

The fourth E of performance auditing

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ABSTRACT

The vital requisite for performance auditing within the public sector is becoming progressively apparent. This is deemed an essential requirement towards enhancing the operation and functioning of the organisation and facilitating and ensuring accountability. Traditionally, performance auditing focused on economy, effectiveness and efficiency, termed as the 'three Es'. Recent contentions have advocated that a fourth 'E' should be incorporated to expand the scope of performance auditing and to intensify its impact. The supreme audit institutions (SAIs) of a multitude of countries, in association with their public sector internal audit activities, have consolidated additional principles into their performance audit methodology. A literature review revealed that the most frequently incorporated additional principles constituted the environment, equity and ethics. However, it may be contended that an expansion is unnecessary or superfluous considering the principal intent, objective and outcome of performance auditing. This study intends to investigate the issue of whether the foundational principles of performance auditing is adequate or should they be expanded. In an endeavour to determine this, a survey was conducted utilising the expertise of a community of performance audit experts in South Africa. The investigation results revealed that 61.5% of the respondents consider the current principles satisfactory and adequate to address and include the required aspects of the performance audit. However, 46.2% of the surveyed participants deemed the environmental element an eligible element for inclusion as a foundational principle. Ultimately, despite certain SAIs and internal audit activities expanding their performance audit foundational principles, the results of this study revealed that the primary focus should remain on the traditional 'three Es', viz. economy, efficiency and effectiveness.

Key words

Performance auditing; three Es; fourth E; economy; efficiency; effectiveness; environment; equity; ethics.

1 INTRODUCTION

The significance of, and crucial requirement for performance auditing within the public sector is being revealed progressively as a means to enhance the efficacy, efficiency and functioning of the entity and to engender accountability (Andersson & Nilsson 2011: 14). Performance audits in the public sector are conducted predominantly by the relevant supreme audit institutions of a country in conjunction with the in-house internal audit activities of their various public sector organisations. In-house internal auditors incorporate performance audits within their audit plans to assist in the audit evaluation of organisational performance management and accountability processes (Yan & Li 1997:193; Gheorghiu 2012:163). The public sector is centred on service delivery and fulfilling the needs of the citizenry, rather than being subject to a profit motive. This implies that this sphere has contrasting and different integral performance measures compared to the private sector (Kells & Hodge 2009: 50). Since performance auditing focuses on assessing the economical acquisition, together with the effective and efficient utilisation of resources, it has the potential to contribute towards providing this requisite public sector performance measurement.

As stated, performance auditing is conventionally focused on economy, effectiveness and efficiency, referred to as the 'three Es' (Loots 1989; Nwosu 2015:1537; Gheorghiu 2012:167; Kells & Hodge 2009:41; Gronlund & Svardsten & Ohman 2011:108). Recently, it was asserted that a supplementary fourth 'E' should be incorporated to expand the scope of performance auditing (OAGC 2011; Gheorghiu 2012: 168; Norman-Major 2012:13; Jackson 2012; Barr & Christie 2014; Brazilian Court of Audit 2010:13; IDI INTOSAI 2013:33). Fundamentally, these arguments suggest that the principal issues an auditor should assess when conducting a performance audit should extend beyond the 'three Es', to assess whether the resources have been acquired economically and utilised efficiently and effectively. The advocates to expand the 'three Es' posit that evaluation should include additional questions, for example, whether resources have been utilised with consideration and regard for the environment; distributed equally and equitably; and if ethical deployment and resources have been utilised (OAGC 2011:1; Gheorghiu 2012: 168; Norman-Major 2012:13; Jackson 2012; Barr & Christie 2014; Brazilian Court of Audit 2010:13; IDI INTOSAI 2013:33).

It can be deliberated whether an expansion of the 'three Es' is necessary taking into account that value for money is the primary objective of performance auditing, in association with the scope of the multiple alternate forms of audit engagements. For example, it could be argued that the issue of environmentally-friendly or 'green' utilisation of resources should be addressed in an environmental audit. Essentially, the opposing response comprises the construct of whether the evaluation and consideration of the suggested supplementary principles should be addressed and appraised in a different type of audit engagement.

The objective of this study is to investigate whether the foundational principles of performance auditing require expansion. Since limited literature is available for the need to expand the principles of performance auditing, it was decided to conduct a survey, utilising the experience, and expertise of a community of performance audit experts in an endeavour to respond to the research question.

The article is structured as follows: background information, including a review and discussion of relevant literature; adopted research methods; study results followed by the conclusion.

2 BACKGROUND

Performance auditing commenced and developed primarily during the 1970s and 1980s, as a result of an increase in, *inter alia*, the demand for limited public sector resources, in conjunction with the manner in which their utilisation is measured; size and scope of the sector; requisite for accountability, including the demonstration of stakeholder value and management of public liability risks (Loots 1989; Daujotaite & Macerinskiene 2008:177; Gildenhuis & Roos 2015:49-51). Therefore, performance auditing contributed towards the evolvement of public sector internal auditing, and extending its focus beyond mere financial and compliance auditing (Yan & Li 1997:193; Al Athmay 2008; Gildenhuis & Roos 2015:49). The International Organization of Supreme Audit Institutions (INTOSAI 2013) defines performance auditing as: "*an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement*". Although multiple definitions of performance auditing have been formulated, all have constantly presented economy, efficiency and effectiveness as the three foundational principles thereof (INTOSAI 2004:11; Waring & Morgan 2007: 324; Daujotaite & Macerinskiene 2008:178).

This implies and accentuates that the traditional focuses of a performance audit have invariably been economy, efficiency and effectiveness; termed the 'three Es'. There have been several recent advocates for the incorporation of supplementary principles to increment and enhance the impact of a performance audit. For example, the Office of the Auditor-General of Canada (OAGC 2011:1) proposed that a fourth 'E' be added to the focus of performance auditing, viz. the environment. Kells & Hodge (2009:42-44) assert that limiting the definition of performance auditing solely to

the 'three Es' is incorrect for multifarious reasons, inclusive of the concept that performance auditing principles should also include public interest; accountability; probity; ethics; and equity. The Brazilian Court of Audit (2010:11-13) advocates efficacy and equity as supplementary principles. Murdock (2017: 85-97) proposes that the "7 Es model" be applied in operational audits, which adds excellence, ethics, equity and ecology to the traditional 3 Es.

It was elicited from a review of current, relevant literature that the environment, ethics and equity constitutes the primary contemporary elements as the fourth 'E' for inclusion in performance auditing (Aturai 2007:6; OAGC 2011:1; Gheorghiu 2012:162,168; Norman-Major 2012:13; Jackson 2012; Barr & Christie 2014; Brazilian Court of Audit 2010:13; IDI INTOSAI 2013:33). The reviewed literature revealed that the three potential factors comprise the most commonly recommended supplemental principles for the expansion thereof. These are expounded upon and discussed in the sections that follow.

2.1 The Environment as the fourth 'E'

An environmental performance audit focus would augment the traditional facets included in the existing 'three Es', through the assessment of whether appropriate consideration and due regard has been afforded to the effects resource utilisation may exert on the environment. In the preceding two decades there has been a progressive accentuation and acknowledgment of the significance and need to ensure a sustainable environment, in association with the requisite for environmental auditing (IOD 2009: 110; IOD 2016:26; UNGC 2014). Internationally, sustainability is recognised as a foundational principle of integrated thinking and reporting. The underlying base factor is to facilitate sustainability and ensure that natural resources remain available for future generations (the IIRC 2013:12; UNGC 2014:21). The provision of independent verification of these environmental processes through sustainability assurance engagements (including environmental audit engagements) is equally crucial to substantiate the accuracy of sustainable information, as well as to assess the integrity of the relevant processes impartially (IOD 2009:110; OAGC 2014:1-2; IOD 2016:26). The OAGC (2014:2) maintains that incorporating the environment as a principle of performance auditing increases the value or impact that is created. Environmental performance audits can contribute towards improved programme management, together with enhanced environmental quality. For example, an environmental performance audit can advance reduction of environmental risks and enhanced mitigation activities, which represent improved programme management; sequentially, improved programme management can contribute towards lower emission levels and decreased waste production, which constitute enhanced environmental quality (OAGC 2014:2). Murdock (2017: 94-95) adds that implementing and auditing sustainability also yields financial benefits and increased efficiency because organisations tend to reduce inputs.

In 1995, Canada identified the need to expand the scope of performance auditing to include the environment principles as a fourth 'E' (OAGC 2011:1),

which was similarly followed by several other nations. These include, *inter alia*, the Comptroller General of the Republic of Chile issued a special project strategy in 2000 to create a performance audit methodology on environmental issues (Mura Alvarez 2000). Rose (2001:295) reveals that Australia, in the early 2000s, introduced the incorporation of the environment as a principle of performance auditing. Furthermore, a guideline for the integration of environmental issues was published for the Kenyan National Audit Office by Mukuria (2011). A study by Gheorghiu (2012:162) asserts that Romania should integrate Environmental Sustainability within a performance audit. Furthermore, the environment should be included in the input-output model, thereby implying that it should be incorporated as a fourth 'E' or fourth principle of performance auditing (Gheorghiu (2012:168).

Contrastingly, alternate studies contend that the environment should be considered as a potential focus area of a performance audit rather than an additional principle. Kells & Hodge (2009:43) advocated including ethics and equity as principles of performance auditing, but assert that the environment is a separate focus area (Kells & Hodge 2009:44), that is, it may constitute the focus of a performance audit, but should not comprise a fourth 'E'. According to Padia and Jansen Van Vuuren (2012:10425), a performance audit model evaluates the 'three Es', and presents environmental aspects as a potential performance audit focus area in conjunction with alternate business processes; for example, purchases, inventory and human resources. This study, supports the concept that the environment should be addressed as a focus area rather than a principle, in a performance audit.

2.2 Equity as the fourth 'E'

Several authors, for example, Kells & Hodge (2009: 43), support the concept of equity constituting one of the principles of a performance audit. Equity, in the context of performance auditing, refers to the extent to which resources and services have been distributed fairly, equitably and impartially (Aturai 2007:6; Baker, Dross, Shah & Polastro 2013:89; Jackson 2012; Barr & Christie 2014; Norman-Major 2012:13; Murdock 2017:92-94). Baker, Dross, Shah & Polastro (2013: 89,100); Jackson (2012) and the Brazilian Court of Audit (2010:13) assert that the inclusion of equity as the fourth 'E' will address distributional aspects, as well as facilitate the intent to ensure the inclusion of all communities; beneficiaries; genders; disabilities; and ethnicity in any projects, programmes, etc. Augmenting the principles of performance auditing by incorporating this 'E', poses certain questions, for example: *"have funds or services been fairly distributed among all citizens, areas, provinces, municipal areas?"* (Brazilian Court of Audit 2010:13; Hanwright 2013; IDI INTOSAI 2013:33).

Several challenges have been articulated relating to the inclusion of equity as the fourth 'E'. Firstly, equity could potentially be incorporated in the assessment of effectiveness (Baker, Dross, Shah & Polastro 2013: 89; IDI INTOSAI 2013:33), as well as be addressed through the evaluation of equity indicators when evaluating economy, efficiency and effectiveness (Barr & Christie 2014). Secondly, the inclusion of equity

could contradict the traditional 'three Es', especially economy, because the equity principle will result in an increase of project-related costs (Baker, Dross, Shah & Polastro 2013:89; Barr & Christie 2014; Norman-Major 2012:13). Thirdly, the evaluation of equity can be very complex, along with the reference to 'fair' being subjective and open to interpretation, for example, resource distribution might be fair or reasonable for one person but unjust for another (Norman-Major 2012:13).

2.3 Ethics as the fourth 'E'

In the context of performance auditing, ethics concerns the degree to which the public officials responsible for managing the utilisation of resources conduct their tasks with honesty and integrity and conform to moral duty and obligation (Aturai 2007:6; Murdock 2017:89-92). Enlarging the principles of performance auditing to include this 'E' requires certain queries, for example: *"have resources been utilised without any ethical infringements that negatively impacted the performance of the focus area under review?"*

Kells & Hodge (2009:43), Shashidharan (2011: Online) and Murdock (2017:89-92) affirm the idea that ethics is a performance audit principle, noting that ethics in managing public funds is a significant aspect of public accountability and any violation of ethical standards negatively affects the outcome and effectiveness of the programme under review. However, compared to equity, it may be deemed that has ethics already been addressed as an element of the appraisal of effectiveness. The Pacific Association of Supreme Audit Institutions (PASAI 2011:14) asserts that a performance auditor is expected to include the consideration of ethical matters as a constituent of the evaluation of effectiveness.

In light of the above, the question can be raised whether the foundational principles of performance auditing should be expanded. The following section discusses the research objectives; method; scope; and limitations *vis-à-vis* to respond to this question.

3 RESEARCH OBJECTIVES, METHOD, SCOPE AND LIMITATIONS

The principal research objective of this article can best be expressed in the ensuing research question: *"Should the foundational principles of performance auditing be expanded?"*

This research question was responded to through a survey method. A community of experts within the South African performance audit arena was approached via e-mail, and furnished with a set of questions based on the literature review, of the requirement to extend the foundational focus of performance auditing to include a fourth 'E'. The experts were identified based on professional judgment and practical experience within the South African performance audit sphere. Of the initial twenty respondents, the sample size realised only thirteen participants. This is referred to as purposive sampling (Saunders, Lewis and Thornhill 2007:608), an appropriate technique when specific stakeholders are included who have the authority to speak about the phenomenon based on their

knowledge and experience. Furthermore, this is essential for the quality of the data gathered and to acquire a better understanding of the phenomenon (Patton 1990:169; Teddlie & Tashakkori 2010).

The following five questions were posed to the participants:

- 1 Based on your knowledge and experience, are the traditional three principles of performance auditing (economy, efficiency and effectiveness) adequate to include the required areas/aspects in a performance audit? Please motivate your answer.
- 2 Should the principle 'environment' be included (added) to the current principles of performance auditing? Please motivate your answer.
- 3 Should the principle 'equity' be included (added) to the current principles of performance auditing? Please motivate your answer.
- 4 Should the principle 'ethics' be included (added) to the current principles of performance auditing? Please motivate your answer.
- 5 Are specific principles not mentioned above that should, in your opinion, be included (added) to the current principles of performance auditing? Please motivate your answer.

The responses were captured and summarised in association with each of the five survey questions. The five questions were structured identically with an initial 'Yes' or 'No' question, followed by a request to motivate or provide a reason for the selected response. The results comprised a twofold approach, that is, the initial element of the question was analysed quantitatively by calculating the relevant percentages for the 'Yes' or 'No' responses and qualitative assessment of the second element, through eliciting and identifying trends and common factors in the motivations provided by the respondents.

Although great care was taken to identify as many performance audit experts, it is possible that not all specialist professionals were included in the survey.

Furthermore, it should be taken into account that the literature discussed in this paper relates to performance auditing in a global context (including South Africa); while the survey only comprised of experts within the South African context. Future studies could include additional, alternate countries' perceptions of evaluation.

This study intends to determine whether there is a need to expand the initial principles of performance auditing. Since performance auditing is generally considered relatively new in comparison to other auditing disciplines (Gildenhuis & Roos 2015:49), the results of this study could be utilised by performance auditors when defining the scope, methodology and underscore future performance audits. Furthermore, the study may contribute towards the common body of knowledge and appropriate performance auditing, especially in the conceptualisation, definition and determination of the primary principles of a performance audit.

4 RESEARCH RESULTS

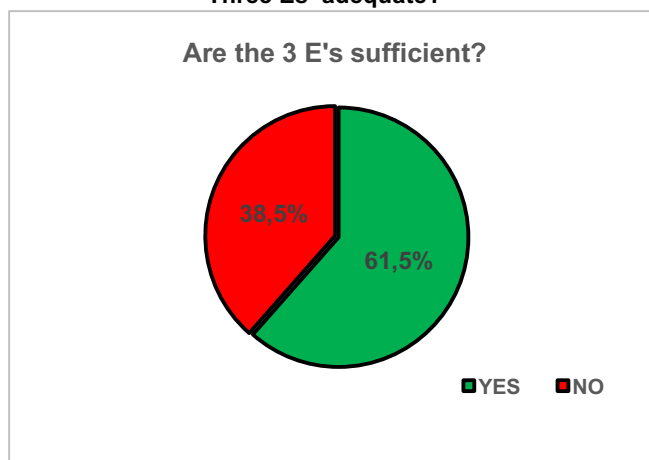
The survey was emailed to a total of twenty performance audit experts in South Africa. A total of thirteen responses were received, which represented a response rate of 65%. Of the responses received, 46% can be classified as public sector external auditors, 15% as public sector internal auditors and 39% as performance audit consultants.

The responses for each question posed in the survey is presented and discussed in Sections 4.1 to 4.5.

4.1 Are the 'three Es' adequate?

The first question in the survey intended to establish whether the 'three Es' are adequate to comprehensively includes all the requisite areas/aspects within a performance audit. The respondents were required to respond either 'Yes' or 'No', as well as motivate their responses. The results are summarised in Figure 1.

Figure 1: Respondent Survey Results - Are the 'Three Es' adequate?



The majority of the respondents (61.5%) revealed that they consider the 'three Es' adequate to include the required aspects of a performance audit. 38.5% of participants revealed that an expansion of the 'three

Es' would be beneficial in a performance audit. The respective motivations of each respondent is summarised in Table 1.

The results reveal that the majority of the respondents support the concept of the 'three Es' being sufficient to address all requisite areas/aspects of a performance audit, as well as support the three predominant motivations. Firstly, any additional aspects/'Es' should be addressed in a different type of audit engagement, for example, environmental auditing, sustainability reporting or compliance auditing. Alternatively, these additional aspects/'Es' could be considered as a

specific focus area within an identified performance audit. Secondly, the 'three Es' are adequate for the South African context, taking into account the current public sector legislation and maturity of its organisations. Finally, it may be contended that the 'three Es' already address all the key areas/aspects; therefore, adding any additional 'Es' may unnecessarily complicate a performance audit.

Table 1: Question 1: Survey results relating to the adequacy of the 'three Es'

Respondent number	Yes/No	Summary of motivation
1	Yes	The additional three areas should be covered in, for example, environmental audits; compliance audits; performance reporting or sustainability reporting. If environment, equity and ethics is not included adequately as part of other audits, the performance auditor could select this as a focus area.
2	No	The additional 'Es' should be considered, taking into account the environment one operates in to ensure relevance and readiness. Whether all should be included as separate 'Es' or needs to be demonstrated was considered as another debate.
3	Yes	It measures inputs, process and outputs (in terms of the 3 E model) which is adequate to audit any process, project, division etc. The 'three Es' also features in the PFMA and MFMA which drives the need for performance audits.
4	Yes	Interpretation of the 'three Es' can surprisingly be diverse and broad. In that sense it is adequate to cover the required areas.
5	Yes	When the 'three Es' are audited to their full extent, it is sufficient to cover all the key aspects.
6	No	They do not address the moral conduct or values, transparency and fairness in the organisation because uneconomical procurement emanates primarily from moral behaviour of an individual.
7	Yes	They are sufficient for the level of maturity of the auditees as well as the funding available for performance audits in South Africa.
8	No	Adequate, however, certain 'Es' can be supplemented. Since South Africa is a developing country, mechanisms should be adopted to develop certain approaches of how matters can be managed so that valuable recommendations can be presented.
9	Yes	It includes the acquisition of resources, the utilisation of human capital and the achievement of set goals.
10	No	Although the three traditional principles provide a sound good basis for performance auditing, the additional principles would enhance the quality of the auditing process.
11	Yes	One can read the other areas into the current 'three Es'. Performance audit is a difficult field. If you complicate it more you are only confusing people and clients.
12	Yes	The current 'three Es' are sufficient as it includes the auditing of what governments is trying to achieve with a particular programme or programmes (output/ outcome/ impact), how it will be achieved; cost thereof; and how well the money is spent (efficiency/ productivity).
13	No	'Sustainability' could be considered as part of the bigger project/ programme and might add more value to the current performance audit processes. This will include the need to consider whether the project is sustainable in the future. Furthermore, the challenge would also be how to change management's focus in the public sector and the medium and long term benefits of action (projects/ programmes) taken.

The remaining respondents revealed two reasons why the 'three Es' should be expanded. The initial constitutes the 'three Es' which do not address particular aspects, for example, moral conduct; values; transparency; fairness; and sustainability. Secondly, expanding the 'three Es' could enhance the quality of the performance audit process, in association with mitigating the recommendations provided in the audit report.

4.2 Should the environment be added as the fourth 'E'?

The second question in the survey related to whether the environment should be added as the fourth 'E'. The respondents were required to answer 'Yes' or 'No', as well as motivate their answers. The results are illustrated in Figure 2 and Table 2 below.

A total of 53.8% of the respondents considered that the environment should not be added as the fourth 'E'.

However, 46.2% of the participants perceived the inclusion of the environment as the fourth principle of a performance audit would be beneficial. The respective motivations of each respondent is summarised in Table 2 below.

The results imply that although the difference between the 'Yes' and 'No' responses is marginal, the majority of the respondents support the concept that the environment should not be added as a foundational principle of a performance audit. The principal motivation, therefore, posits that auditing the environment is a separate audit discipline, and should be addressed in a different form of audit engagement. A second motivation against the inclusion of the environment is that it does not describe the relationship between inputs, outputs and outcomes, but rather provides the context within which the performance audit is conducted.

The respondents who indicated that the environment should be added as a foundational performance audit principle provided two pertinent motivations. Firstly, environmental auditing and sustainability has received increased attention over the past few years in both the private and public sectors and an environmental performance audit can contribute towards evaluating the impact of resource utilisation on environmental

aspects, inclusive of water availability. Moreover, it can assist to determine the environmental effects rendered by the procurement of goods and services. Secondly, there is a need to consider the environmental sustainability of government projects and programmes, an aspect that may be overlooked should only the 'three Es' be considered.

Figure 2: Question 2: Survey results – Should the environment be added as the fourth 'E'?

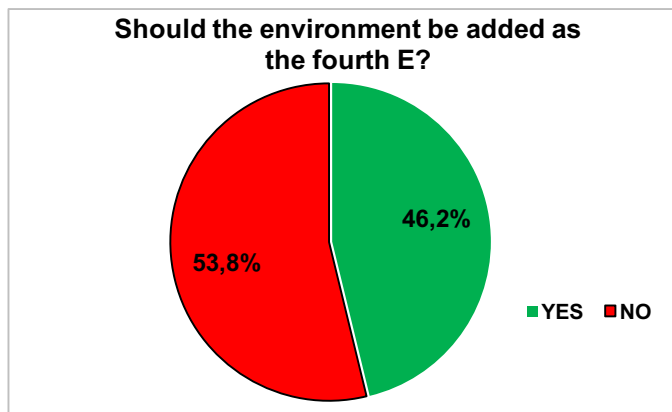


Table 2: Question 2: Survey results relating to adding the environment as the fourth 'E'

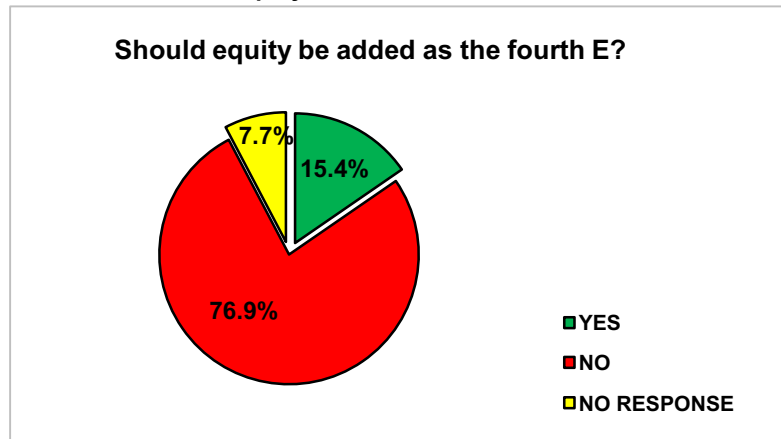
Respondent number	Yes/No	Summary of motivation
1	No	Environmental auditing should be a separate discipline.
2	Yes	Globally, this area is receiving much attention and also impacts on all public and private sectors. The existing 'three Es' can no longer be evaluated without considering the environmental factors.
3	No	Performance auditing is not being applied to its full extent and remains a difficult concept to grasp. By adding additional 'Es' without proper guidance will complicate the matter.
4	No	Environmental auditing on its own is immense and will become even more significant as the world moves towards 'being green'. Adding this as a principle of performance auditing will not give justice to the scope one can enter into when auditing any matter which is environment related.
5	No	The principle of environment originated in Canada. The Commissioner for the Environment is part of the Canadian National Office. The Canadians define environment as "the 'three Es' with due regard to the environment" which is the same approach that will be followed in South Africa. Environment will most probably be the fourth 'E'. Much work is being done on environmental auditing, for example, the Working Group on Environmental Auditing of INTOSAI. Environmental auditing will most probably evolve into a discipline of its own.
6	Yes	Aspects such as geographical area and ecology should be considered when evaluating the 'Es'. In addition, resources spent on projects or programmes will have an impact on the environment.
7	No	It should be included where applicable and obvious to the environment. However, where an in-depth focus is needed, a special environmental audit should be embarked on.
8	Yes	No motivation provided.
9	Yes	As can be seen with the scarcity of water. If the usage of water was considered a few years ago and prioritised, it would not have had such an effect on the environment today.
10	Yes	The principle of environment is very important especially taking into account the current fragile global environmental state. The environmental effect of procuring goods and services needs to be prioritised when auditing, which is generally overlooked. In my opinion, this is the most important of the additional three principles.
11	No	You can read all other areas into the current 'three Es'.
12	No	The environment automatically forms part of any performance audit as all programmes are always implemented within a certain environment: physical/ ethical/ economic etc. The physical environment should not be more important than the ethical or economic environment. It should also not be an 'E' as it does not describe a relationship between inputs, outputs and outcomes. It provides the context.
13	Yes	Sustainable development, which implies meeting the needs of the present generation without compromising the ability of future generations meeting their own, is the 'catch word'. This is also a compliance issue with regard to adherence to environmental policies and standards set by environmental bodies. As a result, this is only an element of the bigger sustainability issue that would need to be addressed through performance audit reviews.

4.3 Should Equity be added as the Fourth ‘E’?

The following question in the survey queried whether equity should be incorporated as the fourth ‘E’. The

respondents were required to respond ‘Yes’ or ‘No’ and to motivate their response. Figure 3 and Table 3 illustrate a synopsis of the results.

Figure 3: Question 3: Survey results - Whether equity should be added as the fourth ‘E’?



The majority of the participants (76.9%) deemed that equity should not be added as the fourth ‘E’. 15.4% of the respondents considered that the incorporation of equity as the fourth principle of performance auditing

would be beneficial in a performance audit. A single respondent (7.7%) did not respond to this question. The motivation provided by each respondent is summarised in Table 3.

Table 3: Question 3: Survey results relating to adding equity as the fourth ‘E’

Respondent number	Yes/No	Motivation
1	No	Should form part of compliance auditing.
2	No	There are varying views of what equity entails. A more uniform definition/ understanding of equity is required. Equity in the broader sense is considered as a separate area in performance auditing. However, where the principles are clearly explained in legislation or other prescripts, the principles cannot be ignored and should be considered in the context of the current ‘Es’.
3	No	Performance auditing is still not being applied to its full extent and remains a difficult concept to grasp. By adding additional ‘Es’ without proper guidance will complicate the matter.
4	No	Although it is important in certain countries and SAIs, it is not necessarily applicable everywhere. When necessary, it can be included but should not form part of the three traditional principles.
5	No	The principle ‘equity’ originated from SAI Brazil, which is defined in their manual as the examination of equity, derived from the dimension of the effectiveness of public policy, and based on the principle that recognises the difference between individuals and the need for differential treatment. It should form part of effectiveness in executing a performance audit.
6	Yes	It helps because it prompts us automatically to also evaluate fairness. For example, rotation of suppliers, everyone should get an opportunity.
7	No	Limited funding should rather be applied to the basic ‘three Es’ to add value and establish sound management measures.
8	No	Equity doesn’t play such a big role in performance audit. Not from what I have observed.
9	-	No response.
10	Yes	The principle of equity should be added because this will ensure that our audits speak more about equity and conforms to the Constitution.
11	No	You can read all other areas into the current ‘three Es’.
12	No	Equity is part of the impact of a performance audit finding.
13	No	Equity refers to fairness and impartiality in the utilisation of public funds. This principle could already be considered/incorporated in the ‘three Es’. It could have an indirect effect on the efficiency and effectiveness principles depending on the audit scope/ area.

The foregoing results reveal that the majority of the respondents consider the addition of equity as a foundational principle of a performance audit as incorrect. Six primary motivations emerged for this perception. Firstly, equity can be considered in the context of the ‘three Es’, for example, forming an element of evaluating effectiveness. Secondly, it could comprise a constituent of another type of audit engagement, for instance, compliance auditing. Thirdly,

inconsistencies in defining equity for performance auditing purposes could impede implementing it as a foundational principle. Fourthly, equity may not be equally applicable in all countries. Fifthly, the limited funding available for performance auditing should rather be allocated to the ‘three Es’ to ensure that greater value is added. Lastly, equity should be reported as an element of the impact, instead of being considered a foundational principle.

The two respondents who disagreed revealed two reasons why the 'three Es' should be expanded to include equity, viz. the significance of evaluating fairness and the necessity to evaluate equity aligned to the prescriptions of the Constitution.

4.4 Should ethics be added as the fourth 'E'?

The fourth question in the survey related to whether ethics should be added as the fourth 'E'. The respondents were required to respond either answer

'Yes' or 'No' and motivate their responses. The results are illustrated in Figure 4 and Table 4.

The majority of the respondents (76.9%) asserted ethics should not be added as the fourth 'E', while 23.1% of the participants held that it would be advantageous to incorporate ethics as the fourth principle of performance auditing into a performance audit. Table 4 presents a synopsis of each participant's motivation.

Figure 4: Question 4: Survey results - Whether ethics should be added as the fourth 'E'?

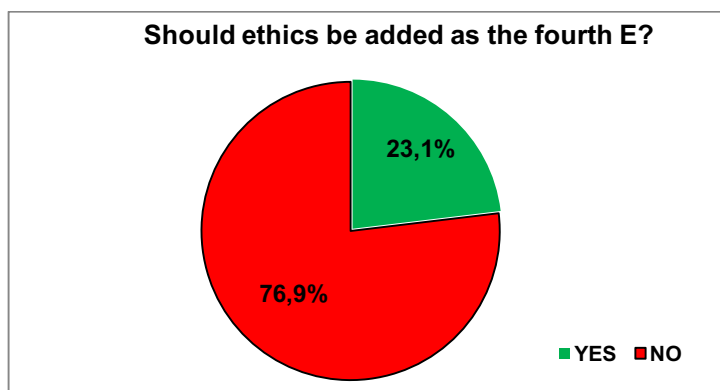


Table 4: Question 4: Survey results relating to adding ethics as the fourth 'E'

Respondent number	Yes/No	Motivation
1	No	Could be a focus area for a performance audit or covered through sustainability reporting.
2	No	Ethics is a basic principle that is an element of each and every audit.
3	No	Performance auditing is still not being applied to its full extent and remains a difficult concept to grasp. By adding additional 'Es' without proper guidance is going to complicate the matter.
4	No	This is an intangible topic and I foresee difficulty in terms gathering and interpreting the correct audit evidence.
5	No	Ethics will typically come into question of the current 'three Es' in particular when examining economy.
6	Yes	Morals and values play a major role in the organisation.
7	No	Limited funding should rather be applied to the basic 'three Es' to add value and establish sound management measures. Ethics should be included under compliance testing.
8	Yes	Ethics comprises the work we undertake and it is due to ethics that unethical acts are exposed. Consequently, clients are able in complete their tasks correctly in the future.
9	No	Ethics is already included in our audits because during the audits one takes cognisance of, for example, professional competence, independence etc.
10	Yes	The principle of ethics should be added, because it will ensure auditing will be undertaken if the management initiatives and action is conducted ethically.
11	No	You can read all other areas into the current 'three Es'.
12	No	Ethics should not be an 'E' as it does not describe a relationship between inputs, outputs, outcomes. It provides the context.
13	No	To me, ethics refers to qualities of honesty and integrity in personal conduct and devotion to duty as managers of public funds. In relation to the current 'three Es' this aspect can be included in e.g. ethics in the procurement process as part of the economy principle. The question should be whether the auditors, auditing the information have the ability to identify fraud risks, which would assist in the planning phase - system identification process of performance audit.

The preceding responses reveal that the majority of the respondents considered that ethics should not be added as a foundational principle of a performance audit. They expressed five primary motivations for their dissent, which are similar to the reasons provided for equity. Foremost, ethics can be considered in the context of the 'three Es'. Secondly, ethics could constitute a focus area for a performance audit, *in lieu* of adding it as an additional principle. Thirdly, as a performance

audit may be complex or complicated, adding ethics as an additional 'E', especially without proper guidance, may complicate the procedure. For example, the intangibility, wide range and abstract nature of ethics may obscure or complicate the gathering and interpreting of information required to assess the ethics principle. Fourthly, evaluating ethics should rather comprise an element of sustainability reporting. Finally, the limited funding available for performance auditing

should be restricted and allocated to the 'three Es' to ensure greater value from the process.

The principal reasoning presented for the inclusion of ethics as a fourth 'E' comprised that the inclusion of an evaluation of ethics as an element of a performance audit may contribute towards enhanced morals and values within the organisation.

4.5 Should any other principle be added as the fourth 'E'?

The fifth and final question in the survey required the respondents to advocate alternate principles, if any,

they considered requisite as the fourth 'E'. The participants were asked to respond either 'Yes' or 'No' and motivate their answers.

All the respondents (100%) reveal that they did not consider any alternate principles should be added to performance auditing, other than those delineated and discussed in the survey, viz. the environment, equity and/or ethics. Certain participants maintained that the established, customary 'three Es' were sufficient, inclusive and comprehensive, rendering the inclusion of a fourth 'E' superfluous and unnecessary. Table 5 illustrates each respondent's trend of thinking.

Table 5: Question 5: Survey Results Relating to Adding Alternate Principles

Respondent number	Yes/No	Motivation
1	No	If the 'three Es' are audited it could cover any focus area.
2	No	Performance auditing was intended as a 'value for money' audit. I support the inclusion of the environment because it has a direct impact but often not immediate and the consequences are ignored in various instances. The other 'Es' focus on the achievement of other objectives, and can in itself be evaluated using the existing 'three Es'.
3	No	Let's stick to the 'three Es'.
4	No	No motivation provided.
5	No	SAI Brazil utilises five 'Es'. In addition to equity they also refer to efficacy. They define it as the degree of achievement of scheduled goals in a given period of time, regardless of the costs involved. The concept of efficacy relates the ability of management to achieve immediate goals, translated into production targets or service, i.e. the ability to provide goods or services in accordance with the planning of actions. My view is that efficacy should be included during the examination of effectiveness.
6	No	The current 'three Es' are sufficient.
7	No	In South Africa, financial maturity need performance audit value add to establish sound management measures and practices. When achieved satisfactorily, the 'Es' can be expanded.
8	No	Not that I know of.
9	No	No motivation provided.
10	No	I do not have any in mind at this moment.
11	No	No motivation provided.
12	No	The current 'three Es' are sufficient as it includes the auditing of what governments are trying to achieve with a particular programme or programmes (output/outcome/impact); also covers how the outputs/outcomes/impact will be achieved and the cost thereof; and includes how well the money is spent (efficiency/productivity). All government programmes are implemented in a particular context which can change over time. This implies that the context always forms part of the audit: intermediate environment and macro environment.
13	No	No motivation provided.

The foregoing results signify that there was a consensus among all the respondents that no further principles, other than those discussed in this paper, should be considered or incorporated into performance auditing. A participant raised the concept of 'efficacy' and the addition thereof. However, it was concluded that this principle can be addressed as a constituent of effectiveness. Another respondent accentuated that if the 'three Es' are evaluated correctly and comprehensively, any alternate aspect can be included as a focus area. Furthermore, it was deliberated that the inclusion of any additional aspects as fundamental principles would be contrary to the primary objective and original intention of performance auditing, which constitutes the provision of a 'value-for-money' evaluation.

5 CONCLUSION

This study intended to establish whether the foundational principles of performance auditing should be extended beyond the three Es, viz. economy, efficiency and effectiveness. It can be inferred from the overall results of this study that no additional

foundational principles should be included. A total of 61.5% of the respondents deemed that the three 'Es' are adequate to address all the mandatory and expected aspects required in a performance audit. Three prospective principles viz. the environment, equity and ethics, were considered as potential candidates for inclusion therein, as a component of this study. 53.8% of participants asserted that the environment should not be added as a foundational principle. Furthermore, 76.9% of respondents disagreed with the integration of either equity or ethics. The participants provided the following three primary reasons, namely: other aspects, for instance the environment, equity and ethics are already incorporated and addressed as elements of evaluation of existing, customary 'three Es' of economy, efficiency and effectiveness; that these aspects should be considered as specific focus areas of a performance audit; and/or they should be assessed as components of alternative types of audit engagements, for example, compliance auditing, environmental auditing and sustainability reporting. The respondents motivations are aligned

with, and reinforce the contentions and discussions gathered from the reviewed literature.

The potential incorporation of the environment as the fourth 'E' received the most support from the respondents. A total of 46.2% considered this inclusion beneficial. The principal rationalisation articulated constitutes the progressive global focus on environmental aspects including analogous with the lines of reasoning identified in the literature review. The least support was revealed for the potential incorporation of equity and ethics. 15.4% and 23.1% of participants respectively

perceived these as advantageous.

Despite certain Supreme Audit Institutions, along with particular government internal audit activities, apparently including additional foundational principles within their performance audit methodologies, inclusive of the environment, equity, ethics or any alternative principle, the results of this study revealed that the primary, central focus of performance auditing should remain on the traditional, established 'three Es' of economy, efficiency and effectiveness.

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