

## Chapter 5

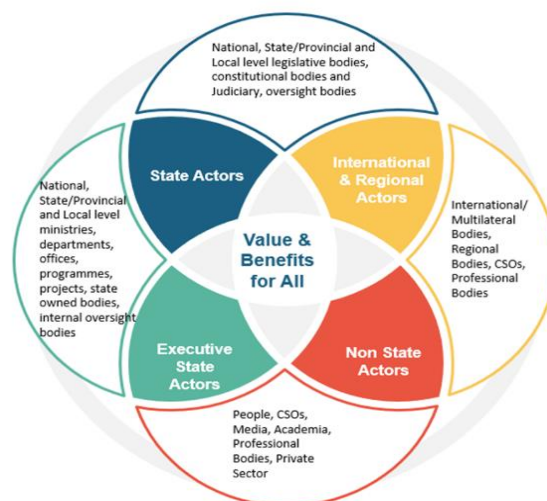
### Engaging with Stakeholders for TAI Audits

#### Why Does this Matter?

Stakeholder engagement is crucial for ensuring the transparency, accountability and inclusiveness of the use of emergency funds. It is increasingly recognised that "for [SAIs] work to deliver impact and ultimately generating value and benefits<sup>1</sup>, the support and collaboration of an ecosystem of interconnected actors, conditions and processes are needed".<sup>2</sup>

The importance of stakeholder engagement may be heightened when working in an emergency situation. For example, SAIs need to consider the changing priorities of stakeholders, the effect of increasing risks on the actions of stakeholders, and the risks that audit work impedes emergency response delivered by stakeholders. Further, the continued presence of stakeholders on the ground during an emergency, when the SAI may not be able to be present, means they may make an essential contribution to audit selection, risk assessment and evidence gathering.

#### Value and Benefits for All



#### What is Stakeholder Engagement and Analysis?

"Stakeholder engagement is the process by which an organization involves people who may be affected by the decisions it makes or can influence the implementation of its decisions".<sup>3</sup> An essential component of this is stakeholder analysis, which involves stakeholder identification, and gathering and analysing the views, attitudes and expectations of different stakeholder groups.

#### Who Should be Involved in Stakeholder Engagement?

Many SAI stakeholder engagement activities occur at the level of the SAI. These include assessing emerging stakeholder interests and risks, revising the SAI's annual work plan, setting the tone for accountability requirements and audit engagement with the government, and communicating cross-cutting audit findings impacting the whole government. For this, senior management from across the SAI should be involved, with the Head of the SAI taking a prominent and visible role.

At the level of individual audits, stakeholder engagement becomes a cross-cutting theme throughout the audit process. All audit managers and professional staff should be involved. In addition, many SAIs have dedicated communications departments or officers, who will also play a prominent role.

#### How Stakeholder Engagement is Addressed throughout this Guide

<sup>1</sup> <https://www.issai.org/pronouncements/intosai-p-12-the-value-and-benefits-of-supreme-audit-institutions-making-a-difference-to-the-lives-of-citizens/>

<sup>2</sup> [All Hands on Deck: Harnessing Accountability through External Public Audits](#), IDI and IBP, 12 November 2020

<sup>3</sup> Wikipedia, 26 November 2020

Stakeholder engagement appears as a theme throughout this guide. This section summarises key approaches to stakeholder analysis, provides a way of classifying and grouping stakeholders and considers the risks and benefits, challenges and solutions to engaging with different stakeholders regarding the pandemic. It concludes with some ideas on keeping stakeholder engagement agile. Subsequent sections of this guide explain how SAIs engage with stakeholders in revising the SAI's annual work plan and assessing risk at the audit engagement level (section 5); conducting and reporting on TAI audits (section 6), and disseminating findings and recommendations (section 7).

## Conducting Stakeholder Analysis

IDI's SAI Strategic Management Guide, section 4.2 offers a simplified approach to conducting stakeholder analysis. While written from the perspective of stakeholder analysis to inform the development of an SAI's strategic plan, the principles can be applied to other topics, in this case agile compliance audits of the transparency, accountability and inclusiveness in the use of emergency funds for COVID-19.

The first step in stakeholder analysis is being clear on purpose. In relation to TAI audits, possible purposes could include: input to the revision of the SAI's annual/multi-annual work plan; implementation of a specific audit engagement (including risk assessment, conducting and reporting, and disseminating findings and recommendations); and enhancing follow-up and impact from prior audits

Key steps in stakeholder analysis, and the outputs from each, may be summarised as follows:

Step	Output
1. Identify Stakeholders	Register/list of stakeholders
2. Map Stakeholders	Stakeholder MAP, e.g. power/interest grid
3. Stakeholder Consultation	Record of stakeholder views and inputs
4. Analysis and Decision Making	Summary analysis table and identified actions

Further guidance on each step, including different methods for stakeholder consultation, is provided in the IDI SAI Strategic Management Guide. Where possible, steps 1-2 should draw on previously conducted stakeholder analysis and require only minor additional work in relation to specific topics. Steps 3-4 will likely need to be repeated for different tasks and audit engagements. In conducting step 3, stakeholder consultation, where possible SAIs should try to coordinate work on different audits so that relevant stakeholders are consulted on a range of topics at the same time, rather than separately on several different audits.

An illustration of the results of a stakeholder analysis is provided in the IDI Performance Audit ISSAI Implementation Handbook (Annex 5, figure 5.1). The illustration relates to an audit examining issues pertaining to domestic violence and violence against women.

## SAI Stakeholder Classification and Common Stakeholder Groups

An important, and often neglected, stakeholder classification for SAIs is between internal and external stakeholders. Too often, an SAI's internal stakeholders – crucial to the successful delivery of any audit or activity – are neglected during stakeholder engagement.

A useful distinction for SAIs can be made between state actors and non-state actors. **State actors** are those the SAI needs to engage with based on constitutional, legal or regulatory requirements, e.g. the legislature, executive, audited entities, judiciary, professional and standards-setting bodies). **Non-state actors** are those whose relations with the SAI are grounded on good practice rather than mandatory requirements, but whose role is to help the SAI reaching out to society and the public in general, e.g. Media, CSOs, Citizens<sup>4</sup>.

At the level of individual audit engagements, auditors are also likely to follow the distinction made in ISSAI 100 between the three audit parties: auditor, responsible party<sup>5</sup>, intended users<sup>6</sup>.

The following table provides an example of SAI stakeholders by different categories. It is crucial to disaggregate stakeholder groups based on the purpose of the stakeholder analysis. However, a balance must be struck between the extent of disaggregation and the need to remain agile.

Relationship to the SAI	Stakeholder Group	Useful Disaggregation
<b>Internal</b>	SAI Leadership	<ul style="list-style-type: none"> <li>• Audit vs non-audit staff</li> <li>• Professionally vs non-professionally qualified staff</li> <li>• Gender</li> <li>• Location (e.g. head office vs regional office staff)</li> </ul>
	SAI management	
	Auditors	
	Support Staff	
<b>External – State Actors</b>	Legislature	<ul style="list-style-type: none"> <li>• Ruling party vs opposition</li> <li>• Ministers/officeholders vs backbenchers</li> <li>• Members of key committees (e.g. budget, public accounts)</li> </ul>
	Executive	<ul style="list-style-type: none"> <li>• Ministers vs officials</li> <li>• Internal audit &amp; inspection units</li> <li>• Anti-corruption agencies</li> <li>• Law enforcement agencies</li> </ul>
	Audited Entities	<ul style="list-style-type: none"> <li>• Central government</li> <li>• Local government</li> <li>• State-Owned Enterprises</li> <li>• Autonomous public agencies (e.g. Universities)</li> </ul>
	Judiciary	<ul style="list-style-type: none"> <li>• Levels of the judiciary (e.g. district/high/federal courts)</li> <li>• Courts of appeal / supreme courts</li> </ul>
<b>External – Non-State Actors</b>	Citizens	
	Civil Society Organisations	
	Media	
	Development Partners	

<sup>4</sup> The distinction may vary considering the specific context in which the SAI operates

<sup>5</sup> Individuals or organisations who may be responsible for the subject matter information, for managing the subject matter or for addressing recommendations, as per the constitutional, legislative or regulatory arrangements (ISSAI 100 Fundamental Principles of Public-Sector Auditing)

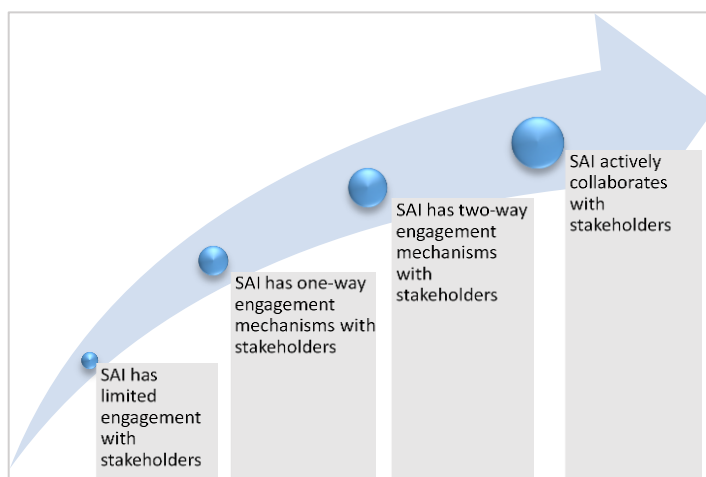
<sup>6</sup> The individuals, organisations or classes thereof for whom the auditor prepares the audit report. The intended users may be legislative or oversight bodies, those charged with governance or the general public, etc. (ISSAI 100, op cit.)

Relationship to the SAI	Stakeholder Group	Useful Disaggregation
	Professional accounting, finance bodies	

Within and across these stakeholder groups, it may be necessary to consider relevant cross-cutting groups and power structures, such as tribes, ethnicities, political party<sup>7</sup> and Trade Union members.

### Key Considerations for Effective Collaboration with Stakeholders in TAI Audits

Throughout the TAI Audit process, an active dialogue between the SAI and relevant stakeholders is required to understand the overall societal response to the COVID-19 crisis, the main risks, and how the SAI can add the most value with the intended audit.<sup>8</sup> Depending on the context in which the SAI is operating, the level of collaboration with diverse categories of stakeholders can vary from no or very limited engagement to active collaboration<sup>9</sup>. In the TAI Audit, the SAI may need to collaborate with both state and non-state actors<sup>10</sup>. The SAI will need to understand who are the critical stakeholders that may add value to the audit and consider potential challenges for effective and swift collaboration with each stakeholder group. The table below provides some potential risks and challenges the SAI needs to consider in its engagement with each category of stakeholders in the audit process. It also shows potential benefits from such engagement.



*Evolving Levels of SAI-Stakeholder Engagement*

Stakeholder	Risks/Challenges to Consider	Potential Benefits from Engagement
<b>Legislature</b>	<ul style="list-style-type: none"> <li>The institutional framework may not support engagement between the SAI and Legislature</li> <li>Lack of political independence of the Legislature from the Executive may exacerbate the challenges already faced by the SAI for its own independence</li> <li>Aligning timing between work of SAI on TAI audit and needs of legislature cycle/process</li> </ul>	<ul style="list-style-type: none"> <li>Alignment of audit topics with legislature requests or other topics of legislature interest increases scrutiny of audit findings and increases the potential for audit impact</li> <li>Legislature interest may increase interest in the topic among other stakeholders and can be used to unblock barriers that may arise during implementation of the audit</li> </ul>

<sup>7</sup> Especially in cases where political party membership closely influences roles, positions and communication channels in the executive

<sup>8</sup> [Accountability in A Time of Crisis](#), joint paper from IDI, CREFIAF, SAIs of Liberia and Sierra Leone, April 2020

<sup>9</sup> Adapted from [Supreme Audit Institutions and Stakeholder Engagement Practices: A Stocktaking Report](#), Effective Institutions Platform, September 2014

<sup>10</sup> [SAI Performance Measurement Framework 2016](#), Indicators 24 and 25, INTOSAI

Stakeholder	Risks/Challenges to Consider	Potential Benefits from Engagement
	<ul style="list-style-type: none"> <li>Electoral cycle and political agenda affecting Legislature's priorities, and risk of SAI not being seen to act impartially</li> <li>Political pressure and intrusion in the course of SAIs' selection and implementation of audits undermines SAI independence and credibility of audit findings</li> </ul>	
<i>Executive (e.g. beyond the audited entity)</i>	<ul style="list-style-type: none"> <li>SAI Independence from the executive may be less clear to some observers if SAI engagement goes beyond usual auditor-audited entity relations</li> </ul>	<ul style="list-style-type: none"> <li>Bring critical risks to attention for all government entities at an early stage, strengthening systems and compliance during the pandemic response</li> </ul>
<i>Audited Entity</i>	<ul style="list-style-type: none"> <li>Lack of collaboration in sharing necessary information and accessing relevant locations for the audit</li> <li>SAI's objectivity regarding the audited subject matter</li> </ul>	<ul style="list-style-type: none"> <li>Accessibility to reliable and timely information</li> <li>Meaningful cooperation during the audit process</li> <li>Implementation of audit recommendations and regulations</li> </ul>
<i>Media</i>	<ul style="list-style-type: none"> <li>Distortion of the SAI's reputation purpose and image in the eyes of public opinion</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced SAI reputation and credibility from positive media coverage</li> <li>Dissemination of audit findings related to TAI Audits to all stakeholders</li> <li>Promotion of the role played by the SAI in contributing to Transparency, Accountability and Inclusiveness in the use of emergency funds</li> </ul>
<i>Civil Society Organisations</i>	<ul style="list-style-type: none"> <li>Reliability and trustworthiness of some CSOs that the SAI does not know well</li> <li>SAI's impartiality may be challenged if considered to be supporting specific political agenda of certain CSOs</li> </ul>	<ul style="list-style-type: none"> <li>COVID-19 audit topic suggestions based on end-user experiences</li> <li>Potential engagement of service users as a source of audit evidence – especially when COVID-19 restrictions may prevent the SAI from engaging with end-users directly</li> <li>Enhanced public awareness of SAI audit findings and the importance of SAI independence</li> </ul>

### Agile Stakeholder Engagement in TAI Audits

One key element of an agile audit is improved engagement and transparency with a wide range of stakeholders. Open communication is encouraged and welcomed, so issues are identified and resolved before they become blockers. All relevant stakeholders are involved throughout the entire process, so nobody is left out of the loop.<sup>11</sup> Recognising that agile stakeholder engagement may amplify the risks above, how can the SAI stay true to the desired audit quality and preserve its independence while harnessing the benefits that engaging with stakeholders with diverse perspectives brings to the COVID-19 crisis? How can the SAI keep stakeholder engagement agile, and

<sup>11</sup> Sprinting ahead with agile auditing, Galvanize, 2020

how does this differ to the usual audit approach? SAI approaches for agile stakeholder engagement throughout the TAI audit could include the following:

- Seeking early support from relevant stakeholders from the audit planning stage, so that risks of resistance and low collaboration is reduced from the start. This could be done with the objective of building strong alliances for the audit to be effective while keeping in mind the importance of preserving the SAI's independence
- Starting off the audit by highlighting the importance of preventative and internal controls to different authorities to address the increased risks and significant changes in their operations, as such controls are a deterrent to abuse in management of COVID-19 emergency funds<sup>12</sup>
- Seeking innovative ways of reporting on the potential outcomes of the agile audits to the relevant stakeholders through dedicated communications products

*"We are collaborating with the newly established fusion centre that deals with investigations into fraud and corruption relating to COVID-19, through sharing our findings and data analyses with them. The centre includes the Special Investigating Unit, Directorate for Priority Crime Investigation (Hawks) and Financial Intelligence Centre. We have also been liaising with the Competition Commission and the Public Protector by sharing information for their further investigation."*

*Auditor General-South Africa, first special report on the financial management of Government's COVID-19 initiatives, Executive Summary, September 2020.*

### **Inclusive stakeholder engagement in TAI Audits**

The COVID-19 crisis has further exacerbated inequalities and disproportionately affected vulnerable groups e.g. the poor, women, the elderly, migrants, indigenous peoples, and people with disabilities, people suffering racial discrimination etc. In TAI Audits, SAIs can demonstrate inclusive stakeholder engagement by identifying key stakeholders representing vulnerable sections and including them in the SAI's stakeholder engagement and making sure that their voices and viewpoints are heard.

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<sup>12</sup> Auditor General-South Africa, first special report on the financial management of Government's COVID-19 initiatives, executive summary, September 2020