

Frank Grogan Research and Consultancy Limited

**External Review of the Governance Structure of
the INTOSAI Development Initiative (IDI)**

Report

March 2015

Table of Contents

Acronyms and Abbreviations

Executive Summary

Introduction

The INTOSAI Development Initiative – A Brief Overview

Background to the Review of the Governance Structure of the IDI

Main Issues and Emerging Concerns

The Membership and Composition of the IDI Board

The Working Methods and Practices of the IDI Board

Accountability and Sustainability - The Strategic Challenge for the IDI Board in the Management of Stakeholder Relationships

Overall Conclusion and Summary of Recommendations

Annex: Approach and Methodology

Acronyms and Abbreviations

AFROSAI	African Organization of Supreme Audit Institutions
AFROSAI-E	African Organization of English speaking Supreme Audit Institutions
ARABOSAI	Arab Organization of Supreme Audit Institutions
ASOSAI	Asian Organization of Supreme Audit Institutions
CAROSAI	Caribbean Organization of Supreme Audit Institutions
CBC	INTOSAI Capacity Building Committee
CIPFA	Chartered Institute of Public Finance and Accountancy
CREFIAF	African Organization of French speaking Supreme Audit Institutions
EEA	European Economic Area
EUROSAI	European Organization of Supreme Audit Institutions
IDI	INTOSAI Development Initiative
IFAC	International Federation of Accountants
ISSAI	International Standards of Supreme Audit Institutions
INCOSAI	Congress of the International Organization of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
NCGB	Norwegian Corporate Governance Board
NORAD	Norwegian Agency for Development Cooperation
OAGN	Office of the Auditor General of Norway
OECD	Organization for Economic Cooperation and Development
OLACEFS	Organization of Latin American and Caribbean Supreme Audit Institutions
PASAI	Pacific Association of Supreme Audit Institutions
SAI	Supreme Audit Institution

External Review of the Governance Structure of the INTOSAI Development Initiative (IDI)

Executive Summary

First established in 1986, the INTOSAI Development Initiative (IDI) is an independent INTOSAI body that works with and supports Supreme Audit Institutions (SAIs) from developing countries to develop and enhance their performance, independence and professionalism. To achieve this, the IDI plans, develops and implements a wide range of capacity development programmes and activities. In 2001, with the approval of the Stortinget (the Norwegian Parliament), the Office of the Auditor General of Norway (OAGN) assumed responsibility for the IDI. Since then the IDI has been based in Oslo and has operated as an independent foundation under Norwegian Foundation Law. In 2010, the IDI also assumed the responsibility for hosting the Secretariat for the INTOSAI-Donor Cooperation that had been established that year. In its 2014 financial year, IDI received donor funding of some NOK 58m while its total expenses for the year amounted to NOK 45.56m. To date, the international donor community, in particular the Norwegian Agency for Development Cooperation (NORAD), has provided the bulk of the IDI's revenue. In addition the IDI receives an annual grant from INTOSAI as well as donations and substantial 'in kind' support from many SAIs.

The IDI Board is at the heart of the organization's governance structure. It is chaired by the Auditor General of Norway, Per-Kristian Foss, and consists of eight non-executive members. Three of these (Per Anders Engeseth, Berit Mørk, and Tora Struve Jarlsby) are senior officials of the Office of the Auditor General of Norway while the five other members reflect the global nature of the IDI's activities. When we undertook this review those international Board members comprised Michael Ferguson, the Auditor General of Canada; Arno Visser, Vice President of the Board of the Netherlands Court of Audit; Jan Landahl, Auditor General of Sweden; Amyas Morse, Comptroller and Auditor General of the United Kingdom; and Mildred Chiri, Comptroller and Auditor General of Zimbabwe. In addition, because of the significant role the IDI plays within INTOSAI, Dr Josef Moser, the Secretary General of INTOSAI and the President of the Court of Audit of Austria, and Kimi Makewetu, Chair of the INTOSAI Capacity Building Committee and Auditor General of the Republic of South Africa, may attend meetings of the IDI Board as Observers. In discharging its responsibilities, the IDI Board is supported by the Director General and senior staff of the IDI. The Board now meets twice a year though prior to 2014 its practice was to meet once a year. In 2001 the Board established a Working Committee that comprises the Chairman and the three Norwegian members of the Board to deal with matters that may arise between Board meetings. Apart from this Working Committee, the IDI Board does not have any other sub-committees.

The IDI currently faces some significant strategic challenges. These stem from its strategic plan for the period 2014 to 2018 and reflect the IDI's ambition to

implement a wider range of activities and programmes, some of which will be new to the organization, as well as its aim of supporting INTOSAI meet the challenges that it faces in taking forward, for example, the implementation of the International Standards of Supreme Audit Institutions (ISSAIs). In turn, this will see the IDI engaging with a growing group of international donors who will each have their own demands and priorities. Consequently, as the organization moves forward, the IDI will need a robust governance structure and, in particular, a Board that has the requisite knowledge and experience to guide the IDI in developing its response to these challenges and ensure that the IDI acts as a creditable partner with two key groups, international donors and the community of SAIs.

Against this background, and in line with the terms of reference for this project, the purpose of this review was, first, to assess the IDI's current governance structure in terms of its effectiveness and its alignment with the IDI Strategic Plan and the environment in which the IDI operates, and, second, to inform further enhancements of the governance structure that can strengthen performance of the organization. Overall, the IDI wanted to ensure that its governance met best international practice and that the IDI was an exemplar of best practice within the community of SAIs.

Consequently, this review focussed on the effectiveness of the IDI's governance structure and specifically, because of the central role it plays, the effectiveness of the IDI Board. The core of our methodology for the review was a process of extensive consultation in the course of which we collected the views of the Chairman of the IDI Board, all members of the Board and the two Observers who attend Board meetings. We also consulted the Director General of the IDI and all the senior staff of the organisation. In addition, we benefited from the views of the IDI's external auditor and of all the INTOSAI regional groups as well as a cross section of the IDI's key stakeholders. We had complete, unfettered access to all the documents and information held by the IDI that we required. We also had the opportunity to present and discuss the review's emerging findings, conclusions and recommendations with the IDI Board when it met in Oslo in March 2015.

Overall, the review confirmed that the IDI's current governance structure and the mechanisms it uses for meeting its governance responsibilities were functioning in a reasonably effective manner. The IDI is a successful organization. Operating independently within the INTOSAI structure, it has proved itself adept at identifying and responding to the needs of SAIs in developing countries. It has also established itself as a trusted partner working in cooperation with a growing number of international donors and securing year on year increases in support from those donors. The IDI Board has made a key contribution to the success of the organization. It has shaped the strategic framework within which the IDI works and set the strategic direction for the organization. It has also ensured that the IDI is well managed with appropriate systems in place for internal financial control and managing risk.

However, in the light of the challenges that the IDI now faces, the review identified some important shortcomings in the IDI's current governance arrangements and consequently we concluded that the IDI Board was not operating as effectively as it should. The review's findings pointed to the need for an IDI Board that is more effective collectively in discharging its corporate governance responsibilities with individual members fully engaged in supporting the IDI meet its strategic objectives. To this end, the review identified three areas that need to be addressed.

1. The Membership and Composition of the IDI Board

We concluded that, as matters currently stand, the IDI Board was falling short of best practice internationally in corporate governance in terms of its diversity and the balance of skills and experience available to it. This reflected two concerns. The first was the IDI's established practice of drawing its Board members from a relatively narrow, specialist group comprising Auditors General and senior SAI leaders and officials. This was reinforced by a second concern, the relatively static nature of Board membership.

Accordingly, we recommend that to enhance its effectiveness the IDI Board should address the issue of diversity along two dimensions. These are, first, the need to secure within the composition of the Board better representation of the beneficiaries of the IDI's programmes and activities; and, second, the need to secure greater diversity in the sense of enabling the Board to draw on a much wider set of skills and experience than is currently available to it. To do this, we recommend that the Board look beyond the pool of talent available to it through INTOSAI and appoint members that can bring with them the wider experience and skills that the IDI will increasingly need to help shape its response to the strategic challenges it faces. To facilitate this process, we also recommend that the Board develop and implement a scheme for increasing the rotation of Board members by introducing the principle of fixed, non-renewable terms for Board membership. We recognise that any change that impacts on the composition of the IDI Board will have to comply with the requirements of Norwegian Foundation Law and that the IDI will also have to amend its statutes.

2. The Working Methods and Practices of the IDI Board

To build on these conclusions and recommendations about creating a more diverse and effective IDI Board, we identified a range of initiatives that we recommend the IDI should take. These recommendations are also intended to enhance the effectiveness of the way in which the Board works and also address one of the key concerns emerging from the review, namely a sense on the part of Board members of a lack of sufficient engagement with the IDI and its activities.

First, we recommend that the IDI Board overhaul its sub-committee structure. Specifically, we recommend that the Board establish a nominations and appointments committee comprising the Chairman and up to two Board members

(including at least one of the international Board members) to lead the process of identifying suitable potential candidates to be invited to join the Board. We further recommend that the Board reassess the function of its Working Committee. Specifically, the Board should consider two options. The first would be to retain the Working Committee but modify its remit and structure to ensure that it is clearly subordinate to the Board. The second option would be to abolish the Committee and rely instead on other mechanisms to fill the advisory role that was originally envisaged for it.

In this context, and also to facilitate a better sense of engagement with the IDI on the part of individual Board members, we recommend that the Board explore the possibility of assigning specific portfolio responsibilities to individual Board members. Essentially the concept here is a flexible one that embraces a range of different options. At its most basic it would allow the Board to make more systematic use of the advice and knowledge of individual Board members should the Board adopt the review's recommendations about broadening the skills and experience available to it by changing its membership and composition. It is also an approach that would allow the Board to respond to a specific issue or concern on a 'job and finish' basis. The concept here is that a Board member would be given firm terms of reference and a specified timescale to develop advice and recommendations for the Board in relation that issue or concern. A broader application of this concept of Board members having a specific portfolio assignment would see a Board member have the responsibility for taking the lead on behalf of the Board for a specific activity or set of activities. This could encompass, for example, the development of material to be considered by the Board, representing the Board where appropriate, briefing the Board about developments relevant to the member's area of responsibility, and, again where appropriate, leading Board discussions on an agenda item relevant to that member's area of responsibility. The allocation of a specific portfolio responsibility along these lines would be agreed by the Board collectively and would be linked to the skills, experience and interests of an individual Board member. Should the Board be minded to consider this recommendation and explore the options open to it, a key consideration will be to ensure that any approach that the Board adopts in this regard does not blur the distinction between the non-executive responsibilities of Board members and the executive responsibilities of the Director General and his staff.

The review identified three further actions that we recommend the IDI Board take to enhance the effectiveness of its working methods and practices. First, the Board should revise its Rules of Procedure to reflect the changes recommended by this review. In these circumstances, we also recommend that the Board extend this exercise to incorporate the preparation of a new protocol, analogous to a board-operating framework, that would set out clearly the principles that guide the activities of the IDI Board and determine those areas that are subject to Board supervision and advice. Second, the Board should develop and implement a systematic process for the induction of new Board members. This should encompass practical considerations such as briefing on the role and responsibilities of the Board and on the work and activities of the IDI. It should also articulate the contribution

that Board members should make and the behaviours expected from them. Third, we recommend that the Board also introduce the practice of regularly reviewing its performance. In this regard, we suggest that the IDI Board take stock at least once a year of its performance and in this way identify those areas where Board members believe further development or improvement is needed.

3. Accountability and Sustainability - The Strategic Challenge for the IDI Board of the Management of Stakeholder Relationships

The third and final component of the effectiveness of the IDI's governance structure considered by the review focussed on the IDI Board's responsibilities for accountability and for the sustainability of the organisation.

In relation to accountability, we assessed the Board against the criteria that it ensured information about all aspects of the IDI's performance were communicated clearly and transparently. We concluded that the extensive range of material that the IDI makes available regularly and consistently about its strategy and its performance met this requirement. In this context, we welcome the steps that the Board is minded to take to enhance further the transparency of its proceedings. Specifically, we welcome the Board's decision to publish not only this report about the governance review but also its response to the conclusions and recommendations that this report contains.

The capability of the IDI to establish and maintain an effective working relationship with its different stakeholders is central to its long-term sustainability as an organization. These relationships encompass, in broad terms, securing the sources of the resources it needs to provide its capacity development activities in terms of finance and expertise as well as ensuring that those activities remain relevant and are delivered appropriately and effectively. In relation to the governance of the IDI, a key challenge for the Board is to ensure that there is an appropriate strategic framework for developing and managing stakeholder relationships while not impinging on the responsibilities of the Director General and staff of the IDI for working with those stakeholders in planning, implementing and managing the organization's capacity development programmes and activities.

In relation to the international donor community, our recommendations reflected the past experience of the Board to engage with this group and consequently were limited in ambition. We recommend that the Board, with the support of the IDI's senior executives, consider developing proposals for targeting each year a specific individual from within the international donor community whom the Board could invite to attend one of its meetings to brief Board members about developments relevant to the strategy and interests of the IDI. More broadly, in the context of broadening the pool of talent from which the IDI Board identifies and recruits its members, the Board should consider the feasibility of appointing to the Board an individual with experience and knowledge of international development policy.

The review also drew a number of important conclusions in relation to the governance implications for the IDI of its role as the implementation arm of INTOSAI. These fell into three categories. First, in overseeing the development and implementation of the IDI's strategy, the Board should ensure that the IDI's strategy is in alignment with INTOSAI's strategy. The current discussions around the development of a new strategic plan for INTOSAI should give the Board sufficient opportunity to do this with the aim of ensuring that the outcome is a comprehensive strategic framework for the IDI that is clearly aligned with INTOSAI's strategic priorities. It will then be for the Director General and staff of the IDI to deliver the organization's capacity development programmes and activities within this framework which in turn will also provide the basis for their accountability to the Board.

The second area of concern emerging from the review was linked to the process that the IDI used to ensure that its capacity development programmes and activities remained relevant to the needs of SAIs. We concluded that the IDI Advisory Committee, the long-standing mechanism established to facilitate formal contact between the IDI and the community of SAIs, made little if any contribution to the development of IDI policy and programmes. Accordingly, the review recommends that the IDI should change the composition and working arrangements of this Committee. In its place the IDI Board should establish a smaller, more focussed advisory committee consisting of a representative of each of the INTOSAI regional groups and a representative of the SAI that acts as chair of each of the INTOSAI goals. The aim should be to build on the range of the different interactions between the IDI and INTOSAI that already take place and use regular meetings of this new, specially constituted advisory group to ensure that the IDI's relationship with the international community of SAIs is effectively managed and helps shape the strategic direction of the IDI and its programmes and activities. In this context, we also noted that the current discussions and consultations about INTOSAI's new strategic plan may produce other mechanisms that have the capability of providing the Board with the assurance it needs that the capacity development programmes and activities of the IDI remain in alignment with INTOSAI's strategic priorities and objectives and that they continue to meet the needs of SAIs in developing countries.

The third area of discussion that emerged from the review's reflections on the governance implications for the IDI Board of the IDI's relationship with INTOSAI links back to the starting point for presenting the results of the review, namely the composition and membership of the IDI Board. In essence, this turned around the proposition that a seat on the Board should be specifically reserved for a representative of INTOSAI. We were not convinced about the merits of this proposal for two reasons. The first was the practical one of how a suitable representative would be identified, nominated and appointed. The second related to the principle of having an individual on the Board who potentially could be put in the invidious position of representing a position or a view that ran counter to the interests of the IDI. In line with the review's recommendations about the composition and membership of the IDI Board, our preference is for the Board to consider this issue in the context of the skills, knowledge and experience that it requires to discharge its

responsibilities effectively. In this context, it would be entirely reasonable for the Board to decide that it needed a member who could provide an assessment of IDI capacity development programmes and activities from the perspective of a consumer of those programmes and activities.

The report that follows sets out in greater detail the findings of the review, the conclusions we drew and the rationale for the recommendations we make.

Finally, we should also record our thanks to the staff of the IDI for the highly efficient and professional way in which they dealt with all our questions and enquiries and also with all our logistical and administrative requirements for the review.

External Review of the Governance Structure of the INTOSAI Development Initiative (IDI)

Main Report

Introduction

1. This report sets out the results of a review of the governance structure of the INTOSAI Development Initiative (IDI). The review was undertaken by Frank Grogan on behalf of Frank Grogan Research and Consultancy Limited in line with the terms of reference prepared by the IDI for this assignment. The purpose of the review was to assess the IDI's current governance structure in terms of its effectiveness and alignment to the IDI Strategic Plan and the environment in which the IDI operates, and to inform further enhancements of the governance structure that can strengthen performance of the organization. Overall, the IDI wanted to ensure that its governance arrangements met best international practice and that the IDI was itself an exemplar of best practice within the community of Supreme Audit Institutions (SAIs).

2. Consequently, the key theme running through both the review and this report is a focus on improving the effectiveness of the IDI's governance structure and specifically, because of the central role it plays, the effectiveness of the IDI Board. The core of the review's methodology was a process of extensive consultation. This enabled us to collect and reflect on the views of the Chairman of the IDI Board as well as those of the eight members of the Board and also of the two Observers who attend the Board meeting. We also consulted the Director General of the IDI and all the senior staff of the organization. In addition, we benefited from the views of the IDI's external auditor and of all the INTOSAI regional groups as well as a cross section of the IDI's key stakeholders. We also had complete, unfettered access to all the documents and information held by the IDI that we required. Finally, the process of completing this report was informed by our discussion of our emerging findings, conclusions and recommendations with the Board when it met in Oslo in March 2015.¹

3. In this context, it is important to note that a guiding principle throughout the review was the recognition that the IDI is a small, successful organization and, so, it was crucial that all our conclusions and recommendations were proportionate, balanced and contributed to the organization successfully meeting its aims and objectives.

4. Overall, the review confirmed that the IDI's current governance structure and the mechanisms it uses for meeting its governance responsibilities were functioning in a reasonably effective manner. The IDI is a successful organization. Operating independently within the INTOSAI structure, it has proved itself adept at identifying

¹ The Annex to this report set out in detail the methodology and approach used for this review.

and responding to the needs of SAIs in developing countries. It has also established itself as a trusted partner working in cooperation with a growing number of international donors and securing year on year increases in support from those donors. The IDI Board has made a key contribution to the success of the organization. It has shaped the strategic framework within which the IDI works and sets the strategic direction for the organization. It has also ensured that the IDI is well managed with appropriate systems in place for internal financial control and managing risk.

5. However, in the light of the challenges that the IDI now faces, the review identified some important shortcomings in the IDI's current governance arrangements and consequently we concluded that the IDI Board was not operating as effectively as it should. The review's findings pointed to the need for an IDI Board that is more effective collectively in discharging its corporate governance responsibilities with individual members fully engaged in supporting the IDI meet its strategic objectives. To this end, the review identified three areas that need to be addressed. These were:

- The membership and composition of the IDI Board;
- The working methods and working practices of the IDI Board; and
- The challenges posed for the IDI Board by stakeholder relationships.

After setting out the context of the review, this report goes on to consider each of these areas in turn. It discusses the main issues and concerns emerging and draws out a set of recommendations linked to those issues and concerns that are intended to further improve the effectiveness of the IDI's governance structure.

The INTOSAI Development Initiative – A Brief Overview

6. The IDI is an independent INTOSAI body that works with and supports SAIs from developing countries to develop and enhance their performance, independence and professionalism. The IDI provides support to SAIs by facilitating:

- The implementation of international auditing standards including the International Standards of Supreme Audit Institutions (ISSAIs);
- The development of institutional, organizational and professional staff capacities;
- The sharing of knowledge and the implementation of good practices; and
- The scaled up and more effective support to SAIs through partnerships with stakeholders.

The IDI provides this support by facilitating and coordinating effective SAI capacity development programmes; developing and disseminating Global Public Goods;

strengthening regional bodies, networks and communities; and mobilizing scaled up and more effective support for SAIs. The IDI uses a client centred approach to facilitate SAI development initiatives at the global, regional and institutional level. This may include limited bilateral support on a needs basis. The IDI may also provide capacity development support for developed country SAIs on a cost recovery basis.²

7. The IDI was established in 1986 and was hosted until 2000 by the Office of the Auditor General of Canada. In 2001, with the approval of the Stortinget (the Norwegian Parliament), the Office of the Auditor General of Norway (OAGN) assumed responsibility for the IDI. Since then, the IDI has been based in Oslo and has operated as an independent foundation under Norwegian Foundation Law. In 2010, in addition to its capacity development programmes, the IDI assumed responsibility for hosting the Secretariat for the INTOSAI-Donor Cooperation. The IDI has twenty-six members of staff headed by the Director General of the organisation. The Director General is assisted by three Deputy Directors General – the heads of Administration, Capacity Development, and the INTOSAI-Donor Secretariat respectively. In its 2014 financial year, IDI received donor funding of NOK 58m while its total expenses for the year amounted to NOK 45.56m.³ To date, the international donor community has provided the bulk of the IDI's revenue. Specifically, the Norwegian Agency for Development Cooperation (NORAD) has provided core funding for the IDI and the INTOSAI-Donor Secretariat as well as support for selected capacity development programmes.⁴ The IDI also increasingly receives basket funding and earmarked funding from a growing number of international donors. In addition the IDI receives an annual grant from INTOSAI that amounts to five per cent of the INTOSAI expenses budget. The IDI also receives donations and substantial 'in kind' support from SAIs. To give a sense of the scale of this type of support, the IDI estimates that the 'in kind' support that SAIs provide in connection with the ISSAI Implementation Initiative (the 3i Programme) amounts to around USD 1m and is equivalent to approximately twenty-seven per cent of the funding the IDI receives for this programme.⁵

8. The IDI Board is at the heart of the organization's governance structure. The Board is chaired by the Auditor General of Norway, Per-Kristian Foss, and consists of eight non-executive members. Three of these (Per Anders Engeseth, Berit Mørk, and Tora Struve Jarlsby) are senior officials of the Office of the Auditor General of Norway while the five other members reflect the global coverage of the IDI's activities. When we undertook this review these five international Board members comprised Michael Ferguson, the Auditor General of Canada; Arno Visser, Vice President of the Board of the Netherlands Court of Audit; Jan Landahl, Auditor General of Sweden; Amyas Morse, Comptroller and Auditor General of the United Kingdom; and Mildred Chiri, Comptroller and Auditor General of Zimbabwe. In addition, because of the significant role the IDI plays within INTOSAI, Dr Josef Moser, the Secretary General of

² INTOSAI Development Initiative Strategic Plan 2014-2018 (English Version, p.5).

³ IDI Performance & Accountability Report 2014, pages 29 and 30.

⁴ We note that going forward this arrangement will change and IDI will receive funding direct from the Norwegian Parliament, the Stortinget, rather than from NORAD.

⁵ IDI Performance & Accountability Report 2014, page 30.

INTOSAI and the President of the Court of Audit of Austria, and Kimi Makewetu, Chair of the INTOSAI Capacity Building Committee and Auditor General of the Republic of South Africa, may attend meetings of the IDI Board as Observers.

9. In 2014 the IDI Board met twice for the first time. Previously, it met annually. Compared with the Board's practices prior to 2014, there is now a more pronounced focus in the course of the Board's meetings on setting the strategic direction of the IDI. The other activities undertaken by the Board in the course of its meetings have included reviewing the IDI's annual progress reports; from 2014, approving the IDI's annual performance and accountability report; approving the IDI's operational plans, its annual budget and its financial statements; and considering the independent auditor's report. In discharging its responsibilities, the Board is supported by the Director General and senior staff of the IDI. In this capacity, they are responsible for preparing the papers and other documents that the Board requires for its meetings. They also facilitate and contribute to Board discussions.

10. To supplement and help prepare its meetings, in 2001 the IDI Board established a Board Working Committee that since then has met each month or on a bimonthly basis depending on the volume of business to be dealt with. The Working Committee is chaired by the Chairman of the IDI Board or, in his absence, the Deputy Chairman of the IDI Board (Per Anders Engeseth) and comprises all the Norwegian members of the IDI Board. Its function is essentially to provide a mechanism that enables the Board to contribute to the day to day operations of the IDI, to provide advice to the IDI Director General and his staff on issues that emerge between Board meetings or that require immediate action and, so, cannot wait till the next Board meeting to be dealt with. The Working Committee also advises the IDI Director General and his staff about preparations for IDI Board meetings. Apart from this Working Committee, the IDI Board does not operate any other Board sub-committees.

11. Finally, in addition to the presence of two INTOSAI representatives at Board meetings as Observers, there a number of other formal mechanisms in place to facilitate contact and communication between IDI and INTOSAI and so contribute to the management of IDI's stakeholder relationship with INTOSAI. The IDI reports on its performance to the INTOSAI Governing Board and also to the Committees responsible for each of the INTOSAI strategic goals. The IDI strategic plan for 2014 to 2018, and the new mandate that it contained, was presented to and endorsed by the INTOSAI Congress (INCOSAI) when it met in 2013. The IDI Advisory Committee is another formal mechanism within the INTOSAI structure to facilitate liaison between IDI and the INTOSAI community. This body comprises the heads of SAIs, who by virtue of a position they hold within the INTOSAI structure or through the connection their country may have with the IDI, attend a meeting that is held once every three years on the eve of each Congress. The purpose of the meetings is to give these heads of SAIs the opportunity to review and make suggestions and recommendations about the IDI's activities and plans and to discuss any other issues that the IDI Board may choose to raise. In addition, the IDI has a wide range of contacts with the other INTOSAI working groups and with all the INTOSAI regional groups.

Background to the Review of the Governance Structure of the IDI

12. A number of factors combined to contribute to the decision taken by the IDI Board to commission this review of the IDI governance structure. These reflected the IDI's changing strategic priorities and the need to ensure that the organization had robust governance structures and processes in place to help the IDI in responding to the strategic challenges that it faced. In this context, we highlight the following developments.

- The first relates to the IDI's implementation of its new strategic plan covering the period 2014 to 2018. As noted above, this contains a revised mandate for IDI that envisages a wider, more expansive role for the organization encompassing, for example, the provision, in limited cases, of bilateral support programmes for SAIs in fragile countries that have no other source of support. The plan also allows for the IDI providing support to SAIs in developed countries on a cost recovery basis, provided those activities do not affect the deployment of IDI resources for its core beneficiaries. The strategic plan envisages IDI focusing on SAI performance and the development of a robust results framework.
- Second, for the period 2014 to 2018 IDI is also working towards greater integration with the INTOSAI-Donor Secretariat and an increased synergy between the Secretariat and the IDI capacity development team.
- Third, INTOSAI has identified the implementation of the ISSAI framework as one of its key priorities for the period 2011 to 2016 and so IDI is supporting SAIs in developing countries through the ISSAI Implementation Initiative (the 3i Programme) and it is also developing long-term strategies for ISSAI implementation support.

13. Against this background, an independent, external evaluation commissioned by IDI and undertaken by Swedish Development Advisers was broadly positive in the conclusions it drew about the IDI's performance between 2007 and 2013. It did, however, contain a range of recommendations intended to address a number of issues that it had identified with regard to the IDI's governance. The IDI has committed itself to implementing the recommendations of the external evaluation and indeed this governance review is a key element of that response.

14. In this context, and in line with its terms of reference, the purpose of this review was to assess the IDI's current governance structure in terms of its effectiveness and alignment with the IDI Strategic Plan and the environment in which the IDI operates, and to inform further enhancements of the governance structure that can strengthen performance of the organization. Overall, the IDI wanted to ensure that its governance arrangements met best international practice and that the IDI was itself an exemplar of best practice within the community of SAIs. Accordingly, the IDI expected the review to provide an objective and credible report on the changes or

refinements necessary in the governance structure and the governance practices for effective implementation of the IDI Strategic Plan for 2014 to 2018 and subsequent strategic plans. Accordingly, the scope of the review was as follows:

- The governance structure of the IDI in the context of IDI's mandate and span of operations;
- Oversight by the IDI Board, INTOSAI and the INTOSAI-Donor Steering Committee;
- The composition and working of the IDI Board, IDI Board's Working Committee, and the IDI Advisory Committee;
- The reporting and feedback mechanism between IDI and each of the relevant governance stakeholders.

Main Issues and Emerging Concerns

15. Overall, the review confirmed that the IDI's current governance structure and the mechanisms it uses for meeting its governance responsibilities were functioning in a reasonably effective manner. The IDI Board has guided the organization through an extended period of growth and success. More specifically, it contributes to and approves the IDI Strategic Plan. It also oversees the IDI's financial performance and the organization's management of risk. The review did, however, identify a number of significant shortcomings in the IDI's current governance arrangements and consequently we concluded that the IDI Board in particular was not operating as effectively as it should. This reflects two linked issues. First, the composition of the Board and the ways in which it organises its activities and discharges its responsibilities all fall some way short of best international governance practice. Second, the IDI's governance processes are not sufficiently robust to support the organization in meeting the challenges it will face in implementing its strategic ambitions for the period to 2018 and to oversee the IDI in responding to those challenges.

16. The key concerns that led to this broad conclusion emerged primarily from our discussions and consultation with the members of the IDI Board. They were, however, also echoed and reinforced by our consultations with the senior executives of the IDI and with the IDI's key stakeholders. In summary, these concerns encompassed the following:

- A shared sense on the part of the majority of the Board members that they ought to be engaging more effectively with the IDI, its programmes and activities;

- A view that the composition of the IDI Board should be more diverse. There were two aspects to this. Some of the Board members felt that greater diversity was needed to ensure that the Board as a whole had a wider range of skills and experience available to it to help discharge its responsibilities more effectively. Some IDI stakeholders argued that a more diverse Board was needed to reflect better the nature of the organization's key stakeholders and so help the IDI in two respects – to ensure, first, that its activities meet the capacity development requirements of its partner developing countries and, second, that in shaping those activities and the mechanisms the IDI uses for delivering them the Board is aware of changes and developments in the strategies and priorities of the international donor community;
- A perception that the IDI's status as a Norwegian Foundation restricted the contribution that the international Board members believed they should be making and at the same time inhibited efforts to create a more diverse Board;
- A consensus among Board members and the senior IDI executives that, with the expansion of the role of the IDI envisaged in the organization's current strategic plan, there needs to be greater clarity about the respective responsibilities of the Board itself, its members and the Director General of the IDI;
- A perception shared by the majority of Board members that there was substantial scope for revising and improving the way in which the Board works and organizes its activities so that Board members, individually and collectively, could make a more effective contribution to enhancing the performance of the IDI;
- A view shared by the majority of Board members that there was a need to overhaul the mechanisms available to the Board to satisfy itself that its decisions were informed by a sound appreciation of the needs and requirements of the IDI's stakeholders.

17. Taken together, these results point to the need for an IDI Board that is more effective collectively with individual members fully engaged and fully committed to supporting the IDI in meeting its strategic objectives. To this end, the review identified three areas that need to be addressed. These turn around the following:

- The need to address the concerns and issues identified in the course of the review in relation to the composition and membership of the IDI Board;
- The need to ensure that the Board's working methods and processes enable it to discharge its governance responsibilities as effectively as possible; and

- The need to put in place better, more effective mechanisms for the IDI Board so that it can ensure that its decisions are informed by a sound understanding of the needs and requirements of the IDI's stakeholders.

This report considers each of these areas in turn and sets out a series of options open to the IDI for addressing the shortcomings identified in the course of the review.

The Membership and Composition of the IDI Board

18. In line with best practice internationally in corporate governance, the board of an organization should have a balance of skills and experience appropriate to fulfilling its responsibilities and the membership of that board should be balanced, diverse and manageable in size. It was evident from the review that, as currently constituted, the IDI Board falls some way short of meeting these criteria. Currently in addition to the Chairman there are eight Board members, who were all appointed by virtue of their position either as an Auditor General or as a senior member of a Supreme Audit Institution (SAI). Six Board members and the Chairman are from countries in Western Europe while one member is from a developing country.

19. Given this context, it was not surprising that a key theme to emerge from the consultations we undertook was the perception shared by IDI Board members and IDI stakeholders that the membership of the IDI Board was too narrowly constituted and that, to be credible and relevant in the eyes of stakeholders and others, membership of the Board should be more diverse. There were two aspects to this concern about diversity. The first considered this issue in terms of representation and reflected a general view that the IDI Board should appoint more members from developing countries. This was consistent with, for example, the conclusions of the evaluation of the IDI undertaken by Swedish Development Advisers. This recommended that ultimately half the members of the IDI Board should come from or represent developing countries. The second aspect reflected a greater concern with the nature of the experience and skills that individual Board members should bring to the Board's deliberations about the discharge its governance responsibilities. In this regard, a number of individuals consulted in the course of the review suggested that, in appointing Board members, the IDI Board should look beyond the talent available from within the international community of SAIs and invite individuals with, for example, specialist knowledge and experience of international development policy and practice to join the Board.

20. The review identified two perceived impediments to securing greater diversity among IDI Board members. The first was, in effect, structural and was linked to the IDI's status as a Norwegian Foundation. The second reflected the static membership of the IDI Board and the practice of appointing new members from within a relatively small, closed group that comprises Auditors General and senior members or officials of Supreme Audit Institutions.

21. Taking the structural issue first, the IDI was set up as a Foundation under Norwegian law when it transferred to Norway in 2001 because this structure

*would ensure the legal and financial autonomy that is essential not only for internal Norwegian conditions but also for the relations to INTOSAI. The parameters laid down in the legislation governing foundations are regarded as broad enough to enable a foundation with a board and a secretariat to deal efficiently with IDI affairs.*⁶

The IDI has to comply with the requirements of the relevant Norwegian legislation governing foundations and this effects the composition of the IDI Board. Under the Norwegian Foundation Law, at least half the Board members must be citizens of countries in the European Economic Area (EEA).⁷ This requirement is incorporated in the IDI's Foundation statutes. In addition, the Foundation statutes also specify that the Chairman of the IDI Board must be the Auditor General of Norway and that three members of the Board must be employees of the Office of the Auditor General of Norway.⁸ As they stand, while the requirements of the Norwegian Foundation Law limit the IDI's scope for responding to the concerns that emerged from the review about the need to secure a greater degree of diversity in the membership of the Board in terms of the representation of countries from outside the EEA, the organization's statutes do not constitute as significant an impediment and can be amended with the agreement of the Board. Indeed, IDI adjusted its statutes as recently as March 2011 to accommodate the appointments to the Board of Jan Ladhal, Auditor General of Sweden, and Mildred Chiri, Comptroller and Auditor General of Zimbabwe.

22. This expansion of Board membership in 2011 links with the second perceived impediment to securing greater diversity among Board members, this is the relatively static composition of a Board whose members are appointed from within a small, closed group of Auditors General and the senior members and officials of Supreme Audit Institutions. Under current arrangements, IDI Board members are appointed for a term of four years. That term is renewable and there is no upper limit on the length of time that an individual can be a Board member. While these arrangements have ensured continuity, they have also resulted in a relatively static membership of the IDI Board with only a limited turnover. In the case of three of the international Board members, although some of them are personally relatively recent appointments, the countries and institutions they represent (the Supreme

⁶ A presentation of the proposal by the Office of the Auditor General of Norway concerning the establishment of the INTOSAI Development Initiative in Norway – Presented to the Norwegian Parliament 16 September 1998 as Document no. 3:14 (1997-98) p.9.

⁷ The European Economic Area (EEA) comprises twenty-seven members of the European Union together with Iceland, Liechtenstein and Norway. The twenty-eighth member of the European Union, Croatia, is currently a provisional member of the EEA. As at March 2015, the Chairman and six members of the IDI Board were citizens of countries within the EEA. The exceptions were Michael Ferguson, the Auditor General of Canada, and Mildred Chiri, the Comptroller and Auditor General of Zimbabwe.

⁸ Statutes for the foundation INTOSAI Development Initiative (IDI), as amended 15 March 2011, paragraph 5.

Audit Institutions of Canada, the Netherlands and the United Kingdom) have been present on the Board since the Office of the Auditor General of Norway took over responsibility for the IDI in 2001. Similarly since then, in addition to the Chairman and in line with the statutes of the IDI, there has always been a bloc of three members of the IDI Board who are senior officials in the Office of the Auditor General of Norway.

23. For a significant part of the period since 2001, there was a sound rationale for these arrangements. As the first host of the IDI, the Office of the Auditor General of Canada brought substantial experience of running the programmes associated with the IDI. In addition, the Office of the Auditor General of Canada, the Netherlands Court of Audit and the National Audit Office of the United Kingdom were all active members of INTOSAI and thus strengthened IDI's position in its dealings with the different parts of the INTOSAI structure. Between them, these three SAIs also had considerable experience of delivering capacity development support and their representatives on the IDI Board were able to draw on this experience. In turn, the group of three Board members appointed from the Office of the Auditor General of Norway reflected the extremely close working relationship between the OAGN and the IDI that was established in 2001. The expansion of Board membership in 2011 reflected the recognition on the part of the IDI of the need to respond to the changing strategic challenges that it faced. The appointment of the Comptroller and Auditor General of Zimbabwe to the Board was an important first step in ensuring that those countries and institutions that benefitted from the IDI's activities and programmes had a voice in the organisation's governance. Similarly the appointment of the Auditor General of Sweden reflected the key role played by the Swedish National Audit Office in the development and implementation of the ISSAI structure, one of the strategic challenges now facing the IDI, as well as the Office's experience in providing capacity development support.

24. More broadly, the strategic challenges that the IDI faces continue to evolve and change and this has important implications for the operation of the IDI governance structure and consequently for the composition of the IDI Board. Essentially, as the IDI implements its strategic plan for 2014 to 2018, the organization will face two broad challenges. The first reflects IDI's ambition of implementing a wider range of activities and programmes, some of which will be new to the organization. The second flows from this and will see the IDI engaging with a growing group of international donors who will each have their own demands and priorities. Consequently, the Board will need the requisite knowledge and experience to guide the IDI in developing its response to these challenges and ensure that it acts as a creditable partner. In these circumstances, while the goal of greater diversity in Board membership in terms, for example, of the countries represented is worthwhile in itself, simply exchanging one set of Auditors General for another will not necessarily ensure that the Board has the skills it needs to discharge its responsibilities fully and effectively in these changing circumstances.

25. Accordingly, we recommend that the IDI Board address the issue of diversity along the two dimensions specified above. These are, first, the need to secure within

the composition of Board members better representation of the beneficiaries of the IDI's programmes and activities; and second the need to secure greater diversity in the sense of enabling the Board to draw on a much wider set of skills and experience than is currently available to it. To take this forward, we recommend the following specific actions.

- By the end of 2015, the IDI Board should have agreed and specified a set of the competencies that it needs in order to discharge fully its corporate governance responsibilities in the light of the strategic challenges that the IDI will face in the medium to long term. We suggest that this should encompass aspects such as experience gained as a senior executive in the planning, management and implementation of major international development programmes; experience gained through responsibility for the formulation of policy and linked financial instruments for international development programmes; and commercial experience of managing international projects and programmes and the associated issues of risk and governance. This is not intended to be an exhaustive checklist but rather an initial indication of the types of areas where the IDI Board should focus its attention in developing its thinking about the competencies it will require.
- Linked to this, the Board should also develop a strategy for identifying the individuals with the type of skills and experience that the Board will require to operate effectively in the light of the strategic challenges that the IDI faces. In this regard, to be consistent with the general tenor of the review's findings, we urge the Board to look beyond the pool of talent available to it within the INTOSAI structure. We believe that this search should encompass identifying sources of experience and expertise from within Norway, the EEA and internationally.
- To facilitate the wider recruitment of Board members that we envisage, we further recommend that the Board develop and implement a scheme for increasing the rotation of Board members. We believe that the principle of a fixed term for Board membership should be at the heart of this type of scheme. We recommend that the Board consider two options to meet this objective. The first is a variation on its current practice, namely that all Board members would serve for a period of four years renewable once. This would mean that each Board member would serve for a maximum of eight years. The second option would be to have a fixed term of, say, six years that would not be renewable. Both these suggested options would have the advantage of enabling individual Board members to serve for a sufficiently long enough period to familiarise themselves with the work, aims and objectives of the IDI. The first option would have the additional advantage of allowing for a 'mid-term' break for individual Board members should there be a change in the nature of the skills and expertise that the Board needs.
- In parallel with these recommendations, we further recommend that the IDI take two further practical steps in relation to regularising the position on

Board membership and composition. First the IDI should amend its statutes to enable more flexibility in the composition of the IDI Board by removing the requirement for the Board to include at least three members from the Office of the Auditor General of Norway. We recognise in this regard that any changes to the composition and structure of the IDI Board will have to conform to the requirements of the Norwegian Foundation Law. Second, we recommend that, in the light of the decisions it makes on the future composition and membership of the Board, the IDI develops a clear policy in relation to the question of alternate or substitute Board members, specifically whether it will continue its practice of recognising substitute or alternate Board members and, if so, how those substitutes or alternates are selected and appointed.

26. In relation to the composition of the IDI Board, we recommend that, in the short-term, there should not be any change the number of Board members. This should remain at the current level of eight. We recognise, however, that the Board may need some flexibility in terms of its size to cater for the wider range of skills, experience and representation envisaged in our recommendations. In these circumstances, we would advise the Board to limit any increase in the size of its membership to a maximum of two additional members. The risk otherwise is that the Board will inhibit its effectiveness by becoming cumbersome and unnecessarily expensive and burdensome.

27. Finally, we recommend that there should be no change in the Chairmanship of the Board. The Auditor General of Norway should remain as Chairman and his term as Chairman should mirror that of his term as Auditor General and so there would be no limit on the number of times his term as Chairman could be renewed. His term as Chairman would draw to a close when he steps down as Auditor General and, as currently is the case, his successor as Auditor General would automatically assume the Chairmanship of the IDI Board.

The Working Methods and Practices of the IDI Board

28. The second dimension of effectiveness with regard to the IDI Board that we examined in detail in the course of the review encompassed a range of issues related to the Board's working methods and practices. The criteria we used for this aspect of the review took full account of best practice in corporate governance practice globally and concentrated specifically on the following:

- The extent to which the Board makes appropriate use of a sub-committee structure to support it in discharging its responsibilities;
- Whether there is a sufficiently clear articulation of the responsibilities of the Board and, where appropriate, arrangements for allocating those responsibilities to individual Board members;

- Whether appropriate processes are in place to enable the Board to assess its own performance and to address any issues about its performance that may arise.

29. In this context, in the course of the review, we identified a key concern that any recommendations we formulated would need to address. This was a sense on the part of Board members of a lack of sufficient engagement with the IDI and its activities. For some of the Norwegian Board members this reflected a sense of distance on their part from INTOSAI and consequently some uncertainty about the nature of the strategic challenges that INTOSAI faces in developing the professional and organisational capacity of SAIs in developing countries. For the international Board members geography was a key factor. This was reflected in the recognition that because the Board had traditionally met just once a year up to 2014 much of the day to day contact with the running and administration of the IDI had been handled by the Board members based in Oslo meeting as the Board's Working Committee. Consequently the international Board members had few opportunities to engage closely with the programmes and activities of the IDI and, as a result, they shared a perception that their role on the Board was essentially one of giving legitimacy to the decisions made by the Working Committee. They were thus concerned that they may not be fulfilling their stewardship and oversight responsibilities as effectively as they wanted. Overall, there was a general consensus among Board members that individually and collectively they should be making a greater, more effective contribution to the oversight of the IDI and to enhancing and improving its performance.

30. The review noted that the IDI had already taken a number of important steps to address these concerns. These were prompted partly by the findings of the evaluation undertaken by Swedish Development Advisers (and referred to above) and partly by the IDI's recognition of the need to further improve its governance and enhance the support given to Board members. The key initiatives it has taken in this regard are as follows:

- With effect from 2014, the IDI Board now meets twice a year: once face-to-face in Oslo and once using video and telephone conference facilities. In addition, the Director General and his staff are now seeking the views of Board members more regularly between meetings on issues they consider pertinent for the Board or where they feel the advice of Board members would be useful.
- The IDI has developed a risk register and other policies that contribute to improving governance.
- Again with effect from 2014, the agenda for each IDI Board meeting is structured to make it clearer for Board members the purpose of, or the outcome required, for each item they discuss. In addition, the IDI has taken steps to improve the way in which material is presented for discussion at Board meetings.

- The IDI is now using IDI Board meetings to focus more on issues of strategic concern. With effect from 2014, when the Board meets face to face in Oslo it now devotes one day to a discussion of strategic issues. In addition, more topics with strategic implications are included on the agenda for Board meetings. To date, these have included matters such as the long-term location of the IDI; the IDI's input to INTOSAI's strategic plan; and CREFIAF participation in IDI programmes.
- Minutes of the Board's Working Committee are now drafted more fully and comprehensively than had previously been the case and, once approved, are circulated promptly to all Board members.

31. These are all welcome developments. Nevertheless, the review identified a number of other steps the IDI should take to improve further the working methods and practices of the IDI Board. These are set out in the following paragraphs.

IDI Board Sub-Committees

32. Current best practice in corporate governance internationally encourages boards to use sub-committees to support them in discharging their responsibilities. The most common ones are audit committees to deal in detail with external audit, internal control and risk, and appointments and remuneration committees to deal with Board succession planning and issues around executive remuneration. In this context, we note that apart from its Working Committee the IDI Board does not operate any other sub-committees.

33. Taking the question of an audit committee first, we are not persuaded that the IDI Board should establish a separate audit committee. This reflects two considerations. First, the scale of the IDI, the nature of its activities and programmes, and the risks associated with these do not warrant oversight by a separate sub-committee of the Board. Second, this judgement was shared by the IDI's external auditors. In their view, the experience and skills available to the IDI Board as it is currently constituted means that the Board as a whole acts as an audit committee and that establishing a separate audit committee was unlikely to bring additional, commensurate benefits for the IDI. However, should the Board see merit in pursuing further the option of establishing an audit committee, we would advise that they adopt the practice of simply reconstituting the whole Board as the audit committee when they consider matters relating to external audit, financial control and risk.

34. The absence of a nominations and appointments committee raises more significant issues for the IDI particularly in the light of the review's recommendations about securing a more diverse Board in terms of its composition and providing a wider set of skills and experience among Board members. The IDI Board needs a mechanism for identifying and recommending suitable candidates for membership to the Board. Accordingly, we recommend that the IDI Board should establish a nominations and appointments sub-committee as a matter of urgency. We do not

envisage a complicated mechanism. In our view, the membership of the appointments sub-committee should comprise two or at most three members of the IDI Board. To give the sub-committee sufficient weight and a wide overview, we recommend that the Chairman of the IDI Board and at least one of the international Board members should constitute the core membership of this sub-committee with appropriate support from the staff of the IDI.

35. The one sub-committee operated by the IDI Board is its Working Committee. The composition, membership and role of this Committee raise a range of rather different issues. The review noted that this Committee was established by the IDI Board when the IDI was first domiciled in Norway in 2001. It is chaired by the Chairman of the IDI, the Auditor General of Norway; its membership comprises the other Norwegian Board members; and it meets regularly in Oslo between meetings of the main IDI Board. The original purpose of the Working Committee was, in effect, to provide a practical mechanism for dealing with matters that arose between the annual meetings of the IDI Board. However, over the years, an unintended impact of the operations of the Working Committee has been to confuse rather than facilitate the governance process. This was manifest in two ways in the course of this review. First, it was clear that for the international Board members the operation of the Working Committee created a perception that the IDI was essentially a Norwegian undertaking and that the role they were expected to play was one of giving legitimacy to the decisions made by the Committee. For the Norwegian members of the IDI Board, their participation in the discussions that had taken place within the Working Committee had the effect of inhibiting the contribution that they felt they should make at the meetings of the main Board. Although the IDI has taken some very helpful steps to clarify the nature of the activities undertaken by the Working Committee such as circulating detailed minutes of its meetings to all Board members, the review concluded that the Board should take more radical action to deal with these concerns.

36. Accordingly, the review identified two options that it recommends the IDI Board consider to help formulate a response to these concerns about the Working Committee and at the same time reinforce and strengthen the IDI's overall governance structure and practices. The first option would be to retain the Working Committee but modify its remit and structure to ensure that it is clearly subordinate to the Board. The second option would be to abolish the Committee and rely instead on other mechanisms to fill the advisory role that was originally envisaged for the Committee.

37. Should the Board opt to retain the Working Committee, we recommend that it should also take the following steps to redefine the role, responsibilities and status of the Committee.

- First, the Board should use this opportunity to make it clear that the Working Committee is subordinate to the Board and that, although it can provide advice to IDI senior management between the meetings of the main Board, it does not have the power or authority to make decisions on

behalf of the Board. The Working Committee should operate within a framework that specifies the nature of the matters that are reserved for discussion and decision by the Board and so enable the Committee to identify and advise on those issues or concerns that should be referred to the Board for consultation. In this scenario, the Working Committee would continue to have an important role to play in guiding the preparations for meetings of the Board.

- Second, the Board should reconfigure the composition of the Working Committee as part of this process of signalling clearly that the Committee is subordinate to the Board. Accordingly, the review recommends that, in these circumstances, the Working Committee should no longer be chaired by the Chairman of the IDI but rather by the Deputy Chairman of the main Board. For practical reasons, the Norwegian members of the Board would continue to provide the other members of the Working Committee subject to two caveats: not all the Norwegian members would be required to attend the meetings of the Working Committee and, in addition, the international Board members should also have the right to participate in meetings of the Working Committee (either in person or through the use of teleconference, videoconference or other facilities) where, for whatever reason, they believe this would be helpful.
- Third, this redefinition of the status of the Working Committee should be accompanied, where appropriate, by the formal consultation of all IDI Board members about any issues or concerns that arise between Board meetings and which are matters reserved for discussion and decision by the Board.

38. We recognise that this set of recommendations intended to modify the remit and structure of the Working Committee begs the question why the Board should retain this Committee and indeed the abolition of the Working Committee is the second option open to the Board that we identified. If the Board were minded to implement this option, it would have a number of important implications. First, it would introduce a wider degree of separation between the IDI and the Office of the Auditor General of Norway as it would remove the perception shared by a number of individuals whom we consulted in the course of the review that the Working Committee constituted, in effect, a sub committee of the senior management of the OAGN. Thus the abolition of the Working Committee could reasonably serve to emphasise the IDI's independence as an organization as it expands its programmes and operations and its range of interaction with the international donor community over the medium to long term. Second, as we referred to above, if the Working Committee were to be abolished, the executive leadership of the IDI would still need mechanisms for consulting Board members about issues that may arise between the formal Board meetings. While this could be done in a reasonably effective manner on an ad hoc basis, we would recommend that the Board adopt a more structured approach to dealing with this challenge, namely the adoption of the concept of

portfolio responsibilities for individual members of the IDI Board. We explore the implications of this in the following paragraphs.

Adopting the Concept of Portfolio Responsibilities for Individual IDI Board Members

39. As noted above, the review concluded that one of the most significant governance challenges that the IDI faced was the sense of a lack of full engagement with the IDI on the part of Board members and, linked to this, a belief that individually and collectively they could make a more effective contribution to discharging the Board's responsibilities. In addition, should the Board decide to implement the review's recommendations about changing the composition of the Board by bringing in individuals who could offer a wider range of expertise and experience, it does not yet have an appropriate structure in place that would enable it to capitalise on these new skill sets. Also, should the Board opt to abolish the Working Committee it will need to put in place a structure for dealing systematically with important issues and concerns that may arise between Board meetings. Accordingly, to respond to this and to contribute towards the process of developing more effective and productive working methods, we recommend that the IDI Board should explore the possibility of introducing the practice of assigning portfolio responsibilities to individual Board members.

40. Essentially the concept here is a flexible one that embraces a range of different options. At its most basic it would allow the Board to make more systematic use of the advice and knowledge of individual Board members should the Board adopt the review's recommendations about broadening the skills and experience available to it by changing its membership and composition. It is also an approach that would allow the Board to respond to a specific issue or concern on a 'job and finish' basis. The concept here is that a Board member would be given firm terms of reference and a specified timescale to develop advice and recommendations for the Board in relation to that specific issue or concern. A broader application of this concept of Board members having a specific portfolio assignment would see a Board member have the responsibility for taking the lead on behalf of the Board for a specific activity or set of activities. This could encompass, for example, the development of material to be considered by the Board, representing the Board where appropriate, briefing the Board about developments relevant to the member's area of responsibility, and, again where appropriate, leading Board discussions on an agenda item relevant to that member's area of responsibility.

41. The allocation of a specific portfolio responsibility along these lines would be agreed by the Board collectively and would be linked to the skills, experience and interests of an individual Board member. It is not envisaged that there would be a fixed number of portfolios or that every Board member would necessarily be assigned a portfolio responsibility. Decisions about the nature and number of portfolio responsibilities would be determined by the requirements of the Board and the challenges it faces. The overall aim of a scheme of this type would be to enable the Board to make full use of the skills and experience of all Board members and to

capitalise on their personal enthusiasm and professional commitment. Should the Board be minded to consider this recommendation and explore the options open to it, a key consideration will be to ensure that any approach that the Board adopts in this regard does not blur the distinction between the non-executive responsibilities of Board members and the executive responsibilities of the Director General and his staff.

Introducing Other Elements of Good Practice

42. To supplement these enhancements in the working practices of the IDI Board, we recommend that the IDI should introduce some additional elements of good practice. These comprise initiatives to define and delineate clearly the functions and responsibilities of the Board; to put in place arrangements for the induction of new Board members; and the introduction of a process for the Board to review its performance regularly.

The role of the IDI Board: Defining and delineating its function and responsibilities

43. An emerging aspect of good practice in corporate governance is the preparation of a clear statement of the role and responsibilities of an organization's board. For example, all government entities in the United Kingdom are now required to prepare a board-operating framework that summarises the principal functions and responsibilities of the board and its members. In the course of the review we noted that the Board's Rules of Procedure had been adopted in 2000 and apart from some amendments made in 2003 they had not been subject to detailed review and revision. Clearly, if the Board accepts and implements the recommendations flowing from this review about changing its composition and working practices, as a minimum, it will need to revise its Rules of Procedure to reflect these changes. Accordingly, in these circumstances, we recommend that the Board extend this exercise to incorporate the preparation of a new protocol analogous to a board-operating framework. The aim of this new protocol would be to set out clearly the principles that guide the activities of the IDI Board and determine those areas that are subject to Board supervision and advice.

44. To guide the Board in developing this document, we believe it is crucial that a protocol of this kind reflects a set of precepts that underpins effective corporate governance. In this regard, we have in mind the following:

- **Leadership:** the Board should articulate a clear vision for the IDI and give clarity about how the IDI's policies, programmes and other activities contribute to achieving that vision. This includes specifically the Board's responsibility for setting the risk appetite for the IDI and ensuring that proper processes are in place to identify and manage risk.
- **Effectiveness:** the composition of the Board should ensure that a wide range of relevant skills and experience are brought to bear in discharging the Board's responsibilities. This includes ensuring that Board members are

empowered to scrutinise IDI performance and challenge IDI management rigorously and constructively.

- **Accountability:** the Board should promote transparency through the clear reporting of the IDI's strategy, programmes and performance.
- **Sustainability:** the Board should take a long-term view about the IDI and the factors crucial to its continuing health and success.

45. We believe an exercise of this kind would be beneficial for the following reasons:

- First, it will create space for Board members individually and collectively to reflect on and articulate the principles that should guide them in discharging their responsibilities.
- Second, and building on this, it will facilitate the Board in moving away from an operational framework that is based in effect on established custom and practice to one that is principle based and, so, conceptually stronger. In turn, operating explicitly in line with the key precepts of sound corporate governance would provide a firmer basis for explaining the rationale underpinning the focus of the Board's activities and the nature of the decisions it makes.
- Third, it will help distinguish between executive responsibilities on the one hand and non-executive responsibilities on the other by identifying the types of issues or concerns where the Director General and his staff have the freedom to act as they see fit and those where the Director General should refer the matter to the Board for advice, discussion or decision.
- Fourth, the preparation of a protocol document along the lines we have outlined would help address a weakness we identified in the course of this review, namely the absence of a process of inducting new Board members. We consider the ramifications of this in the following paragraphs.

The Induction of New Board Members

46. In the course of the review, we noted that the IDI Board did not have a process in place for the systematic induction of new Board members. In part, this reflected the relatively limited turnover of Board members. It also reflected an assumption that all new Board members would be familiar with the role and work of the IDI by virtue of their membership of the INTOSAI community and their participation in, and contribution to, INTOSAI programmes and activities. This, however, will change if the Board adopts the recommendations contained in this report about changing its composition. In these circumstances, the IDI Board will need a structured process of introducing new Board members.

47. In this context, we recommend that the IDI Board develop and implement a systematic process for the induction of new Board members. This should comprise two components.

- The first should deal with the practical issues of Board membership. The proposed Board protocol document would provide a useful starting point to explain the responsibilities of the Board and the processes it uses to discharge those responsibilities. This would be supplemented by a formal introduction to the IDI that would encompass meeting the senior executives of the IDI and learning about the organization, its programmes and activities, its structure and the resources available to it.
- The second component would be more concerned with the articulating the contribution expected from new Board members. This would encompass the behaviours expected from Board members – for example integrity, commitment and challenge – as well as practical guidance on dealing with issues such as perceived or actual clashes of interest.

Reviewing Board Performance

48. In the course of our discussions and consultations with the Chairman and individual IDI Board members, it was evident that all of them had reflected about the role of the Board and the way in which it discharged its responsibilities. In this context, all of them provided insightful critiques of the Board's performance and suggested constructive ways of improving that performance. This was very welcome and made an important contribution to the analysis we undertook in the course of the review.

49. It did, however, point to an important gap in the Board's working practices. And this is the absence of any mechanism that would allow the Board to assess periodically its performance and to identify any areas for improvement. We note that one element of evolving best practice in corporate governance is the practice of boards to undertake these types of reviews on a regular basis. These reviews of board performance tend to be structured around either a discussion in which all board members participate or a series of bilateral meetings between the chairman of the board and individual board members.

50. Given the amount of change to its membership, processes and procedures that the IDI Board may be implementing in response to the recommendations of this review, we recommend that, as part of this process, the Board introduce the practice of regularly reviewing its performance. We suggest that the IDI Board take stock at least once a year of the progress it is making to identify those areas where Board members believe further development or improvement is needed. We further suggest that the Board includes this type of discussion on the agenda for its annual meeting in Oslo and that it uses the outcome of its deliberations to give immediate feedback to the senior executives of the IDI about any changes to its working practices that the Board may wish to introduce or about the support given to the

Board and any adjustments or changes that the Board may require, for example, in the way in which documents are presented to the Board. If individual members judged it appropriate, it would be open to them to supplement discussion at the Board meeting with separate bilateral discussions with the Chairman.

Accountability and Sustainability - The Strategic Challenge for the IDI Board in the Management of Stakeholder Relationships

51. The third and final component of the effectiveness of the IDI's governance structure considered by the review focussed on the IDI Board's responsibilities for accountability and the sustainability of the organization. In relation to accountability, we assessed the Board against the criteria that it ensured information about all aspects of the IDI's performance were communicated clearly and transparently. We concluded that the extensive range of material that the IDI makes available regularly and consistently about its strategy and its performance met this requirement. In this context, we welcome the steps that the IDI Board is minded to take to enhance further the transparency of its proceedings. Specifically, we welcome the Board's decision to publish not only this report on the outcome of the governance review but also its response to the conclusions and recommendations that it contains. Given this, the governance review concentrated on the question of sustainability and specifically whether the Board took a sufficiently long-term view of the organization and identified those factors that are crucial to the continuing success and good health of the IDI as an organization.

52. The IDI's relationships with its stakeholders are central to its long-term sustainability as an organization. These encompass in broad terms, on the one hand, the sources of the resources it needs to provide its capacity development activities in terms of finance and expertise and, on the other, the recipients of those activities. Specifically these are:

- The international donor community as a collective group as well as individual donors; and
- The international community of Supreme Audit Institutions at the regional and INTOSAI levels as well as at the level of individual institutions.

In governance terms, in this context a key challenge for the IDI Board is to ensure that there is an appropriate strategic framework for developing and managing stakeholder relationships while not impinging on the responsibilities of the IDI's executives for working with these stakeholders in planning, implementing and managing the organization's capacity development programmes and activities.

53. The review considered first the scope for improving the engagement of the IDI Board with the organization's stakeholders by using simple mechanisms such as inviting stakeholder representatives to attend meetings of the IDI Board as observers

or reserving seats on the Board for stakeholder representatives. We were not convinced by either of these options for the following reasons.

- Looking at the case for inviting stakeholders to attend IDI Board meetings as observers, we noted that, from the INTOSAI community, the Secretary General of INTOSAI and the Chairman of the INTOSAI Capacity Building Committee (or their representatives) already attend Board meetings as observers. We concluded that further increasing the number of observers by inviting more SAI representatives or representatives from the international donor community ran the risk of making IDI Board meetings more cumbersome, inhibiting discussion among Board members, and introducing a degree of uncertainty to the Board's decision-making process flowing from the assessment of Board members about the weight they should give to the views and comments of these observers. Increasing the number of observers would also raise some practical issues, in particular specifying the process and criteria for selecting and nominating those individuals whom the Board would invite to attend its meetings as observers.
- As for reserving seats on the Board specifically for stakeholder representatives, we discounted this option as it runs contrary to the principle set out above, namely that membership of the Board should be determined by the skills and experience that members bring and not by the individual's status within the INTOSAI or international donor communities.

54. Against this background, the review focused on three key aspects:

- The first concerned the governance implications for the IDI of taking on responsibility for the INTOSAI-Donor Cooperation Secretariat.
- The second related to the way in which the IDI establishes and responds to the capacity development requirements of SAIs.
- The third is linked to the IDI's wider relationship with INTOSAI, specifically its place in the architecture developed by INTOSAI to support and encourage the capacity development of SAIs and the nature of the role the IDI should play in helping INTOSAI deliver its strategy.

55. The location of the INTOSAI-Donor Cooperation Secretariat with the IDI since the Cooperation was established in 2010 means that the IDI Board has some responsibility for the oversight of the resources allocated to the running of the Secretariat. However the Secretariat also reports to the Steering Committee established to oversee the Cooperation's activities. This does potentially raise difficulties for the governance structure of the IDI. To date, however, no examples have arisen of governance problems for the IDI Board in relation to the INTOSAI-Donor Cooperation Secretariat. While this may be fortuitous, it does also reflect a commendable degree of pragmatism on all sides. It is though clear that it remains a challenge for the IDI, the Cooperation Secretariat, and the Steering Committee for

the INTOSAI-Donor Cooperation to coordinate their respective key processes, in particular their operational and budget planning processes.

56. A key conclusion flowing from the review in this respect is the importance of the role played by the Director General of the IDI. He attends meetings of the Cooperation Steering Committee and so plays a key role in scanning the horizon to identify emerging issues that may have governance implications for the IDI and, where appropriate, drawing these to the attention of the IDI Board.

57. More broadly, the review concluded that there is a need for the IDI Board to develop a better structure to facilitate a more effective relationship with the international donor community, particularly given the IDI's reliance on the international donor community to provide the resources it needs to deliver its capacity development programmes. Identifying mechanisms to secure this objective proved more problematic. We assessed the possibility of the IDI Board establishing an advisory committee consisting of representatives of the international donor community to provide the Board with a source of professional advice about international development policy and procedures and about any emerging developments or trends that would have implications for the way in which the international donor community is prepared to support SAI capacity building. We noted, however, that the IDI has previously attempted to do something along similar lines without much success as the proposal generated little interest among international donors. Given this, we recommend the following:

- The Board with the support of the IDI's senior executives consider developing proposals for targeting each year a specific individual from within the international donor community whom the Board could invite to attend one of its meetings to brief Board members about developments relevant to the strategy and interests of the IDI.
- More broadly, in the context of broadening the pool of talent from which the IDI Board identifies and recruits its members, the Board should consider the feasibility of appointing to the Board an individual with experience and knowledge of international development policy.

58. The review also drew a number of important conclusions in relation to the governance implications for the IDI of its role as the implementation arm of INTOSAI. These fell into three categories. The first category turned round the challenge for the IDI Board in ensuring that the IDI's strategic aims and objectives align with, and are relevant to, the needs of SAIs in developing countries. Crucially, this means that, in overseeing the development and implementation of the IDI's strategy, the Board should ensure that the IDI's strategy is in alignment with INTOSAI's strategy. The current discussions around the development of a new strategic plan for INTOSAI should give the Board sufficient opportunity to do this with the aim of ensuring that the outcome is a comprehensive strategic framework for the IDI that is clearly aligned with INTOSAI's strategic priorities. It will then be for the Director General and staff of the IDI to deliver the organization's capacity development programmes

and activities within this framework which in turn will also provide the basis for their accountability to the Board.

59. The second area of concern emerging from the review was linked to the process that the IDI used to ensure that its capacity development programmes and activities remain relevant to the needs of SAIs in developing countries. The IDI has a number of instruments intended to gather the information it needs in this regard. Of these, some such as the IDI's global survey appeared to be particularly helpful. In contrast, the IDI Advisory Committee made little if any contribution to the development of IDI policy and programmes and, so, was not effective. This view was shared by the Board members whom we consulted in the course of the review. In addition, all the INTOSAI regional groups we consulted reinforced this perception of the ineffectiveness INTOSAI Advisory Committee. The regional groups also stressed the importance for them to have a more direct engagement with the IDI. The concern that they shared was twofold. Their regions all differed in terms of the capacity development needs of their member SAIs and the regions themselves were all at different stages of development. Consequently, they argued for a more sophisticated process of consultation with the IDI that would enable their discussions to reflect these differences more accurately.

60. Accordingly, the review recommends that the IDI should change the composition and working arrangements of the current IDI Advisory Committee. In its place the IDI Board should establish a smaller, more focussed advisory committee consisting of a representative of each of the INTOSAI regional groups and a representative of the SAI that acts as chair of each of the INTOSAI goals. The aim should be that this advisory group meet at least once a year and it may be that these meetings could coincide with, for example, INTOSAI Governing Board meetings and so limit the additional burden they would otherwise create for all potential participants in terms of travel and the time required to attend. We noted that in the course of the fieldwork for this review towards the end of 2014, the IDI held a successful prioritisation and planning workshop in which representatives from the INTOSAI regional groups participated. We recommend that the IDI build on this initiative with the aim of establishing the smaller, more focussed Advisory Committee that we envisage. In this context, we also note that the current discussions and consultations about INTOSAI's new strategic plan may produce other mechanisms that have the capability of providing the Board with the assurance it needs that the capacity development programmes and activities of the IDI remain in alignment with INTOSAI's strategic priorities and objectives and that they continue to meet the needs of SAIs in developing countries.

61. The final issue for the IDI Board in this regard relate to the governance implications of the IDI's position in, and relationship with, the INTOSAI structure. The INTOSAI representatives consulted in the course of this review saw merit in a more coordinated, closer, and more structured alignment between the IDI and INTOSAI. This reflected their confidence in the work of the IDI as well as the central role that the IDI plays in the implementation of INTOSAI's strategy to enhance the capacity of SAIs in developing countries. This discussion raised, potentially, a very significant

challenge for the governance of the IDI as it linked back to the starting point for presenting the results of the review, namely the composition and membership of the IDI Board. In essence, this was the proposition that a seat on the Board should be specifically reserved for a representative of INTOSAI. We were not convinced about the merits of this proposal for two reasons. The first was the practical one of how a suitable representative would be identified, nominated and appointed. The second related to the principle of having an individual on the Board who potentially could be put in the invidious position of representing a position or a view that ran counter to the interests of the IDI. In line with the review's recommendations about the composition and membership of the IDI Board, our preference is for the Board to consider this issue in the context of the skills, knowledge and experience that it requires to discharge its responsibilities effectively. In this context, it would be entirely reasonable for the Board to decide that it needed a member who could provide an assessment of IDI capacity development programmes and activities from the perspective of a consumer of those programmes and activities.

Overall Conclusion and Summary of Recommendations

62. Overall, the review confirmed that the IDI's current governance structure and the mechanisms it uses for meeting its governance responsibilities were functioning in a reasonably effective manner. The IDI is a successful organization and the IDI Board has made a key contribution to securing that success by setting the strategic direction of the organization and ensuring that it is well managed with appropriate systems in place for internal financial control and managing risk. However, in the light of the challenges that the IDI now faces, the review identified some important shortcomings in the IDI's current governance arrangements. These were linked to the membership and composition of the IDI Board; the working methods and practices of the IDI Board; and, in relation to accountability and sustainability, the challenge that the IDI Board faces in dealing with a complex set of stakeholder relationships.

63. To assist the IDI in developing a governance structure that functions more effectively, the review prepared a set of recommendations to help the IDI address the issues and concerns that it had identified. In summary, these were as follows.

The Membership and Composition of the IDI Board

(i) To create a more diverse Board with the requisite knowledge, skills and experience that the IDI Board will need to guide the organization in developing its response to the strategic challenges it faces, the IDI Board should secure, first, better representation of the beneficiaries of the IDI's programmes and activities among Board members and, second, greater diversity in the sense of enabling the Board to draw on a much wider set of skills and experience than is currently available to it.

(ii) By the end of 2015, the IDI Board should have agreed and specified a set of the competencies that it needs in order to discharge fully its corporate governance responsibilities in the light of the strategic challenges that the IDI will face in the

medium to long term. It should use this set of competencies to guide it as it works to secure a more diverse Board membership.

(iii) Linked to this, the Board should also develop a strategy for identifying the individuals with the type of skills and experience that it will require to operate effectively in the light of the strategic challenges that the IDI faces. In this regard, to be consistent with the general tenor of the review's findings, we urge the Board to look beyond the pool of talent available to it within the INTOSAI structure. We believe that this search should encompass identifying sources of experience and expertise from within Norway, the EEA and internationally.

(iv) To facilitate the wider recruitment of Board members that we recommend, we further recommend that the Board develop and implement a scheme for increasing the rotation of Board members. We believe that the principle of a fixed term for Board membership should be at the heart of this type of scheme. We recommend that the Board consider two options to meet this objective. The first is a variation on its current practice, namely that all Board members would serve for a period of four years renewable once. This would mean that each Board member would serve for a maximum of eight years. The second option would be to have a fixed term of, say, six years that would not be renewable.

(v) In the light of the decisions it makes on the future composition and membership of the Board, we also recommend that the IDI develops a clear policy in relation to the question of alternate or substitute Board members, specifically whether it will continue its practice of recognising substitute or alternate Board members and, if so, how those substitutes or alternates are selected and appointed.

(vi) In parallel with these recommendations, we further recommend that the IDI should amend its statutes to enable more flexibility in the composition of the IDI Board by removing the requirement for the Board to include at least three members from the Office of the Auditor General of Norway. More broadly, we recognise that any changes to the composition and structure of the IDI Board will have to conform with the requirements of the Norwegian Foundation Law.

The Working Methods and Practices of the IDI Board

(vii) To take forward the process of securing a more diverse Board, we recommend that the IDI Board establish a nominations and appointments sub-committee as a matter of urgency. The membership of the nominations and appointments sub-committee should comprise two or, at most, three members of the IDI Board. The Chairman of the IDI Board and at least one of the international Board members should constitute the core membership of this recommended nominations and appointments sub-committee.

(viii) We recommend that the IDI Board reassess the function of its Working Committee. We suggest that the Board consider two options. The first would be to retain the Working Committee but modify its remit and structure to ensure that it is

clearly subordinate to the Board. The second option would be to abolish the Committee and rely instead on other mechanisms to fill the advisory role that was originally envisaged for the Committee.

(ix) We recommend that the IDI Board should explore the possibility of introducing the practice of assigning portfolio responsibilities to individual Board members. Essentially the concept is a flexible one, embracing a range of different options. The aim of any arrangement of this kind should be to enable the Board to make better, more systematic use of the advice and knowledge of individual Board members without blurring the distinction between the non-executive responsibilities of Board members and the executive responsibilities of the Director General and his staff.

(x) We recommend that the IDI Board extend any exercise to review of its Rules of Procedure to incorporate the preparation of a new protocol analogous to a board-operating framework. The aim of this new protocol would be to set out clearly the principles that guide the activities of the IDI Board and determine those areas that are subject to Board supervision and advice.

(xi) We recommend that the IDI Board develop and implement a systematic process for the induction of new Board members comprising two elements. These are practical guidance about the discharge of the responsibilities of a Board member and also the clear articulation of the behaviours expected from Board members.

(xii) We recommend that the Board introduce the practice of regularly reviewing its performance. We suggest that the IDI Board take stock at least once a year of the progress it is making to identify those areas where Board members believe further development or improvement is needed. We further suggest that the Board includes this type of discussion on the agenda for its annual meeting in Oslo and that it uses the outcome of its deliberations to give immediate feedback to the senior executives of the IDI about any changes to its working practices that the Board may wish to introduce or about the support given to the Board and any adjustments or changes that the Board may require.

Accountability and Sustainability – The Strategic Challenges for the IDI Board in the Management of Stakeholder Relationships

(xiii) In relation to the stakeholder relationship with the international donor community, we recommend that the Board, with the support of the IDI's senior executives, consider developing proposals for targeting each year a specific individual from within the international donor community whom the Board could invite to attend one of its meetings to brief Board members about developments relevant to the strategy and interests of the IDI.

(xiv) Linked to this, in the context of broadening the pool of talent from which the IDI Board identifies and recruits its members, we recommend that the IDI Board should consider the feasibility of appointing to the Board an individual with experience and knowledge of international development policy.

(xv) In relation to the IDI's stakeholder relationship with INTOSAI and the SAI community, we recommend that the IDI should change the composition and working arrangements of the IDI Advisory Committee. In its place the IDI Board should establish a smaller, more focussed advisory committee consisting of a representative of each of the INTOSAI regional groups and a representative of the SAI that acts as chair of each of the INTOSAI goals.

(xvi) Finally, in relation to the governance implications for the IDI of its role as the implementation arm of INTOSAI, the Board should ensure that the IDI's strategy is in alignment with INTOSAI's strategy. The current discussions around the development of a new strategic plan for INTOSAI should give the Board sufficient opportunity to do this and its aim should be to ensure that the outcome is a comprehensive strategic framework for the IDI that is clearly aligned with INTOSAI's strategic priorities. It will then be for the Director General and staff of the IDI to deliver the organisation's capacity development programmes and activities within this framework which in turn will also provide the basis for their accountability to the Board.

Annex: Approach and Methodology

This Annex sets out the approach and methodology that we used for the review of the governance structure of the IDI. This approach was in line with the work-plan prepared by Frank Grogan and discussed and endorsed by the IDI Board at its meeting held on 3 November 2014 and we highlight the following aspects.

- The analytical framework used for the review consisted of three interlocking elements. These were, first, the governance and other related requirements that the IDI has to meet by virtue of being a Norwegian Foundation; second, the established and broadly accepted principles of best international governance practice; and third, the strategic challenges that the IDI will face over the medium to long term.
- In the course of the review, we had access to and examined a range of documents pertinent to the review. These encompassed Board papers and minutes and documents relevant to the performance of the IDI and the challenges it faces.
- The review also involved extensive consultation not only with the Chairman and all members of the IDI Board, but also with the Director General and senior staff of the IDI; the Observers who attend and participate in the meetings of the Board; the external auditor of the IDI; all the INTOSAI regional groups; and representatives of three donors key to the activities of the IDI – the Norwegian Agency for Development Cooperation (NORAD), the Department of International Development of the United Kingdom (DFID), and the World Bank. We also consulted Swedish Development Advisers who carried out an independent external evaluation of the IDI's performance between 2007 and 2013. The details of all the individuals and organizations consulted in the course of the review are set out below.
- We presented and discussed our emerging findings, conclusions and recommendations with the IDI Board when it met in Oslo on 12 and 13 March 2015. This gave us the opportunity to test the robustness of those findings, conclusions and recommendations and this exchange with the Board informed the process of finalising our report on the outcome of the governance review.
- A guiding principle throughout the review was the recognition that the IDI is a small organisation whose key objective is developing the professional and technical capacity of SAIs in developing countries. Consequently, all conclusions and recommendations had to be proportionate, balanced and contribute to helping the organisation meet its aims and objectives successfully.

The review was also informed by a range of material on best practice in corporate governance. A selection of the material we consulted is set out below. This

highlighted four dimensions of governance that we used to focus the review. These were as follows:

- On **leadership**, our concern was to establish how effectively the IDI Board sets the strategic direction of the organization and to assess the robustness of the processes the Board uses to monitor and assess the IDI's performance and its progress in securing its strategic objectives. In this context, we also considered how the Board 'set the tone' for the IDI's work and activities and how it supported and reinforced the values of the IDI as an organization.
- On **effectiveness**, our focus in this regard was the performance of the IDI Board. Specifically, our concern was to assess two key aspects. The first was to examine how effectively the Board discharged its oversight and stewardship responsibilities. The second was to consider whether the Board struck an appropriate balance between, on the one hand, supporting and advising the Director General and the senior managers of the IDI and, on the other, providing sufficient 'challenge' to satisfy itself that the management of the IDI's ongoing programmes and the planning of future activities were undertaken within a framework that paid due regard to the strategic objectives of the IDI, effective internal control, and the proper identification and effective management of risk. In this context we considered whether the composition of the Board together with the skills and experience available to it were sufficient to enable the Board to discharge its responsibilities fully and effectively and to guide the IDI in meeting the strategic challenges that it faces. As part of this process, we assessed how the Board organizes and manages its activities. This included specifically the role and contribution of the Board's Working Committee and the extent to which the nature, timing and quality of the information and data that the Board receives helps it discharge its governance responsibilities fully and effectively.
- On **stakeholder engagement**, we assessed how effective the arrangements were that the IDI Board had put in place to ensure that the IDI managed its interactions with the IDI's key stakeholders, in particular INTOSAI and the international Donor community, within an appropriate strategic framework. Our aim here was to assess how the IDI Board balanced the IDI's strategic objectives and priorities against the legitimate demands and requirements of these stakeholders. In this context, we assessed specifically the role played by the INTOSAI IDI Advisory Committee, the impact of the INTOSAI-Donor Cooperation and the effectiveness of the mechanisms that the IDI Board uses to ascertain and reflect on stakeholders' strategic needs and priorities. We recognised that in this context a key challenge for the IDI Board was not to impinge on the responsibilities of the IDI's executives for working with the organization's stakeholders in planning, implementing and managing the organization's capacity development programmes and activities.
- On **accountability**, our aim was to assess how the IDI Board discharges its responsibilities in relation to reporting on the strategic, operational and

financial aspects of the IDI's activities openly and transparently. This aspect of the review also considered how effective the mechanisms were that the IDI Board used to communicate with the IDI's stakeholders.

Individuals and Organisations Consulted

In the course of the review, we consulted the following individuals and organisations:

IDI Board Chairman and Members:

Chairman

Per-Kristian Foss, Auditor General of Norway and Chairman of the IDI Board

Norwegian Board Members

Per Engeseth, Director General, Office of the Auditor General of Norway, and Deputy Chairman of the IDI Board

Tora Jarlsby, Director General, Office of the Auditor General of Norway and IDI Board Member

Berit Mørk, Director General, Office of the Auditor General of Norway and IDI Board Member

International Board Members

Mildred Chiri, Comptroller and Auditor General, Zimbabwe and IDI Board Member

Michael Ferguson, Auditor General, Canada and IDI Board Member

Jan Landahl, Auditor General, Sweden and IDI Board Member

Martin Sinclair, Executive Leader, National Audit Office, United Kingdom (on behalf of Amyas Morse, Comptroller and Auditor General of the United Kingdom and IDI Board Member)

Arno Visser, Vice President, Netherlands Court of Audit, and IDI Board Member;

André van Omeren, Netherlands Court of Audit

Observers at IDI Board Meetings

Dr Josef Moser, President of the Austrian Court of Audit and Secretary General of INTOSAI

Kimi Makwetu, Auditor General of the Republic of South Africa and Chairman of the INTOSAI Capacity Building Committee

IDI Senior Management Team

Einar Gørrisen, Director General

Martin Aldcroft, Deputy Director General, INTOSAI-Donor Secretariat

Ola Hoem, Deputy Director General, Head of Administration

Archana Shirsat, Deputy Director General, Head of Capacity Development

IDI External Auditor

Tom Myhre (Partner), Ellen Nyhus - KPMG, Oslo

International Donor Community

Honor Flanagan, United Kingdom Department for International Development (DFID)
Håkon Mundal, Senior Adviser, Norwegian Agency for Development Cooperation (NORAD)

Jenifer Thomson, World Bank

Independent International Consultant

Åsa Königson, Swedish Development Advisers

INTOSAI Regional Groups Consulted:

AFROSAI-E

ARABOSAI

ASOSAI

CAROSAI

CREFIAF

EUROSAI

OLACEFS

PASAI

Selected Bibliography

Methodology for Assessing the Implementation of the OECD Principles of Corporate Governance, OECD, 2007.

The Corporate Governance lessons from the Financial Crisis, Grant Kirkpatrick, OECD, 2009.

Corporate Governance and the Financial Crisis: Key Findings and Main Messages, OECD, June 2009.

OECD Steering Group on Corporate Governance: Corporate Governance and the Financial Crisis – Conclusions and Emerging Good Practices to Enhance Implementation of the Principles, OECD, February 2010.

The Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board (NCGB), October 2012.

International Framework: Good Governance in the Public Sector, International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA), 2014.

Corporate governance in central government departments: Code of good practice 2011, UK HM Treasury and Cabinet Office.