Supreme Audit Institution SAI
Performance Measurement Framework PMF
Report

Mar.2016
Supreme Audit Institution Performance Report

Palestinian Supreme Audit and Administrative Control Bureau
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## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ARABOSAI</td>
<td>Arab Organization of Supreme Audit Institutions</td>
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<tr>
<td>Bisan</td>
<td>Palestinian Authority Computerized Accounting System (IFMIS)</td>
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<tr>
<td>EQFM</td>
<td>European Foundation for Quality Management</td>
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<td>EU</td>
<td>European Union</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>GIZ</td>
<td>German Agency for International Cooperation</td>
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<td>GPC</td>
<td>General Personnel Council</td>
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<td>HR</td>
<td>Human Resources</td>
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<td>IDI</td>
<td>INTOSAI Development Initiative</td>
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<tr>
<td>IFMIS</td>
<td>Integrated Financial Management and Information System</td>
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<td>INTOSAI</td>
<td>International Organization of Supreme Audit Institutions</td>
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<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
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<td>ISSAI</td>
<td>International Standards of Supreme Audit Institutions</td>
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<tr>
<td>IT</td>
<td>Information technology</td>
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<tr>
<td>MIS</td>
<td>Management Information System</td>
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<tr>
<td>NA</td>
<td>Not applicable</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<tr>
<td>NIS</td>
<td>Israeli New Shekel (the currency used in Israel and the West Bank and Gaza)</td>
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<td>PA</td>
<td>Palestinian Authority</td>
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<td>PACC</td>
<td>Palestinian Anti-Corruption Commission</td>
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<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<tr>
<td>PFM</td>
<td>Public Financial Management</td>
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<tr>
<td>PLC</td>
<td>Palestinian Legislative Council</td>
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<td>QAR</td>
<td>Quality Assurance Review</td>
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<td>SAACB</td>
<td>State Audit and Administrative Control Bureau</td>
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<td>SAI</td>
<td>Supreme Audit Institution</td>
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<td>SAI PMF</td>
<td>Supreme Audit Institution Performance Measurement Framework</td>
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<tr>
<td>TOR</td>
<td>Terms of Reference</td>
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<tr>
<td>VAT</td>
<td>Value-added tax</td>
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Foreword

At the request of the Palestinian State Audit and Administrative Control Bureau (SAACB), an assessment of its performance was undertaken using the Supreme Audit Institution Performance Measurement Framework (SAI PMF) methodology developed by the International Organization of Supreme Audit Institutions (INTOSAI). The assessment was led by the World Bank as part of technical assistance engagement with the SAACB.

The SAI PMF report was originally prepared in July 2014. Subsequently, a mission to update the report was conducted in July 2015. The objective of the mission was to identify any significant changes in the SAACB compared to International Standards for Supreme Audit Institutions from the earlier draft assessment. Neither the samples nor the year under assessment were altered since such alteration would result in revising the outcomes of the original assessment. The team concluded that there were no significant changes in the SAACB practices that need to be updated in this report. However, it should be noted that the SAACB is moving forward with its reform to upgrade its audit methodology to be in compliance with international standards. This is evidenced by the SAACB’s continued efforts to adopt performance audit and information technology audit methodologies.

The assessment was carried out following a hybrid approach, with team members from SAACB, the World Bank, and a peer SAI (Norway). The assessment team included: Mr. Nadi Mashni and Ms. Yngvild H. Arnesen, World Bank Financial Management Specialists and Task Team Leaders, Mr. Bjorn Langerud, Assistant Director General, Office of the Auditor General of Norway (OAGN), Mr. Trygve H. Christiansen, Senior Advisor, OAGN, Mr. Ala’ Eghrayeb, Acting General Director and Team Leader, SAACB, Ms. Sana Khalaf, Manager, SAACB, Ms. Suzann Khalaf, Audit Manager, SAACB, Ms. Majdoleen Sammour, Technical Auditor, SAACB, and Ms. Asma Musleh, Auditor, SAACB.

World Bank peer reviewers included Mr. Franck Bessette and Ms. Leslie Kojima, both Senior Financial Management Specialists. Quality assurance of the draft report was provided by the INTOSAI Development Initiative (IDI), and in the World Bank by Mr. Mohamed Yehia, Senior Financial Management Specialist, and Mr. Manuel Vargas, Lead Financial Management Specialist. The Bank team was overseen by the Governance Global Practice Public Resource Mobilization and Management Unit, led by Ms. Samia Msadek, Director, and Mr. Hisham Waly, Practice Manager; and by the West Bank and Gaza Country Management Unit, led by Mr. Steen Jorgensen, Country Director.

The team wishes to thank the SAACB authorities, management and officials for the excellent cooperation and openness, as well as officials of the other cooperative organizations for the sharing of relevant information.
Executive Summary

The Palestinian State Audit and Administrative Control Bureau (SAACB) is a young institution. Over the past several years, it has demonstrated a strong interest in improving its performance within the constraints affecting the Palestinian Authority (PA) institutions. Such constraints include severe fiscal pressure and the absence of a functioning parliament. The SAACB also experiences de jure and de facto limitations to its independence from the Executive. Despite these constraints, the SAACB has been able to position itself as an important contributor to increased accountability and transparency in the use of public funds in the West Bank.¹

An important example is the audit and publication of the final accounts of the PA for 2010, the latest final accounts it has received. This audit revealed several shortcomings in the financial management of the Palestinian public sector. The Supreme Audit Institution Performance Measurement Framework (SAI PMF) assessment shows that the SAACB has laid the foundations for providing a high standard of audits to the PA authorities and the public. However, more work is needed to sustain and institutionalize recently improved audit methodologies. The limited independence and legal protection of the President of the SAACB from the Executive also entails a constraint against improved performance, as in doing so, there is a risk of removal from office. In this context, donor partners recommend strengthening the legal framework of the SAACB to comply with International Organization of Supreme Audit Institutions (INTOSAI) independence standards.

The SAACB is a well-managed organization with a high degree of openness to its stakeholders, including the public and civil society. The SAACB’s openness has raised the awareness about it and the important role that it plays. Consequently, stakeholders express appreciation for its efforts and results. In the current situation, where there is no convening parliament and the PA President has assumed a legislative role, SAACB’s partnering with civil society and the public becomes even more important in its effort to increase accountability in the use of public funds. While the SAACB does not have full financial or administrative independence, it is considered to have a high degree of freedom to select topics for auditing and reporting. In addition, it has the possibility to influence its budget and the hiring of staff in cooperation with the Ministry of Finance and the General Personnel Council (GPC).

One of SAACB’s main challenges lies in fulfilling its mandate, that is, in providing assurance on the execution of the national budget. The Ministry of Finance has not submitted to SAACB the final accounts for 2012 or 2013 and 2014. In addition, the SAACB’s audit mandate is broader in comparison to its actual resources. The SAACB is mandated to audit around 5,000 entities, including central and local government entities, non-governmental organizations (NGOs), as well as audits based on complaints from the public. In 2013, SAACB carried out compliance audits for just 96 of these entities, which represents 1.75 percent of audit coverage.

Taking into account the limited human resources SAACB has available to cover its mandate and the absence of the final accounts for the last four years, the challenge for the SAACB lies in selecting which entities to audit to ensure that audit activities cover areas of high risk and materiality. Given the increasing strength

¹ The assessment covered SAACB’s audit activities carried out in the West Bank only, as the branch office in Gaza is not operational.
of the internal audit function at the central government level, there appears to be scope for the SAACB to place more reliance on the work of internal audit, following pertinent international standards. This might entail an increase in SAACB’s audit coverage. It is also important that the SAACB continue its work in establishing a strong mechanism for following up on how the auditees address specific audit findings.

The SAACB has shown a great ability to respond to emerging issues and regularly performs a number of audits that lie beyond its traditional audit mandate. In addition, the SAACB has assumed a greater responsibility in following up on public complaints, which in 2013 amounted to 450 complaints. Although it is important to be responsive to the public and investigate complaints, this has meant that limited resources are diverted away from other important tasks. As such, this assessment recommends that the SAACB make greater use of risk assessments in the selection of both auditees and topics for audit. This will enable it to become more conscious of which areas require the most attention, and what the consequences are of choosing one auditee or audit topic over another.

The SAACB has made important improvements in its audit performance over the last few years. The new audit methodology is largely compliant with international standards. However, the new methodology is not yet evenly implemented across the various audit directorates within the organization. The assessment shows that the quality of audit assignments varies significantly, especially regarding the ability to do overall audit planning, prioritize against identified risks, and perform audit procedures and arrive at a proper audit opinion/conclusion. To ensure a more uniform audit practice and full implementation of the new methodology, the SAACB would benefit from strengthening its internal training efforts in terms of the overall planning to make sure that it directly supports its strategic goals. It may consider how to use internal staff for training and coaching in the implementation of the new methodology. Furthermore, quality control and quality assurance functions should be strengthened.

In terms of strengthening its work on integrity and ethics, the SAACB could further enhance stakeholder trust. It can work to ensure that employees become aware of the implications of the relatively new code of conduct, for example, by conducting dilemma training courses. The systems for ensuring that ethics considerations are made ahead of each audit engagement, as well as for monitoring compliance with the code, could also be strengthened.

Taking into account the relatively strong foundations built over several years in combination with the SAACB’s strong interest in bringing its audit practices further into line with the International Standards of Supreme Audit Institutions (ISSAIs) and its rich engagement with external partners, SAACB’s prospects for further improvements are considered to be strong. External partners have provided comprehensive and timely support in areas of significance to the SAACB, and are likely to continue to assist SAACB in its efforts. However, the SAACB still needs to increase its efforts to institutionalize the new practices introduced through external support so that it can continue to improve — without the ongoing presence and support of external partners.
Box i.1 SAI Performance Report of the Palestinian Supreme Audit and Administrative Control Bureau, 2014

Quality Assurance Statement

The INTOSAI-Donor Secretariat of the INTOSAI Development Initiative (IDI) — as coordinator of the SAI PMF Task Team under the INTOSAI Working Group on the Value and Benefits of SAIs — provides support to SAI PMF pilot assessments as requested. Such support includes conducting independent quality assurance reviews (QARs) of draft assessment reports. A request for such a QAR was received by the World Bank on May 13, 2014.

The SAI PMF assessment of the SAACB was conducted as a hybrid assessment, and was led by Nadi Mashni and Yngvild Arnesen (World Bank). The team also included two members from the Office of the Auditor General of Norway (OAGN), and five members from the SAACB. The team leaders, OAGN members and two of the SAACB members had previously attended a SAI PMF training course. One of the team leaders had also led a previous SAI PMF assessment. Together the team is considered to have the appropriate skills and experience to conduct this assessment, including knowledge and experience of the domains within the SAI PMF, as well as the different audit types applied by the SAACB.

The design of the quality assurance process was included in the assessment Terms of Reference (ToRs). The ToRs were independently reviewed by the INTOSAI-Donor Secretariat, and approved by the Head of the SAACB and the World Bank, which led the assessment. The quality assurance reviewers were agreed between the SAACB and the World Bank.

In addition to the QAR done by the IDI, the draft assessment report was reviewed by other World Bank staff in accordance with the World Bank’s internal quality assurance procedures.

The QAR done by the IDI was carried out by Martin Aldcroft, Acting Head of the INTOSAI-Donor Secretariat in IDI, who had no responsibility for preparing the SAI PMF report. He is considered to have the appropriate knowledge and experience necessary for this task. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores, that the analysis was consistent with the evidence, and that the executive summary was consistent with the analysis in the rest of the SAI-PR. The review concluded that all these requirements had been met. It noted that some minor corrections should be made. It also provided some recommendations to improve the report. (IDI will also undertake a final review, to ensure comments raised in the QAR have been addressed).

Prepared by: Martin Aldcroft, Acting Head of the INTOSAI-Donor Secretariat, 08/07/2014.
(ii) Observations regarding the SAI’s Performance and Impact

a) Integrated Assessment of SAI Performance

The main features of the performance of an SAI are its reports and the quality of its work, including: (i) the fulfillment of its legal mandate/audit coverage; (ii) the quality of its work, timely submission and publication of reports; and (iii) its follow-up on the implementation of audit findings. Both external and internal factors influence this performance. For the SAACB, an underlying external factor which could potentially influence all of its activities concerns the limitations to financial and administrative independence from the Executive and the lack of a convening parliament to support its operations. Although the SAACB appears to be operating with a large degree of freedom, its dependency on funds from the Ministry of Finance, its key audited entity, represents an inherent risk.

Audit reporting and follow-up on findings

Given its broad audit mandate and limited human resources, the SAACB is only able to audit a small percentage of the entities within its overall mandate (calculated at around 1.8 percent). In addition, in 2013 the SAACB was not able to meet its statutory obligation of auditing the implementation of the government budget because the Ministry of Finance did not finalize and submit the final accounts for 2012. It is clear that these external factors have a strong influence on the SAACB’s performance.

Nevertheless, the broad legal mandate — to be entitled to audit all public funds — is generally in line with the ISSAIs, since no use of public funds should be left without oversight by the SAI. Thus, audit coverage also depends on the SAACB’s internal ability to focus its limited resources on the most important issues and entities. This assessment shows that although the annual audit planning process in the SAACB is well organized, it does not apply a systematic and documented risk-based methodology for selection of entities to be audited. The consideration of materiality in the planning of individual audit engagements is also limited. In addition, the bottom-up approach in the planning process entails that the overall picture of risk and materiality for the entire public sector is given too little emphasis. Also, there are limited possibilities to apply human resources flexibly across units according to considerations of risk and materiality.

Although the SAACB is subject to external constraints, there is room to improve its planning so that it covers the most important issues throughout its audit activities. Although the SAACB has included in its annual reports that the submission of the final accounts by the Ministry of Finance has been severely delayed, there seems to be scope for the SAACB to be even more vocal in the public domain about the consequences of this.

In addition, there is an opportunity to ensure clearer divisions of tasks between the SAACB, the Palestinian Anti-Corruption Commission (PACC) and international development partners, which may enable the SAACB to direct its resources to the areas which require the most attention. There is a risk of overlap in the area of audits based on complaints from the public, since both the SAACB and the PACC receive such

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2 These issues are measured by the indicators in Domains A and D.
3 Details are provided in the assessment of SAI-1 and SAI-2.
4 As of May 2014, the Ministry of Finance had not completed or submitted to SAACB the final accounts for 2011 and 2013.
complaints. In addition, there has been limited communication between the two bodies about which complaints they are investigating further. Also, there is a clear risk of overlap in the audit of NGOs that are funded by international development partners, since the donors also have audit arrangements for the funds they provide. A greater degree of communication with the donors about the audits that the SAACB is undertaking would be useful. Indeed, donors might make use of the SAACB’s audit results if they were informed of them.

The timeliness of the audit is also impaired by the Ministry of Finance’s delay in submitting the final accounts. An influencing factor might be the lack of general instructions for the production of financial statements.5

Overall, the current delays mean that the PA political leadership and the public do not receive any external assurance that public funds have been legally spent for the purposes intended. The timeliness of other audits, which are reported to the auditees, is however considered to be satisfactory. This is supported by well-organized planning of individual audits, as well as clear internal governance structures which facilitate efficient quality control and approval processes.

The publication of the annual report is a requirement in the SAACB law, and SAACB has published several annual reports in recent years. This is in line with good practices, and indicates that the society at large and the auditees are open to discussing audit findings in public. As the SAACB did not publish its annual report for 2012, the public does not have the same access to information about the government’s performance and use of funds, which leads to a lower degree of accountability. This is particularly important since there is no functioning parliament that can provide checks and balances on government activities. The content of the annual report is relevant, and contains information on the SAACB’s own performance as well as its main audit findings.

According to the SAACB law, audited entities should submit written response to the SAACB on audit recommendation in 30 days, but there is no legal provision requiring it to follow up on the audited entities’ implementation of measures to address audit findings. However, such a task is under establishment at the SAACB. It is especially important that the SAACB takes on this role in the current situation where there is no convening parliament. Normally, the parliament would have shared the responsibility to follow up on how the government addresses SAACB’s audit findings.

**Quality of audit work**

This assessment shows that important foundations for financial and compliance audit are in place at the SAACB, including audit manuals that follow the ISSAI requirements. There are areas for improvement in audit planning, implementing and reporting. However, the overall trend is that the SAACB’s audit work is gradually moving closer to ISSAI compliance, especially with the implementation of its audit manuals on risk-based audit methodology. This positive development is supported by the presence of qualified staff, clear plans and divisions of responsibilities within the organization, and strong support services such as information technology (IT) and archiving.

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5 During May 2014 the World Bank provided technical assistance to assist the MoF in drafting general instructions for issuing the financial statements. These instructions should enable the MoF to improve the quality and timing of accounting procedures, develop the control function in the General Accounting Directorate and ensure accuracy and exhaustiveness of the data entered in the financial statements.
There is a clear strategy and tone from the top that promotes the improvement of audit methodology and procedures, and this strategy has been supported by continued donor support. This interplay of internal and external factors has supported positive developments in the SAACB over the last few years. The SAACB has also been successful in forging useful partnerships and contacts with its key national stakeholders, which consequently have showed support for the SAACB’s important role.

The assessment also shows weaknesses in the audit practices, most notably that: (i) risk and materiality are not sufficiently emphasized in audit planning and reporting; (ii) the majority of the reports do not have a clear conclusion or audit opinion; and (iii) considerations of ethics at the audit engagement level are weak. This is especially the case for financial audits, whereas compliance audits are performed consistently better. Practices are also not consistent across different directorates and units, where some are more conversant with the risk-based methodology. There is a general need to increase the knowledge about how to assess and address risk and materiality among the SAACB management and staff, both with regard to their audit work and for internal strategic and annual planning. Ethics is also an area which is under development in the SAACB, and where there is room for further improvement.

One factor that explains the observed differences in practices between directorates concerns the SAACB’s training and professional development function. It is important that all staff is properly trained in the applied methodology, and that the knowledge is kept up-to-date through on-the-job training and other activities. There is potential for the SAACB to strengthen its internal training and professional development so that it is able to sustain an appropriate level of learning without external support from donors and implementing partners. Once implemented comprehensively, the quality assurance system will also help ensure that practices are applied consistently across departments.

b) The Value and Benefits of Supreme Audit Institutions – Making a Difference in the Lives of Citizens

The SAACB is presented as a strong audit and oversight body with transparent reporting that has a preventive effect against malfeasance on the part of government officials, and that has brought to light cases of fraud and misuse of public funds. These two roles are mainly recognized and appreciated by citizens and all main external stakeholders. The SAACB has a complementary role to other bodies in the Palestinian territories that deal with accountability, most notably the PACC and civil society organizations. These bodies pick up on the SAACB’s audit reports and address them from their perspective.

The SAACB also has an important role to play in assisting the PACC to investigate cases of suspected fraud. There is further potential to make this role even more effective by developing specialized skills to carry out investigations on behalf of the PACC, so that the methods, audit evidence and reports are guaranteed to meet the PACC’s requirements. The SAACB’s direct channel to citizens regarding reports on alleged cases of corruption or fraud is also valued by society. The challenge for the SAACB in this regard lies in meeting the expectations of citizens while still fulfilling its mandate as the auditor of the government. This is difficult given the SAACB’s limited human resources and the wide range of tasks.

Certain reports that the SAACB have issued have had notable effect, in particular in the environmental audit field. The SAACB demonstrates its relevance to citizens by being responsive to current developments. For example, the SAACB carried out a timely audit of the authorities’ responses to the effects of a large
snowfall in December 2013, which led to widespread power cuts and other serious disruptions in public service delivery which threatened people’s safety. It is also developing its performance audit capacity in order to provide citizens with more in-depth information about government performance in different areas. Furthermore, the SAACB is actively working to help strengthen internal control units in line ministries.

In addition to improving its audit planning so that it ensures that the most important issues are covered by its audits, the SAACB can increase the impact of its work by strengthening its follow-up procedures. There are indications that government bodies have limited mechanisms for addressing the results of the SAACB’s audits. The PA President’s office analyzes the SAACB’s annual report and communicates with line ministries about the findings. However, it has very limited resources to follow up with them regarding implementation of measures to address the findings.

Similarly, the Ministry of Finance has a role in coordinating the response to the SAACB about audits which concern its activities, but the sustained focus on the issues over time seems limited. Given the absence of a convening parliament, the SAACB’s own work in collaboration with civil society and the public becomes extremely important. Therefore, it is essential that SAACB findings be material and that the recommendations be considered by the auditees as useful and constructive. In this way, the SAACB’s work can become even more relevant and add further value to the government.

c) Analysis of the SAI’s Capacity Development Efforts and Prospects for Further Improvement

The SAACB’s willingness to pursue the high standards established for SAIs by INTOSAI is notable. As shown in section 7 of this report, the SAACB has over many years given high priority to capacity development and engaged actively with external providers of support toward this end. The SAACB has taken ownership of its development through the preparation of Strategic Plans which support the capacity building process, and by following up on the introduction of new audit methodology through the establishment of a strong internal team for the audit of the final accounts.

An interest in and willingness to learn from international good practices is prevalent among staff and management, and this culture is supported by the tone at the top. The SAACB has also made it a priority to establish strong relations with external providers of support, thereby helping to ensure that the prospects for financing of future capacity development projects will be high. These factors all point in the direction of a strong likelihood for further improvement of SAACB practices. A key challenge for the SAACB and external partners in this regard is to take the SAACB’s absorption capacity into account when planning new projects and activities. In this context, it is also important to ensure proper coordination between activities, and to avoid overlap or introduction of competing concepts.

Priority should now be given to institutionalizing the new audit methodologies that have been introduced under the European Union (EU) project. It is of particular importance that the SAACB work to strengthen its internal training capacity to reduce the reliance on external partners. The current level of internal training is not likely to be sustained if external support is not maintained.
(iii) **SAI Management Use of Assessment Results (completed by SAACB)**

The main focus of the SAACB towards the SAI PMF report and results would be in measuring our internal performance, to have a clear view on our institutional building to comply with the INTOSAI Standards, to find the gap between our current work and what is required by the international standards, and to enable us to plan our strategy to fulfill and adopt INTOASI Standards. Also, this will enable us to share with our partners and the Donor Community the results generated by implementing the SAI PMF, and to focus our cooperation on strengthening our weakness to reach a high level of compliance with INTOSAI standards.

3. **Introduction**

This assessment was carried out using the Pilot Version of the SAI PMF, a performance measurement framework developed by INTOSAI for voluntary use by SAIs. It provides a standardized overview assessment of SAI performance against the ISSAIs, as well as an assessment of its impact on society. The objective of the assessment of the SAACB was threefold: (i) to provide the SAACB with information about its strengths and weaknesses as compared to the ISSAIs; this would help to establish a baseline against which future progress can be measured, as well as inform further capacity development; (ii) to inform the strategy to rely on the SAACB as the external auditor of the financial statements of World Bank-supported operations in the Palestinian territories; and (3) to provide the SAACB with tools and more knowledge about internal performance management.

This assessment builds on an ongoing World Bank engagement with the PA with regard to reforming and strengthening the public financial management system. This includes a Public Expenditure and Financial Accountability (PEFA) assessment carried out in 2013 by a multi-donor team under the leadership of the World Bank.

The scope of the SAI PMF assessment included SAACB’s audits and other assurance activities implemented in the calendar year 2013. The SAACB is the sole public external auditing body in the Palestinian territories. The assessment covered SAACB’s financial and compliance audits. It focused on SAACB’s audit activities implemented in the West Bank, as the branch office in Gaza is not operational.

4. **Methodology**

4.1. **Introduction**

This assessment followed the methodology of the SAI PMF as set out in the SAI PMF Pilot Version. This includes a combination of quantitative assessment of 24 indicators and a qualitative assessment of the indicator scores, as well as certain issues not measured by the indicators. The indicators are scored on a 0-to-4 scale basis, where “0” indicates that an activity does not exist; “1” indicates the founding level where a feature exists but is basic; “2” indicates the development level where the feature exists and the SAI has begun developing and implementing relevant strategies and policies, but where they are only partially implemented; “3” indicates the established level where the feature is functioning broadly as expected under the ISSAIs; and “4” indicates that the activity is at the managed level where it follows the principles in the ISSAIs, and the SAI is continuously improving its performance.

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6 Dated July 12, 2013.
A hybrid assessment approach was followed, meaning that the assessment team consisted of staff from the SAACB, the World Bank as the external partner, and a peer SAI (Norway). Although the World Bank maintained leadership of the process, all team members were involved in the planning, data gathering and analysis, as well as in the writing of the report.

The main fieldwork was carried out in Ramallah from February 2-13, 2014. The main sources of information were derived from document analysis of primary and secondary sources, a review of a sample of audit files, as well as interviews with various SAACB officials and key external stakeholders. Documentation in Arabic was analyzed on-site with the help of a SAACB translator and members of the assessment team, and key sources of information were translated into English. A list of sources of information is provided in Annex 2.

4.2. Scope
During the preparations for the assessment, the team agreed with the SAACB management on indicators and dimensions which were deemed “Not Applicable” (NA) in SAACB’s context and therefore would not be scored. These indicators and dimensions were as follows:

- SAI-3 Performance Audit Results, SAI-15 Performance Audit Foundations and SAI-16 Performance Audit Process. These were omitted because the SAACB’s performance audit function is only in the earliest stages of development;
- SAI-4 Judgment Results and SAI-17 Judgment Process; as these are specific to Courts of Accounts;
- Dimension (iv) of SAI-10 Quality Assurance of Audit Processes because the SAACB does not outsource audits to private firms; and
- Dimension (i) of SAI-23 Communication with the Legislature, Judiciary and Executive, as there is no convening parliament with which the SAACB can effectively communicate.

In addition, some further criteria and dimensions were considered inapplicable during the course of the assessment and in line with the SAI PMF “No Score” methodology. Details about these are provided under the respective indicators in section 6. The team is of the opinion that the scored indicators as well as the qualitative information provided comprise a sufficient foundation for presenting a comprehensive picture of SAACB’s performance.

4.3. Methodology of Domain D: Audit Standards and Methodology
Domain D assesses the SAI’s audit practices. SAI-9 and SAI-10 deal with the overall processes in the SAI related to audit planning, quality control and quality assurance. SAI-11 and SAI-13 deal with the quality of audit standards and manuals, which have been benchmarked against the ISSAIs. They also assess other foundations for effective audit, including ethics, quality control and team management at the audit engagement level. SAI-12 and SAI-14 assess how the audits are carried out in practice, and are assessed through a review of audit files.

7 The World Bank team, the OAG Norway team and two members of the SAACB team are INTOSAI-qualified SAI PMF assessors.
Audit Standards and Guidance – SAI-11 and SAI-13

There is no widely accepted Palestinian government auditing standards. The SAACB developed standards in 2011, but these have never been recognized by the key stakeholders or actively applied. In its daily work, SAACB auditors instead refer to and utilize audit manuals. The manuals for financial and compliance audits represent the “new methodology” developed during the EU capacity development project. These incorporate most of the key requirements of the ISSAIs. They also make systematic reference to the 1000-series and 4000-series of the ISSAIs, respectively. Given that the manuals are so closely linked to the ISSAIs, they were used to score the criteria related to audit standards in SAI-11(i) and SAI-13 (i).

Audit File Review – SAI-12 and SAI-14

The scoring of indicators SAI-12 and SAI-14 require review of a sample of audit files. Although not statistically representative, the sample was designed to reflect the current audit practices in the SAACB to the largest degree possible. This entailed that: (i) a sufficient number of audits were reviewed (eight), (ii) both financial and compliance audits were reviewed (five and three, respectively), and both audits carried out with SAACB’s “old” and “new” audit methodology were included (four and four, respectively), (iv) audits from all the different audit directorates in the SAACB were represented; and (v) audits were selected randomly within the defined strata.

The sample covered audits reported during 2013. The total number of reports that year amounted to approximately 100. The team was informed that 14 of these followed the “new methodology”. Since half of the audits in the sample followed the new methodology, these audits were overrepresented. This was done in recognition of the steps taken by the SAACB in implementing an ISSAI-compliant methodology. Yet, it is the perception of the team that the sample is suitable to present a balanced picture of the performance of SAACB.

Table 4.1: Sample of Audits for Review

<table>
<thead>
<tr>
<th>Audit Number</th>
<th>New or Old Audit Methodology</th>
<th>Financial and Compliance Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New</td>
<td>Financial</td>
</tr>
<tr>
<td>2</td>
<td>New</td>
<td>Financial</td>
</tr>
<tr>
<td>3</td>
<td>Old</td>
<td>Financial</td>
</tr>
<tr>
<td>4</td>
<td>Old</td>
<td>Financial</td>
</tr>
<tr>
<td>5</td>
<td>Old</td>
<td>Financial</td>
</tr>
<tr>
<td>6</td>
<td>New</td>
<td>Compliance</td>
</tr>
<tr>
<td>7</td>
<td>New</td>
<td>Compliance</td>
</tr>
<tr>
<td>8</td>
<td>Old</td>
<td>Compliance</td>
</tr>
</tbody>
</table>

Source: SAACB records

The scoring of the sample was carried out in compliance with the SAI PMF scoring methodology. This requires that the criteria for an indicator should be met for all audits in order to be considered as “met”. A single audit in a sample may be considered an exceptional case if there is convincing evidence that the criterion was generally met across the population. Such an exceptional case was found in the sample of financial audits (SAI-12) in which one of the audit files was considered an outlier.

A number of the sample audits were initiated on the basis of complaints from the public. Such audits do normally not follow the ISSAI requirements in all aspects, in particular with regard to audit planning. They
were still included in the sample because they constitute a sizeable proportion of the audits implemented, and because there is no distinct audit methodology or audit manual for such audits.

5. Country and SAI Background Information

5.1. Description of Country Governance Arrangements and Wider Environment in which the SAI Operates

The Palestinian territories have a population of 4.3 million (2.6 million in the West Bank, and 1.6 million in Gaza). Since 2007, the West Bank has been governed by the Palestinian Authority, and Gaza has been governed de facto/independently by Hamas. The economy is characterized by considerable dependence on foreign aid and a weak private sector. The latter is influenced by the special situation of West Bank and Gaza and restrictions put in place by the Government of Israel. Following the Oslo Accords, the West Bank was divided into three areas; two under Palestinian control which cover the urban centers (“Area A”) and most rural communities (“Area B”), and an area which is under the civilian and security control of the Government of Israel (“Area C”). Area C comprises about 61 percent of the West Bank.

The nominal per capita income in the Palestinian territories is $2,533 (2012), which places it into the Lower-Middle Income country category. Unemployment levels are high, estimated at 25 percent in the second half of 2013 (18 percent in the West Bank and 39 percent in Gaza). The relatively high growth rates have decreased recently, partly as a result of a decline in external budget support. Growth rates were 11 percent in 2011, 5.9 percent in 2012, and 1.9 percent in the first half of 2013. Using the national poverty line, the poverty headcount ratio was 26 percent in 2011.

The PA was established in 1994 pursuant to the Oslo Peace Accords. The Palestinian Basic Law from 2002 establishes the structure of the PA with three branches of power: executive, legislative and judiciary. The President of the PA is directly elected by the people. The President appoints a Prime Minister who chooses a cabinet of ministers and runs the government, reporting directly to the President. The Palestinian Legislative Council (PLC) has legislative powers according to the law. Its authority is restricted to the Palestinian population in the West Bank and Gaza. It is concerned with domestic rather than foreign policy issues or those concerning relations with Israel. The government is accountable to the President and the PLC. The first PLC was elected in 1996, but it has not convened since 2007, following the conflict between Fatah and Hamas. The PA President has considerable power, and collective decision-making within the executive branch appears to be limited.

Given the absence of a convening parliament and in accordance with the Basic Law, the President of the PA currently assumes legislative power. When it was still convening, the PLC was engaged in accountability efforts through its general and financial oversight activities, as well as through specific investigative tasks. It also received and looked into complaints from the public. Although there were capacity limitations, parliamentary oversight constituted an important component in the public

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8 This section is largely based on the Public Financial Management Performance (PEFA) Report from 2013.
accountability system which is now missing.\textsuperscript{11} Fatah is currently the predominant political party in the West Bank, and political opposition is limited.

Despite recent efforts to strengthen anti-corruption work and public financial management, data from varied sources indicate that West Bank and Gaza faces considerable challenges with regard to openness and democratic governance. Table 5.1 shows the World Bank Governance indicators for 2012.\textsuperscript{12}

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice and Accountability</td>
<td>-1.02</td>
<td>18</td>
</tr>
<tr>
<td>Control of corruption</td>
<td>-0.78</td>
<td>24</td>
</tr>
<tr>
<td>Government effectiveness</td>
<td>-0.75</td>
<td>26</td>
</tr>
<tr>
<td>Rule of law</td>
<td>-0.46</td>
<td>40</td>
</tr>
</tbody>
</table>

A new PA government was sworn in in June 2013. However, the resignation of its Prime Minister in less than a month from his appointment and a subsequent reappointment in August took some momentum from the reform process in several key reform areas. The changes have however given rise to new reform initiatives.

5.2. Description of Public Sector Budgetary Environment including Public Financial Management and Impact on SAI Performance

The West Bank is divided into 11 governorates and has 437\textsuperscript{13} local government units. The economy and political decision making is, to a large degree, centralized. In 2012, 93.5 percent of public expenditure was for the central government, 2 percent for local government, and 4.5 percent for autonomous government agencies. Governorates and local government units receive the majority of their funds from the central government. The PA budget comprises 52 responsibility centers, including 22 ministries and several smaller agencies\textsuperscript{14}. Apart from donor support, extra-budgetary funds are limited.

Most of the growth in the recent years was driven by donor-supported expenditures, including in the public sector. The public sector employs around 16 percent of the labor force in the West Bank (2012). External budget support has decreased dramatically since 2010, an important factor influencing the budget deficit in the last few years (the recurrent balance after external budget support was -6.9 percent of gross domestic product [GDP] in 2012). The gap between expenditures and revenues has led to delays in the payment of wages in the public sector, a significant accumulation of arrears, and unplanned domestic borrowing. Debt service remains an important challenge. The PA introduced a hiring and promotion freeze in mid-2012 to limit the growth in expenditures for the public sector labor force.

\textsuperscript{11} http://www.transparency.org/country#PSE

\textsuperscript{12} http://info.worldbank.org/governance/wgi/index.aspx#reports. The governance indicators are an index based on information from several available sources. The range of scoring is -2.5 (lowest) to +2.5 (highest). The rank indicates what percent of the countries rank lower than the given country.

\textsuperscript{13} Source: Ministry of Local Government records.

\textsuperscript{14} Such as the Land Authority, the Palestinian Water Authority, the Industrial Zones Board, the Environmental Quality Authority, and the Palestinian News Agency.
In 2012, the size of the PA budget was 13.593 billion new Israeli Shekels (NIS)\(^5\), equivalent to US$ $3.531 billion. The main sources of revenue are foreign aid and monthly transfers of customs and value-added taxes (VAT) collected by the Government of Israel for goods and services destined for the West Bank and Gaza. These transfers are at times irregular, which challenges PA cash forecasting. The main areas of public expenditure are in the security and social sectors. The five largest ministries accounted for around 75 percent of recurrent expenditures in 2012. These included the Ministry of Interior and Security (29 percent of the budget), the Ministry of Education (21 percent), the Ministry of Social Affairs and the Ministry of Health and Pensions. Most capital expenditure is financed by donors and will be subject to audit according to donor external audit arrangements.

The public financial management (PFM) system largely follows the Westminster/Anglophone tradition. PFM reforms were initiated in 2002 following a deteriorating fiscal situation. They focused largely on improving control and oversight of expenditures, and were relatively far-reaching. External partners have supported the PFM reforms, and a PEFA assessment was carried out in 2013 by a multi-donor group. It showed that the PA has faced significant challenges in pursuing improvements to PFM, including considerable fiscal stress and difficult circumstances. However, there have been improvements since the previous PEFA assessment in 2007. Significant progress was achieved regarding the comprehensiveness and transparency of the budget, as well as control and audit. Despite these improvements, the report still pointed to systemic weaknesses in budget preparation, execution, accounting and reporting.

Financial statements are produced according to cash basis International Public Sector Accounting Standards (IPSAS). However, these have not been fully applied, as noted by the SAACB in its audit of the 2010 accounts. An integrated financial management information system (“Bisan”) is used throughout the government sector. The consolidation of the financial statements of the government is processed by this system. However, the accounts do not provide information on arrears, which are significant in size. Furthermore, they have also not been produced in a timely manner.\(^6\) The Ministry of Finance is required by law to produce the consolidated accounts within one year of the end of the fiscal year. The final accounts for 2010 were submitted to the SAACB for audit on January 23, 2012, after the SAACB had issued its audit report on the financial statements for 2009 so that the opening balance could be adjusted. The final accounts for 2011 had, at the time of this report, not yet been finalized by the Ministry of Finance.

The “Bisan” system provides an important framework for automated internal controls, as it is used to process budget expenditures. It does not record commitments in a satisfactory manner though, which makes it difficult to control the accumulation of arrears.\(^7\) Apart from this, the PEFA assessment found that rules are complied with in the majority of transactions. The payroll is centrally managed by the Ministry of Finance through a computerized system. The PEFA assessment was overall positive in terms of the payroll management.\(^8\) An internal audit function was established in 2004 and was at the time of the SAI PMF mission operational in 18 line ministries. It uses standards compliant with the Institute of Internal Auditors Professional Practices Framework, and the audits cover around 80 percent of expenditures, with a significant focus on systemic issues.\(^9\) Given the relative strength of the internal audit function at the central

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\(^5\) Palestinian Authority, Ministry of Finance reports.
\(^6\) See PEFA 2013, PI-25 (score C).
\(^7\) See PEFA 2013, PI-20 (score D+).
\(^8\) See PEFA 2013, PI-18 (score B+).
\(^9\) See PEFA 2013, PI-21 (score C+).
government level, there appears to be scope for the SAACB to place more reliance on the work of the internal audit. This might entail an increase in SAACB’s audit coverage.

A significant development in the wider PFM environment was the establishment of the Palestinian Anti-Corruption Commission by means of a Presidential decree in 2010. It enjoys relatively strong independence and has the authority to investigate and prosecute alleged cases of fraud and corruption. It has led the work in developing a national anti-corruption strategy, and the SAACB is recognized as an important partner.

5.3. Description of the SAI’s Legal and Institutional Framework, Organizational Structure and Resources, and Impact of Country Environment on SAI Performance

Background
The SAACB was established as an external audit body in 2005 as the SAACB law (Law No. 15 of 2004) entered into force. The predecessor of the SAACB was the General Control Institute, which was tasked with financial and administrative supervision over state bodies and NGOs. The General Control Institute had been established by a Presidential decree and was affiliated with the PA Presidency. The Basic Law of 2003 enabled the establishment of the SAACB (Article 96). The SAACB is broadly following the Auditor General/Westminster-inspired organizational model of SAI. It has one President as its head, and it has staff with a financial background. However, it is not in possession of authority to issue legal judgments, such as court model SAIs. It is legally required to report to the President of the PA, the prime minister, and the PLC. In the current situation where the PLC is not convening, the President of the PA and the auditees are the main recipients of the audit reports.

Staffing and offices
The SAACB has its headquarters in Ramallah with around 150 employees of which 80 are professional auditors, while the rest are support and administrative staff. There is a branch office in Gaza with 85 employees. However, the office has not been operative since the split between Fatah and Hamas in 2007. The employees there continue to receive salaries. The auditors in the West Bank work from the SAACB office, but when they carry out audit missions they are provided with office space at the premises of the auditees. The SAACB is currently renting its office space, but has purchased a new and larger building. It is currently looking for funds to purchase the necessary equipment and furniture.

A considerable number of people were recruited at the same time in 2008, significantly increasing the human resource levels. Since then the number of employees has remained relatively stable over time. As for other government entities in the West Bank and Gaza, recruitments in the SAACB are managed by the General Personnel Council (GPC). Since 2012, there has been a government-wide halt on recruitments to control the wage bill, which has also affected recruitment by the SAACB.

The SAACB is headed by a President who retains the overall responsibility for all activities. The President approves all audit reports and makes key organizational decisions. The organizational chart also foresees a Vice President who would be the deputy of the President and assist in carrying out the duties, but this position is currently not filled. Instead, the function is carried out by the Director General, who oversees the work of all six audit directorates and the three administrative departments. The SAACB also has units for public relations, planning and internal audit which are directly associated with the SAACB President. The departments are further split into sections. The organizational structure requires the approval of the PLC, and therefore cannot easily be changed. See Figure 5.1.
Figure 5.1: SAACB Organizational Chart

Source: SAACB.
Note: GD=General Directorate; IT= information technology; NGO= non-governmental organization.

The SAACB has benefitted from an institutional strengthening project financed by the EU (2011–2013) which, among other things, focused on enhancing the audit methodology, adopting a risk-based audit approach, and strategic planning. It also entailed a review of the SAACB’s current law against international principles for SAI legal frameworks, and made suggestions for amendments to the law, which are in the process of being put forward to the PA Presidency for consideration. Under the project, an organizational review was also conducted. It concluded that the current staffing levels are lower than desired, and are not in line with the staff schedule which defines the number of positions in each department and unit.

Audit mandate

The SAACB law defines a broad audit mandate. Its main task is to carry out ex-post audits of the implementation of the public budget, which it is required to report on. It also has the right to audit local government, as well as all institutions which carry out public services. This includes NGOs which receive foreign aid. As discussed further in this report, the audit mandate of SAACB covers several thousand organizations and entities. The SAACB has the mandate to carry out financial, compliance and performance audits. The law also gives it the task of conducting ex-ante control of certain transactions, especially with regard to public procurement. Additionally, the SAACB acts an observer in the government procurement committee. It also receives complaints from the public and carries out audits after an initial consideration

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20 Further details on the EU project are provided in section 7.
by the legal department. It may refer cases to the PACC, and is sometimes requested to carry out work in support of PACC investigations.

Financial and Compliance Auditing
Changes in the audit methodology were recently introduced through an EU-supported capacity development project. Prior to this, the SAACB did not separate between financial and compliance audits. Instead, it carried them out in an integrated manner in what is often referred to as a "regularity audit". In practice, the regularity audit applied by the SAACB placed more emphasis on compliance than financial aspects. A financial audit according to the ISSAI definition has only been applied since the "new methodology" was implemented. The SAACB has now started to distinguish clearly between financial and compliance audits, as the ISSAIs recommend. Article 23 of the SAACB law confirms the SAACB mandate to carry out financial audits.

Financial audits according to the new methodology focus on forming an opinion regarding financial statements. The new methodology for compliance audit has introduced concepts such as audit criteria and subject matter. The SAACB is gradually rolling out the new methodology. Consultants supported this process by coaching audit teams in the audit process in 2012 and 2013 through the EU-supported project. However, as of 2013, in the scope of this assessment, it was found that a large majority of the audits were still performed in accordance with the “old methodology”.

The key characteristic of financial auditing, as defined in ISSAI 100, is to determine whether an entity’s financial information is presented in accordance with an applicable financial reporting and regulatory framework. This entails that the financial reporting framework used by the audited entities make it possible for the SAI to carry out such a financial audit.

For the SAACB, this condition is in place for an important proportion of entities within its audit mandate, as the recognized financial reporting framework for the Palestinian public sector is the International Public Sector Accounting Standards (IPSAS). The IPSAS are applied in the central government in the preparation of its final accounts. International financial reporting standards are applied in universities and state-owned enterprises. The cash or accrual basis is applied in local governments/municipalities depending on their capacity and size. However, the reporting requirements for smaller local government entities and NGOs are not clear, and individual ministries do not produce annual financial statements. Thus, the new financial audit methodology cannot be applied in the audit of all entities, something that the SAACB recognizes.

Financial resources
The SAACB budget is part of the public budget. According to the law, the SAACB is required to submit its budget proposal to the cabinet for inclusion in the overall budget which is then approved by the PLC. In practice, the SAACB discusses its budget proposal with the Ministry of Finance before finalization, and the budget is ultimately approved by the President of the PA. Like all other government entities, the SAACB uses the “Bisan” system to record and report its revenues and expenditures. The Ministry of Finance has control over the SAACB’s resources, as it releases funds in portions throughout the year. This is partly due to the significant fiscal stress the government is under, which leads to periodic liquidity problems.

The SAACB has neither de jure nor de facto financial independence. In this context, there is a constructive dialogue between the SAACB and the Ministry of Finance regarding budget requests. The SAACB was recently able to secure extra funding from the Ministry of Finance to purchase the new office building.
Although its current resources are not sufficient to fulfill its broad audit mandate, it does not appear to be significantly under-resourced in comparison with other Palestinian government entities. The details of the budget allocation and expenditures are annually disclosed in the SAACB website.

Further details on SAACB’s legal framework, mandate and independence from the Executive are provided in section 6 under the assessment of Domain B.

6. Assessment of the SAI’s Environment, Capability and Performance
This chapter presents the evidence-based analysis as measured by the 24 performance indicators.

6.1. Domain A: SAI Reporting
The SAACB’s audit mandate is defined in the SAACB law. It is relatively broad and includes all central and local government entities, as well as all institutions and organizations that are owned or supported by the state or that provide public services. The mandate also covers NGOs that receive funding from donors. The law states that the SAACB should audit the implementation of the annual budget, but no other tasks mentioned in the law are mandatory, thus rendering the mandate rather flexible. The SAACB’s own interpretation of its audit mandate includes 52 central government entities, 435 local government entities and around 5,000 NGOs, totaling around 5,500 entities.

Although the SAACB has the mandate to carry out financial and compliance audits, the law does not specify which entities should be subject to either type of audit. Central government entities are not required to submit their individual financial statements to the SAACB. Instead, the Ministry of Finance is supposed to submit the consolidated final accounts of the whole central government to the SAACB. On this basis, it will then carry out a financial audit of all entities. In addition, the SAACB receives independent financial statements from some state-owned enterprises and larger local government units. Given that the Ministry of Finance did not yet submit to the SAACB the 2011 and 2012 final accounts, the SAACB’s financial audit in 2012 and 2013 only covered a minor proportion of government expenditures.

For compliance audits, the SAACB decides independently which audits to perform. For central government entities, it extracts the relevant financial information directly from the financial reporting system “Bisan”. As the potential number of entities within the compliance audit mandate is extremely high, the percentage of entities that the SAACB has the capacity to audit each year is bound to be very low. This fact should be seen in connection with the identified weaknesses in the process for selecting entities for audit, which does not to a sufficient extent consider risk and materiality (see assessment of SAI-9 for more details).

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21 Further details on the SAACB’s audit mandate are provided in the assessment of SAI-7.
22 SAACB Law, Article 13d.
23 SAACB’s Annual Audit Plan for 2013. The last stocktaking of NGOs was carried out in 2010 by the Ministry of Interior. It is likely that many of the NGOs in the list do not exist anymore and that new NGOs have emerged. Therefore, the total number of NGOs is uncertain, but SAACB operates with an estimate of 5,000.
**SAI-1: Financial Audit Results (Score: N/A)**

This indicator measures the financial audit performance of the SAACB in terms of audit coverage, submission and publication of financial audit results, and the degree of follow-up on implementation of observations and recommendations. The indicator was scored by assessing SAACB’s audit reports and follow-up procedures.

<table>
<thead>
<tr>
<th>Indicator score: N/A</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
<td>Findings</td>
<td></td>
</tr>
<tr>
<td>(i) Financial Audit Coverage</td>
<td>Calculation of financial audit coverage cannot be done because of non-receipt of the final accounts from the Ministry of Finance. The SAACB has reported to the President and the public on the non-submission of the final accounts.</td>
<td>N/A</td>
</tr>
<tr>
<td>(ii) Submission of Financial Audit Results</td>
<td>Calculation of timeliness cannot be done because of the non-receipt of the final accounts.</td>
<td>N/A</td>
</tr>
<tr>
<td>(iii) Publication and Dissemination of Financial Audit Results</td>
<td>The SAACB has not published the financial audit results for the financial year 2012.</td>
<td>0</td>
</tr>
<tr>
<td>(iv) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations</td>
<td>Criterion a) is met. Criteria b) and d) are not met. Criterion c) is “Not Applicable.” The implementation of recommendations by the audited entities is not being systematically followed up. However, a system for follow-up is currently being established.</td>
<td>2</td>
</tr>
</tbody>
</table>

(i) Financial Audit Coverage

The dimension cannot be scored because the SAACB has not received the final accounts for 2012. The SAACB did receive a limited number of financial statements from universities and some of the bigger local authorities of which the SAACB has previously carried out financial audits. However, the major source of financial information on which the SAACB’s financial audit should be based is the final accounts for the central government sector. Since the SAACB has not yet received the final accounts for 2012 from the Ministry of Finance, it is not meaningful to assess audit coverage based on the number of financial statements received as required by the indicator, and the dimension is therefore considered “Not Applicable.” The implication of the non-receipt of the final accounts is that only a minor proportion of government expenditures in 2012 was subject to financial audit. In previous annual reports, the SAACB has reported to the PA President and the public on the non-submission of the final accounts.

(ii) Submission of Financial Audit Results

The timeliness of audit reports cannot be calculated because the SAACB has not received the final accounts for 2012. The dimension is therefore considered “Not Applicable.” It should be noted that there is no requirement in the SAACB law for when SAACB must submit its audit of the final accounts, which is required according to international good practices.
However, to get an indication of timeliness, the SAACB calculated the number of days spent from issuance of the engagement letter to the submission of audit reports. The calculation comprised both financial and compliance audits completed in 2013. The SAACB was able to calculate time spent on 37 of the 100 audits, and the average time spent on these was 153 days / five months.

(iii) Publication and Dissemination of Financial Audit Results

Article 8 of the SAACB law24 requires the SAACB to publish its annual audit report, specifically in the official gazette. The law does not contain obligations to publish other audit reports. The SAACB publishes its reports on its website in addition to the official gazette. It has published annual reports for the last few years, as well as reports for the first, second and third quarters of 2013. However, it has not published the annual report for the financial year 2012, which was finalized and should have been published in 2013. The annual report was published by the NGO AMAN on its website25, but this does not release SAACB of its responsibility to publish the report itself. Since 2013 is the year under assessment, and the indicator specifically asks for the reports which the SAI is legally obliged to publish, the score is 0.

(iv) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations

The auditees’ responsibility for considering the SAACB’s audit findings is explicitly defined in the SAACB law in Article 36b: “audited ministries and entities shall answer within a month to observations issued by the Bureau.” At present, according to the SAACB, around 70 percent of the recommendations are accepted by the auditees and around 30 percent are actually implemented.

Currently there are no systematic follow up procedures on audit findings at the SAACB. However, a system for follow-up of audits is in the process of being established. It will improve the current practice, which is to consider findings from previous audits and invite the audited entities to give feedback on measures implemented. There were examples of this practice in the reviewed audit files. The corrective measures taken by the audited entities on the annual audit report are however not addressed specifically in the audit of the following year.

In the new system, there are units tasked with follow-up in each audit directorate of the SAACB. These units will develop reports on the follow-up of audit recommendations by the audited entities, thus taking over the activities currently carried out by audit teams at the beginning of each audit year. A newly developed procedures manual to clarify the follow-up process is also in place. So far, only one follow-up report has been completed within the Directorate for Control of Local Government. It was submitted to the Executive, but was not reported publicly.26

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25 http://www.aman-palestine.org/ar/reports-and-studies/saacb
26 The organization-wide system for follow-up is also assessed in SAI-7 (iv). The higher score on that dimension than on SAI-1 (iv) and SAI-2 (iv) is related to the fact that the new system which is currently being introduced in the SAACB at the time of the assessment has not yet been fully put into practice.
SAI-2: Compliance Audit Results (Score=1)

This indicator measures the compliance audit performance of the SAACB in terms of audit coverage and timeliness of the submission compliance audit results. The assessment of publication of compliance audit results and the degree of follow-up on implementation of observations and recommendations is the same as for financial audit, since the practices do not differ.

<table>
<thead>
<tr>
<th>Indicator score: 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
</tr>
<tr>
<td>(i) Compliance Audit Coverage</td>
</tr>
<tr>
<td>(ii) Submission of Compliance Audit Results</td>
</tr>
<tr>
<td>(iii) Publication and Dissemination of Compliance Audit Results</td>
</tr>
<tr>
<td>(iv) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations</td>
</tr>
</tbody>
</table>

Source:

(i) Compliance Audit Coverage

As noted, the number of entities that fall within the audit mandate of the SAACB is very high (around 5,500). Thus, with its limited human resources, it is difficult for the SAACB to receive a high score on audit coverage as it is defined by the indicator. According to a list of all audit reports submitted by the SAACB in 2013, only 96 out of the 5,500 entities were audited. Based on this number, the audit coverage was 1.75 percent. The SAACB’s process for selecting compliance audits ensures that all audited entities face the possibility of being subject to audit each year. However, it does not have a particular focus on central government entities. The audit plan and coverage is decided by each audit directorate at the beginning of the year, and it depends mainly on the availability of staff — but with no clear sampling methodology and without following a documented risk-based approach (further details are provided in the assessment of SAI-9).

(ii) Submission of Compliance Audit Results

The dimension was rated on the basis of the three compliance audits in the sample. There is no legal or agreed timeframe for submission of compliance audit results, and the SAACB does not have a management information system which records the time elapsed between the period covered in compliance audits and the submission of the audit report to the auditee. The three audits were submitted 8, 16 and 20 months after...

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27 List of all audit reports submitted by the SAACB in 2013, developed 13th February 2014.
the period covered, respectively. This entails a score of 1 according to the definition of the indicator. However, for the three audits, the average time spent from the beginning of the fieldwork to the submission of the report was five months.

(iii) Publication and Dissemination of Compliance Audit Results
See description under SAI-1 (iii). The score is identical, as results from financial and compliance audits are presented in the same annual audit report.

(iv) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations
See description under SAI-1 (iv). The score is identical, as the system for follow-up is the same for financial and compliance audit.

SAI-3: Performance Audit Results (Score=N/A)
Not applicable.

SAI-4: Judgment Results (Score=N/A)
Not applicable.

SAI-5: Annual Report and Other Reports (Score=2)
This indicator measures the extent to which the SAI reports on its results. It focuses on the SAI annual report, whether it has been published, and whether it contains information on SAI performance. The indicator also measures the extent to which the SAI reports on audits that lie beyond its traditional audit mandate.

<table>
<thead>
<tr>
<th>Indicator score: 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
</tr>
<tr>
<td>(i) Content and Submission of SAI Annual Report</td>
</tr>
<tr>
<td>(ii) Publication and Dissemination of SAI Annual Report</td>
</tr>
<tr>
<td>(iii) Measuring and Reporting on the SAI’s Performance</td>
</tr>
<tr>
<td>(iv) Reporting on SAI Value Added Services and Other Mandatory Functions</td>
</tr>
</tbody>
</table>

(i) Content and Submission of SAI Annual Report
The SAACB annual report of 2012 contains three chapters. The first chapter provides a summary of audit activities divided by control sectors (for example, economic sector, infrastructure, local government, and so on), major findings and recommendations, summary of audit reports, as well as a summary of cases
submitted to the anti-corruption committee. Chapter two provides a summary of the 2010 final account audit results as well as major findings and recommendations. Chapter three mentions the SAACB achievements and activities at the local and international levels. Due to the non-convening Parliament, the SAACB’s annual report for 2012 was submitted to the cabinet and to the PA President’s office. The SAACB did not report on any activities it could not deliver due to limited resources. The SAACB made its revenues and expenditures public, but its financial statements were not subject to external audit by any external body.

(ii) Publication and Dissemination of SAI Annual Report
The SAACB annual report for 2012 has not been published and was not made available to the citizens through its own website (as shown in SAI 1 (iii)). In general, the SAACB has good relations with the media and the SAACB President has discussed the main results of the annual report on the local radio (see SAI-24 (i) for more details). Values and benefits are communicated through the inclusion of the financial impact of audit findings in the executive summary of the annual audit report (see SAI-5 (iv) for more details). The annual report is in the Arabic language and is not distributed through other simplified means.

(iii) Measuring and Reporting on the SAI’s Performance
The SAACB uses indicators to measure internal performance and compares its performance with its annual Strategic Plan. This is done by reporting on the number of audit assignments carried out for each type of audit. In addition, the SAACB reports on the number of complaints received and followed-up on, as well as on the number of central procurement bidding meetings attended. However, no feedback is requested from external stakeholders. The SAACB measures how it provides value to its stakeholders by calculating the financial impact of audit findings, including how much can be saved by the implementation of its recommendations. This performance report has not yet been published for the financial year 2012. The audit manuals of the SAABC are not published. The SAACB was not subject to independent assessment by any external body.

(iv) Reporting on SAI Value-Added Services and Other Mandatory Functions
The SAACB has carried out a number of audits which lie beyond its traditional audit mandate. For example, a number of reports have been issued on environmental matters which have had significant impact, both through increased awareness on the part of the public and through implementation of recommendations by the government.

Reports on IT systems, including systems used to generate national statistical information, have been published. Forensic audit techniques have been applied in a number of audits. Audits of privatization and revenues of extractive industries have not been carried out due to the low relevance of these topics in the Palestinian context. There are several cases of pre-audit activities and reports being done based on the SAACB’s participation in procurement committees. Furthermore, the SAACB has provided written statements on draft laws and regulations on a number of occasions, including regulations on internal control functions in the different ministries.

In the executive summary of the annual audit report of the SAACB, calculations are made on the direct financial impact of the audit findings. The figures indicate what can be saved if the audit recommendations are implemented. However, no extrapolation is made to indicate how all of the work of SAACB contributes to the overall efficiency of the audited entities.
6.2. Domain B: Independence and Legal Framework

The main laws governing the SAACB are the Basic Law (Article 96) and the State Audit and Administrative Control Bureau Law No. 15 of 2004. The Basic Law is comparable to a Constitution. The SAACB recognizes that its legal framework does not fully meet the ISSAI requirements, and has as one of its strategic goals to amend the law accordingly. Under the recent EU capacity development project, a gap analysis of the SAACB law against the ISSAIs was carried out, and a new draft law is now under development in the SAACB. It addresses several of the identified weaknesses. Since the new law has not yet been finalized or enacted, the indicators in Domain B are scored on the basis of the current SAACB law from 2004.

SAI-6: Independence of the SAI (Score=1)

This indicator measures the existence and implementation of a legal framework which guarantees the SAI’s financial and organizational independence from the executive branch, as well as the independence of the Head of the SAI.

<table>
<thead>
<tr>
<th>Indicator Score: 1</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Appropriate and effective constitutional and legal framework</td>
<td>Criterion a) is met. Criteria b), c), d) and e) are not met. The Basic Law establishes the SAACB, but does not guarantee its independence from the Executive. The SAACB law also does not provide sufficient guarantees against interference in its affairs.</td>
<td>1</td>
</tr>
<tr>
<td>(ii) Financial independence / autonomy</td>
<td>Criterion d) is met. Criteria a), b), c), e) and f) are not met. The legal framework does not explicitly proclaim the SAACB’s financial independence. In practice the Ministry of Finance controls the SAACB’s access to its financial resources, just as it does for other government budget entities.</td>
<td>0</td>
</tr>
<tr>
<td>(iii) Organizational independence / autonomy</td>
<td>Criteria b) and d) are met. Criteria a), c), e), f) and g) are not met. The SAACB does not have the right to independently hire its own personnel or decide on their terms and conditions. It has a clear organizational structure, but does not have the right to independently define it or determine internal regulations.</td>
<td>1</td>
</tr>
<tr>
<td>(iv) Independence of the Head of the SAI and its Officials</td>
<td>Criteria b), c) and e) are met. Criteria a) and d) are not met. The law prescribes parliamentary involvement in the appointment and dismissal of the SAACB President, but does not specify the cases when he/she can be dismissed. The term of office is fixed and sufficiently long.</td>
<td>2</td>
</tr>
</tbody>
</table>

(i) Appropriate and effective constitutional and legal framework

Article 96 of the Palestinian Basic Law incorporates the establishment of the SAACB, thereby providing it with a strong legal position. However, it does not mention the SAACB’s independence, nor does it put in place guarantees against interference from others, as is required by the ISSAIs. Further details on the

28 For details on criterion d) (appointment, term, removal and dismissal of the SAI’s head), see description of SAI-6 (iv).
SAACB are provided in the SAACB law of 2004. The law provides the SAACB with the right to take the actions necessary to fulfill its mandate (Article 2), and states that it is impermissible to interfere in its activities (Article 12). These provisions point to a high degree of initiative and autonomy. However, the law also requires the SAACB to act on any request from the President of the PA, the Cabinet or the Legislative Council (Articles 8, 23) — which entails possibilities for undue influence of the SAACB by the Executive. Article 11 of the SAACB law states that the President of the SAACB, management and staff are subject to immunity in all activities in relation to their duties. However, the provision is not considered specific enough to represent a sufficiently strong protection against interference.

(ii) Financial independence / autonomy
The SAACB is not financially independent from the government and the Ministry of Finance, as it is beholden to the Ministry for funding in a challenging fiscal environment. The legal framework does not explicitly state SAACB’s financial independence. The law mentions that the SAACB shall have an autonomous budget within the Palestinian National Authority’s budget (Article 2), and that the SAACB shall draft its own budget proposal. It is however required to submit the proposal to the Cabinet for endorsement and inclusion in the national budget (Article 23.4). Therefore, it is not prepared without interference from the Executive. Furthermore, in practice, the SAACB prepares its budget within a ceiling determined by the cabinet and/or the Ministry of Finance. In this context, there is a continuous dialogue between the SAACB and the General Budget Department at the Ministry of Finance during the budgeting process.

The Ministry of Finance does not change the budget once it is finalized. The law does not provide specific provisions regarding the SAACB’s access to its budget allocation. In practice, Ministry controls the access to funds as it does for other government entities. The SAACB does not have any different or special status. The payroll is handled by Ministry directly. For its non-payroll expenses, the SAACB enters payment requests into the “Bisan” system, and the Ministry releases funds according to cash availability. The payments must be within quarterly ceilings which have been put into place for all government entities to control expenditures. The SAACB discloses the details of the budget allocation and expenditures in the SAACB website on annual basis. Due to the difficult fiscal situation of the PA, cash is not always readily available to cover all expenses. The SAACB is not entitled by law to apply directly to the PLC for its necessary financial means.

(iii) Organizational independence / autonomy
There are conflicting provisions with regard to the organizational independence in the SAACB law, including significant limitations to its independence. The SAACB cannot decide on its own organizational chart or internal regulations without approval from the PLC (Articles 13, and 23.1). The organizational structure is inflexible, although it is clearly defined. For instance, there are operational manuals for the different departments and ad hoc committees for various issues, such as budgeting and strategic planning. The law mentions the relationship to the Parliament and the Executive, but the relationships are not entirely clear because the law states that the SAACB is accountable to both the PLC and the President of the PA (Article 7). Similarly, the annual report does not have one recipient. Rather, it is to be submitted to the President of the PA, the PLC and the Cabinet (Articles 8, 26, and 28).

The limitations to the SAACB’s independence in human resource matters are significant. The Vice President and the Directors General of the SAACB are appointed by resolution of the Cabinet (Article 4).
With regard to other staff, the law contains conflicting provisions, but the interpretation is that SAACB must follow the civil servant law like other government entities. In practice, the hiring of staff is managed by the General Personnel Council, although with a certain involvement of the SAACB. Based on a suggestion from the SAACB, the GPC decides on how many new staff the SAACB may hire during a given year. However, the SAACB decides on which positions it would like to fill. The SAACB is also a member of the interview committees.

The law is silent regarding staff terms and conditions. Therefore, it is implied that the civil service law applies, and that SAACB staff be considered part of the civil service and follow the same rules. This includes salary levels and rules for promotions. Article 19 of the law grants the SAACB the right to seek the assistance of specialists and experts “in matters referred to it”, but in practice the GPC is involved in recruitment processes and the SAACB has not itself been able to hire and pay for any experts.

(iv) Independence of the Head of the SAI and its Officials

The appointment of the President of the SAACB is regulated in Article 96 of the Basic Law. This article stipulates that the President of the SAACB is to be appointed by the President of the PA, with the endorsement of the PLC. The term, removal, dismissal and independence of the SAACB President are not mentioned in the Basic Law, but defined in the SAACB law. The law establishes the tenure of the SAACB President as seven years, non-renewable (Article 10.1), which by international comparison is relatively long, and therefore considered sufficiently long-term. The removal of the SAACB President requires a PLC majority, but the criteria for cases in which removal can be considered (for example, illness or conviction of a crime related to abuse of duties) are not mentioned. Thus, there are limitations to the legal guarantees of tenure security and independence. The SAACB has not had periods without an (acting) President. The latest appointment of the SAACB President happened according to the law. However, in practice the appointment was not made independently of the Executive, as the President of the PA confirmed the appointment instead of the PLC because it was not convening.

During the last 3 years, there have been no attempts to remove/dismiss the SAACB President for reasons not covered in the legal framework, and without following the due process of law. However, in June 2014, the SAACB President was released from his duties by means of a Presidential decree and left office immediately thereafter. The Head of the PACC was appointed acting President of the SAACB until the position is formally reoccupied. Technically, the removal of the SAACB President was not in breach of the law since the PLC is not convening, and the PA President temporarily holds the power to make the decision. However, it is not in line with INTOSAI standards and principles that the Head of the Executive can make this decision unilaterally, as the process of removal should ensure independence from the Executive (ISSAI 10, Principle 2).

29 “The Bureau President shall appoint executive managers, inspectors, consultants, experts, technicians and other staff members subject to the provisions in the SAACB law and to the Civil Service Law” (Article 16).
**SAI-7: Mandate of the SAI (score=4)**

This indicator measures whether the SAI’s audit mandate covers all public funds and all three main audit types, as well as the SAI’s access to information and rights related to its auditing and reporting.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Sufficiently Broad Mandate</td>
<td>Criteria a), c), d), e), f), g), h), i) and j) are met. Criterion b) is not applicable, as it is only relevant for cases in which criterion a) is not met.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>The SAACB has a broad audit mandate, including an obligation to audit the implementation of the general budget, and the right to audit all government entities and organizations that receive government or donor support. It has a mandate to carry out financial, compliance and performance audits, although the performance audit mandate can be made more explicit. The law gives the SAACB the right to determine which actions and audits it shall carry out, and this freedom is applied in practice.</td>
<td></td>
</tr>
<tr>
<td>(ii) Access to Information</td>
<td>Criteria a), b), c) and d) are met.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>The law gives the SAACB broad rights of access to information from the auditees, including the freedom to decide what information it needs. The auditors are also entitled to work from the auditees’ premises. There is a process for resolving conflicts related to access to information.</td>
<td></td>
</tr>
<tr>
<td>(iii) Right and Obligation to Report</td>
<td>All criteria are met.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>The SAACB has the right and obligation to report to the PLC annually, and to publish the report. It may also report on important matters throughout the year. The SAACB has the implicit right to decide freely on the contents of its reports.</td>
<td></td>
</tr>
<tr>
<td>(iv) Existence of Effective Follow-up Mechanisms</td>
<td>Criteria a), c) and d) are met. Criterion b) is “Not Applicable.”</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>The SAACB has recently introduced a system for following up on its audit findings. However, it is not yet fully developed.</td>
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</table>

(i) Sufficiently Broad Mandate

Neither the Basic Law nor the SAACB law gives the SAACB an explicit mandate to audit all public funds, including any extra-budgetary funds. However, in practice there are no significant amounts outside of the SAACB’s mandate. All government bodies as well as institutions and corporations owned or supported by the PA or donor countries are included in the mandate (Article 31.8). Furthermore, the law requires that the SAACB audit all central government activities — the SAACB shall “ascertain that the provisions of the General Budget, the Financial Affairs and the Annual Budget Law are implemented” (Article 23.13.d). The 2013 PEFA report concluded that the amount of extra-budgetary funds in the PA is insignificant (with the exception of donor support). Audits of “grant and donations” are covered by Article 23.16. Hence, the SAACB’s mandate covers all significant public revenues and expenditures.
The law provides the SAACB with a mandate for financial audit (Article 27.2), and compliance audit (Article 3.3). The SAACB also carries out these types of audits in practice, for example the audit of the final accounts of 2010. There is no explicit mandate for performance audits. Audits of “efficient performance” are mentioned in Article 3.2., and SAACB interprets this as covering performance audits — although it does not provide a very strong or clear mandate. The performance audit mandate could therefore have been more specific. In terms of autonomy to decide freely about audit activities, the law gives the SAACB “full legal capacity to undertake all the actions and activities that would secure its accomplishment of the purposes for which it is established” (Article 2). Interviews with the SAACB management and staff indicate that the Bureau, in practice, is free to select any process at any public entity for its audits. The SAACB is transparent about its mandate, and has posted the law on its website. In addition, it has run public outreach campaigns.

(ii) Access to Information

Articles 24 and 25 of the SAACB law entitle the SAACB to be provided with “any and all information it may request.” Article 29 states that the SAACB may request to review any information, regardless if the audited entity considers such information confidential. It is not stated explicitly that SAACB itself shall decide what information it requires to execute the audit activities. However, delaying or refraining from providing the SAACB with the information it requests is considered an administrative violation under Article 41.2. In interviews, the SAACB stated that it does not experience considerable challenges with regard to receiving the information it requires from the audited entities, although auditors are sometimes denied access to information. Article 38 grants the SAACB auditors the right to work in the offices of the relevant entities, and this is also the practice. Although there is no formal or legally established process for resolving any conflicts with the audited entities over access to information, the SAACB has the opportunity to address the PA President’s office in cases of conflict with the auditee, and has done so in practice.

(iii) Right and Obligation to Report

Article 96.2 of the Basic Law requires the SAACB to report annually, or upon request, to the PA President and the PLC. The SAACB may also submit special reports on urgent and important matters (Article 28 of the SAACB law). In practice, the SAACB also issues quarterly reports. Article 8 of the SAACB law obliges it to publish an annual report in the official gazette. There is no legal provision explicitly giving the SAACB the right to decide on the content of its audit reports, but there are general provisions stipulating that it is prohibited to interfere in the Bureau’s activities (Article 12). Article 11 states that the SAACB President and staff shall enjoy immunity in all activities in relation to their duties, a requirement for the ability to report freely on critical issues. No cases in which there had been attempts to interfere in the SAACB’s efforts to publish its reports came to the attention of the assessment team.

(iv) Existence of Effective Follow-up Mechanisms

The SAACB has recently established a system for following up on audit findings. A manual for this was approved in December 2013. At the time of this assessment, it has issued one follow-up report. It was submitted to the audited ministry, but not to the PA President. It has not had the opportunity to issue any reports to the parliament, as the PLC has not been convening. In general, the SAACB has the authority to address the audit reports to entities which are responsible for the issues that are being audited. For example, the Ministry for Local Government receives the reports about the audit of local government, and the
Ministry of Interior receives the audit reports of NGOs. On a more general level, the SAACB provides the administration with its professional knowledge on issues related to financial management. For example, the SAACB is a member of the committee which is reviewing the procurement law.

6.3. Domain C: Strategy for Organizational Development

**SAI-8: Strategy for Organizational Development (Score=3)**

The indicator measures whether the SAI has a plan which defines its strategic objectives in the medium term, and whether the strategic and annual operational planning processes are inclusive, well organized and characterized by high-level ownership.

<table>
<thead>
<tr>
<th>Indicator score: 3</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
</table>
| (i) Content of the Strategic Plan | Criteria a), b), e) and g) are met. Criteria c), d) and f) are not met.  
The 2014–2016 Strategic Plan follows several good practice principles for strategic planning, but the number of indicators is considered too high to be manageable and the plan does not consider risks to its implementation. | 2     |
| (ii) Strategic Planning Process | Criteria a), b), c), d), e), g) and h) are met. Criterion f) is not met.  
The strategic planning process was inclusive and well organized, although with some exceptions. The mission, vision and Strategic Plan for 2012–2016 are published on the website. | 3     |
| (iii) Content of the Annual Plan | Criteria b), c), d) are met. Criteria a), c), f) and g) are not met.  
The 2013 annual plan covers all main support services, and is clearly linked to the Strategic Plan. It includes an implementation matrix and budget considerations, but no risk assessment or baselines. | 2     |
| (iv) Annual Planning Process | All criteria are met.  
There is high-level ownership and clear procedures for the annual planning process. The annual plans for each directorate are spread effectively throughout the institution, and there is in-year monitoring of plan implementation. | 4     |

(i) Content of the Strategic Plan

The SAACB finalized its Strategic Plan for 2014–2016 in February 2014. This was an update of the 2012–2016 medium-term Strategic Plan. The updated plan was spurred by the new Arab Organization of Supreme Audit Institutions (ARABOSAI) Strategic Plan and developments under the EU institutional strengthening program, as well as a desire to follow the INTOSAI good practices for strategic planning to a greater degree. The first step in the plan development process was to carry out a needs assessment of all general directorates. Each directorate identified its own needs and sent its written input to the strategic planning team. The team analyzed the contributions and identified the gaps. There was also a workshop for managers and staff in which they could provide suggestions for the contents and priorities of the plan. In line with good practices, external stakeholders were also consulted, including the PACC.

The 2014–2016 plan has a hierarchy of objectives in line with good practices (mission, vision, strategic goals and sub-goals). There are four main strategic goals, and 27 sub-goals. For each of the sub-goals there
are one or more indicators. However, the number of indicators is considered too high to be manageable, hindering effective monitoring of implementation. However, the indicators do cover all of the SAACB’s main activities, that is, reports, internal capabilities (training, quality assurance) and operating environment (new laws, interaction with stakeholders). An implementation matrix identifies the projects and responsibilities. However, risks to the implementation of the Strategic Plan are not identified. Also, there is no systematic assessment of the informal practices and organizational culture in the SAACB or in the wider political economy, which are factors that may influence the SAACB’s ability to successfully implement the plan. For example, there is no consideration of which external factors may foster or hamper the opportunities to have a new law for the SAACB approved. In this regard, having a new law is one of the strategic objectives.

(ii) Strategic Planning Process
The SAACB has a planning unit with three employees which is responsible for strategic and annual planning, as well as planning and implementing staff training. The strategic planning process for 2014–2016 has demonstrated high-level ownership, with the President of the SAACB identifying the strategic planning team. The strategic planning team consisted of all Directors General as well as other key staff. The planning process built on lessons learned from the previous planning process, and adjustments were made to keep the process more in line with the IDI good practice guidelines.

The responsibilities and tasks within the strategic planning team were well defined, but there was no overall timeline for the whole planning process. An estimated deadline date was set, but timelines for each task were set in each meeting of the strategic planning team. Given that the 2014–2016 strategic plan was in fact finalized two years before the end of the previous strategic planning period, there was no gap in which there was no strategic plan. This demonstrates continuity in the SAACB’s strategic planning process. The annual monitoring of the degree of implementation of the strategic plan is carried out by the internal control unit in the SAACB, which reports its findings to the SAACB President. The strategic plan is operationalized through annual plans which can be adjusted from year to year to address any challenges in achieving the strategic objectives.

(iii) Content of the Annual Plan
This dimension measures the SAI’s annual planning of non-audit activities. The 2013 annual plan is comprehensive and covers the SAACB’s main support services, that is, IT, infrastructure, internal control, archives and training. It contains clear links to the Strategic Plan and an implementation matrix which identifies the general directorates responsible for the different objectives, as well as indications of which quarters of the year activities are to be carried out, although without clear timelines. The plan contains indicators which are, for the most part, measurable. The majority of the indicators measure outputs/concrete results, and not outcomes/effects. There are no baselines reflecting the current state, nor milestones for the indicators. There are cost considerations in the sense that the overall cost of implementing the annual plan is stated. There is however no assessment of risks in the annual plan.

(iv) Annual Planning Process
There is a solid process for developing the annual plan, and senior management is involved. The annual plan is communicated throughout the organization in the form of annual plans for each general

30 Annual audit planning is covered in SAI-9.
directorate. Implementation of the plan is monitored by the internal control unit, which reports twice a year to the SAACB President.

6.4. Domain D: Audit Standards and Methodology

**SAI-9: Overall Audit Planning and Quality Management (Score=2)**

This indicator measures the annual audit planning, as well as the systems for quality control and quality assurance at the organizational level.\(^\text{31}\)

<table>
<thead>
<tr>
<th>Indicator score: 2</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dimension</strong></td>
<td><strong>Findings</strong></td>
<td><strong>Score</strong></td>
</tr>
<tr>
<td>(i) Audit Planning Process</td>
<td>a), c), d) and e) are met. Criterion b) is not met. The annual audit planning process is well organized and systematic, but does not apply a documented risk-based methodology for selection of entities to be audited.</td>
<td>1</td>
</tr>
<tr>
<td>(ii) Audit Plan Content</td>
<td>Criteria a) and b) are met. Criteria c), d) and e) are not met. The audit plan provides comprehensive information, but does not contain considerations about the audit coverage compared to the mandate, the risks to achieving the objectives, or complete estimates of the resources required to implement it.</td>
<td>2</td>
</tr>
<tr>
<td>(iii) Quality Control System</td>
<td>Criteria a), b) and c) are met. Criteria d) and e) are not met. Criterion f) is not applicable. A comprehensive quality control system is established, but it lacks risk management and strategic prioritizing of resources.</td>
<td>3</td>
</tr>
<tr>
<td>(iv) Quality Assurance System</td>
<td>Criteria a), b), c) and e) are met. Criterion d) is not met. The quality assurance function is currently in the development phase.</td>
<td>2</td>
</tr>
</tbody>
</table>

(i) Audit Planning Process

The annual audit planning process in the SAACB follows clear procedures. There is a high degree of awareness about the responsibilities of the different departments in planning, implementing, and monitoring the audit plan. An audit plan for the entire organization is developed annually, listing all the entities that are to be audited within the year. The plan is ultimately a consolidation of the audit plans of the different audit directorates. At the beginning of the year, each directorate prepares its audit plan in a standardized format and submits it to the planning unit, which retains overall responsibility for consolidating the input into the organizational annual audit plan. This plan is approved by the Director General. It contains an estimate of the human resources required to implement it, but does not specify the required monetary resources.

Although the planning process is well organized, the selection of entities and topics for audit does not entail a systematic assessment of risks in the government sector. Since the SAACB only has the resources to audit

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\(^{31}\) The quality control system is the system in the SAI for ensuring the quality of audit work, including daily supervision. The quality assurance system is a monitoring function which assesses how the quality control system is working and often includes a review of quality control processes.
a small percentage of the entities within its mandate each year, the principles for determining audit assignments assume great importance, and strategic decisions, as well as decisions on the audit scope, should be clearly documented. In interviews, the SAACB management informed the audit directorates to utilize different criteria to select entities for audit, such as risk and materiality assessments, complaints from the public, and considerations of frequency. However, the risk and materiality assessments are not systematic, and the criteria and considerations are not consistently documented.

Taking into consideration its broad audit mandate, the SAACB strives toward having a rotational principle for its selection of entities to audit, especially in the audit of local government and NGOs. These considerations of frequency are however not documented in writing, and the SAACB does not systematically monitor the time elapsed since the previous audit of any given entity. There are instances where pre-planning checklists and complaints received during the past period are used to select audited entities.

The President of the SAACB has the overall responsibility for the implementation of the annual audit plan. The achievements of the plan are assessed regularly. The heads of the directorates prepare monthly reports to top management regarding the status of implementation, and audit managers regularly track the progress of the planned audit assignments. In addition, the internal control department carries out assessments of each directorate's performance in implementing the annual audit plan. These assessments are commissioned by the President of the SAACB, and the monitoring reports are sent directly to him.

(ii) Audit Plan Content
The annual audit plan has clear links to the Strategic Plan, and defines the responsibility for the execution of each audit. The plan specifies which quarter of the year the audits are to be carried out and reported. The high-level objectives of the audits are included in the plan. The plan contains a list of auditees, but there is no explanation about the degree to which the SAACB fulfills its audit mandate in any given year, that is, the audit coverage. The estimated human and financial resources are presented as a total sum in the annual audit plan, but are not disaggregated for each audit. No assessment of risks and possible constraints for the delivery of the plan are included.

(iii) Quality Control System
As shown in SAI-11 (i) and SAI-13 (i), the President of the SAACB has approved a number of manuals and policies aimed at ensuring uniform practices and adoption of the ISSAIs. This demonstrates that there is high-level ownership of the system of quality control in the SAACB. In practice, the authority for managing the quality control system has been delegated to other departments. The internal control unit plays a key role, as it is tasked with monitoring the implementation of policies and procedures. It also provides the President with assurance regarding the level of implementation through reports on the execution of the annual audit plan. However, the SAACB does not have a system for assessing the overall risks to quality which arise from performing the audit work. Nor does the annual audit plan prioritize quality control resources for audits of entities and domains with high risks and materiality.

(iv) Quality Assurance System
The quality assurance function in the SAACB is currently in its inception phase. The internal control unit has recently been tasked with performing independent quality assurance reviews of submitted audit reports and the accompanying audit files. However, no quality assurance reports have yet been presented to the
President of the SAACB. The quality assurance process entails that a sample of audit files be reviewed in order to form judgments as to what degree audit planning and execution follow established procedures. The fact that the review is carried out by the internal control unit ensures appropriate independence, since the staff there have not been involved in the audit process itself and the unit selects the sample of audits independently. The quality assurance reviews are to be supported by a quality assurance handbook which was developed through IDI training on quality assurance. However, the handbook has not yet been put into use. The actual review is consequently performed on a judgmental basis. The draft review reports are supposed to be sent to the relevant Directors General for comment before a consolidated report is presented to the President of the SAACB.

In addition to the internal quality assurance processes, the SAACB has approached a peer SAI to perform a review of its operations, but no agreement has yet been reached. However, the initiative for the current SAI PMF assessment was taken by the SAACB. This clearly demonstrates a willingness on the part of the SAACB to critically assess the quality of audit work.

**SAI-10: Quality Assurance of Audit Processes (Score=N/A)**

This indicator measures the SAACB’s quality assurance of each audit discipline, as in some SAIs the quality assurance system may differ in design or in practice between the audit disciplines. The work of the internal control unit was assessed for the scoring of this indicator

<table>
<thead>
<tr>
<th>Indicator score: N/A</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Quality Assurance of Financial Audit</td>
<td>Criteria b), d), g) and h) are met. Criteria a), c), e) and f) are not met. Quality assurance of financial audits has recently been initiated, but no reports to the President of the SAACB have been issued yet.</td>
<td>2</td>
</tr>
<tr>
<td>(ii) Quality Assurance of Compliance Audit</td>
<td>Criteria b), d), g) and h) are met. Criteria a), c), e) and f) are not met. The result is the same as dimension (i), as quality assurance of compliance audits follows the same system as for financial audit.</td>
<td>2</td>
</tr>
<tr>
<td>(iii) Quality Assurance of Performance Audit</td>
<td>Not applicable.</td>
<td>N/A</td>
</tr>
<tr>
<td>(iv) Quality Assurance of Outsourced audit</td>
<td>Not applicable.</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(i) Quality Assurance of Financial Audit

The system for quality assurance is the same for financial and compliance audits. There is no policy or plan specifying the timing and frequency of quality assurance reviews, so it is not guaranteed that it will take place annually. Those professionals carrying out the quality assurance review are independent, that is, they have not taken part in the audit work, and they have auditing experience. The quality assurance reviews that have been performed to date have mainly assessed the degree to which the required documentation was included in the audit file, and the internal control unit has notified the directorates in question of any missing documents. The internal control unit has issued quality assurance reports to each audit directorate, and there is evidence that the Directors General have considered and responded to the recommendations. A report
with a summary of the findings of the review of each directorate is supposed to be presented to the President of the SAACB, but this has not yet happened. Therefore, the President has not had the opportunity to take corrective measures to address findings.\textsuperscript{32}

(ii) Quality Assurance of Compliance Audit  
See SAI-10 (i) above for the same results.

(iii) Quality Assurance of Performance Audit  
Not applicable.

(iv) Quality Assurance of Outsourced Audit  
Not applicable.

SAI-11: Financial Audit Foundations (Score=2)  
This indicator measures the foundations for conducting financial audits, that is, audit standards and guidance, integrity measures, quality control arrangements and staffing. By contrast, SAI-12 measures the audit process itself through a review of audit files. To understand the quality control system (SAI-11 (iii)) and the process for establishing audit teams, interviews were carried out and the full audit cycle was mapped.

<table>
<thead>
<tr>
<th>Indicator score: 2</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
<td>Findings</td>
<td></td>
</tr>
</tbody>
</table>
| (i) Financial Audit Standards and Guidance | Criteria a), b) and c) are met, but not all items listed under criterion a) were in place (that is, V and XVIII).  
A comprehensive financial audit manual, incorporating the ISSAIs, guidance and valuable support to auditors, has been adopted. | 3     |
| (ii) Ethics and Independence in Financial Audit | Criteria a), b) and c) and d) are not met.  
Ethics and independence in financial audits are not considered at the audit engagement level. | 0     |
| (iii) Quality Control in Financial Audit | Criteria a), b) and e) are met. Criteria c) and d) are not met.  
Quality control is a high priority of the SAACB, but lacks documentation of differences in opinion and appropriate use of engagement quality control reviews. | 2     |
| (iv) Financial Audit Team Management and Skills | Criteria a), c) and d) are met. Criteria b), e) and f) are not met.  
The auditors’ relevant experience and professional background are taken into account when audit teams are formed, but methodological skills are not assessed. | 2     |

(i) Financial Audit Standards and Guidance\textsuperscript{33}  
The financial audit manual has been gradually applied to the auditing since 2012. It contains extensive references to the ISSAIs and has incorporated the main requirements. The manual guides the process of

\textsuperscript{32} As a result criteria e) and f) are considered "not applicable".  
\textsuperscript{33} See methodological considerations for this indicator in Chapter 4.
developing an audit strategy and an audit plan at the audit engagement level. The planning focuses on establishing materiality levels and assessing risk, including risks related to fraud and non-compliance with applicable laws and regulations. As shown in SAI-12, the manual had not been applied in all of the audits reviewed by the team. This helps to explain the identified weaknesses in planning. According to the manual, the audit strategy shall lead to the design of audit tests and substantive procedures. Findings shall be accumulated and compared with the materiality level, and on that basis the audit opinion shall be formulated.

The financial audit manual also sets audit policies in the following areas:

- Calculation of materiality level
- Documentation of the audit
- Procedures for sampling.

Standard working papers have been developed for all key areas of the manual, and they are designed to guide the auditor throughout the process. The financial audit manual encourages the auditor to use external confirmations as audit evidence.

Although the financial audit manual is ISSAI compliant, it is rather generic. It has not been customized to the local Palestinian environment. Few references are made to current practices in the SAACB or to the legal framework under which the SAACB is operating. The financial audit manual does not meet two of the sub-criteria. It also does not mention that the planned scope and timing of the audit should be communicated to the auditee, nor does it cover how an opinion should be provided on the final accounts, that is, the whole of government financial statements.

(ii) Ethics and Independence in Financial Audit
The SAACB developed a code of conduct in 2013 which builds on the Code of Ethics in ISSAI 30. The code of conduct is comprehensive and covers topics of integrity, independence, professional secrecy, confidentiality and competence (see SAI-18 (i)). Every staff member is required to sign the code of conduct every year, but not for each audit engagement. Audits are normally planned and known to the auditors at the beginning of the year (apart from some audits based on complaints). Therefore, the annual signing could, in theory, entail integrity considerations for individual audit assignments.

The signing of the code of conduct declarations in 2013 took place before the annual audit plan for 2013 was approved, so this did not happen in practice. Furthermore, planned audit assignments may change during the course of the year. Thus, currently there are insufficient links between the code of ethics declarations and the audit assignments undertaken (see also dimension (iv) below).

(iii) Quality Control in Financial Audit
Quality control reviews of audit work are performed according to the following hierarchical stages:

1. Team leader
2. Department manager
3. Director General
4. Audit review committee
5. General Director
6. President of SAACB

The review of working papers by line-management is documented through signatures, and review notes are generally not included. For instance, feedback from reviews to the audit team is done orally. As a result, any differences of opinion within the line-management are not documented in writing. Following the review by line-management, the audit review committee receives the draft audit report. The committee considers all draft audit reports.

The committee is composed of four individuals, including two directors general. The committee reviews the draft audit reports in two stages. First, it submits initial review notes to the director general in question. After the required amendments are made, the report is sent back to the committee for a second review. The review by the committee follows a manual, and is documented in standardized working papers. The committee members are not allowed to review audits from their own directorates.

There is no practice of performing quality control reviews during the audit process. These are reviews that should be performed on audits of high significance, and should be carried out by independent experts. The audits should be identified at the beginning of the audit year, and a review should be done in every phase of the audit. In the SAACB, such independent reviews are done by the audit review committee only in the reporting phase.

(iv) Financial Audit Team Management and Skills
Audit teams are formed at the beginning of each audit year. The General Directors are responsible for building the audit teams in their respective directorates, and do this together with the heads of departments. However, this process is not documented. In interviews, the SAACB management noted that employees’ previous experience from auditing the entities, and understanding of the sector and skills within specialized auditing areas (for example, IT audits) are taken into consideration when audit assignments are distributed and teams assembled. The interviewees did not confirm that methodological skills, such as proficiency in audit methodology, an understanding of the SAI's control procedures and the government’s financial reporting framework were duly taken into account.

**SAI-12: Financial Audit Process (Score=2)**
The financial audit process was assessed through a review of a sample of five audit files. The sample included two audits that had been performed on the basis of the new financial audit manual. It also included the assistance of external consultants as part of the EU capacity-building project. In these instances, audit opinions were provided. The remaining three audits followed the old regularity audit methodology which is gradually being phased out. These were characterized by traditional transaction audits, verifying different assertions related to existence, measurement, completeness, and so on. They did not provide an audit opinion. However, these audits do have a stronger focus on financial matters than the three selected compliance audits, which focus on compliance with laws and regulations (see SAI-14 below), and are therefore characterized as financial audits.

34 See 4.2 on Methodology for further details.
Although the overall indicator score is based on a review of the full sample, that is, audits following both the new and the old methodologies, the presentation of the scores below has been broken down into one score for the new methodology and one score for the old methodology. This helps to show how applying the new methodology is reflected by higher scores, thus demonstrating the recent progress made by the SAACB.

<table>
<thead>
<tr>
<th>Indicator score: 1</th>
<th>Findings: Overall</th>
<th>Score: Overall</th>
<th>Score: New methodology</th>
<th>Score: Old Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Planning Financial Audits</td>
<td>Criteria c), d), e) are met. Criteria b), f), g), h), i) and j) are not met. Criterion a) is not applicable. Although audit plans are made and audit engagement letters issued, assessments of materiality and risk are weak. The evaluation of internal controls could also be given more emphasis.</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>(ii) Implementing Financial Audits</td>
<td>Criteria c) and d) are met. Criteria a), b), c), f) and g) are not met. Implementation of financial audits is performed through comprehensive and well documented procedures. However, audit procedures were for the most part not designed to allow auditors to give an audit opinion on the accuracy of the whole financial statements. Also, the audit of the whole of government final accounts was not sufficiently linked to the audit of individual central government entities.</td>
<td>2</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits</td>
<td>Criteria b), c), h) and i) are met. Criteria a), d), e), f), g) are not met. Criteria j) and k) are not applicable. Audit reports are well supported by audit evidence and are reader friendly, but the majority lack an opinion. Inclusion of audit observations in the audit report is not supported by documented considerations about materiality.</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

(i) Planning Financial Audits
Important elements of planning were in place in a majority of the reviewed financial audits. Audit plans had been developed for all audits except one, and all the audits had been initiated with the issuance of an engagement letter to the auditee. The audited entity’s internal control procedures were analyzed in three of the five audits. Despite these strengths, there were shortcomings with regard to the content of the planning. Risk assessments at the overall financial statement level, including risk of fraud and non-compliance with laws and regulations, were carried out in only two of the five audits. For the other three audits, a risk
assessment was only carried out for each audit component (that is, for procurement, revenue, salaries, and so on) — but not for the entire financial statements. A materiality level was also only identified for two of the five audits. As a result, the majority of the financial audits were less effective than they could have been, as they did not address the areas of highest materiality and risk.

It is however important to note that the audits that had been carried out using the new methodology with the assistance of consultants under the EU project followed the ISSAIs to a larger extent than the audits that were based on the old methodology. This demonstrates that significant improvements in audit planning may be seen as the new methodology is gradually implemented within the SAACB.

As shown in Chapter 4.3, an appropriate financial reporting framework, through the use of IPSAS, is in place. Therefore, the auditor does not have to assess the appropriateness of the framework for every auditee.

(ii) Implementing Financial Audits

Implementation of financial audits is performed through a comprehensive and well documented process. Generally the audit procedures are well documented, and sufficient and appropriate audit evidence is collected. Traces of the use of external sources and analytical procedures were found in all reviewed audit files, and the auditors had used external confirmations as audit evidence, usually by gathering data from third parties, for example, bank statements.

However, the reviewed audit files also demonstrated weaknesses related to the execution of audit procedures. The auditing is not very well linked with the planning phase and the initial assessment of risks. The weaknesses in the planning phase make it difficult to understand the reason for the selection of certain audit components. Only a few of the reviewed audits had relevant audit procedures that were linked to classes of transactions and relevant risks at the audit component level, such as fraud or non-compliance with laws and regulations. In many cases, audits were initiated through suspicions about fraud, but these were related to a particular class of transactions and not the whole financial statements. Audit procedures were for the most part not designed to allow auditors to give an audit opinion on the accuracy of the whole financial statements because they only covered one or a few classes of transactions. Furthermore, sampling was not systematically applied. Also, in some cases, there was no explanation for why planned audit procedures were not performed.

Three of the reviewed audits were of central government entities whose financial information forms part of the consolidated final accounts of the government. There should ideally be strong links between the audit of the individual entities and the overall final accounts, with close cooperation between the auditors performing the different tasks. All audits of individual central government entities should naturally form part of and feed into the audit of the final accounts. In practice, however, two of the three such audits were done in complete isolation from the final accounts audit. Only the results of one audit were included in the consolidated final accounts audit.

(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits

Four of the five selected audits had sufficient evidence in the audit files to allow reviewers to understand the links between the audit procedures performed, the audit evidence gathered, the results, and the reporting. Communication with the audited entity was given due care in all audits except for one, in which the management of the audited entity had not been invited to provide responses or comments to the draft management letter. An evaluation of misstatements against the materiality level was not done for three of five audits. All the reports were reader friendly and written clearly and concisely, and met most of the
requirements of the ISSAIs with regard to content. Cross-referencing of audit evidence offered good reliability. The reports were written objectively and fairly, and they were distributed to the responsible individuals in the entities concerned. However, in three out of five audits an audit opinion was not formulated in the report.

**Box 6.1  SAACB’s Audit of the Final Accounts for 2010**

In 2012, the audit of the PA’s final accounts for the fiscal year 2010 was carried out. The audit involved a number of auditors from the audit directorate responsible for auditing the Ministry of Finance. When planning and performing the audit work at the Ministry, the auditors applied the new financial audit methodology. Consultants attached to the SAACB through the EU capacity development project were coaching the auditors throughout the audit.

A number of central government entities were included in the audit scope. For instance, when the audit team audited salaries, it involved control of salary payments in all entities within the supervision of Ministry of Finance. The audit work in domains such as salaries and revenues were allocated to different audit sub-teams. These audits were carried out using template working papers where risks were analyzed, internal controls assessed, materiality level set, sampling performed and relevant audit procedures executed. The audits were done in conformity with the SAI PMF criteria.

Generally, the audit of the 2010 final accounts scores better than other audits performed by the SAACB in 2013. This is a positive indication of the SAACB’s capability of applying the new methodology. However, two issues related to the 2010 final accounts audit require special attention:

First there was no working paper documenting that an overall assessment of the central government had been done. Planning working papers only existed for each audit component. The audit should have included working papers which assessed risk at an overall level and better defined the audit scope.

Second, the audit was not linked with other financial audits of central government entities that had been performed for the 2010 fiscal year. Audits of consolidated final accounts, such as the 2010 final accounts audit, should ideally take into account the audits of individual government ministries, departments and agencies previously carried out. The risk assessment of the 2010 final accounts audit did not make specific references to findings shown in the individual 2010 audits of the subordinate entities. Therefore, no explicit reliance could be made on these. This may be explained by the nature of the Palestinian Authority, where controls related to expenditures and revenues are centralized in the Ministry of Finance. Therefore, the Ministry of Finance is the main auditee. However, in the future, increased reliance should be placed on the individual audits that are continuously carried out. This will make the final accounts audited more aggregated, efficient and targeted toward high-risk areas.
**SAI-13: Compliance Audit Foundations (Score=2)**

This indicator measures the foundations which enable auditors to carry out high-quality audits in compliance with the ISSAIs.\(^{35}\) For the scoring of dimension (i), the SAACB’s compliance audit manual was assessed. Dimension (ii) measures how the code of ethics is applied at the audit engagement level. To understand the quality review system and the composition of audit teams, interviews were carried out and the full audit cycle was mapped.

<table>
<thead>
<tr>
<th><strong>Indicator score: 2</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dimension</strong></td>
<td><strong>Findings</strong></td>
</tr>
<tr>
<td>(i) Compliance Audit Standards and Guidance</td>
<td>Criteria a), b) and c) are met.</td>
</tr>
<tr>
<td></td>
<td>There is a rich set of policies, procedures and an audit manual. All are aimed at ensuring that the compliance audit work is of high quality and follows the ISSAIs.</td>
</tr>
<tr>
<td>(ii) Ethics and Independence in Compliance Audit</td>
<td>Criteria a), b) and c) and d) are not met.</td>
</tr>
<tr>
<td></td>
<td>Ethics and independence in compliance audits are not considered at the audit engagement level. See SAI-11 (ii).</td>
</tr>
<tr>
<td>(iii) Quality Control in Compliance Audit</td>
<td>Criteria a), b), c) and f) are met. Criteria d) and e) are not met.</td>
</tr>
<tr>
<td></td>
<td>The quality review is a high priority of the SAACB, but lacks documentation of differences in opinion and appropriate use of engagement quality control reviews. See SAI-11 (ii).</td>
</tr>
<tr>
<td>(iv) Compliance Audit Team Management and Skills</td>
<td>Criteria a), c) and d) are met. Criterion b) is not met.</td>
</tr>
<tr>
<td></td>
<td>The auditors’ relevant experience and professional background are taken into account when audit teams are formed, but their methodological skills are not assessed.</td>
</tr>
</tbody>
</table>

(i) Compliance Audit Standards and Guidance

The Compliance Audit (CA) Manual details the SAACB’s compliance audit approach. It complements the financial audit manual, and provides guidance for the auditors in the different steps of the audit process. The compliance audit manual was recently developed, so it has not yet been not applied to the majority of the audits that the SAACB performed in 2013. As elaborated above, most audits were regularity audits, which is a combination of compliance and financial audits. The new compliance audit manual meets the key ISSAI requirements. It contains instructions for the development of audit programs, as well as working papers and checklists related to the auditing work. It also has examples of risks to consider in the different areas in which compliance auditing is commonly performed. Subject matter examples and criteria for compliance audits are provided in the annexes.

(ii) Ethics and Independence in Compliance Audit

See SAI-11 (ii) for the same results.

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\(^{35}\) By contrast, indicator SAI-14 measures the actual execution of compliance audits.
(iii) Quality Control in Compliance Audit
See SAI-11 (iii) for the same results. In addition, the file review shows that that SAACB implements quality control procedures throughout the audit, which aim to ensure compliance with applicable standards.

(iv) Compliance Audit Team Management and Skills
The process for selecting members of the compliance audit teams is the same as for financial audits. Management is conscious about selecting audit team members who have a knowledge about the mandate and activities of the audited entity and the legal framework governing it. Audit teams understand how compliance audits are different from financial audits, and the ability to exercise professional judgment is recognized by management. However, methodological skills and up-to-date knowledge about audit standards were not addressed or mentioned as key criteria in the composition of audit teams.

SAI-14: Compliance Audit Process (Score=3)
The compliance audit process was assessed through the review of a sample of three audit files and reports. All of them had been carried out by applying the new methodology. The sample includes one audit which was performed with the assistance of consultants as part of the EU capacity-building project.

<table>
<thead>
<tr>
<th>Indicator score: 3</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(i) Planning Compliance Audits</strong></td>
<td>Criteria a), d), e), g) and h) are met. Criteria b), c), f), i) and j) are not met. Audit planning entails an assessment of the control environment, but does not include sufficient risk assessment and materiality considerations.</td>
<td>2</td>
</tr>
<tr>
<td><strong>(ii) Implementing Compliance Audits</strong></td>
<td>Criteria a), b), d) and e) are met. Criterion c) is not applicable. The implementation of compliance audits adequately meets the criteria and is well documented.</td>
<td>4</td>
</tr>
<tr>
<td><strong>(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits</strong></td>
<td>Criteria d), e), f), g), h) and i) are met. Criteria a), b) and c) are not met. Criterion j) is not applicable. The audit evidence is not sufficient to enable an experienced auditor to understand how planning, execution and reporting are related. Reports are concise and well communicated, but not satisfactorily concluded.</td>
<td>2</td>
</tr>
</tbody>
</table>

(i) Planning Compliance Audits
Compliance audits are generally well planned, as they identify the subject matter, relevant laws and regulations and criteria. For all reviewed audits, there was evidence that the auditors had an understanding of the entity and the authorities governing it, as well as of relevant internal control procedures. Risk assessments and identification of audit scope were done for two of the three audits. An audit plan detailing the scope, timeline and audit approach existed for two of the three audits. The description of the audit approach generally emerges more clearly in the reviewed compliance audits than in the reviewed financial audits. However, as in the reviewed financial audits, considerations of materiality are lacking. For compliance audits, it would also have been relevant to provide an assessment of qualitative materiality. It

36 See 4.2 on Methodology for further details.
is worth noting that the audits reviewed did not use the exact same terminology as prescribed in the ISSAI's, for example, “audit criteria” and “subject matter.” However, in content, the majority of audits were in compliance with the ISSAI standards.

(ii) Implementing Compliance Audits
All the reviewed audit files complied fully with the requirements in the implementation phase. Audit procedures and controls were designed to test non-compliance with laws and regulations. Within the sample, there were cases of firm indications of the occurrence of fraud. These were properly addressed through detailed audit procedures. It was possible to trace the audit procedures back to the audit criteria and to the subject matter. Different kinds of audit evidence were gathered by the audit teams. For example, in one case a calligrapher had been called upon to verify signatures.

The compliance audits were generally well documented — mainly because they can sometimes lead to criminal investigation. Many of them are initiated as a response to complaints from the public. Such complaints are often classified as suspicions of fraud and corruption. Therefore, the SAACB has established routines which ensure that audit evidence can feed into legal proceedings. For all the selected audit files, the audit evidence was cross-referenced and indexed in a way that enables the tracing of the source of the findings.

(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits
For two of the three audits reviewed, audit evidence to support the final audit report was considered to be sufficient and appropriate. All compliance audit reports met the reporting requirements and were generally reader friendly. They presented findings and recommendations in a clear way. Only one of three audit reports contained a conclusion. No audit opinions were given, but this is not a requirement according to ISSAI 400. The audit reports contain a list of findings and recommendations. Communication with the auditees was done by exit meetings for all audits. However, none of the audits made specific references to the ISSAI's concerning compliance audits (4000 series).

The compliance audits generally satisfy the criteria in SAI-14, and there is a high level of awareness about the applicable legal framework and identification of relevant audit criteria. The compliance audit procedures seem to be well known to the SAACB auditors. However, there is a tendency for planning to be a stand-alone exercise in such a way that it does not relate very well with the implementation phase of the audits. Also, the fact that an opinion/conclusion is not provided renders the reports less useful for the readers.

SAI-15: Performance Audit Foundations (Score=N/A)
Not applicable.

SAI-16: Performance Audit Process (Score=N/A)
Not applicable.

SAI-17: Judgment Process (Score=N/A)
Not applicable.
6.5. Domain E: Management and Support Services

SAI-18: Ethics, Management and Internal Control (Score=2)

This indicator measures the SAI’s financial management and internal control procedures, as well as the work done to ensure integrity at the organizational level.

<table>
<thead>
<tr>
<th>Indicator score: 2</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
<td>Findings</td>
<td></td>
</tr>
<tr>
<td>(i) Code of Ethics and Integrity</td>
<td>Criteria a), c), and f) are met. Criteria b), d), e), g), and h) are not met. All SAACB staff have signed a newly developed code of conduct which is aligned with ISSAI 30. The SAACB’s work on integrity has so far not included any further measures, such as the systematic monitoring of compliance with the code, publication of the code, or systematic assessments of the SAACB’s integrity risks.</td>
<td>2</td>
</tr>
<tr>
<td>(ii) Management of Staff</td>
<td>Criteria a), b), c), e), h) and i) are met. Criteria c), d), f) and g) are not met. The SAACB has a clear organizational structure, policies and procedures for ensuring quality, and a time recording system. It does not have appropriate job descriptions for all the main responsibilities in the organization, a clear and transparent system for assigning staff to audit tasks, a functioning job rotation policy, or a system for recording staff costs.</td>
<td>2</td>
</tr>
<tr>
<td>(iii) Financial Management</td>
<td>Criteria a), c), d), e), f), h) and i) are met. Criteria b) and g) are not met. Criteria j) and k) are not applicable. Responsibilities for financial management are clearly assigned. Financial manuals are in place, and staff have appropriate skills. The deviation between budget and actual expenditure was less than 10 percent in all of the past three years. There is in-year monitoring of expenditures, and the government’s Integrated Financial Management and Information System (IFMIS) system is used for accounting. Authority to commit/approve expenditures is not delegated. The SAACB is not audited by an external auditor, and there is no management information system that integrates financial and performance information.</td>
<td>3</td>
</tr>
<tr>
<td>(iv) Internal Control Environment</td>
<td>Criteria a), d), f), h) and j) are met. Criteria b), c), e), g) and i) are not met. The SAACB has documented internal control policies and procedures, including for IT and information security. There is a separate unit with responsibility for internal audit. It reports to the President of the SAACB, and not to an audit committee. It monitors the implementation of its recommendations. There is no real system for risk management, nor procedures to protect internal whistle blowers. The internal control environment has been reviewed and reported on through the European Foundation for Quality Management (EFQM) assessment.</td>
<td>2</td>
</tr>
</tbody>
</table>
(i) Code of Ethics and Integrity

In 2012, the SAACB developed a code of conduct manual that sets out ethical policies and practices in line with ISSAI 30. Staff have a personal responsibility to comply with the code, and all employees signed it in January 2013. They are also required to sign it again annually at the beginning of every year. Staff have been sensitized as its content through the signing process, as well as through a workshop for a number of staff during the code development process. The code has also been distributed to all staff in pocket format, and is available on the SAACB shared drive. However, there are no concrete plans for further staff training regarding the contents of the code or on ethical behavior.

In terms of follow up on the actual implementation of the code, there is a committee in charge of making sure that all employees have signed it. However, there is no organization-wide monitoring system for compliance. If any breaches to the code are discovered, an internal committee will investigate the issues, and disciplinary actions will be taken in accordance with the civil service law. The SAACB does not have an integrity policy apart from the code of conduct. It has not carried out any systematic assessment of the SAACB’s vulnerability and resilience to integrity violations, using the IntoSAINT tool, for example. However, all staff were invited to comment on and provide input to the code during its development, reflecting on the particular integrity challenges that the SAACB faces. The code of conduct is not publically available, although external stakeholders were informed of it through a public signing ceremony in 2013. This ceremony was covered by local media.

(ii) Management of Staff

The SAACB has a clear organizational and administrative structure which was approved by the PA President in 2007. The document which defines the organizational structure describes the responsibilities of all general directorates and sub-units. It provides clear descriptions to ensure that staff is clear about their overall tasks roles and responsibilities, as well as reporting lines. Most employees have job descriptions, which have been generically developed by the GPC for all government posts. As such, the job descriptions are not customized to the SAACB and its tasks. In particular, the auditors’ job descriptions define the tasks and responsibilities of internal auditors in the government service, and thus do not fully reflect or cover the specific tasks of the auditors in the SAACB. The SAACB’s strategic goal is to update them, and a project with the GPC has been initiated toward this end.

The SAACB does not have a job rotation policy to mitigate the potential risk of conflicts of interest. However, a committee has recently been established to develop such a policy. The selection of staff to the audit teams is decided by the relevant general director. It is performed in an informal manner. No explanation is documented that demonstrates that the selection of the audit team members could be justified on the basis of a consideration of their competency and experience.

The SAACB has a well-functioning electronic system for recording staff time, which gives staff access to their individual pay check and a record of their working hours. However, there is no effective system for tracking technical staff cost or use of resources. There is a record of the number of hours spent on each audit, but this information is not aggregated at the organizational level, which could be useful for strategic

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37 IntoSAINT is a self-assessment tool that SAIs can use for analyzing their integrity risks and assessing the maturity of their integrity management systems.
decision-making purposes. In addition, administrative staff who do not work on audits do not record how their time is spent.

There are procedures in place to ensure quality of non-audit work, including quality control of financial transactions and follow up on the implementation of the annual plan. The SAACB has also showed a willingness to have its systems undergo external assessments. Indeed, it has asked another SAI to carry out a peer review, and is undertaking the SAI PMF assessment as the first SAI in ARABOSAI.

(iii) Financial Management
The SAACB has well established financial management procedures, and responsibilities are clearly defined. The SAACB follows the unified government accounting rules and procedures, and uses the integrated financial management information system “Bisan,” just as all other government entities do. Financial reports are prepared through the “Bisan” system, and expenditures are monitored against the budget every month. Ultimately, the SAACB President must approve all expenditures, so there is no delegation of authority in this regard. In addition, monthly and annual reports with explanation of deviations are submitted to the SAACB President.

The SAACB has a financial manager and a financial controller, as well as separate departments for procurement and internal audit. Financial procedures documents are available to all staff, although they are mainly used by the financial management department and the internal control unit. The SAACB’s budget is part of the public budget, and it follows the budget planning and execution process that is directed by the Ministry of Finance. An internal budget committee is formed at the SAACB every year, comprised of members from different general directorates. It receives input from all the directorates, prepares a consolidated budget proposal, and submits it to the Ministry of Finance within given deadlines. The SAACB’s financial management department is also involved in this process, and they ensure close coordination and follow up with Ministry of Finance staff. The financial management staff have appropriate skills, as well as solid, relevant experience. The financial management department is adequately staffed and the organizational review undertaken as part of the EU project suggested adding only one extra position (a second accounting officer).

The SAACB’s actual expenditure was 91.7 percent of the budget in 2011, 93 percent in 2012, and 97.9 percent in 2013. In other words, the deviation between the budget and the actual expenditures was less than 10 percent in each of these three years. The SAACB’s financial statements are not audited by an external auditor. It is foreseen that another SAI can take on this task, but it has not yet happened in practice. As “Bisan” is a system purely for financial management, it does not include and integrate information about non-financial performance.

(iv) Internal Control Environment
Written manuals for internal control and financial management are in place and applied. The financial controller carries out ex-ante control of expenditures through the “Bisan” accounting system, which has embedded controls within its mainframe. Procedures for IT and information security are followed, including the existence of a firewall system, individual user accounts with passwords, and regular system backup arrangements. Provisions for information security are included in the code of conduct and in the SAACB law.
There is however no real risk management process in the SAACB. Departments provide information about their implementation of the annual plan and their resource needs for the next year, but do not systematically identify, assess and mitigate risks. The SAACB President does not sign a statement of internal control as part of the annual report. There is an internal audit function in the internal control unit. It monitors the implementation of the annual and strategic plans, and can also look into other systemic and procedural issues. It reports to the President of the SAACB, but not to an audit or similar committee. It monitors the follow-up of its own reports. In 2010, external consultants carried out a review of the SAACB’s quality management, using the EQFM model. There is no whistle blower38 policy which ensures protection of employees who report violations.

**SAI-19: Asset Management and Support Services (Score=4)**

This indicator measures management of infrastructure as well as of administrative and support services. These are important prerequisites for a well-functioning SAI.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Planning and Effective Use of Assets and Infrastructure</td>
<td>All criteria are met.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>The SAACB has included objectives related to infrastructure and IT in its 2014–2016 strategic plan. It carried out an organizational review of staffing needs in 2011, and discussed its infrastructure needs in the annual report. There is an archiving facility in the building, and IT needs are continuously assessed.</td>
<td></td>
</tr>
<tr>
<td>(ii) Administrative Support Services</td>
<td>All criteria are met.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Responsibility for major support services and assets management is clearly defined, and staff tasked with archiving and IT have appropriate skills and acceptable resources. Support services were assessed in the strategic planning process in 2013.</td>
<td></td>
</tr>
</tbody>
</table>

38 A whistle blower is “a person who exposes any kind of information or activity that is deemed illegal, dishonest, or not correct within an organization that is either public or private…” (https://en.wikipedia.org/wiki/Whistleblower)
(i) Planning and Effective Use of Assets and Infrastructure

The SAACB developed longer-term strategic considerations of its physical infrastructure needs in the 2014–2016 Strategic Plan, including the identification of office and IT needs. There is also an annual plan for the IT directorate. The SAACB has appropriate archiving facilities in its own building which enables records to be stored securely over several years. Some files are also archived electronically. The new office building, which the SAACB has recently acquired, will have a larger archiving capacity. Comprehensive counts of physical assets of equipment are carried out every few years, and the last one was done in 2010. As the West Bank is a relatively small geographical area, the SAACB has made a conscious decision not to establish branch offices outside of Ramallah. According to the financial and administrative department, the need for a larger office building, which for several years remained unmet, was made public in the annual report. There is a challenge with regard to the Gaza office, where staff are based. However, the office is not operative due to the political situation. To mitigate the risk of this limitation, the PA controls all expenditures in Gaza and are centralized from the MoF in Ramallah. The SAACB Ramallah office performs desk review of significant audit issues, but does not perform field audit activities in Gaza. Most of the big four firms have physical presence in Gaza, and Donor funded projects are audited by those firms. The non-operative Gaza office is a difficult challenge for the SAACB to address unilaterally. (ii) Administrative Support Services

The head of the financial and administration directorate has the overall responsibility for assets management. The responsibility for IT infrastructure is clearly assigned to a separate IT manager with relevant educational background and experience. The unit is staffed with 5 employees who have relevant qualifications. Several internally developed software applications are installed and in use at the SAACB. The archiving unit consists of one manager and two employees, which is considered sufficient for an organization of the SAACB’s size. In 2013, a needs assessment was carried out in connection with the development of the 2014–2016 Strategic Plan, and it covered support services. The Plan includes proposals for the improvement of administrative support and IT services.

6.6. Domain F: Human Resources and Leadership

SAIs should establish policies and procedures to ensure that they have sufficient and competent personnel, with the capabilities and ethical behavior necessary to carry out their work in accordance with relevant standards and legal requirements. For the scoring of this domain, it is important to note that the SAACB does not have the autonomy to recruit and decide on the terms and conditions of its employees. Staff are considered members of the civil service, and important decisions regarding human resource management are made centrally by the PA General Personnel Council.

This lack of organizational independence is assessed in SAI-6 (iii). As a consequence, several criteria of dimensions (iii) and (iv) of this indicator are considered not applicable, as the assessment should be limited to the areas which are under the direct control of the SAACB. In accordance with the SAI PMF No Score methodology, and given the number of criteria and dimensions which are not applicable, the overall indicator is also considered not applicable. Nevertheless, the evidence gathered for each dimension is described in the following sections in order to provide information which can be useful in the future development of the SAACB.
**SAI-20: Human Resource Leadership and Function (Score=N/A)**

This indicator measures leadership of human resources, including decision-making processes and human resource strategies and policies. It also analyzes the human resource management function of the SAI and its recruitment, remuneration and promotion practices.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Findings</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>(i) Leadership of Human Resources</td>
<td>All criteria are met. There are regular management meetings, and key decisions are communicated to staff. The SAACB’s mission statement is communicated to staff and the public. There is a system of delegation of authority.</td>
<td>4</td>
</tr>
<tr>
<td>(ii) Human Resources Strategy</td>
<td>Criteria a), c), e), f) and g) are met. Criteria b) and d) are not met. Strategic considerations about human resources are made, including estimates of staffing needs. The Strategic Plan covers professional development, but not remuneration and performance appraisal. It contains indicators, but not with baselines or specific targets.</td>
<td>3</td>
</tr>
<tr>
<td>(iii) Human Resources Function and Recruitment</td>
<td>Criteria a), e), f) and g) are met. Criteria h) and i) are not met. Criteria b), c) and d) are not applicable. In line with the No Score methodology, the overall dimension is considered not applicable because more than two criteria are not applicable. The SAACB has a human resources management function, and plans for recruitment needs. Recruitment procedures are clear and transparent, although partly outside of the SAACB’s control.</td>
<td>N/A</td>
</tr>
<tr>
<td>(iv) Remuneration, Promotion and Staff Welfare</td>
<td>Criterion a) is met. Criteria b), f), g) and h) are not met. Criteria c), d) and e) are Not Applicable. In line with the No Score methodology, the overall dimension is considered not applicable because more than two criteria are not applicable. The SAACB is not in control of the procedures for remuneration and promotions, as this is centralized under the authority of the General Personnel Council. The SAACB has not carried out a staff survey within the last year, and there is no welfare policy.</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(i) Leadership of Human Resources

The senior management of the SAACB, including the President, hold internal meetings on a weekly basis. An agenda for the meeting is developed, and key decisions are communicated to staff. The main channels for communicating important decisions are done through written instructions and posts on the intranet portal. The weekly staff meetings are used to follow up on progress within different areas. General Directors are responsible for implementing annual plans for their directorate, and have to report on progress to the Director General in monthly written reports and in regular meetings. There is a certain degree of delegation of authority which follows the instructions of the civil servants law and the organizational structure. However, authority for the issuing of audit reports and approval of expenditures is not delegated, and are subject to the final approval of the SAACB President. The top management of the SAACB has been involved in developing organizational values, which are made available to the public through the SAACB internet site, in publications, as well as in newspaper promotion campaigns. Within its powers, the SAACB
has implemented certain measures to incentivise better staff performance, including an “employee of the month” award, and the possibility of a financial reward in cases of high performance, or a letter of appreciation from the SAACB President.

(ii) Human Resources Strategy
The SAACB does not have a separate strategy for human resource management, but there are human resource-related goals in the overall Strategic Plan for 2014–2016. The SAACB’s human resource objectives are therefore closely linked to the overall organizational objectives. In addition, there is an annual plan for the financial and administrative general directorate which covers human resources, as well as an assessment of the number and type of staff required over the next three years. The latter information is sent to the GPC on an annual basis, as it is the body to decide on the number of employees that the SAACB can hire every year. Although these strategic documents include considerations about recruitment and professional development, they do not cover issues related to remuneration and performance appraisal, as good practice requires. There are also performance indicators in the strategic plan, but they do not have baselines and targets, and staff turnover is not calculated. The Strategic Plan is shared with all staff and updated regularly, and its implementation is monitored by the internal control unit.

(iii) Human Resources Function and Recruitment
The SAACB has a separate human resources unit, which consists of three employees. The head of the unit does not have a specialized degree in human resource management, but has acquired sufficient skills to do the job. The SAACB does not have independent responsibility for recruitment decisions, as these follow GPC procedures and are subject to GPC approval. The procedures for recruitment are codified in the civil servants law, and thus not something the SAACB can determine on its own. The procedures are made available to the public. Each year the SAACB prepares a plan of recruitment needs which is then sent to the GPC. It is based on input from the general directorates, and specifies the number and type of positions needed. The GPC then decides on the number of new staff that can be recruited, and the two organizations both contribute to the recruitment process. In the past few years, the SAACB has not been given approval to recruit all the required staff. In such cases, an internal committee in the SAACB decides which of the positions to prioritize. The limitations to new recruitments are related to the financial crisis of the PA. Accordingly, the Ministry of Finance has taken a decision to maintain zero net recruitment at the national level.

The recruitment process is transparent and inclusive. Job advertisements are posted in two different newspapers and on the internet sites of the GPC and the SAACB. A sample ad reviewed included a description of the skills and experience needed to do the job. The selection of candidates for positions is done by a committee which has members from the SAACB, the GPC, and in some cases other relevant experts. There is no specific promotion of diversity in the recruitment process as defined in the civil servants law, and the SAACB does not have the authority to include such criteria. The SAACB has no specific procedures in place to ensure the quality of the deliverables of external experts or policies for conflict resolution.

(iv) Remuneration, Promotion and Staff Welfare
The rules and procedures for remuneration, rewards and promotions are mainly codified in the civil servants law, and the GPC is responsible for their implementation. The framework for and final decisions on these issues are therefore outside of the control of the SAACB, although it does provide input to the GPC in
promotion cases. The promotion procedures prescribed by the GPC include that performance should be taken into account in the decision making. Following a government-wide effort led by the GPC, there are now established routines to ensure annual individual performance appraisals. The GPC has developed standard performance appraisal forms which the SAACB uses. It is required to return them to the GPC after an internal verification process of the results. The standard appraisals do not assess performance against the individual job descriptions, although it would have been possible for the SAACB to assess them on its own initiative.

**SAI-21: Professional Development and Training (Score = 1)**

This indicator assesses the degree to which the SAI has plans for its professional development activities, and whether they are tailored to the specific relevant audit disciplines.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Findings</th>
<th>Score</th>
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<tbody>
<tr>
<td>(i) Plans and Processes for Professional Development and Training</td>
<td>Criteria c) and e) are met. Criteria a), b) and d) are not met. The SAACB has routines for selecting staff to participate in training, and mechanisms to evaluate results of training. It does not currently have an organization-wide plan or individual plans for training and professional development.</td>
<td>2</td>
</tr>
<tr>
<td>(ii) Professional Development and Training in Relevant Audit Disciplines</td>
<td>Criterion a) is met. Criteria b), c) and d) are not met. The SAACB has identified certain professional “cadres” it wishes to develop, that is, auditors of the final accounts and performance auditors. The responsibility for the development process has been assigned for auditing of the final accounts, but not for performance audits. There are no written competency requirements for these cadres, nor a comprehensive plan for their development.</td>
<td>1</td>
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</table>

(i) Plans and Processes for Professional Development and Training

The Planning, Improvement and Capacity Development Unit has one person in charge of professional development and training of staff. The unit has a budget for training activities, but at the moment there is no annual plan for such activities. The SAACB used to have such a plan in 2007, but discontinued the practice since there were difficulties in securing predictable financing for the capacity development activities. There are also no individual learning and development plans for employees.

During the past three years, key training needs were covered by the capacity development program financed by the EU. Apart from that, participation in training is mainly done on a reactive basis, in the sense that the SAACB will receive invitations to courses from different external partners, such as ARABOSAI, IDI, or donors, and then decide whether or not to send participants. Routines for selection of staff to participate in these training events have been established. These entail the formation of a committee. Training events are then announced to directorates and on the intranet. Employees who are interested may then apply, and the committee selects the participants. In accordance with the civil servants law, staff also have the opportunity to take unpaid leave for pursuing higher education, such as Master’s degrees. A number of staff are currently enrolled in such programs. Since the unpaid leave ultimately entails lost resources for the SAACB in the short term, the process to ensure that the degrees or qualifications pursued are in line with the organization’s overall priorities could be strengthened. The SAACB has developed a methodology for...
evaluating training and courses, although it could also be strengthened, with a stronger focus on longer-term results.

(ii) Professional Development and Training in Relevant Audit Disciplines
Although not formalized to a significant degree, the SAACB has identified certain professional specializations, or “cadres”, which it seeks to develop. The two main examples are the auditors of the final accounts and performance auditors. Responsibility for developing the skills for the audit of the final accounts has been delegated to one of the directors, but responsibility has not been assigned for performance audits. However, specific competency requirements for different staff grades in each profession or cadre have not yet been developed, nor is there a plan for the development of each professional specialization. There is no specialization in forensic auditing on the basis of complaints performed in collaboration with the PACC.

6.7. Domain G: Communication and Stakeholder Management
Domain G assesses the SAI’s management of its relations and communication with external stakeholders, as well as internal communication within the organization. The SAACB has a separate unit for public relations which is responsible for media and stakeholder management internationally and locally. It reports directly to the SAACB President and works closely with him. The unit has four employees, and the responsibilities between them are clearly defined.

SAI-22: Communications Strategy and Internal Communication (Score=2)
This indicator assesses the SAI’s strategy for communication as well as its internal communication procedures.

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<th>Indicator score: 2</th>
<th>Findings</th>
<th>Score</th>
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<tbody>
<tr>
<td>Dimension</td>
<td>Findings</td>
<td></td>
</tr>
<tr>
<td>(i) Communications strategy</td>
<td>The SAACB has a communications strategy by virtue of the Strategic Plan. It identifies the audiences with which it needs to communicate and the tools to be used. However, it does not identify the key messages that the SAACB wants to communicate, and the SAACB does not assess whether stakeholders believe it is communicating effectively.</td>
<td>2</td>
</tr>
<tr>
<td>(ii) Good practices regarding internal communication</td>
<td>Criteria a), b), c) and e) are met. Criterion d) is not met. The SAACB’s core values and strategic objectives are communicated to staff, and there are channels for two-way communication between management and staff. There is an intranet site and a newsletter to facilitate internal communication. Unit meetings and organization-wide meetings do not take place regularly.</td>
<td>3</td>
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</table>

(i) Communications strategy
The SAACB has increased relations with stakeholders as one of its four strategic goals in the 2014–2016 Strategic Plan. The plan contains performance indicators and identifies the audiences with which the SAACB wants to communicate, such as auditees, the media, academic institutions, and private audit firms. The tools that will be used for this purpose are identified and include the website, cooperation agreements with stakeholders, workshops, and the newsletter. The plan does not identify the key messages that the
SAACB wants to communicate. The SAACB also does not assess whether external stakeholders find it to be communicating effectively, which can be done through surveys and other means.

(ii) Good practices regarding internal communication
Top-down communication appears effective, as key decisions are communicated to staff through appropriate means, such as internal memos, the intranet and a newsletter. The SAACB’s mandate and the Strategic Plan with the core values are communicated both on the intranet and internet. There are also examples of mechanisms for bottom-up communication, including a suggestions box for anonymous input and a possibility to send a letter to the SAACB President through the employee’s director. Furthermore, most staff were given the opportunity to provide input in the strategic planning process. There are however no regular unit meetings where managers can receive input from staff to bring to the attention of the top management and/or communicate important management decisions. There are occasional organizational wide meetings, but they are not conducted on a regular basis. Effective communication between staff is fostered through the existence of a shared drive where information is stored, personal e-mail addresses for all staff, and a partly electronic archiving system.

\[\text{SAI-23: Communications with the Legislature, Judiciary and Executive (Score=2)}\]
This indicator measures the SAI’s communication with its main external stakeholders, namely the parliament, the judiciary and the executive. The main focus is on overall procedures for communication, whereas communication with the auditee during the audit process is covered in domain D.

<table>
<thead>
<tr>
<th>Indicator score: 2</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Good practices regarding communication with the Legislature</td>
<td>The dimension is considered not applicable since there has been no convening Parliament since 2007.</td>
<td>N/A</td>
</tr>
<tr>
<td>(ii) Good practices regarding communication with the Judiciary, prosecuting and investigating agencies</td>
<td>Criteria c) and e) are met. Criteria a) and b) are not met. Criterion d) is considered not applicable. Relations to the judiciary or prosecuting agencies are not covered in the SAACB law. The SAACB has carried out awareness-raising activities with the Anti-Corruption Commission and has established a dialogue where feedback is provided, although not in a systematic manner.</td>
<td>2</td>
</tr>
<tr>
<td>(iii) Good practices regarding communication with the Executive</td>
<td>Criteria a) and c) are met. Criteria b) and d) are not met. The SAACB is generally not seen to be involved in the management of the organizations that it audits. There are occasional meetings between the President of the SAACB and the Minister of Finance to discuss issues of common concern. The SAACB has not provided the Executive with generic guidance material on what to expect during the audit, nor has it systematically sought feedback from the Executive on the audit process.</td>
<td>2</td>
</tr>
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</table>

(i) Good practices regarding communication with the Legislature
Not applicable.
(ii) Good practices regarding communication with the Judiciary, prosecuting and investigating agencies
Relations with the judiciary, prosecuting and investigating agencies, including most notably the PACC, have minimal mention in the SAACB law — apart from in the sense that they are also considered auditees of the SAACB. This is partly explained by the fact that the PACC was established after the SAACB law was enacted. Hence, the SAACB is not permitted to require information on files in process from the judiciary, prosecuting or investigating agencies. It is also not obliged by law to communicate with these bodies about audit findings in cases where it is necessary to do so — although Article 51 mentions that the SAACB can release confidential information to the judiciary in a legal action. In addition to the lack of legal requirements, there are also no bilateral protocols for collaboration. However, the SAACB has established an informal cooperation with the PACC, which entails that the SAACB may transfer cases to the PACC, for example, audit findings based on complaints from the public. The PACC may also request that the SAACB carry out audits to provide more documentation in the cases of alleged corruption which it handles. Selected SAACB staff are currently seconded to the PACC, and there is continuous dialogue between the two bodies.

The SAACB does not have systematic mechanisms for seeking feedback from these bodies on its performance. There are however meetings between the SAACB and the PACC, so a channel for input has been established. The PACC is well aware of the reports of the SAACB, so it is not necessary for the SAACB to provide training on how to read its reports. In meetings, the PACC informed the assessment team that it had collaborated with the SAACB on informing of PACC’s requirements for documentation to be utilized in the prosecution of offences. The SAACB has carried out a number of outreach and awareness-raising activities which have targeted the PACC, among other stakeholders. These activities have included annual conferences and printed information material.

(iii) Good practices regarding communication with the Executive
The SAACB has not developed or disseminated generic guidance to the executive branch about the SAACB’s audit process and methodology. There are occasional meetings with high level officials of the audited entities, in particular the Minister of Finance, to discuss issues of common concern. However, the SAACB has not carried out surveys of executive bodies concerning its work and performance.

SAIs should not be involved, or be seen to be involved, in any manner, in the management of the organizations they audit. Generally, the SAACB follows this principle. The exception is the SAACB’s mandate to carry out so called “pre-audit”, which ultimately entails being part of the audited organizations’ internal control procedures. Pre-audits have not been done to a large extent, although the SAACB plays a role in public procurement decisions.
**SAI-24: Communication with the Media, Citizens and Civil Society Organizations (Score=3)**

This indicator measures how the SAI communicates with the public, the media and citizens, and whether its practices are effective.

<table>
<thead>
<tr>
<th>Indicator score: 3</th>
<th>Findings</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimension</td>
<td>Findings</td>
<td></td>
</tr>
<tr>
<td>(i) Good practices</td>
<td>Criteria b), c), e) and f) are met. Criteria a) and d) are not met. The SAACB issues press releases along with the issuance of its main reports, and publishes reports and summaries of reports on the internet. There are dedicated media spokes persons and contacts. There is a plan which covers communication with the media. Press conferences are not held, and media content analyses are not produced.</td>
<td>3</td>
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<tr>
<td>regarding communication with the media</td>
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<tr>
<td>(ii) Good practices regarding communication with the citizens and civil society organizations</td>
<td>Criteria a), b), c), d), e), g) and h) are met. Criterion f) is not met. The SAACB provides the public and civil society with access to information about its activities, publishes summaries of its audit reports, and organizes events with stakeholders to discuss broader PFM and governance issues. It receives input from the public. It has not sought feedback from its readers on its reports.</td>
<td>4</td>
</tr>
</tbody>
</table>

(i) Good practices regarding communication with the media

Although the SAACB does not have a separate media communications plan, the public relations unit has an annual plan which, among other things, addresses communication with the media. The plan includes performance indicators, and its implementation is monitored by the development and internal control units. There is a media contact person in the public relations unit, and the President of the SAACB is the designated media spokesperson. The SAACB does not hold press conferences to launch its major reports, but it does issue press releases. In this regard, there is often interest from the media which is followed up with interviews with the SAACB President. The SAACB as a rule uses appropriate means to disseminate its reports. The annual reports of 2010 and 2011 and other years are publically available on the SAACB’s website. In addition, the audit of the final accounts for 2010 and several quarterly reports are also on the public website. For 2012, the annual report has not been published, but the quarterly reports for the first and second quarter are available. The SAACB does not do any analysis of how it is depicted in the media, although the number of appearances in the media is registered and reported on internally.

(ii) Good practices regarding communication with the citizens and civil society organizations

The SAACB uses several vehicles to promote access by citizens to its work and the results of its audits. It has proactively communicated its mandate and tasks on the internet, in written publications, and in a local newspaper and radio campaign in September 2013. It also publishes quarterly newsletters about its activities on the website. Most of the main audit reports are available free of charge on the website. For the comprehensive annual report, which comprises several hundred pages, the SAACB has published executive summaries in both Arabic and English. Citizens have the opportunity to contact the SAACB through an online channel to report on alleged cases of corruption. The media campaign informed the public about this possibility, and the number of complaints increased in the following months. The SAACB President occasionally participates in TV and radio debates to discuss audit reports, as well as in conferences and fora related to PFM. The SAACB has also organized annual conferences where wider topics related to good
governance, PFM and tackling corruption have been discussed with external stakeholders, including academics. The SAACB has not systematically sought feedback from the readers of its reports and summaries in order to improve them in the future.

7. SAI Capacity Development Process

7.1. Description of Recent and On-Going Reforms:
Over the past few years, the SAACB has actively pursued capacity development. The SAACB has taken ownership of this process through developing strategic plans and collaborating closely with members of the donor community who have provided support. The following is a list of recent and ongoing external support activities for the SAACB:

1. The European Union is currently the SAACB’s lead development partner. From October 2011 until December 2013, it provided funds for a comprehensive institutional strengthening program. The program aimed to increase the professional capacity of the SAACB, its legislative framework, and systems and policies. It also sought to increase the professional capacity of the SAACB’s management and staff. It included, among other things, the development of audit methodology in line with international standards and on-the-job training (see further details below).

2. The United States Agency for International Development funded an outreach project for the SAACB in 2013. The project aimed to promote the role of the SAACB and raise public awareness in all governorates.

3. The Swedish National Audit Office is currently implementing a Memorandum of Understanding agreed with the SAACB which includes assistance in two areas: (i) training the staff of the SAACB on performance audits in the environmental field, and (ii) increasing exposure of the SAACB management to international best practices.

4. The Geneva Centre for the Democratic Control of Armed Forces and the SAACB have signed a Memorandum of Understanding to cooperate in strengthening the administrative and financial oversight of the Palestinian security sector.

5. The SAACB has had participants in several programs of the INTOSAI Development Initiative, including programs about quality assurance and strategic planning.

6. The World Bank initiated technical assistance support through this SAI PMF exercise, and intends to support the SAACB in targeted advisory and capacity development support to address areas in need of improvement.

Furthermore, the SAACB has received support from among others in the past, including the German Agency for International Cooperation (Deutsche Gesellschaft fuer Internationale Zusammenarbeit) (GIZ) and the Office of the Auditor General of Norway.

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39 Source: SAACB records.
40 Institutional strengthening of the Supreme Audit and Administrative Control Bureau, Office of the European Union Representative, West Bank and Gaza, UNRWA, December 2103.
An example of a promising result of the SAACB’s continued efforts in capacity development concerns the audit of the PA’s final accounts for 2010, which were in line with international standards. The SAACB issued an audit opinion on the accounts, and the report was published and discussed in the media and among stakeholders. Performance enhancement is also documented by the improvement in the PEFA score for external audit (PI-26) from D in 2007 to C+ in 2013\textsuperscript{41}.

**Institutional strengthening program financed by the European Union\textsuperscript{42}**

The main purpose of the institutional strengthening project was to provide support to the SAACB to become an independent external audit institution in line with INTOSAI standards, and with substantial institutional capacity and a robust legal framework. It supported SAACB staff capacity to carry out effective audits. With the help of external consultants, assistance was provided to the SAACB in developing ISSAI-compliant audit manuals for financial and compliance audits.\textsuperscript{43} The roll-out of the methodology was supported through classroom training and pilot audits. The on-the-job training component contained over 1,500 days of coaching for SAACB teams from all six audit directorates, and resulted in 19 audits being completed jointly by the audit teams and the consultants. These audits covered line ministries, local government bodies and NGOs, as well as the joint audits of the PA consolidated financial statements for 2010 performed in accordance with the ISSAIs.

Under the program, a total of 26 training courses in various other areas were provided, including the following key courses:

- Extensive classroom course in accounting for SAACB auditors and management: It is important for auditors to have a sound understanding of government accounting concepts and principles when auditing financial statements. The course covered the core IPSAS uses as the basis of preparation for the government financial statements.
- Management Information System (MIS) Audit: One of the major components of the training for the SAACB auditors was MIS Audit. It comprised five phases, including Certified Information Systems Audit, and the Application of INTOSAI Standards in MIS audits and audit reporting. An audit manual was also developed.
- Procurement audit training: This training was performed by a consultant who had worked on drafting the current Palestinian Procurement Law. The objectives of the training were to provide an understanding of the principles behind public sector procurement, as well as the Palestinian Public Procurement process and regulations. The consultant also provided a number of case studies to enable auditors to identify procurement audit risks in a Palestinian context.
- Study tours in the Netherlands and Sweden: A study tour for 11 senior staff members of the SAACB and one representative of the Palestinian Legislative Council was organized by the Swedish National Audit Office and the Court of Audit of the Netherlands. The objectives for the study tours were to demonstrate the effectiveness of public accountability in a well-established democratic state, and to describe the roles and responsibilities of the key stakeholders responsible for public accountability.

\textsuperscript{41} PEFA uses a performance scale from A (best) – D (worst).
\textsuperscript{42} Institutional strengthening of the Supreme Audit and Administrative Control Bureau, Office of the European Union Representative, West Bank and Gaza, UNRWA, December 2013.
\textsuperscript{43} Referred to elsewhere in this report as the “new” audit methodology.
internal financial and management control in Sweden. Participants were also able to see how these relationships operate in practice.

- Moreover, support was provided to the Planning and Capacity Development Unit in the SAACB to implement a number of training reforms, including developing a revised training evaluation form. A Training of Trainers course was delivered to establish a group of six SAACB training experts, and a Training of Trainers handbook was developed and provided to each expert as well as the Training Department. The Project also supported the Planning and Capacity Development Unit in performing a Training Needs Analysis, leading to a SAACB Training Plan as well as training curricula.

In addition to these training courses, the program included organizational and institutional capacity building activities. A gap analysis comparing the existing legal framework of the SAACB to INTOSAI principles was produced in 2011 after stakeholder consultation. A Legal Drafting Working Group was then established to develop a draft law in accordance with INTOSAI Standards and Palestinian legislative drafting norms. A Palestinian legal drafter produced a compliant law in June 2012, but a few key issues have yet to be resolved before the draft law can be finalized and submitted to the PA President for consideration and approval.

7.2. Use of SAI Results by External Providers of Financial Support
The donor community is using the reports produced by the SAACB to inform their financial support strategies. For example, the SAACB’s audits of financial statements produced by the Ministry of Finance for 2009 and 2010 point to: (i) significant weaknesses in the financial management and accounting systems within the Ministry of Finance and wider government; (ii) limited safeguards on public assets; and (iii) failures to disclose accurately the financial operations of the government and public sector bodies. As a result, the World Bank is currently coordinating a program of support with donor partners to the PA, focusing on improvements in fiscal reporting as part of the overall public financial management system.

A joint financing agreement between the Palestinian Authority represented by the Ministry of Education and Higher Education and the Ministry of Foreign affairs of Finland, the government of Ireland, Germany’s KFW, and the Ministry of Foreign Affairs of Norway was signed in November 2011 to support the Education Development Strategic Plan (EDSP) for 2008–2012. The parties agreed that the SAACB will be responsible for financial and compliance audits of the EDSP Financial Statements. Due to SAACB staffing and capacity constraints, it was agreed that the SAACB will contract an international audit firm to assist in the implementation of the audit according to a specific terms of reference. Almost all donors require that their funded projects be audited using private audit firms (that is, they do not use country audit systems). However, some donor-funded projects — implemented either through government or through NGOs — may be covered by the audits of the SAACB. The communication between donors and SAACB audit results is limited and could be improved.

The World Bank uses the SAACB audit results in its considerations of fiduciary risk over development policy Grant operations. It is also developing a strategy to gradually start relying on the SAACB as the external auditor of the financial statements of World Bank-supported investment operations in the West Bank.
## 8. Annex 1: Summary of Performance Indicator Scoring

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Indicator Name</th>
<th>Dimension</th>
<th>Overall Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(i) (ii) (iii) (iv)</td>
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<tr>
<td><strong>Domain A</strong></td>
<td>SAI Reporting</td>
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<tr>
<td>SAI-1</td>
<td>Financial Audit Results</td>
<td>N/A&lt;sup&gt;44&lt;/sup&gt; N/A&lt;sup&gt;45&lt;/sup&gt; 0 2</td>
<td>N/A&lt;sup&gt;46&lt;/sup&gt;</td>
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<tr>
<td>SAI-2</td>
<td>Compliance Audit Results</td>
<td>0 1 0 2</td>
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<tr>
<td>SAI-3</td>
<td>Performance Audit Results</td>
<td>N/A N/A N/A N/A</td>
<td>N/A&lt;sup&gt;47&lt;/sup&gt;</td>
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<tr>
<td>SAI-4</td>
<td>Judgment Results</td>
<td>N/A N/A N/A N/A</td>
<td>N/A&lt;sup&gt;48&lt;/sup&gt;</td>
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<td>SAI-5</td>
<td>Annual Report &amp; Other Reports</td>
<td>2 1 2 4</td>
<td>2</td>
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<td><strong>Domain B</strong></td>
<td>Independence and Legal Framework</td>
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<td>SAI-6</td>
<td>Independence of the SAI</td>
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<td>SAI-7</td>
<td>Mandate of the SAI</td>
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<td><strong>Domain C</strong></td>
<td>Strategy for Organizational Development</td>
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<td>SAI-8</td>
<td>Strategy for Organizational Development</td>
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<td><strong>Domain D</strong></td>
<td>Audit Standards and Methodology</td>
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<td>SAI-9</td>
<td>Overall Audit Planning and Quality Mgmt.</td>
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<tr>
<td>SAI-10</td>
<td>Quality Assurance of Audit Processes</td>
<td>2 2 NA&lt;sup&gt;49&lt;/sup&gt; NA&lt;sup&gt;50&lt;/sup&gt;</td>
<td>N/A&lt;sup&gt;51&lt;/sup&gt;</td>
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<td>SAI-11</td>
<td>Financial Audit Foundations</td>
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<td>SAI-12</td>
<td>Financial Audit Process</td>
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<td>SAI-13</td>
<td>Compliance Audit Foundations</td>
<td>4 0 2 3</td>
<td>2</td>
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<td>SAI-14</td>
<td>Compliance Audit Process</td>
<td>2 4 2</td>
<td>3</td>
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<td>SAI-15</td>
<td>Performance Audit Foundations</td>
<td>N/A N/A N/A N/A</td>
<td>N/A&lt;sup&gt;52&lt;/sup&gt;</td>
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<td>SAI-16</td>
<td>Performance Audit Process</td>
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<td>SAI-17</td>
<td>Judgment Process</td>
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<td><strong>Domain E</strong></td>
<td>Management and Support Structures</td>
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<td>SAI-18</td>
<td>Ethics, Management and Internal Control</td>
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<td>SAI-19</td>
<td>Asset Management and Support Services</td>
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<tr>
<td><strong>Domain F</strong></td>
<td>Human Resources and Leadership</td>
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</tbody>
</table>

<sup>44</sup> Dimension is N/A because SAACB did not receive the final accounts for 2012 from the Ministry of Finance.

<sup>45</sup> Dimension is N/A because SAACB did not receive the final accounts for 2012 from the Ministry of Finance.

<sup>46</sup> Indicator is N/A because two dimensions of the indicator are N/A.

<sup>47</sup> Indicator is N/A because performance auditing is not covered by the assessment.

<sup>48</sup> Indicator is N/A because it only applies to SAIs of the court model, and the SAACB does not follow this model.

<sup>49</sup> Dimension is N/A because it relates to performance audit, which is not covered by the assessment.

<sup>50</sup> Dimension is N/A because it relates to the outsourcing of audit work, which SAACB does not do.

<sup>51</sup> Indicator is N/A because performance auditing is not covered by the assessment.

<sup>52</sup> Indicator is N/A because performance auditing is not covered by the assessment.

<sup>53</sup> Indicator is N/A because it only applies to SAIs of the court model, and the SAACB does not follow this model.
<table>
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<tr>
<th>SAI-20</th>
<th>Human Resource Leadership and Function</th>
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<th>3</th>
<th>N/A$^{54}$</th>
<th>N/A$^{55}$</th>
<th>N/A$^{56}$</th>
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<td>SAI-21</td>
<td>Professional Development and Training</td>
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<td>Domain G</td>
<td>Communication and Stakeholder Management</td>
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<tr>
<td>SAI-22</td>
<td>Communications Strategy and Internal Communication</td>
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<td>SAI-23</td>
<td>Communication with the Legislature, Judiciary and Executive</td>
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<td>SAI-24</td>
<td>Communication with the Media, Citizens and Civil Society Organizations</td>
<td>3</td>
<td>4</td>
<td></td>
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<td>3</td>
</tr>
</tbody>
</table>

$^{54}$ Dimension is N/A because more than two criteria are N/A.

$^{55}$ Dimension is N/A because more than two criteria are N/A.

$^{56}$ Indicator is N/A because two dimensions are N/A.

$^{57}$ Dimension is N/A because there is no convening parliament with which the SAACB can communicate.
9. Annex 2: Sources of Information and Evidence to Support Indicator Scoring

9.1. Documentation

Legal framework
- State Audit and Administrative Control Bureau Law (No. 15 of 2004).
- Civil Servants’ Law (No. 45 of 2005).
- Gap analysis of the SAACB law against ISSAIs (through EU capacity development project)

Organization of SAACB
- Code of conduct (2013)
- SAACB Annual Plan for 2013
- Organizational chart
- SAACB budget and financial statements for 2011–2013
- Organizational review (through EU capacity development project)
- Job descriptions
- Job advertisements

Audit
- Government audit standards
- SAACB audit manuals for financial and compliance audits
- Annual audit plan for 2013
- Directorate audit plans for 2013
- Annual report for 2012
- Report on the audit of the 2010 Final Accounts
- List of all financial and compliance audits conducted in 2013, including dates of engagement letters and audit reports
- Full audit files and reports for 5 financial audits
- Full audit files and reports for 3 compliance audits
- Document describing the methodology for the work of the audit report review committee

Communication
- Information material about the SAACB for external stakeholders
- Media coverage examples of SAACB activities
- SAACB external website

Secondary sources and reports
- Institutional strengthening of the Supreme Audit and Administrative Control Bureau, Office of the European Union Representative, West Bank and Gaza, UNRWA, December 2103.
9.2. Interviews

**Supreme Audit and Administrative Control Bureau:**
Dr. Samir Abu Znaid, President (at the time of the SAI PMF field work)
Mr. Jamal Abu Baker, Director General
Mr. Faisal Othman, General Director (GD), Financial and Administrative General Directorate
Mr. Esmat Abu Rabea, Acting GD, General Directorate for Economy Controlling
Mr. Saleh Musleh, Acting GD, General Directorate for Local Government Controlling
Mr. Samer Sabah, Acting GD, General Directorate for Infrastructure Controlling
Mr. Shihada Alawneh, Acting GD, General Directorate for Social and Cultural Services Controlling
Mr. Yousef Hantash, Acting GD, General Directorate for Security and Governance Controlling
Ms. Lana Assi, Head of Public Relations Unit
Mr. Shaheer Qalawah, Head of the Planning, Improvement and Capacity Development Unit
Mr. Ghassan Dodeen, Acting GD, SAACB President’s Office
Mr. Jaffal Jaffal, Acting GD, General Directorate for Legal Affairs and Public Complaints
Mr. Omar Yaseen, President Advisor, SAACB President’s Office
Mr. Abdallah Alali, Internal Control Unit
Mr. Mouia Assad, Manager, Financial Department
Mr. Saleem Bouseela, Manager, Human Resources Department, Team leaders of the sampled audits

**Palestinian Authority, President’s Office**
Mr. Hasan Al-Ouri, Legal Adviser to the President of the Palestinian Authority

**Palestinian Authority, Ministry of Finance**
Mr. Ahmad Sabbah, Accountant General

**Palestinian Anti-Corruption Commission**
Saeed Shehadeh, General Director
Ms. Rasha Amarneh, Head of Legal Department

**AMAN – Transparency Palestine**
Ms. Ghada Zughayar, Executive Director
Ms. Hama Ahmad Zeidan, Director, Advocacy and Legal Advice Center

**The Office of the European Union Representative, West Bank and Gaza Strip**
Mr. Thomas Boyer, Project Manager