. For each topic, Nvivo presents a schedule (Matrix Query) showing how many interviewees talked about a certain theme. This chapter is divided into three main sections: (1) the perception of performance auditors and public sector managers about the nature of PA, (2) the perception of performance auditors and public sector managers about the effectiveness of PA, and (3) improving the PA system in Libya.

6.2 The perception of performance auditors and public sector managers about the nature of PA in the Libyan public sector

The first objective of this study was to explore the nature of the current state of PA in the Libyan public sector. Accordingly, eight main factors related to the nature of the PA system were analyzed by the Nvivo software, and are discussed in this section. These factors are: (1) the objectives of PA in the Libyan public sector; (2) the approaches to PA investigations as followed by performance auditors; (3) the procedures of PA investigations; (4) the criteria used in selecting the auditee; (5) the main sources of information of PA; (6) the

stages in which PA occurs; (7) the type of audit which PA is primarily concerned; and (8) time spent in carrying out PA. Figure (6.1) shows the conceptual model of the nature of PA in the Libyan public sector, which was deduced from the interviews analysis.

6.2.1 Objectives of PA in the Libyan public sector

The interview participants were asked about the objectives of PA through the following question: **What are the main objectives for conducting PA in the Libyan public sector by the Institute of Financial Auditing and the Institute of Inspection and Public Control?**

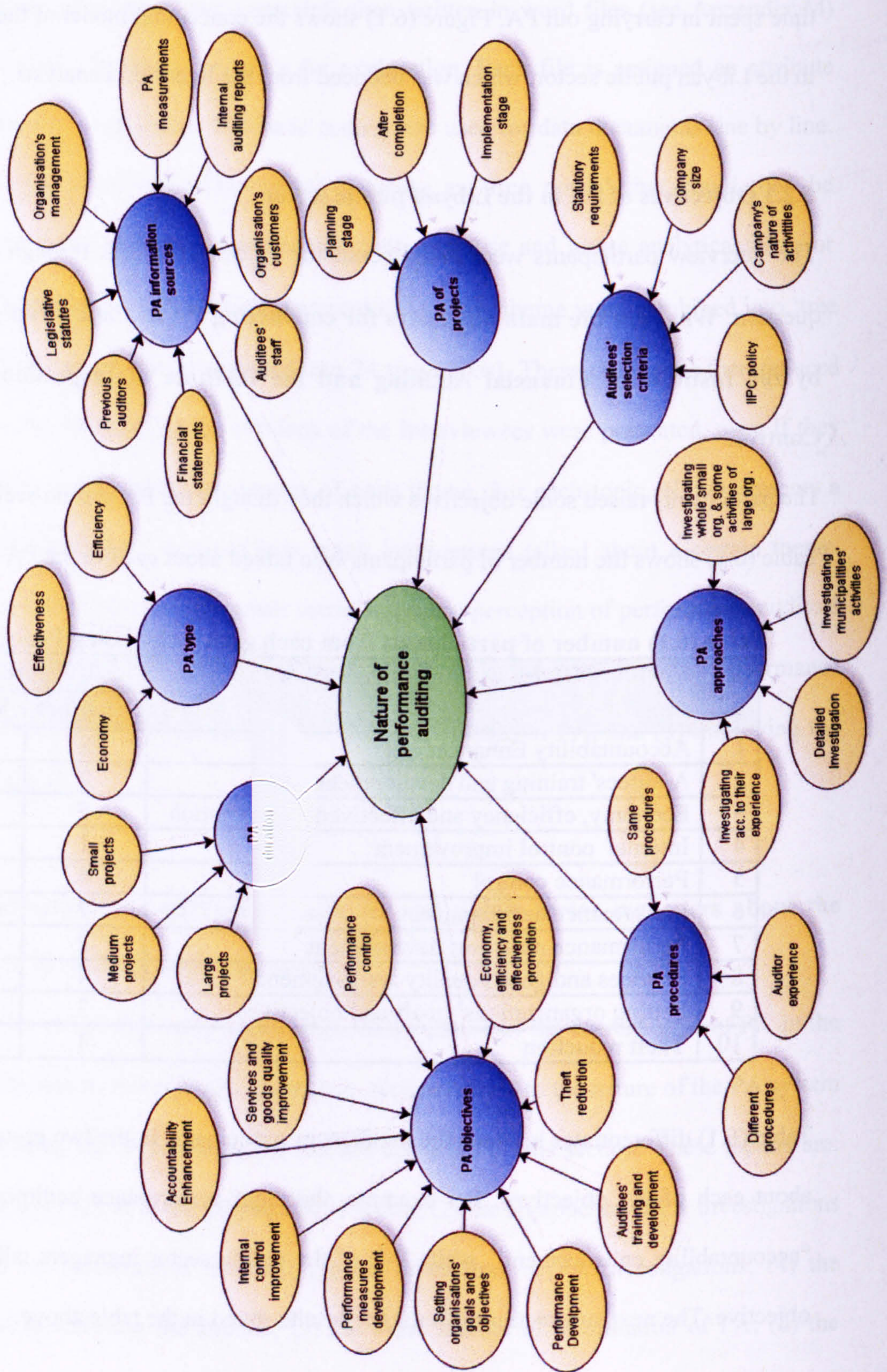
The participants raised some objectives which they thought the PA system seeks to achieve. Table (6.1) shows the number of participants who talked about each of the PA objectives.

Table (6.1) number of participants from each group discussing PA objectives

N	PA objectives	Group	
		Auditors	Managers
1	Accountability Enhancement	8	5
2	Auditees' training and development	2	0
3	Economy, efficiency and effectiveness promotion	5	3
4	Internal control improvement	1	0
5	Performance control	4	4
6	Performance development	7	6
7	Performance measures development	2	0
8	Services and goods quality improvement	4	2
9	Setting organizations' goals and objectives	3	0
10	Theft reduction	1	0

Table (6.1) differentiates between the numbers of participants in the two groups who talked about each of PA objectives. For example, the eight performance auditors talked about “accountability enhancement”, while five of the public sector managers talked about this objective. The next sub-sections discuss the results stated in the table above.

Figure (6.1) conceptual model of the nature of PA in the Libyan public sector



6.2.1.1 Accountability enhancement

All participants of the two groups except one (the fifth one of performance auditors) agreed that enhancing organizations' accountability is one of the main objectives of the PA system in Libya.

"The important objective is enhancing accountability, because audit reports are provided to the General People's Congress (GPC), which is responsible for the Libyan public sector" ... A-2

"I think one of the PA objectives is to enhance the accountability of the public sector companies due to the fact performance auditors send their reports to the Board of Directors of each public sector company" ... M-3

"Enhancing accountability is not the main objective because when we carry out performance auditing investigations, we concentrate mainly on improving organizations' performance" ... A-5

6.2.1.2 Auditees' training and development

Only two performance auditors (one quarter) referred to the role of PA in helping organizations' to specify their needs in terms of training and development, but they stated that this objective is a secondary objective of the PA system.

"As for their needs in terms of training and development, we investigate training and development budget to find out how it was spent and then recommend improvements to the training programme" ... A-2

6.2.1.3 Economy, efficiency and effectiveness promotion

Five performance auditors (more than half) stated that promoting economy, efficiency and

effectiveness of government organizations', programmes and activities is one of the objectives of the PA system in Libya. Three of them consider it as a main objective, while the other two consider it as a secondary objective.

"I can say improving the quality of its services, and promoting the economy, efficiency and effectiveness of government organizations' and activities are secondary objectives"... A-4

"I think the main objectives of conducting PA are enhancing accountability; improving organizations' performance; controlling organizations' performance; and promoting the economy, efficiency and effectiveness of government organizations' and activities"... A-8

Furthermore, three public sector managers (about a third) agreed that promoting economy, efficiency and effectiveness of government organizations is one of the PA objectives.

"In my opinion, the objectives of conducting PA are to increase capacity of productivity, diversify production, improve product quality and increase the efficiency of workers"...

M-1

6.2.1.4 Internal control improvement

Only one performance auditor stated that in the PA report he refers to improving the auditee's internal control system if there is a need to do so.

"As another example, if there is a defect in an internal control system, we will say there is a defect in the internal control office and the organizations needs to change this person (for example) because he is unqualified"... A-1

6.2.1.5 Performance control

Four of each group (half) talked about performance control. They had the same opinion, which is that controlling organizational performance is one of the main objectives of the PA system in Libya.

“In my opinion, the main objectives are to enhance accountability, improve organizational performance, and control organizational performance”... A-3

“The main objectives that they seek to achieve are enhancing accountability and controlling organizational performance”... M-2

6.2.1.6 Performance development

This objective was discussed by seven performance auditors (nearly all), one of whom said it is a secondary objective, while the others agreed it is one of the main PA objectives.

“...while the other objectives are secondary objectives. For example, development is not our objective but if we observed that the audited organization needs development, we will recommend that in our report”... A-1

“I think the main objectives of conducting PA are enhancing accountability; improving organizational performance”... A-6

In the same way, six managers (three quarters) who talked about this objective agreed that it is one of the objectives that performance auditors seek to achieve.

“In my opinion, the objectives of conducting PA are to increase capacity of productivity, diversify production”... M-1

6.2.1.7 Performance measures development

Only two performance auditors (one quarter) talked about performance measures; one stated that performance measures development is one of their objectives when conducting PA investigations, while the other indicated that there are indicators for performance for some organizations but not others.

“Furthermore, helping public organizations to set goals and objectives and developing performance measures for public organizations are objectives which we seek to achieve as well.” A-4

“There are performance indicators in some organizations, for example, there are some performance indicators for this hospital which we are reviewing. On the other hand, there are no performance indicators in other organizations”. A-7

6.2.1.8 Services and goods quality improvement

Four performance auditors (half) and two public sector managers (one quarter) talked about this objective. Two performance auditors indicated that this objective is a main objective, while the other two consider it as a secondary objective. The two participants of the managers group consider it as one the PA objectives.

“I think the main objectives of conducting PA are enhancing accountability; improving organizational performance; improving the quality of services” ... A-6

“I can say improving the quality of its services, and promoting the economy, efficiency and effectiveness of government organizations and activities are secondary objectives”. A-4

“In my opinion, the objectives of conducting PA are to increase capacity of productivity, diversify production, improve product quality and increase the efficiency of workers”. M-1

6.2.1.9 Setting organizations’ goals and objectives

This objective was discussed by only three performance auditors (about a third). According to their point of view, it is a secondary objective.

“These objectives are secondary objectives. For example, we help public organizations to set goals and objectives by forcing them to prepare an estimated budget for all aspects of its activities”. A-2

6.2.1.10 Theft reduction

Only the first performance auditor indicated that the main objective of PA is preventing the waste of public money.

“I would like to say that the main objective of the IFA since its establishment is preventing the waste of public money, while the other objectives are secondary objectives”. A-1

From the above findings, it can be concluded that ten objectives were stated by the participants of the two groups as PA objectives in Libya. The main objectives that the PA system in Libya seeks to achieve, as perceived by most participants, are: (1) accountability enhancement; (2) economy, efficiency and effectiveness promotion; (3) performance

control; and (4) performance development. These findings are consistent with the questionnaire findings which indicated that the main objectives of conducting PA are: enhancing organizational accountability, improving organizational performance; promoting the economy, efficiency and effectiveness of government organizations, programmes and activities; and controlling organizational performance (see Chapter five, Sub-section 5.3.1). Accordingly, these findings confirm that PA is capable of rendering substantial benefits to the Libyan public sector.

6.2.2 Approaches of PA investigations in the Libyan public sector

Only the auditor group²⁴ was asked about the approaches that they adopt when conducting PA investigations through the following question:

What approaches have you adopted while conducting performance auditing?

The analysis of the interviews shows that there are four approaches raised by the interviewees (see Table 6.2) below.

Table (6.2) number of participants from auditors' group discussing PA approaches

N	PA approaches	Group
		Auditors
1	Detailed investigation	6
2	Investigating acc. to their experience	4
3	Investigating municipalities' activities	3
4	Investigating whole small org. / some activities of large org.	8

As can be seen in Table (6.2), interviewees' participants talked about four approaches that they use while conducting PA investigations. The next sub-sections discuss the results stated in the table above.

²⁴For the reason behind this, refer to Chapter Five, Section 5.3.2.

6.2.2.1 Detailed investigation

Six auditors (three quarters) indicated that they conduct detailed investigations in their PA review. Some state that these investigations depend on the size and activity nature of the auditee, so they may conduct a primary and detailed investigation into all aspects of the auditee or conduct an in-depth and detailed investigation into only one aspect of the auditee.

“I do not follow pre-determined approaches for PA. The approaches that I follow depend on the size and activity nature of the audited company. However, the following approaches I often follow: (1) a primary and detailed investigation into all aspects of the audited institution or entity to specify its possible weaknesses which, in turn, are subject to in depth investigation; (2) an in-depth and detailed investigation into one aspect of the institution’s work” ...A-4

Other auditors indicated that they firstly examine the internal control system of the auditees and then decide if there is need for detailed investigation.

“We often examine the internal control system of the audited company. If we find signs of weakness in this system, that will lead us to expand our investigations. In other words, we do in-depth examination into the aspects of the audited institution if there are weaknesses in its internal control system”. A-7

6.2.2.2 Investigating according to their experience

Four participants (half) referred to the fact that they depend on their experience for conducting PA investigations.

“Moreover, we chose random samples from the different accounts of audited company. We sometime chose the accounts with large amounts of money, we sometimes select the important accounts such as the treasury, and we also select the accounts where there are signs of serious waste, inefficiency, ineffectiveness or weaknesses”... A-5

“We also depend on our experience in choosing random samples from the different accounts of the audited company”... A-8

6.2.2.3 Investigating municipalities' activities

Only three (about a third) auditors talked about municipalities investigations. All of them agreed that the activities of municipalities are investigated separately.

“...since 2008 we have not carried out PA for each municipality due to the fact that the funding of the municipalities became central in 2008, therefore we audit each activity of a municipality separately”. A-4

6.2.2.4 Investigating the whole small organization and some activities of the large

All the participants of the auditor group agreed that they investigate all of a small organization, while they investigate some activities of large organizations' or companies.

“It depends on the size and nature of the company's activity. For example, we investigate the whole organizations if its size is small, while we select projects or activities of large companies. In large industrial companies, for example, we mainly select the operational activities. Another example, in trading companies we focus our investigation on sales activity”. A-2

According to the above findings to PA approaches, it can be concluded that detailed investigations into the auditee's aspects and investigating all of a small organization and some activities of large ones are the most common approaches adopted by Libyan performance auditors. The results derived from the questionnaire were somewhat different to the interview results, where the questionnaire results stated that the main approaches followed by the performance auditors are: a primary and detailed investigation into all aspects of the audited institution or entity, and an investigation into selected organizations, projects or programmes (see Chapter five, Sub-section 5.3.2). Accordingly, no special approach was followed by Libyan performance auditors for conducting PA investigation, due to the fact that each PA investigation depends on the nature of the auditee's activity, the number of the auditors, and the auditors' available resources.

6.2.3 Procedures of PA investigations in the Libyan public sector

The question about PA procedures was only, also, presented to the auditor group through the following question:

What procedures have you adopted while undertaking performance auditing?

The analysis of the interviews indicates that there are three approaches adopted by performance auditors (see Table 6.3 below).

Table (6.3) number of participants from auditors' group discussing PA procedures

N	PA procedures	Group
		Auditors
1	Auditor experience	7
2	Different procedures	5
3	Same procedures	3

The next sub-sections discuss the results related to the three procedures stated in table (6.3).

6.2.3.1 Auditor experience

As shown in Table (6.3), seven auditors (nearly all) agreed that they depend on their experience in undertaking PA investigations.

“We depend on our experience in conducting PA. When we start our investigation, we first request the legislative statute of the company and the minutes of meetings of the Board of Directors of the company, and then we do a documentary investigation into the company’s accounts such as its fixed assets, treasury, bank and debtors...etc. After that we investigate the profit and loss account and, lastly, we prepare our report”. A-1

6.2.3.2 Different procedures

Although almost all auditors’ participants agreed that they depend on their experience for PA investigations, as stated in the previous sub-section, five performance auditors (more than half) referred to the fact they follow different procedures in their PA investigations.

“We follow different procedures for all our investigations. It depends on the size and the nature of the company's activity”. A-3

6.2.3.3 Same procedures

Only three participants (about a third) indicated that they follow the same procedures while conducting PA investigations.

“We very often follow the same procedures for all our investigations. We first request the establishment decision of the audited company, the legislative statute of the company and the minutes of meetings of the Board of Directors of the company in order to have an overview of the company, and then we begin our investigations”. A-5

From the above, it can be seen that most performance auditors in Libya depend on their experience and using different procedures for PA examinations. The findings of the questionnaire, in the same way, showed that different procedures were followed by Libyan performance auditors while carrying out PA investigations.

6.2.4 Criteria used in selecting the auditees

Auditors’ participants were asked about the criteria that their institutes use when selecting the auditees through the following question:

Based on your experience, what are the criteria used by the Institute of Financial Auditing and the Institute of Inspection and Public Control in the selection of the auditee?

The results of this question are shown in Table (6.4) below.

Table (6.4)

Number of participants from each group discussing selection criteria of the auditee

N	Auditees’ selection criteria	Group
		Auditors
1	Company's activities nature	1
2	Company size	8
3	Statutory requirements	3
4	IIPC policy	3

The results, as reported in Table (6.4), indicate that four factors were raised by the interviewees as criteria used in selecting the auditees. These factors are discussed in the following sub-sections.

6.2.4.1 Company's activities nature

As can be seen from table (6.4), only one participant stated that the nature of the company's activity is an important factor for choosing the auditee.

“In addition, the nature of the company's activity is an important factor for choosing the auditee where the objectives assigned to the public companies are taken into account in selecting the auditee”. A-3

6.2.4.2 Company size

All the participants agreed that a company size is the most important factor for choosing the auditees.

“The policy of the IFA in the audit programme is that small and medium-sized enterprises are reviewed by the IFA branches in the places those companies are located, while large companies such as General Company for Iron and Steel, General Company for Chemical Industries, Arabian Gulf and General Electric Company, are reviewed by the Directorate General of the IFA. That means the size of company is important in selecting the auditee”. A-2

“I think the important criteria we use in the selection of the auditee are statutory requirement and the size of a company”. A-4

6.2.4.3 Statutory requirements

Only three interviewees (about a third) think that statutory requirements are one of the most important factors in choosing the auditees.

“I think the important criteria we use in the selection of the auditee are statutory requirement and the size of a company”. A-4

6.2.4.4 IIPC policy

Only three of eight auditors (about a third) who participated in this study talked about the IIPC policy in selecting the auditees. They stated that PA of public sector companies is subject to the IIPC policy due to the fact that it is difficult to audit them every year.

“According to the policy of the IIPC, all public sector companies are supposed to be audited every year, but, with regard to PA, it is difficult to review all public companies every year due to the fact that this kind of audit is difficult to conduct and needs qualified and experienced auditors; therefore, the selection of the auditee mainly depends on the policy and plan of the IIPC”. A-7

With regard to the above results, it can be concluded that company size is the most important factor in choosing the auditees. Findings derived from the questionnaire stated that performance auditors depend on certain criteria in choosing the auditee, such as the size of the public organization, significant events or changes in the audited organization or entity, and the statutory requirements of public organizations. The interview findings, furthermore, are in line with the questionnaire’s findings which showed that the size of public organizations is the most common criteria used by Libyan auditors in selecting the auditees.

6.2.5 Main sources of PA information in the Libyan public sector

The auditors group was asked about the main sources of information that they depend on to carry out PA investigations through the following question:

What sources do you depend on to get the required information to carry out performance auditing?

On the other hand, the managers group was asked about the main sources of information that they think are useful for performance auditors to carry out PA investigations through the following question:

What are the sources that performance auditors should depend on to get the required information whilst carrying out performance auditing?

The analysis of the interviews shows that performance auditors use seven sources of information for PA investigations, and managers, also, suggested seven sources that can be useful for PA investigations (see Table 6.5 below).

Table (6.5) number of participants from each group discussing PA sources of information

N	Sources of information	Group	
		Auditors	Managers
1	Auditees' staff	7	6
2	Financial statements	1	2
3	Internal auditing reports	0	1
4	Legislative statutes	8	7
5	Organizations' customers	3	0
6	Organizations' management	7	6
7	PA measurements	5	5
8	Previous auditors	7	1

Table (6.5) shows sources of PA information; the next sub-sections give more details about these sources.

6.2.5.1 Auditees' staff

As can be seen from table (6.5), seven auditors (nearly all) talked about auditees' staff as a source of information to use for PA investigations. However, while three of them agreed that this source is an important source that they depend on to obtain information, the other four do not consider it as important. They indicated that it is sometimes used to obtain information.

“Legislative statutes of the audited company, personnel and staff of the audited company are the main sources of the required information”. A-6

“Furthermore, we sometimes refer to the staff of the audited organizations and prior auditors of audited organizations’ to get information”. A-3

As for the managers' group, six managers (three quarters) talked about this source. They think that their staff are useful source of information. Furthermore, they stated that performance auditors should depend on efficient staff to avoid getting wrong information.

“Performance auditors should depend on trusted sources such as the documents of the audited company or efficient staff to avoid getting wrong information”. M-1

In addition, the third manager of this group thinks that performance auditors should mainly refer to the department manager to obtain the required information.

“With regard to the staff of the audited company, performance auditors should ask department managers of the audited company because these they are more familiar with the affairs of the company”. M-3

6.2.5.2 Financial statements

With regard to this source, only one auditor mentioned that he depends on financial statements to obtain the required information, and only two (one quarter) managers referred to this source as a useful source of information.

“I depend on to financial statements to get the required information to carry out performance auditing...”. A-1

“Financial statements, records and documents of the audited company are the main sources to obtain information”. M-3

6.2.5.3 Internal auditing reports

Only one manager who participated in this study referred to internal auditing reports of the audited company as a useful source of PA information.

“Performance auditors should refer to reports of internal auditing, and company records and documents to obtain the required information”. M-6

6.2.5.4 Legislative statutes

As for this source, all auditors stated that they depend on legislative statutes to obtain the required information, and seven managers (nearly all) who talked about this source agreed that this source is an important source to obtain information for PA investigations.

“Legislative statutes are an important factor to get information about the audited company. The first step when I start my job is to request the legislative statutes of the audited company. Generally speaking, there is not a particular statute for each company. Most public companies in Libya use the governmental legislative statutes related to public sector companies”. A-1

“I think the important resources that performance auditors should depend on to get the required information about the audited company’s performance are legislative statutes, personnel, staff and the administration of the audited company”. M-4

6.2.5.5 Organization’s customers

Only three participants from auditors’ group talked about customers of public organizations. They indicated that they rarely refer to this source to obtain information related to PA.

“We rarely refer to the customers of an audited organization to get the required information”. A-2

6.2.5.6 Organization’s management

All auditors who were interviewed except the fourth one talked about organizations’

management as a source of PA information. Two auditors stated that they sometimes refer to managers of audited organizations to obtain the required information, while other auditors confirm that they often depend on this source in their PA examinations.

“I sometimes depend on the managers of the organizations, especially the financial manager, to get information about their company”. A-1

“I sometimes refer to the management of the audited organizations to obtain information”.A-6

With regard to managers' group, six managers from this group (three quarters) agreed that organizations' management is a useful source of information for PA investigations.

“Performance auditors should refer to the management of the audited company...” M-2

Furthermore, the first manager who was interviewed reported that the usefulness of this source depends on the management itself.

“...while the information that can be obtained from the management depends on the director him/herself, and whether he/she is likely to provide useful information”. M-1

6.2.5.7 PA measurements

Five auditors (more than half) who talked about this source agreed that there are no measurements or indicators of performance that can be used for PA in the Libyan public sector. However, one of these managers stated that he refers to PA measures if they are available.

“Generally, there are no measurements or indicators; we depend on our experience when conducting PA. For example, we use financial ratios, such as the liquidity ratio, the rate of stock turnover and others, in order to give us indicators of the performance of the company”. A-5

“We often refer to performance measurements if they are available. However, those indicators are often unavailable”. A-3

In the same way, five managers (more than half) who talked about this source referred to the importance of this source for PA examinations, but they also mentioned the unavailability of these measures.

“Performance measurements are very useful. But I think they are unavailable at most public sector companies”. M-4

On the other hand, one of these managers indicated that there are measures for performance at the company where he works. He attributed that to the importance of this company as a strategic company in the Libyan public sector, and to the attention that it received from the state.

“With regard to this company (General Company for Iron and Steel,) there are indicators to measure its performance due to the fact that this company is one of the largest strategic companies in Libya, hence it received more attention”. M-1

6.2.5.8 Previous auditors

Six of the seven auditors who answered this question stated that they depend on previous auditors of the audited company when they conduct PA investigations. However, one auditor indicated that he does not refer to them because he thinks that those auditors may affect his plan for investigation.

“Furthermore, we refer to prior auditors of audited organizations’ to get the required information”. A-2

“I do not refer to previous auditors’ reports in order not to let them affect my work. However, I refer to the report of previous auditors when I finish my investigations in order to find out if there are important issues I have not investigated”. A-5

At the end of this section, it appears clearly that Libyan performance auditors depend on auditees’ staff, legislative statutes, organizations’ management, and previous auditors to achieve PA investigations. Public sector managers, furthermore, agreed that auditees’ staff, legislative statutes, and organizations’ management are important sources in obtaining PA information. Moreover, both participants of the two groups referred to the scarcity of performance measures in the Libyan public sector. These findings are in line with those of the questionnaire, which indicated that legislative statutes relating to objectives and evaluation criteria in the public sector, and management of the audited organization, are the most common sources used by Libyan auditors to obtain PA information (see Chapter five, Sub-section 5.3.5).

6.2.6 The stages in which PA occurs

The interview participants were asked about the stages in which PA occurs through the following question:

At what stages of a project or activity does performance auditing occur?

The answers to this question are summarised in Table (6.6) below.

Table (6.6)

Number of participants from each group discussing the stages in which PA occurs

N	Stages	Group	
		Auditors	Managers
1	Planning stage	1	0
2	Implementation stage	4	2
3	After completion	8	7

Table (6.6) shows that PA occurs in these stages of projects, these stages are discussed in the next sub-sections.

6.2.6.1 Planning stage

With regard to this stage, only one auditor mentioned that performance auditors sometimes carrying out PA at the planning stage of projects.

"We sometimes audit projects before implementation; we review the contract of the project". A-1

6.2.6.2 Implementation stage

Four of the auditor participants said that PA sometimes occurs during the implementation stage especially for projects that take a long time to complete.

“We audit all stages of projects that take a long time to complete, such as the railway project”. A-2

As for the managers’ group, only two participants talked about this stage. They stated that PA sometimes occurs during the implementation stage.

“It sometimes occurs during the operational phases ...”. M-2

6.2.6.3 After the completion of project

All the participants of the auditors’ group and seven (nearly all) of the managers’ group indicated that PA occurred after the completion of the project.

“Most projects or activities are audited after the completion of a project. Trading and industrial companies are always audited after the end of the financial year”. A-2

“In our company, it often occurs after the completion of the project. However, generally it occurs after the end of the financial year for most public companies”. M-7

From the above results, it can be concluded that PA mostly occurs after the completion of projects. In addition, it sometimes occurs at the implementation stage of projects. However, it is not conducted every year, due to the fact its occurrence depends on a decision from the

GPC. The findings of the questionnaire are consistent with these findings, wherein the two participant groups (auditors and managers) most respondents perceived that PA always occurs after the completion of projects, while some stated that it is sometimes occurs during the implementation stage of projects.

6.2.7 Type of audit with which PA is primarily concerned

In order to find out the type of audits (economy, efficiency, and effectiveness) that performance auditors have been concerned with while undertaking PA investigations, the next question was asked. If “economy” means getting the right amount of resources at the best cost and at the right level of quality, “efficiency” means getting the required outputs by using the lowest amount of inputs, and “effectiveness” means the desired results and objectives have been successfully achieved, therefore, in actual practice, what type of audit is performance auditing system primarily concerned with ?

Answers of the two groups are shown in Table (6.7) below.

Table (6.7)

Number of participants from each group discussing the type of audit with which PA is primarily concerned

N	Type of audit	Group	
		Auditors	Managers
1	Economy	8	7
2	Effectiveness	6	8
3	Efficiency	8	7

6.2.7.1 Economy

All auditors were involved in this study talked about the audit of economy of public companies. They stated that they sometimes do not consider the audit of economy in their accounts due to the fact that some Libyan public companies do not maximize their profits.

“I often do not consider economy, due to the objective of a project, which does not seek to maximize its profits. Furthermore, the national purpose of the establishment of public companies, in some cases, is not profit, as they are designed to achieve political and social goals. Therefore, we sometimes do not take the audit of economy into our account”. A-2

As for managers' group, seven managers (nearly all) talked about economy auditing. Most these managers perceived that performance auditors concentrate on economy auditing when carrying out PA investigations.

“They are primarily concerned with effectiveness. However, performance auditors also focus on economy and efficiency while carrying out PA”. M-5

6.2.7.2 Effectiveness

Six auditors (three quarters) and all managers from the interviewees stated that effectiveness auditing is conducted in public companies, and it is given more attention by the auditors compared with economy and efficiency auditing.

“I mainly concentrate on effectiveness audit due to the fact that I can determine if the desired results and objectives have been successfully achieved, while it is a little more difficult to review economy and efficiency”. A-4

“They are concerned with all of them (economy, efficiency, and effectiveness), but I think they pays more attention to effectiveness rather than economy and efficiency”. M-7

6.2.7.3 Efficiency

With regard to efficiency auditing, all auditors and seven managers (nearly all) who were involved in this study indicated that efficiency auditing is conducted by performance auditors in the Libyan public sector.

“I consider all of them when I carry out PA, but I give efficiency and effectiveness audit more attention”. A-6

“They consider all of them (economy, efficiency and effectiveness), but I think the most concern is paid to efficiency and effectiveness”. M-8

For the type of audit which PA is primarily concerned with, it can be concluded that performance auditors concentrate on the three type of auditing (the 3Es), but they pay more attention to efficiency and effectiveness rather than economy. The findings of the questionnaire, in the same way, showed that Libyan performance auditors focused on effectiveness, efficiency, and economy while conducting PA examinations. Moreover, the audit of effectiveness was perceived as “always” being conducted, while the audit of

“efficiency”, and “economy” were perceived as “often” being conducted. Accordingly, the findings of the interviews are considerably consistent with the findings of the questionnaire.

6.2.8 Time spent in carrying out PA

The participants of the two groups were asked about the time spent in conducting PA investigations through the following question:

In actual practice, how much time do performance auditors spend in carrying out performance auditing?

They were asked more clearly about the time spent in small, medium, and large companies or projects. A summary of their answers was analyzed and then presented in Table (6.8).

Table (6.8)

Number of participants from each group discussing the time spent in carrying out PA

No	Project size	Group	
		Auditors	Managers
1	Large projects	8	8
2	Medium projects	7	6
3	Small projects	8	6

6.2.8.1 Large projects

As can be seen from Table (6.8), all interviewees from the two groups talked about time spent in large projects. Three of the eight auditors stated that large projects or companies need more than three months to be reviewed, while the other five auditors agreed that large companies take less than three months to review, due to the fact they are able to do overtime work.

“It depends on the size of the company and its activities, and what needs to be reviewed and evaluated. However, we do not spend more than three months for small and medium companies, while large companies sometimes take more than three months”.

A-4

“We spend two months reviewing large companies, but in case we do not finish our task within two months, our manager will extend another two weeks. In addition, we often have overtime work. So, I can say more than three months is too much”. **A-5**

As for public sector managers, seven of the eight who talked about large projects, agreed that large companies take no more than six months when they are subjected to PA.

“I think they spend from one to three months for small and medium companies, and no more than six months for large companies”. **M-7**

6.2.8.2 Medium projects

Seven auditors (nearly all) and six managers (three quarters) from the two participants' groups talked about the time spent on medium projects. Most of them agreed that performance auditors do not spend more than three months for conducting PA in medium size projects.

“It depends on the size of a project. However, we do not spend more than three months on small and medium projects in each audit process, while we often spend more than three months for large projects”. **A-7**

"I can say that they spend from one to three months for small and medium companies, and no more than six months for large companies". M-5

6.2.8.3 Small projects

With regard to small projects, all auditors and six managers who talked about this kind of projects agreed that small projects need one to three months to be investigated.

"Small projects always take one to three months to be audited, not more than three months". A-1

"I think that depend on the size and the nature of the company's activity. However, I think they spend no more than three months for small projects...". M-6

To sum up the findings related to PA duration, it can be said that large projects often need from four to six months to be reviewed, while small and medium projects need from one to three months. The questionnaire findings were broadly in line with the interview findings. These findings showed that small projects need one to three months to be reviewed, and large projects need four to six months. With regard to medium projects, there was no agreement about the time spent on them. About half of the participants perceived that the time spent was one to three months, while the other half perceived it was from four to six months.

6.3 The perception of performance auditors and public sector managers about the effectiveness of PA in the Libyan public sector

The second objective of this study was to explore the effectiveness of the current state of

performance auditing in the Libyan public sector. Accordingly, nine main factors related to the effectiveness of the PA system were analyzed using Nvivo software, and discussed in this section. These factors are: (1) achievement of the objectives of PA in the Libyan public sector; (2) obstacles which limit the effectiveness of the current system of PA; (3) financial and staff resources for conducting PA investigations; (4) skills and qualifications required for PA; (5) the composition of a PA team; (6) PA reports; (7) implementation of PA recommendations; (8) relationship between performance auditors and public sector managers; (9) PA feedback; and (10) overall impression of the effectiveness of PA in the Libyan public sector. Figure (6.2) shows the conceptual model of the effectiveness of the current state of performance auditing in the Libyan public sector.

6.3.1 Achievement of the objectives of PA in the Libyan public sector

In order to discover the effectiveness of performance auditors in achieving PA objectives, the following question was directed to the two participants' groups.

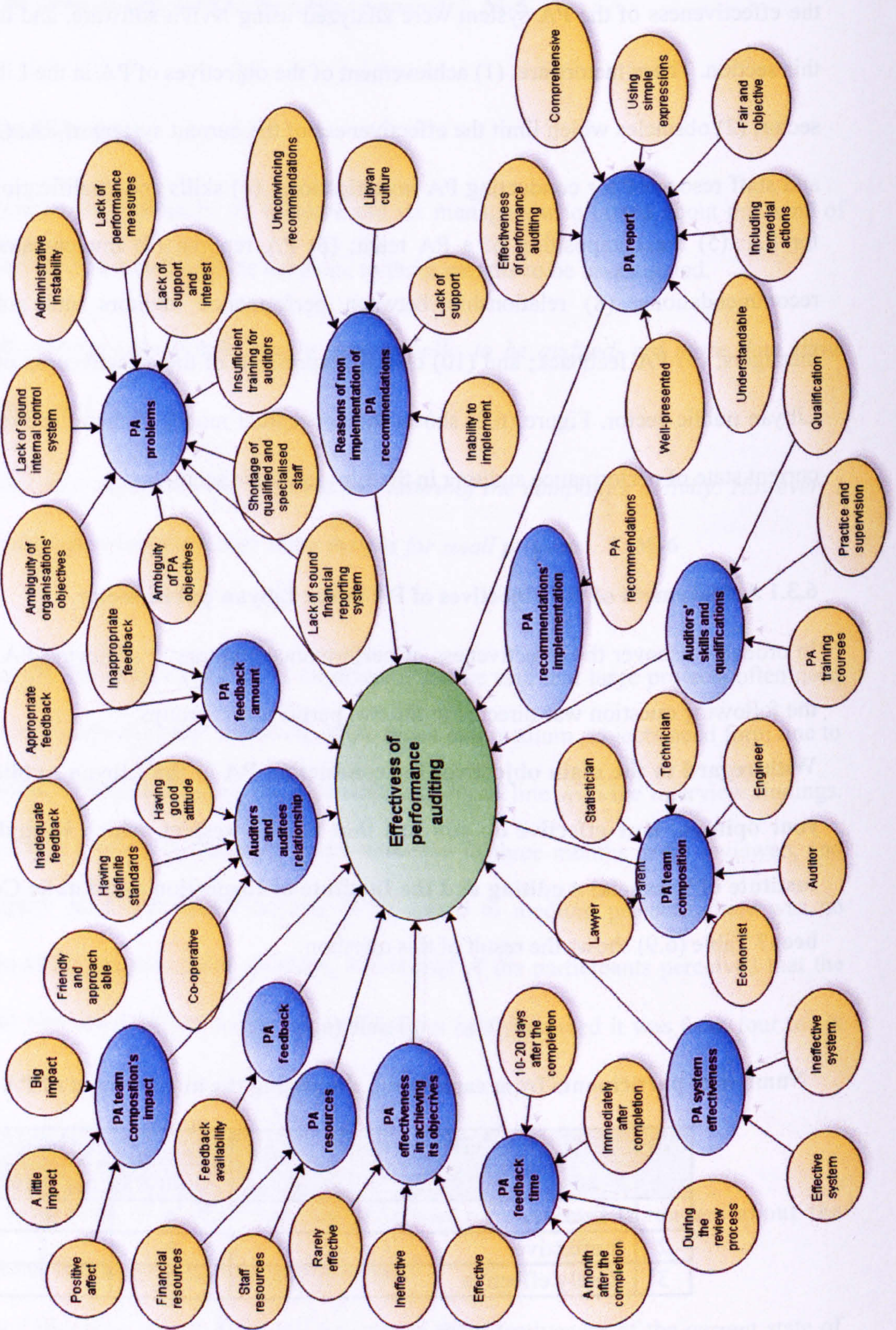
With regard to the main objectives for conducting PA in the Libyan public sector, in your opinion, how effective do you feel that the PA system, which is applied by the Institute of Financial Auditing and the Institute of Inspection and Public Control, has been? Table (6.9) shows the result of this question.

Table (6.9)

Number of participants from each group discussing the achievement of PA objectives

N	PA effectiveness	Group	
		Auditors	Managers
1	Effective	4	6
2	Ineffective	3	5
3	Rarely effective	4	2

Figure (6.2) conceptual model of the effectiveness of PA in the Libyan public sector



As can be seen from Table (6.9), some participants of the two groups perceived that PA is effective in achieving its objectives, while the others perceived it as ineffective or rarely effective. The next sub-sections discuss the results that are stated in the table above.

6.3.1.1 Effective

Four of the eight auditors (half) who participated in this study stated that PA is effective for enhancing organizations' accountability and controlling organizational performance, while it is to some extent effective or rarely effective for other PA objectives.

"I can say it is effective in enhancing organizational accountability and controlling organizational performance, but with regard to the other objectives that I have mentioned above it is to some extent effective or rarely effective". A-3

In the same way, six managers (three quarters) who talked about this theme perceived that PA is effective in enhancing organizational accountability and controlling organizational performance, while it is ineffective for other PA objectives.

"I think it is effective for some objectives such as enhancing accountability, controlling the performance of public companies, while it is ineffective for other objectives". M-7

However, the first manager interviewed confirmed that PA is effective in improving organizations' performance.

"It is effective in terms of some objectives such as improving organizations' performance, but for other objectives it is rarely effective". M-1

6.3.1.2 Ineffective

Three of the eight auditors (about a third) were involved in these interviews confirmed that PA is ineffective in achieving its objectives due to the obstacles that performance auditors face while undertaking PA investigations.

“The performance auditing system is ineffective due to the lack of performance measures, the lack of a sound financial reporting system...”. A-1

Five of the eight managers (more than half) who were interviewed also perceived that PA is ineffective for some PA objectives.

“I have not seen any recommendations that led to improving the performance of this company. Generally, I can say that it is effective in terms of some objectives such as enhancing accountability and controlling organizational performance, but for other objectives it is ineffective”. M-2

6.3.1.3 Rarely effective

Four auditors (half) and two managers (one quarter) from the interviewees perceived that PA is rarely effective in achieving its objectives.

“I can say it is rarely effective due to the lack of performance measures in the public sector...”. A-8

“It is to some extent effective in terms of some objectives such as improving organizations’ performance, but for other objectives it is rarely effective”. M-6

From the above findings, it can be concluded that PA is effective for some objectives such as enhancing organizational accountability and controlling organizational performance,

while it is ineffective or rarely effective for other PA objectives. The findings of the questionnaire were considerably consistent with these findings. These findings stated that the current system of PA in Libya is effective in “enhancing organizational accountability” and “controlling organizational performance”, while it is “moderately effective” or “rarely effective” in achieving the other objectives that it should achieve.

6.3.2 Obstacles which limit the effectiveness of the current system of PA

Participants of the two groups were asked about the obstacles or problems that performance auditors face while carrying out PA through the following question:

What are the problems which limit the effectiveness of the current system of performance auditing as applied by the Institute of Financial Auditing and the Institute of Inspection and Public Control?

The findings of this question are summarized in Table (6.10).

Table (6.10) shows the obstacles that participants thought them impede the effectiveness of the PA system in the Libyan sector. The following sub-sections discuss these obstacles.

6.3.2.1 Administrative instability

As can be seen from the table above, only one auditor from the auditors’ group talked about administrative instability. He stated that one of the main obstacles which limit the effectiveness of the PA system in Libya is administrative instability in the State’s institutions.

“In addition, instability of the administrative institutions of the State is one of the main problems that limit the effectiveness of PA”. A-7

Table (6.10)

**Number of participants from each group discussing the obstacles
which limit the effectiveness of PA**

N	PA obstacles	Group	
		Auditors	Managers
1	Administrative instability	1	0
2	Ambiguity of organizations' objectives	8	0
3	Ambiguity of PA objectives	1	0
4	Insufficient training for auditors	0	1
5	Lack of performance measures	8	6
6	Lack of sound financial reporting system	6	3
7	Lack of sound internal control system	8	5
8	Lack of support and interest	0	3
9	Shortage of qualified and specialised staff	8	7

6.3.2.2 Ambiguity of organizations' objectives

The eight auditors who were interviewed talked about the ambiguity of organizations' objectives, and how this is one of the problems that limit the effectiveness of the PA system.

"I think the main problems are the lack of performance measures in the public sector, an ambiguity of goals and objectives in public sector organizations...". A-3

6.3.2.3 Ambiguity of PA objectives

With regard to this problem, only one auditor indicated that an ambiguity of goals and objectives of PA is one of problems that limit the effectiveness of the PA system.

"The problems are the lack of performance measures...and ambiguity of performance auditing goals and objectives". A-4

6.3.2.4 Insufficient training for auditors

Only the fourth manager who was interviewed perceived that insufficient training for performance auditors is an obstacle which impedes Libyan auditors conducting PA in an effective way.

“I think the main problems are the lack of performance measures or indicators in the public sector, insufficient training for performance auditors ...”. M-4

6.3.2.5 Lack of performance measures

All auditors and six managers (three quarters) from the two participants' groups confirmed that there is a lack of performance measures in the Libyan public sector. This lack is the main obstacle which limits the effectiveness of PA.

“The problems which limit the effectiveness of the current system of performance auditing are the lack of performance measures, and ...” A-1

“I think the main problems are the lack of performance measures or indicators in the public sector, insufficient training for performance auditors, the lack of specialised staff from different disciplines to carry out PA”. M-4

6.3.2.6 Lack of sound financial reporting system

Six auditors (three quarters) from the interviewees who talked about financial reporting system stated that the lack of a sound financial reporting system is an obstacle which impedes PA investigations.

“As I told you, the problems which limit the effectiveness of the current system of performance auditing are the lack of performance measures, the lack of a sound financial reporting system...”. A-1

In contrast, the second interviewee from this group thought that the lack of a sound financial reporting system is not an obstacle which impedes performance auditors conducting PA investigations.

“Although there is weakness in the internal control system and the financial reporting system, I do not think it a major obstacle”. A-2

As for the managers group, only three managers (about a third) talked about this theme. They agreed that the financial reporting system at most public sector companies is to some extent appropriate to carry out PA investigations.

“I can say that the financial reporting system and the internal control system of public companies are to some extent appropriate. They are not a major problem to prevent performance auditors from conducting their task”. M-1

6.3.2.7 Lack of sound internal control system

All auditors who were interviewed stated that there is a lack of internal control system at most Libyan public companies. This lack, as they perceived, limits the effectiveness of the PA system.

“The problems are the lack of performance measures in the public sector, the lack of a sound internal control system in the public sector ... With regard to the internal control system; I can say most public sector companies do not have a strong or effective internal control system”. A-5

Moreover, five managers (more than half) who talked about this theme agreed that there is a lack of an internal control system at most public sector companies.

“Furthermore, I can say that there is to some extent a lack of a sound internal control system in the public sector companies”. M-2

6.3.2.8 Lack of support and interest at higher administrative levels

Only three managers (about a third) from the managers’ group talked about this obstacle. They indicated that there is lack of support and interest at higher administrative levels which had a negative effect on the effectiveness of the PA system.

“I think the main problems are the lack of specialized staff from different disciplines, the lack of performance indicators in the public sector, and the lack of support and interest on the part of legislative and administrative officials at higher levels”. M-5

6.3.2.9 Shortage of qualified and specialized staff

All auditors and seven managers (nearly all) from the interviewees perceived that not all performance auditors and staff from other disciplines are qualified to achieve effective PA.

“In addition, not all performance auditors and staff from other disciplines are qualified to conduct PA”. A-1

“The main problem is the lack of specialist auditors familiar with the nature of industrial activities. If the audit team does not contain a person who can understand the nature of the company's activity, then it cannot evaluate the performance of the audited company and this will lead to an ineffective review”. M-1

From the above results, four main obstacles that impede the effectiveness of the PA system in the Libyan public sector can be identified. These obstacles are ambiguity of organizations’ objectives, lack of performance measures, lack of a sound internal control

system, and a shortage of qualified performance auditors and specialized staff from different disciplines to carry out PA investigations. The findings of the questionnaire indicated that the most common obstacles that impede performance auditors achieving effective PA are: ambiguity of PA goals and objectives; absence of performance measures and/or indicators in the public sector; absence of sound financial reporting systems in public organizations; absence of sound internal control systems in public organizations; shortage of qualified staff to undertake performance audits; lack of specialized staff from different disciplines to carry out such audits; lack of support and interest on the part of legislative and administrative officials at higher levels; and insufficient training for performance auditors. Consistent with the interview findings, the questionnaire findings stated that the most important problems that impede Libyan performance auditors are: absence of performance measures and/or indicators in the public sector, shortage of qualified staff to carry out such audits, the lack of a sound internal control system in the public sector, and the lack of specialized staff from different disciplines to carry out such audits.

6.3.3 Financial and staff resources for conducting PA investigations

With regard to this theme, participants of the two groups were asked to give their perception about to what extent financial and staff resources were appropriate for conducting PA investigations through the following question:

Are the financial and staff resources which are allocated to performance auditing work appropriate?

A summary of the findings is shown in Table (6.11).

Table (6.11)
Number of participants from each group discussing financial and staff resources for conducting PA investigations

N	Resources	Group	
		Auditors	Managers
1	Financial resources	8	8
2	Staff resources	8	8

6.3.3.1 Financial resources

All the participants from the two groups talked about financial resources. The majority reported that financial resources are appropriate for conducting PA investigations.

“I can say financial resources are appropriate because the requirements of the work such as transport and an office with a computer and stationery are available”. A-2

“In short, I can say that financial resources are appropriate while human resources are to some extent inappropriate”. M-1

6.3.3.2 Staff resources

As for staff resources, all interviewees also talked about this theme. Most of them perceived that staff resources are (only) to some extent inappropriate to carry out PA examinations.

“Staff or human resources are to some extent inappropriate due to the fact that there are not enough good qualified staff to conduct PA”. A-3

“I think the financial resources are appropriate while the human resources are (only) to some extent inappropriate due to the lack of qualified auditors to perform this kind of auditing”. M-6

To conclude, financial resources for conducting PA investigation are appropriate, while staff resources are (only) to some extent appropriate. The findings of the questionnaire are consistent with the interviews findings, which stated that financial resources are

appropriate, while respondents were undecided whether staff resources were appropriate for PA investigations.

6.3.4 Skills and qualifications required for PA

Participants of the two groups were asked to give their opinion about the qualifications that performance auditors need to carry out PA investigations through the following questions:

In your opinion, what qualifications does a performance auditor need?

Table (6.12) shows the result of this question.

Table (6.12)

Number of participants from each group discussing skills and qualifications required for PA

N	Skills and qualifications	Group	
		Auditors	Managers
1	PA training courses	0	1
2	Practice and supervision	6	7
3	Qualification	8	8

6.3.4.1 PA training courses

As shown in Table (6.12), only one manager talked about training courses. He stated that auditors should be involved in training courses in order to work as effective performance auditors.

“Furthermore, training courses are needed for an auditor to work as a performance auditor”. M-6

6.3.4.2 Practice and supervision

With regard to this theme, six auditors (three quarters) and seven managers (nearly all) from the interviewees mentioned the importance of auditing practice with supervision by an experienced auditor for auditors to conduct effective PA.

“...the practice of auditing and supervision by an experienced auditor are needed for auditors to conduct effective PA”. A-5

“...conducting auditing under the supervision of an experienced auditor is needed for auditors to conduct effective PA”. M-1

6.3.4.3 Qualifications

All participants from the two groups talked about qualifications. Their views were that no special qualifications are needed for auditors to conduct effective PA investigations. They stated that any qualification in an accounting field can allow anyone to work as an auditor.

“I think no special qualifications are needed, but I think performance auditors are supposed to be qualified academically and professionally”. A-2

“In my opinion, a qualification in an accounting field with supervision by an experienced auditor is enough to allow an accountant to work as a performance auditor”. M-3

To sum up, it can be seen that there is no specific qualification is required for auditors to work as performance auditors, but they need practice for PA and to be supervised by an experienced auditor to achieve effective PA. These results are consistent with the

questionnaire results, which showed that none of the performance auditors had any kind of professional qualifications in the field of auditing (see Chapter five, Sub-section 5.2.3).

6.3.5 Composition of a PA team

Interviewees from the two groups were asked about the composition of a PA team. Their answers were analyzed and then summarized in Table (6.13) below.

Table (6.13)

Number of participants from each group discussing composition of a PA team

N	Composition of PA team	Group	
		Auditors	Managers
1	Auditor	8	8
2	Economist	2	0
3	Engineer	8	6
4	Lawyer	8	8
5	Statistician	2	5
6	Technician	0	1

Table (6.13) shows PA team composition as perceived by the interviewees. The subsequent paragraphs discuss each element of this composition individually.

6.3.5.1 Auditor

All participants of the two groups perceived that a PA team always includes auditors.

“It is always composed of an auditor and a lawyer”. A-3

“It always contains auditors, as for other members such as an engineer...”. M-6

6.3.5.2 Economist

As for economists, only two auditors (one quarter) talked about them. Both auditors perceived that economists are rarely involved in the composition of the PA team.

“Economists are rarely included in the audit team”. A-3

6.3.5.3 Engineer

All auditors and six managers (three quarters) perceived that engineers are often included in PA team composition. They stated that that depends on the nature of the auditee’s activity.

“It is often composed of an auditor, an engineer and a lawyer. I think it depends on the kind of audited company. For example, an engineer is not required to review the performance of a trading company, while he is required to review the performance of industrial companies”. A-7

“...as for other members such as an engineer, a lawyer and a statistician, they are often involved; it depends on the type of work that the audit team is going to carry out”. M-6

6.3.5.4 Lawyer

All auditors and managers who were interviewed talked about a lawyer. Most of them perceived that a PA team often includes a lawyer.

“It is often composed of an auditor, an engineer and a lawyer”. A-1

“It is often composed of auditors and a lawyer. However, its composition depends on the type of work that the audit team is going to carry out”. M-4

6.3.5.5 Statistician

With regard to a statistician, only two auditors (quarter) talked about this. One perceived that statisticians are rarely involved in the PA composition, while the other perceived that they are often involved.

“Statisticians are rarely included in the audit team”. A-2

“Furthermore, an engineer and a statistician are often involved in an audit team”. A-3

As for the managers’ group, five managers (more than half) talked about statisticians. They perceived that a PA team sometimes includes statisticians.

“With regard to the lawyer, he is sometimes involved, while the statistician, they may need him at the end of their mission in order to help them in data analysis and preparing the final report”. M-2

6.3.5.6 Technician

As can be seen from table (6.13), only one manager talked about a technician. He stated that technicians are often involved in PA team composition.

“It is often composed of an auditor and a technician. However, its composition depends on the type of work that the audit team is going to carry out”. M-2

In addition, participants were asked about the impact of PA team composition on the auditee’s attitude. A summary of that question is stated in table (6.14).

Table (6.14)

Number of participants from each group discussing the impact of PA team composition on the auditee’s attitude.

N	Impact of PA team composition	Group	
		Auditors	Managers
1	Big impact	7	2
2	A little impact	1	0
3	Positive affect	0	6

As can be seen from Table (6.14), seven auditors (nearly all) and only two managers (quarter) perceived that PA composition has a big impact on the auditee's attitude.

"It is affected due to the fact that each member in the team will investigate the issues which are related to the nature of his work, so the auditee staff give more attention to the audit team and are extremely cooperative". A-6

"The audit team composition had a big impact on the attitude of the audited company due to the fact that it contained an auditor, a technician, and a lawyer who can understand all aspects of the company's activities". M-2

It can be seen from the above comments from A-6 and M-2 that the impact that they talking about is positive on the auditee's attitude.

On the other hand, only one auditor thinks that PA team composition has a little impact on the auditee's attitude.

"I think audit team composition has a little impact on the auditee's attitude". A-3

Moreover, six managers (three quarters) perceived that composition of PA team has a positive impact on the attitude of the auditees' staff.

"The audit team composition often has a positive affect on the attitude of the audited company". M-3

From the above findings, it can be concluded that the composition of a PA team always contains an auditor. Lawyer, technician and engineer are often or sometimes involved, while economists and statistician are rarely included in the audit team. In addition, it has a

big positive impact on the attitude of the auditee's staff. The findings of the questionnaire are considerably consistent with these findings. The questionnaire findings indicated that the composition of a PA team always contains auditors. Lawyers and engineers are sometimes involved; economists are rarely involved, while statisticians are never involved in the audit team. In addition, these findings showed that the composition of a PA team has a positive impact on the attitude of the auditee's staff.

6.3.6 PA reports

Participants of the two groups were asked to indicate their view about the PA reports issued by the Libyan performance auditors through the following question:

What do you think about performance audit reports?

A summary of the findings is presented in Table (6.15).

Table (6.15)

Number of participants from each group discussing PA reports

N	Statement	Group	
		Auditors	Managers
1	Comprehensive	4	0
2	Fair and objective	2	0
3	Including remedial actions	5	5
4	Using simple expressions	8	8
5	Understandable	8	8
6	Well-presented	8	8

From this table, it can be clearly seen that:

1. Only four auditors (half) indicated that PA reports are not inclusive of all aspects of auditee's aspects due to insufficient time allocated to carry out PA.

"...but I think the PA report is not a comprehensive report because I sometimes do not find enough time to review all aspects of the project". A-1

2. Only two auditors (one quarter) perceived that PA reports are fair and objective.

"The performance audit report is fair and objective...". A-3

3. Five participants of each group talked about remedial actions that PA reports should contain. Auditors confirmed that PA reports contain remedial actions for the problems that the audit team discovers. In contrast, two of the five managers perceived that PA reports do not contain remedial actions for the issues that their companies face, while the other three perceived that PA reports sometime do not contain remedial actions.

"Yes we suggest remedial actions. For example, we sometimes recommend the company to replace some of their fixed assets if these assets become not fit for purpose". A-2

"In contrast, performance audit reports sometimes do not contain solutions for the problems that our company faces". M-6

4. All participants of the two groups agreed that PA reports use simple expressions, use a style which is easy to grasp, and are well-presented.

"Performance audit reports use simple expressions, and are well-presented and use a style which is easy to grasp...". A-4

"The performance audit report uses simple expressions, and is well-presented and uses a style which is easy to grasp...". M-8

From the above findings, it can be summarized that PA reports are well-presented, understandable, and use simple expressions. In addition, auditors' group confirmed that PA

reports contain remedial actions for the issues that auditees face, while managers' group perceived that PA reports only sometimes contain remedial actions. The findings of the questionnaire are in line with these findings. They indicated that PA reports well-presented, understandable, and use simple expressions. However, with regard to the remedial actions that PA reports should contain, the auditors' group confirmed that PA reports contain them, while the managers' group did not confirm that.

6.3.7 Implementation of PA recommendations

The participants were asked about to what extent PA recommendations are implemented by the auditees. Some participants stated that PA recommendations are always implemented by public sector organizations, while the others stated that they are often implemented.

“I can say that PA recommendations are always implemented”. A-4

“We often implement PA recommendations. However, our company sometimes does not implement PA recommendations when they feel the recommendations are unconvincing”. M-5

However, although the participants indicated that PA recommendations are “always” or “often” implemented, they were also asked to state the reasons behind the non-implementation of PA recommendations by some public organizations. The answers of this question were analyzed and then summarized in Table (6.16) below.

Table (6.16)
Number of participants from each group discussing reasons for non-implementation of PA recommendations

N	Reasons	Group	
		Auditors	Managers
1	Inability to implement	0	1
2	Lack of support	7	8
3	Libyan culture	2	0
4	Unconvincing recommendations	0	2

As can be seen from Table (6.16), only one manager thinks that the inability of some public companies to implement PA recommendations is one of the reasons that limit the implementation of the PA recommendation in the Libyan public sector.

“I think the reasons that make some organizations not implement the recommendations or implement part of them are: (1) they may not have the ability to implement them; (2) maybe due to the lack of support from higher legislative and administrative authorities”. M-6

Furthermore, seven auditors (nearly all) and eight managers (all) agreed that the lack of support from higher legislative and administrative authorities is the main reason for non-implementation of PA recommendations.

“I think the reason that some organizations do not implement them or implement only part can be attributed to a lack of support from higher legislative and administrative authorities. For example, if I recommend the company to replace one of its fixed assets, it may be unable to do that due to a lack of money, and that requires a decision from the general assembly of the company”. A-2

“I think the reason may be attributed to a lack of support from higher legislative and administrative authorities”. M-5

Moreover, only two auditors (one quarter) attributed the reason for non-implementation of PA recommendations to the Libyan culture, which they think it is not conducive to such an auditing system.

“Although the PA recommendations are often implemented, I can say in the cases where the implementation of the recommendations is unsatisfactory, this can be

attributed to the Libyan culture, which in general is not conducive to such an auditing system". A-3

In addition, only two managers (one quarter) stated that they sometimes do not implement PA recommendations if they feel that these recommendations unconvincing.

"I think the reason that some organizations' do not implement performance audit recommendations can be attributed to a lack of support from higher legislative and administrative authorities, or those recommendations are unconvincing". M-3

According to the above findings, it can be seen that PA recommendations are often implemented by the auditees, but the main reason for non-implementation of these recommendations in most cases is attributed to the lack of support from higher legislative and administrative authorities. These findings support the questionnaire findings, which confirmed that PA recommendations are "always" or "often" implemented by auditees. Furthermore, they stated that there are three reasons for non-implementation of PA recommendations. One of the most important of these reasons is the lack of support from higher legislative and administrative authorities.

6.3.8 Relationship between performance auditors and public sector managers

The participants of the two groups were asked about their attitude towards each other. Their answers are stated on Table (6.17). As can be seen from Table (6.17), the participants raised four elements related to their attitude towards each other. All auditors (eight) stated that most public sector managers are always willing to cooperate with the audit team.

"I can say most public sector managers are friendly and approachable, and willing to cooperate with the audit team". A-2

Table (6.17)

Number of participants from each group discussing relationship between performance auditors and public sector managers

N	Statement	Group	
		Auditors	Managers
1	Co-operative	8	0
2	Having definite standards	2	0
3	Friendly and approachable	8	8
4	Having good attitude	1	8

Only two auditors (one quarter) talked about how definite standards of performance of public sector organizations affect the relationship. One of them indicated that most public organizations have definite standards of performance, while the other had an opposite view.

"Yes some public sector organizations have definite standards of performance especially petroleum companies and some industrial companies. This will facilitate performance auditing investigations". A-2

"It is rare to find organizations which have definite standards of their performance".

A-3

Furthermore, all participants of the auditors group perceived that most public sector managers are friendly and approachable, and all participants of the managers group perceived that most performance auditors are friendly and supportive.

"I can say most public sector managers are friendly and approachable...". A-2

“I can say most performance auditors are friendly and supportive...”. M-2

In addition, only one auditor indicated that public sector managers have a good attitude towards the audit team, while all managers perceived that the audit team has a good attitude towards them.

“I can say most public sector managers are often friendly and approachable, have a good attitude towards audit team ...”. A-3

“I can say most of them are friendly and supportive, have a good attitude towards public managers ...”. M-1

From the above, it can be concluded that there is a good relationship between performance auditors and their auditees, which is helpful for the former to conduct effective PA. The findings of the questionnaire also indicated that there is a good relationship between Libyan performance auditors and their auditees. However, they stated that both auditors and managers do not have clear standards, objectives, and goals for their job.

6.3.9 PA feedback

Participants of the two groups were asked whether there had been any feedback from auditors to auditees concerning audit findings. All auditors and seven managers answered that there was feedback, and only one manager answered that no feedback was received.

“Yes, there is feedback to the auditee concerning audit findings”. A-1

“Yes, we receive feedback concerning the performance audit”. M-1

“We have not received any feedback and I think the reason is due to the fact that the main concern of PA is to enhance the accountability of the audited company”. M-2

Furthermore, the interviewees were asked about the time of this feedback (when the feedback is given to the auditees), their answers are summarized in Table (6.18) below.

Table (6.18)

Number of participants from each group discussing PA feedback time

N	Time	Group	
		Auditors	Managers
1	10-20 days after completion	2	0
2	A month after completion	0	1
3	During the review process	0	4
4	Immediately after completion ²⁵	6	6

As can be seen from Table (6.18), the participants raised four different times related to their perception of PA feedback time. Only two auditors (one quarter) from the performance auditors group stated that PA feedback is given to the auditees after ten to twenty days²⁶ from the completion of PA investigations.

“It is often provided 10 to 20 days after the completion of the audit. We provide a preliminary report to the auditee to discuss it and reply to it, after that we prepare the final report and send it to the Board of Directors of the company”. A-6

Only one manager indicated that PA feedback is provided by the audit team a month after the completion of PA examinations.

“It is often provided about a month after the completion of their audit”. M-7

²⁵ The statement “Immediately after completion” is a loose term. It means different things to different users.

²⁶ This period of time gives the same meaning as “immediately after completion”, but it is shown in table (6.18) as a separate time, because two interviewees clearly mentioned to the number of days that PA feedback takes to be provided.

On the other hand, four managers perceived that PA feedback is sometimes provided during the review process.

“It is sometimes provided while auditors are undertaking their mission and often immediately after the completion of their audit”. M-5

However, the majority of the participants (six of each group) confirmed that PA feedback is often provided immediately after the completion of the audit process.

“Feedback is often provided immediately after the completion of audit”. A-2

“It is often provided immediately after the completion of their audit”. M-3

In addition to PA feedback time, the interviewees were asked about the amount of the PA feedback provided to the auditees. Their answers were analyzed using Nvivo software and then stated in Table (6.19).

Table (6.19)

Number of participants from each group discussing PA feedback amount

N	Level of the appropriateness	Group	
		Auditors	Managers
1	Appropriate feedback	6	5
2	Inadequate feedback	1	0
3	Inappropriate feedback	2	2

Table (6.19) shows that the majority of the participants (six auditors and five managers) agreed that the amount of feedback, that it is provided to the auditees is to some extent appropriate.

“I think the amount of feedback that given to the auditee is appropriate”. A-4

“I can say that the feedback is to some extent inappropriate due to the fact that performance auditors cannot provide feedback that covers all the aspects of our company’s activities”. M-3

Only one auditor perceived that the PA feedback amount provided to the auditees is inadequate.

“I can say it is appropriate, but inadequate because the performance auditor will not find enough time to review all the aspects of the company”. A-2

In contrast, two participants of each group (one quarter) perceived it as inappropriate feedback.

“It is to some extent inappropriate because we sometimes do not find enough time to review all the aspects of the audited company”. A-8

“I can say that the feedback is to some extent inappropriate due to the fact that performance auditors cannot provide feedback that covers all the aspects of our company’s activities”. M-7

From the above findings about the PA feedback, it can be concluded that there is feedback from auditors to auditees concerning audit findings, and this feedback is often provided immediately after the completion of the audit process. Furthermore, the amount of this feedback is to some extent appropriate. These findings are consistent with the questionnaire findings which stated that there is feedback from auditors to auditees concerning audit findings, the time of feedback is immediately after the completion of the audit process, and the amount of feedback is appropriate.

6.3.10 Overall impression of the effectiveness of PA in the Libyan public sector

The participants of the two groups were asked about the effectiveness of the PA system in general in the Libyan public sector through the following question:

From your point of view, how effective, in general, is the current system of performance auditing?

Table (6.20) shows the results of this question.

Table (6.20)

Number of participants from each group discussing overall impression of the effectiveness of PA in the Libyan public sector

N	Level of the appropriateness	Group	
		Auditors	Managers
1	Effective system	1	2
2	Ineffective system	7	6

As can be seen from Table (6.20), only one auditor and only two managers (one quarter) stated that the current system of PA in the Libyan public sector is to some extent effective.

“In my opinion, it is to some extent effective”. A-4

“It is effective for some companies but ineffective for other companies due to the absence of measures or indicators of the performance. However, I can say it is to some extent effective”. M-1

On the other hand, the majority of the interviewees (seven auditors and six managers) agreed that the current system of PA in the Libyan public sector is ineffective due to various obstacles that impede its implementation.

“In my opinion, it is ineffective due to, mainly, the lack of performance measures in the public sector, the shortage of qualified auditors to conduct PA and the lack of support and interest on the part of legislative and administrative officials at higher levels”. A-2

“In my opinion, it is ineffective due to, the lack of performance measures in the public sector, the shortage of qualified auditors to conduct PA and the lack of support and interest on the part of legislative and administrative officials at higher levels”. M-8

According to the above findings, the current system of PA in the Libyan public sector is ineffective. These findings are consistent with the questionnaire findings, which indicated that the current system of PA in Libya is “rarely effective” or “ineffective”. The next section indicates the participants’ perceptions regarding how to improve the effectiveness of the PA system in the Libyan public sector.

6.4 Improving the performance auditing system in Libya

Due to the various benefits that the PA system provides to the public sector, as discussed in the auditing literature (refer to Chapter Two), this system needs to be effective. Accordingly, participants of the two groups were asked to provide their opinion about improving the PA system in the Libyan public sector through the following question:

In your opinion, what are the procedures to be followed to improve performance auditing? The purpose of this question is to fulfil the third objective of this study. The participants raised ten proposals to improve this kind of auditing. Figure (6.3) shows the conceptual model of the improvement of the current state of PA in the Libyan public sector.

Figure (6.3) conceptual model of the improvement of the current state of PA in the Libyan public sector

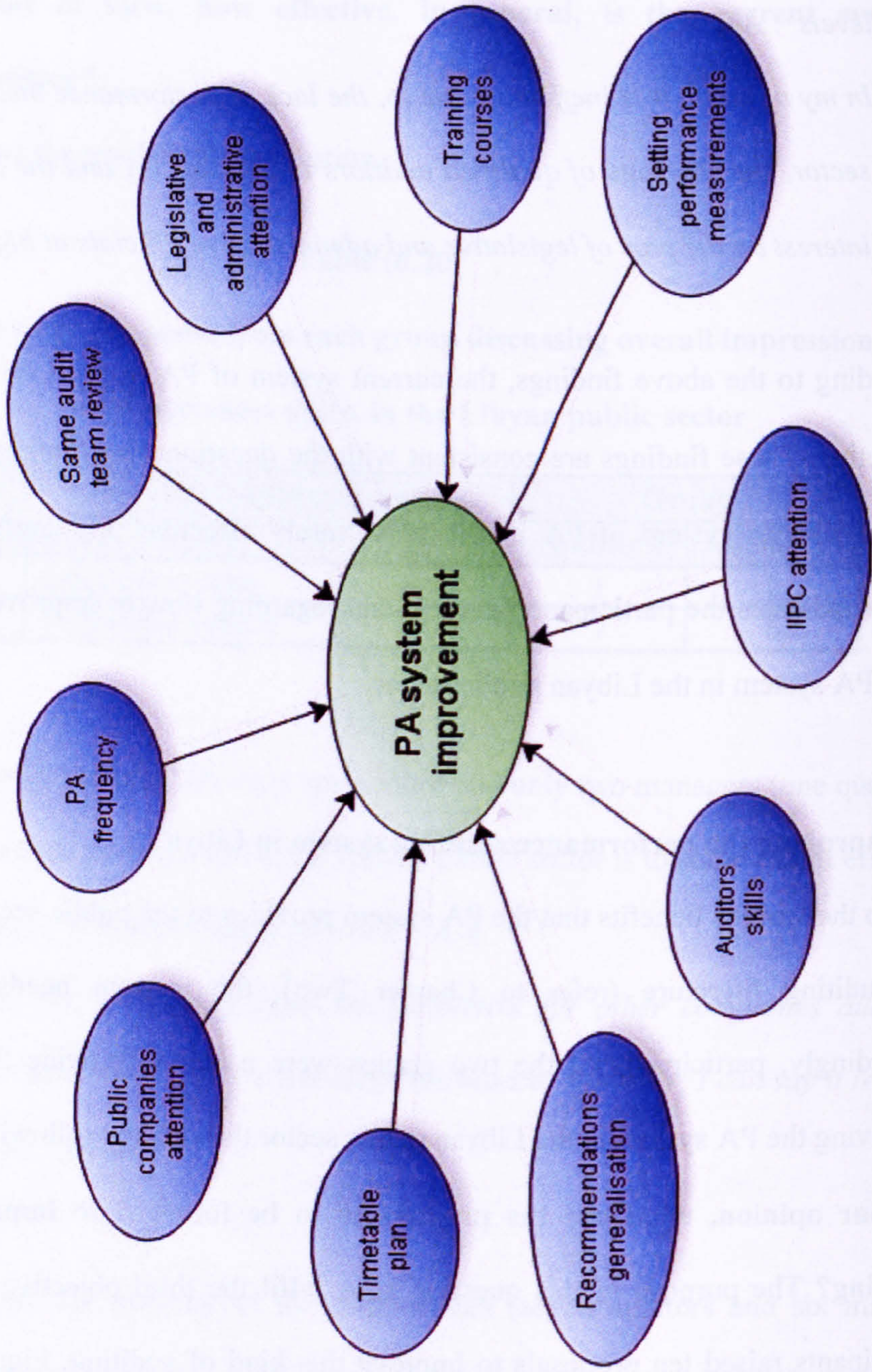


Table (6.21) shows the proposals that interviewees suggest to improve the PA system in Libya. The following sub-sections discuss each proposal separately.

Table (6.21)

Number of participants from each group discussing how to improve the PA system

N	Statement	Group	
		Auditors	Managers
1	Auditors' skills	0	2
2	Legislative and administrative attention	1	1
3	PA frequency	0	1
4	Public companies attention	0	1
5	Recommendations generalization	0	1
6	Same audit team review	0	2
7	Setting performance measurements	5	5
8	IIPC attention	1	2
9	Timetable plan	1	0
10	Training courses	5	4

6.4.1 Auditors' skills

Two managers (one quarter) suggested that performance auditors' skills should be improved by providing the auditors with different courses relevant to PA.

"Furthermore, performance indicators should be issued; skills of auditors should be improved by developing them in training courses". M-3

6.4.2 Legislative and administrative attention

One of the auditors group and one of the managers group suggested that the PA system can be improved by paying it attention from the legislative and administrative officials at higher levels.

“I think the important point is that the legislative and administrative officials at higher levels should pay more attention to the PA system”. A-3

“I think the important point is that the PA system should be given more attention by the legislative and administrative officials at higher levels”. M-8

6.4.3 PA frequency

The fourth manager who was interviewed suggested that to improve the PA system in Libya, it is necessary to conduct PA every year for public sector companies.

“..performance auditing should be conducted every year for all public companies”. M-4

6.4.4 Public companies attention

The fourth manager also suggested that public companies should pay more attention to PA in order for it to be effective.

“I think the important points are that public sector companies should pay more attention to performance indicators...”. M-4

6.4.5 Recommendations generalization

The second manager who was interviewed believes that PA recommendations should be generalized for all company's departments in order to be effective.

“PA recommendations should be distributed to all departments of a company in order for them to be aware of these recommendations”. M-2

6.4.6 Same audit team review

Two managers (one quarter) believe that conducting PA by the same audit team for the same company for several consecutive years will improve auditors' skills. Hence, this method will lead to improving PA.

"I think the important point to improve PA is that the same audit team should review the performance of the same company for several consecutive years in order to make their audit effective". M-7

6.4.7 Setting performance measurements

Five interviewees from each group (more than half) emphasize the need for issuing indicators or measures of performance for public companies. These measures will help the audit team to conduct PA in an easy and effective way.

"I think the important point is that the performance measurements should be set, the audit staff should engage in training courses...". A-5

"I think the two important points are that performance indicators should be issued for all public sector companies....". M-1

6.4.8 IIPC attention

According to the view of one auditor and two managers who participated in this study, to obtain effective PA in the Libyan public sector, the PA system should receive more attention from the Institute of Inspection and Public Control (IIPC).

"I think the IIPC should pay more attention to the PA system to be effective". A-7

“I would like to say that great attention should be paid to this type of auditing by the responsible authorities, such as the IIPC, due to the various benefits that can be provided”.M-7

6.4.9 Timetable plan

The sixth auditor who was interviewed suggested setting a timetable plan for all public companies to be reviewed. The purpose of this timetable is to give an opportunity for all public companies to audit their performance. This method, as he suggests, will lead to improving the PA system in Libya.

“Furthermore, a timetable for public sector companies should be set in order to determine which one has been evaluated and when. I mean the IIPC should make plans for reviewing the performance of public sector companies”. A-6

6.4.10 Training courses

Five auditors (more than half) and four managers (half) emphasized engaging auditors in practical training courses related to PA for them to be more qualified for carrying out effective PA.

“I think the important point to improve performance auditing is that the audit staff should engage in training courses, and they should be practical courses to be more useful”. A-1

“I think the two important points are that performance indicators should be issued for all public sector companies and that audit staff should engage in training courses to be qualified to conduct PA”. M-1

According to the above suggestions, it can be concluded that the PA system in Libya can be improved by issuing indicators or measures of performance for public companies, improving auditors' skills through engaging them in practical training courses related to PA and conducting PA by the same audit team for the same company for several consecutive years. Furthermore, it can be improved by more attention from the legislative and administrative officials at higher levels in Libya, such as the Institute of Inspection and Public Control (IIPC), and also by public companies themselves. In addition, PA should be conducted every year for all public sector companies and a timetable plan should be set for all public companies to give them the same opportunity to be reviewed. Moreover, PA recommendations should be generalized for all company's departments in order to be effective.

6.5 Interviewees' suggestions

The interviewees in the last question were asked if they have any suggestion related to the PA system through the subsequent question:

Do you have any suggestions with respect to the issues raised in this interview or any other issue related to the subject of performance auditing in the Libyan public sector?

The interviewees raised three suggestions related to PA in Libya. Table (6.22) shows the number of participants who talked about each of these suggestions. Figure (6.4) shows the conceptual model of the interviewees' suggestions about PA in the Libyan public sector, which was deduced from the interviews analysis.

Figure (6.4) conceptual model of the interviewees' suggestions about PA in the Libyan public sector

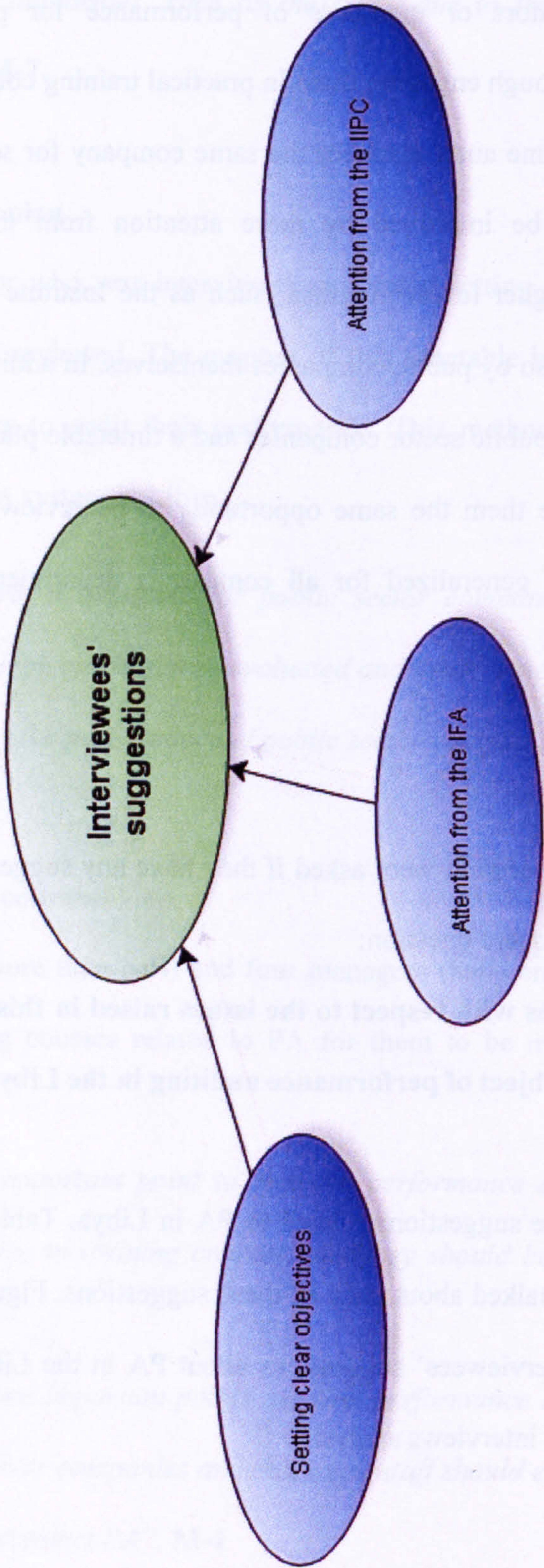


Table (6.22) number of participants from each group discussing suggestions related to PA

N	Interviewees' suggestions	Group	
		Auditors	Managers
1	Attention from the IFA	4	0
2	Attention from the IIPC	3	0
3	Setting clear objectives	1	0

As can be seen from Table (6.22), four participants from the auditors' group (half) suggested that the IFA should pay more attention to performance auditors due to the importance of the PA system in servicing the public sector.

"I would like to say the IFA (Institute of Financial Auditing) should pay more attention to the performance auditors by involving them in English language and computer training courses in order to improve their skills". A-1

Furthermore, three auditors suggested that the PA system in Libya should be given more attention by the IIPC.

"I would like to say the IIPC should give more attention to the performance auditing system due to the various benefits that can this system provide". A-6

In addition, one auditor suggested that all public companies should set clear objectives for their activities.

"I would like to say that the absence of clear objectives of the public sector organizations is the main issue for conducting PA. Therefore, clear goals and objectives for public sector companies should be set". A-3

From the above suggestions about the interviewees' suggestions regarding PA in the Libyan public sector, it can be concluded that the interviewees suggested that the PA system in Libya should be given more attention by the IIPC, the IFA, and Libyan public companies due to the importance of the PA system in servicing the public sector.

6.6 Summary

This chapter stated the research findings concerning several issues relating to the nature and effectiveness of PA in the Libyan public sector based on perceptions of the participants who were interviewed. Furthermore, it indicated the procedures that should be followed to improve PA and the interviewees' suggestions regarding the PA system in Libya. Figure (6.5) shows the conceptual model of the issues relating to PA in the Libyan public sector, which was deduced from the interviews analysis.

With regard to the nature of PA in the Libyan public sector, the findings are indicated in the Table (6.23).

Table (6.23)
Findings related to the nature of PA in the Libyan public sector

N	Nature of PA	Findings
1	Objectives of PA	The main objectives are: (1) accountability enhancement; (2) economy, efficiency and effectiveness promotion; (3) performance control; and (4) performance development.
2	Approaches of PA investigations	The main approaches are: detailed investigations into the auditee's aspects and investigating all activities of small organizations and some activities of large organizations.
3	Procedures of PA investigations	Most performance auditors in Libya depend on their experience and using different procedures for PA examinations.
4	Criteria used in selecting the auditee	Company size is the most important factor for choosing auditees.
5	Main sources of information of PA	Auditees' staff, legislative statutes, and organizations' management are important sources in obtaining PA information.
6	Stages in which PA occurs	PA mostly occurs after the completion of the projects. It

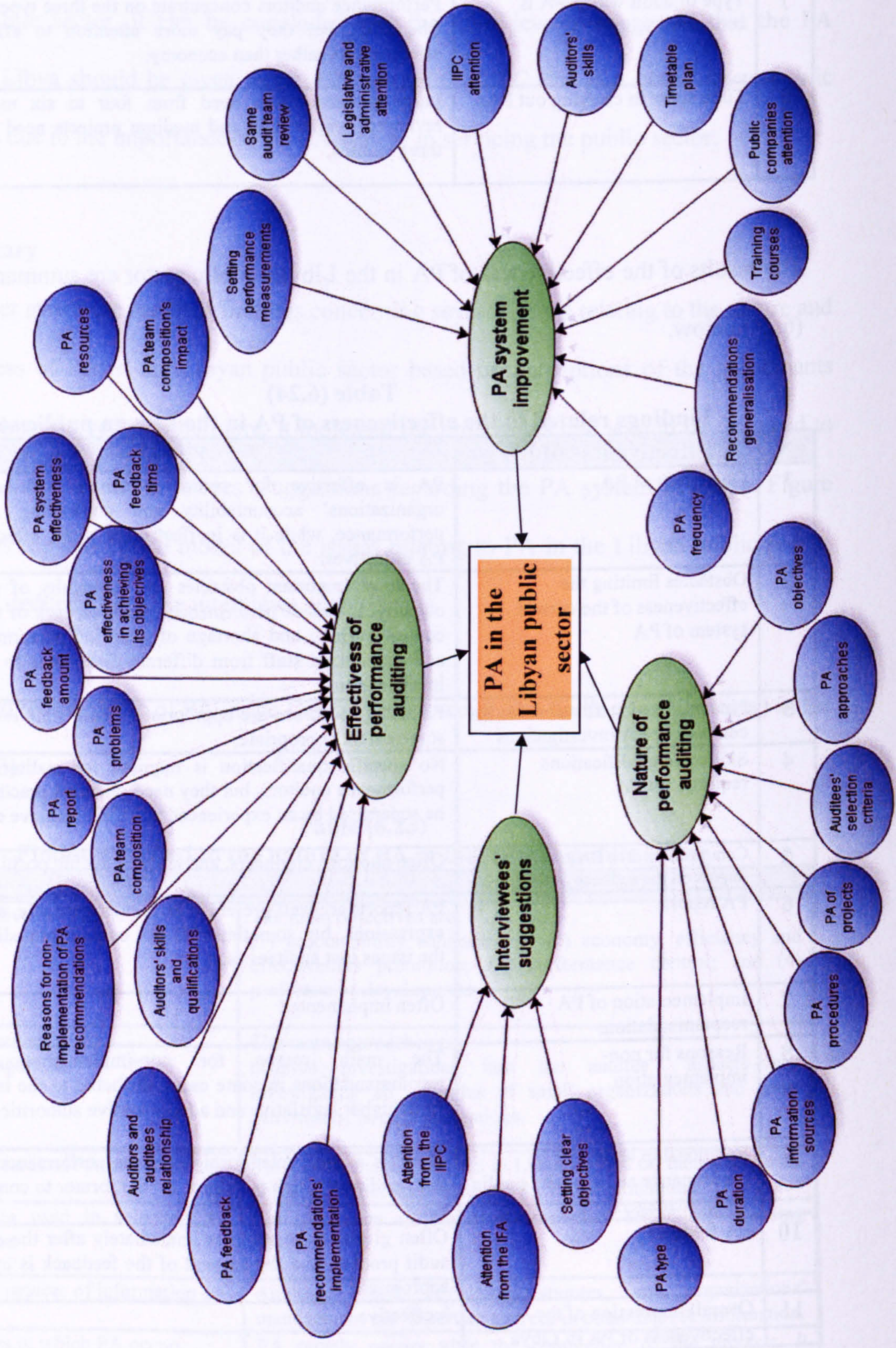
		sometimes occurs at the implementation stage of projects.
7	Type of audit which PA is concerned with.	Performance auditors concentrate on the three types of auditing (the 3Es), but they pay more attention to efficiency and effectiveness rather than economy.
8	Time spent in carrying out PA:	Large projects often need from four to six months to be reviewed, while small and medium projects need from one to three months.

The results of the effectiveness of PA in the Libyan public sector are summarized in Table (6.24) below.

Table (6.24)
Findings related to the effectiveness of PA in the Libyan public sector

N	Effectiveness of PA	Findings
1	Objectives of PA	PA is effective for some objectives such as enhancing organizations' accountability and controlling organizations' performance, while it is ineffective or rarely effective for other PA objectives.
2	Obstacles limiting the effectiveness of the current system of PA	The most important obstacles are: ambiguity of organizations' objectives, lack of performance measures, lack of sound internal control system, and shortage of qualified performance auditors and specialized staff from different disciplines to carry out PA investigations.
3	Financial and staff resources for conducting PA investigations	Financial resources are appropriate, while staff resources are to some extent appropriate.
4	Skills and qualifications required for PA	No specific qualification is required for auditors to work as performance auditors, but they need practical practise for PA and be supervised by an experienced auditor to achieve effective PA.
5	Composition of a PA team, and its impact on the auditees' attitude	Often auditors, engineers, and lawyers. / a big positive impact
6	PA reports	PA reports are well-presented and understandable, and use simple expressions, but sometimes do not contain remedial actions for the issues that auditees face.
7	Implementation of PA recommendations	Often implemented
8	Reasons for non-implementation	The main reason for non-implementation of these recommendations in some cases attributed to the lack of support from higher legislative and administrative authorities.
9	Relationship between performance auditors and public sector managers	There is a good relationship between performance auditors and their auditees which is helpful for the former to conduct effective PA.
10	PA feedback	Often given to the auditees immediately after the completion of audit process, and the amount of the feedback is to some extent appropriate.
11	Overall impression of the effectiveness of PA in Libya	Ineffective

Figure (6.5) conceptual model of the PA system in the Libyan public sector



In addition, the interviewees suggested some procedures to improve the PA system in Libya, such as issuing indicators or measures of performance for public companies, improving auditors' skills through engaging them in practical training courses related to PA, and more attention from the legislative and administrative officials at higher levels in Libya. Moreover, the interviewees in their answers to the last question emphasized the importance of the IIPC and the IFA paying more attention to the PA system in Libya and the need for setting clear objectives for public companies.

The next chapter is devoted for discussing the results of the questionnaire analysis (Chapter Five) and interview analysis (Chapter Six), and links them with the research objectives (Chapter One) and relevant literature and theory (Chapter Two).

Chapter Seven

Discussion

7.1 Introduction

This chapter presents the discussion of the results of questionnaires and interviews that were presented in Chapters Five and Six respectively. The questionnaires and interviews results and analysis are linked with the research objectives and relevant literature and theories. The purpose of this linkage is to enhance understanding of the nature and effectiveness of PA in the Libyan public sector, and to discuss the results of both the quantitative and qualitative data. As seen in Chapters Five and Six, the questionnaires and interviews analysis were organized according to the objectives of this study. This chapter begins by restating the theoretical propositions which were presented in Chapter Two and then this discussion is developed in the light of these theoretical propositions. Findings of the questionnaires and interviews related to the nature and effectiveness of PA in the Libyan public sector (the first and second objectives of this research) are discussed in sections three and four respectively. The third objective “improving the performance auditing system in Libya” is discussed in section five. Section six discusses the suggestions that were raised by the participants. Finally, summary is stated in section seven.

7.2 Theoretical propositions

The findings of the study regarding the nature and the effectiveness of the PA system in the Libyan public sector are consistent with the suggestions of two theories, as stated in Chapter two (literature review), they are agency theory and institutional theory.

7.2.1 Agency theory

The results of the questionnaires and interviews were consistent with agency theory, as the participants in this study stated that the main purposes of conducting PA in the Libyan public sector are to enhance public accountability; to improve the performance of public sector organizations; to promote the economy, efficiency and effectiveness of public organizations; to improve the quality of public organization services; to control organizational performance; to help public organizations to set goals and objectives for their achievement; and to develop performance measures and/or indicators for public organizations.

By achieving these objectives through performance auditors (agency cost), the principal (the state represented by the GPC) will obtain the required information about the economy, efficiency, and effectiveness of public sector companies and will lead it to maximize the utility of both managers (agents) and the state (principal) through improving performance, promoting economy, efficiency and effectiveness, and improving the quality of public organization services. In this regard, the results derived from the interviews showed that most the auditors and the managers interviewed talked about PA objectives (see Chapter Six, Sub-section 6.2.1). For example, one of auditors and one of managers said that:

“The important objective of performance auditing is enhancing accountability, because audit reports are provided to the General People’s Congress (GPC), which is responsible for the Libyan public sector” ... A-2

“I think one of the PA objectives is to enhance the accountability of the public sector companies due to the fact performance auditors send their reports to the Board of Directors of each public sector company” ... M-3

As for results derived from the questionnaire which related to PA objectives see Chapter Five, Sub-section 5.3.1.

Moreover, to minimize agency problems (information asymmetry and risk sharing), the monitoring agency costs which include among others external auditing cost (see Chapter Two, Sub-section 2.6.1.2) should be effective. However, results derived from the questionnaire and the interviews analysis (see Chapter Five, Section 5.4 and Chapter Six, Section 6.3) indicated that the PA as practised by Libyan performance auditors is “rarely effective” or “ineffective”. According to these results, it is inferred that the PA system in Libya has not minimized agency problems effectively. As a result, Libyan auditors should overcome obstacles that impede them in conducting effective PA in order to minimize agency problems. In this respect, results derived from the interview analysis indicated that participants suggested ten proposals to improve PA (see Chapter Six, Section 6.4). One of the participants stated that:

“I would like to say that great attention should be paid to this type of auditing by the responsible authorities, such as the IIPC, due to the various benefits that can be provided”.M-7

By improving PA practices in general and performance auditors' skills in particular, performance auditors will conduct effective PA, which will lead eventually to mitigating agency problems.

7.2.2 Institutional theory

The results of the questionnaires and the interviews analysis are consistent with the three forms of institutional isomorphism which are coercive, mimetic and normative.

7.2.2.1 Coercive isomorphism

According to this assumption of institutional theory (see Chapter Two, sub-section 2.6.2.1), PA is required by the GPC to be conducted in public companies in order to enhance the accountability of the public sector and to provide evidence of efficiency of using public resources. Furthermore, statutory requirements of public organizations stipulate that PA should be conducted every year. In this regard, the results of the questionnaire stated that one of the most common criteria used by Libyan auditors to conduct PA investigations is statutory requirements of public sector companies (see Chapter Five, Sub-sections 5.3.4). Support for this view was also found in the interviews. Three performance auditors and five managers stated that PA is conducted according to a decision from the GPC.

“We carry out financial auditing for all companies every year, while PA is conducted according to a decision from the IFA, which depends on the guidance that is issued by the government (the General People’s Congress [GPC]). A-1

“Our company is reviewed according to a decision from the General People’s Congress, which is the highest authority in Libya”. M-1

Furthermore, due to the fact that PA is rarely effective as perceived by most of the study's participants, four auditors and three managers emphasized that the IIPC and the IFA should pay more attention to PA to be effective. This attention can be through issuing laws forcing public companies to be subject to PA every year.

"I would like to say the IFA (Institute of Financial Auditing) should pay more attention to the performance auditors by involving them in English language and computer training courses in order to improve their skills". A-1

"I would like to say the IIPC should give more attention to the performance auditing system due to the various benefits that this system can provide". A-6

7.2.2.2 Mimetic isomorphism

This assumption of institutional theory is supported by the results of both the questionnaires and the interviews (see Chapter Five, Sub-sections 5.3.2, 5.3.3 and 5.3.4, and Chapter Six, Sub-sections 6.2.2, 6.2.3 and 6.2.4). These results indicated that approaches and procedures which are adopted by performance auditors for conducting PA investigations in Libya are consistent with what has been reported in the literature (e.g. Bucharest, 2003; Hossian, 2000; INTOSAI, 1997; Larsson, 2004; Pollitt et al., 1990) and the practices of other state audit institutions such as the Australian National Audit Office (ANAO), SAI of Bangladesh, PricewaterhouseCoopers and the INTOSAI.

In addition, the criteria that are used in selecting the auditees; the sources that performance auditors refer to in obtaining PA information; the stage of the project, programme or activity which PA occurs in; and the type of audit that auditors consider when conducting

PA are all in line with the reported literature of PA (e.g. INTOSAI, 1997; and Pollitt, et al., 1999). These results confirm that performance auditors imitate other state audit institutions that conduct PA. In support of mimetic isomorphism, one of the managers of a company which uses performance indicators stated that this company is using the same performance indicators that are used in the same industry in some Arabic countries.

“We got performance indicators via the Internet and by referring to performance indicators for the same industry in some Arab countries, such as Qatar and Jordan”.

M-1

7.2.2.3 Normative isomorphism

This assumption of institutional theory (Chapter Two, sub-section 2.6.2.3) is supported by the results of the questionnaires and the interviews (see Chapter Five, Sub-section 5.4.9 and Chapter Six, Sub-section 6.3.10). The results show that the PA system, in general, is rarely effective or ineffective in achieving its objectives in the Libyan public sector due to some obstacles (see Chapter Five, Sub-section 5.4.2 and Chapter Six, Sub-section 6.3.2) that performance auditors face when conducting PA investigations. Therefore, participants of this study emphasized the importance that PA should be carried by an experienced auditor. Moreover, the participants suggested that performance auditors' skills should be improved by providing the auditors with different courses relevant to PA.

“.. skills of auditors should be improved by developing them in training courses”. **M-3**

“...the practical practice of auditing and supervision by an experienced auditor are needed for auditors to conduct effective PA”. **A-5**

According to the above discussion, and, furthermore, due to the fact that there are no professional qualifications required for performance auditors in Libya (see Chapter five, Sub-section 5.2.3 and Chapter six, Sub-section 6.3.4), it seems that normative isomorphism is necessary for PA in Libya to be effective.

7.3 Nature of PA in the Libyan public sector

This study utilized semi-structured interviews and close-ended questionnaires to explore the nature of PA in the Libyan public sector (first objective of the study). Eight elements related to the nature of PA were examined. These elements are: (1) the objectives of PA in the Libyan public sector; (2) the approaches to PA investigations as followed by performance auditors; (3) the procedures of PA investigations; (4) the criteria used in selecting the auditee; (5) the main sources of information of PA; (6) the stages in which PA occurs; (7) the type of audit with which PA is primarily concerned; and (8) time spent in carrying out PA. In the next sub-sections, each element is explained.

7.3.1 Objectives of PA in the Libyan public sector

The findings of the questionnaire and the semi-structured interviews showed that the performance auditing system has a wide range of objectives that aim to promote good public sector administration. In particular, enhancing public accountability; improving the performance of public sector organizations; promoting the economy, efficiency and effectiveness of public organizations; improving the quality of public organization services; controlling organizational performance; helping public organizations to set goals and objectives for their achievement; and developing performance measures and/or indicators

for public organizations were perceived to be valuable goals of considerable importance that PA can help to achieve.

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 PA can achieve, such as promotion and improvement of the economy, efficiency and effectiveness of government organizations, enhancing performance accountability and controlling performance (e.g. Boisclair, 2008; Barzelay, 1996; Hatherly and Parker, 1988; Hossain, 2000; Morin, 2003; SAICA, 2006; Sonntag, 2007). Accordingly, the objectives of the current system of PA in Libya are similar to those objectives that the state audit institutions in other countries seek to achieve.

7.3.2 PA approaches

The findings derived from the questionnaires indicated that different approaches are used by Libyan performance auditors for conducting PA investigations. The following two approaches were perceived the most common approaches used by Libyan performance auditors: (1) “a primary and detailed investigation into all aspects of the audited institution or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation” and (2) “an investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented”.

The findings derived from the interviews also showed that different approaches are used by Libyan performance auditors. The interviewees stated that choosing the approaches to be

followed in carrying out PA depends on the size and nature of the company's activities. In a way a little bit different to the questionnaires' results, the interviews' results stated the most common approaches used by Libyan performance auditors to PA investigations are detailed investigations into the auditee's aspects, and investigating the whole small organization and some activities of the large.

The results stated above are consistent with those discussed in PA literature. For example, Glynn's study (1980, as cited in Johnsen et al., 2000), which examined the developments of PA in the national audit offices in six countries, namely, the UK, the USA, Canada, New Zealand, Sweden and Australia, reported that there were no standard approaches able to cover all aspects of PA. Furthermore, the literature reviewed indicated that different approaches might be selected for different projects. Therefore, the auditor, in his/her decision to choose an approach for a specific audit project, should consider various factors, such as the nature of the audited entity or programme, the number of the auditors allocated, the auditors' competence and the auditors' available resources (e.g. Bucharest, 2003; Hossian, 2000; Larsson, 2004).

7.3.3 Procedures of PA investigations

The majority of the participants (86.9%), according to the findings of the questionnaire indicated that Libyan performance auditors followed different methodologies according to the situation under investigation (pragmatic approach: case by case). Moreover, more than half of the interviewees referred to the fact that they follow different procedures in their PA investigations.

This result is consistent with Pollitt et al., (1999) who stated that each situation requires specific audit procedures to be followed, and these procedures should be tailored carefully to meet the purpose of the audit examination.

The results of the semi-structured interviews also showed that seven auditors (nearly all) depend on their experience in undertaking PA investigations.

This result is consistent with the Australian National Audit Office (ANAO, 2008) study, which indicated that “the main elements of the performance audit cycle are individual audit planning, evidence gathering and analysis and reporting” (p. 5).

Generally, these findings are in line with the discussion in Chapter two that there are no specific or fully accepted series of procedures applicable to all audited organizations in all circumstances. It has also been stated that each audit must be tailored to the particular circumstances of the situation under investigation.

7.3.4 Criteria used in selecting the auditee

The findings derived from the questionnaires showed that the size of the public organizations' budget, significant events or changes in the audited organization or entity, statutory requirements of public organizations, previous audit findings, availability of audit requirements, and the date of the last performance audit of the auditee are the criteria used by Libyan auditors in selecting the auditee. Participants of this study agreed that the size of the public organizations' budget, significant events or changes in the audited organization

or entity, statutory requirements of public organizations, and previous audit findings were the most common criteria used by Libyan auditors. (see Chapter five, Sub-section 5.3.4).

The findings derived from semi-structured interviews, furthermore, indicated that the nature of the activities of public companies, the size of public companies, statutory requirements of public organizations, and the policy of the IIPC are the criteria used when selecting the auditee. The majority of the interviewees perceived that a company size is the most important factor for choosing the auditees. These findings are in line with the reported literature of PA which discusses the possible factors affecting the selection of audit areas (e.g. INTOSAI, 1997; and Pollitt et al., 1999).

It is worth mentioning that, as mentioned in Chapter five (Section, 5.3.2), the managers' group was not asked to provide their perceptions about approaches and procedures of PA, and criteria used in selecting the auditees due to the fact that these issues are related only to performance auditors' work.

7.3.5 Main sources of information of PA

The results derived from questionnaires based on auditors' group perceptions showed that the sources that were used in obtaining information for PA investigations are "legislative statutes relating to objectives and evaluation criteria in the public sector", "management of the audited organization", "personnel and staff of the audited organization", "prior customers and auditors of public organizations", and "objectives and performance measures used in similar organizations". The first and the second sources mentioned above were perceived as the most common sources that Libyan auditors depend on to obtain PA

information. The managers' group also believes that "legislative statutes relating to objectives and evaluation criteria in the public sector" and "management of the audited organization" are the most useful sources in obtaining information on PA (see Chapter five, Sub-section 5.3.5).

Performance measurements, according to the researcher's point of view are one of the most important sources on which performance auditors should depend, to provide their opinion about auditees' performance in terms of economy, efficiency, and effectiveness. However, the participants did not agree on performance measurements as the main source, because they may perceive that there are no clear measurements of performance related to public sector companies in Libya. In this respect, most interviewees agreed that there are no measurements or indicators of performance which can be used for PA in the Libyan public sector. Accordingly, there is an urgent need for setting up performance measures or indicators for all activities in the Libyan public sector.

The findings derived from the interviews, moreover, indicated that auditees' staff, legislative statutes, and organizations' management are important sources in obtaining PA information (see Chapter Six, section 6.2.5). These findings are in line with the literature, as well as the practice of state audit institutions in other countries (NAO, 1997a, p. 23).

7.3.6 Stages in which PA occurs

According to the questionnaires' findings, the majority of performance auditors and public sector managers stated that PA always occurs after the completion stages, while a minority

stated that it sometimes occurs during the implementation stage (see Chapter five, Sub-section 5.3.6). In a similar way, almost all the participants of the two groups who were interviewed perceived that PA occurs after the completion of the project. They also stated that PA sometimes occurs at the implementation stage of projects.

These findings are consistent with Khan (1994), who found that conducting PA at the planning and/or implementation phases might compromise the independence of performance auditors and lead to a conflict of interest due to the responsibility that they will share. Therefore, undertaking PA investigations after the completion of the project would overcome this problem, but conducting PA at all stages of the project seems to be unfeasible due to the very limited resources of audit institutions.

7.3.7 Type of audit which with PA is primarily concerned

The findings derived from the questionnaires and the interviews showed that the participants of the two groups perceived that Libyan performance auditors concentrate on economy, efficiency, and effectiveness while conducting PA examinations.

In addition, the two groups of the questionnaire's participants agreed that audit of effectiveness is the most common type of audit conducted in the Libyan public sector. However, interviewees' participants perceived that audits of efficiency and effectiveness were given more attention by Libyan performance auditors rather than economy.

It has been discussed in the literature review that PA includes the audit of economy, efficiency, and effectiveness (e.g. Hossain, 2000; Jacobs, 1998). Accordingly, the above findings are in line with the PA literature review.

7.3.8 Time spent in carrying out PA

Perceptions of the participants related to time spent in completion of PA investigations were analysed based on three kinds of projects (small, medium, and large). Accordingly, the findings derived from the questionnaires and the interviews related to small projects showed that all the participants of the two groups agreed that Libyan performance auditors spend one to three months in conducting PA in small projects.

As for medium projects, the results of the questionnaire indicated that almost half of the participants of the two groups perceived that Libyan performance auditors spend one to three months in conducting PA in medium projects, while the other half perceived that they spend four to six months (see Chapter Five, Table 5.17, and Table 5.18). The results derived from the interviews showed that most interviewees of the two groups perceived that one to three months were often spent by Libyan auditors in conducting PA in medium projects.

With regard to large projects, the findings derived from the questionnaires stated that the majority of participants from the auditors' group (61.9%) perceived that Libyan performance auditors spend four to six months in conducting PA in large projects. A small majority of the participants of the managers' group (55.3%) perceived that Libyan

performance auditors spend four to six months, while 34.7% perceived that they spent more than six months, and the rest (10%) one to three months (see Chapter Five, table 5.17, and Table 5.18). The results derived from the interviews showed that the majority of the auditors' group (more than half) agreed that Libyan auditors spent one to three months in carrying PA for large companies, while most of the managers' group agreed that large companies take no more than six months when they are subjected to PA.

Based on the above discussion, it can be concluded that Libyan auditors mostly spend one to three months to review small projects, while, in terms of medium and large projects, there was no agreement from the study's participants about time spent in conducting PA. From the point of view of the researcher, time spent on medium and large projects depends on the nature of the activities of the project or company under investigation, the number of the auditors allocated, the auditors' competence, the auditors' experience, the auditors' available resources, and the internal control system of the auditee. In this regard, Tantuico (1980), for instance, indicated that the presence of a deficient or inefficient internal control system in the audited organisation will cause auditors to spend a lot of their limited time looking for evidence. However, auditing literature does not refer to a specific time to be spent in conducting PA investigations. To summarize, the time spent in PA examinations depends mainly on the size and the nature of the auditee.

To sum up the findings related to the nature of PA in the Libyan public sector showed that the Libyan auditor in their practice to PA are consistent, as stated in the auditing literature, with the state audit institutions in other countries in their practice to PA. Furthermore, these

findings provide the first detailed description of PA practice in the Libyan public sector which can be considered as one of the main contributions of this study.

7.4 Effectiveness of PA in the Libyan public sector

In order to achieve the second objective of the research, which is to explore the extent to which the current system of performance auditing has been effectively operationalized, close-ended questionnaires and semi-structured interviews were used. The participants of the auditors' group and the managers' group were asked to answer some questions related to the effectiveness of PA in the Libyan public sector. These questions concerned the following themes: (1) achievement of objectives of PA in the Libyan public sector; (2) obstacles which limit the effectiveness of the current system of PA; (3) financial and staff resources for conducting PA investigations; (4) skills and qualifications required for PA; (5) the composition of a PA team; (6) PA reports; (7) implementation of PA recommendations; (8) relationship between performance auditors and public sector managers; (9) PA feedback; and (10) overall impression of the effectiveness of PA in the Libyan public sector. Each of these themes is explained in the next sub-sections.

7.4.1 Achievement of objectives of PA in the Libyan public sector

One of the main factors for assessing the effectiveness of PA is to explore how the objectives of the current system of performance auditing have been achieved. Accordingly, the participants of the study were asked about the effectiveness of the current system of PA in the Libyan public sector in achieving its objectives. The questionnaire findings showed that the participants of the auditors' group indicated that the current system of PA in the Libyan public sector is effective in achieving only two objectives from the objectives that it

is seeking to achieve. These objectives are “enhancing organizational accountability” and “controlling organizational performance”.

With regard to other objectives listed in the questionnaire, the participants perceived that the current system of PA is “moderately effective” or “rarely effective” in achieving these objectives (see Chapter Five, Table 5.20). The participants of the managers’ group also perceived that the current system of PA in the Libyan public sector is effective in achieving the same two objectives that the auditors’ group perceived, namely “enhancing organizational accountability”, and “controlling organizational performance”.

As far as other objectives listed in the questionnaire, the participants perceived that PA is “moderately effective” for only two objectives, while with regard to the other objectives it is “rarely effective” (see Chapter Five, Table 5.21). The findings above indicated that the PA system in Libya is effective in terms of enhancing accountability or performance control rather than improving organizations’ performance or other objectives that PA should achieve. These findings may attribute to the fact that the main purpose of the IFA in Libya is to achieve effective financial auditing of all public bodies; and the IIPC is responsible for administrative and technical control (see Chapter Three, section 3.6).

The findings derived from the interviews supported the questionnaires’ findings in terms of achievement of PA objectives. The majority of the interviewees of the two groups indicated that the current system of PA in Libya is effective for enhancing organizational

accountability and controlling organizational performance, while it is rarely effective or ineffective for other PA objectives.

However, the first manager interviewed believed that PA is effective in improving organizations' performance.

"It is effective in terms of some objectives such as improving organizations' performance, but for other objectives it is rarely effective". M-1

The implication that can be identified based on the above findings is that both groups placed most stress on enhancing organizational accountability and controlling organizational performance. Other objectives, in particular, promoting economy, efficiency and effectiveness of government organizations, programmes and activities (identified in the literature review as being the primary aim of PA, e.g. Bucharest, 2003; Hossain, 2000; Kandasamy, 2003; Radeluffe, 2008) have not received much attention from performance auditors while conducting PA investigations. Accordingly, in order to conduct an effective PA, it is necessary for the IIPC and the IFA to pay more attention to promoting economy, efficiency and effectiveness of government organizations, programmes and activities.

7.4.2 Obstacles which limit the effectiveness of the current system of PA

The findings derived from the questionnaire showed that the current system of PA in Libya faces many obstacles which impede performance auditors achieving effective PA. The obstacles or problems that were perceived, and on which there was high agreement by the participants of the two groups are:

1. Ambiguity of PA goals and objectives;
2. Absence of performance measures and/or indicators in the public sector;
3. Absence of sound financial reporting systems in public organizations;
4. Absence of sound internal control systems in public organizations;
5. Shortage of qualified staff to undertake performance audits;
6. Lack of specialized staff from different disciplines to carry out such audits;
7. Lack of support and interest on the part of legislative and administrative officials at higher levels; and
8. Insufficient training for performance auditors.

The problem number (2) above, “absence of performance measures and/or indicators in the public sector” was perceived by the two groups to be the most important problem in the Libyan public sector impeding performance auditors’ capabilities to undertake PA examinations.

Furthermore, the auditors’ group perceived that “shortage of qualified staff to carry out such audits”, and “the lack of a sound internal control system in the public sector” are the second and third important problems facing performance auditors (see Chapter Five, Sub-section 5.4.2).

The managers’ group perceived that “the lack of specialized staff from different disciplines to carry out such audits”, and “shortage of qualified staff to carry out such audits” are the second and third most important problems facing performance auditors (see Chapter Five, Sub-section 5.4.2).

The findings derived from the interviews showed that the participants raised nine obstacles that they perceived impede the effectiveness of PA in Libya. These obstacles are administrative instability in the State's institutions; ambiguity of organizations' objectives; ambiguity of PA objectives; insufficient training for auditors; lack of performance measures; lack of a sound financial reporting system; lack of a sound internal control system; lack of support and interest at higher administrative levels; and shortage of qualified and specialized staff. Furthermore, they indicated that the four most important obstacles are "ambiguity of organizations' objectives", "lack of performance measures", "lack of sound internal control system", and "shortage of qualified performance auditors and specialized staff from different disciplines to carry out PA investigations".

All the obstacles stated above except "administrative instability in the State's institutions" were discussed in the literature as factors which are likely to influence the effectiveness of performance auditing (e.g. Abdulgader, 1991; Barzelay, 1996; Chandler and Holzer, 1981; Dahmash, 1982; Geist and Mizrahi, 1991; Khorwatt, 2006; Hassny, 1990; Hosseini and Rezaee, 1990; INTOSAI, 1995; Leclerc, et al., 1996; Pollitt, et al., 1999; Price Waterhouse, 1990; Sharkas, 1985; Tantuico, 1980; Zavelberg, 1996).

Pollitt et al. (1999), for example, discussed that 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. Chandler and Holzer (1981) stated that the lack of sound financial reporting and internal control systems in the public sector will force auditors to spend the majority of their time locating and tracing different transactions when seeking for

evidence. Bokhari, (1986) and Tantuico (1980) highlighted that the shortage of expertise from different disciplines is a deficiency facing most countries, both developed and developing.

Based on the above findings, the following implications were identified. An immediate implication of the participants' perception that "absence of performance measures and/or indicators in the public sector", and "ambiguity of organizations' objectives" exist in the public sector is that there is a considerable need to develop clear objectives and performance measures for public organizations in the Libyan public sector. It is possible for the IIPC and the IFA 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 organizations. In this respect, it is important that public sector organizations be made aware of the significant role they are expected to play in achieving the expectations of PA. However, the filling of this gap by public sector organizations themselves, if it occurs at all, may take a long time. Therefore, the IIPC and the IFA should work on preparing their own versions of public sector objectives and performance measures.

The importance of having clear organizational goals and objectives in the public sector is supported by previous research (e.g. McSweeney and Sherer, 1990; Price Waterhouse, 1990). For example, McSweeney and Sherer (1990) have emphasized that:

The first and most essential requirement of VFM is a formal statement of unambiguous goals by organizations for each of their activities. These goals then become the targets towards which organizational activity is directed and provide the benchmarks against which accomplishments are assessed (pp. 298-299).

An implication of “lack of a sound financial reporting system and sound internal control system in public organizations” is that there is an urgent need to develop timely and reliable management information systems in public organizations. Effective management information systems in public sector organizations are very important both to the executives and external auditors. In the interest of the two groups, financial reporting and internal control systems will produce information regarding an organization’s activities and, at the same time, ensure the accuracy and reliability of the information. In particular, the availability of these systems means that performance 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 PA operations. It is generally recognized that the establishment and maintenance of effective management information systems is a direct management responsibility. Accordingly, auditors should encourage public officials into developing and utilizing effective management information systems in their organizations.

The biggest challenge facing the IIPC and the IFA is the lack of expertise from the different disciplines which could help in undertaking PA. Since PA, 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 PA. The conduct of PA, particularly in sophisticated areas, cannot be achieved as efficiently and effectively as it should. The implications of “shortage of qualified performance auditors and specialized staff from different disciplines to carry out PA investigations” are that the IIPC and the IFA, in order to carry out PA examinations as effectively as possible, should make real efforts to diversify their 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 the IIPC's and the IFA'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.

7.4.3 Financial and staff resources for conducting PA investigations

The findings derived from the questionnaire showed that the participants of the auditors' group, and the managers' group perceived that financial resources are appropriate for conducting PA investigations in the Libyan public sector. This result is consistent with the result that showed that participants of the two groups reported a low level of agreement on "shortage of sufficient financial resources" as an obstacle of PA (see Chapter Five, Sub-section 5.4.2 and 5.4.3).

Moreover, the findings derived from the questionnaire showed that no agreement was perceived by the participants of the two groups about staff resources as an appropriate for conducting PA investigations in the Libyan public sector. This result is consistent with that result showed that participants of the two groups reported a high level of agreement on "the lack of specialized staff from different disciplines to carry out PA", and "shortage of qualified staff to carry out PA" as obstacles to PA (see Chapter Five section 5.4.2).

Findings derived from the interviews also showed that the majority of the two groups perceived that financial resources for conducting PA investigation are appropriate, while staff resources are to some extent inappropriate.

According to the above findings, it is clear that the IIPC's and the IFA's financial resources are appropriate for conducting PA investigation, while their staff resources are to some extent inappropriate. Accordingly, it is necessary for the IIPC and the IFA in order to conduct an effective PA to improve their auditors' skills. This implication or recommendation confirms the previous implication that stated that the IIPC and the IFA should make real efforts to diversify their technical staff in order to conduct an effective PA (see Section 7.4.2).

7.4.4 Skills and qualifications required for PA

Findings of the questionnaires showed the majority of the participants from the two groups have an accounting degree, but none of performance auditors has any kind of professional qualifications in the field of auditing (refer to Chapter Five, Section 5.2.2 and Section 5.2.3). Findings of the interviews stated that there is no specific qualification required for auditors to work as performance auditors, but they need practice for PA and to be supervised by an experienced auditor to achieve an effective PA (see Chapter Six, Section 6.3.4). The implication of this result is that the IIPC and IFA should involve their auditors in training courses related to PA in order to improve their skills and to conduct effective PA.

7.4.5 Composition of a PA team

With regard to PA team composition, findings of the questionnaire showed, participants of the auditors' group and the managers' group indicated that auditors are always included in the composition of a PA team. Lawyers and engineers are sometimes included in the composition of a PA team. Economists were perceived is "rarely" included in the

composition of a PA team, while statisticians were perceived is “never” included (see Chapter Five, section 5.6.4). The findings derived from the interviews, in a similar way, showed that composition of PA team always contains auditor. Lawyer, technician and engineer are often or sometimes involved, while economist and statisticians are rarely included in the audit team (see Chapter six, section 6.3.5).

These findings are consistent with Almohaimeed’s study (2000) which highlighted that the composition of the performance audit team may include, along with others, specialized expertise from different disciplines, such as economists, statisticians, lawyers, engineers, and computer specialists, depending on the scope of the audit task. Moreover, these findings are consistent with the result that stated there is a lack of specialized staff from different disciplines to carry out PA. Hence, the implication of these findings that the IIPC and the IFA should pay more attention to the composition of PA by involving specialized staff from different disciplines in each PA process.

Furthermore, with regard to PA team composition, the participants were asked about its impact on the auditees’ staff. The findings derived from the questionnaire showed that majority of the participants of the two groups perceived that the auditee’s attitude had been affected by the audit team composition (see Chapter Five, Sub-section 5.4.4). The Findings derived from the interviews also showed that majority of the participants perceived that the composition of PA team has a big positive impact on the attitude of the auditee’s staff (see Chapter Six, Sub-section 6.3.5). This result confirms the importance of containing PA team on specialized staff from different disciplines because the auditees’ staff and management will be more co-operative in this case.

The implication that can be inferred from the above discussion is that specialists could serve as a bridge of communication between the audit team and their auditees. Accordingly, the audit team composition should be given more attention by the IIPC and the IFA due to the fact that the lack of such specialists in the audit team composition might affect the auditees' positive attitude towards PA examination.

7.4.6 PA reports

According to the findings derived from the questionnaires, the auditors' group showed a relatively high level of agreement on the fact that the PA reports "are fair and objective", "use simple expressions", "are well-presented and use a style which is easy to grasp", "the reports suggest remedial actions", and "the reports contain current and significant information. Participants of the managers' group, in a similar way, indicated a relatively high level of agreement with that the PA reports "are fair and objective", "use simple expressions", "are well-presented and use a style which is easy to grasp" (see Chapter five, Sub-section 5.4.5).

On the other hand, the results of the manager group were inconsistent with the auditor group, regarding the opinions that "the PA reports suggest remedial actions" and "the reports contain current and significant information". There were no agreement by managers' group on that (see Chapter Five, Table 5.29 and Table 5.30).

In the same vein, the findings derived from the interviews showed that the majority of the two groups agreed that PA reports are well-presented and understandable, and use simple

expression, but sometimes do not contain remedial actions for the issues that auditees face (refer to Chapter Six, Section 6.3.6).

Accordingly, the important point from the above results, that PA reports almost do not contain current and significant information nor contain remedial actions for the issues that auditees face. That means PA reports, which represent the final product of PA, are ineffective. In this respect, Khan (1992) referred to five conditions which an effective PA report should meet, these conditions include, inter alia, the report should provide current and significant information, and it should suggest remedial actions to provide auditees with guidance for improvements (see Chapter Five, Section 5.4.5). The implication of these findings, performance auditors should pay more attention to their reports by seeking for obtaining current and significant information related to auditees' performance, and by suggesting remedial actions for the issues that auditees face.

7.4.7 Implementation of PA recommendations

The findings derived from the questionnaire showed that the majority of participants of the two groups perceived that recommendations of PA were "always" or "often" implemented by auditees (see Chapter Five, Sub-section 5.4.6). The findings from the interviews also showed that the majority of the interviewees perceived that PA recommendations are often implemented by the auditees (see Chapter Six, Sub-section 6.3.8). Although, the findings stated auditees always or often implemented PA recommendations, participants of the questionnaire who answered "sometimes", "rarely", or "never" (29 performance auditors and 23 public sector managers) were introduced to three 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. Participants of the interviews, also, were asked about the reasons that limiting implementation of PA recommendations.

Accordingly, findings of the questionnaire showed that the auditors' group perceived that "the Libyan culture in general is not conducive to such an auditing system" is the most important reason for unsatisfactory implementation of audit recommendations, "lack of power on the part of Libyan auditors to follow up and enforce recommendations" is the second reason), while "lack of support from higher legislative and administrative authorities" is the third reason. The managers' group reported somewhat different agreement. They perceived that "lack of support from higher legislative and administrative authorities" is the most important reason for unsatisfactory implementation of audit recommendations, "the Libyan culture in general is not conducive to such an auditing system" is the second reason, while "lack of power on the part of Libyan auditors to follow up and enforce recommendations" is the third reason.

The findings of the interviews showed that four reasons were perceived by the interviewees as reasons for non-implementation of PA recommendations. These reasons are inability of some public companies to implement PA recommendations; lack of support from higher legislative and administrative authorities; the Libyan culture in general is not conducive to PA; and PA recommendations are unconvincing. Furthermore, they agreed that the main reason for non-implementation of these recommendations in most cases attribute to the lack of support from higher legislative and administrative authorities (see Chapter Six, Section 6.3.7).

Although, most participants stated that PA recommendations are often implemented, the implementation of PA reports' recommendations should be given more attention by the auditees due the fact that implementation of the recommendations has direct influence on the effectiveness of PA.

Based on the above findings, it can be concluded that the support of higher legislative and administrative authorities plays a key role in implementing PA recommendations. A direct implication of these conclusions is that there is a need to increase the awareness of higher legislative and administrative authorities of the significance and relevance of PA to their needs in order to gain their support and acceptance which, in turn, will enhance the effectiveness of PA. The IIPC and the IFA also must undertake various activities to publicize and communicate the potential benefits that the PA systems might provide to enhance the efficiency and effectiveness of public sector services and administration. In addition, the IIPC and the IFA, when stating their recommendations, must take into consideration of 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.

7.4.8 Relationship between performance auditors and public sector managers

The findings of the questionnaire showed that the relationship between the auditors and their auditees to some extent is good. The auditors' group stated that public sector managers are often "friendly and approachable" and "willing to co-operate with audit

team”, but only sometimes “have a good attitude towards audit team”, sometimes “do not explain their activities and actions”, and only sometimes “know the performance level required of them”. However, they indicated that public sector managers rarely “have definite standards of performance”. The managers’ group showed somewhat different agreement. They perceived that performance auditors are often “friendly and supportive”, often “willing to give managers an opportunity to explain their concerns”, and often “do not explain their activities and actions”. Furthermore, they perceived that performance auditors only sometimes “have a good attitude towards public sector managers” and “have clear standards to follow during their audit mission”. , , However, they also indicated that performance auditors rarely “have clear objectives and goals of their job”.(see Chapter Five, Sub-section 5.4.7).

The findings of the interviews also showed there is a good relationship between performance auditors and their auditees which is helpful for the former to conduct effective PA (see Chapter Six).

The findings above reflect the positive attitudes that the two groups hold towards each other and the possible satisfactory relationship between them. In contrast, it indicated there are limitations inherent within their auditees' environment, namely, 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.

In the auditing literature, the relationship and co-operation between auditors and their auditees occupies a central position in audit work (Barzelay, 1996; Danon, 1996; Leclerc, 1996; Scott, 1996). Therefore, the development of a good relationship between auditors and their auditees is certainly an important issue within the Libyan context, specially the research findings discussed so far, stated that (1) there is absence of sound reporting systems, and internal control system in the public sector which limit the auditor's ability to obtain the data needed for his mission; (2) there is a lack of support from top officials which impede the implementation of PA recommendations.

7.4.9 PA feedback

The findings of the questionnaires showed that the majority of the participants of the two groups indicated that there are feedback from auditors to their auditees concerning PA investigations and findings. As for the timing of PA feedback, most of the participants of the two groups stated that the time of PA feedback is immediately after the completion of the audit review (see Chapter Five, Table 5.36 and Table 5.37). Moreover, with regard to the amount of feedback given to auditees, the majority of auditors indicated their satisfaction with the level of feedback they provided to their auditees (see Chapter Five, Table 5.38), while only 50.9% of managers indicated their satisfaction with amount of feedback they received from performance auditors (see Chapter Five, Table 5.38).

The findings of the interviews also showed that the majority of participants of the two groups stated that there is feedback from auditors to auditees concerning audit findings. Furthermore, the majority of the interviewees indicated PA feedback is often provided immediately after the completion of audit process. In addition, the majority of participants

perceived that the amount of the PA feedback is to some extent appropriate (see Chapter Six, Section 6.3.9).

The conclusion that can be drawn from the above findings is that performance auditors, 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 implication of this result, performance auditors need to place more emphasis on the provision of audit feedback during the implementation stage in order to achieve effective PA. In this regard, Geist and Mizrahi (1991) indicated that an ample opportunity should be given to auditees to express their opinions of the audit findings at the beginning, during the phase of investigation, and in the final summing-up stage.

7.4.10 Overall impression of the effectiveness of PA in the Libyan public sector

The findings of the questionnaire showed that the majority of performance auditors stated that the PA system as currently practised in the Libyan public sector is “ineffective” or “rarely effective”. Public sector managers, in the same way, stated that the PA system currently practised in the Libyan public sector is “ineffective” or “rarely effective” (see Chapter Five, Sub-section 5.4.9). The findings of the interviews also showed that the majority of the interviewees agreed that the current system of PA in the Libyan public sector is ineffective due to various obstacles that impede its implementation.

Consequently, the auditors' and managers' perceptions of the general effectiveness of the PA system seem to be consistent with their opinions regarding the various elements previously reported in Section 7.4, where almost all that elements refer to ineffective of PA.

Generally, in order to evaluate to what extent the PA system in the Libyan public sector is effective, the participants' perceptions of the various issues which are linked to the effectiveness of PA in the public sector should be reviewed. Through the discussion to issues related to the effectiveness of PA (this Chapter, section 7.4; Chapter Six, section 6.4; and Chapter Five, Section 5.4) stated that:

- 1- PA in Libya is effective for enhancing organizational accountability and controlling organizational performance, while it is rarely effective or ineffective for other PA objectives.
- 2- There are many problems facing performance auditors while conducting PA investigations which lead to impede the effectiveness of PA.
- 3- Staff resources are to some extent inappropriate for PA investigations.
- 4- Libyan auditors should involve in training courses related to PA in order to improve their skills and to be qualified to conduct effective PA.
- 5- In terms of PA team composition, there is a lack of specialized staff from different disciplines to carry out PA.
- 6- PA reports almost do not contain current and significant information nor contain remedial actions for the issues that auditees face.
- 7- PA recommendations are “always” or “often” implemented by auditees.
- 8- There is a good relationship between performance auditors and their auditees which is helpful for the former to conduct effective PA.

9- There is feedback from auditors to their auditees concerning audit findings, and the amount of this feedback is to some extent appropriate. Furthermore, this feedback is often provided immediately after the completion of audit process. However, performance auditors need to place more emphasis on the provision of audit feedback during the implementation stage in order to achieve effective PA.

Furthermore, the Mann-Whitney test was used to explore if there are differences between the two participants groups related to the issues of PA that discussed in this chapter. Accordingly, the results reveal that there were no significant differences between the perceptions of the two groups for nearly all the issues related to the nature and the effectiveness of PA in the Libyan public sector. These results, no significant differences between the perceptions of the two groups, gave more support to the findings of the study.

Consequently, the above discussion except points number 7, 8 and 9 refer to the existence of various deficiencies within the Libyan public sector environment. Hence, it can be conclude that the current system of PA in the Libyan public sector is “rarely effective” or “ineffective”.

To sum up the findings related to the effectiveness of PA in the Libyan public sector showed that PA in the Libyan public sector is “rarely effective” or “ineffective”. Furthermore, these findings will draw the attention of the LAAA, the IFA, the IIPC and the Libyan public sector into ineffectiveness of PA in the Libyan public sector in order to develop any future potential guidance for economic entities in the area of PA, and will draw

the attention of Libyan researchers for further research in this field which can be considered as one of the main contributions of this study.

7.5 Improving the performance auditing system in Libya

With regard to improving the PA system in the Libyan public sector, semi-structured interviews were only used. Accordingly, the findings of these interviews showed that participants suggested ten proposals to improve this kind of auditing. These proposals are:

1. Improving performance auditors' skills by providing them with different courses relevant to PA. This is a reflection of Normative Isomorphism.
2. Paying attention to PA by the legislative and administrative officials at higher levels in Libya through, for example, issuing laws, rules and regulations which enforce public companies to be subjected to PA. This is a reflection of Coercive Isomorphism.
3. Conducting PA every year for public sector companies.
4. Paying more attention to PA by public sector companies.
5. Generalising PA recommendations for all company's departments to be more effective.
6. Conducting PA by the same audit team for the same company for several consecutive years.
7. Issuing indicators or measures of performance for public companies.

8. Paying more attention to PA by the Institute of Inspection and Public Control (IIPC).
9. Setting a timetable plan for all public companies to be subjected to PA.
10. Engaging auditors in practical training courses related to PA to be more qualified for carrying out an effective PA.

These suggestions, in the researcher point of view, represent logical solutions for the obstacles that performance auditors face while conducting PA investigations. In this regard, some of these suggestions consistent with those efforts of improving PA discussed in the literature. For example, William (2001) indicated that PA can be used in enhancement of accountability in developing countries. However, it is important to depend on external PA experts to get started On-the-job Training (OJT). Furthermore, Tonga in May 2003, held a Performance Audit Workshop. Seven trainers supported by experienced performance auditors from New Zealand and 27 members from 16 audit offices participated in this workshop. A case study and other methods were used to help participants conduct PA (INTOSAI, 2003). In addition, in Malaysia, in June 2008, a 7-day workshop was hold by the National Audit Academy to design and develop a performance audit course for auditors from the Audit Board of the Republic of Indonesia (INTOSAI, 2008).

7.6 Participants suggestions

With regard to the questionnaires, although participants were provided with a space to add any suggestions related to the subject of PA in the Libyan public sector, almost all

participants did not add any suggestions. This might be attributed 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 issues of PA. However, only one auditor and four managers added some suggestions or notes related to PA in the Libyan public sector. The auditor stated that absence of auditees' goals and objectives is one of important obstacles that impede implementation of PA in Libya. Therefore, he suggests that public companies should set clear objectives for their performance. The four managers stated that:

The first manager indicated that auditing in Libya suffers (1) lack of qualified staff to conduct PA; (2) absence of PA goals and objectives; and (3) Lack of attention to training and development for the auditors. The second manager mentioned to auditing standards to be implemented while conducting PA by auditors. The third manager mentioned to the lack of attention to PA by public companies. The last manager mentioned to the Lack of support from the auditees and the IIPC and the IFA in terms of obtaining information related to PA. As for participants of the interviews, only auditors' group provided some suggestions related to PA. They suggested that (1) the IFA should pay more attention to performance auditors due to the importance of the PA system in servicing the public sector; (2) the PA system in Libya should be given more attention by the IIPC; and (3) all public companies should set clear objectives for their activities.

According to the above suggestions, it can be concluded that the participants' suggestions and notes refer to the ineffectiveness of the current system of PA in Libya and, consequently, the PA system should be given more attention by responsible and relevant

bodies in Libya. These suggestions also confirm and consistent with the research's findings.

7.7 Summary

Agency theory and institutional theory have provided useful insights which have aided in the interpretation of the research findings. These theories helped in understanding the nature and effectiveness of PA in the Libyan public sector. Findings of the questionnaire and interviews related to **the nature of PA** in Libya showed that (1) the main objectives that the PA system in Libya is seeking to achieve are enhancement of accountability, promotion of economy, efficiency and effectiveness, performance control, and performance development; (2) different approaches are used by Libyan performance auditors; (3) Libyan performance auditors followed different methodologies for conducting PA according to the situation under investigation (pragmatic approach: case by case); (4) size of the public organizations' budget, significant events or changes in the audited organization or entity, and statutory requirements of public organizations are the most common criteria were used by Libyan auditors in choosing auditees; (5) legislative statutes relating to objectives and evaluation criteria in the public sector, management of the audited organization, are the most common sources that Libyan auditors depends on to obtain PA information; (6) PA occurs after the completion of the project, and sometimes occurs at the implementation stage of projects; (7) Libyan performance auditors concentrate on economy, efficiency, and effectiveness while conducting PA examinations; and (8) small and medium projects need one to three months to be investigated while large projects need four to six months.

The findings related to the effectiveness of PA in the Libyan public sector showed that (1) the PA system in Libya is effective in terms of enhancing accountability or performance control rather than organizations' performance improvement or other objectives that PA should achieve; (2) the current system of PA in Libya faces many obstacles which impede performance auditors achieving effective PA, and the main obstacles are "ambiguity of organisations' objectives", "lack of performance measures", "lack of sound internal control system", and "shortage of qualified performance auditors and specialised staff from different disciplines to carry out PA investigations"; (3) financial resources for conducting PA investigation are appropriate, while staff resources are to some extent inappropriate; (4) no specific qualification is required for auditors to work as performance auditors, but they need practise for PA and be supervised by an experienced auditor to achieve an effective PA; (5) composition of PA team "always" contains auditor, while lawyer, technician and engineer are "often" or "sometimes" involved. economists and statistician are "rarely" and "never" included in the audit team; (6) PA reports are well-presented and understandable, and use simple expression, but sometimes do not contain current and significant information nor contain remedial actions for the issues that auditees face; (7) recommendations of PA were "always" or "often" implemented by auditees; (8) there is a good relationship between performance auditors and their auditees which is helpful for the former to conduct effective PA; (9) there is feedback from auditors to their auditees concerning audit findings, this feedback is often provided immediately after the completion of audit process, and the amount of this feedback is to some extent appropriate; and (10) the current system of PA in the Libyan public sector is "rarely effective" or "ineffective".

Findings related to improvement of PA in the Libyan public sector showed that the PA system can be improved through the adoption of some procedures which of the most important are (1) improving performance auditors' skills by providing them with different courses relevant to PA, and (2) paying attention to PA by the legislative and administrative officials at higher levels in Libya through. Lastly, participants raised some suggestions which provide solutions to improve PA in Libya, and confirm and consistent with the research's findings.

Based upon the discussion in this Chapter and the previous Chapters, the next Chapter will provide the study's conclusions, recommendations, limitations and future research.

Chapter Eight

Conclusions, Implications, Limitations, and Further Research

8.1 Introduction

The focus of this study is on PA in the Libyan public sector. PA was required to be conducted by auditors according to a decision of the GPC in 1989 (see Chapter Three). Therefore, there is a need to examine the nature and effectiveness of PA in the Libyan public sector, especially; there is a lack of research in this area.

This chapter concludes the thesis. It comprises nine sections including this introduction. Section 8.2 provides an overview of the study. A summary of the research approach and methods is stated in Section 8.3. The research findings are reported in Section 8.4. The research implications and recommendations are presented in Section 8.5. Section 8.6 discusses the limitations of the study and how these limitations were dealt with during the actual research process. Section 8.7 provides contribution of this research. Section 8.8 provides suggestions for future research. Finally, summary of this chapter is provided in Section 8.9.

8.2 Overview of the study

The literature was reviewed in Chapter Two which showed different aspects and themes related to the subject of PA. In particular, this review was used to develop the questions presented in the questionnaire and the interview. The possible answers to the questionnaire were also derived from the literature and concern measuring attitudes and perceptions.

PA themes include, among others, the nature, objectives, approaches, and procedures of PA. Firstly, it is argued that government auditing was concerned with financial operations and the extent to which government organizations comply with the laws and regulations. However, the scope of government auditing has expanded to include the examination of whether government organizations and programmes are accomplishing their goals (effectiveness audit) and whether they are doing so economically and efficiently. The expanded role of government auditing towards covering the sophisticated aspects of economy, efficiency and effectiveness of public organizations, programmes has been generally referred to as “performance auditing”.

Secondly, the auditing literature states that there is no universally accepted definition of PA and its equivalents (operational auditing, value for money auditing, management auditing, effectiveness auditing), but these concepts have been generally defined with reference to the 3Es, namely, economy, efficiency and effectiveness (e.g. Kandasamy, 2003; Funnell, 2004).

Thirdly, the auditing literature has provided convincing arguments concerning various objectives that PA can be utilized to achieve. PA is an essential element for strengthening accountability relationships in the public sector. Moreover, PA can be seen as an incontestable contribution to performance improvement in public sector organizations. In addition, PA can be directed towards promoting the economy, efficiency and effectiveness of government organizations, programmes or activities. Other objectives of PA were also discussed in chapter two.

Fourthly, as for the approaches of PA, the auditing literature has discussed that there is no exhaustive approach to be followed. Different approaches might be selected for different projects. 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, the auditors in their decision to select an approach for a specific audit project should take into consideration various factors, such as the nature of audited entity, the number of auditors allocated and their competence and the auditors' available resources (e.g. Bucharest, 2003; Hossian, 2000; Larsson, 2004).

Fifthly, the auditing literature also has showed that there are no specific audit procedures to be followed in all PA inspections (Pollitt et al., 1999). It is generally assumed that specific audit procedures should be tailored to meet the needs of each situation examined.

Sixthly, the main factors which might influence the effective operationalization of the PA systems in the public sector have been debated in the literature. In this regard, the literature has suggested different factors that might support or impede the work of State Audit Institutions (SAIs) in the area of PA. 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.

Seventhly, as for PA in developed and developing countries, through reviewing the PA literature has stated that the emphasis has been shifted towards PA practice in developed countries in the second half of twentieth century. PA practice began in USA during the 1960s, and in the 1970s it emerged in European countries (Mulgan, 2001). However, by the 1990s PA had been fully established in many developed countries. In developing countries, the demand for PA emerged during the 1980s when many countries were facing various problems, such as fiscal stress, inferior performance of public sector and lack of accountability (Al Athmay, 2008).

Eighthly, a number of studies have explored the technical aspects of PA within various nations in both developed and developing countries. These studies have indicated that (1) most of the written literature on PA tends to display a heavy emphasis upon the much clearer aspects of PA, such as its nature, processes and procedures, while problems or obstacles of PA practise have not given attention in the Western literature; (2) qualitative methods are fundamentally used rather than quantitative methods; (3) there is a general lack of knowledge on the subject of PA in developing countries, especially in Arabic countries, owing to the written literature have focused primarily on developed countries.

Finally, with regard to the theories related to PA, both agency theory and institutional theory have been used in the explanation of PA practice in Libya. Agency theory describes the relationship between two parties which are the principal (the state) and the agent (managers of public sector companies) where the agency cost represents in performance auditors' fee. Institutional theory is based on the idea of isomorphism. Isomorphism is

divided into coercion isomorphism, mimetic isomorphism and normative isomorphism. PA practice in developed and developing countries exist as a response to government mandate or to obey a state regulation (coercive isomorphism), by mimicking other similar organizations in their structures, activities, and routines (mimetic isomorphism), or due to normative isomorphism. As for Libya, PA existed in 1989 in obedience to the decision of the General People's Congress (GPC) No. 49 (coercive isomorphism), practises by auditors who studied and trained auditing (normative isomorphism), and these auditors mimic other auditing institutions to conduct PA investigations. In brief, agency theory describes the need for PA (why), while institutional theory describes how PA is practised.

In addition, in order to gain a better understanding of PA practice in Libya, the auditing profession in the Libya context is reviewed in **Chapter Three**. It is stated that Libya is a developing Arab State with a small population and a large geographic area. Arabic is its official language and Islam is the official religion in the country. Libya was granted its independence on 24 December 1951 by the United Nations. After the discovery of oil in 1959, and the Al-Fatah revolution of 1969, the Libyan economy grew rapidly and Libya became one of the richest countries in the world (e.g. Ahmad, 2004; Khorwatt, 2006).

Furthermore, it is indicated that the Libyan public sector consists of three parts: Al-Shabiyat (municipalities), public companies and strategic projects, and public institutions and agencies. The accounting education in Libya was developed from the mid-20th century from the old system to the new one. The old system (1957-1976) was British-orientated, whereas the new one (1976- present) is American orientated. The accounting and auditing

profession in Libya started to be organized when the number and size of accounting firms increased in the 1970s. The Law No. 116 of 1973 was enacted to organize it and the Libyan Accountants and Auditors Association (LAAA) was established. The period 1955- present witnessed a lot of changes in public sector auditing in Libya. However, since 2007, the control system (auditing system) in Libya has been reorganized, and the Institute of Financial Auditing (IFA) was established by the Law No. 3 in order to achieve effective financial auditing of all public bodies that the IFA is responsible for; while the IIPC became responsible for administrative and technical control. Moreover, both the IFA and IIPC are responsible for carrying out PA in the Libyan public sector.

8.3 Research approach and methods

The tradition of research investigation in this field is broadly empiricist, model-based, and concerned with practice. In order to achieve the objectives of the research (exploring the nature of PA in the Libyan public sector, exploring the extent to which the current system of PA has been effectively operated, and discovering how PA in the Libyan public sector can be improved), a mixed-methodological design was utilized in this study. Both qualitative and quantitative methods “mixed methods” were used. A close-ended questionnaire and semi-structured interviews are the main methods adopted as primary data collection techniques to elicit data from a sample of performance auditors and public sector managers regarding their attitudes and perceptions about the nature and effectiveness of the current system of PA. The questionnaires were used to fulfill the first two objectives of this study, while semi-structured interviews were used to provide more in-depth understanding

of the issues highlighted in the questionnaire analysis. Furthermore, semi-structured interviews were used to fulfill the third objective of this study.

310 close-ended questionnaires were distributed for data collection. 110 to performance auditors and 200 questionnaires to public sector managers. Furthermore, sixteen semi-structured interviews were conducted with performance auditors and public sector managers (eight with each group). The questions were constructed on a five-point rating scale (Likert scale) format, and the Statistical Package for Social Sciences (SPSS) was utilized for data analysis, while a qualitative data analysis package (Nvivo) was utilized for semi-structured interviews analysis.

This chapter also discussed the data analysis techniques utilized in this study. In this regard, different statistical techniques were used to analyze the data collected, including: descriptive statistics, frequency distributions and inferential statistics. Reliability, internal and external validity, and research ethics were discussed in this chapter.

8.4 Research findings and discussion

The research findings together with their discussion for the concern of the thesis have been fully discussed in Chapters Five, Six and Seven under two main headings: (a) the nature of PA in the Libyan public sector; and (b) the effectiveness of PA in the Libyan public sector, respectively. Improving PA in the Libyan public sector and participants' suggestions, also, were discussed in Chapters Six and Seven. The research findings and discussion provided answers to the research questions, and the research objectives were achieved.

Findings of nature of PA in the Libyan public sector achieved the first objective “to explore the nature of the current state of performance auditing in the Libyan public sector”.

The findings showed that (1) the main objectives that the PA system in Libya is seeking to achieve are enhancement of accountability, promotion of economy, efficiency and effectiveness, performance control, and performance development; (2) different approaches are used by Libyan performance auditors. In fact, various factors relating to the audited organization and the objectives and resources of the audit operation were perceived to be influential in the selection of the proper approach and techniques; (3) Libyan performance auditors followed different methodologies for conducting PA according to the situation under investigation (pragmatic approach: case by case); (4) size of the public organizations' budget, significant events or changes in the audited organization or entity, and statutory requirements of public organizations are the most common criteria were used by Libyan auditors in choosing auditees; (5) legislative statutes relating to objectives and evaluation criteria in the public sector, management of the audited organization, are the most common sources that Libyan auditors depends on to obtain PA information; (6) PA occurs after the completion of the project, and sometimes is occurred at the implementation stage of projects; (7) Libyan performance auditors concentrate on economy, efficiency, and effectiveness while conducting PA examinations; and (8) small and medium projects need one to three months to be investigated while large projects need four to six months. These findings are consistent with the suggestions of agency theory and institutional theory (see Chapter Seven, Section 7.2). In addition, these findings, as mentioned above, provide the first detailed description of PA practice in the Libyan public sector which can be considered as one of the main contributions of this study (see Section 8.7).

Generally speaking, the results reported in these chapters showed that, in various instances, the Libyan experience in the field of PA shares a common base with that discussed in the literature or reported in the practices of other state audit institutions.

The findings regarding the effectiveness of PA in the Libyan public sector achieved the second objective **“to explore the perceptions of the research participants regarding the effectiveness of the PA system in Libya”**.

The findings showed that (1) the PA system in Libya is effective in terms of enhancing accountability or performance control rather than organizations' performance improvement or other objectives that PA should achieve; (2) the current system of PA in Libya is facing many obstacles which impede performance auditors to achieve effective PA, and the main obstacles are **“ambiguity of organisations' objectives”, “lack of performance measures”, “lack of a sound internal control system”, and “shortage of qualified performance auditors and specialised staff from different disciplines to carry out PA investigations”**; (3) financial resources for conducting PA investigation are appropriate, while staff resources are to some extent inappropriate; (4) no specific qualification is required for auditors to work as performance auditors, but they need practise for PA and be supervised by an experienced auditor to achieve an effective PA; (5) composition of PA team **“always”** contains auditor, while lawyer, technician and engineer are **“often”** or **“sometimes”** involved. economists and statistician are **“rarely”** or **“never”** included in the audit team; (6) PA reports are well-presented and understandable, and use simple expression, but sometimes do not contain current and significant information nor contain remedial actions for the issues that auditees face; (7) recommendations of PA were **“always”** or **“often”** implemented by auditees; (8) there is a good relationship between performance auditors and their auditees which is

helpful for the former to conduct effective PA; (9) there is a feedback system from auditors to their auditees concerning audit findings, feedback is often provided immediately after the completion of audit process, and the amount of the feedback is to some extent appropriate; and (10) the current system of PA in the Libyan public sector is “rarely effective” or “ineffective” in general. These findings are consistent with the suggestions of institutional theory (see Chapter Seven, Section 7.2).

In addition, these findings, as mentioned above, draw the attention of the LAAA, the IFA, the IIPC and the Libyan public sector into ineffectiveness of PA in the Libyan public sector in order to develop any future potential guidance for economic entities in the area of PA, and will draw the attention of Libyan researchers for further research in this field (see Section 8.7).

As for the findings related to improving PA in the Libyan public sector, participants indicted that the PA system in Libya can be improved through the adoption of some procedures which of the most important are (1) improving performance auditors’ skills by providing them with different courses relevant to PA, and (2) paying attention to PA by the legislative and administrative officials at higher levels in Libya. These findings related to improving PA are consistent with coercive isomorphism where the attention from the legislative and administrative officials at higher levels in Libya, such as the IIPC and the IFA can be through issuing laws forcing public companies to be subject to PA every year (see Chapter Seven, Sub-section 7.2.2.1).

Findings of this study, furthermore, have stated that there were no significant differences between the perceptions of the two groups for all the issues related to the nature and the effectiveness of PA in the Libyan public sector (except the issue of PA reports).

Finally, participants raised some suggestions which provide solutions to improve PA in Libya, and confirmed the consistency with the research findings. Most of these suggestions related to obstacles that face performance auditors while conducting PA investigations, and how these obstacles can be overcome.

8.5 Research implications and recommendations

The most significant implications of this study are related to effectiveness of PA. The research findings supported what have been discussed in the literature review concerning the various factors influencing the effectiveness of PA in public sector. This study indicated that various challenges within public sector environment still remain to be met. The research findings imply that there is a need for a number of changes into the Libyan public sector environment in order to recognize the desired benefits expected from PA. These changes should be undertaken in a variety of areas including performance measurement; the goals and objectives of public sector organizations and projects; and the accounting and internal control systems in public sector.

The absence of clear objectives and performance measures for public organizations must be solved in a way that gives managers at all levels the ability to assess the efficiency and effectiveness of their programmes, and, furthermore, performance measures or indicators should be setup for all activities by the Libyan Chamber of Commerce, Industry and

Handicrafts. These changes will help auditors to express an opinion on organizational performance and effectiveness.

In addition, the research findings imply an urgent need for developing timely and reliable accounting and internal control systems in public organizations. Accordingly, the development of reliable accounting and internal control systems in public organizations are necessary to serve the interest of both the executives and external auditors by providing them with information about the activities of an organization and, at the same time, ensuring the accuracy and reliability of such information. These developments will, particularly, enable performance auditors to conduct their mission more successfully and a great proportion of their time will be saved which they can use to accomplish more PA operations. Consequently, it can be recommended that the accounting system in the Libyan public sector should be modernized by, for example, adopting an accounting system as that used in developed countries or by bringing in experts in the field of accounting to evaluate the accounting system in Libyan public sector companies and then propose ways to improve it.

As for internal control system in public sector, it can be recommended that internal audit departments should be established in all central and regional government organizations as well as public enterprises. Furthermore, for an effective internal control system, the task and responsibilities of internal audit departments should be clearly introduced, and an auditor's right of full access into all the organization's personnel, properties and records relevant to the audit work should be given. In addition, the author believes that conducting

PA by internal auditors along with financial and compliance auditing will help greatly performance auditors in their mission.

The research findings, also, have some implications for the IIPC's and the IFA's recruiting policies. The findings showed that there is a shortage of expertise from other disciplines provides support for a more multi-disciplinary recruiting strategy. Accordingly, it can be recommended that the IIPC and the IFA should take real steps to recruit consultants and specialists from other important areas, such as computer scientists, engineers, technicians or medical and agricultural specialists. The researcher believes that this multi-disciplinary recruitment policy would enhance and improve an ability of audit staff undertaking effective PA investigations.

The findings, moreover, have showed that staff resources are to some extent inappropriate for PA investigations. Accordingly, clear implications are held for the IIPC and the IFA's training and development programmes. Consequently, the researcher recommends that performance auditors should be involved in training programmers related to PA in order to develop and obtain new skills in all matters pertaining to their work.

In addition, although the findings showed that PA recommendations are "always" or "often" implemented by auditees, these findings, also, stated that there is a lack of support from higher legislative and administrative authorities which have led to unsatisfactory implementation of PA recommendations in some cases. Accordingly, this lack has unquestionable implications for the efforts needed for publicizing and promoting the PA system. Consequently, it can be recommended the IIPC and the IFA to pay more attention

to PA by, for example, disseminating more information about PA throughout the public sector and creating better awareness of its usefulness in order to gain the acceptance of public sector managers and employees; developing an effective communication system to attract the trust and confidence of auditees and top authorities; and improving the technical aspects that could influence the quality of PA as a means of enhancing the auditees' acceptance of PA and its findings.

Finally, the findings have showed that PA reports almost do not contain current and significant information nor contain remedial actions for the issues that auditees face. This may be attributed to either the main concern of performance auditors is enhancing accountability of public sector companies and control organizational performance, as stated in Chapters Five and Six, or to inability of performance auditors to evaluate performance of public companies. Accordingly, it can be recommended performance auditors to pay more attention to evaluate organizations' performance rather than accountability or the control of these organizations. This change of auditors' work will give more support to public companies to implement PA recommendations.

Furthermore, 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 IIPC and the IFA staff which is accompanied by a complete neglect of public sector auditing in the Libyan universities. Accordingly, the content of the auditing curriculum should be updated and extended to cover topics relating to financial and PA in public sector. The IIPC and the IFA also should hold orientation programmes for faculty members

of accounting schools in order to acquaint them with audit activities, and to increase the academicians' awareness of this issue.

8.6 Research limitations

As any research has its limitations, limitations of this research are to be noted. The study shortcomings are categorized into theoretical and empirical.

Theoretically, the first limitation is associated with the research context. In this respect, this research dealt only with PA practices in the public sector. This was mainly due to the unpopularity of PA in the private sector, and also owing to the fact that most of large Libyan companies are public and the Libyan economy has only recently tended towards privatization. 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).

The second limitation considered is associated with the research purpose. In this regard, the research was mainly concerned with exploring and examining the nature of PA in the Libyan public sector and the extent to which this technique was effectively operated by performance auditors.

Empirically, the study is concerned with distribution of questionnaires to individuals who have an interest in the subject and by seeking the support of officials from the organizations participating in the study, namely performance auditors and a sample of public managers

who had had experience in this subject through their dealings with the IIPC or the IFA. The purpose of this distribution is to avoid the possibility of having a low response rate by including individuals who do not have knowledge on PA. Furthermore, questionnaires were not distributed to external auditors who belong to the Libyan Accountants and Auditors Association (LAAA) owing to the fact that these auditors are not entrusted to review the performance of public sector companies. Accordingly, questionnaires were distributed only to state auditors who are members of the Institute of Inspection and Public Control (IIPC) and the Institute of Financial Auditing (IFA) because distributing the questionnaires to non-relevant respondents could distort or mislead the whole research and, thus, the consequent result would be inapplicable (see Chapter Four, Section 4.3). In addition, questionnaires were, specially, distributed in Tripoli and Benghazi due to the fact that the IIPC and the IFA headquarters are in these two cities, therefore, majority of performance auditors are there, on the one hand, and most public companies are situated in these cities, on the other.

Lastly, Given that this research utilized non-parametric tests, the power of the analysis is not as strong as it if had been based on parametric techniques. To use these tests the research would have had to use a probability sample. This is an area where there is scope for further research. However, the use of non-probability testing provides insight and was appropriate given the lack of an appropriate sampling framework in this context.

8.7 Research contribution

On the basis of the review of the relevant literature (see Chapter Two), and in the light of the study's findings (see Chapters Five, Six and Seven), the following are the study's main contributions.

1. The results of this study showed that the Libyan experience in the field of PA is consistent with that discussed in the literature or reported in the practices of other state audit institutions. Accordingly, this study contributes to the limited studies on PA conducted in developing countries in general and within Arabic countries in particular (see Chapter Two). To the researcher's knowledge, it is the first research which addresses PA in Libya which has been neglected in the PA literature. It provides the first detailed description of PA practice in the Libyan public sector. This description provides the basis for a comparison with other Arabic and developing countries, as well as with developed countries. Accordingly, the study is expected to fill some of the existing gaps in previous research, as most of what has been written in this area has focused on developed countries.
2. In previous studies, as stated in Chapter Two, two separate approaches have been adopted in investigating PA practice, namely the qualitative approach and the quantitative approach. Therefore, one of the main contributions of this study is using a mixed method design for data collection, incorporating both a qualitative method (interviews) and a quantitative method (questionnaires).
3. According to the literature review related to PA, no theory was linked with PA. This lack of research in this area provides the motivation for the researcher to contribute to the body of knowledge.

4. It is expected that this study will bring the issue of PA to the attention of researchers for further research in this field.
5. The findings of this study, furthermore, will be useful to the Libyan Accountants and Auditors Association (LAAA), the IFA, the IPC and the Libyan public sector by helping them to develop any future potential guidance for economic entities in the area of PA.

8.8 Further research

In the light of the preceding findings and limitations, some researches possibilities related to PA need to be investigated. In this section, some suggestions for further research are discussed.

1. Because of the research findings have indicated that there is a lack of a sound internal control system in the Libyan public companies, and the auditing literature has also indicated the shortage of research in the area of internal controls. Bedard et al. (2005) reported that there is relatively little research on the weakness of internal controls. Accordingly, opportunity for further research concentrating on the evaluation of the internal control systems in the Libyan companies is suggested.
2. Radcliffe (1998) stated that further research can be undertaken to analyze the processes which allowed PA to be articulated, debated and ultimately introduced into the public sector. In this regard, another possible area of research is to develop an enforcement mechanism for implementing PA recommendations and corrective actions in the Libyan public sector.
3. Due to the fact that PA in Libya is “rarely effective” or “ineffective”, as the research findings indicated, and the research participants, in this regard, suggested that the

PA system in Libya can be improved by issuing indicators or measures of performance for public companies; improving auditors' skills; and paying more attention from the legislative and administrative officials at higher levels in Libya such as the IIPC and the IFA, and also by public companies themselves. Consequently, a study to investigate the needed role played by the professional bodies, central authorities and educational institutions in development of PA in Libya, and how it can be done may be considered valuable and needs the urgent attention of future researches.

4. Finally, similar kind of researches could be conducted on other Arabic countries, and further comparative studies between these countries could be made on the extent of PA. Such studies could give a better understanding of the PA practices in these countries.

8.9 Summary

This study investigated perceptions of performance auditors and public sector managers about the nature and effectiveness of PA in Libyan public sector and how this kind of audit can be improved. The findings showed that Libyan experience in the field of PA shares a common base with that discussed in the literature or reported in the practices of other state audit institutions; PA in the Libyan public sector is "rarely effective" or "ineffective"; and it can be improved by adopting some procedures which of the most important is paying attention to PA by the legislative and administrative officials at higher levels in Libya through. Accordingly, research objectives have been achieved, research implications, recommendations and limitations have been stated, and issues for future research in the area have been raised.

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Appendices

- Appendix A The auditors' questionnaire (the English and Arabic version)
- Appendix B The managers' questionnaire (the English and Arabic version)
- Appendix C Letter of support (the English and Arabic version)
- Appendix D Al-Shabiyat (Municipalities)
- Appendix E Public companies and strategic projects
- Appendix F Public institutions and agencies
- Appendix G Differences between the responses of the performance
Auditors' sub-groups
- Appendix H Differences between the responses of the managers sub-groups
- Appendix I Differences between the responses of the auditors group
and the managers group
- Appendix J The frequency distribution of the responses
- Appendix K The auditors' interview questions (the English and Arabic version)
- Appendix L The managers' interview questions (the English and Arabic version)
- Appendix M The interview transcripts (A-1 and M-1)

In the name of Allah

No

Dear Performance Auditor

The researcher is carrying out a study on performance auditing in the Libyan public sector. The aim of this study is to explore the current state of performance auditing in the Libyan public sector and the main problems associated with it.

At this stage of the study, the researcher is trying to gather some information regarding these issues from some related parties who mainly represent the Institute of Financial Auditing and the Institute of Inspection and Public Control. In this questionnaire, the researcher seeks your perceptions, as a public sector auditor, regarding applying performance auditing in the Libyan public sector.

Accordingly, I would be very grateful if you could spend a few minutes of your time to complete this short questionnaire. Your answers will enable me to arrive at actual findings which will be followed by recommendations that will contribute towards the development of the auditing profession and performance of public sector organizations in Libya.

I would like to assure you that all responses to the questionnaire will be kept confidential, and will only be used for research objectives.

Finally, I look forward to receiving your reply soon. If you would like to receive a summary of the results of this study, please write your name and address at the end of the questionnaire.

Thank you very much for your cooperation.

Yours faithfully

Salem Amara

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General Instructions

1. Please answer all questions as accurately as possible and if you think that none of the provided answers adequately expresses your view, please choose the answer that you consider most accurate, and feel free to put down your own interpretation and modification if you wish.
2. Responses to questions are anonymous and cannot be traced to any particular respondent and results will be presented in cumulative form.

A: general information

1. Job title:
2. Academic qualifications:
3. Professional qualification:
4. Length of work experience:
5. Length of experience in the field of performance auditing:

B: the nature of the performance auditing system

Note/ Performance auditing is an objective and systematic examination of a public sector organization's programme, activity, function or management systems and procedures to provide an assessment of whether the entity, in the pursuit of predetermined goals, has achieved economy, efficiency and effectiveness in the utilization of its resources.

1. How important do you think each of the following factors are as a main objective for conducting performance auditing in the Libyan public sector by the Institute of Financial Auditing and the Institute of Inspection and Public Control?

(Please tick one box for each factor based on levels of importance)

Factors		not important	of little importance	moderately important	important	very important
1	Enhancing organizational accountability.					
2	Improving organizational performance.					
3	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.					
4	Improving the quality of public organisation goods and services.					
5	Controlling organizational performance.					
6	Helping public organizations to set goals and objectives.					
7	Developing performance measures and/or indicators for public organizations.					
8	Helping decision-makers in the public sector by providing them with information about public organizations' productivity.					
9	Helping organizations to specify their needs in terms of training and development.					
10	Providing useful information for reward and punishment purposes.					
11	Other factors (please specify) -----					

2. To what extent have you adopted each of the following approaches while conducting performance auditing?

(Please tick one box for each approach based on levels of frequency)

Approaches		never	rarely	sometimes	often	always
1	An in-depth and detailed investigation into one aspect of the institution's work.					
2	A primary and detailed investigation into all aspects of the audited institution or entity to specify the possible weaknesses which, in turn, are subject to in depth investigation.					
3	An investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented.					
4	An investigation into the whole organisation if small, and selected projects or activities if the organisation is large.					
5	Other approaches (please specify) ----- -----					

3. With regard to the procedures followed when undertaking performance auditing, which of the following alternatives do you use?

(Please tick one procedure)

Procedures	
1	Unified methodology for all types of audit investigations (programmes and institutions).
2	Different methodologies according to the situation under investigation (pragmatic approach: case by case).
3	Other procedures (please specify) ----- -----

4. Based on your experience, how does the Institute of Financial Auditing and the Institute of Inspection and Public Control rate the following criteria in selecting the auditee?

(Please tick one box for each criterion based on levels of importance)

Criteria	not important	of little importance	moderately important	important	very important
1	Statutory requirements				
2	Size of the auditee's budget				
3	Previous audit findings				
4	Availability of audit requirements				
5	Date of last performance audit of the auditee.				
6	Significant events or changes in the audited organisation or entity.				
7	Other criteria (please specify) -----				

5. Could you please state to what extent you depend on the following sources in getting the required information whilst carrying out performance auditing?

(Please tick one box for each source based on levels of frequency)

Sources		never	rarely	Sometimes	often	always
1	Legislative statutes relating to objectives and evaluation criteria in the public sector.					
2	Management of the audited organisation.					
3	Personnel and staff of the audited organisation.					
4	Prior customers and auditors of public organizations.					
5	Objectives and performance measures used in similar organizations.					
6	Other sources (please specify) ----- -----					

6. According to the design and implementation of a project or activity, how often do you think that performance auditing occurs in each of the following stages?

(Please tick one box for each stage based on levels of frequency)

Stages		never	rarely	Sometimes	often	always
1	Planning stage only.					
2	Planning stage through to implementation stage.					
3	Planning stage through to implementation stage, but for selected projects only.					
4	Implementation stage only.					
5	After the completion of the project.					
6	Other stages (please specify) ----- -----					

7. If "economy" means getting the right amount of resources at the best cost at the right level of quality, "efficiency" means getting the required outputs by using the lowest amount of inputs, and "effectiveness" means the desired results and objectives have been successfully achieved, therefore, in actual practice, performance auditing is primarily concerned with the audit of:

(Please tick one box for each term based on levels of frequency)

Terms		never	rarely	Sometimes	often	always
1	Economy					
2	Efficiency					
3	Effectiveness					

8. In actual practice, how much time do you spend in carrying out performance auditing?

(Please chose the appropriate answer that you apply for each project)

Project size		Time		
		1-3 months	4-6 months	More than 6 months
1	Small			
2	Medium			
3	Large			

C: the effectiveness of the performance auditing system

1. In your opinion, how effective do you feel that your performance auditing system has been on the following factors?

(Please tick one box for each factor based on levels of effectiveness)

Factors		ineffective	rarely effective	moderately effective	effective	very effective
1	Enhancing organizational accountability.					
2	Improving organizational performance.					
3	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.					
4	Improving the quality of public organisation services.					
5	Controlling organizational performance.					
6	Helping public organizations to set goals and objectives.					
7	Developing performance measures and/or indicators for public organizations.					
8	Helping decision- makers in the public sector by providing them with information about public organizations' productivity.					
9	Helping organizations to specify their needs in terms of training and development.					
10	Providing useful information for reward and punishment purposes.					
11	Other factors (please specify) ----- -----					

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 your performance auditing?
(Please tick one box for each element based on levels of agreement)

Elements		strongly disagree	disagree	undecided	agree	strongly agree
1	Ambiguity of performance auditing goals and objectives.					
2	Ambiguity of goals and objectives in public sector organizations.					
3	The lack of performance measures and/or indicators in the public sector.					
4	The lack of a sound financial reporting system in the public sector.					
5	The lack of a sound internal control system in the public sector.					
6	Shortage of qualified staff to carry out such audits.					
7	The lack of specialised staff from different disciplines to carry out such audits.					
8	The lack of support and interest on the part of legislative and administrative officials at higher levels.					
9	Auditors' lack of enforcement power to follow-up performance audit recommendations.					
10	Insufficient training for performance auditors.					
11	Shortage of sufficient financial resources.					
12	Other elements (please specify) ----- -----					

3. Do you think the financial and staff resources which are allocated to performance auditing work are:
(Please tick only one answer for each resource)

Type of resources	extremely inappropriate	inappropriate	I am not sure	appropriate	extremely appropriate
1 financial resources					
2 staff resources					

4. In your performance auditing cases what was the composition of a typical audit team?
(Please tick one box for each group based on levels of frequency)

Composition of audit team		never	rarely	sometimes	often	always
1	Auditors					
2	Engineers					
3	Economists					
4	Statisticians					
5	Lawyers					
6	Other (please specify) -----					

5. To what extent has the auditee's attitude been affected by audit team composition?
(Please tick one box)

1	not at all	
2	to a very limited extent	
3	to some extent	
4	to a considerable extent	
5	to a very great extent	

6. With regard to performance audit reports, to what extent do you agree with the following:
(Please tick one box for each sentence based on levels of agreement)

Sentences		strongly disagree	disagree	undecided	agree	strongly agree
1	The report contains current and significant information.					
2	The report is fair and objective.					
3	The report uses simple expressions.					
4	The report is well-presented and uses a style which is easy to grasp.					
5	The report suggests remedial actions.					
6	Other (please specify)					

7. To the best of your knowledge, to what extent do the auditees implement the performance audit recommendations?
(Please tick one box)

1	never	
2	rarely	
3	sometimes	
4	often	
5	always	

8. Based on your answer to question (7), if the level to which the recommendations of performance auditing are implemented is unsatisfactory (never, rarely, sometimes), 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 factor based on levels of agreement)

Factors		strongly disagree	disagree	undecided	agree	strongly agree
1	Lack of support from higher legislative and administrative authorities.					
2	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.					
3	The Libyan culture in general is not conducive to such an auditing system.					
4	Other (please specify)					

9. With regard to your relationship with public sector managers, would you say that, in general, public managers:

(Please tick one box for each sentence based on levels of frequency)

Sentences		never	rarely	sometimes	often	always
1	are friendly and approachable.					
2	have a good attitude towards audit team.					
3	are willing to cooperate with audit team.					
4	have definite standards of performance.					
5	know the performance level required of them.					
6	do not explain their activities and actions.					
7	other (please specify)					

10. If feedback means information related to performance auditing that the audit team gives to the auditee in order that the latter can discuss it and reply to it, has there been any feedback for auditees concerning audit findings?

Yes go to Q11, Q12

No go to Q13

11. When is the feedback provided?

(Please tick the appropriate answer)

1	While auditors were undertaking their mission.	
2	Immediately after the completion of audit.	
3	Three months after the completion of audit.	
4	Six months after the completion of audit.	
5	One year after the completion of audit.	
6	Other (please specify).	

12. Do you think the amount of feedback given to the auditee is:

(Please tick the appropriate answer)

1	extremely inappropriate	
2	inappropriate	
3	I am not sure	
4	appropriate	
5	extremely appropriate	

13. From your point of view, how effective, in general, is the current system of performance auditing?

(Please tick the appropriate answer)

1	ineffective	
2	rarely effective	
3	moderately effective	
4	effective	
5	very effective	

Notes:

Please write below any suggestions you may have with respect to the issues were raised in this questionnaire or any other issues related to the subject of performance auditing in the Libyan public sector.

Thank you very much for your cooperation

If you would like to receive a copy of the research findings, please complete the following:

Name:

Address:

بسم الله الرحمن الرحيم

رقم الإستبانة

الأخ / مراجع الأداء

السلام عليكم ورحمة الله وبركاته ، وبعد

يقوم الباحث بإجراء دراسة حول موضوع مراجعة الأداء في مؤسسات القطاع العام الليبي ، وأن الهدف من هذه الدراسة هو معرفة الوضع الحالي لمراجعة الأداء في القطاع العام الليبي وأهم المشاكل المرتبطة به .

والباحث الآن في مرحلة جمع المعلومات المتعلقة بموضوع الدراسة ، واللازمة في الوقت نفسه لإستكمالها ، وذلك بإستقصاء آراء الجهات التي تقوم بمراجعة الأداء في القطاع العام الليبي ، وعلى رأسها جهاز المراجعة المالية وجهاز التفتيش والرقابة الشعبية متمثلاً في المراجعين التابعين لهما.

بناء عليه فإنني أرجو منكم تخصيص جزء من وقتكم للإجابة على أسئلة الإستبيان والتي لن تستغرق الإجابة عليها أكثر من عشرين دقيقة. إن إجاباتكم على أسئلة الإستبيان وآراءكم حول موضوع الدراسة سوف تساعدني في الوصول إلى النتائج الفعلية لموضوع الدراسة ، والتي من خلالها سيتم إبداء التوصيات والمقترحات التي نأمل أن تساهم في تطوير مهنة المراجعة في ليبيا وكذلك في تطوير أداء مؤسسات القطاع العام الليبي.

كما أحيطكم علماً بأن إجاباتكم على أسئلة الإستبيان سوف تحاط بسرية تامة ولن تستخدم إلا لأغراض البحث العلمي.

أخيراً أمل منكم الرد على هذا الإستبيان في اقرب وقت ممكن وذلك لمحدودية مدة الدراسة ، وإذا كنتم ترغبون في إستلام نسخة من نتائج الدراسة يرجى كتابة إسمكم وعنوانكم في الصفحة الأخيرة من هذا الإستبيان.

شاكرين لكم حسن تعاونكم ، ولكم خالص التقدير والإحترام

سالم محمد عماره

طالب دكتوراة بجامعة قلوسترشير / بريطانيا

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تعليمات عامة

1. من فضلك أجب على كل أسئلة الإستبيان بأقصى قدر ممكن من الدقة ، وفي حالة عدم وجود خيار من الخيارات المعطاة يعكس وجهة نظرك على نحو دقيق اختر الإجابة التي ترى أنها أقرب للصواب ، وقم بوضع أي تعليق أو تفسير ترى أنه مناسب لتوضيح أجابتك.
2. الإجابة على أسئلة الإستبيان غير مسمّاة ولن يتم نسبتها لشخص محدد ، كما أن نتائج الدراسة سيتم عرضها بشكل إجمالي ، ولن يرد اسم أي أحد من المشاركين في الإجابة على الاستبيان داخل محتويات البحث.

أ: معلومات عامة عن المشارك

1. الوظيفة: 2. المؤهل العلمي :
3. المؤهل المهني : 4. مدة الخبرة العملية في مجال المراجعة :
5. مدة الخبرة العملية في مجال مراجعة الأداء :

ب: طبيعة نظام مراجعة الأداء

ملاحظة/ إن المقصود بمراجعة الأداء قيام المراجع بإجراء فحص إختباري منظم للمؤسسة الحكومية أو أي نشاط أو برنامج معين بهدف تقييم أدائها من حيث الإقتصادية والكفاءة والفاعلية في إدارة مواردها وتحقيق أهدافها.

1. حسب وجهة نظرك ما درجة أهمية كل عامل من العوامل التالية من حيث كونه هدفاً رئيساً لقيام جهاز المراجعة المالية وجهاز التفتيش والرقابة الشعبية بتطبيق نظام مراجعة الأداء على مؤسسات القطاع العام في ليبيا ؟

(من فضلك اختر الإجابة المناسبة لكل عامل بناء على درجة الأهمية الموضحة أمامه)

العوامل		مهم جداً	مهم	متوسط الأهمية	قليل الأهمية	غير مهم
1	تعزيز عملية المساءلة في مؤسسات القطاع العام .					
2	تطوير الأداء في مؤسسات القطاع العام .					
3	تشجيع الوفر الإقتصادي والكفاءة والفاعلية في مؤسسات ومشاريع وأنشطة القطاع العام .					
4	تحسين جودة الخدمات والسلع التي تقدمها مؤسسات القطاع العام .					
5	مراقبة أداء مؤسسات القطاع العام .					
6	مساعدة مؤسسات القطاع العام في وضع أهداف وغايات للإداء المتوقع منها .					
7	تطوير مقاييس ومؤشرات الأداء الخاصة بمؤسسات القطاع العام .					
8	مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع .					
9	مساعدة مؤسسات القطاع العام في تحديد احتياجاتها في مجال التدريب والتطوير .					
10	تقديم المعلومات المفيدة لأغراض المكافأة والعقاب .					
11	عوامل أخرى (حدد من فضلك)					

2. ما مدى استخدامك لكل طريقة من الطرق التالية أثناء قيامك بعملية مراجعة أداء مؤسسات القطاع العام؟
(من فضلك اختر الإجابة المناسبة لكل طريقة وفقاً لما هو موضح أمامها)

الطرق	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 الفحص المتعمق والمفصل لأحد جوانب أداء المؤسسة التي يتم مراجعة أدائها.					
2 الفحص المبدئي الشامل لكل جوانب أداء المؤسسة التي يتم مراجعة أدائها لتحديد نقاط الضعف الموجودة فيها والتي يتم إخضاعها بعد ذلك لفحص أكثر عمقاً.					
3 فحص الوحدات والمشاريع أو البرامج التي توجد بها علامات تدل على وجود ضعف في كفاءتها وفعاليتها ونظام الرقابة الداخلية فيها.					
4 الفحص الشامل لكل جوانب المؤسسة إن كانت صغيرة الحجم ، أو فحص أنشطة وبرامج معينة داخل المؤسسة إن كانت كبيرة الحجم .					
5 طرق أخرى (حدد من فضلك)					

3. أخذاً في الاعتبار الإجراءات التي يتم إتباعها أثناء القيام بعملية مراجعة الأداء ، أي من البدائل التالية يتم إتباعه من قبلكم ؟
(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها).

الإجراءات	
1	الاعتماد على طريقة موحدة لكل أنواع مراجعة الأداء سواء منها المتعلقة بمؤسسات القطاع العام أو تلك المتعلقة بالمشاريع أو البرامج المختلفة .
2	إتباع طرق مختلفة حسب طبيعة الحالة التي يتم مراجعة أدائها .
3	إجراءات أخرى (حدد من فضلك)

4. من خلال خبرتك في مراجعة الأداء ، ما أهمية كل عامل من العوامل التالية في عملية اختيار الجهة التي ينبغي مراجعة أدائها؟
(من فضلك اختر الإجابة المناسبة لكل عامل بناءً على درجة الأهمية الموضحة أمامه)

العوامل	غير مهم	قليل الأهمية	متوسط الأهمية	مهم	مهم جداً
1 المتطلبات التشريعية والتنظيمية .					
2 حجم ميزانية الجهة التي يراد مراجعتها .					
3 نتائج المراجعة السابقة للجهة التي يراد مراجعتها.					
4 مدى توفر الإمكانيات اللازمة للقيام بعملية مراجعة الأداء .					
5 تاريخ آخر عملية مراجعة تمت في الجهة التي يراد مراجعة أدائها.					
6 وجود تغييرات أو أحداث مهمة للجهة التي يراد مراجعة أدائها .					
7 عوامل أخرى (حدد من فضلك)					

5. من فضلك حدد مدى اعتمادكم على المصادر التالية في الحصول على المعلومات المطلوبة أثناء القيام بعملية مراجعة الأداء؟

(من فضلك اختر الإجابة المناسبة لكل مصدر وفقاً لما هو موضح أمامه)

المصادر	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 القوانين التشريعية المتعلقة بأهداف مؤسسات القطاع العام وأسس تقييم أدائها.					
2 إدارة المؤسسة الخاضعة لعملية المراجعة .					
3 موظفو المؤسسة الخاضعة لعملية المراجعة .					
4 العملاء والمراجعين السابقين للمؤسسة الخاضعة لعملية المراجعة .					
5 أهداف ومقاييس الأداء المستخدمة في مؤسسات أخرى مماثلة .					
6 مصادر أخرى (حدد من فضلك)					
.....					
.....					

6. وفقاً للمراحل التي يمر بها أي مشروع أو برنامج معين ، فإن عملية مراجعة الأداء وفقاً للممارسة الفعلية يتم القيام بها :

(من فضلك اختر الإجابة المناسبة لكل مرحلة وفقاً لما هو موضح أمامها)

المراحل	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 أثناء مرحلة التخطيط فقط.					
2 أثناء مرحلة التخطيط وتستمر خلال مرحلة التنفيذ .					
3 أثناء مرحلة التخطيط وتستمر خلال مرحلة التنفيذ لكن فقط لمشاريع معينة.					
4 أثناء مرحلة تنفيذ المشروع فقط.					
5 بعد الإنتهاء من مرحلة إنشاء المشروع .					
6 مراحل أخرى (حدد من فضلك)					
.....					
.....					
.....					

7. إذا كان المقصود بالإقتصادية الحصول على الكمية المطلوبة من الموارد بأقل تكلفة وعند مستوى جودة مناسب ، والمقصود بالكفاءة الحصول على المخرجات المرغوبة بإستخدام أقل قدر من المدخلات ، والمقصود بالفاعلية أن الأهداف المخططة مسبقاً تم تحقيقها بنجاح ، عليه فإنه في الممارسة الفعلية ، عملية مراجعة الأداء تتعلق بمراجعة :

(من فضلك اختر الإجابة المناسبة لكل مصطلح وفقاً لما هو موضح أمامه)

المصطلح	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 الإقتصادية					
2 الكفاءة					
3 الفاعلية					

8. وفقاً للممارسة الفعلية لعملية مراجعة الأداء ، ما هو الوقت المستغرق في تنفيذها ؟

(من فضلك اختر الإجابة الوحيدة المناسبة لكل مشروع بوضع (√) أمامه)

جسم المشروع	الوقت		
	من شهر إلى ثلاثة أشهر	من أربعة أشهر إلى ستة أشهر	أكثر من ستة أشهر
1 صغير			
2 متوسط			
3 كبير			

ج: فاعلية نظام مراجعة الأداء

1. حسب وجهة نظرك ، ما مدى فاعلية نظام مراجعة الأداء المطبق من قبلكم في التأثير على العوامل التالية ؟
(من فضلك اختر الإجابة المناسبة لكل عامل بناء على درجة الفاعلية الموضح أمامه)

العوامل	غير فعال	قليل الفاعلية	متوسط الفاعلية	فعال	فعال جداً
1 تعزيز عملية المساءلة في مؤسسات القطاع العام .					
2 تطوير الأداء في مؤسسات القطاع العام .					
3 تشجيع الوفر الإقتصادي والكفاءة والفاعلية في مؤسسات ومشاريع وأنشطة القطاع العام .					
4 تحسين جودة الخدمات والسلع التي تقدمها مؤسسات القطاع العام .					
5 مراقبة أداء مؤسسات القطاع العام .					
6 مساعدة مؤسسات القطاع العام في وضع أهداف وغايات للإداء المتوقع منها .					
7 تطوير مقاييس ومؤشرات الأداء الخاصة بمؤسسات القطاع العام .					
8 مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع .					
9 مساعدة مؤسسات القطاع العام في تحديد احتياجاتها في مجال التدريب والتطوير .					
10 تقديم المعلومات المفيدة لأغراض المكافأة والعقاب .					
11 عوامل أخرى (حدد من فضلك)					

2. إلى أي مدى توافق على كون كل عنصر من العناصر التالية يمثل نقطة ضعف تحد من فاعلية النظام الحالي لمراجعة الأداء المطبق من قبلكم ؟
(من فضلك اختر الإجابة المناسبة لكل عنصر بناء على درجة الموافقة الموضحة أمامه) .

العناصر	لا أوافق بشدة	لا أوافق	غير متأكد	أوافق	أوافق بشدة
1 عدم وضوح أهداف وغايات نظام مراجعة الأداء .					
2 عدم وضوح أهداف وغايات مؤسسات القطاع العام الخاضعة لعملية المراجعة .					
3 عدم وجود مقاييس ومؤشرات للأداء خاصة بمؤسسات القطاع العام يتم الاعتماد عليها أثناء عملية المراجعة .					
4 عدم وجود نظام مناسب للتقارير المالية في مؤسسات القطاع العام .					
5 ضعف نظام الرقابة الداخلية في مؤسسات القطاع العام .					
6 عدم وجود أفراد مؤهلين تأهيلاً كافياً لتنفيذ برنامج مراجعة الأداء .					
7 عدم وجود أفراد من تخصصات أخرى مؤهلين للقيام ببرنامج مراجعة الأداء .					
8 عدم توفر الدعم الكافي من الجهات العليا التشريعية والتنفيذية لتطبيق هذا النظام .					
9 عدم وجود القدرة الكافية والصلاحيات اللازمة للمراجعين لمتابعة تنفيذ التوصيات التي تقرها لجنة مراجعة الأداء .					
10 عدم توفر التدريب الكافي للمراجعين الذين يقومون بمهمة مراجعة الأداء .					
11 قلة الموارد والإمكانات المالية الضرورية للقيام بعملية مراجعة الأداء .					
12 عناصر أخرى (حدد من فضلك)					

3. هل تعتقد أن الموارد المالية والبشرية المخصصة للقيام بعملية مراجعة الأداء :

(من فضلك اختر الإجابة الوحيدة المناسبة لكل مورد وفقاً لما هو موضح أمامه)

نوعية الموارد	غير مناسبة مطلقاً	غير مناسبة	غير متأكد	مناسبة	مناسبة جداً
1 الموارد المالية					
2 الموارد البشرية					

4. في عمليات مراجعة الأداء التي قمت بها ، مما كان يتشكل فريق مراجعة الأداء؟

(من فضلك اختر الإجابة المناسبة لكل فئة وفقاً لما هو موضح أمامها)

تشكيلة فريق المراجعة	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 مراجعون					
2 مهندسون					
3 اقتصاديون					
4 إحصائيون					
5 قانونيون					
6 آخرون (حدد من فضلك)					

5. حسب وجهة نظرك ، ما مدى تأثير تشكيلة فريق مراجعة الأداء على موقف الجهات التي يتم مراجعة أدائها تجاه عملية

مراجعة الأداء؟

(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها).

1 ليس لها تأثير مطلقاً	
2 تأثير بسيط	
3 متوسط التأثير	
4 مؤثر	
5 مؤثر جداً	

6. بالنظر إلى التقرير الذي يعده مراجع الأداء عن الجهة محل المراجعة ، ما مدى موافقتك على العبارات التالية:

(من فضلك اختر الإجابة المناسبة لكل عبارة بناءً على درجة الموافقة الموضحة أمامها).

العبارات	لا أوافق بشدة	لا أوافق	غير متأكد	أوافق	أوافق بشدة
1 التقرير يشتمل على معلومات حديثة ومهمة.					
2 التقرير عادل وموضوعي .					
3 التقرير يستخدم ألفاظ واضحة .					
4 التقرير معروض بشكل منظم وأسلوب سهل الفهم .					
5 التقرير يشتمل على توصيات تمثل حلول للمشاكل التي يتم إكتشافها.					
6 أشياء أخرى (حدد من فضلك)					
.....					
.....					

7. حسب علمك ، ما مدى تنفيذ الجهات التي يتم مراجعة أدائها للتوصيات المقترحة من قبل مراجعي الأداء ؟
(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها) .

1	لا تنفذ مطلقاً
2	نادراً
3	أحياناً
4	غالباً
5	دائماً

8. بناءً على إجابتك للسؤال السابق (السؤال رقم 7) إذا كان تنفيذ توصيات مراجعي الأداء غير مرضٍ (لا تنفذ مطلقاً، نادراً، أحياناً) ، حدد لو سمحت مدى موافقتك على كون كل عامل من العوامل التالية سبباً من الأسباب التي أدت إلى ذلك ؟

(من فضلك اختر الإجابة المناسبة لكل عامل بناءً على درجة الموافقة الموضحة أمامه)

العوامل					لا أوافق بشدة	لا أوافق	غير متأكد	أوافق	أوافق بشدة
1	عدم وجود الدعم الكافي من الجهات التشريعية والتنفيذية العليا.								
2	عدم وجود القدرة الكافية والصلاحيات اللازمة لمراجعي الأداء لمتابعة تنفيذ التوصيات التي نص عليها تقرير عملية المراجعة .								
3	البيئة الليبية بشكل عام غير مناسبة لتقبل نظام مراجعة الأداء.								
4	عوامل أخرى (حدد من فضلك)								
								
								
								

9. بالنظر إلى مستوى تعاملكم مع مدراء القطاع العام ، بشكل عام ، هل تعتقد أن هؤلاء المدراء:
(من فضلك اختر الإجابة المناسبة لكل جملة وفقاً لما هو موضح أمامها)

	أبداً	نادراً	أحياناً	غالباً	دائماً
1					
2					
3					
4					
5					
6					
7					

10. إذا كان المقصود بالتغذية العكسية قيام فريق مراجعة الأداء بإعطاء الجهة التي يتم مراجعة أدائها معلومات كافية عن نتائج عملية مراجعة الأداء ليتم مناقشتها والرد عليها ، فهل هناك تغذية عكسية عن النتائج التي تتوصل إليها عملية مراجعة الأداء؟

- أ. إذا كانت إجابتك (نعم) أجب عن السؤالين (11، 12) . ()
ب. إذا كانت إجابتك (لا) انتقل للسؤال رقم (13) . ()

11. متى يتم تقديم هذه المعلومات " التغذية العكسية " ؟

(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها)

1	أثناء قيام المراجعين بأداء عملية المراجعة .
2	مباشرة بعد إنتهاء المراجعين من أداء عملية المراجعة .
3	بعد ثلاثة أشهر من إنتهاء عملية المراجعة .
4	بعد ستة أشهر من إنتهاء عملية المراجعة .
5	بعد سنة من إنتهاء عملية المراجعة .
6	إجابة أخرى (حدد من فضلك)

12. هل تعتقد أن كمية المعلومات المقدمة للجهات الخاضعة لعملية المراجعة عن نتائج مراجعة الأداء :

(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها)

1	غير مناسبة مطلقاً
2	غير مناسبة
3	غير متأكد
4	مناسبة
5	مناسبة جداً

13. حسب وجهة نظرك ، ما مدى فاعلية نظام مراجعة الأداء المطبق حالياً في ليبيا بشكل عام ؟

(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها)

1	غير فعال
2	قليل الفاعلية
3	متوسط الفاعلية
4	فعال
5	فعال جداً

ملاحظة:

من فضلك اكتب أي إقتراحات أو تعليقات ترغب في إضافتها بخصوص المواضيع التي تم التطرق لها في الإستبيان أو أي مواضيع أخرى متعلقة بموضوع مراجعة الأداء في القطاع العام الليبي .

شاكرين لكم حسن تعاونكم ، ولكم جزيل الشكر والعرفان

لمن يرغب في الحصول على نسخة من نتائج الدراسة :

1. الأسم :
2. العنوان :

The covering letter

In the name of Allah

No 

Dear/ respondent

The researcher is carrying out a study on performance auditing in the Libyan public sector. The aim of this study is to explore the current state of performance auditing in the Libyan public sector and the main problems associated with it.

At this stage of the study, the researcher is trying to gather some information regarding the issues under investigation from some related parties which include your distinguished organization. In this questionnaire, I seek your perception concerning performance auditing and its effectiveness as implemented in the Libyan public sector.

Accordingly, I would be very grateful if you could spend a few minutes of your time to complete this short questionnaire. Your answers will enable me to arrive at actual findings which will be followed by recommendations that I will contribute towards the development of the auditing profession and performance of public sector organizations in Libya.

I would like to assure you that all responses to the questionnaire will be kept confidential, and will only be used for research objectives.

Finally, I look forward to receiving your reply soon. If you would you like to receive a summary of the results of this study, please write your name and address at the end of the questionnaire.

Thank you very much for your cooperation.

Yours faithfully

Salem Amara

PhD student

University of Gloucestershire

Cheltenham / the UK

E-mail: S0710338@glos.ac.uk

Mobile : 00218913773339

General Instructions

1. Please answer all questions as accurately as possible and if you think that none of the provided answers adequately expresses your view, please choose the answer that you consider most accurate, and feel free to put down your own interpretation and modification if you wish.
2. Responses to questionnaire questions are anonymous and cannot be traced to any particular respondent and results will be presented in cumulative form.

A: general information

1. Job title:
2. Academic qualifications:
3. Length of work experience:

B: the nature of the performance auditing system

Note/ Performance auditing is an objective and systematic examination of a public sector organization's programme, activity, function or management systems and procedures to provide an assessment of whether the entity, in the pursuit of predetermined goals, has achieved economy, efficiency and effectiveness in the utilization of its resources.

1. How important do you think each of the following factors are as a main objective for conducting performance auditing in the Libyan public sector by the Institute of Financial Auditing and the Institute of Inspection and Public Control?

(Please tick one box for each factor based on levels of importance)

	Factors	not important	of little important	moderately important	Important	very important
1	Enhancing organizational accountability.					
2	Improving organizational performance.					
3	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.					
4	Improving the quality of public organizational goods and services.					
5	Controlling organizational performance.					
6	Helping public organizations to set goals and objectives for their achievement.					
7	Developing performance measures and/or indicators for public organizations.					
8	Helping decision makers in the public sector by providing them with information about public organizations productivity					
9	Helping organizations to specify their needs in terms of training and development.					
10	Providing useful information for reward and punishment purposes.					
11	Other factors (please specify) ----- -----					

2. Could you please state how useful each of the following sources is in providing auditors with the required information when carrying out performance auditing?

(Please tick one box for each source based on levels of usefulness)

Sources		not at all useful	rarely useful	moderately useful	useful	very useful
1	Legislative statutes relating to objectives and evaluation criteria in the public sector.					
2	Management of the audited organizational.					
3	Personnel and staff of the audited organization.					
4	Prior customers and auditors of public organizations.					
5	Objectives and performance measures used in similar organizations.					
6	Other sources (please specify) ----- -----					

3. According to the design and implementation of a project or activity, how often do you think that performance auditing occurs in each of the following stages?

(Please tick one box for each stage based on levels of frequency)

Stages		Never	rarely	sometimes	often	always
1	Planning stage only.					
2	Planning stage through to implementation stage.					
3	Planning stage through to implementation stage, but for selected projects only.					
4	Implementation stage only.					
5	After the completion of the project.					
6	Other stages (please specify) ----- -----					

4. If "economy" means getting the right amount of resources at the best cost at the right level of quality, "efficiency" means getting the required outputs by using the lowest amount of inputs, and "effectiveness" means the desired results and objectives have been successfully achieved, therefore, in actual practice, performance auditing is primarily concerned with the audit of:

(Please tick one box for each term based on levels of frequency)

Terms		Never	rarely	sometimes	often	always
1	Economy					
2	Efficiency					
3	Effectiveness					

5. In actual practice, how much time do performance auditors spend in carrying out performance auditing?

(Please chose the appropriate answer for each project)

Project size		Time		
		1-3 months	4-6 months	More than 6 months
1	Small			
2	Medium			
3	Large			

C: the effectiveness of the performance auditing system

1. In your opinion, how effective do you feel that the performance auditing system applied by the Institute of Financial Auditing and the Institute of Inspection and Public Control, has been on the following factors?

(Please tick one box for each factor based on levels of effectiveness)

Factors		ineffective	rarely effective	moderately effective	Effective	very effective
1	Enhancing organizational accountability.					
2	Improving organizational performance.					
3	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.					
4	Improving the quality of public organization services.					
5	Controlling organizational performance.					
6	Helping public organizations to set goals and objectives for their achievement.					
7	Developing performance measures and/or indications for public organizations.					
8	Helping decision makers in the public sector by providing them with information about public organizations productivity					
9	Helping organizations to specify their needs in terms of training and development.					
10	Providing useful information for reward and punishment purposes.					
11	Other factors (please specify) ----- -----					

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 Institute of Financial Auditing and the Institute of Inspection and Public Control?

(Please tick one box for each element based on levels of agreement)

Elements		strongly disagree	disagree	undecided	Agree	strongly agree
1	Ambiguity of performance auditing goals and objectives.					
2	Ambiguity of goals and objectives in public sector organizations.					
3	The lack of performance measures and/or indicators in the public sector.					
4	The lack of a sound financial reporting system in the public sector.					
5	The lack of a sound internal control system in the public sector.					
6	Shortage of qualified staff to carry out such audits.					
7	The lack of specialised staff from different disciplines to carry out such audits.					
8	The lack of support and interest on the part of legislative and administrative officials at higher levels.					
9	Auditors' lack of enforcement power to follow-up performance audit recommendations.					
10	Insufficient training for performance auditors.					
11	Shortage of sufficient financial resources.					
12	Other elements (please specify) ----- -----					

3. Do you think the financial and staff resources which are allocated to performance auditing work are:

(Please tick only one answer for each resource)

Type of resources	extremely inappropriate	inappropriate	I am not sure	appropriate	extremely appropriate
1 financial resources					
2 staff resources					

4. In performance auditing cases which your organization was subject to, how was the composition of a typical audit team?

(Please tick one box for each group based on levels of frequency)

Composition of audit team	never	rarely	sometimes	often	always
1 Auditors					
2 Engineers					
3 Economists					
4 Statisticians					
5 Lawyers					
6 Other (please specify) -----					

5. To what extent has your attitude been affected by audit team composition?

(Please tick one box)

1	not at all	
2	to a very limited extent	
3	to some extent	
4	to a considerable extent	
5	to a very great extent	

6. With regard to performance audit reports, to what extent do you agree with the following:

(Please tick one box for each sentence based on levels of agreement)

Sentences		strongly disagree	disagree	undecided	agree	strongly agree
1	The report contains current and significant information.					
2	The report is fair and objective.					
3	The report uses simple expressions.					
4	The report is well-presented and uses a style which is easy to grasp.					
5	The report suggests remedial actions.					
6	Other (please specify)					

7. To the best of your knowledge, to what extent does your organization implement the performance audit recommendations?

(Please tick one box)

1	Never	
2	Rarely	
3	Sometimes	
4	Often	
5	Always	

8. Based on your answer to question (7), if the level to which the recommendations of performance auditing are implemented is unsatisfactory (never, rarely, sometimes), 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 factor based on levels of agreement)

Factors		strongly disagree	disagree	undecided	agree	strongly agree
1	Lack of support from higher legislative and administrative authorities.					
2	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.					
3	The Libyan culture in general is not conducive to such an auditing system.					
4	Other (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 sentence based on levels of frequency)

Sentences		never	rarely	sometimes	often	always
1	are friendly and supportive.					
2	have a good attitude towards public managers.					
3	are willing to give managers an opportunity to explain their concerns.					
4	have clear objectives and goals of their job.					
5	have clear standards to follow during their audit mission.					
6	do not explain their activities and actions.					
7	other (please specify)					

10. If feedback means information related to performance auditing that the audit team gives to your organization in order that the latter can discuss it and reply to it, have you received any feedback concerning the performance audit findings?

Yes go to Q11, Q12

No go to Q13

11. When do you receive this feedback?

(Please tick the appropriate answer)

1	While auditors were undertaking their mission.	
2	Immediately after the completion of audit.	
3	Three months after the completion of audit.	
4	Six months after the completion of audit.	
5	One year after the completion of audit.	
6	Other (please specify).	

12. Do you think the amount of feedback you receive is:

(Please tick the appropriate answer)

1	extremely inappropriate	
2	Inappropriate	
3	I am not sure	
4	Appropriate	
5	extremely appropriate	

13. From your point of view, how effective, in general, is the current system of performance auditing?

(Please tick the appropriate answer)

1	Ineffective	
2	rarely effective	
3	moderately effective	
4	Effective	
5	very effective	

Notes:

Please write below any suggestions you may have with respect to the issues were raised in this questionnaire or any other issue related to the subject of performance auditing in the Libyan public sector.

Thank you very much for your cooperation

If you would like to receive a copy of the research findings, please complete the following:

Name:

Address:

بسم الله الرحمن الرحيم

رقم الإستبانة

الأخ / المحترم

السلام عليكم ورحمة الله وبركاته ، وبعد

يقوم الباحث بإجراء دراسة حول موضوع مراجعة الأداء في مؤسسات القطاع العام الليبي ، وأن الهدف من هذه الدراسة هو معرفة الوضع الحالي لمراجعة الأداء في القطاع العام الليبي وأهم المشاكل المرتبطة به .

والباحث الآن في مرحلة جمع المعلومات المتعلقة بموضوع الدراسة ، واللازمة في الوقت نفسه لإستكماله ، وذلك بإستقصاء آراء الجهات المهمة بموضوع مراجعة الأداء وفاعليته في القطاع العام الليبي ، والتي من ضمنها مؤسستكم الموقرة.

بناء عليه فإنني أرجو منكم تخصيص جزء من وقتكم للإجابة على أسئلة الإستبيان والتي لن تستغرق الإجابة عليها أكثر من عشرين دقيقة. إن إجاباتكم على أسئلة الإستبيان وآراءكم حول موضوع الدراسة سوف تساعدني في الوصول إلى النتائج الفعلية لموضوع الدراسة ، والتي من خلالها سيتم إبداء التوصيات والمقترحات التي نأمل أن تساهم في تطوير مهنة المراجعة في ليبيا وكذلك في تطوير أداء مؤسسات القطاع العام الليبي.

كما أحيطكم علماً بأن إجاباتكم على أسئلة الإستبيان سوف تحاط بسرية تامة ولن تستخدم إلا لأغراض البحث العلمي.

أخيراً أمل منكم الرد على هذا الإستبيان في أقرب وقت ممكن وذلك لمحدودية مدة الدراسة ، وإذا كنتم ترغبون في إستلام نسخة من نتائج الدراسة يرجى كتابة إسمكم وعنوانكم في الصفحة الأخيرة من هذا الإستبيان.

شاكرين لكم حسن تعاونكم ، ولكم خالص التقدير والاحترام

سالم محمد عماره

طالب دكتوراة بجامعة فلوسترشير / بريطانيا

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تعليمات عامة

1. من فضلك أجب على كل أسئلة الإستبيان بأقصى قدر ممكن من الدقة ، وفي حالة عدم وجود خيار من الخيارات المعطاة يعكس وجهة نظرك على نحو دقيق اختر الإجابة التي ترى أنها أقرب للصواب ، وقم بوضع أي تعليق أو تفسير ترى أنه مناسب لتوضيح أجابتك.
2. الإجابة على أسئلة الإستبيان غير مسمّاة ولن يتم نسبتها لشخص محدد ، كما أن نتائج الدراسة سيتم عرضها بشكل إجمالي ، ولن يرد اسم أي أحد من المشاركين في الإجابة على الاستبيان داخل محتويات البحث.

أ: معلومات عامة

1. الوظيفة:
2. المؤهل العلمي:
3. مدة الخبرة العملية:

ب: طبيعة نظام مراجعة الأداء

ملاحظة/ إن المقصود بمراجعة الأداء قيام المراجع بإجراء فحص إختباري منظم للمؤسسة الحكومية أو أي نشاط أو برنامج معين بهدف تقييم أدائها من حيث الاقتصادية والكفاءة والفاعلية في إدارة مواردها وتحقيق أهدافها.

1. حسب وجهة نظرك ما درجة أهمية كل عامل من العوامل التالية من حيث كونه هدفاً رئيساً لقيام جهاز المراجعة المالية وجهاز التفيتش والرقابة الشعبية بتطبيق نظام مراجعة الأداء على مؤسسات القطاع العام في ليبيا ؟

(من فضلك اختر الإجابة المناسبة لكل عامل بناء على درجة الأهمية الموضحة أمامه)

العوامل		غير مهم	قليل الأهمية	متوسط الأهمية	مهم	مهم جداً
1	تعزيز عملية المساءلة في مؤسسات القطاع العام .					
2	تطوير الأداء في مؤسسات القطاع العام .					
3	تشجيع الوفرة الإقتصادي والكفاءة والفاعلية في مؤسسات ومشاريع وأنشطة القطاع العام .					
4	تحسين جودة الخدمات والسلع التي تقدمها مؤسسات القطاع العام .					
5	مراقبة أداء مؤسسات القطاع العام .					
6	مساعدة مؤسسات القطاع العام في وضع أهداف وغايات للإداء المتوقع منها .					
7	تطوير مقاييس ومؤشرات الأداء الخاصة بمؤسسات القطاع العام .					
8	مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع .					
9	مساعدة مؤسسات القطاع العام في تحديد احتياجاتها في مجال التدريب والتطوير .					
10	تقديم المعلومات المفيدة لأغراض المكافأة والعقاب .					
11	عوامل أخرى (حدد من فضلك)					
					
					
					

2. من فضلك حدد مدى فائدة كل مصدر من المصادر التالية في إمداد مراجعي الأداء بالمعلومات المطلوبة أثناء قيامهم بعملية مراجعة الأداء؟

(من فضلك اختر الإجابة المناسبة لكل مصدر وفقاً لما هو موضح أمامه)

المصادر	غير مفيد	قليل الفائدة	متوسط الفائدة	مفيد	مفيد جداً
1 القوانين التشريعية المتعلقة بأهداف مؤسسات القطاع العام وأسس تقييم أدائها.					
2 إدارة المؤسسة الخاضعة لعملية المراجعة .					
3 موظفو المؤسسة الخاضعة لعملية المراجعة .					
4 العملاء والمراجعين السابقين للمؤسسة الخاضعة لعملية المراجعة .					
5 أهداف ومقاييس الأداء المستخدمة في مؤسسات أخرى مماثلة .					
6 مصادر أخرى (حدد من فضلك)					
.....					
.....					

3. وفقاً للمراحل التي يمر بها أي مشروع أو برنامج معين ، فإن عملية مراجعة الأداء وفقاً للممارسة الفعلية يتم القيام بها :

(من فضلك اختر الإجابة المناسبة لكل مرحلة وفقاً لما هو موضح أمامها)

المراحل	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 أثناء مرحلة التخطيط فقط.					
2 أثناء مرحلة التخطيط وتستمر خلال مرحلة التنفيذ .					
3 أثناء مرحلة التخطيط وتستمر خلال مرحلة التنفيذ لكن فقط لمشاريع معينة.					
4 أثناء مرحلة تنفيذ المشروع فقط.					
5 بعد الإنتهاء من مرحلة إنشاء المشروع .					
6 مراحل أخرى (حدد من فضلك)					
.....					
.....					
.....					

4. إذا كان المقصود بالإقتصادية الحصول على الكمية المطلوبة من الموارد بأقل تكلفة وعند مستوى جودة مناسب ، والمقصود بالكفاءة الحصول على المخرجات المرغوبة باستخدام أقل قدر من المدخلات ، والمقصود بالفاعلية أن الأهداف المخططة مسبقاً تم تحقيقها بنجاح ، عليه فإنه في الممارسة الفعلية ، عملية مراجعة الأداء تتعلق بمراجعة :

(من فضلك اختر الإجابة المناسبة لكل مصطلح وفقاً لما هو موضح أمامه)

المصطلح	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 الإقتصادية					
2 الكفاءة					
3 الفاعلية					

5. وفقاً للممارسة الفعلية لعملية مراجعة الأداء ، ما هو الوقت المستغرق في تنفيذها حسب علمك ؟

(من فضلك اختر الإجابة الوحيدة المناسبة لكل مشروع بوضع (√) أمامه)

حجم المشروع	الوقت		
	من شهر إلى ثلاثة أشهر	من أربعة أشهر إلى ستة أشهر	أكثر من ستة أشهر
1 صغير			
2 متوسط			
3 كبير			

ج: فاعلية نظام مراجعة الأداء

1. حسب وجهة نظرك ، ما مدى فاعلية نظام مراجعة الأداء المطبق من قبل جهاز المراجعة المالية وجهاز التفتيش والرقابة الشعبية في التأثير على العوامل التالية ؟
(من فضلك اختر الإجابة المناسبة لكل عامل بناء على درجة الفاعلية الموضحة أمامه)

العوامل	غير فعال	قليل الفاعلية	متوسط الفاعلية	فعال	فعال جداً
1 تعزيز عملية المساءلة في مؤسسات القطاع العام .					
2 تطوير الأداء في مؤسسات القطاع العام .					
3 تشجيع الوفر الاقتصادي والكفاءة والفاعلية في مؤسسات ومشاريع وأنشطة القطاع العام .					
4 تحسين جودة الخدمات والسلع التي تقدمها مؤسسات القطاع العام .					
5 مراقبة أداء مؤسسات القطاع العام .					
6 مساعدة مؤسسات القطاع العام في وضع أهداف وغايات للإداء المتوقع منها .					
7 تطوير مقاييس ومؤشرات الأداء الخاصة بمؤسسات القطاع العام .					
8 مساعدة متخذي القرار في القطاع العام من خلال تقديم المعلومات المفيدة المتعلقة بإنتاجية هذا القطاع .					
9 مساعدة مؤسسات القطاع العام في تحديد احتياجاتها في مجال التدريب والتطوير .					
10 تقديم المعلومات المفيدة لأغراض المكافأة والعقاب .					
11 عوامل أخرى (حدد من فضلك)					

2. إلى أي مدى توافق على كون كل عنصر من العناصر التالية يمثل نقطة ضعف تحد من فاعلية النظام الحالي لمراجعة الأداء المطبق من قبل المراجعين في ليبيا؟
(من فضلك اختر الإجابة المناسبة لكل عنصر بناء على درجة الموافقة الموضحة أمامه).

العناصر	لا أوافق بشدة	لا أوافق	غير متأكد	أوافق	أوافق بشدة
1 عدم وضوح أهداف وغايات نظام مراجعة الأداء .					
2 عدم وضوح أهداف وغايات مؤسسات القطاع العام الخاضعة لعملية المراجعة .					
3 عدم وجود مقاييس ومؤشرات للأداء خاصة بمؤسسات القطاع العام يتم الاعتماد عليها أثناء عملية المراجعة .					
4 عدم وجود نظام مناسب للتقارير المالية في مؤسسات القطاع العام .					
5 ضعف نظام الرقابة الداخلية في مؤسسات القطاع العام .					
6 عدم وجود أفراد مؤهلين تأهيلاً كافياً لتنفيذ برنامج مراجعة الأداء .					
7 عدم وجود أفراد من تخصصات أخرى مؤهلين للقيام ببرنامج مراجعة الأداء .					
8 عدم توفر الدعم الكافي من الجهات العليا التشريعية والتنفيذية لتطبيق هذا النظام .					
9 عدم وجود القدرة الكافية والصلاحيات اللازمة للمراجعين لمتابعة تنفيذ التوصيات التي تقرها لجنة مراجعة الأداء .					
10 عدم توفر التدريب الكافي للمراجعين الذين يقومون بمهمة مراجعة الأداء .					
11 قلة الموارد والإمكانيات المالية الضرورية للقيام بعملية مراجعة الأداء .					
12 عناصر أخرى (حدد من فضلك)					

3. هل تعتقد أن الموارد المالية والبشرية المخصصة للقيام بعملية مراجعة الأداء :
(من فضلك اختر الإجابة الوحيدة المناسبة لكل مورد وفقاً لما هو موضح أمامه)

نوعية الموارد	غير مناسبة مطلقاً	غير مناسبة	غير متأكد	مناسبة	مناسبة جداً
1 الموارد المالية					
2 الموارد البشرية					

4. في عمليات مراجعة الأداء التي خضعت لها مؤسستكم ، مما كان يتشكل فريق مراجعة الأداء؟
(من فضلك اختر الإجابة المناسبة لكل فئة وفقاً لما هو موضح أمامها)

تشكيلة فريق المراجعة	لا يتم مطلقاً	نادراً	أحياناً	غالباً	دائماً
1 مراجعون					
2 مهندسون					
3 اقتصاديون					
4 إحصائيون					
5 قانونيون					
6 آخرون (حدد من فضلك)					

5. ما مدى تأثير تشكيلة فريق مراجعة الأداء على موقفك تجاه عملية مراجعة الأداء؟
(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها)

1 ليس لها تأثير مطلقاً	
2 تأثير بسيط	
3 متوسط التأثير	
4 مؤثر	
5 مؤثر جداً	

6. بالنظر إلى التقرير الذي يعده مراجع الأداء عن مؤسستكم، ما مدى موافقتك على العبارات التالية :
(من فضلك اختر الإجابة المناسبة لكل عبارة بناءً على درجة الموافقة الموضحة أمامها).

العبارات	لا أوافق بشدة	لا أوافق	غير متأكد	أوافق	أوافق بشدة
1 التقرير يشتمل على معلومات حديثة ومهمة.					
2 التقرير عادل وموضوعي .					
3 التقرير يستخدم ألفاظ واضحة .					
4 التقرير معروض بشكل منظم وأسلوب سهل الفهم .					
5 التقرير يشتمل على توصيات تمثل حلول للمشاكل التي يتم إكتشافها.					
6 أشياء أخرى (حدد من فضلك)					
.....					
.....					

7. حسب علمك ، ما مدى تنفيذ مؤسستكم للتوصيات المقترحة من قبل مراجعي الأداء ؟
(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها).

1 لا تنفذ مطلقاً	
2 نادراً	
3 أحياناً	
4 غالباً	
5 دائماً	

8. بناءً على إجابتك للسؤال السابق (السؤال رقم 7) إذا كان تنفيذ توصيات مراجعي الأداء غير مرضٍ (لا تنفذ مطلقاً، نادراً، أحياناً) ، حدد لو سمحت مدى موافقتك على كون كل عامل من العوامل التالية سبباً من الأسباب التي أدت إلى ذلك ؟

(من فضلك اختر الإجابة المناسبة لكل عامل بناءً على درجة الموافقة الموضحة أمامه)

العوامل	لا أوافق بشدة	لا أوافق	لا أوافق	غير متأكد	أوافق	أوافق بشدة
1						
2						
3						
4						

9. بالنظر إلى مستوى تعاملكم مع مراجعي الأداء ، بشكل عام ، هل تعتقد أن هؤلاء المراجعون: (من فضلك اختر الإجابة المناسبة لكل جملة وفقاً لما هو موضح أمامها)

	أبداً	نادراً	أحياناً	غالباً	دائماً
1					
2					
3					
4					
5					
6					
7					

10. إذا كان المقصود بالتغذية العكسية قيام فريق مراجعة الأداء بإعطاءكم معلومات كافية عن نتائج عملية مراجعة الأداء ليتم مناقشتها والرد عليها ، فهل هناك تغذية عكسية عن النتائج التي تتوصل إليها عملية مراجعة الأداء؟
 أ. إذا كانت إجابتك (نعم) أجب عن السؤالين (11، 12) . ()
 ب. إذا كانت إجابتك (لا) انتقل للسؤال رقم (13) . ()

11. متى تقدم لكم هذه المعلومات " التغذية العكسية " ؟

(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها)

1	أثناء قيام المراجعين بأداء عملية المراجعة .
2	مباشرة بعد إنتهاء المراجعين من أداء عملية المراجعة .
3	بعد ثلاثة أشهر من إنتهاء عملية المراجعة .
4	بعد ستة أشهر من إنتهاء عملية المراجعة .
5	بعد سنة من إنتهاء عملية المراجعة .
6	إجابة أخرى (حدد من فضلك)

12. هل تعتقد أن كمية المعلومات المقدمة لكم عن نتائج مراجعة الأداء :
(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها)

1	غير مناسبة مطلقاً
2	غير مناسبة
3	غير متأكد
4	مناسبة
5	مناسبة جداً

13. حسب وجهة نظرك ، ما مدى فاعلية نظام مراجعة الأداء المطبق حالياً في ليبيا بشكل عام ؟
(من فضلك اختر الإجابة الوحيدة المناسبة بوضع (√) أمامها)

1	غير فعال
2	قليل الفاعلية
3	متوسط الفاعلية
4	فعال
5	فعال جداً

ملاحظة:

من فضلك أكتب أي إقتراحات أو تعليقات ترغب في إضافتها بخصوص المواضيع التي تم التطرق لها في الإستبيان أو أي مواضيع أخرى متعلقة بموضوع مراجعة الأداء في القطاع العام الليبي .

شاكرين لكم حسن تعاونكم ، ولكم جزيل الشكر والعرفان

لمن يرغب في الحصول على نسخة من نتائج الدراسة :

1. الأسم :
2. العنوان :

The Great Socialist

People's Libyan Arab Jamahiriya

The People's Bureau – London

Data: 01/04/2009

Cultural Affairs

Ref: 09-04-419

Dear Sir/Madam

**The Institute of Public Control/ Tripoli
The Institute of Public Control/ Benghazi
Public Sector Companies/ Tripoli
Public Sector Companies/ Benghazi**

This is to certify that Salem Mohamed Amara is a Libyan student doing a PhD in the Accounting Field in the UK. He is planning to conduct an empirical study in Libya related to his research. Accordingly, we would be grateful if you would help him in his endeavour.

Thank you very much for your cooperation

Wassalamu' alaikum Warahmatullahi Wabarakatuh

**Dr. Saad A. M. Mhemed
Cultural Counsellor
The Libyan People's Bureau - London**

N	الشعبيات	Al-Shabiyat
1	سرت	Surt
2	الجفرة	Al-Jufrah
3	الجبل الغربي	Al-Jabal Al-Gharbi
4	المرج	Al-Marj
5	الكفرة	Al-Kufrah
6	النقاط الخمس	Al-Negat Al-Khams
7	الواحات	Al-Wahat
8	الزاوية	Al-Zawiah
9	بنغازي	Benghazi
10	البتنان	Al-Betnan
11	درنة	Darnah
12	الجبل الأخضر	Al-Jabal Al-Akdar
13	غات	Ghat
14	مرزق	Murzuq
15	المرقب	Al-Margab
16	نالوت	Nalut
17	مصراتة	Misratah
18	سبها	Sabha
19	وادي الحياة	Wadi Al-Hayat
20	طرابلس	Tripoli
21	وادي الشاطئ	Wadi Al-Shati

Source: <http://www.gia.gov.ly/>

N	شركات القطاع العام	Public companies and strategic projects
1	الشركة الوطنية للصناعات الغذائية/ بنغازي	National Company for Food Industries / Benghazi
2	الشركة العامة للصناعات الكيماوية / أبو كماش	The General Company for Chemical Industries/ Abu Kemash
3	الشركة الليبية للجرارات والمستلزمات الزراعية	Libyan Company for Tractors and Agricultural Supplies
4	الشركة العامة للحديد والصلب	The General Company for Iron and Steel
5	الشركة الوطنية للمقطورات	National Company for Trailers
6	الشركة العامة للطرق والجسور	General Company for Roads and Bridges
7	الشركة المتحدة للتأمين	Muttahida Company for Insurance
8	شركة ليبيا للتأمين	Libya Company for Insurance
9	المؤسسة الوطنية للنفط	National Oil Corporation
10	شركة البريقة لتسويق النفط	Brega Company for Oil Marketing
11	شركة الزاوية لتكرير النفط	Zawiah Company of Oil Refining
12	شركة الهروج للعمليات النفطية	Horoj Oil Company
13	شركة مليطة للنفط والغاز	Mellita Company of Oil and Gas
14	جهاز تنفيذ وإدارة مشروع الطرق الحديدية	The Institute of Implementation and Management of Railway Projects
15	جهاز تنفيذ وإدارة مشروع النهر الصناعي العظيم	The Institute of Implementation and Management of the Great Man-Made River Projects
16	الشركة العامة للنقل السريع	General Company for Rapid Transport
17	شركة تيبيتسي للتسيير الفندقي	Tibetsi Hotel Company
18	مصرف الصحاري	Sahara Bank
19	مصرف الوحدة	Wahda Bank
20	الشركة الليبية للاستثمارات الخارجية	Libyan Company for Foreign Investments
21	الفندق الكبير	Alkaber Hotel
22	شركة الزاوية للبناء والاستثمار العقاري	Zawiah Company of Building and Real Estate Investment
23	الشركة الوطنية العامة للغزل والنسيج	General National Company for Spinning and Weaving
24	الشركة العامة للكهرباء	General Electric Company
25	شركة النظافة العامة بنغازي	General Hygiene Company
26	الشركة العامة للإلكترونيات	General Company for Electronics
27	الشركة العامة للبريد والاتصالات السلكية واللاسلكية	General Company for Post and Telecommunications
28	شركة المعمورة للمواد الغذائية	Almamorah World's Food Company
29	مصرف الجمهورية	Jamhoriya Bank HQ
30	جهاز الفضيل للتنفيذ والتشغيل والصيانة	Alfadhel Institute of Implementation, Operation and Maintenance
31	شركة الخطوط الجوية العربية الليبية	Libyan Arab Airlines Company
32	الشركة العامة للنقل البحري	General Company for Maritime Transport

N	الأجهزة والمؤسسات والمصالح العامة	Public institutions and agencies
1	جهاز تنمية وتطوير المراكز الإدارية	The Institute of Development and Improvement of Administrative Units
2	جهاز تنفيذ مشروعات الاسكان والمرافق	The Institute of Implementation of Housing and Facilities Projects
3	مصلحة الجمارك	Customs Institution
4	مصلحة الضرائب	Tax Institution
5	مصلحة الاملاك العامة	Institution of Public Property
6	مركز طرابلس الطبي	Tripoli Medical Centre
7	مركز بنغازي الطبي	Benghazi Medical Centre
8	مستشفى الزاوية المركزي	Zawiah Central Hospital
9	مستشفى الخضراء أبو سليم	Abu- Selim Alkhadra Hospital
10	جامعة قاريونس	Garyounis University
11	جامعة العرب الطبية	Arab Medical University/ Benghazi
12	جامعة الفاتح	Al-Fateh University
13	جامعة ناصر الاممية	National University of Nasser
14	جامعة السابع من ابريل	Seventh of April University
15	مركز تنمية الصادرات	Institution of Export Development
16	الهيئة العامة لصندوق التضامن الاجتماعي	General Organization for Social Solidarity Fund
17	صندوق الضمان الاجتماعي	Social Security Fund
18	مركز البحوث الصناعية	Industrial Research Centre

Q.no	Statement	Mann-Whitney U	Z	Sig. (2-tailed)
Q.B1	Enhancing organizational accountability	861.500	-.178	.859
	Improving organizational performance	785.500	-.691	.337
	Controlling organizational performance	825.000	-.565	.572
	Promoting economy, efficiency and effectiveness of government organizations, programmes and activities.	853.000	-.264	.791
	Improving quality of public organization services	767.000	-1.081	.280
	Developing performance measures and/or indicators for public sector	711.000	-1.600	.110
	Helping public organizations to set goals and objectives.	789.500	-.873	.383
	Helping decision-makers in public sector by providing them with information about public organizations' productivity	822.500	-.548	.584
	Helping organizations to specify their needs in terms of training and development	709.000	-1.625	.104
	Providing useful information for reward and punishment purposes.	701.000	-1.717	.086
Q.B2	A primary and detailed investigation into all aspects of the audited institution or entity to specify the possible weaknesses which, in turn, are subject to in-depth investigation.	793.000	-.848	.396
	An investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented.	689.000	-1.889	.059
	An investigation into the whole organization if small, and selected projects or activities if the organization is large.	685.500	-1.841	.066
	An in-depth and detailed investigation into one aspect of the institution's work.	766.000	-1.085	.278
Q.B3	Procedures of the PA investigations	828.000	-.797	.425
Q.B4	Size of the auditee's budget	798.500	-.799	.424
	Significant events or changes in the audited organization or entity	693.000	-1.787	.074
	Statutory requirements	741.000	-1.302	.193
	Previous audit findings	763.500	-1.112	.266
	Availability of audit requirements	794.500	-.817	.414
	Date of last performance audit of the auditee	704.000	-1.638	.102
Q.B5	Legislative statutes relating to objectives and evaluation criteria in the public sector	730.000	-1.518	.129
	Management of the audited organization	723.500	-1.520	.128
	Objectives and performance measures used in similar companies	753.000	-1.214	.225

	Personnel and staff of the audited organization	778.000	-.963	.335
	Prior customers and auditors of public organizations	715.000	-1.574	.115
Q.B6	After the completion of the project.	818.000	-.653	.514
	Implementation stage only.	766.000	-1.064	.287
	Planning stage through to implementation stage.	708.000	-1.632	.103
	Planning stage through to implementation stage, but for selected projects only.	739.000	-1.338	.181
	Planning stage only.	829.000	-.516	.606
Q.B7	Effectiveness	880.000	.000	1.000
	Efficiency	819.000	-.583	.560
	Economy	806.500	-.721	.471
Q.B8	Small	880.000	.000	1.000
	Medium	712.000	-1.737	.082
	Large	736.000	-1.493	.136
Q.C1	Enhancing organizational accountability	797.000	-.801	.423
	Controlling organizational performance	835.500	-.439	.661
	Improving organizational performance	797.000	-.851	.395
	Promoting economy, efficiency and effectiveness of government organizations, programmes and activities	877.500	-.025	.980
	Helping decision-makers in public sector by providing them with information about public organizations' productivity	784.000	-.910	.363
	Helping public organizations to set goals and objectives	687.000	-1.489	.064
	Developing performance measures and/or indicators for public sector	787.000	-.890	.374
	Improving quality of public organization services	709.500	-1.679	.093
	Helping organizations to specify their needs in terms of training and development	724.000	-1.507	.132
	Providing useful information for reward and punishment purposes	719.500	-1.523	.128
Q.C2	The lack of performance measures and/or indicators in the public sector	851.000	-.281	.779
	Shortage of qualified staff to carry out such audits	736.500	-1.390	.165
	The lack of a sound internal control system in the public sector	794.500	-.824	.410
	The lack of a sound financial reporting system in the public sector	722.000	-1.515	.130
	The lack of specialized staff from different disciplines to carry out such audits	758.000	-1.191	.234
	Insufficient training for performance auditors	679.000	-1.926	.054
	Ambiguity of performance auditing goals and objectives	812.500	-.640	.522
	The lack of support and interest on the part of legislative and administrative officials at higher levels	842.000	-.359	.720

	Ambiguity of goals and objectives in public sector	851.500	-.264	.792
	Auditors' lack of enforcement power to follow-up performance audit recommendations	819.000	-.570	.569
	Shortage of sufficient financial resources	722.500	-1.558	.119
Q.C3	Financial resources	844.500	-.363	.716
	Staff resources	691.500	-1.775	.076
Q.C4	Auditors	856.000	-.333	.739
	Lawyers	808.000	-.691	.490
	Engineers	846.500	-.320	.749
	Economists	705.500	-1.664	.096
	Statisticians	819.000	-.594	.552
Q.C5	To what extent has the auditee's attitude been affected by audit team composition	682.000	-1.853	.064
Q.C6	The report suggests remedial actions.	716.000	-1.632	.103
	The report uses simple expressions.	864.000	-.173	.863
	The report is well-presented and uses a style which is easy to grasp.	784.500	-1.128	.259
	The report is fair and objective.	781.000	-.937	.349
	The report contains current and significant information.	768.000	-1.053	.293
Q.C7	To what extent does the auditee implement the performance auditors' recommendations?	691.000	-1.839	.066
Q.C8	Libyan culture in general not conducive to such an auditing system.	68.500	-1.151	.250
	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.	56.500	-1.717	.086
	Lack of support from higher legislative and administrative authorities.	65.500	-1.208	.227
Q.C9	Are friendly and approachable.	752.000	-1.280	.201
	Are willing to cooperate with audit team.	811.000	-.664	.506
	Have a good attitude towards audit team.	696.500	-1.755	.079
	Do not explain their activities and actions.	763.500	-1.115	.265
	Know the performance level required of them.	842.000	-.363	.717
	Have definite standards of performance.	864.500	-.152	.880
Q.C10	Has there been any feedback for auditees?	850.000	-.502	.616
Q.C11	When is the feedback provided	679.500	-.312	.755
Q.C12	Do you think the amount of feedback given to the auditee is:	601.000	-1.178	.239
Q.C13	How effective, in general, is the current system of performance auditing?	834.500	-.434	.664

Q.no	Statement	Mann-Whitney U	Z	Sig. (2-tailed)
Q.B1	Enhancing organizational accountability	2443.500	-.020	.984
	Improving organizational performance	2388.500	-.260	.795
	Controlling organizational performance	2129.000	-1.407	.160
	Promoting economy, efficiency and effectiveness of government organizations, programmes and activities.	2401.500	-.203	.839
	Improving quality of public organization services	2411.000	-.155	.877
	Developing performance measures and/or indicators for public sector	2149.500	-1.312	.189
	Helping public organizations to set goals and objectives.	2223.500	-.969	.332
	Helping decision-makers in public sector by providing them with information about public organizations' productivity	2260.500	-.806	.420
	Helping organizations to specify their needs in terms of training and development	2093.000	-1.527	.127
	Providing useful information for reward and punishment purposes.	2048.500	-1.688	.091
Q.B2	Legislative statutes relating to objectives and evaluation criteria in the public sector	2327.000	-.541	.588
	<i>Management of the audited organization</i>	2195.500	-1.153	.249
	<i>Objectives and performance measures used in similar companies</i>	2230.500	-.910	.363
	Personnel and staff of the audited organization	2068.000	-1.667	.096
	Prior customers and auditors of public organizations	2168.000	-1.199	.231
Q.B3	After the completion of the project.	2251.500	-.876	.381
	Implementation stage only.	2028.500	-1.828	.068
	Planning stage through to implementation stage.	2124.000	-1.413	.158
	Planning stage through to implementation stage, but for selected projects only.	2116.500	-1.428	.153
	Planning stage only.	2262.000	-.939	.348
Q.B4	Effectiveness	2053.500	-1.735	.083
	Efficiency	2237.000	-.943	.345
	Economy	2171.000	-1.259	.208
Q.B5	Small	2448.000	.000	1.000
	Medium	2443.500	-.021	.983
	Large	2094.500	-1.604	.109
Q.C1	Enhancing organizational accountability	2261.000	-.839	.401
	Controlling organizational performance	2234.000	-.928	.354
	Improving organizational performance	2424.500	-.100	.920
	Promoting economy, efficiency and effectiveness of government	2093.000	-1.544	.123

	organizations, programmes and activities			
	Helping decision-makers in public sector by providing them with information about public organizations' productivity	2418.500	-.131	.896
	Helping public organizations to set goals and objectives	2052.000	-1.714	.086
	Developing performance measures and/or indicators for public sector	2337.000	-.473	.636
	Improving quality of public organization services	2357.000	-.402	.687
	Helping organizations to specify their needs in terms of training and development	2324.000	-.539	.590
	Providing useful information for reward and punishment purposes	2263.000	-.798	.425
Q.C2	The lack of performance measures and/or indicators in the public sector	2436.000	-.053	.957
	Shortage of qualified staff to carry out such audits	2356.000	-.397	.691
	The lack of a sound internal control system in the public sector	2397.000	-.221	.825
	The lack of a sound financial reporting system in the public sector	2348.000	-.428	.669
	The lack of specialized staff from different disciplines to carry out such audits	2324.000	-.545	.586
	Insufficient training for performance auditors	2068.000	-1.660	.097
	Ambiguity of performance auditing goals and objectives	2187.000	-1.222	.222
	The lack of support and interest on the part of legislative and administrative officials at higher levels	2067.000	-1.647	.100
	Ambiguity of goals and objectives in public sector	2290.000	-.680	.497
	Auditors' lack of enforcement power to follow-up performance audit recommendations	2112.000	-1.513	.130
	Shortage of sufficient financial resources	2080.000	-1.584	.113
Q.C3	Financial resources	2359.500	-.390	.697
	Staff resources	2131.500	-1.415	.157
Q.C4	Auditors	2408.000	-.258	.796
	Lawyers	2099.000	-1.491	.136
	Engineers	2219.500	-1.005	.315
	Economists	2401.000	-.200	.842
	Statisticians	2193.000	-1.158	.247
Q.C5	To what extent has the auditee's attitude been affected by audit team composition	2215.500	-1.011	.312
Q.C6	The report suggests remedial actions.	2083.500	-1.567	.117
	The report uses simple expressions.	2004.000	-2.090	.037
	The report is well-presented and uses a style which is easy to grasp.	2181.000	-1.273	.203
	The report is fair and objective.	2371.000	-.372	.710

	The report contains current and significant information.	2046.500	-1.742	.082
Q.C7	To what extent does the auditee implement the performance auditors' recommendations?	2289.000	-.768	.443
Q.C8	Libyan culture in general not conducive to such an auditing system.	39.000	-.915	.360
	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.	47.500	-.269	.788
	Lack of support from higher legislative and administrative authorities.	40.500	-.762	.446
Q.C9	Are friendly and supportive.	2335.000	-.509	.611
	Are willing to give managers an opportunity to explain their concerns.	2322.000	-.600	.548
	Have a good attitude towards public managers.	2087.500	-1.575	.115
	Do not explain their activities and actions.	2369.000	-.348	.728
	Have clear standards to follow during their audit mission.	2256.500	-.823	.410
	Have clear objectives and goals of their job.	2212.000	-1.040	.298
Q.C10	Have you received any feedback concerning the PA findings?	2226.000	-1.325	.185
Q.C11	When do you receive this feedback?	1596.500	-.640	.522
Q.C12	Do you think the amount of feedback you receive is:	1399.500	-1.660	.097
Q.C13	How effective, in general, is the current system of performance auditing?	2324.000	-.106	.915

Appendix I Differences between the responses of the auditors group and the managers group

Q.no	Statement	Mann-Whitney U	Z	Sig. (2-tailed)
Q.B1	Enhancing organizational accountability	5952.000	-.761	.447
	Improving organizational performance	5789.500	-1.122	.262
	Controlling organizational performance	5457.500	-1.880	.060
	Promoting economy, efficiency and effectiveness of government organizations, programmes and activities.	5477.000	-1.795	.073
	Improving quality of public organization services	5445.000	-1.803	.071
	Developing performance measures and/or indicators for public sector	5728.500	-1.239	.215
	Helping public organizations to set goals and objectives	5583.000	-1.548	.122
	Helping decision-makers in public sector by providing them with information about public organizations' productivity	5923.500	-.808	.419
	Helping organizations to specify their needs in terms of training and development	5455.500	-1.808	.071
	Providing useful information for reward and punishment purposes.	6110.500	-.402	.687
Q.B2	Legislative statutes relating to objectives and evaluation criteria in the public sector	6226.500	-.165	.869
	Management of the audited organization	5043.000	-2.813	.005
	Objectives and performance measures used in similar companies	5929.500	-.780	.435
	Personnel and staff of the audited organization	4585.500	-3.695	.000
	Prior customers and auditors of public organizations	6038.000	-.560	.575
Q.B3	After the completion of the project.	5452.500	-1.918	.055
	Implementation stage only.	5403.500	-1.914	.056
	Planning stage through to implementation stage.	5696.000	-1.305	.192
	Planning stage through to implementation stage, but for selected projects only.	5631.000	-1.428	.153
	Planning stage only.	5271.000	-2.453	.014
Q.B4	Effectiveness	6217.500	-.181	.856
	Efficiency	5849.000	-.989	.323
	Economy	6044.000	-.574	.566
Q.B5	Small	6300.000	.000	1.000
	Medium	5901.000	-.928	.353
	Large	5508.000	-1.808	.071
Q.C1	Enhancing organizational accountability	5934.000	-.809	.418
	Controlling organizational performance	5556.000	-1.618	.106

Appendix I Differences between the responses of the auditors group and the managers group

	Improving organizational performance	5976.500	-.701	.484
	Promoting economy, efficiency and effectiveness of government organizations, programmes and activities	5469.500	-1.816	.069
	Helping decision-makers in public sector by providing them with information about public organizations' productivity	4822.000	-3.214	.001
	Helping public organizations to set goals and objectives	4036.000	-4.855	.000
	Developing performance measures and/or indicators for public sector	5619.500	-1.452	.146
	Improving quality of public organization services	6237.500	-.138	.890
	Helping organizations to specify their needs in terms of training and development	4139.500	-4.637	.000
	Providing useful information for reward and punishment purposes	6150.500	-.321	.748
Q.C2	The lack of performance measures and/or indicators in the public sector	5976.000	-.715	.475
	Shortage of qualified staff to carry out such audits	5870.000	-.931	.352
	The lack of a sound internal control system in the public sector	5695.000	-1.309	.191
	The lack of a sound financial reporting system in the public sector	5401.000	-1.921	.055
	The lack of specialized staff from different disciplines to carry out such audits	5827.000	-1.037	.300
	Insufficient training for performance auditors	5522.500	-1.688	.092
	Ambiguity of performance auditing goals and objectives'	5699.500	-1.342	.180
	The lack of support and interest on the part of legislative and administrative officials at higher levels	5495.500	-1.725	.085
	Ambiguity of goals and objectives in public sector	5918.500	-.808	.419
	Auditors' lack of enforcement power to follow-up performance audit recommendations	6194.500	-.229	.819
	Shortage of sufficient financial resources	5579.000	-1.565	.118
Q.C3	Financial resources	5610.500	-1.530	.126
	Staff resources	5504.500	-1.730	.084
Q.C4	Auditors	6218.500	-.259	.795
	Lawyers	5965.000	-.715	.475
	Engineers	6148.500	-.330	.742
	Economists	5782.500	-1.101	.271
	Statisticians	5287.500	-2.244	.025
Q.C5	To what extent has the auditee's attitude been affected by audit team composition?	5717.500	-1.246	.213
Q.C6	The report suggests remedial actions.	2389.000	-8.279	.000

Appendix I Differences between the responses of the auditors group and the managers group

	The report uses simple expressions.	5787.00	-1.220	.223
	The report is well-presented and uses a style which is easy to grasp.	5149.000	-2.826	.005
	The report is fair and objective.	6097.000	-.456	.648
	The report contains current and significant information.	5249.000	-2.249	.025
Q.C7	To what extent does the auditee implement the performance auditors recommendations?	5074.500	-2.826	.005
Q.C8	Libyan culture in general not conducive to such an auditing system.	208.000	-2.561	.010
	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.	269.000	-1.291	.197
	Lack of support from higher legislative and administrative authorities.	313.500	-.384	.701
Q.C9	Are friendly and supportive.	6189.000	-.250	.803
	Are willing to give managers an opportunity to explain their concerns.	5150.000	-2.598	.009
	Have a good attitude towards public managers.	5917.000	-.830	.407
	Do not explain their activities and actions.	5549.500	-1.635	.102
	Have clear standards to follow during their audit mission.	5890.500	-.874	.382
	Have clear objectives and goals of their job.	4379.000	-4.209	.000
Q.C10	Have you received any feedback concerning the PA findings?	5799.000	-1.596	.110
Q.C11	When do you receive this feedback?	4498.500	-.281	.779
Q.C12	Do you think the amount of feedback you receive is:	2884.500	-4.771	.000
Q.C13	How effective, in general, is the current system of performance auditing?	5835.000	-.992	.321

Table (1)
Frequency distribution of performance auditors concerning the objectives
of the PA system in the Libyan public sector (Q. B1)

N	Objectives of PA		NI	OLI	MI	I	VI	Total
1	Enhancing organizational accountability	N	1	3	13	30	37	84
		%	1.2	3.6	15.5	35.7	44	100
2	Improving organizational performance	N	-	-	11	49	24	84
		%	-	-	13.1	58.3	28.6	100
3	Controlling organizational performance	N	-	-	13	51	20	84
		%	-	-	15.5	60.7	23.8	100
4	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.	N	-	4	18	44	18	84
		%	-	4.8	21.4	52.4	21.4	100
5	Improving the quality of public organization services	N	-	7	33	33	11	84
		%	-	8.3	39.3	39.3	13.1	100
6	Developing performance measures and/or indicators for public organizations	N	1	9	30	32	12	84
		%	1.2	10.7	35.7	38.1	14.3	100
7	Helping public organizations to set goals and objectives.	N	2	13	40	25	4	84
		%	2.4	15.5	47.6	29.8	4.8	100
8	Helping decision-makers in the public sector by providing them with information about public organizations' productivity	N	3	20	38	18	5	84
		%	3.6	23.8	45.2	21.4	6	100
9	Helping organizations to specify their needs in terms of training and development	N	9	35	28	7	5	84
		%	10.7	41.7	33.3	8.3	6	100
10	Providing useful information for reward and punishment purposes.	N	22	39	18	4	1	84
		%	26.2	46.4	21.4	4.8	1.2	100

Note: NI= not important; OLI=of little importance; MI= moderately important; I= important; and VI= very important.

Table (2)
Frequency distribution of public sector managers concerning the objectives of the PA system in the Libyan public sector (Q. B1)

N	Objectives of PA		NI	OLI	MI	I	VI	Total
1	Improving organizational performance	N	1	4	20	63	62	150
		%	0.7	2.7	13.3	42	41.3	100
2	Enhancing organizational accountability	N	1	5	16	78	50	150
		%	0.7	3.3	10.7	52	33.3	100
3	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.	N	-	6	24	71	49	150
		%	-	4	16	47.3	32.7	100
4	Controlling organizational performance	N	-	1	42	77	30	150
		%	-	0.7	28	51.3	20	100
5	Developing performance measures and/or indicators for public organizations	N	-	15	66	63	6	150
		%	-	10	44	42	4	100
6	Helping public organizations to set goals and objectives.	N	1	19	64	55	11	150
		%	0.7	12.7	42.7	36.7	7.3	100
7	Improving quality of public organization services	N	2	32	51	44	21	150
		%	1.3	21.3	34	29.4	14	100
8	Helping decision-makers in the public sector by providing them with information about public organizations' productivity	N	2	33	69	35	11	150
		%	1.3	22	46	23.3	7.4	100
9	Helping organizations to specify their needs in terms of training and development	N	26	70	37	8	9	150
		%	17.3	46.7	24.7	5.3	6	100
10	Providing useful information for reward and punishment purposes.	N	44	58	27	18	3	150
		%	29.3	38.7	18	12	2	100

Note: NI= not important; OLI=of little importance; MI= moderately important; I= important; and VI= very important.

Table (3)
Frequency distribution of performance auditors concerning the approaches of PA investigations in the Libyan public sector (Q.B2)

N	Approaches of PA investigations		Never	Rarely	Sometimes	Often	Always	Total
1	A primary and detailed investigation into all aspects of the audited institution or entity to specify the possible weaknesses which, in turn, are subject to in depth investigation.	N	1	3	9	39	32	84
		%	1.2	3.6	10.7	46.4	38.1	100
2	An investigation into selected organizations, projects or programmes in which signs of possible serious waste, inefficiency, ineffectiveness or weaknesses of control are presented.	N	-	1	12	44	27	84
		%	-	1.2	14.3	52.4	32.1	100
3	An investigation into the whole organization if small, and selected projects or activities if the organization is large	N	7	24	36	9	8	84
		%	8.3	28.6	42.9	10.7	9.5	100
4	An in-depth and detailed investigation into one aspect of the institution's work.	N	8	36	27	11	2	84
		%	9.5	42.9	32.1	13.1	2.4	100

Table (4)
Frequency distribution of performance auditors concerning the criteria used in selecting the auditee in the Libyan public sector (Q.B4)

N	Criteria used in selecting the auditee		NI	OLI	MI	I	VI	Total
1	Size of the auditee's budget	N	-	1	10	36	37	84
		%	-	1.2	11.9	42.9	44	100
2	Significant events or changes in the audited organization or entity	N	1	4	26	37	16	84
		%	1.2	4.8	31	44	19	100
3	Statutory requirements	N	2	9	22	32	19	84
		%	2.4	10.7	26.2	38.1	22.6	100
4	Previous audit findings	N	-	11	33	32	8	84
		%	-	13.1	39.3	38.1	9.5	100
5	Availability of audit requirements	N	-	13	35	30	6	84
		%	-	15.5	41.7	35.7	7.1	100
6	Date of last performance audit of the auditee	N	13	27	26	16	2	84
		%	15.5	32.1	31	19	2.4	100

Table (5)
Frequency distribution of performance auditors concerning the main sources of information of PA in the Libyan public sector (Q.B5)

N	Sources of PA information		Never	Rarely	Sometimes	Often	Always	Total
1	Legislative statutes relating to objectives and evaluation criteria in the public sector.	N	-	-	8	47	29	84
		%	-	-	9.5	56	34.5	100
2	Management of the audited organization	N	1	2	20	42	19	84
		%	1.2	2.4	23.8	50	22.6	100
3	Objectives and performance measures used in similar organizations	N	4	15	39	21	5	84
		%	4.8	17.8	46.4	25	6	100
4	Personnel and staff of the audited organization	N	6	20	36	17	5	84
		%	7.1	23.8	42.9	20.2	6	100
5	Prior customers and auditors of public organizations	N	5	26	37	13	3	84
		%	6	31	44	15.5	3.5	100

Table (6)
Frequency distribution of public sector managers concerning the main sources of information of PA in the Libyan public sector (Q.B3)

N	Sources of PA information		Not at all useful	Rarely useful	Moderately useful	Useful	Very useful	Total
1	Legislative statutes relating to objectives and evaluation criteria in the public sector.	N	2	1	14	77	56	150
		%	1.3	0.7	9.3	51.3	37.4	100
2	Management of the audited organization	N	-	1	15	86	48	150
		%	-	0.7	10	57.3	32	100
3	Personnel and staff of the audited organization	N	2	12	71	55	10	150
		%	1.3	8	47.3	36.7	6.7	100
4	Objectives and performance measures used in similar organizations	N	11	39	52	35	13	150
		%	7.3	26	34.7	23.3	8.7	100
5	Prior customers and auditors of public organizations	N	2	54	58	32	4	150
		%	1.3	36	38.7	21.3	2.7	100

Table (7)
Frequency distribution of performance auditors concerning the stages
in which PA occurs in the Libyan public sector (Q.B6)

N	Stages in which PA occurs		Never	Rarely	Sometimes	Often	Always	Total
1	After the completion of the project.	N	2	2	2	25	53	84
		%	2.4	2.4	2.4	29.8	63.1	100
2	Implementation stage only.	N	7	17	29	26	5	84
		%	8.3	20.2	34.5	31	6	100
3	Planning stage through to implementation stage.	N	32	31	11	8	2	84
		%	38.1	36.9	13.1	9.5	2.4	100
4	Planning stage through to implementation stage, but for selected projects only.	N	34	27	18	4	1	84
		%	40.5	32.1	21.4	4.8	1.2	100
5	Planning stage only.	N	44	35	3	2	-	84
		%	52.4	41.7	3.6	2.4	-	100

Table (8)
Frequency distribution of public sector managers concerning the stages
in which PA occurs in the Libyan public sector (Q.B3)

N	Stages in which PA occurs		Never	Rarely	Sometimes	Often	Always	Total
1	After the completion of the project.	N	3	3	11	58	75	150
		%	2	2	7.3	38.7	50	100
2	Implementation stage only.	N	7	41	74	25	3	150
		%	4.7	27.3	49.3	16.7	2	100
3	Planning stage through to implementation stage, but for selected projects only.	N	39	68	37	6	-	150
		%	26	45.3	24.7	4	-	100
4	Planning stage through to implementation stage.	N	64	61	19	5	1	150
		%	42.7	40.7	12.7	3.3	0.7	100
5	Planning stage only.	N	106	32	10	2	-	150
		%	70.7	21.3	6.7	1.3	-	100

Table (9)
Frequency distribution of performance auditors concerning the kind of audit which PA concerned in the Libyan public sector (Q.B7)

N	Kind of audit		Never	Rarely	Sometimes	Often	Always	Total
1	Effectiveness	N	-	3	9	36	36	84
		%	-	3.6	10.6	42.9	42.9	100
2	Efficiency	N	2	3	16	37	26	84
		%	2.4	3.6	19	44	31	100
3	Economy	N	3	2	22	44	13	84
		%	3.6	2.4	26.2	52.4	15.5	100

Table (10)
Frequency distribution of public sector managers concerning the kind of audit which PA concerned in the Libyan public sector (Q.B4)

N	Kind of audit		Never	Rarely	Sometimes	Often	Always	Total
1	Effectiveness	N	2	1	18	63	66	150
		%	1.3	0.7	12	42	44	100
2	Efficiency	N	1	3	33	83	30	150
		%	0.7	2	22	55.3	20	100
3	Economy	N	2	6	32	88	22	150
		%	1.3	4	21.3	58.7	14.7	100

Table (11)
Frequency distribution of performance auditors concerning the extent to which the objectives of the PA system have been achieved (Q.C1)

N ^o	Objectives of PA		IEF	REF	MEF	EF	VEF	Total
1	Enhancing organizational accountability	N	2	4	19	41	18	84
		%	2.4	4.8	22.6	48.8	21.4	100
2	Controlling organizational performance	N	-	5	26	44	9	84
		%	-	6	31	52.4	10.7	100
3	Improving organizational performance	N	1	16	51	15	1	84
		%	1.2	19	60.7	17.9	1.2	100
4	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.	N	2	28	44	7	3	84
		%	2.4	33.3	52.4	8.3	3.6	100
5	Helping decision-makers in the public sector by providing them with information about public organizations' productivity	N	5	34	28	13	4	84
		%	6	40.5	33.3	15.5	4.8	100
6	Helping public organizations to set goals and objectives.	N	7	37	28	12	-	84
		%	8.3	44	33.3	14.4	-	100
7	Developing performance measures and/or indicators for public organizations	N	9	34	32	9	-	84
		%	10.7	40.5	38.1	10.7	-	100
8	Improving quality of public organization services	N	8	41	32	3	-	84
		%	9.5	48.8	38.1	3.6	-	100
9	Helping organizations to specify their needs in terms of training and development	N	11	38	30	5	-	84
		%	13.1	45.2	35.7	6	-	100
10	Providing useful information for reward and punishment purposes.	N	27	35	12	8	2	84
		%	32.1	41.7	14.3	9.5	2.4	100

Note: IEF= ineffective; REF=rarely effective; MEF= moderately effective; EF=effective; and VEF= very effective.

Table (12)

Frequency distribution of public sector managers concerning the extent to which the objectives of the PA system have been achieved (Q.C1)

N	Objectives of PA		IEF	REF	MEF	EF	VEF	Total
1	Enhancing organizational accountability	N	3	5	38	84	20	150
		%	2	3.3	25.3	56	13.3	100
2	Controlling organizational performance	N	-	13	61	61	15	150
		%	-	8.6	40.7	40.7	10	100
3	Improving organizational performance	N	2	39	62	36	11	150
		%	1.3	26	41.3	24	7.3	100
4	Promoting the economy, efficiency and effectiveness of government organizations, programmes and activities.	N	4	38	73	33	2	150
		%	2.7	25.3	48.7	22	1.3	100
5	Improving quality of public organization services	N	13	76	51	7	3	150
		%	8.7	50.7	34	4.7	2	100
6	Developing performance measures and/or indicators for public organizations	N	27	64	42	16	1	150
		%	18	42.7	28	10.7	0.7	100
7	Helping decision-makers in the public sector by providing them with information about public organizations' productivity	N	18	81	38	10	3	150
		%	12	54	25.3	6.7	2	100
8	Providing useful information for reward and punishment purposes.	N	47	68	24	11	-	150
		%	31.3	45.4	16	7.3	-	100
9	Helping public organizations to set goals and objectives.	N	47	69	27	7	-	150
		%	31.3	46	18	4.7	-	100
10	Helping organizations to specify their needs in terms of training and development	N	58	65	19	7	1	150
		%	38.7	43.3	12.7	4.7	0.7	100

Note: IEF= ineffective; REF=rarely effective; MEF= moderately effective; EF=effective; and VEF= very effective.

Table (13)

Frequency distribution of performance auditors concerning the obstacles limit the effectiveness of the current system of PA in the Libyan public sector (Q.C2)

N	Obstacles of the PA system		SD	D	UN	AG	SAG	Total
1	The lack of performance measures and/or indicators in the public sector.	N	2	3	9	33	37	84
		%	2.4	3.6	10.7	39.3	44	100
2	Shortage of qualified staff to carry out such audits.	N	1	3	13	40	27	84
		%	1.2	3.6	15.5	47.6	32.1	100
3	The lack of a sound internal control system in the public sector.	N	-	3	16	39	26	84
		%	-	3.6	19	46.4	31	100
4	The lack of a sound financial reporting system in the public sector.	N	-	5	19	39	21	84
		%	-	6	22.6	46.4	25	100
5	The lack of specialized staff from different disciplines to carry out such audits.	N	-	3	21	43	17	84
		%	-	3.6	25	51.2	20.2	100
6	Insufficient training for performance auditors.	N	-	2	26	37	19	84
		%	-	2.4	31	44	22.6	100
7	Ambiguity of performance auditing goals and objectives.	N	1	10	17	37	19	84
		%	1.2	11.9	20.3	44	22.6	100
8	The lack of support and interest on the part of legislative and administrative officials at higher levels.	N	1	8	34	25	16	84
		%	1.2	9.5	40.5	29.8	19	100
9	Ambiguity of goals and objectives in public sector organizations.	N	5	22	24	24	9	84
		%	6	26.1	28.6	28.6	10.7	100
10	Auditors' lack of enforcement power to follow-up performance audit recommendations.	N	3	24	31	12	14	84
		%	3.6	28.5	36.9	14.3	16.7	100
11	Shortage of sufficient financial resources.	N	3	46	20	11	4	84
		%	3.6	54.8	23.7	13.1	4.8	100

Note: SD= strongly disagree; D= disagree; UN= undecided; AG=agree; and SAG= strongly agree.

Table (14)

Frequency distribution of public sector managers concerning the obstacles limit the effectiveness of the current system of PA in the Libyan public sector (Q.C2)

N	Obstacles of the PA system	SD		D	UN	AG	SAG	Total
		N	%					
1	The lack of performance measures and/or indicators in the public sector.	N	-	5	11	65	69	150
		%	-	3.2	7.3	43.3	46	100
2	The lack of specialized staff from different disciplines to carry out such audits.	N	-	6	29	77	38	150
		%	-	4	19.4	51.3	25.3	100
3	Shortage of qualified staff to carry out such audits.	N	-	10	28	70	42	150
		%	-	6.7	18.6	46.7	28	100
4	The lack of a sound internal control system in the public sector.	N	-	10	32	72	36	150
		%	-	6.7	21.3	48	24	100
5	The lack of a sound financial reporting system in the public sector.	N	-	9	55	58	28	150
		%	-	6	36.6	38.7	18.7	100
6	Insufficient training for performance auditors.	N	-	9	50	72	19	150
		%	-	6	33.3	48	12.7	100
7	Ambiguity of performance auditing goals and objectives.	N	-	9	41	93	7	150
		%	-	6	27.3	62	4.7	100
8	The lack of support and interest on the part of legislative and administrative officials at higher levels.	N	-	21	69	47	13	150
		%	-	14	46	31.3	8.7	100
9	Ambiguity of goals and objectives in public sector organizations.	N	-	43	65	39	3	150
		%	-	28.7	43.3	26	2	100
10	Auditors' lack of enforcement power to follow-up performance audit recommendations.	N	-	33	85	29	3	150
		%	-	22	56.7	19.3	2	100
11	Shortage of sufficient financial resources.	N	22	69	42	16	1	150
		%	14.6	46	28	10.7	0.7	100

Note: SD= strongly disagree; D= disagree; UN= undecided; AG=agree; and SAG= strongly agree.

Table (15)
Frequency distribution of performance auditors concerning the financial and staff resources for conducting PA investigations (Q.C3)

N	Resources of the PA system		XIN	IN	IMS	AP	XAP	Total
1	Financial resources	N	2	8	18	51	5	84
		%	2.4	9.5	21.4	60.7	6	100
2	Staff resources	N	2	16	32	27	7	84
		%	2.4	19	38.2	32.1	8.3	100

Note: XIN=extremely inappropriate; IN=inappropriate; IMS=I am not sure; AP=appropriate; and XAP=extremely appropriate.

Table (16)
Frequency distribution of public sector managers concerning the financial and staff resources for conducting PA investigations (Q.C3)

N	Resources of the PA system		XIN	IN	IMS	AP	XAP	Total
1	Financial resources	N	4	9	58	71	8	150
		%	2.7	6	38.7	47.3	5.3	100
2	Staff resources	N	2	28	83	34	3	150
		%	1.3	18.7	55.3	22.7	2	100

Note: XIN=extremely inappropriate; IN=inappropriate; IMS=I am not sure; AP=appropriate; and XAP=extremely appropriate.

Table (17)
Frequency distribution of performance auditors concerning the composition of a PA team (Q.C4)

N	A composition of a PA team		Never	Rarely	Sometimes	Often	Always	Total
1	Auditors	N	-	-	1	13	70	84
		%	-	-	1.2	15.5	83.3	100
2	Lawyers	N	-	15	26	38	5	84
		%	-	17.8	31	45.2	6	100
3	Engineers	N	5	17	38	22	2	84
		%	6	20.2	45.2	26.2	2.4	100
4	Economists	N	31	33	16	4	-	84
		%	36.9	39.3	19	4.8	-	100
5	Statisticians	N	33	38	11	2	-	84
		%	39.3	45.2	13.1	2.4	-	100

Table (18)
**Frequency distribution of public sector managers concerning
the composition of a PA team (Q.C4)**

N	A composition of a PA team		Never	Rarely	Sometimes	Often	Always	Total
1	Auditors	N	-	-	2	21	127	150
		%	-	-	1.3	14	84.7	100
2	Lawyers	N	8	16	63	49	14	150
		%	5.3	10.7	42	32.7	9.3	100
3	Engineers	N	13	22	79	34	2	150
		%	8.6	14.7	52.7	22.7	1.3	100
4	Economists	N	49	52	43	6	-	150
		%	32.6	34.7	28.7	4	-	100
5	Statisticians	N	86	43	17	4	-	150
		%	57.3	28.7	11.3	2.7	-	100

Table (19)
**Frequency distribution of performance auditors concerning
the performance auditors' reports (Q.C6)**

N	Statement		SD	D	UN	AG	SAG	Total
1	The report suggests remedial actions.	N	-	1	8	43	32	84
		%	-	1.2	9.5	51.2	38.1	100
2	The report uses simple expressions.	N	-	2	4	56	22	84
		%	-	2.4	4.8	66.6	26.2	100
3	The report is well-presented and uses a style which is easy to grasp.	N	-	2	7	63	12	84
		%	-	2.4	8.3	75	14.3	100
4	The report is fair and objective.	N	1	4	28	32	19	84
		%	1.2	4.8	33.3	38.1	22.6	100
5	The report contains current and significant information.	N	1	11	26	32	14	84
		%	1.2	13.1	31	38.1	16.6	100

Note: SD= strongly disagree; D= disagree; UN= undecided; AG=agree; and SAG= strongly agree.

Table (20)
**Frequency distribution of public sector managers concerning
the performance auditors' reports (Q.C6)**

N	Statement		SD	D	UN	AG	SAG	Total
1	The report uses simple expressions.	N	-	3	18	95	34	150
		%	-	2	12	63.3	22.7	100
2	The report is well-presented and uses a style which is easy to grasp.	N	-	3	37	97	13	150
		%	-	2	24.6	64.7	8.7	100
3	The report is fair and objective.	N	2	10	30	100	8	150
		%	1.3	6.7	20	66.7	5.3	100
4	The report contains current and significant information.	N	4	18	67	54	7	150
		%	2.7	12	44.6	36	4.7	100
5	The report suggests remedial actions.	N	1	27	66	47	9	150
		%	0.7	18	44	31.3	6	100

Note: SD= strongly disagree; D= disagree; UN= undecided; AG=agree; and SAG= strongly agree.

Table (21)
Frequency distribution of performance auditors concerning
some factors affecting the implementation of PA recommendations (Q.C8)

N	Factors	SD	D	UN	AG	SAG	Total	
1	The Libyan culture in general is not conducive to such an auditing system.	N	-	-	4	17	8	29
		%	-	-	13.8	58.6	27.6	100
2	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.	N	-	2	10	14	3	29
		%	-	6.9	34.5	48.3	10.3	100
3	Lack of support from higher legislative and administrative authorities.	N	-	6	8	11	4	29
		%	-	20.7	27.6	37.9	13.8	100

Note: SD= strongly disagree; D= disagree; UN= undecided; AG=agree; and SAG= strongly agree

Table (22)
Frequency distribution of public sector managers concerning
some factors affecting the implementation of PA recommendations (Q.C8)

N	Factors	SD	D	UN	AG	SAG	Total	
1	Lack of support from higher legislative and administrative authorities.	N	-	4	7	7	5	23
		%	-	17.4	30.4	30.4	21.8	100
2	The Libyan culture in general is not conducive to such an auditing system.	N	-	5	4	12	2	23
		%	-	21.8	17.4	52.1	8.7	100
3	Lack of power on the part of Libyan auditors to follow up and enforce recommendations.	N	-	6	5	12	-	23
		%	-	26.1	21.8	52.1	-	100

Note: SD= strongly disagree; D= disagree; UN= undecided; AG=agree; and SAG= strongly agree

Table (23)
Frequency distribution of performance auditors concerning
the attitude of public sector managers (Q.C9)

N	Statement		Never	Rarely	Sometimes	Often	Always	Total
1	Are friendly and approachable.	N	2	4	27	46	5	84
		%	2.4	4.8	32.1	54.7	6	100
2	Are willing to cooperate with audit team.	N	-	9	33	35	7	84
		%	-	10.7	39.3	41.7	8.3	100
3	Have a good attitude towards audit team.	N	2	12	36	29	5	84
		%	2.4	14.2	42.9	34.5	6	100
4	Do not explain their activities and actions	N	-	17	32	33	2	84
		%	-	20.2	38.1	39.3	2.4	100
5	Know the performance level required of them.	N	8	20	39	14	3	84
		%	9.5	23.8	46.4	16.7	3.6	100
6	Have definite standards of performance.	N	19	44	14	7	-	84
		%	22.6	52.4	16.7	8.3	-	100

Table (24)
Frequency distribution of public sector managers concerning
the attitude of performance auditors (Q.C9)

N	Statement		Never	Rarely	Sometimes	Often	Always	Total
1	Are willing to give managers an opportunity to explain their concerns.	N	-	8	36	97	9	150
		%	-	5.3	24	64.7	6	100
2	Are friendly and supportive.	N	1	7	50	82	10	150
		%	0.7	4.7	33.3	54.6	6.7	100
3	Do not explain their activities and actions.	N	4	10	63	67	6	150
		%	2.7	6.7	42	44.6	4	100
4	Have a good attitude towards public managers.	N	3	18	57	68	4	150
		%	2	12	38	45.3	2.7	100
5	Have clear standards to follow during their audit mission.	N	5	62	53	28	2	150
		%	3.3	41.3	35.4	18.7	1.3	100
6	Have clear objectives and goals of their job.	N	5	76	48	19	2	150
		%	3.3	50.7	32	12.7	1.3	100

A: general information

1. Job title:
2. Academic qualifications:
3. Length of work experience:
4. Length of experience in the field of performance auditing:

B: the nature of the performance auditing system

1. What are the main objectives for conducting performance auditing in the Libyan public sector by the Institute of Financial Auditing and the Institute of Inspection and Public Control?
2. What approaches have you adopted while conducting performance auditing?
3. What procedures have you followed when undertaking performance auditing?
4. Based on your experience, what are the criteria used by the Institute of Financial Auditing and the Institute of Inspection and Public Control in the selection of the auditee?
5. What sources do you depend on to get the required information to carry out performance auditing?
6. At what stages of project or activity does performance auditing occur?
7. If "economy" means getting the right amount of resources at the best cost at the right level of quality, "efficiency" means getting the required outputs by using the lowest amount of inputs, and "effectiveness" means the desired results and objectives have been successfully achieved, therefore, in actual practice, what kind of audit is primarily performance auditing system concerned with ?
8. In actual practice, how much time do you spend in carrying out performance auditing?

C: the effectiveness of the performance auditing system

1. With regard to the main objectives for conducting performance auditing in the Libyan public sector, in your opinion, how effective do you feel that the performance auditing system that you have applied has been?
2. What are the problems which limit the effectiveness of the current system of performance auditing that you apply?

3. Are the financial and staff resources which are allocated to performance auditing work appropriate?
4. In your opinion, what skills and qualifications does performance auditor need?
5. In performance auditing cases that have been carried out, how was the audit team typically composed?
6. To what extent has the auditee's attitude been affected by audit team composition?
7. What do you think about performance audit report?
8. To the best of your knowledge, to what extent do the auditees implement the performance audit recommendations?
9. Based on your answer to question (Q8), if the level to which the recommendations of performance auditing are implemented is unsatisfactory, could you please indicate the reasons for this situation?
10. How would you describe public sector managers' attitude to you?
11. If "feedback" means information related to performance auditing that the audit team gives to the auditee in order to discuss it and reply to it, has there been any feedback to the auditee concerning audit findings?
Yes go to Q12, Q13
No go to Q14
12. When is the feedback provided?
13. What do you think about the amount of feedback given to the auditee?
14. From your point of view, how effective, in general, is the current system of performance auditing?
15. In your opinion, what are the procedures to be followed to improve performance auditing?
16. Do you have any suggestions with respect to the issues raised in this interview or any other issue related to the subject of performance auditing in the Libyan public sector?

أ: معلومات عامة

1. الوظيفة:.....
2. المؤهل العلمي:.....
3. الخبرة العملية:.....
4. الخبرة العملية في مجال مراجعة الأداء :

ب: طبيعة نظام مراجعة الأداء

1. ما هي الأغراض الرئيسية لقيام جهاز المراجعة المالية وجهاز التفتيش والرقابة الشعبية بتطبيق نظام مراجعة الأداء على مؤسسات القطاع العام في ليبيا ؟
2. ما هي الطرق التي يتم إتباعها من قبلكم أثناء قيامكم بعملية مراجعة أداء مؤسسات القطاع العام؟
3. ما هي الإجراءات التي يتم إتباعها من قبلكم أثناء قيامكم بعملية مراجعة الأداء ؟
4. من خلال خبرتك في مجال مراجعة الأداء ، ما هي الأسس التي يتم الاعتماد عليها في عملية إختيار الجهة التي ينبغي مراجعة أدائها؟
5. ما هي المصادر التي يتم الاعتماد عليها في الحصول على المعلومات المطلوبة للقيام بعملية مراجعة الأداء؟
6. ما هي المراحل التي تجرى فيها مراجعة الأداء بالنسبة لأي نشاط أو برنامج معين ؟
7. إذا كان المقصود بالإقتصادية الحصول على الكمية المطلوبة من الموارد بأقل تكلفة وعند مستوى جودة مناسب ، والمقصود بالكفاءة الحصول على المخرجات بإستخدام أقل قدر من المدخلات ، والمقصود بالفاعلية أن الأهداف المخططة مسبقا تم تحقيقها بنجاح ، عليه فإنه في الممارسة الفعلية ، على أي معيار من المعايير التي تم ذكرها مراجعة الأداء تركز؟
8. وفقاً للممارسة الفعلية لعملية مراجعة الأداء ، ما هو الوقت المستغرق في تنفيذها ؟

ج: فاعلية نظام مراجعة الأداء

1. بالرجوع إلى الأغراض الرئيسية للقيام بعملية مراجعة الأداء والتي أشرتم لها عند الإجابة عن السؤال الأول ، حسب وجهة نظركم ، ما مدى فاعلية نظام مراجعة الأداء المطبق من قبلكم في التأثير على تلك الأغراض ؟
2. ما هي المشاكل المرتبطة بعملية مراجعة الأداء والتي تحد من فعالية النظام الحالي لمراجعة الأداء المطبق من قبلكم ؟
3. هل تعتقد أن الموارد المالية والبشرية المخصصة للقيام بعملية مراجعة الأداء مناسبة ؟
4. حسب رأيك ما هو المؤهل العلمي أو المهني الذي يجب أن يحصل عليه المراجع ليكون مؤهلاً للقيام بعملية مراجعة الأداء؟
5. في عمليات مراجعة الأداء التي قمتم بها ، مما كان يتشكل فريق مراجعة الأداء؟

6. حسب وجهة نظرك ، ما مدى تأثير تشكيلة فريق مراجعة الأداء على موقف الجهات التي يتم مراجعة أدائها تجاه عملية مراجعة الأداء؟
7. ما هو رأيك بتقرير مراجعة الأداء ؟
8. حسب علمك ، ما مدى تنفيذ الجهات التي يتم مراجعة أدائها للتوصيات المقترحة من قبل مراجعي الأداء ؟
9. بناءً على إجابتك للسؤال السابق (السؤال رقم 8) ، إذا كان تنفيذ توصيات مراجعة الأداء غير مرضي ، ما هي الأسباب التي تعتقد أنها أدت إلى ذلك ؟
10. كيف تصف موقف مدراء مؤسسات القطاع العام تجاهكم ؟
11. إذا كان المقصود بالتغذية العكسية قيام فريق مراجعة الأداء بإعطاء الجهة التي يتم مراجعة أدائها معلومات كافية عن نتائج عملية مراجعة الأداء ليتم مناقشتها والرد عليها ، فهل هناك تغذية عكسية عن النتائج التي تتوصل إليها عملية مراجعة الأداء؟
- أ. إذا كانت الإجابة (نعم) أجب عن السؤالين (12،13) . ()
- ب. إذا كانت الإجابة (لا) انتقل للسؤال رقم (14) . ()
12. متى يتم تقديم هذه المعلومات " التغذية العكسية" ؟
13. ما رأيك بكمية ونوعية المعلومات المقدمة للجهات الخاضعة لعملية المراجعة عن نتائج مراجعة الأداء ؟
14. حسب وجهة نظرك ، ما مدى فاعلية نظام مراجعة الأداء المطبق حالياً في ليبيا بشكل عام ؟
15. حسب وجهة نظرك ، ما هي الإجراءات التي يجب إتباعها لتفعيل برنامج مراجعة الأداء؟
16. هل لديك أي إقتراحات أو تعليقات ترغب في إضافتها بخصوص المواضيع التي تم التطرق لها في هذه المقابلة أو أي مواضيع أخرى تتعلق بموضوع مراجعة الأداء في القطاع العام الليبي ؟

A: participant's background

1. Job title:
2. Academic qualifications:
3. Length of work experience:

B: the nature of the performance auditing system

1. What are the main objectives for conducting performance auditing in the Libyan public sector by the Institute of Financial Auditing and the Institute of Inspection and Public Control?
2. What are the sources that performance auditors should depend on to get the required information whilst carrying out performance auditing?
3. At what stages of project or activity does performance auditing occur?
4. If "economy" means getting the right amount of resources at the best cost at the right level of quality, "efficiency" means getting the required outputs by using the lowest amount of inputs, and "effectiveness" means the desired results and objectives have been successfully achieved, therefore, in actual practice, what kind of audit is primarily performance auditing system concerned with ?
5. In actual practice, how much time do performance auditors spend in carrying out performance auditing?

C: the effectiveness of the performance auditing system

1. With regard to the main objectives for conducting performance auditing in the Libyan public sector, in your opinion, how effective do you feel that the performance auditing system, which is applied by the Institute of Financial Auditing and the Institute of Inspection and Public Control, has been?
2. What are the problems which limit the effectiveness of the current system of performance auditing as applied by the Institute of Financial Auditing and the Institute of Inspection and Public Control?
3. Are the financial and staff resources which are allocated to performance auditing work appropriate?
4. In your opinion, what skills and qualifications does performance auditor need?

5. In performance auditing cases which your organisation has been subject to, how was the audit team typically composed?
6. To what extent has your attitude been affected by audit team composition?
7. What do you think about performance audit report?
8. To the best of your knowledge, to what extent has your organisation implemented the performance audit recommendations?
9. Based on your answer to question (Q8), if the level to which the recommendations of performance auditing are implemented is unsatisfactory, could you please indicate the reasons for this situation?
10. How would you describe performance auditors' attitude to you?
11. If "feedback" means enough information related to performance auditing that the audit team gives to your organisation in order to discuss it and reply to it, have you received any feedback concerning the performance audit?

Yes go to Q12, Q13
No go to Q14
12. When do you receive this feedback?
13. What do you think about the amount of feedback that you receive?
14. From your point of view, how effective, in general, is the current system of performance auditing?
15. In your opinion, what are the procedures to be followed to improve performance auditing?
16. Do you have any suggestions with respect to the issues raised in this interview or any other issue related to the subject of performance auditing in the Libyan public sector?

أ: معلومات عامة

1. الوظيفة:.....
2. المؤهل العلمي:.....
3. مدة الخبرة العملية :

ب: طبيعة نظام مراجعة الأداء

1. ما هي الأغراض الرئيسية لقيام لقيام جهاز المراجعة المالية وجهاز التفتيش والرقابة الشعبية بتطبيق نظام مراجعة الأداء على مؤسسات القطاع العام في ليبيا؟
2. حسب وجهة نظرك ما هي المصادر التي يفضل أن يعتمد عليها المراجعون في الحصول على المعلومات المطلوبة للقيام بعملية مراجعة الأداء؟
3. ما هي المراحل التي تجرى فيها مراجعة الأداء لأي نشاط أو برنامج معين؟
4. إذا كان المقصود بالإقتصادية الحصول على الكمية المطلوبة من الموارد بأقل تكلفة وعند مستوى جودة مناسب ، والمقصود بالكفاءة الحصول على المخرجات باستخدام أقل قدر من المدخلات ، والمقصود بالفاعلية أن الأهداف المخططة مسبقاً تم تحقيقها بنجاح ، عليه فإنه في الممارسة الفعلية ، على أي معيار من المعايير التي تم ذكرها مراجعة الأداء تركز؟
5. وفقاً للممارسة الفعلية لعملية مراجعة الأداء ، ما هو الوقت المستغرق من قبل مراجعي الأداء في تنفيذها؟

ج: فاعلية نظام مراجعة الأداء

1. بالرجوع إلى الأغراض الرئيسية للقيام بعملية مراجعة الأداء والتي أشرت لها عند الإجابة عن السؤال الأول ، حسب وجهة نظركم ، ما مدى فاعلية نظام مراجعة الأداء المطبق من قبل المراجعين في ليبيا في التأثير على تلك الأغراض؟
2. ما هي المشاكل المرتبطة بعملية مراجعة الأداء والتي تحد من فعالية النظام الحالي لمراجعة الأداء المطبق من قبل جهاز المراجعة المالية وجهاز التفتيش والرقابة الشعبية في ليبيا؟
3. هل تعتقد أن الموارد المالية والبشرية المخصصة للقيام بعملية مراجعة الأداء مناسبة؟
4. حسب رأيك ما هو المؤهل العلمي أو المهني الذي يجب أن يحصل عليه المراجع ليكون مؤهلاً للقيام بعملية مراجعة الأداء؟
5. في عمليات مراجعة الأداء التي خضعت لها مؤسستكم ، مما كان يتشكل فريق مراجعة الأداء؟
6. ما مدى تأثير تشكيلة فريق مراجعة الأداء على موقفكم وشعوركم تجاه عملية مراجعة الأداء؟
7. ما هو رأيك بتقرير مراجعة الأداء؟
8. حسب علمك ، ما مدى تنفيذ مؤسستكم للتوصيات المقترحة من قبل مراجعي الأداء؟
9. بناءً على إجابتك للسؤال السابق (السؤال رقم 8) ، إذا كان تنفيذ توصيات مراجعة الأداء غير مرضي ، ما هي الأسباب التي تعتقد أنها أدت إلى ذلك؟

10. كيف تصف موقف مراجعي الأداء تجاهكم ؟
11. إذا كان المقصود بالتغذية العكسية قيام فريق مراجعة الأداء بإعطاءكم معلومات كافية عن نتائج عملية مراجعة الأداء ليتم مناقشتها والرد عليها ، فهل هناك تغذية عكسية عن النتائج التي تتوصل إليها عملية مراجعة الأداء ؟
- أ. إذا كانت الإجابة (نعم) أجب عن السؤالين (12، 13) . ()
- ب. إذا كانت الإجابة (لا) انتقل للسؤال رقم (14) . ()
12. متى يتم تقديم هذه المعلومات " التغذية العكسية" ؟
13. ما رأيك بكمية ونوعية المعلومات المقدمة لكم عن نتائج مراجعة الأداء ؟
14. حسب وجهة نظرك ، ما مدى فاعلية نظام مراجعة الأداء المطبق حاليا في ليبيا بشكل عام ؟
15. حسب وجهة نظرك ، ما هي الإجراءات التي يجب إتباعها لتفعيل برنامج مراجعة الأداء ؟
16. هل لديك أي إقتراحات أو تعليقات ترغب في إضافتها بخصوص المواضيع التي تم التطرق لها في هذه المقابلة أو أي مواضيع أخرى تتعلق بموضوع مراجعة الأداء في القطاع العام الليبي ؟

Interview No (1) IFA performance auditor (A-1)**A: general information**

Job title: auditor

Academic qualification: BSc Accounting

Length of work experience: 15 years

Length of PA work experience: 5 years

B: The nature of the performance auditing system

Q1. What are the main objectives of conducting performance auditing in the Libyan public sector?

Performance auditor: In my opinion the important point is enhancing accountability.

Researcher: So you mean that the objective of PA is enhancing accountability, what about improving the quality of its services, and promoting the economy, efficiency and effectiveness of government organisations and activities.

Performance auditor: I would like to say that the main objective of IFA since its establishment is preventing the waste of public money, while the other objectives are secondary objectives. For example, development is not our objective but if we observed that the audited organisation needs development, we will recommend that in our report. As another example, if there is a defect in an internal control system, we will say there is a defect in the internal control office and the organisation needs to change this person (for example) because he is unqualified.

Q2. What approaches have you adopted while conducting performance auditing?

Performance auditor: A primary and detailed investigation into all aspects of the audited institution or entity to specify its possible weaknesses which, in turn, are subject to in depth investigation. We also depend on our experience and previous reports of the audited company. Furthermore, we sometimes investigate the whole organisation if small, and select individual projects or activities if the organisation is large. Moreover, we do an in-depth and detailed investigation into organisations which are fully funded by the government, such as those in the education sector.

Researcher: What about the municipalities or as so-called Al-Shabiyat in Libya.

Performance auditor: In this regard, since 2008 we have not carried out PA for each municipality due to the fact that the funding of the municipalities became central in 2008, therefore we audit each activity of a municipality separately. I mean the public budget is now allocated directly to each sector, not to the municipalities, so we audit all sectors such as education, health and security sector.

Q3. What procedures have you followed when undertaking performance auditing?

Performance auditor: We nearly always follow the same procedures for all our investigations. There are no written procedures to be followed, but we depend on our experience in conducting PA. When we start our investigation, we first request the legislative statute of the company and the minutes of meetings of the Board of Directors of the company, and then we do a documentary investigation into the company's accounts such as its fixed assets, treasury, bank and debtors...etc. After that we investigate the profit and loss account and, lastly, we prepare our report.

Q4. What are the criteria you use in the selection of the auditee?

Performance auditor: I think the important factor is statutory requirement, but the size of a company is important as well.

Q5. What sources do you depend on to get the required information to carry out performance auditing?

Performance auditor: Financial statements.

Researcher: So you will not ask (for example) an organisation's officers for more information?

Performance auditor: I do that sometimes.

Researcher: What about previous auditors?

Performance auditor: I refer to their audit, especially, at the beginning. I mean when I review a company for first time, however, some auditors do not refer to previous audits. At a first audit for an organisation that I have not reviewed before, I always look for an auditor who has audited this organisation to find some information about it, but if the organisation or the company that I am going to audit is one I have audited before, I will not refer to the previous auditors' work.

Researcher: Do you depend on the managers of the organisation, especially the financial manager, to get information about their company?

Performance auditor: I sometimes do that.

Researcher: Do you have any measurements or indicators to use for PA?

Performance auditor: We do not have. Generally, there are no measurements or indicators; we depend on our experience when conducting PA.

Researcher: When you evaluate a company, you need to compare it with other companies to decide if it is successful or not, do you do that?

Performance auditor: This is one of the obstacles that performance auditors face. It is rare to find data of other similar companies to compare with. But, in the banking sector, you can make a comparison.

Researcher: What about the legislative statutes of the company?

Performance auditor: It is an important factor to get information about the audited company. The first step when I start my job is to request the legislative statutes of the audited company. Generally speaking, there is not a particular statute for each company. Most public companies in Libya use the governmental legislative statutes related to public sector companies.

Q6. Which stages of project or activity do you audit?

Performance auditor: Most of them after the completion of project. Business and industrial companies are always audited after the end of the financial year.

Researcher: What about the projects those are still under implementation, such as the railway project?

Performance auditor: This project takes ten years or more to be complete, so we audit it during all its stages.

Researcher: That means you audit some projects at early stages.

Performance auditor: We sometimes audit projects before the implementation; we review the contract of the project.

Researcher: That means you review the planning stage of the projects, and the audit work depends on the nature of the projects.

Performance auditor: Yes, if the project is still being implemented, we audit all its stages; while business and industrial companies we audit after the end of the financial year, as I told you.

Researcher: Do you audit all public companies every year?

Performance auditor: We carry out financial auditing for all companies every year, while PA is conducted according to a decision from the IFA, which depends on the guidance that is issued by the government (the General People's Congress [GPC]).

Q7. If “economy” means getting the right amount of resources at the best cost at the right level of quality, “efficiency” means getting the required outputs by using the lowest amount of inputs, and “effectiveness” means the desired results and objectives have been successfully achieved, therefore, in actual practice, what kind of audit is primarily performance auditing system concerned with ?

Performance auditor: I consider all of them when I carry out PA, but we sometimes do not consider the economy if the objective of the project is not to seek to maximise its profits. For example, the main purpose of Libyan investment projects in Africa is not to achieve a profit but it is to help these poor countries. So, we do not concentrate on the economy audit in our investigations. Generally, I give efficiency audit more attention.

Q8. How much time do you spend in carrying out performance auditing?

Performance auditor: It depends on the size of a project. Small projects always take one to three months to be audited, not more than three months. Medium and large projects often take four to six months.

Researcher: Are there any companies or projects which take more than six months to be audited.

Performance auditor: I do not think so, because we should finish our task, and prepare the PA report in six months or less.

Researcher: How can you determine the size of projects?

Performance auditor: We can find out by capital, the size of employment, and multiple branches. If these things are huge, then the size of project is large. In contrast, there are companies whose capital is large, but they are small in size, such as Portfolio Investment Africa. Although its capital is LD7 billion, it is considered as a small company because its activity depends on the financial deposits. We can say the size of any company is based on its activity

C: the effectiveness of the performance auditing system

Q1. How effective do you feel that the performance auditing system that you have applied has been?

Performance auditor: It is ineffective due to the lack of performance measures, the lack of a sound financial reporting system, the lack of a sound internal control system, and an ambiguity of goals and objectives in public sector organisations. Furthermore, instability of the structure of work within the Institute of Public Control (IPC) led to a negative impact on the effectiveness of performance auditing. Moreover, the effectiveness of PA is based on the extent to which the Head of the IFA is qualified. If he a good qualified auditor then the PA system will be effective. But in Libya there is no stability, because the Head of IFA is always changed every two or three years, and that has led to the ineffectiveness of PA.

Q2. What are the problems which limit the effectiveness of the current system of performance auditing that you apply?

Performance auditor: As I told you, the problems are the *lack of performance measures*, the lack of a sound financial reporting system, the lack of a sound internal control system, and an ambiguity of goals and objectives in public sector organisations. In addition, not all performance auditors and staff from other disciplines are qualified.

Q3. Are the financial and staff resources which are allocated to performance auditing work appropriate?

Performance auditor: Yes, they are an appropriate. For example, transport is available to take us to carry out PA at any company. On the other hand, we do not have, for instance,

laptops to help us in our work. There is also no, sufficient training to help us in our work. Generally, I can say that financial resources are appropriate, but staff or human resources are to some extent inappropriate.

Q4. In your opinion, what qualifications does performance auditor need?

Performance auditor: I think any qualification in an accounting field can allow work as an auditor. But practicing auditing and supervision by an experienced auditor are needed for auditors to conduct effective PA.

Q5. In performance auditing cases that have been carried out, how was the audit team typically composed?

Performance auditor: It was often composed of an auditor, an engineer and a lawyer.

Q6. To what extent has the auditee's attitude been affected by audit team composition?

Performance auditor: It was affected to a considerable extent. I mean the audit team composition had a big impact on the attitude of the auditee.

Q7. What do you think about performance audit report?

Performance auditor: Performance audit report use simple expressions, and are well-presented and uses a style which is easy to grasp, but I think it is not a comprehensive report because I sometimes do not find enough time to review all aspects of the project.

Q8. To the best of your knowledge, to what extent do the auditees implement the performance audit recommendations?

Performance auditor: Most organisations implement PA recommendations.

Q9. Based on your answer to question (Q8), if the level to which the recommendations of performance auditing are implemented is unsatisfactory, could you please indicate the reasons for this situation?

Performance auditor: I said most of them implement our recommendations, but I think the reason that some organisations do not implement them or implement part of them can be attributed to a lack of support from higher legislative and administrative authorities.

Q10. How would you describe public sector managers' attitude to you?

Performance auditor: I can say most of them are friendly and approachable, and willing to cooperate with the audit team.

Q11. Is there any feedback to the auditee concerning audit findings?

Performance auditor: Yes, there is.

Q12. When is the feedback provided?

Performance auditor: It is often provided immediately after the completion of the audit. We provide a preliminary report to the auditee to discuss it and reply to it; after that, we prepare the final report and send it to the Board of Directors of the company.

Q13. What do you think about the amount of feedback given to the auditee?

Performance auditor: I cannot decide exactly if it is appropriate because there are no standards or measurements that make me decide if it is appropriate.

Q14. From your point of view, how effective, in general, is the current system of performance auditing?

Performance auditor: In my opinion, it is ineffective due to instability of the structure of work within the IPC and the IFA and the lack of performance measures in the public sector.

Q15. In your opinion, what are the procedures to be followed to improve performance auditing?

Performance auditor: I think the important point is that the audit staff should engage in training courses, and they should be practical courses to be more useful.

Lastly, do you have any suggestions with respect to the issues raised in this interview or any other issue related to the subject of performance auditing in the Libyan public sector?

Performance auditor: I would like to say the IFA should pay more attention to the performance auditors by involving them in English language and computer training courses in order to improving their skills.

Interview No (1) public sector manager (M-1)**A: general information**

Job title: Internal auditing department manager.

Academic qualification: MSc Accounting

Length of work experience: 20 years

B: the nature of the performance auditing system

Q1. What are the main objectives of conducting performance auditing in the Libyan public sector by the Institute of Financial Auditing and the Institute of Inspection and Public Control?

Interviewee: In my opinion, the objectives of conducting PA are to increase capacity of productivity, diversify production, improve product quality and increase the efficiency of workers.

Researcher: We can say that the objectives are to improve organisations' performance, improve the quality of public organisation services, and promote the economy, efficiency and effectiveness of government organisations, programmes and activities.

Interviewee: Yes, exactly, that is what I meant.

Researcher: What about enhancing accountability and controlling organisational performance?

Interviewee: I can say that the IIPC and the IFA are seeking to achieve these objectives, but they should prioritise the goals that I have already mentioned.

Q2. What are the sources that performance auditors should depend on to get the required information whilst carrying out performance auditing?

Interviewee: Performance auditors should depend on trusted sources such as the documents of the audited company or efficient staff to avoid getting wrong information.

Researcher: So, what about legislative statutes and management of the audited organisation, can they refer to them to get information?

Interviewee: Legislative statutes are to some extent useful, while the information that can be obtained by the administration, it depends on the director him/herself, he/she whether is likely to provide useful information.

Researcher: What about previous auditors?

Interviewee: I can say that they are to some extent not at all useful, because they sometimes have not achieved some objectives, which they might leave you to achieve instead of other objectives.

Researcher: What about performance measurements or indicators, are they useful?

Interviewee: They are very useful.

Researcher: Do you have any measurements or indicators that can be used for PA?

Interviewee: Yes, we have. For example, there are indicators related to consumption of raw materials, and they can be compared with the same indicators for similar companies.

Researcher: How did you get these indicators?

Interviewee: We got them via the Internet and by referring to performance indicators for the same industry in some Arab countries, such as Qatar and Jordan.

Researcher: Most performance auditors who I have met or have interviewed said there are no performance indicators to refer to.

Interviewee: That is right, but with regard to this company (General Company for Iron and Steel) there are indicators to measure its performance due to the fact that this company is one of the largest strategic companies in Libya, hence it received more attention.

Q3. At what stages of project or activity does performance auditing occur?

Interviewee: With regard to this company, it occurs during the operational phases. However, it often occurs after the end of the financial year for most public companies.

Researcher: Is your company subjected to performance auditing every year?

Interviewee: No, it is not. It is reviewed according to a decision from the General People's Congress, which is the highest authority in Libya.

Q4. If "economy" means getting the right amount of resources at the best cost at the right level of quality, "efficiency" means getting the required outputs by using the lowest amount of inputs, and "effectiveness" means the desired results and objectives have been successfully achieved, therefore, in actual practice, what kind of audit is performance auditing system primarily concerned with ?

Interviewee: It considers all of them (economy, efficiency and effectiveness).

Q5. In actual practice, how much time do performance auditors spend in carrying out performance auditing?

Interviewee: They spend no more than three months.

C: The effectiveness of the performance auditing system

Q1. How effective do you feel that the performance auditing system, which is applied by the Institute of Financial Auditing and the Institute of Inspection and Public Control, has been?

Interviewee: It is effective in terms of some objectives such as improving organisations' performance, but for other objectives it is rarely effective.

Q2. What are the problems which limit the effectiveness of the current system of performance auditing as applied by the Institute of Financial Auditing and the Institute of Inspection and Public Control?

Interviewee: The main problem is the lack of specialist auditors familiar with the nature of industrial activities. If the audit team does not contain a person who can understand the nature of the company's activity, then it cannot evaluate the performance of the audited company and this will lead to an ineffective review.

Researcher: Do you mean that there is lack of specialised staff from different disciplines to carry out PA?

Interviewee: Yes, that is exactly what I meant.

Researcher: What about the financial reporting system and the internal control system of public companies?

Interviewee: I can say that they are to some extent appropriate. They are not a major problem to prevent performance auditors from conducting their task.

Q3. Are the financial and staff resources which are allocated to performance auditing work appropriate?

Interviewee: In short, I can say that financial resources are appropriate while human resources are to some extent appropriate.

Q4. In your opinion, what qualifications does a performance auditor need?

Interviewee: I think any qualification in an accounting field can allow work as an auditor. However, conducting auditing under the supervision of an experienced auditor is needed for auditors to conduct effective PA.

Q5. In performance auditing cases which your organisation has been subject to, how was the audit team typically composed?

Interviewee: It was often composed of an auditor, an engineer and a lawyer. Furthermore, it sometimes contains a statistician. However, its composition depends on the type of work that the audit team are going to carry out.

Q6. To what extent has your attitude been affected by audit team composition?

Interviewee: The audit team composition had a big impact on the attitude of the audited company.

Q7. What do you think about the performance audit report?

Interviewee: The performance audit report uses simple expressions, and is well-presented and uses a style which is easy to grasp. However, it should be so in order not to lose its usefulness.

Q8. To the best of your knowledge, to what extent has your organisation implemented the performance audit recommendations?

Interviewee: It always implements PA recommendations. I can say our company does not have problems implementing any recommendations because it is supported by the General People's Congress.

Researcher: Maybe your company is a special case. What do you think about other public companies?

Interviewee: I think most of them implement PA recommendations if they have the ability to do so.

Q9. Based on your answer to question (Q8), if the level to which the recommendations of performance auditing are implemented is unsatisfactory, could you please indicate the reasons for this situation?

Interviewee: As I said, most of them implement performance auditors' recommendations, but I think the reason that some organisations do not implement them or implement part of them can be attributed to a lack of support from higher legislative and administrative authorities.

Q10. How would you describe performance auditors' attitude to you?

Interviewee: I can say most of them are friendly and supportive, have a good attitude towards public managers, and are willing to give managers an opportunity to explain their concerns. They get the information about the audited company through questionnaires, which are distributed to company's staff. Furthermore, they sometimes conduct interviews with some employees to get information, and then they meet managers at higher levels of management for more information and, when they prepare their report, they come back to the administration of the company to discuss it with them. So, as I said, they have a good attitude towards public managers, and are willing to give managers an opportunity to explain their concerns.

Q11. Have you received any feedback concerning the performance audit?

Interviewee: Yes, we have.

Q12. When do you receive this feedback?

Interviewee: It is often provided while auditors were undertaking their mission and sometimes immediately after the completion of their audit.

Q13. What do you think about the amount of feedback that you receive?

Interviewee: Although performance auditors cannot provide feedback that covers all the aspects of the company's activities, I can say that the feedback is appropriate.

Q14. From your point of view, how effective, in general, is the current system of performance auditing?

Interviewee: It is effective for some companies but ineffective for other companies due to the absence of measures or indicators of the performance. However, I can say it is to some extent effective.

Q15. In your opinion, what are the procedures to be followed to improve performance auditing?

Interviewee: I think the two important points are that performance indicators should be issued for all public sector companies and that audit staff should engage in training courses to be qualified to conduct PA.

Lastly, do you have any suggestions with respect to the issues raised in this interview or any other issue related to the subject of performance auditing in the Libyan public sector?

Interviewee: No, thanks.