


# Covid-19 implications for SAI strategic management

GUIDANCE NOTE FOR SUPREME AUDIT INSTITUTIONS



STRATEGY  
PERFORMANCE  
MEASUREMENT  
& REPORTING



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# Covid-19 implications for SAI strategic management

## Guidance note for Supreme Audit Institutions

*The objective of this guidance note is to explore the implications of the unfolding COVID-19 pandemic from the perspective of the strategic management of Supreme Audit Institutions (SAIs). It examines the risks and opportunities, as well as the potential strategic and operational challenges, choices and dilemmas SAIs may face in this situation, distinguishing between several response stages. The guidance note furthermore provides suggestions for potential strategic management responses that SAI leadership could consider in order to ensure it fulfils its mandate, improves its performance and adds value in the context of the COVID-19 crisis.*

*The guidance note represents the subjective view of its authors, namely the Strategy, Performance Measurement and Reporting (SPMR) team at the INTOSAI Development Initiative (IDI)<sup>1</sup>. SPMR is financially supported by the Swiss State Secretariat for Economic Affairs (SECO). The note has benefitted from consultation and feedback from SAI staff across various continents and country socio-economic contexts.*

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1. For further reading on the SPMR approach to SAI strategic management, consult the draft SAI Strategic Management Handbook, available at <https://www.idi.no/en/idi-cpd/sai-strategy-performance-measurement-and-reporting/news/item/453-sai-strategic-management-handbook-exposure-draft>

## I. Context and rationale of this guidance note

*The pandemic affects both developed and developing economics in unprecedented ways...*

The rapidly evolving COVID-19 pandemic represents an enormous challenge to governments and populations worldwide. The economic and social ramifications of the virus are already affecting both developed and developing countries to a great extent. They include unprecedented levels of unemployment and loss of economic activity across all sectors, as well as exacerbated inequality, vulnerabilities and income poverty. For developing countries, there are additional challenges due to the already limited health care systems and capacity, lower financial resources, large share of informal economy, limited opportunities for macroeconomic or fiscal policy interventions<sup>2</sup>.

Another factor that may exacerbate and prolong the negative outcomes of COVID-19 in developing countries is the limitations in governance and accountability systems, which play a key role in determining whether and how a country will manage a severe shock to the economy, the health and well-being of its citizens<sup>3</sup>. While governments in both developed and developing countries are already deploying rapid action and provide urgent relief measures at an enormous financial cost, there is an elevated risk of mismanagement, waste, corruption and fraud whenever governance and accountability mechanisms, including media and civil society freedoms are already underdeveloped.

*...but it may pose an opportunity for SAIs to enhance their relevance and impact for society.*

In many ways, COVID-19 represents an opportunity for all Supreme Audit Institutions (SAIs) to increase or affirm their role as a key governance institution. As the independent body tasked with watching over public resources, SAIs have an important role to play in this process. They can make valuable contributions to their country's response to COVID-19 being one that protects lives, maximises value for money, benefits vulnerable groups sufficiently, as well as men and women equally, enhances trust in government and minimises risks for mismanagement and corruption.

SAIs have a pertinent role to play in all phases of a crisis. At the onset of the emergency response to the crisis, SAIs can engage with government and seek prior assurances that emergency public spending will be done in line with the applicable rules and regulations. Many SAIs have

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2. Loyaza and Pennings (2020): Macroeconomic Policy in the Time of COVID-19: A Primer for Developing Countries. World Bank Group Research and Policy Brief Nr. 26.

3. See also joint paper by IDI, the Audit Service Sierra Leone (ASSL), the General Auditing Commission of Liberia (GAC) and the African Organisation of French-speaking Supreme Audit Institutions (CREFIAF). "Accountability in a time of crisis" compiling findings and examples from epidemic and disaster related audits, including the Ebola-crisis in Sierra Leone and Liberia and providing suggestions of possible actions for SAIs and development.

already brought out targeted messages and specific measures towards that end<sup>4</sup>. They can also give advice in this time on how public financial management systems and practices can remain sound and accountable.

Later on, through their core audit work, SAIs should work to provide external verification as to whether emergency funds were spent as intended to, or whether critical laws, rules and regulations (for example emergency procurement, infection control, crisis management and information provision) were complied with and implemented correctly. Performance audits on crucial topics such as national crises preparedness plans and systems, health sector and recovery operations efficiency and effectiveness, or the equity and quality of the provision of emergency social assistance are another major area of focus for SAIs in the light of COVID-19.

*Yet SAIs are also likely to experience serious challenges themselves because of the pandemic...*

On the other hand, SAIs themselves are not immune to the effects of virus. They may face a range of challenges, such as reduced manpower and practical difficulties of working from home without access to systems and files and inability to conduct audits when physical visits are not possible. While these are operational risks, at the strategic level SAIs also face a significant threat of losing relevance. Especially whenever SAIs fail to demonstrate early and proactive action, while observing the special circumstances of the crisis, they may risk being pushed aside as emergency spending often implies diminished or temporarily halted checks and balances of legislative and audit scrutiny of government action.

In the medium term, the increased fiscal pressures due to the need for emergency funding and the grave economic losses will result in lower public sector revenues. As a result, SAIs will likely deal with reduced budgets, similar to other public sector institutions. This is likely to further exacerbate one of the key trade-offs that SAIs face, namely between ensuring legality and staying relevant as institutions. SAIs may face difficult decisions on how, on the one hand, to deliver on their legal mandate, and on the other hand to provide adequate and relevant response measures to COVID-19 from the perspective of independent audit. A reduced budget may also affect the SAI's independence and thus its ability to perform effectively and be relevant.

*...and will need to enhance their strategic management processes and become more agile.*

SAIs will need to think and act strategically both externally and internally in order to minimise the COVID-19 risks to their institutions and work and capitalise on the significant opportunity to

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Partners operating in developing and most challenged contexts: <https://www.idi.no/en/covid-19-paper>

4. For example, US GAO urged citizens to use their special hotline to report suspected cases of mismanagement of COVID-related emergency spending. SAI New Zealand has provided advice to Treasury and to the Epidemic Response Committee. The Auditor General of South Africa has appeared on TV to emphasise the role of the SAI and offer support to government. SAI Sierra Leone has issued a statement summarising the rules and regulations governing emergency spending and the role of the SAI in this process.

enhance their relevance and contribution to improving the lives of the citizens they serve. This will require both adjusting their strategic focus, as well as restructuring operations effectively to tackle the effects of the crisis. One key quality that SAIs will need to develop is strategic and operational agility. This denotes the ability to effectively foresee, identify, respond and adapt to new challenges stemming from their evolving environment.

The objective of this guidance note is therefore to capture the likely implications of the pandemic for SAIs from the perspective of strategic management. Namely, what risks and opportunities, as well as possible strategic and operational choices and changes would SAI management need to undertake in order to ensure it fulfils its mandate, improves its performance and adds value in the context of the COVID-19 crisis.

## II. Stages of SAI response to COVID-19

As the COVID-19 pandemic unfolds, several response stages can be distinguished:

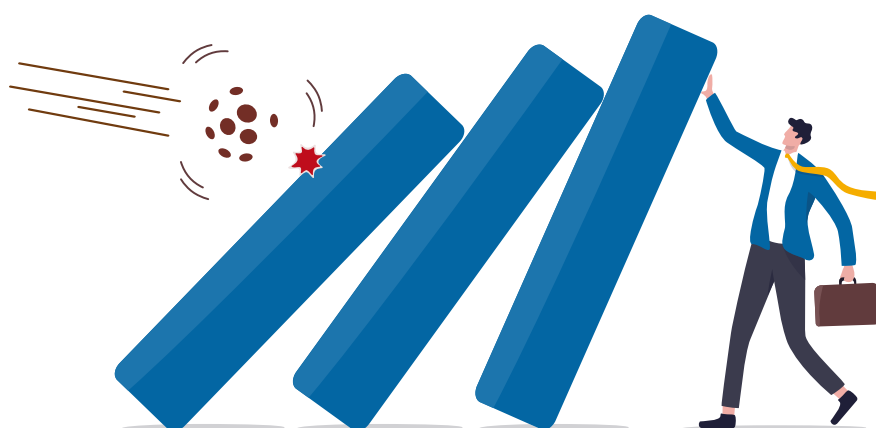


- **Emergency response:** First, SAIs are already dealing with the immediate implications of the crisis- some have been part of a broader public sector shutdown and have discontinued activities, while for a large majority staff has been sent to work from home. The focus in this stage should be on ensuring that whatever work can be done, gets done, without compromising on quality. For SAI leadership, this is also a crucial time to begin engaging externally with key institutional actors.
- **Preparation for new tasks and challenges:** Second, as soon as possible, SAIs will need to start preparing for new tasks and challenges, both operationally and strategically. At the same time, they may be dealing with new tasks, such as real-time audits or providing specialised advice to key stakeholders. Those will require the quick development of new methods and processes. A revision of the current operational plan (including audit plan) will be necessary, but the long-term strategic priorities will likely need to be adjusted as well. In this stage the SAI will need to pave out its long-term response and start developing the methodologies and skills needed to tackle the new audit topics stemming from the pandemic.
- **Finalisation of revised organisational plans:** This should mean that in the third stage, when the situation begins to normalise and people can return to office work, the SAI will be able to navigate the balance between clearing effectively audit backlogs, remaining on track with key capacity development priorities, and at the same time maintaining the focus on the COVID-19 crisis and the SAI's responses to it. Evaluating the internal crisis response, as well

ensuring inclusion of a broad group of internal and external stakeholders to provide more relevance and raise awareness of the SAI's new direction and commitments will be key.

- **Implementation and planning ahead:** Fourth, in the longer term, the last stage will be focused on the realisation of the new plans. This is where the SAI will need to ensure that the quality of both its regular and crisis-related work is strong and remains in line with its strategic plan. In this last stage, an additional task will be to focus on agility and crisis prevention in the long run.

The remainder of this guidance reviews the implications for the SAI's governance and strategic management in each of the four stages. It identifies important strategic choices that SAI management will have to make and presents some possible solutions that could be considered.



### III. Stage 1: Emergency response

The large majority of countries worldwide have imposed social distancing measures, most notably working from home and closure of schools in order to deal with containing the spread of the virus. These immediate implications of the crisis call for a first-line response from SAIs.

Public sector institutions, including SAIs, have had send staff to work from home, often on a very short notice. Staff have often not been prepared for this new situation in terms of collecting necessary files and information from office and hard drives. In some SAIs, there are also strict restrictions in terms of being able to remove evidence files from the secure servers and systems. IT and communication equipment and infrastructure may not be sufficient. Ongoing audits, where physical evidence needs to be collected, will be put to a halt. Another challenge encountered in the immediate aftermath of the social distancing measures concerns difficulties in internal coordination when people are not physically together. This can be exacerbated in those countries where internet and phone connections are not widely available, unstable or too expensive. Moreover, many SAI staff have had to combine childcare and work, resulting in a significant reduction in their short-term capacity. In this context, SAI management will have to

balance between the need for vital operations to continue despite reduced capacity, while at the same time it prioritises the health and safety of its staff.

In the external political environment of many SAIs, the immediate implications of the pandemic have related to the expansions of executive power and modifications of the existing check and balances systems to ensure fast handling of emergency spending. The specific threat for SAIs in this context is that they may risk being pushed aside from the current debate on how to minimise corruption risks and ensure sufficient oversight of public resources. This risk will be exacerbated for SAIs operating in environments where checks and balances systems are already underperforming in normal circumstances. Hence, SAIs would need to be proactive and identify opportunities and entry points for staying relevant in this political context. Those would include developing clear and specific communication and key messages in various forms pending on the local context that would enable the SAI to engage externally with confidence and authority on such topics.

CHALLENGES/ RISKS/ OPPORTUNITIES	POTENTIAL STRATEGIC MANAGEMENT CHOICES/ DILEMMAS
<ul style="list-style-type: none"> <li>• Limitations in staff capacity</li> <li>• Difficulties in internal coordination</li> <li>• Staff likely to be worried and fear for their health and safety</li> <li>• Limited access to internal systems and files, e.g. on ongoing audits</li> <li>• Lack of IT and equipment</li> <li>• External coordination with key stakeholders i.e. Executive and Parliament more difficult</li> <li>• Audits are stalled as field visits to clients and access to manual files are impaired</li> <li>• SAI cannot deliver on its mandate in the short term due to the immediate limitations</li> </ul>	<ul style="list-style-type: none"> <li>• How to ensure health and safety of staff and observe pandemic related social distancing regulations without completely discontinuing work</li> <li>• How to ensure an inclusive approach towards expected working capacity of the staff, given their family situation, gender roles, disabilities, economic situation etc</li> <li>• How to remain relevant in the context of COVID-19 and emphasise key role as a watchdog over key public spending when focus and power are concentrated with the Executive and Parliament’s authority to follow up on spending under emergency laws may be impeded</li> <li>• How to not compromise the emergency response of the Government, while providing intended users, interested parties and the public with timely reporting to support accountability and learning</li> </ul>

## POSSIBLE STRATEGIC MANAGEMENT RESPONSES

### Internally:

- Establish a task force or similar in the SAI to take stock and monitor the various government measures (laws, regulations, policies), ensuring the SAI is abreast of all possible accountability implications of the Executive's COVID-19 response
- Establish a crisis management team, tasked and empowered to manage operational risks
- Map out if there is any work that should, if possible, be continued in this time<sup>5</sup>:
- Maintain regular and clear internal communication to make sure staff are aware on how the organization is shaping its response
- Focus on staff welfare
- Ensure communication and coordination with regional offices
- Test and prepare systems for remote work
- Identify immediate and urgent priorities in this phase, for example by learning from the experience of peers

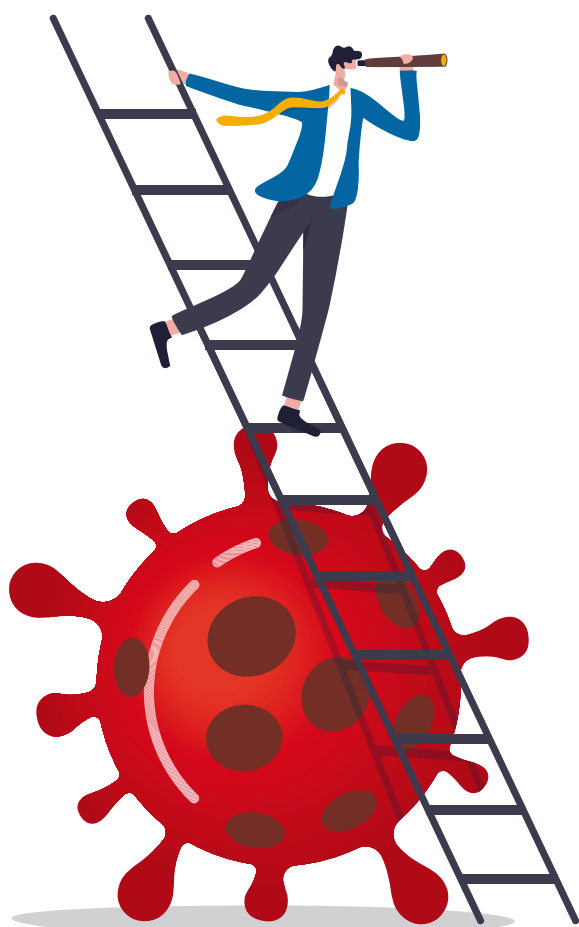
### Externally:

- Consider bringing out an institutional response as soon as possible, for example issuing a statement on the crisis and the SAI's views and response to media
- Enhance communication and collaboration with Parliament and Executive to ensure that emergency law-related spending processes follow basic requirements
- Communicate to relevant stakeholders any challenges in delivering the mandate in the short term
- If applicable, reach out to development partners and use such channels for coordination, for example in PFM working groups
- Get in touch with development partners regarding ongoing capacity development projects and financing agreements

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5. See IDI's 3i series on Dealing with SAI Financial, Compliance and Performance Audits (upcoming) in times of COVID-19 that provides detailed information on how what, when and how to audit in depending on the SAI's situation and context here: <https://www.idi.no/en/3i-covid-19>





#### IV. Stage 2: Preparation for new tasks and challenges

For many SAIs, depending on the severity of the pandemic on the local population and the specific country measures, the need to work from home, or have limited attendance in the office, is likely to continue for a prolonged period of time. It is therefore essential that, as soon as new remote working routines are somewhat established, and as soon as key staff is able to resume activity, be it from home or from the office, the SAI takes a more thorough stock of the current situation. It should assess and start the decision-making process on how its longer-term response to the crisis is going to look like. Starting such work as early as possible is imperative if SAIs want to remain relevant, ensure accountability and play an enhanced role in supporting learning and preparedness for future crises. Given the circumstances, such work and preliminary decision-making will likely be concentrated in the hands of core SAI management staff, whereas broader discussions in the SAI will only be possible once the situation normalises.

Preparing for the new tasks and challenges as a result of COVID-19 that are likely to shape its work for the years to come will require a strategic deliberation. Critically assessing the priorities of the SAI's strategic plan, redrafting operational plans (including the audit plan) and starting

the preparatory work on developing specific SAI capacities needed in this situation will be key. For many SAIs, the reprioritisation process will also need to consider a resourcing risk over the medium term due to the negative economic effects of the pandemic and the expected shrinkage of public revenues. However, although the pandemic is likely to have a significant effect on changing strategic and operational priorities for SAIs, due consideration should be paid to not disregard key other priorities that remain valid. Most notably, ensuring quality of audit work, discharging the mandate, leading by example and preserving the progress with ongoing capacity development efforts in the SAI.

CHALLENGES/ RISKS/ OPPORTUNITIES	POTENTIAL STRATEGIC MANAGEMENT CHOICES/ DILEMMAS
<ul style="list-style-type: none"> <li>• Difficulty to carry out strategic consultations on redefined strategic plan priorities (internal and external)</li> <li>• Strong degree of uncertainty on e.g. funding, duration and extent of emergency national response</li> <li>• Opportunity to draw on past lessons learnt from similar crises on areas that require specific attention, e.g. health system procurement, financial statement</li> <li>• Improved IT and communications systems and routines for remote work that may improve efficiency over the long term</li> </ul>	<ul style="list-style-type: none"> <li>• How to make thorough strategic and operational level choices given the large degree of uncertainty over how the pandemic will evolve and how it will affect the SAI</li> <li>• How to focus staff attention on thinking ahead and being proactive rather than reactive if communication and coordination still remains challenging</li> <li>• How to provide meaningful response to COVID-19 implications if there are restrictions in the SAI’s mandate, for example as regards performance audits or audits of extra-budgetary funds</li> <li>• How to prepare a thorough response if the SAI’s efficiency and effectiveness are still affected significantly</li> </ul>
POSSIBLE STRATEGIC MANAGEMENT RESPONSES	
<p><b>Internally:</b></p> <ul style="list-style-type: none"> <li>• Review and update the current operational plan(s) on a frequent interval basis given the unfolding situation</li> <li>• If separate audit, capacity development, HR, communication plans etc. exist, need to review them jointly and get a thorough picture of current SAI operations and plans</li> <li>• Monitor and keep the SAI risk register (if available) updated</li> </ul>	

- Start assessing more holistically the annual audit plan and the likelihood it can be achieved given the current circumstances
- Task strategic planning team with reviewing the longer-term implications of COVID-19 for the SAI's work
- Examine pre-existing work on relevant topics and possibly national targets that may influence prioritisation
- Stick to key prioritisation principles of relevance and political/ technical/ financial feasibility when revising strategic and operational plans
- Come up with different scenarios, both for the strategic and the operational plan depending on the assessment of risks and implications for the SAI
- Establish capacity needs and gaps in relation to new priorities and start crafting responses: For example, developing new audit methodologies for real-time audits, training of staff, possibility to attract external experts, improving risk and/or crisis management response procedures
- Determine sequencing of audit and capacity development work in light of possible limitations in funding and staffing

**Externally:**

- Intensify communication and coordination with key external actors (Executive, internal audit, Parliament, Judiciary, inspectorates/other government oversight functions,) and identify suitable platforms, channels and procedures for communication
- Clarify with Executive basic financial accounting and reporting requirements for ensuring controls of emergency spending comply with expectations for accountability and transparency and ensure this is communicated at all levels of government/ all types of spending agencies
- Initiate or further develop a dialogue with audited entities to arrive at a common understanding and principles/agreement on how to deal with consequences of delays in access to data and audit work that involves these entities
- Keep abreast of changes in PFM environment (esp. procurement, cash and debt management under emergency spending regulations, financial reporting) and consider audit implications
- Scope possibility for obtaining external funding for certain new types of audit, this freeing up resources for other work
- Raise awareness on potential challenges in the legal mandate that may affect ability to provide a meaningful and relevant contribution to dealing with the effects of the pandemic and consider incorporating into the revised SAI strategy a goal focusing on SAI independence



### V. Stage 3: Finalisation of revised organisational plans

Though the timing may vary based on the national response and the severity of the crisis, eventually, the situation caused by COVID-19 is expected to return to a situation now commonly referred to as “the new normal”. Social distancing and new ways of working are likely to continue in the medium and even long term. Once work from the office can resume and the SAI can restart more thorough operations again, it will be time to finalise preparatory activities given the new circumstances and its likely enhanced role in light of the pandemic. In this phase, the SAI will need to decide on its final choices regarding the strategic and operational priorities for the short- to medium term, based on both internal and external consultations. It will have to make hard choices between discharging its mandate to the largest extent possible and shifting scarce resources and staff capacity to potential new audit areas. In solving such dilemmas, SAIs will need to determine if and which part of the work is likely to add the biggest value to the effectiveness, efficiency and accountability of public spending going forward.

CHALLENGES/ RISKS/ OPPORTUNITIES	POTENTIAL STRATEGIC MANAGEMENT CHOICES/ DILEMMAS
<ul style="list-style-type: none"> <li>• Likely positive effect on motivation and efficiency when people get the opportunity to interact face-to-face</li> <li>• A lot of work that had to be discontinued due to remote work would need to be picked up</li> </ul>	<ul style="list-style-type: none"> <li>• How to balance push to clear audit backlog and focus on new roles and responsibilities in light of the pandemic in order to stay relevant</li> </ul>

- Likely that a significant number of audited entities, having themselves been affected by the crisis in their operations, will not be in an appropriate position (of good faith) to produce the information necessary for the SAI to carry out its mandate. For example, submission of financial statements for financial audit, production of accounts for jurisdictional control, etc.
- Manpower could still be reduced due to, e.g. quarantine measures or, if SAI lacks basic organisational independence, if staff has been shifted to other institutions
- There may be attempts from external stakeholders to interfere or steer audit topic selection
- How to resist temptations to take on too many new and externally appealing tasks and thus negatively affect other important work that may still be relevant, albeit appear less attractive (for example put a very strong focus on one type of audits at the expense of others)
- How to be cognisant of appropriate timing to audit some areas given high stakeholder expectations for timely audits. For example, a comprehensive audit of health care systems done too early may put undue pressure on a system still dealing with the consequence of the pandemic and not yield all results
- How to resist external pressure to carry out requested additional work while still building capacity (e.g. politically motivated requests)
- How to ensure both breadth and depth of response given outstanding capacity gaps and development needs. For example coverage of various audit topics (e.g. health care systems, banking regulations, crisis and/or disaster risk management and response, programs for cash and other assistance) may require recruiting and/or training staff on specific issues

#### POSSIBLE STRATEGIC MANAGEMENT RESPONSES

##### Internally:

- Identify suitable and effective mechanisms to carry out a more thorough internal consultations on strategic and operational plan priorities, based on the initial decisions taken
- Provide SAI leadership/ management vision on the crisis

- Source staff needs, views and expectations
- Provide final information to all staff and give possibility for questions and answers
- Finalise new strategic and operational plans, incl. annual audit plan for next year and ensure those are communicated both internally and externally
- Ensure SAI's monitoring and reporting systems are in line with the new priorities and that timely performance information is produced to inform decision-making
- Start working on lessons learnt from Phases 1 and 2, for example on improving crisis or risk management policies and procedures in the SAI: seek feedback from responsible units/ task forces etc.

**Externally:**

- Seek to carry out a broader key stakeholder consultation, based on pre-selected priorities
- Engage in dialogue with audited entities on planned and postponed audits to take into account their perspectives on revised audit plans, how to deal with postponed audits, and related planning
- If possibly, obtain clarity and assurances on funding situation from development partners
- Communicate and raise awareness in media on the SAI's comprehensive response to COVID-19
- Seek to engage with a wider set of external stakeholders to mobilise support for SAI's new agenda: Media, civil society organisations, interest groups working on topics such as health care or social protection, non-traditional actors



## VI. Stage 4: Implementation and planning ahead

In the longer run, the focus of SAIs will be on ensuring the quality of the implementation of their strategic plans, through a strong and regular operational and monitoring process. In addition, the SAI may consider scaling up communication activities, both related to demonstrating its own achievements and performance, and to enhancing the visibility of its audit work. This will aid the SAI in further building and establishing its image as a relevant institution in the aftermath of the pandemic. Important audit reports and findings will need to be shared, discussed, and wherever possible widely publicised.

Longer-term work should focus especially on ensuring lessons learnt and supporting prevention and mitigation of possible future crises of similar nature. This may involve scaling up audits on topics like crisis management, health and social protection systems, or rescoping existing audits in planning phase, if relevant, to take into account such topics/aspects. As an important principle in any preparedness work is to evaluate measures undertaken during a crisis, the SAI should evaluate its own response and seek to learn from it. Such work would include developing or strengthening relevant mechanisms/plans/other relevant measures with the aim of becoming more resilient towards managing future crises demonstrating the SAI’s effort in practice towards being a model organisation on crisis management.

CHALLENGES/ RISKS/ OPPORTUNITIES	POTENTIAL STRATEGIC MANAGEMENT CHOICES/ DILEMMAS
<ul style="list-style-type: none"> <li>SAIs may continue facing challenges with financial and human resource challenges</li> </ul>	<ul style="list-style-type: none"> <li>How to ensure objectivity and independence of all SAI work and reporting</li> <li>How to maximise opportunities for learning across different types of work</li> </ul>

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| <ul style="list-style-type: none"> <li>• Implementation of strategic and operational plans may still become unrealistic if plans are too ambitious for the current reality</li> <li>• Reputational risk if SAI cannot deliver on commitments that were communicated externally</li> </ul> | <ul style="list-style-type: none"> <li>• How to ensure that performance is improved holistically across all revised priorities if some areas of work are likely to receive more attention both externally and internally</li> </ul> |
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### POSSIBLE STRATEGIC MANAGEMENT RESPONSES

#### Internally:

- Prepare operational plans that are holistic and aligned to the strategic plan
- Ensure regular monitoring of implementation, with a specific focus on risk management
- Adhere to good practice for operational planning, (re)-prioritisation and adjustment and decision-making based on performance information, relevance and feasibility and with a long-term focus
- Assess continuously for opportunities to scale up work related to prevention and mitigation of possible future crises

#### Externally:

- Provide timely and transparent information on work accomplished, both in SAI performance reports, annual audit reports and special audits
- Present findings of an evaluation of its own crisis management response and lessons learned and on future measures to be implemented to strengthen resilience towards future crises
- Work on providing user-friendly information understandable to the wider public on topics of specific interest (e.g. health system related audits)
- Engage with both institutional actors and media on ensuring findings are well-understood



