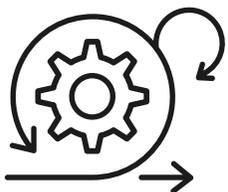
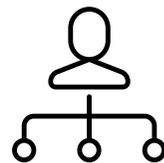


STRATEGIC MANAGEMENT HANDBOOK FOR SUPREME AUDIT INSTITUTIONS

INTOSAI DEVELOPMENT INITIATIVE



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO



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LIST OF ABBREVIATIONS

COVID-19	Coronavirus Disease of 2019	QA	Quality Assurance
CREAM	Clear, Relevant, Economic, Adequate, Monitorable	SAI	Supreme Audit Institution
CSOs	Civil Society Organisations	SAI PMF	SAI Performance Measurement Framework
GPG	Global Public Good	SDGs	Sustainable Development Goals
IDI	INTOSAI Development Initiative	SECO	Swiss State Secretariat for Economic Affairs
IFMIS	Integrated Financial Management Information Systems	SMART	Specific, Measurable, Achievable, Relevant, Time-Bound
INTOSAI	International Organisation of Supreme Audit Institutions	SP team	Strategic planning team
ISSAIs	International Standards of Supreme Audit Institutions	SM team	Strategic management team
IT	Information Technology	SPMR	Strategy, Management, Performance Measurement and Reporting
MoF	Ministry of Finance	SSMF	SAI Strategic Management Framework
PA	Performance Audit	SWOT	Strengths, Weaknesses, Opportunities and Threats
PAC	Public Accounts Committee	ToR	Terms of Reference
PEFA	Public Expenditure and Financial Accountability Assessment	QA	Quality Assurance
PFM	Public Financial Management	UN	United Nations
PI	Performance Information		

QUALITY STATEMENT

INTOSAI Goal Chairs and IDI's joint paper on 'Quality assuring INTO-SAI public goods that are developed and published outside due process' identifies three levels of quality assurance, as follows:

QUALITY ASSURING INTOSAI PUBLIC GOODS THAT ARE DEVELOPED AND PUBLISHED OUTSIDE DUE PROCESS

– Levels of Quality Assurance

Level 1: Products that have been subjected to quality assurance processes equivalent to INTOSAI due process, including an extended period of transparent public exposure (90 days)

Level 2: Products that have been subjected to more limited quality assurance processes involving stakeholders from outside the body or working group responsible for the products' initial development. Quality assurance processes might, for example, include piloting, testing and inviting comments from key stakeholders, although not go as far as full 90-day public exposure

Level 3: Products that have been subjected to rigorous quality control measures within the body or working group responsible for their development

Different levels of Quality Assurance may be appropriate for different GPGs. This GPG has been developed according to quality assurance level 1.

Quality Assurance Protocol: Version 2.0

IDI's Protocol for Quality Assurance (QA) of IDI's Global Public Goods defines measures to ensure quality based on the three levels of quality assurance above. For quality assurance level 1, these measures include: approval by the IDI Board to create the GPG; formation of a competent product development team; peer review by experts external to the development team; modification based on review; proofreading, editing and translation of the document by competent persons; public exposure for a period of 90 days/consultation with relevant stakeholders representing views from most regions, most models of auditing, developed and developing countries, and from the perspective of global bodies; modifications of the document based on comments received during public exposure; and due approvals for the GPG version 1.

Updates to this GPG

This GPG is owned by IDI's Well-Governed SAIs work stream, which is responsible for its maintenance. To ensure this GPG stays relevant, it will be subject to a major revision within 10 years of the date of this quality statement. Major revisions will follow IDI's Protocol for Quality Assurance. In addition, light touch reviews, not subject to this protocol, will be done as required.

Quality Assurance Review Process

Petra Schirnhofner (Strategic Support Unit, IDI) has undertaken a QA review of the process followed for the development of this GPG, against QA Protocol Version 2.0. The QA reviewer is familiar with IDI's protocol for QA of GPGs and was not involved in development of the GPG. This QA review process is designed to provide all stakeholders with assurance that the IDI has carried out the quality control measures stated above, designed to meet quality assurance level 1.

Results of the Quality Assurance Review

The QA review of the process followed in developing this GPG concluded that the Protocol has been followed in most respects, however the following exception is disclosed:

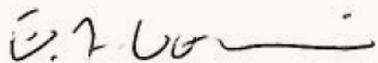
Development of this GPG commenced prior to introduction of the Protocol. As a result, no Terms of Reference were prepared setting out the proposed process for developing the GPG. However, the actual process followed, in all key areas, resembles that in the Protocol.

It is the conclusion of the QA reviewer that this matter does not fundamentally undermine the quality of this GPG.

Conclusion

Based on the QA review, IDI assures the users of this Global Public Good (GPG) that this document has been subjected to a quality assurance process equivalent to Due Process for INTOSAI Framework of Professional Pronouncements (IFPP), including an extended period of transparent public exposure.

Einar Gørrissen



Director General
INTOSAI Development Initiative

18 December 2020

ACKNOWLEDGEMENTS

The current SAI strategic management handbook was drafted by a team of capacity development managers of the INTOSAI Development Initiative (IDI). The document was prepared in the framework of IDI's Strategy, Performance Measurement and Reporting (SPMR) initiative that has been supporting over 40 SAIs in the area of strategic management since 2017.

As an IDI Global Public Good (GPG), this handbook follows the requirements of Protocol for Quality Assurance of IDI's GPGs from 2019. The document has been put out for public exposure for 90 days in each official INTOSAI language, as required by the protocol. The team reviewed and addressed all comments received during the exposure period.

The IDI would like to thank the experts from the SAI community that provided invaluable contributions towards developing and testing the SPMR approach on strategic management that lies at the heart of this handbook. The process and methodology suggested in the handbook were piloted by SAIs in the Pacific and Caribbean regions of the International Organisation of Supreme Audit Institutions (INTOSAI).

The global roll-out of the SPMR initiative, including the development of this handbook, is co-funded by the Swiss State Secretariat for Economic Affairs (SECO).



**STRATEGY
PERFORMANCE
MEASUREMENT
& REPORTING**

FOREWORD BY IDI'S DIRECTOR-GENERAL

It gives me great pleasure to present the SAI Strategic Management handbook.

Strategic management has always been important in fostering effective, accountable and inclusive Supreme Audit Institutions (SAIs) that positively influence the quality of public sector governance and service delivery for the value and benefits of all. For SAIs to make a difference and be credible, they need to lead by example in the public sector, through the integration of strategy and implementation in a manner that contributes to the fulfilment of the SAI vision and mandate. SAIs require for fit for purpose SAI policies, strategies and techniques that support SAI leadership and staff in the drive towards the continuous and holistic improvement of SAI performance and “managing for results”, whereby the SAI steers its inputs and processes towards clearly defined performance goals.

The SAI strategic management handbook builds on the much-used strategic planning handbook for SAIs from 2009, but it provides various important changes and additions. One notable such change is the development and use of a holistic conceptual and methodological approach for assessment, planning and implementation of SAI performance, based on the interrelated SAI Performance Measurement and Strategic Management Frameworks (SAI PMF and SSMF). The handbook also offers in-depth analysis and support on annual planning, resourcing, decision-making, and factors that affect the implementation of strategic plans. By doing so, the focus has

been broadened, from strategic planning to strategic management – the integration of strategy and implementation in an ongoing way to ensure sustainable SAI performance.

At the time of writing this, the world is going through unprecedented times at the height of the COVID-19 pandemic. Many SAIs have been severely affected, torn between the challenge of maintaining business continuity and the increased demand for SAI audits to ensure accountability in times of emergency. The current situation does, however, also provide a unique opportunity for SAIs to rethink the way they work and to demonstrate their value and relevance by enabling learning and oversight during the crisis. In doing so, SAIs can make a meaningful contribution to building back better towards a more just and inclusive society. The pandemic will pass, but we need to recognise that even post COVID-19, SAIs will need to accept increased uncertainty, and build resilience, agility and flexibility. This paradigm shift heightens the importance of strong SAI strategic management practices that contribute to transforming SAIs to organisations that thrive in uncertainty and seize new opportunities.

This handbook has been developed through an extensive and consultative process. I would thus like to thank the Swiss State Secretariat for Economic Affairs (SECO) for their support for the Strategy, Performance Measurement and Reporting (SPMR) initiative, under which auspices this handbook was developed. My gratitude also does to the many peers



from the SAI community who provided valuable contributions and reflections during the development of this handbook. Finally, I would also like to express my appreciation for the IDI team that have worked on this publication in such a dedicated manner. Without your support and hard work, this handbook would not have been possible.

I am hopeful and confident that the handbook will serve as a practical and valuable tool for SAIs around the world and their key stakeholders in their efforts to enhance the SAIs strategic management capacities and practices.

Einar Gørrissen

A handwritten signature in black ink, appearing to read 'E. Gørrissen', written in a cursive style.

Director General
INTOSAI Development Initiative
18 December 2020

ABOUT THE SAI STRATEGIC MANAGEMENT HANDBOOK

Background and rationale

A strategic plan is one of the most powerful tools that Supreme Audit Institutions (SAIs) can use to improve their performance. In 2009 the INTOSAI Development Initiative (IDI) published its handbook on strategic planning. It details a simple, doable process for SAIs to follow when crafting their strategies and provides detailed 'how-to-guidance' using formats and illustrations. The handbook accompanied an IDI programme on support to over 30 African, Asian and Arab SAIs in strategic planning. This document is still widely used in the International Organisation of Supreme Audit Institutions (INTOSAI) community as a blueprint for SAIs who wish to prepare a new strategic plan. Since then, several key developments have motivated a broad of the original strategic planning handbook.

INTOSAI adopted the International Standards of Supreme Audit Institutions (ISSAIs) in 2010. One of those standards, INTOSAI-P 12 on the Value and Benefits of SAIs¹, underscores that SAIs should act as model institutions and set an example in how they plan and govern their operations. SAIs should also be objective and trans-

THE HANDBOOK'S FOCUS NEEDED
TO BE BROADENED, FROM STRATEGIC
PLANNING TO STRATEGIC MANAGEMENT
– THE INTEGRATION OF STRATEGY AND
IMPLEMENTATION IN AN ONGOING
WAY TO ENSURE SUSTAINABLE SAI
PERFORMANCE AND THE CREATION OF
VALUE AND BENEFITS TO CITIZENS.

parent in how they report on their performance. Closely linked to INTOSAI-P 12, the pilot SAI Performance Measurement Framework (SAI PMF) was developed in 2013 and endorsed in 2016 as a global evidence-based tool for measuring and reporting SAI performance against ISSAIs and other good practices. In parallel, in 2014, the IDI launched a new strategic plan that contained a stronger focus on providing organisational and institutional support, next to professional capacity development to enhance SAI performance holistically. This new focus also led to creating the SAI Strategic Management Framework (SSMF), a high-level results framework for SAIs that describes a hierarchical and holistic chain of performance elements that SAIs need to address to affect change.

The SSMF emphasises the need to frame and measure SAI performance in relation to its contribution to more robust public sector governance and ultimately to better lives of citizens. This external performance orientation becomes even more critical in the context of the role of SAIs in the follow-up and the review of the national implementation of the Sustainable Development Goals (SDGs), to which all the United Nations (UN) Member States jointly committed in September 2015. SSMF is closely aligned to SAI PMF and enables realistic and prioritised strategic planning based on a reliable and holistic baseline of performance. Also, the external orientation of the SSMF drove the need to continuously monitor, measure and report to stakeholders on SAI performance and the results that the SAIs achieve. While the IDI strategic planning handbook captured those aspects at a high level, it did not go in-depth into annual planning, resourcing, decision-making, or factors that affect the implementation of strategic plans. The handbook's focus needed to be broadened, from strategic planning to strategic management – the integration of strategy and implementation in an ongoing way to ensure sustainable SAI performance and the creation of value and benefits to citizens.

1 INTOSAI-P 12 – The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens. <https://www.issai.org/pronouncements/intosai-p-12-the-value-and-benefits-of-supreme-audit-institutions-making-a-difference-to-the-lives-of-citizens/>

In 2020, the global community was hit by an event of unprecedented scale and severity, namely the COVID-19 pandemic. SAls, like any other public sector institutions, have been hugely affected as well. They have seen many risks materialising during this turbulent year, such as reductions in their human and financial resources, difficulties in delivering on their mandate and limitations in connectivity and communications. On the other hand, the pandemic represents a substantial opportunity for SAls to enhance their relevance and contribution to improving the lives of the citizens they serve. To minimise the risks and reap the opportunities will require adjusting their strategic focus and restructuring operations effectively to tackle the effects of the crisis. This again calls for enhanced SAI strategic management that supports strategic and operational agility – namely, the ability to effectively foresee, identify, respond and adapt to new challenges stemming from their evolving environment².

Progress and trends in SAI strategic management: the data

Global data on SAI performance also confirms the need for a shift in focus from strategic planning to strategic management. Since 2010, the IDI and INTOSAI have been taking stock of SAI performance and capacities employing global surveys every 3-4 years³. The results of these surveys feed into the Global SAI Stocktaking reports. Between 2010 and 2017, the share of SAls with a strategic plan increased from 73% to 91%. Most of those also had an operational plan in place. However, up to a third of SAls in some INTOSAI regions indicated that their annual operational plans did not have links to their strategic plan, which implies a disconnect between strategic priorities and annual activities. A separate analysis of SAI PMF scores published in the 2017 Global Stocktaking report⁴ also confirms these findings. Only about a third of the 25 developing-country SAls in the sample had a high-quality strategic planning cycle, which links strategic plans to operational activities and resource allocation.

Moreover, when it comes to monitoring the implementation of their strategic plan, the 2017 INTOSAI Global Survey showed that 61% of the responding SAls reported only monitoring the strategic

TO MINIMISE THE RISKS AND REAP THE OPPORTUNITIES WILL REQUIRE ADJUSTING THEIR STRATEGIC FOCUS AND RESTRUCTURING OPERATIONS EFFECTIVELY TO TACKLE THE EFFECTS OF THE CRISIS.

plan at the activity level and did not track SAI performance against multiannual strategic plan objectives. In some INTOSAI regions, up to a third of SAls did not have any monitoring procedures in place related to the strategic plan.

Therefore, even though there is a positive trend in the INTOSAI community when it comes to developing strategic and even operational plans, these seem to be not yet fully geared towards supporting the improvement of SAI performance over time. Many SAls are not there yet when it comes to having a high-quality strategic management process in the spirit and aspiration of INTOSAI-P 12. As a result, there is a strong potential for providing support to SAls in linking strategic planning, operational planning, performance measurement and reporting on performance. Especially the later elements are insufficiently detailed in the 2009 handbook.

Premise of the SAI strategic management handbook

To respond to growing needs and priorities from SAls in the area of strategic management, IDI created the Strategic Management, Performance Measurement and Reporting (SPMR) initiative in 2016. SPMR aims to support SAls throughout the entire strategic management cycle. The SPMR initiative's rationale is that SAls should develop and maintain a strategic management process that enables them to achieve better performance and deliver value and benefits to the citizens.

² The IDI has published various targeted guidance documents to support SAls in navigating the effects of the COVID-19 pandemic. Those can be accessed on: <https://www.idi.no/covid-19>

³ The IDI Global SAI Stocktaking Reports 2010, 2014 and 2017, as well as related research, are available at <https://www.idi.no/our-resources/global-stocktaking-reports>

⁴ Prepared as part of the IDI Global SAI Stocktaking Report 2017.

This handbook is developed as a part of SPMR initiative. To distinguish this handbook from its 2009 predecessor, and to correctly reflect the changes in content, it is referred to as the SAI strategic management handbook. It presents an updated and extended version of the previous strategic planning handbook, by presenting a refreshed strategic planning approach and by incorporating a stronger focus on strategic management beyond strategic planning – namely, operational planning, monitoring and reporting on SAI performance. The handbook also captures lessons learnt from an extensive preparation and piloting phase of SPMR in 2017 and 2018 and the first phase of roll out to more than 40 SAIs in 2019 and 2020.

THE SAI STRATEGIC MANAGEMENT
HANDBOOK AIMS TO PROVIDE STEP
BY STEP, USER-FRIENDLY GUIDANCE
FOR STRATEGIC MANAGEMENT, FROM
PERFORMANCE ASSESSMENT AND
STRATEGIC PLANNING THROUGH
OPERATIONAL PLANNING, PERFORMANCE
MEASUREMENT AND REPORTING THAT
REFLECTS RECENT DEVELOPMENTS
AND LATEST THINKING.

The main changes from the 2009 strategic planning handbook are as follows:

- The strategic planning approach is now underpinned by the logic of the SAI Strategic Management Framework (SSMF). The main steps (assessing current performance, updating vision, mission and values, identifying strategic issues, crafting SAI strategy) remain the same. Still, the approach has been expanded and tailored to the SSMF results framework.
- The assessment of current performance strongly suggests using the SAI Performance Measurement Framework (SAI PMF) as a robust methodology for identifying strengths and weaknesses, supported by an analysis of stakeholders' views and expectations.
- The handbook emphasises the need for prudent resourcing at both strategic and operational planning and provides specific guidance to that end.
- The handbook departs from suggesting an implementation matrix as a tool to supplement the SAI strategy. Instead, it focuses on operational planning as a critical tool to ensure strategic implementation.
- The handbook introduces cross-cutting topics such as decision-making and change management that are considered vital ingredients of implementation.

The SAI strategic management handbook aims to fulfil the following objectives:

- Provide step by step, user-friendly guidance for strategic management, from performance assessment and strategic planning through operational planning, performance measurement and reporting that reflects recent developments and latest thinking.
- Encourage SAIs to keep their strategic focus on the delivery of value and benefits to citizens by conducting high-quality audits and other core services that make a difference.

- Promote and support the use of performance measures and transparent reporting on the own performance by SAIs.
- Facilitate a shared understanding of strategic management of SAIs amongst SAIs, INTOSAI bodies, development partners and other stakeholders.

Intended users of the SAI strategic management handbook

Various groups of potential users may find the SAI strategic management handbook relevant:

- **Heads of SAIs, SAI leadership and SAI management of developing countries SAIs with limited experience in the strategic management area:** Those can use the handbook to familiarise themselves with how a comprehensive process could ultimately look like. With that knowledge, they can follow and apply the guidance on the minimum elements to introduce per each stage of the strategic management process. For such SAIs, having an overview of both essential elements and desirable advanced features will support the planning and gradual development towards comprehensive SAI strategic management process that enables stronger SAI performance;
- **Heads of SAIs, SAI leadership and SAI management of developing country SAIs that already have functioning basic strategic management processes:** For such SAIs, the benefit of considering the entire process and its quality requirements will be not only to determine which additional elements are most suitable to their SAI context but also to identify possibilities to enhance further the existing strategic management features in line with good practice;
- **Heads of SAIs, SAI leadership and SAI management of developed country SAIs with well-established strategic management processes:** Those can appreciate the handbook as a tool to verify and confirm the quality of their existing strategic management processes. They can also identify

potential opportunities for further improvement and leading by example;

- **Strategic and operational planning teams appointed by SAIs to develop and implement SAI strategic management processes:** Such teams will find this handbook and its Annex useful as a detailed step-by-step guide with numerous examples on how to approach and apply the process;
- **The staff of donor agencies and experts involved into supporting SAI capacity development** can use the handbook as a blueprint to support reform efforts in the SAI. SAIs are vastly different and could face a range of challenges in the strategic management area. In turn, those could have a significant effect on how the SAI delivers on its mandate and does its core work;
- **Researchers, academics and members of the civil society** can find the handbook useful in terms of describing the way, in which the SAI can develop its strategic management process to provide a more vital contribution to the public sector and beyond.

Terminology and format

The SAI strategic management handbook describes an approach that is relevant for all SAIs that aim to align their national auditing standards and follow the good practices contained in the ISSAIs. The approach can be adapted and applied in all types of SAIs, regardless of governance structure, mandate, national context and development level.

The handbook uses a mix of methods and tools to present and elaborate on the SAI strategic management approach. Each chapter begins with a summary of key learning points, followed by an introduction of the main contents in each chapter section. Parts B (Strategic Planning) and C (Implementation) also include an indication of the minimum requirements that less developed SAIs should consider when introducing the respective parts of the process vis-à-vis more

advanced features. The handbook draws on the significant amount on academic literature on the topic of strategic management, which is then applied and contextualised for SAIs.

The chapters include various examples from fictitious SAIs as an illustration of main points. These examples vary to include SAIs with both audit and jurisdictional control functions. As the handbook aims to apply to the largest group of SAIs, the examples do not cover special SAI functions such as the imposition of surcharges, issuance of sanctions, pre-audit functions etc., which are too specific and are not covered in the ISSAIs.

The Annex to the handbook includes useful formats and additional information and guidance related to the topic of each chapter. Also, the Annex presents a fully developed case study of the SAI of Norland, which demonstrates an application of the entire strategic management approach in the context of a fictitious SAIs from a developing country with limited experience in strategic management.

It is essential to clarify that several terms are used interchangeably throughout the handbook to ensure that the contents and suggested steps speak to the broadest possible audience and consider different SAI types:

- The terms Head of SAI, SAI leadership and SAI senior or top management are used to denote the decision-making authority in the SAI. Depending on the SAI governance structure, there can be a different constellation of decision-makers who can provide direction and approve suggested changes at the organisational level. In many SAIs, one person is heading the SAI (Auditor-General, Director, President etc.). In others, there is a collegial Board that takes decisions jointly or uses rotation principles. In SAIs with jurisdictional control, there can be different governance set-ups too. Therefore, the three terms are used interchangeably.
- Similarly, the terms strategic plan, strategy and SAI strategy are used interchangeably to refer to the main document that codifies the strategic intent for the upcoming period.
- The handbook uses the terms strategic planning team (SP team) and strategic management team (SM team) to refer to those teams in the SAI tasked with preparing and applying the detailed processes for the respective element of the strategic management. Some SAIs may have dedicated units or departments for those tasks; others may specially appoint cross-departmental teams. SAI leadership may or may not be part of those teams. Specific guidance on the composition of those teams is provided at the introduction to Sections B and C respectively.

Main contents

The handbook contains fifteen chapters, which take readers through the entire process of strategic management. Each chapter represents a specific aspect in the strategic management process, clustered in four parts- Fundamentals and Principles (Part A); Strategic Planning (Part B); Implementation (Part C); and Planning Ahead (Part D). Each chapter from sections A, B and C is accompanied by an annex that contains additional guidance, templates, as well as an example of an application based on the fictitious case study of SAI Norland.

PART A

Part A, on the Fundamentals and principles for strategic management, starts with a detailed discussion of the concept, principles and process of strategic management for SAIs.

Chapter 2 then presents the SAI Strategic Management Framework, which underpins the entire strategic management approach.

PART B

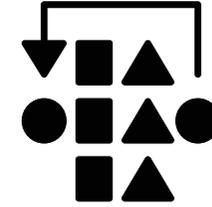
Part B is dedicated to the strategic planning process. It starts with the topic of preparing a plan on how to organise the process for developing the SAI strategy (Chapter 3). Chapter 4 discusses the assessment of SAI's current performance and process for collecting stakeholders' views and expectations. Chapter 5 discusses how to articulate the SAI vision, mission and values. Chapter 6 deals with identifying strategic issues that the SAI will need to address in its strategic plan. Chapter 7 described the process of crafting the initial results framework of the SAI. Chapter 8 then presents the process of prioritisation and finalisation of the strategic plan.

PART C

Part C covers the broad area of implementation, namely of what happens after the approval of the strategic plan. Chapter 9 guides the preparation of a suitable format for the operational plan for the SAI's annual work, based on considering some fundamental characteristics and quality principles. Chapter 10 discusses in more detail the aspects of estimating and assigning human and financial resources to the operational plan. Chapter 11 introduces the concepts of monitoring and performance measurement, while Chapter 12 deals with the various types of SAI performance reporting. The last two chapters in this part of the handbook cast an eye to the cross-cutting elements of the SAI strategic management process. Chapter 13 discusses strategic decision-making and risk management related to implementing the strategic plan. Chapter 14 casts an eye to change management and three of its key determinants – SAI leadership, organisational culture, and internal communication.

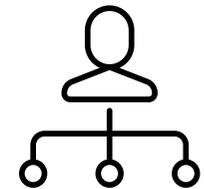
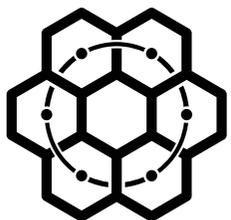
PART D

Part D aims to close the strategic management cycle by examining the phase of strategy evaluation. Chapter 15 emphasises the need to take stock of SAI performance, evaluate progress, identify lessons learnt from the implementation period, and devise new strategies going forward. It also discusses to the enhanced need for agility in SAI strategic management and the need to revise and adjust SAI strategic plans and related processes regularly.



PART A

FUNDAMENTS AND PRINCIPLES OF STRATEGIC MANAGEMENT FOR SAIs



CHAPTER 1 AT A GLANCE

Key learning points



- The term SAI performance, as used in this handbook, refers to the combination of institutional, organisational and professional capacities and competencies that results in the sustainable (continuous and consistent) delivery of high-quality audits, judgements and other results. On their turn, those sustainable and high-quality products should affect positive changes in the SAI public sector environment and contribute to the better lives of citizens.
- The development of the SAI strategic plan is only one of the stages of the SAI strategic management process, together with strategy implementation and evaluation.
- Each stage in the SAI strategic management process consists of various key tasks, which each SAI would need to adapt and translate to its environment, based on an assessment of their relevance and usefulness.
- To ensure that the SAI can devise and implement an effective strategic management process, it needs to embed six principles: Keep it manageable, Be inclusive, Focus on outcomes, Lead by example, Manage change, Commit leadership.

Main steps in the process to follow:

Do-minimum scenario for less experienced SAIs



- Read the chapter and identify which stages and related tasks in the SAI strategic management cycle your SAI has already
- Consider which additional stages and related tasks would be of particular importance for the next period of 3-5 years

Additional steps in the process to follow:

Advanced scenario for more experienced SAIs

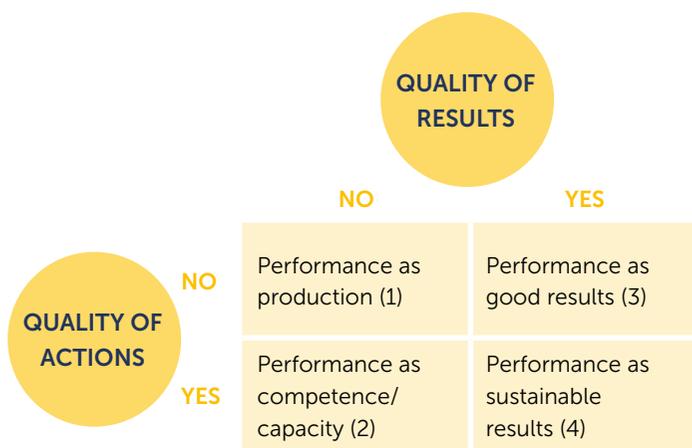


- Read the chapter and reflect on the provided definitions: Do they converge with your understanding of SAI performance and strategic management?
- Assess per stage and task of the strategic management processes, 1. Which tasks do you consider as functioning well in your SAI? and 2. Which tasks do you believe you would need to introduce or improve in your SAI?

This first chapter focuses on the concept, process and principles of SAI performance and strategic management. It provides definitions of what the terms performance and strategic management entail and relates those to the SAI context. It makes a case for SAIs to adopt and apply a sound strategic management approach and process, and to introduce a results orientation to the way they plan, steer and adjust their operations.

Beginning with a discussion on what constitutes SAI performance in the first section, the following section aims to instil a firm understanding of the difference between strategic planning and strategic management. Those two concepts have often been used interchangeably but denote two different things. The third section of this chapter casts an eye to the strategic management process, and once again illustrates how strategic planning is only one – even if a crucial – phase in it. The strategic management process can be seen as a cycle, or a loop, whereby each phase feeds into the next one, with SAI performance gradually improving over time. Finally, this chapter introduces six fundamental principles that underpin the strategic management process, and that ensure that the process is sound and effective.

FIGURE 1.1 Four dimensions of SAI performance



Source: Van Dooren, Bouckaert, & Halligan (2015).

1.1 | SAI PERFORMANCE

While one of the most popular topics of study, the concept of performance has many definitions, dimensions and meanings, even when applied strictly to the public sector domain⁵. It is, therefore, crucial to define how this handbook understands the term SAI performance, before venturing into concepts such as strategic management, which aim at improving such performance.

In their seminal work on Performance Measurement in the Public Sector, Van Dooren, Bouckaert, & Halligan (2015) distil the various views in the academic discourse to come up with a four-dimensional classification of performance of public sector institutions. This classification considers the quality of two crucial elements – **actions and results**. Depending on whether or not those aspects are deemed relevant, four perspectives on what constitutes performance emerge.

At a minimum, if neither quality of actions, nor of results is considered, then performance can be seen as carrying out tasks according to the specifications. In other words, it equals **production**. For SAIs, this would imply that performance is about doing audits and other core services in line with the SAI mandate (1). However, more often, in the public sector discourse, performance is concerned with the quality of actions and tasks being carried out, which can be either high or low. In this case, SAI performance attains a value-based dimension and becomes associated with the aspect of **professional competence or organisational capacity** to perform said tasks well (2). A third perspective on what constitutes performance is that it is the quality of the results or achievements by the SAI that matters most. The principal perspective adopted in this handbook is that such achievements are changes in the immediate public sector environment influenced by the SAI audits and other core services, such as jurisdictional controls. From this perspective, performance

SAI PERFORMANCE

The combination of institutional, organisational and professional capacities and competences that results in the sustainable (continuous and consistent) delivery of high-quality audits and other results that affect positive changes in the SAI public sector environment and contribute to the better lives of citizens.

5 See for example OECD (1994) Performance Management in Government: Performance Measurement and Results-Oriented Management. Paris: OECD, Dubnick, M. (2005) Accountability and the promise of performance: In search of mechanisms. Public Performance and Management Review, 28, 376–417, Ingraham, P.W., Joyce, P.G. & Donahue, A.K. (2003) Government Performance: Why Management Matters. Baltimore, John Hopkins University Press, Hatry, H. P. (2002) Performance Measurement: Fashions and Fallacies. Public Performance & Management Review, 25(4), 352-358, Summermatter L. and Siegel J.P. (2008) Defining Performance in Public Management: Variations over time and space, Paper for IRSPM XXIII, Copenhagen, 6 – 8 April 2009.

is defined by the **quality of the SAI main products**, and by the extent and quality of change those affect. The quality of the underlying skills, competencies, systems and processes appear less critical (3). Finally, performance can be understood as a combination of both capacity and high-quality achievements (4). In this case, the SAI is in a position to produce **sustainable results**, namely deliver consistently high-quality audits and other core services, which contribute to positive change in the immediate SAI external environment. SAI performance in this handbook refers to this final conceptualisation.

1.2 | SAI STRATEGIC MANAGEMENT

As explained in the introduction, a part of the rationale for this handbook is the need to expand the concept of strategy and strategic planning to the broader, and more encompassing term of strategic management. Many definitions exist of both terms, and they are often brought together, or opposed to each other, to be able to establish a clear delineation between them.

Poister and Streib (1999) state that *“Strategic planning is a principal element, but not the essence of strategic management, which also involves resource management, implementation, control and*

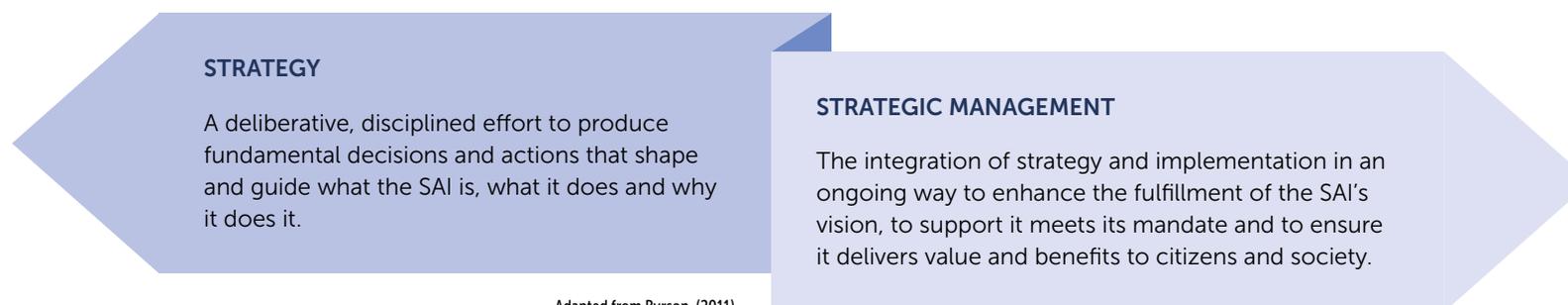
evaluation”. They also emphasise that strategic management is not a linear process of sequential steps. Instead, it is often a combination overlapping activities, in which a strategic perspective is imposed on an ongoing basis *“to ensure that strategic plans are kept current and that they are effectively driving other management processes”*. Therefore, on the one hand, the objectives and direction of the strategy should drive implementation. Still, on the other hand, it is also plausible to assume that during the implementation process, strategic learning and thinking may lead to changes in the strategy. This iterative view of strategic management is also evident when considering that while a strategy will chart the strategic direction, it is the implementation of that said strategy that ultimately defines its success. Finally, Byrson (2011) provides the most clear-cut distinction between strategy and strategic management in the context of public sector institutions (Figure 1.2).

Strategic management for SAIs involves policies, strategies and techniques intended to direct SAI leadership and staff’s attention and behaviour towards the continuous and holistic improvement of SAI performance in line with the desired changes selected in

SAI STRATEGIC MANAGEMENT

The integration of strategy and implementation in an ongoing way to enhance the fulfilment of the SAI vision, to support it meets its mandate and to ensure the delivery of value and benefits to citizens.

FIGURE 1.2
Strategy vs strategic management



Adapted from Byrson, (2011).

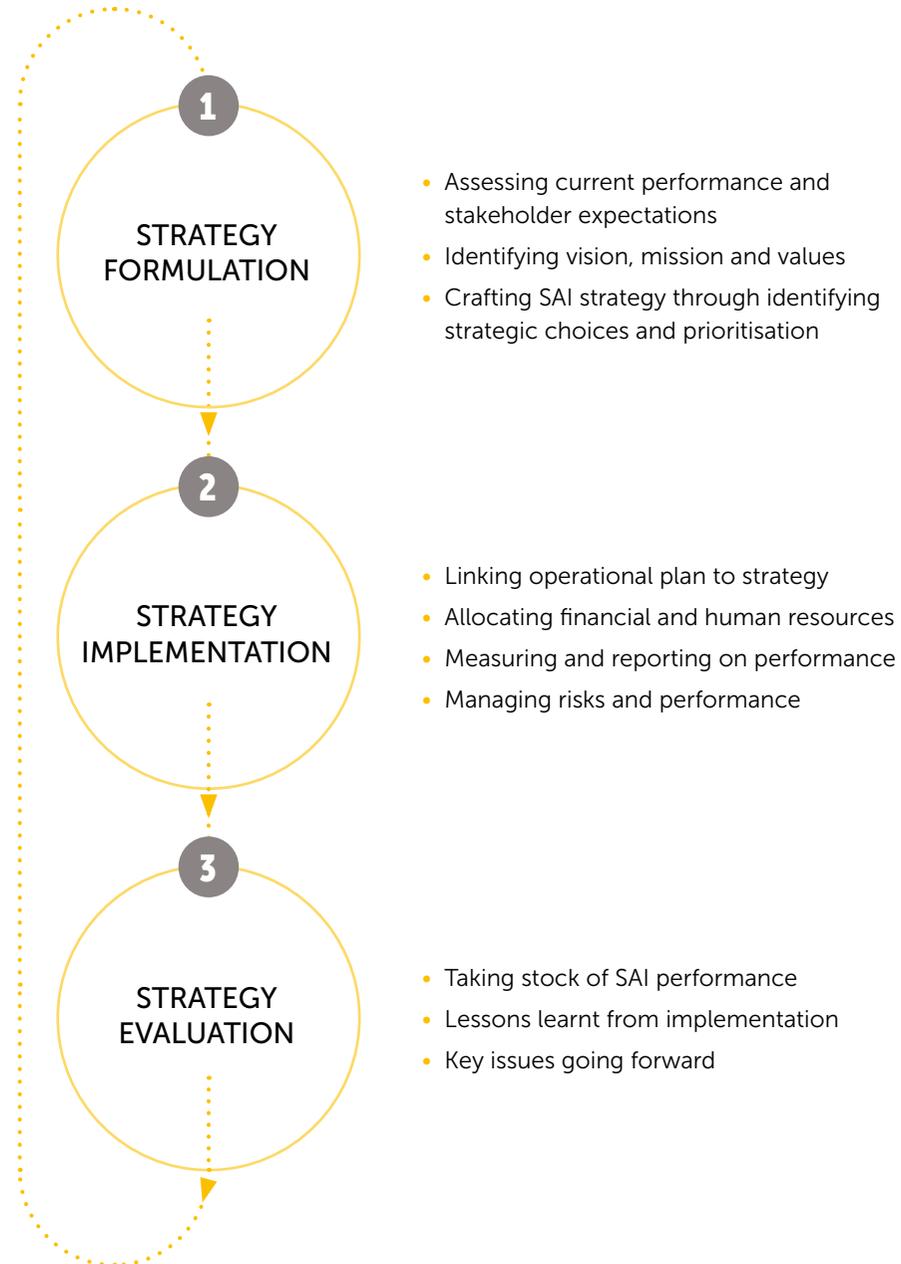
the strategic plan. This also implies that SAI strategic management shifts the traditional focus of managing inputs (budgets and staff) and managing processes (rules and structures) to “**managing for results**”, whereby the SAI steers its inputs and processes towards clearly defined performance goals.

1.3 | SAI STRATEGIC MANAGEMENT PROCESS, STAGES AND TASKS

While the definitions presented in the previous sections make it clear that strategic management is not necessarily a linear process, but rather involves many iterations and adjustments, it is useful to distinguish the most common stages in a typical strategic management process. The strategic management process for SAIs comprises three main stages: Strategy formulation, strategy implementation and strategy evaluation (David, 2011). Each of those contains several critical aspects which also form the bulk of the remaining chapters of this handbook:

1. Ensuring **effectiveness** by “Doing the right things” through strategy formulation;
2. Achieve **efficiency** by “Doing things right” through strategy implementation;
3. Ensuring **accountability and learning** by “Being held responsible for what is done” through control and strategy evaluation.

FIGURE 1.3 Three main stages of the SAI strategic management process



Strategy formulation

1. **Assessing its current situation.** This first step will enable the SAI to understand where it stands in terms of its current capacity and main products. The SAI PMF methodology offers an evidence-based and holistic assessment framework of the SAI performance, including on the root causes of current performance. However, SAI PMF does not assess what is the image the SAI has and how it is perceived externally among its counterparts from the public sector environment it functions in. A stakeholder analysis can add value to that process by providing the views of external and internal stakeholders so that the SAI can get a sense of where it stands in the opinion and expectations of its primary stakeholders.
2. **Articulating the SAI vision, mission and values.** The SAI needs to develop or revisit its vision, mission and values in the light of emerging issues or new trends at the domestic or international levels. There might be an existing vision, mission and values from the previous strategic plan, and part of the development of the new strategic plan may be to assess if those elements still translate the organisational thinking or if they need to be amended or updated.
3. **Crafting the SAI Strategy.** Once the SAI has agreed on the organisational vision, mission and values, it needs to identify the strategic issues it needs to address in its strategy. Strategic issues are fundamental questions and challenges from the SAI's immediate stakeholder environment, which limit the contribution of the SAI's work to a better performing public sector. A Strengths, Weaknesses, Opportunities and Threats (SWOT matrix) is a simple, yet powerful tool that combines SAI PMF and stakeholder analysis findings and can support the formulation of strategic issues. The SAI strategy will present a response to the chosen strategic issues, structured in a hierarchical results framework distinguishing between impact, outcomes, outputs and capacities. The

SAI should revisit the SSMF and first consider the desired long-term impact it wants to achieve, by casting an eye to the objectives of INTOSAI-P 12. It should then consider which changes in the broader public sector environment are most pertinent, given its strategic issues and define related outcomes. The SAI should then consider the direct outputs (products) of its work and identify which changes in, e.g. the coverage and quality of its audit work or its jurisdictional activity are most likely to facilitate the desired outcomes. It should determine what the capacity gaps and corresponding needs concerning the outputs are. Realistic assumptions, as well as thorough risks mitigation strategies, should underpin that process. There will always be more priorities than it is possible to cover for the duration of a strategic plan. The final selection of outputs and related capacities to be addressed in the strategy should be based on a proper feasibility analysis. The SAI should determine which are the most critical priorities, are they realistic and implementable, and do they have the most substantial potential to affect the desired long-term changes.



Strategy implementation

4. **Linking the operational plan to the strategy.** The biggest test of the strategic plan is in its implementation. To implement the strategic plan, it should be translated into annual operational plans. Each operational plan is a vehicle to translate the strategic intent into actionable measures, with specific responsibility assignments, and measurement of progress. A robust operational plan is not only linked to the strategy. It is also holistic (including all SAI operations), includes the right level of detail, exact timeframes, and maintains a delicate balance between flexibility and specificity.
5. **Allocating financial and human resources.** A plan without a budget is a wish list. This simple observation is all too often forgotten when drawing both strategic and operational plans. Often, plans and budgets are prepared independently, resulting in stagnating progress towards the strategy. A strong operational plan that considers the availability of both financial and human resources at any point of time is a prerequisite for good strategic management. In turn, when the operational plan and the strategy are linked, any decisions on resource (re)allocation can be made in light of strategic priorities.
6. **Measuring and reporting on performance.** What gets measured gets done! For an SAI to monitor and evaluate its strategic plan, it is necessary to have in place a performance measurement system. The performance measurement system sets out the SAI's performance baselines and targets, performance indicators used to track the achievement of the targets, as well as details on how often and based on what data the indicators will be assessed. In publishing its strategic plan, the SAI is communicating its intent and course of action to its stakeholders. As an accountability measure, the SAI should report on the performance and progress of the strategic plan.
7. **Managing performance and risk.** No strategy or operational plan is set in stone. Plans are living documents, which should respond to a changing environment, by possibly adjusting performance expectations and priorities. Making decisions related to performance is a fundamental part of strategic management. Decisions will always entail a normative, value-based element, but they should as much as possible be objective, transparent and communicated. Risk management is a process that affects an SAI's achievement of its strategic goals and objectives. Managers control risks when they modify the way they do things to make their chances of success as great as possible, while making their chances of failure, as small as possible.



Strategy evaluation

8. **Taking stock:** During the implementation process, the SAI needs to monitor progress to date carefully and draw lessons learnt so that it can take timely corrective action. The strategic plan and its implementation also should be evaluated at regular intervals to determine if the assumptions made during the development of the plan still hold good. The longer the duration of the strategic plan, the more critical it becomes to assess performance periodically. Suitable modifications can be incorporated in the annual operational plan.
9. **Planning ahead:** The strategic planning process mustn't be a one-off exercise in the SAI. The process should be taken up periodically so that when one strategic plan period is about to come to an end, the next plan is in place. The institutionalisation of the process and development of SAI's own capacity to carry out the process are essential for sustained development.



1.4 | SAI STRATEGIC MANAGEMENT PRINCIPLES

Six fundamental principles have emerged from the practice of supporting SAIs in strategic management as fundamental to uphold throughout the SAI strategic management process (Figure 1.4). Those aim to ensure not only that the SAI can devise and implement an effective strategic management process, but also that at any of its stages, the SAI stays true to its mandate and mission, and can lead by example. The Annex contains an elaboration on how these principles apply in practice to the various phases and aspects of strategic management.

FIGURE 1.4 SAI strategic management principles



A Keep it manageable

The SAI needs to be able to manage and exercise control over the whole strategic management process to ensure the achievement of its intended results. It first needs to maintain an overview of the process by establishing a baseline of where it is at the start concerning its performance and subsequently monitor changes from this baseline. Managerial decisions should strongly consider such factual information so that the SAI remains on track. At the same time, keeping it manageable also means that a performance measurement system should be kept simple, with the right aspects of performance monitored at the right time.

The SAI should not also over-challenge itself and should ensure that commitments in the strategic plan are realistic and can be implemented, even if it requires a stretch. The SAI should prioritise and focus on the most critical and relevant issues for itself and its key stakeholders. It should avoid trying to embrace too many issues that might hinder its ability to deliver on intended results. This does not mean that the SAI should not be ambitious – instead, it should strike a balance between stretching itself and ensuring that it can reach its objectives.

Finally, the SAI should also consider its internal and domestic context to adapt or tailor the process to the country context and develop local solutions. While SAIs can benefit from a wealth of experiences and good practices on strategic management in the INTOSAI community and beyond, the extent to which they can directly apply such in a given country context will inevitably vary. Therefore, as part of keeping the strategic management process manageable, the SAI should also ensure that it adapts and installs a suitable process given its own specific needs, abilities and circumstances.

B Be inclusive

Inclusiveness must be at the core of the strategic management process. At the minimum, it implies involving the right people should be involved at the right time throughout the strategic management process. More broadly, inclusiveness aims to ensure that SAI staff feel empowered and have ownership of the achievement of stated performance goals. Inclusiveness also upholds the principles of non-discrimination, gender equality and leaving no one behind. It means ensuring the needs of all relevant stakeholders are taken into consideration. It refers to the need to consider the main SAI internal and external stakeholders in the strategic management process and conveys the notion that people should not only be allowed to thrive but should have a voice and practical opportunities to shape the SAI's course of action. Inclusiveness is a crucial determinant of the quality of the strategic management process.

Internal stakeholders, namely SAI staff at all levels, are critical actors in the strategic management process and need to be fully involved where relevant. This does not mean that everyone should be involved in everything, as the process has to be manageable, but that the SAI should be mindful that decisions about strategic direction and implementation are not taken unilaterally at the top. Considerations of inclusiveness, gender equality and gender balance in decision-making are essential elements of a successful strategic management process. External stakeholders, namely the users and beneficiaries of the SAI's work, should be able to express their needs, concerns and expectations, and the SAI will have to take those into account to reflect the inclusiveness of the process entirely.

Strategic management is also about being mindful of emerging or essential issues, such as or SDG goals and targets, which also include gender equality and environmental sustainability and being able to integrate them in the management process. Therefore, inclusiveness and gender equality in strategic management will require innovation in strategy design and implementation.

PRINCIPLE

C Focus on outcomes

The SAI does not work for itself. Its ultimate goal and thus intended impact is to deliver value and benefits and contribute to making a difference in the lives of citizens. It does so best by influencing concrete changes at what this handbook refers to as the outcome level. Namely, it should focus on inducing positive change in its immediate public sector environment, on supporting concrete improvements in the accountability, transparency and integrity of government and public sector entities.

A fundamental principle in the SAI strategic management process is that the SAI should develop its strategy, starting with the identification of relevant outcomes. In other words, before considering what it needs to change internally in terms of its core business, practices and operations, the SAI should consider what changes in its immediate public sector environment (outcomes) it should seek to affect.

In all stages of the process- from planning, through implementation, to measurement and reporting, the extent to which the SAI facilitates its desired outcomes will be a key consideration for decision-making and steering capacity development, and a key determinant of performance. The outcomes identified in the SAI strategy will be broken down into outputs related to SAI's core business, which form the main focus for the operational implementation on an annual basis. A results framework, detailing interlinked performance measures at the outcome and output level, guides SAI monitoring and reporting. Decision-making is always made in the context of alignment at all levels and ensuring that SAI stays on track in facilitating the realisation of strategic outcomes.

PRINCIPLE

D Lead by example

SAIs credibility depends on being seen as independent, competent, inclusive and publicly accountable for their operations. To make this possible SAIs need to lead by example. The strategic management process must be underpinned by the willingness to be regarded as a model organisation.

The SAI as an organisation, therefore, needs to demonstrate a high level of accountability. It should be held to the same standards it holds other public sector entities when it comes to reporting on its own activities. It needs to be held to account and be able to answer the question «who audits the auditor» and must demonstrate adherence to ethical values and foster internal transparency. The SAI leadership should set the tone at the top and ensure proper mechanisms and processes to support accountability are working in practice.

The SAI should also demonstrate a willingness to learn and improve as an organisation. It should have readiness to assess performance, to analyse, accept and address root causes thereof, and to be transparent and open about challenges and how it has responded to those.

Acting professionally is a crucial dimension of leading by example. INTOSAI defines professionalisation as the ongoing process of gaining authoritative expert and ethical qualities and demonstrating a high level of competence or skills. It means increasingly being, and being seen to be, professional, doing the right work at the right time as effectively and efficiently as possible. SAIs should have at heart to demonstrate their professionalism in their strategic management process.

PRINCIPLE

E Commit the SAI leadership

While leading by example is an organisational value that should transpire at all levels of the organisation, it is the SAI leadership who should set the tone at the top. Without a firm commitment from those that manage the organisation, it will be impossible to expect any sustained changes in SAI performance.

Strategic management the prerogative of the head of the SAI and the upper management. Without their involvement, consultation and commitment at the critical steps of the process, it is poised to fail. In practice, this means that the leadership of the SAI must recognise and engage actively in the strategic management process. It should determine any changes in the vision, mission and value statements and should give their take on what should be the SAI's strategic priorities. During implementation, leadership should make appropriate decisions to steer ahead and adjust based on reviewing the implementation of the operational plan and the risk register. This does not necessarily mean that SAI leadership drive and decide on all the details in the process. Many SAIs have dedicated strategic planning and management units that do much of the "heavy lifting" – preparing the documents, organising assessment processes, preparing templates, making consultations, and liaising with those tasked with a budget and human resources. It is of critical importance that such units have direct and regular contact with SAI leadership, as well as clear agreements on when consultation and approval are necessary.

PRINCIPLE

F Manage change

Strategic management is about visualising and navigating change from a current to a desired future state. On the other hand, change management is concerned with how to manage that change systematically, smoothly and effectively at all levels, from the organisation to the individual. In that regard, strategic and change management are two sides of the same coin. This final fundamental principle thus serves as a reminder that even with a great strategy and all prerequisites for its implementation, change rarely occurs without being actively guided, nurtured and sustained. An SAI is very much a people-driven organisation; its staff are its key asset. They are the leading implementer of change, and at the same time, they are also a recipient or beneficiary of the change.

Strategic management is, therefore, also about managing change. It should recognise and explicitly consider the three main aspects of change. The cultural change pertains to a change in the mindset and behaviours of groups and organisations. People change is about changing individual attitudes of employees. Process change denotes changes at the level of organisational systems and practices. Some essential preconditions need to be in place to enact and manage such changes in the SAI. Those include SAI leadership as a critical enabler of that change, a positive organisational culture that supports buy-in for change from the people in the SAI, as well as regular and clear communication. The role of change management is so crucial that this handbook dedicates an entire chapter (Chapter 14) to this topic.

CHAPTER 2 AT A GLANCE

Key learning points



- The SAI Strategic Management Framework (SSMF) lies at the heart of the strategic management approach presented in this handbook.
- The SSMF functions as a high-level results framework that describes the value chain, through which an SAI delivers value and benefits to citizens.
- The SSMF distinguishes between impact, outcomes, outputs and capacities. Their attainment is influenced internally by SAI culture, leadership, inclusiveness and gender. Externally, the country governance, political, socio-economic and public finance management environment are main explanatory factors.
- The central premise of the SSMF is that an SAI should identify and plan its operations and develop its capacities in such a way as to promote and enhance the potential effects of its core audit work on the quality of the public sector environment.
- The SSMF sees SAI performance as a contribution to positive changes in the public sector environment, and through those, to positive changes in the lives of citizens.
- The SSMF is closely aligned to the SAI Performance Measurement Framework (SAI PMF), which allows for a straightforward comparison of current versus desired performance.

Main steps in the process to follow:
Do-minimum scenario for less experienced SAIs



- Read the chapter and make sure you understand the various elements of the SSMF, their logic and interrelations.
- Explore how you see your SAI's current work, processes, and organisation reflected in the SSMF.

Additional steps in the process to follow:
Advanced scenario for more experienced SAIs



- Read the chapter and try to map out your SAI's current work, processes and organisation against each level of the SSMF.
- Provide examples from your SAI's recent capacity development efforts and strategic goals for each of the SSMF levels: capacities, outputs, outcomes and impact.
- Consider what the main internal and external factors that influence performance improvements in your SAI are.

The SAI Strategic Management Framework (SSMF) describes the value chain through which an SAI delivers value and benefits to citizens and the SAI environment that influences this value chain. A sound understanding of this framework is a prerequisite for the strategic management of an SAI.

The SSMF lies at the heart of establishing a robust strategic management process in an SAI. It functions as a high-level results framework that SAIs can apply and adapt to their own context. It places the development of the SAI's internal capacities and key products, such as audit reports, in the perspective of what such efforts may mean for the SAI's key stakeholders and for the citizens they collectively serve. Consequently, the SSMF adopts the definition presented in the previous chapter and defines SAI performance in terms of the contribution of the SAI's work to changes in the public sector environment. As such, the SSMF provides SAIs with a structured approach to lay down their ambitions for the role and contribution they would like to play for society and to carve out and implement suitable strategies for stronger performance towards such long-term goals.

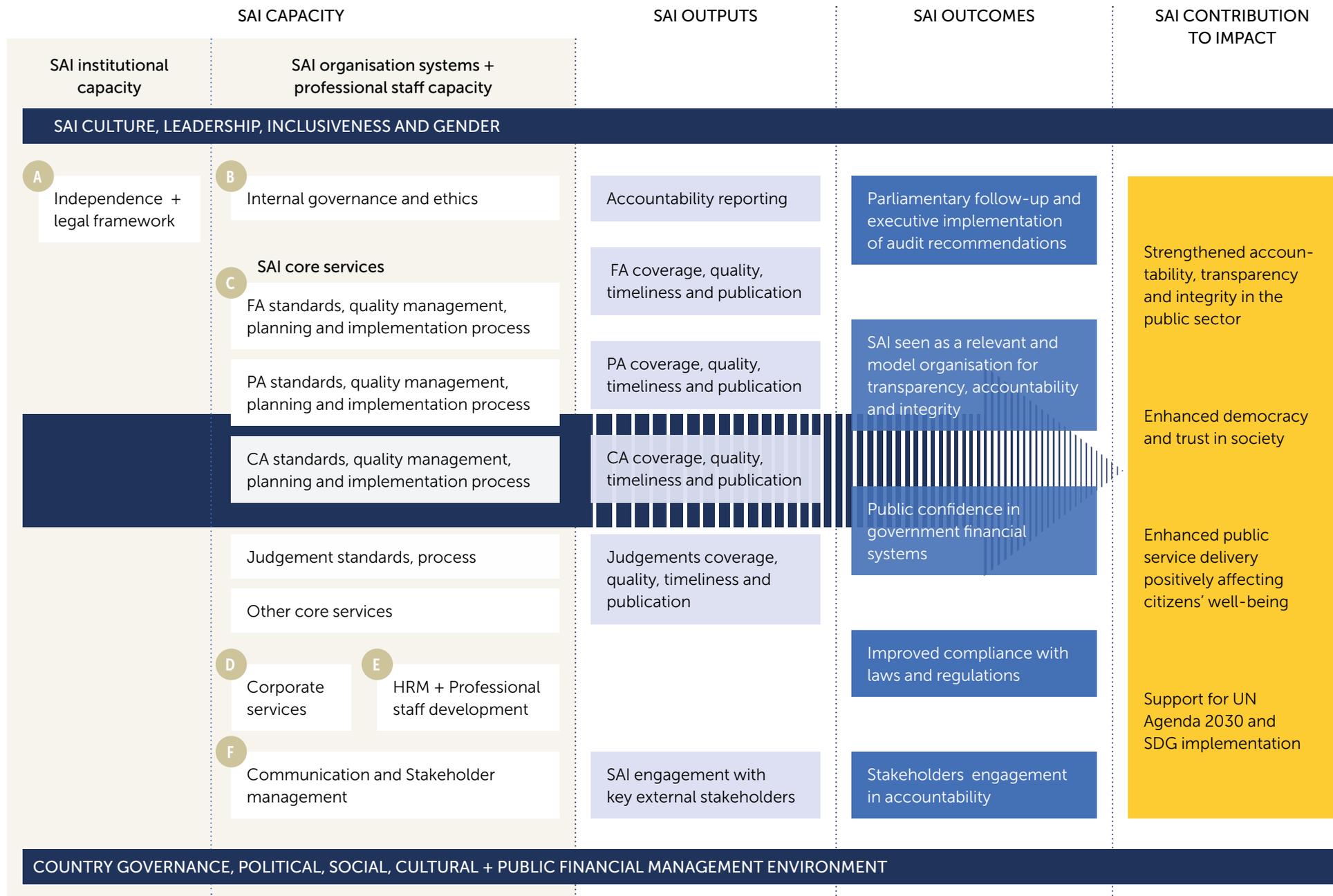
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ADAPT TO THEIR OWN CONTEXT.

The SSMF is closely aligned to the SAI Performance Measurement Framework (SAI PMF). SAI PMF examines current SAI performance and its root causes, and concludes on the extent, to which the SAI contributes to changes in the public sector (outcomes) and in the lives of citizens (impact). Conversely, the SSMF asks the SAI first to determine the desired impact and changes it desires to contribute to, and then to identify how it should structure and prioritise its own operations and strengthen its capacities to be in the best position to facilitate such changes. Reconciling the results of the SAI PMF assessment in terms of current performance with the desired performance as captured by the SSMF will give an SAI the best chance of identifying strategic priorities, capacity gaps, and strategies on how to address those.

The first section in this chapter provides a comprehensive explanation of how the different elements of the SSMF framework relate to each other (the logic of the framework). The subsequent sections then go on to explain each element of the framework in more detail.

FIGURE 2.1 SAI Strategic Management Framework

VALUE & BENEFITS OF SAIs



2.1 | SAI STRATEGIC MANAGEMENT FRAMEWORK LOGIC

As mentioned above, the SSMF describes the value chain that an SAI needs to follow to transform itself towards an institution delivering stronger performance in line with the objectives of INTOSAI-P 12, On the Value and Benefits to Citizens (Figure 2.1). The central premise of the SSMF is that an SAI should identify and plan its operations in such a way as to promote and enhance the potential effects of its core audit work and jurisdictional activity on the quality of the public sector environment. Typically, an SAI is primarily concerned with fulfilling its mandate and delivering high-quality audits. The SSMF goes a step beyond this ambition and encourages SAIs to be explicit about how they can make a difference through their work and to employ dedicated strategies to affect such changes. In this sense, the SSMF ultimately sees SAI performance as a contribution to positive changes in the public sector environment, and through those, to positive changes in the lives of citizens.

Accordingly, the logic of the SSMF starts with the critical question of what the ultimate reason for the SAI's existence is, or how it can contribute to making an **impact**, to a long-term, lasting change to the lives of the citizens it serves. The three core objectives of INTOSAI-P 12, as well as the SAI contribution to the implementation of UN 2030 Agenda and Sustainable Development Goals (SDGs), provide the main reference points as to what such contribution to impact by SAIs may constitute. The SAI's impact can also be seen as a contribution to democracy and social cohesion and inclusiveness, as well as to more robust public service delivery and citizens' well-being. Notably, an SAI can only indirectly influence changes at this level, due to the multitude of other stakeholders and factors that also play a role.

For an SAI to achieve its ambition of contributing to impact, it needs to identify and facilitate **SAI outcomes**. SAI outcomes are those medium- to long term changes in society that the SAI can substan-

tially contribute to, but which are still not within the full control of the SAI. For example, an SAI can contribute to improved compliance of public sector officials with rules and regulations by issuing relevant and effective judgements and sanctions or conducting and reporting on high-quality compliance audits, with strong recommendations. However, if public sector officials do not read the audit reports, are not held accountable for their actions or comply with judgments, enhanced compliance may not happen, despite high-quality audit reports. Such changes are therefore not within the SAI's direct sphere of control, but the SAI can nevertheless have a significant degree of influence over the process, especially regarding its judgements' execution. The column on "SAI Outcomes" in the SSMF provides an illustrative, not exhaustive, list of possible outcomes to which an SAI can aim at significantly contribute.

Going further down the value chain, we come to **SAI outputs**. SAI outputs are those results that are within the control of an SAI, direct products of SAI processes and for which the SAI is mostly responsible. It is through those products that the SAI has the highest probability of being able to influence broader changes in the public sector environment as envisaged by the SAI outcomes. SAI outputs are typically the result of its core business process. Those are typically the audit process and, in the case of SAIs with jurisdictional control functions, related jurisdictional activity. The SSMF includes several sets of SAI outputs: Next to the coverage and quality of audit work, outputs also may include the results from accountability reporting and jurisdictional sanctions, from stakeholder engagement and communication. Many SAIs have additional specific functions and practices, such as the evaluation of public policies, responsibilities for accounting or pre-audit of specific types of expenditures, or an obligation to produce an opinion on the draft budget and other laws. The results of such specific functions can also be considered as SAI outputs.

An SAI's ability to produce outputs, in turn, depends on its capacity and environment. The SSMF defines three dimensions of **SAI**

capacity, institutional, organisational and professional. These three dimensions are in constant interplay when it comes to how they affect the delivery of SAI outputs. For example, suppose the SAI wants to produce quality performance audit reports. To achieve this, it first needs a legal mandate to conduct performance audits (institutional capacity). It also requires an audit methodology based on applicable standards, an effective audit planning and implementation process that ensures quality audit reports (organisational capacity) and a competent and motivated performance audit team enhanced impartiality (professional capacity). In the jurisdictional field, besides a legal foundation for jurisdictional controls (institutional capacity), the SAI needs to put in place legally skilled auditors and judges (professional capacity), as well as investigation tools and methods (organisational capacity). The SSMF breaks down capacity into several domains. Institutional capacity pertains to the SAI independence and legal framework. Organisational capacity captures issues related to internal governance, audit methodologies and practices, as well as financial management and corporate services and external communications. Professional capacity is about human resources and professional development.

The SSMF also contains some other key elements, **SAI leadership, culture, gender and inclusiveness**. These are cross-cutting elements that affect everything across the framework. The SAI is also affected by its **social, economic, governance and political environment**. Understanding the local context of the SAI and its interconnection with the SAI is critical in strategic management of any SAI.

2.2 | SAI CONTRIBUTION TO IMPACT

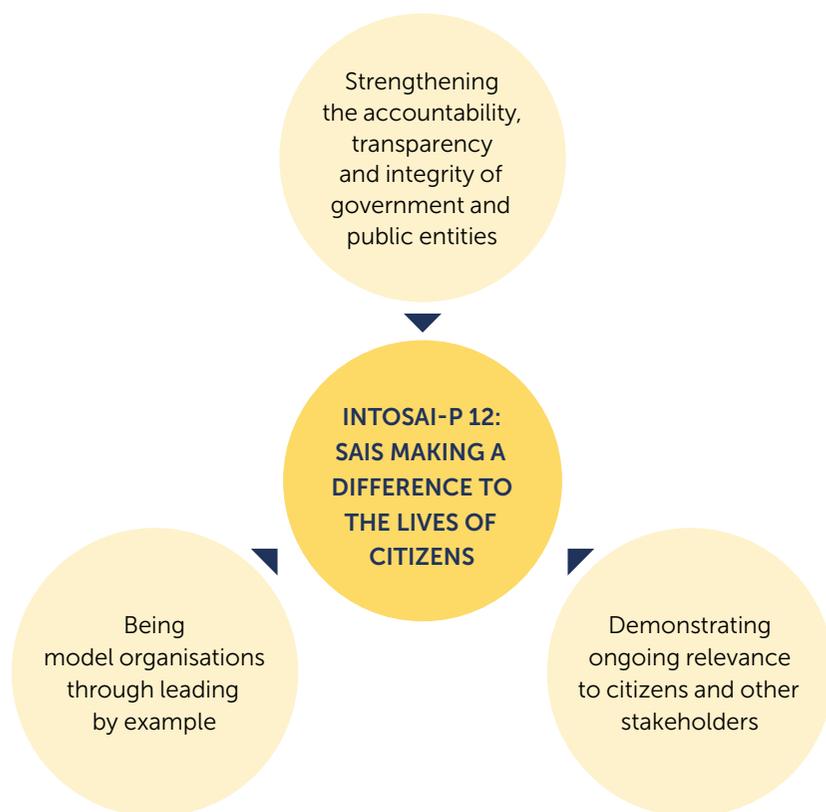
The SSMF starts from the premise that an SAI can only sustainably improve its performance if it defines this same performance in terms of the long-term, lasting societal changes it aims to influence. The intended impact level is the starting point for any formulation of a strategic plan. It forces the SAI to critically consider how the results of its work could influence improvements in the lives of the citizens. In other words, the SAI needs to broaden its focus beyond the primary objective of fulfilling its mandate and preparing its audit reports. It should consider what can and should happen, finally, as a result of, among others, high-quality and credible audit reports. Thinking about impact is about asking the question “*What is it that the SAI is ultimately aiming to achieve as an institution?*”. Anything an SAI does should be examined as to whether it allows the SAI to contribute better to impact.

Notably, an SAI cannot fully and single-handedly influence such changes. Many other stakeholders and factors play a role as to whether or not long-term, lasting improvements materialise, and so the SAI’s contribution is only an indirect one. An SAI should not be held accountable for circumstances it cannot control. However, it should consider explicitly how it can influence and contribute to impact and making a difference in the lives of citizens.

SAI capacities	SAI outputs	SAI outcomes	SAI contribution to impact
			<ul style="list-style-type: none"> • Strengthened accountability, transparency and integrity in the public sector • Enhanced democracy and trust in society • Enhanced public service delivery positively affecting citizens’ well-being • Support for UN Agenda 2030 and SDG implementation

The question “*Why do SAIs exist?*” is often answered through INTO-SAI-P 12, On the Value and Benefits of SAIs, which states that public sector auditing as championed by SAIs plays a vital role in making a difference to the lives of citizens. Consequently, the SAI’s contribution to impact is firstly framed in the context of INTO-SAI-P 12, and in particular through the first broad objective⁶ that SAIs should pursue to contribute to making a long-term, lasting change the lives of citizens (Figure 2.2, see also Annex to Chapter 2 on the principles behind INTO-SAI-P 12).

FIGURE 2.2 INTO-SAI-P 12, SAIs making a difference to the lives of citizens



The first INTO-SAI-P 12 objective refers to the SAI’s contribution to strengthening accountability, transparency and integrity in the public sector. This is a crucial contribution of SAIs to impact at the broad societal level. To ensure that elected officials act in the best interests of the citizens they represent, governments and public sector entities need to be accountable for their stewardship over, and use of, public resources. SAIs strengthen accountability, transparency and integrity by independently auditing public sector operations and reporting on their findings. This enables those charged with public sector governance to discharge their responsibilities, in responding to audit findings and recommendations and taking appropriate corrective action, and thus complete the cycle of accountability. To ensure that SAIs are best placed to contribute to stronger accountability, transparency and integrity in the public sector, they need to safeguard their independence; carry out necessary audits and report publicly on their results; and enable appropriate follow-up and oversight.

As independent oversight institutions, SAIs also play a vital role in promoting and maintaining the principle of democracy and fostering a spirit of trust and social cohesion in society. Their work is the fundament for securing the accountability of public service officials and institutions. By supporting stronger integrity of public sector officials, the SAI can ultimately contribute to more trust of citizens in their governance system and practices, and thereby support better social cohesion.

SAIs can also play an essential role in strengthening public service delivery as a whole, and through that for improving the well-being of the citizens that benefit from such services. Many SAIs carry out performance audits, where they make findings and recommendations on how to strengthen the effectiveness, efficiency and equity of essential government services and programmes. Robust performance audits can reduce expenditure and waste, or can improve domestic resource mobilisation, thereby increasing the fiscal space for the implementation of key national goals. They can

⁶ The other two ISSAI-12 objectives (SAI demonstrating ongoing relevance to citizens, Parliament and other stakeholders and Being a model organisation through leading by example) are captured at the outcome level in the SSMEF.

also address issues of inclusiveness and gender equality. High-quality compliance audits and audit of internal control procedures, as well as fair, relevant and frequent judgements in the case of SAIs with jurisdictional control functions, may help deter corruption and support prudent and responsible public financial management. Compliance and financial audits contribute to strengthening public service delivery by pointing out to weaknesses in public financial management (PFM) practices and systems that underpin the state's provision of goods and services.

Finally, SAIs can contribute to the UN Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) that aim to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind. Each country has signed up for these goals, which are integrated, universal and indivisible. In the context of the COVID-19 pandemic, SAIs should be especially considerate of contributing to impact on the SDG goals on no poverty (1), zero hunger (2), good health and well-being (3), quality education (4) and (5) gender equality. Taken together, the SDG goals practically cover the entire audit universe of an SAI, and as such, it has various ways of contributing their implementation in their respective national context. SAIs can, through their audits and consistent with their mandates and priorities, make valuable contributions to national efforts to track progress, monitor implementation and identify improvement opportunities across the full set of the SDGs. The role of SAIs for the UN Agenda 2030 is recognised centrally in the INTOSAI strategic plan 2017–2022⁷, which includes SDGs as one of the cross-cutting priorities. The Abu Dhabi Declaration⁸ agreed at XXII INCOSAI in December 2016 calls on SAIs to make a meaningful independent audit contribution to the 2030 Agenda for Sustainable Development.

2.3 | SAI OUTCOMES

For an SAI to be able to contribute to impact most effectively, it needs to identify and facilitate SAI outcomes. SAI outcomes are the medium- to long term strategic changes in the SAI's immediate external environment and stakeholders. The SAI can substantially contribute to such changes. Still, it cannot entirely steer and control their achievement, as they involve the behaviour of other stakeholders, such as the Executive, the Parliament, the media or society.

For example, an SAI can contribute to improved compliance of public sector officials with rules and regulations by conducting and reporting high-quality compliance audits, with strong recommendations. However, audits and recommendations alone cannot ensure improved compliance. Recommendations need to be followed up and implemented, and this involves the decisions, actions and behaviour of government officials, who are not directly accountable to the SAI and under its control. Similarly, the SAI can, through providing clean audit opinions based on high-quality ISSAI-based financial audit in its reports and through publishing these reports,

SAI capacities	SAI outputs	SAI outcomes	SAI contribution to impact
		<ul style="list-style-type: none"> SAI as a model organisation for transparency, accountability and integrity Enhanced relevance and stronger public confidence in the SAI Parliamentary follow-up and Executive implementation of audit recommendations Public confidence in government financial systems Enhanced quality, transparency and accountability of the government's COVID-19 emergency response Improved compliance with laws and regulations Stakeholders engagement in accountability 	

7 Available at: http://www.intosai.org/fileadmin/downloads/downloads/1_about_us/strategic_plan/EN_INTOSAI_Strategic_Plan_2017_22.pdf

8 Available at: http://www.intosai.org/fileadmin/downloads/downloads/0_news/2016/141216_EN_AbuDhabiDeclaration.pdf.pdf

contribute to higher public confidence in the country's Public Financial Management (PFM) systems. The degree of confidence will, however, also depend on whether and how other stakeholders, such as media, portray the subject. The public's interest and financial literacy to understand the subjects at hand will also play a role. An SAI with jurisdictional powers may issue sanctions if permitted by its legal framework, but those may also require follow up by others regarding their financial or administrative execution.

It is important to note from the onset that while the outcome level is at the core of the SSMF when applying the framework to their own strategic planning process, SAIs should remember that the definition of what are the envisaged changes at that level will be **country- and SAI-specific**. The SSMF contains a non-exhaustive list of examples of commonly occurring SAI outcomes that describe such changes that the SAI, through its core audit and other main work, can significantly, albeit not entirely, influence. Depending on the current capacities, challenges and priorities of the SAI and country in question, SAI outcomes can range from influencing more vigorous legislative follow-up of audit recommendations, to improving the confidence of the public in the SAI, in the financial management systems, or both. In the examples above, improved compliance with laws and regulations and stronger public confidence in the country's financial management systems both illustrate possible SAI outcomes, or changes that the SAI may wish to concentrate its efforts on influencing. Therefore, SAI outcomes can be assigned on one of three broad, mutually reinforcing categories.

SAI credibility refers to the public confidence that the SAI acts as an independent oversight body that helps the citizens in ensuring accountability, transparency, inclusiveness and ethical behaviour of those charged with governance. SAI credibility also depends on the SAI leading by example in holding itself to account, being transparent and inclusive and demonstrating ethical behaviour in all situations.

The area of audit outcomes covers the Parliamentary follow-up and the implementation of audit recommendations stemming from the SAI's core business of doing audits. If auditees implement constructive and relevant audit recommendations provided in the SAI's audit reports, this would lead to a specific improvement in governance systems and ultimately contribute to better service delivery to citizens (impact level). High-quality audit reports can support outputs such as more effective, efficient and inclusive policymaking in specific areas, for example, education, healthcare, crisis management or gender equality and contribute to more efficient and equitable resource mobilisation. Audit outcomes also cover the public confidence in financial statements, which is enhanced if the SAI can provide an unqualified financial audit opinion on the financial statements of government and its entities. Finally, audit outcomes can also entail improved compliance with rules and regulations, which is strengthened when governments act on SAI observations and recommendations in their compliance and other audit work. In the context of the COVID-19 pandemic, the responsible and transparent management of COVID-19 emergency measures, or public officials' accountability for applying emergency rules and regulations, can also be relevant audit outcomes. For SAIs with jurisdictional control functions, there may be other outcomes such as the prevention and deterrence of irregularities and frauds through rulings on the liability of public accountants and potentially other public managers. Rulings and judgements can also contribute to enhanced citizens' trust in public officers and politicians.

Effective SAI engagement with stakeholders may also lead to greater interest and engagement of stakeholders, e.g. parliament, civil society, media, citizens, professional organisations, international organisations in the accountability process at the national level. Such engagement can also help in bringing together different actors in the accountability domain to ensure greater coordination, more demand and cooperation towards enhancing accountability.

2.4 | SAI OUTPUTS

SAI outputs are those results that are within the control of an SAI, direct products of SAI processes, for which the SAI is mostly responsible. The achievement of those outputs is a prerequisite for a significant contribution to the SAI outcomes, as they represent the best way in which the SAI can exert influence and facilitate the achievement of the outcomes which are not entirely under the SAI's control. Typically, the SAI will concentrate most of its efforts on achieving its desired outputs. The SSMF includes three sets of SAI outputs, Accountability reporting, Audit results and Results from stakeholder engagement and communication. Among those, each SAI may choose a slightly different set of desired outputs, depending on their priorities, needs and most importantly, aspirations for affecting change at the outcome and output level.

Accountability reporting refers to the SAI being transparent and accountable about its own actions and performance. Many SAIs publish annual reports. However, often these reports mainly contain descriptions of SAI activities. They fall short of the expectations of an Annual Performance and Accountability report on SAI performance against performance targets for the year. If an SAI aims at proper accountability reporting through its annual report, it would be necessary for the SAI to report on performance (strengths and weaknesses and explanatory factors thereof) and not just activities.

SAI capacities	SAI outputs	SAI outcomes	SAI contribution to impact
			<ul style="list-style-type: none"> • Accountability reporting: Publicly available annual performance reports, peer reviews, evaluations, audited financial statements • Results of audits, jurisdictional controls and other core work: Coverage, quality, timeliness • SAI communication and stakeholder engagement results

Publication of peer review reports, evaluations such as SAI PMF and others, the publication of auditor's opinion of SAI's financial statements are some of the other ways in which an SAI could do accountability reporting.

Audit, judgements and other core services' results are at the centre of SAI outputs. Depending on the audit practice of the SAI, these results could be financial audit opinions, performance audit reports, compliance audit reports, jurisdictional controls and decisions. Some SAIs publish one annual audit report that contains all their audit work, while others may use different reports or publish each individual audit report. For SAIs with jurisdictional controls, audit and judgements may be combined or separate. In looking at audit results, both the quantity (reflecting adequate coverage) and quality (as per applicable standards, timeliness) needs to be taken into consideration. SAIs that have other core processes (for instance judicial function, responsibility for pre-audit, evaluation of public policies, opinions on draft laws or others) would produce specific results from those processes, which would also be looked at from quality and quantity perspective.

Communication and SAI stakeholder engagement results can entail a broad range of SAI-driven products aimed at strengthening the related outcome of effective SAI stakeholder engagement. Results in this area can range from briefings and support for the legislative body charged with financial oversight, press releases, social media and other publicity engagements and press conferences, initiating a cross-institutional dialogue on financial management subjects, engagement with civil society organisations, awareness-raising campaigns on accountability for various groups in society, for example for youth or at the regional level, the involvement of citizens in the audit process and others.

2.5 | SAI CAPACITY

The extent, to which an SAI can produce strong outputs, depends largely on its capacity. SAI's capacity means the frameworks, skills, knowledge, structures, and ways of working that make the SAI effective. There are three different dimensions of capacity– institutional, organisational and professional. Those denote the degree of ability of the SAI to effectively mobilize its professional and financial resources, processes, systems and operations, towards the achievement of its intended outputs. SAI capacity also determines the ability to manoeuvre in the environment it operates in and utilise the opportunities that arise from it. In the SSMF, the SAI needs to identify and potentially strengthen specific capacities concerning the desired outputs it aims to produce.

Institutional Capacity of an SAI relates to the SAI's Independence and legal framework that define its roles and obligations as a public sector institution. In turn, those also determine the SAI's ability to form associations and coalitions with other public sector institutions, and the capacity to act by its initiative and autonomy, both internally and externally (Box 2.1). The existence of a robust institutional and legal framework is a prerequisite for the effective functioning of any SAI as it ensures the SAI's credibility and objectivity. According to the 2017 Global SAI Stocktaking report, most SAIs in the INTOSAI

community find themselves missing one or another aspect of SAI Independence. The question in strategic management is to determine the impact of any institutional capacity gaps on the ability of the SAI to function effectively. When an SAI decides to pursue greater independence, it would also need to look at both the readiness of its institutional environment and at its readiness and ability to lobby for such reforms.

Organisational systems capacity refers to the existence of robust structures, processes and practices related to overall governance of the SAI and governance of each functional area in the SAI. The functional areas include good SAI governance practice in terms of strategic, operational and audit planning, performance measurement and management of performance at overall SAI level, implementation of code of ethics, SAI leadership and internal communication.

The audit function is the core business of an SAI. In terms of organisational capacity, the SAI needs to have in place an audit methodology that aligns ISSAIs or its own such aligned standards; a system for conducting and managing audits that ensures the methodology is adhered to in practice; and quality management that provides regular assurance that the audits are, indeed, being carried out as per standards and SAIs audit methodology. If any one of these components of the audit system is missing, the SAI would not be

BOX 2.1

INTOSAI P-11: THE EIGHT PILLARS OF SAI INDEPENDENCE

The Mexico Declaration (INTOSAI P-11) defines eight principles, or pillars, of SAI Independence:

- Legal status: The existence of an appropriate and effective constitutional/statutory/legal framework;
- The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties;
- A sufficiently broad mandate and full discretion, in the discharge of SAI functions;
- Unrestricted access to information;
- Right and obligation to report on their work;
- The freedom to decide the content and timing of audit reports and to publish and disseminate them;
- The existence of effective follow-up mechanisms on SAI recommendations;
- Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources.

SAI capacity	SAI outputs	SAI outcomes	SAI contribution to impact
<ul style="list-style-type: none"> • Institutional capacity: independence and legal framework • Organisational systems capacity: SAI governance, audit methodologies and processes, quality assurance, SAI support systems • Professional staff capacity: number, competencies, motivation, development of staff 			

in a position to claim that it conducts high-quality audits per the ISSAIs. The same applies to SAIs with judicial powers, which may require specific methodologies, processes and systems related to supporting the quality of the judicial process and its results, such as decisions or sanctions.

Setting up such systems in house or setting up separate units for quality assurance or methodology may not be feasible for small SAIs or SAIs that lack resources. Such SAIs could consider strategies like using regional resources, setting up a peer review mechanism for quality assurance instead of setting up a unit etc. It may not always be feasible for an SAI to have all these systems in place at one go. Even as an SAI takes a gradual approach, it needs to draw the connections between different building blocks to ensure that over some time, they will have a well-functioning system in place. The lack of a 'whole of SAI' approach may lead to waste of resources and inability of the SAI in meeting its performance objectives. For example, an SAI may focus on the professional development system and train many of its auditors in performance audit. However, if the SAI does not have its audit methodology in place, or if the supervision of audit is weak, such training will not yield tangible results in terms of improved audit quality.

Besides governance and audit systems, corporate support systems like human resource management, budgeting and resource management, professional staff development, communications systems, also play a key role in a well-functioning SAI. Without such systems and practices, the SAI cannot master its core audit function. As such, while strategising on building organisational systems capacity, the SAI needs to consider the development needed in each functional area.

Professional staff capacity is the third component of SAI capacity. Professional staff capacity refers to having in place an adequate number of competent and motivated people at managerial and staff level - taking into account inclusiveness and gender considerations

- to effectively carry out the mandate of the SAI. In the audit profession, people are the most valuable assets of an organisation. As SAIs move towards enhanced professionalism they would need a critical mass of not just audit professionals in the different types of audit, but professionals in a variety of disciplines like management, leadership, human resources, communication, strategic planning, stakeholder engagement etc. In developing professional staff capacity, the first step for an SAI would be to determine what competencies the SAI needs. It should then evaluate how to acquire those competencies, e.g. in building a performance audit team. The SAI may decide to recruit people with different competencies or retrain its compliance auditors or engage experts etc.

The SAI would also think about staff retention and how to maintain the competencies and provide for career progression and continuous professional education of its male and female staff so that they are up to date with the changes in their environments. For example, big data and social media have made huge inroads into every aspect of our lives. An SAI would need to think about the competencies that its people need to engage with these new areas.

2.6 | SAI LEADERSHIP, CULTURE, GENDER AND INCLUSIVENESS

Internally, the SSMF recognises several crucial cross-cutting factors that will affect the quality and the extent, to which it can improve its performance along and across the different levels of the intended change. In line with one of the SAI strategic management principles, SAI leadership sets the tone at the top and guides the organisation towards affecting change. It is critical for achieving good governance in the SAI's operations and in demonstrating transparency and accountability as an organisation. The organisational culture will affect the extent, to which staff is receptive and open towards change. It has wide-ranging implications for the SAI's capacity, its ability to produce outputs, to facilitate outcomes and contribute to impact. Leading by example in establishing an organisation that promotes and embodies the principles of gender equality and inclusivity in both audit work and organisational practices, will also have a substantial effect on SAI performance and on the ability to act as a model organisation. Importantly, albeit results from communication and stakeholder engagement activities can be core products of SAI's work, they also serve a cross-cutting purpose. Communication is necessary for an SAI in advocating for greater SAI independence, in achieving exemplary and fair judgements and audit impact by engaging with stakeholders throughout the audit process and is also crucial in the strategic management of an SAI.

2.7 | COUNTRY GOVERNANCE, PUBLIC FINANCIAL MANAGEMENT AND SOCIO-ECONOMIC ENVIRONMENT

An SAI operates within the overall country context. Any result or change that the SAI aims to achieve, both those that are well within its control (outputs), and those it may only be able to influence or contribute to (outcomes and impact) will be affected by factors from its external environment. A deep understanding of the local context and its effect on the functioning of the SAI is essential for being able to plan and manage SAI's operations strategically. The SSMF identifies three broad sets of external factors that may affect the SAI's performance in terms of its ability to produce sustainable results.

Country governance arrangements refer to the broad institutional context in which the main stakeholders operate. Those include the political system and the government structure (federal or unitary state, levels of government etc.); relationships and power balances between the Executive, Legislative and Judiciary; the nature and role of political parties and political competition; the role, capability and freedom of the media and civil society organisations; and formal and informal systems of state accountability to citizens.

Critical aspects of the PFM process are of particular relevance to the functioning of the SAI, as it is a part of a broader system. The strength, timeliness and transparency of parliamentary oversight is a first critical such factor. Others include the accounting and reporting framework and practices, the existence of integrated financial management information systems (IFMIS), but also the type of budgeting approach used (line-item or results-oriented budgeting, annual or multi-annual expenditure frameworks), and the internal control and procurement regulations and systems. Some countries also maintain complex whole-of-government systems for measuring and reporting on government performance. The SAI is reliant on inputs from the PFM process, and its outputs (i.e. audit results) being used by the key stakeholders in the PFM process.

An SAI is very much a part of the social and cultural fabric of the country. Such fabric is woven with many threads of informal systems and networks, patronage systems, organisation of labour in the country, a culture of accountability and transparency, family connections, community affiliations, ethical practices, social and gender norms etc. The broad socio-economic and developmental characteristics of the country, including population, income level, poverty and education levels, gender disparities, growth rate, inflation, main economic sectors, are all aspects that may affect what the SAI should focus its audits on, or determine SAI's ability to conduct its audits.

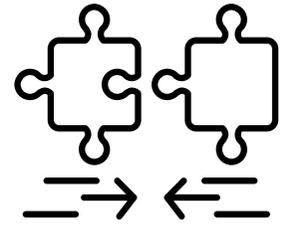
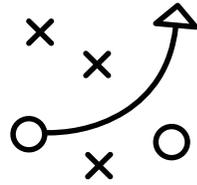
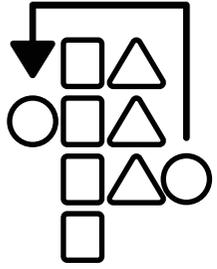
Strategic management of an SAI requires an excellent understanding of such social and cultural issues, as well as deep deliberation on which of these aspects could enable or hamper the development envisaged, and how. For example, in some countries giving and receiving gifts or helping family members may be the social norm. An SAI would then have to reflect on how this norm affects its efforts to implement its code of ethics and what are the change management measures required if any. For many countries, unfair and discriminatory workplace practices and attitudes underpin gender inequality. Women are often underrepresented in the public sector, in particular in senior and management positions. An SAI would need to determine how it could lead by example through providing and demonstrating a positive workplace environment, where both women and men can thrive and engage. Some countries may also have strong systems of family connections or links based on ethnicity, community, caste, religion etc. These would also affect the informal networks and systems within the SAI. An SAI would need to assess the extent to which such informal networks and links enable or limit the professional functioning of the SAI and its change management strategy to address the issue.

While many of those issues may influence an SAI to a different degree and in a different direction, it is useful to consider the critical areas of the SAI's operations and performance that may be affected.

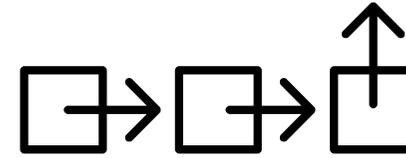
Table 2.1 provides a non-exhaustive list. The table is based mainly on the findings of SAI PMF reports, and the influence the SAI PMF analysis attributed to various external factors.

TABLE 2.1 Possible external factors of SAI performance and their potential influence

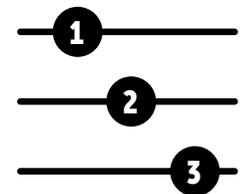
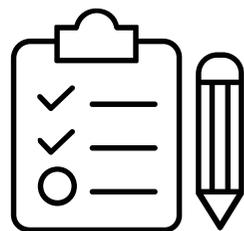
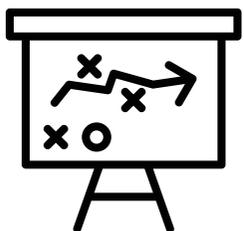
Factors	Potential influence over aspects of SAI performance
Country governance arrangements	
Structure of the public sector	Audit coverage and focus, types of audit, ability to deliver on SAI mandate
Political system and relationships with Executive and Legislature	SAI independence, SAI credibility, audit results and follow-up
Individual accountability regime undertaken by jurisdictional SAIs or judiciary system	SAI independence and credibility, fair and frequent judgements, enforcement, criminal cases effectively sanctioned
Strength of media and civil society	Degree of engagement and demand for accountability
Political climate/ degree of commitment to democracy, transparency and accountability	Audit follow-up, SAI impact
Public financial management system and practices	
GDP, income level, tax collection efficiency, inflation	SAI budget size and stability
Budgetary details	SAI budget, audit coverage and risk assessment
Accounting practices, financial management information systems, financial reporting standards and reporting	Quality and timeliness of audit reports
Public procurement	Financial and compliance audit coverage and results, jurisdictional control results
Internal audit	Audit quality
PFM reforms	SAI capacity and relevance
The socio-economic and cultural environment	
Main economic sectors, dependence on natural resources	Audit coverage, SAI budget
Poverty, inequality	SAI professional and organisational capacity, the focus of audits
Reliance on development assistance	SAI budget, SAI support, audits of development assistance projects
The educational system and access, migration trends	SAI staff capacity and diversity
Existence of country conflicts	Audit follow-up, SAI ability to conduct audits



PART B



STRATEGIC PLANNING



INTRODUCTION TO PART B

Crafting the SAI strategy is a fundamental part of the strategic management process. It represents a concentrated effort to produce a realistic, and at the same time, an ambitious plan to guide the SAI's development efforts.

Coming up with a strong strategy on how to fulfil the mission and get closer to achieving the SAI vision requires a firm plan to guide the effort (Chapter 3). This plan should establish and lay down clear steps, roles, responsibilities and timeframes for the development of the strategic plan document. It represents an explicit agreement between SAI management and the team tasked with preparing the SAI strategy on the process, the expected content and the work and inputs required.

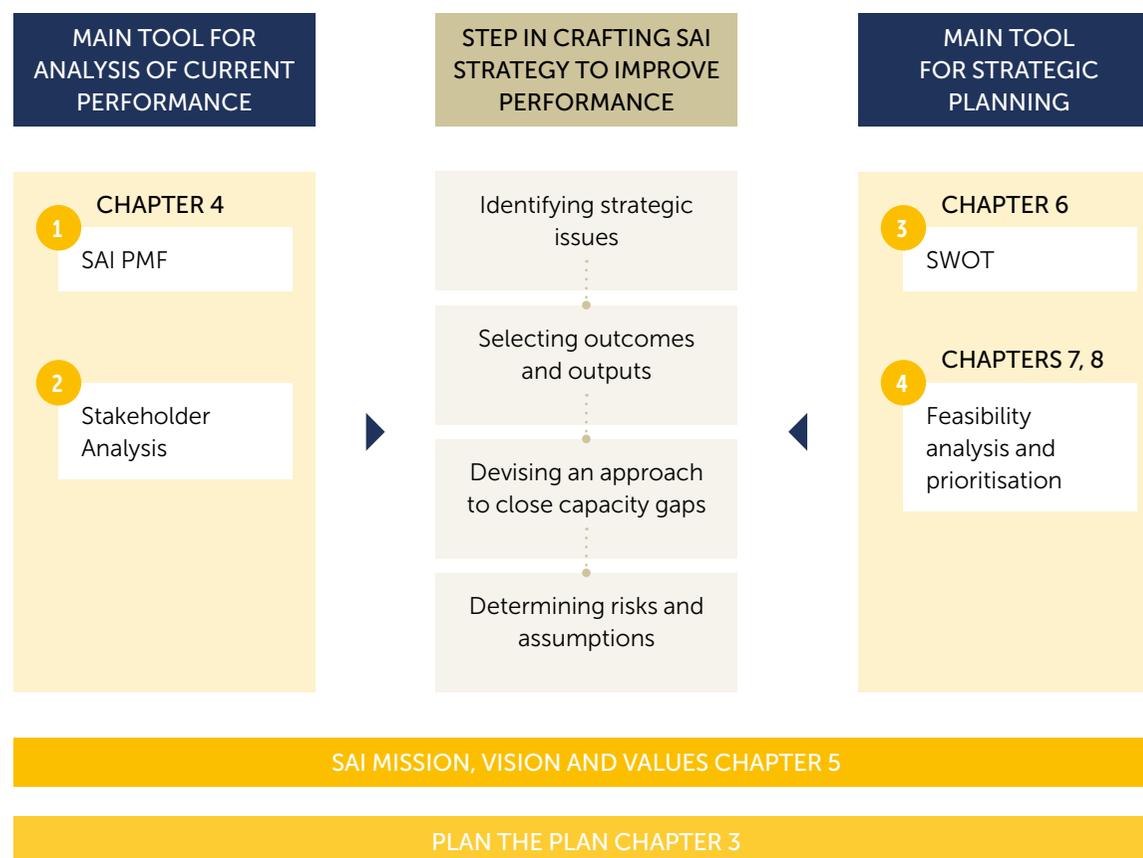
The suggested approach for crafting the SAI strategy is described in Chapters 4 to 8. An underlying premise in this approach is that the structure and logic of the strategy should follow the value chain of the SAI Strategic Management Framework closely.

In line with the SSMF, the SAI strategy should be structured around a logical framework, distinguishing between desired results and changes in performance at the impact, outcomes, outputs and capacities levels. To define and select such changes, the strategic planning team in the SAI should draw on information from several analytical tools and frameworks (Figure B.1).

First, the SAI needs to have an in-depth understanding of its current performance. To that end, it should first apply two analytical tools, namely an SAI PMF assessment and a stakeholder analysis (Chapter 4). The SAI strategy should be guided by the pursuit of its mission and vision and framed by the values the SAI has employed as core principles (Chapter 5). The need to revise or possibly even formulate from scratch the SAI vision, mission and values will emanate from

the analysis of current performance. The SAI's vision and mission will dictate the broad direction of the strategy. They will also influence the identification of the key strategic issues that it wants to address in the coming strategic period. Chapter 6 deals with the topic of how to use a SWOT analysis to agree on such critical strategic issues.

FIGURE B.1 Main steps in crafting the SAI strategy and corresponding tools for analysis



Once the performance has been assessed and there is agreement on the SAI vision, mission, values and the chosen strategic issues, work should go into the prospective planning phase to prepare the draft results framework for the strategic plan (Chapter 7). To this end, the SAI will need to determine the intended results at the outcome level that the SAI will seek to contribute to in its strategy, linked to the strategic issues it has selected. For each outcome, it will then go on to consider which of its core products, or outputs, such as the timeliness, coverage or quality of its various audits, as well as potentially jurisdictional controls and other core work, are best suited to facilitate the achievement of the selected outcome. For each output, the strategy will then specify the current and the desired level of capacities and competencies needed. To address gaps in current capacities, the strategy will have to define the broad course of action during the strategic management period.

The selection of outcomes and outputs, as well as the specification of the approach for closing capacity gaps, will be driven by a feasibility analysis and a prioritisation exercise (Chapter 8). Both the SWOT and the feasibility analysis will feed into the identification of assumptions and risks, which will underpin the final results framework of the SAI strategy. To complete the strategic planning exercise, there will be a need to carry out internal and external consultations and awareness-raising.

Although all steps in crafting the SAI strategy are presented sequentially, there will be a significant degree of iteration in the process. Such iteration is an essential and needed element aimed at continuously refining the final version of the strategy through critical analysis and discussion.

CHAPTER 3 AT A GLANCE

Key learning points 

- A project plan that describes the main steps for developing the SAI strategy is an important tool to ensure an effective, efficient and inclusive process.
- The project plan should specify the:
 - Purpose and context for developing the strategic plan;
 - Desired duration of the plan;
 - Main activities, timeframes and responsibilities for strategy development;
 - Mechanisms for ensuring quality control;
 - Key internal and external stakeholders to be consulted in the process.
- A strategic planning (SP) team should be formed and tasked with developing the SAI strategy.
- The SP team should either include the Head of the SAI or members of the SAI management team or as a minimum ensure regular consultations with those.
- There are five main steps in crafting the SAI strategy:
 - An assessment of the current performance of the SAI using SAI PMF;
 - A stakeholder analysis of views and expectations;
 - Development of the strategy's results framework and other key elements of the plan;
 - Review and finalisation to ensure quality and consistency of the document;
 - Communication and awareness-raising stage.

Main steps in the process to follow:
Do-minimum scenario for less experienced SAIs 

- Decide on the composition of the SP team.
- Prepare a brief project plan, covering the main sections, starting with noting down the desired date for the finished strategic plan and build back the timing of each step from there.
- Once you have studied the process for developing the strategic plan in more detail and have made a decision on which elements to include and which not, adjust the project plan accordingly, including the detailed steps in the process.
- Assign roles and responsibilities per stage as well as a team leader for the SP team.
- Present and confirm the project plan with the Head of the SAI.

Main steps in the process to follow:
Advanced scenario for more experienced SAIs 

- Ensure that the project plan reflects the experience from previous strategic planning exercises – for example, realistic time planning for the various stages in the process, the inclusion of any elements and activities that were omitted last time around you now deem necessary.

Developing a strategic plan can be a complex exercise involving different actors and various steps. To ensure the strategic plan's high quality and maintain an efficient drafting process, it is highly recommended to commence by preparing a project plan to guide the development of the document. This step is also known as planning the plan. An SAI that embarks on a strategic planning exercise without planning it properly runs the risk of delivering a low-quality product with limited ownership. Lack of sufficient initial planning would also increase the risk of getting lost in the process and never finishing the work. Planning the plan translates the keep-it-manageable principle into action and forces those writing the plan to take into consideration their resources and capacities systematically. As planning the plan includes defining roles and responsibilities as well as identifying main internal and external stakeholders to be considered in the process, it is also a way to make sure the be-inclusive principle is respected. Finally, planning the plan is an excellent tool to ensure commitment and involvement of SAI leadership in the process.

TO ENSURE THE STRATEGIC PLAN'S HIGH QUALITY AND MAINTAIN AN EFFICIENT DRAFTING PROCESS, IT IS HIGHLY RECOMMENDED TO COMMENCE BY PREPARING A PROJECT PLAN TO GUIDE THE DEVELOPMENT OF THE DOCUMENT. THIS STEP IS ALSO KNOWN AS PLANNING THE PLAN.

The stage of planning the plan is also the time when the SAI should decide on the formation of a **Strategic Planning team (SP team)**. This SP team should consist of the SAI staff that has the primary responsibility for crafting the SAI strategy.

The process for developing the new strategic plan should be initiated well in advance. Typically, this would be at the beginning of the last year of the duration of the outgoing strategic plan. This is because some of the necessary inputs for the new strategy – most notably the assessment of current performance – take considerable time. In case of a mid-term or other adjustments of an existing strategic plan, it is equally important to allow for sufficient time for taking stock of progress before making the necessary revisions.

This chapter will treat the process of developing a strategic plan as a **project** and refer to the initial plan as the **project plan** for strategy development. It will first introduce the main sections of that project plan (Figure 3.1) and then explain them in more detail.

3.1 | PURPOSE AND CONTEXT

As the project is about developing a strategic plan for an SAI, the main purpose of the project is to make sure that there is a good organisational planning process in place that will enable the production of a high-quality SAI strategic plan. Hence, this starting point is also an excellent place to think about the SAI's expectations towards the strategic planning process and what it hopes to achieve with it.

The stated purpose of the project should elaborate on the qualities the strategic plan ought to possess. These would, at best, reflect the strategic management principles laid out in the previous chapter. The strategic plan should be manageable and thus prioritise the most pressing issues. It should be inclusive and consider stakeholders' expectations. It should focus on sustainable outcomes that strengthen the core business of the SAI. It should aim to transform the SAI into an organisation that leads by example through professionalism, accountability, inclusiveness and transparency. It should represent the vision and commitments of the head of the SAI. Finally, it should give due consideration to managing the change process necessary to achieve all its objectives.

This section should also provide the rationale and context that have motivated the strategic planning exercise. It should briefly describe the current state of affairs in the SAI strategic management process of the SAI in question. Is the current strategic plan coming to an end? If so, what lessons can be learned from its implementation? What is the basis for the next strategic plan? If this is the first strategic plan the SAI is developing, what led to the decision? The section should reflect any changes in the SAI or its institutional environment that require strategic shifts in the SAI's work. The COVID-19 pandemic, for example, has been a major external factor for SAIs to reflect and revise their strategic direction to provide a better response to the pandemic and its challenges. Other circumstances, such as a change in SAI leadership, in the SAI legal framework, or significant changes in the PFM systems, may also motivate a revision of the strategic plan, even before the current one coming to an end. In some cases, minimal progress against an existing strategic plan may be a strong sign that it lacks realism and cannot serve its purpose to guide SAI performance improvements.

FIGURE 3.1 Main sections of a project plan for developing the SAI strategy

1 Purpose and context	2 Strategic planning period	3 Activities, roles and responsibilities	4 Key stakeholders
<ul style="list-style-type: none"> • Rationale • Rationale • Progress and achievements of current strategic plan • Recent changes in the SAI external environment 	<ul style="list-style-type: none"> • Usually three to five years • The longer the duration, the stronger the need to include provisions for mid-term revision 	<ul style="list-style-type: none"> • Main steps in the process • Who does what • Timeframes • Mechanisms to ensure quality 	<ul style="list-style-type: none"> • Internal (SAI staff) • External stakeholders

3.2 | STRATEGIC PLANNING PERIOD

This section could dwell on the different options that the SAI has regarding the duration of its strategic plan and considerations for deciding on the duration. While there are no set standards, the majority of SAI strategic plans have a duration of three to ten years. Since strategic planning involves long-term strategic thinking, it is recommended that an SAI strategic plan covers a period of around three to five years. Three-year strategic plans are not uncommon and may be a good option in a situation with a high degree of uncertainty in the current external environment, for example, due to a financial crisis, a natural disaster or a pandemic. On the other hand, the more limited duration of a three-year strategic plan may also put a limitation on the level of ambition and the possibility of seeing through a genuine change in performance. SAIs commonly use five-year strategic plans. Strategic plans with a duration of seven or even ten years contain a higher degree of risk and uncertainty for the future since it is challenging to predict even somewhat accurately that far ahead in the future. Therefore, it is strongly suggested to incorporate provisions for regular evaluation and adjustment of strategic plans with longer duration, to ensure their relevance and enable agility in developing performance. While in general the process for crafting and for adjusting the SAI strategy should be the same, Chapter 15 of this handbook discusses some specificities of mid-term revisions of strategic plans to keep in mind.

There may be other factors influencing the ideal periodicity of strategic plans. Sometimes aligning the strategic planning period to the office term of the Head of SAI or with national development plans may be an option. As the strategic plan will require resources to be implemented, in some instances, alignment to the funding cycle of the government or a key donor may be helpful. Another potential factor in explaining the need for a new strategic plan much earlier than anticipated can be the perceived likelihood of fundamental change within the foreseeable future. For example, the upcoming enactment of a new legal framework for the SAI, or broad-scale

PFM reforms may provide the grounds for changing the duration of the strategic planning period. Finally, in some cases, the SAI may choose or may be required to follow standard public administration procedures and regulations and may have less freedom to set its own parameters on the duration of the strategic plan.

3.3 | ROLES AND RESPONSIBILITIES FOR STRATEGY DEVELOPMENT

In this section, the different roles and responsibilities of all actors involved in the strategic planning process should be clearly defined and assigned. As strategic planning is a crucial leadership responsibility, in line with the SAI strategic management principle of committing SAI leadership, the Head of SAI must lead or at least regularly interacts with the SP team appointed to carry out the work.

Depending on its size, an SAI may have a dedicated unit or department for strategic planning that would usually take a vital role in the process. There is however often a need to involve others from the organisation as well, for example, representatives from the different primary audit and other functional units of the SAIs. The SP team should ideally include leadership members that have decision-making powers in the SAI. Alternatively, it should install mechanisms for regular interaction with the Head of the SAI to ensure smooth progress in the strategy development process.

The Head of SAI should be the owner of the strategic planning process and could appoint a team coordinator at a more operational level to support her/him in coordinating all activities related to the development of the strategic plan. Depending on how involved SAI leadership is and what are their preferences, it may appoint a team leader. This person should have overall responsibility for overseeing the process, for liaising with SAI leadership and for ensuring that timeframes and quality requirements for the strategy are met.

It is also recommended to include members of the SAI leadership team in charge of functional areas and representatives from different levels in the SAI. To keep the process inclusive, the SP team should strive to ensure gender balance and also make provisions for consultation with the SAI gender focal point, if such exists. However, the size of the SP team should correlate to the size of the SAI. In the case of small SAIs, this could be a small team of three or four persons, in case of very large SAIs, this could potentially be an extensive team. In case the team size seems too unwieldy, the SAI may consider having a smaller core team and a larger team to ensure ownership and involvement of all key stakeholders. The SAI may also decide to bring in an external expert to advise the strategic planning team. In involving an external expert, it is important to ensure that the ownership and decision-making for the strategy development stay with the SAI.

There are roughly four key stages of the strategy development process. Roles and responsibilities will have to be defined for each of those. Often, project plans will specify more detailed activities, as well as timeframes under each stage.

A Assessing the current situation

Assessing the current situation is the first stage in the development of a strategic plan. The approach suggested in this handbook and outlined in the next chapter, covers an assessment of current performance using the SAI PMF framework, as well as an analysis of stakeholders' views and expectations as main activities in this stage. Depending on the specific SAI context, the SP team may choose an alternative approach for performing this step. While the SP team should have overall responsibility for managing this stage, the actual work could be delegated to a more functional level team, with oversight responsibilities within the SP team. In case an SAI decides to use the SAI PMF tool to assess the current situation, the SAI PMF document provides detailed guidance on how to design the approach and the process. The SP team may also decide to obtain further proficiency in the methodology by attending a training course. The section on roles and responsibilities should mention such steps. An SAI may also decide to outsource (part of) this work to external service providers. For example, a media or public relations agency may be a suitable option to carry out an analysis of the external stakeholders' views and expectations of the SAI.

FIGURE 3.2 Key stages of the strategy development process



B Crafting the SAI strategy

Based on the analysis of the current situation, the SP team will need to agree on a detailed process for crafting the SAI strategy. The SP team is responsible for coordinating inputs gathered from different sources during the development process and for ensuring that the final draft reflects all strategic discussions appropriately. This will usually involve the analysis and agreement on key strategic issues and several iterations of the draft results framework (impact-outcomes-outputs-capacities) based on internal consultations with SAI staff and feedback and approval from SAI leadership. Additional elements, such as performance measurement of the results framework, also will need to be agreed upon. Only then can the actual document be drafted. Drafting requires both writing and communication skills. The write-up of the document itself should be best kept within the SP team, under the supervision of the SP team leader, to ensure a coherent and stylistically consistent document. This person could be an SP team member, somebody else from within the SAI or an external person. The Head of SAI is generally responsible for approving the strategic plan of the SAI. In case any other approvals are required as per the mandate of the SAI, the SP team should determine the timing and process to be followed for getting all required approvals. The project plan should include a corresponding milestone.

C Mechanisms to ensure quality

Only an SP process and SP documents of high quality will enjoy credibility among stakeholders, be implemented coherently and endowed with the necessary ownership. That is why having mechanisms to ensure quality is of crucial importance. Some of the quality control mechanisms include putting in place an SP team that has the required competencies to drive the process; reviewing best practice requirements for strategy development and building them into the SAI strategy development process. The SP team could also use checklists to review their own work or review each other's work. The SAI may also consider quality assurance mechanisms like getting a highly experienced colleague, a peer or an external review of the strategy, to assure the quality of the SP process and documents. Such external and independent feedback may also be sought after key milestones in the strategy development process. A final review of the draft strategy focused on consistency is also desirable.

D Communication

The strategic plan document of an SAI is a vital communication tool for the strategic intent of the SAI. The SP team is responsible for determining how to market and communicate the plan to internal and key external stakeholders. The SP team may choose to delegate this responsibility to more specialised teams or people in the SAI. The SP team should nevertheless continue to coordinate this process to ensure that main messages are appropriately communicated. Many SAIs also choose to use different types of media, including social media for marketing and communicating the plan.

3.4 | KEY STAKEHOLDERS AND CONSULTATION PROCESS

The strategic plan should be both relevant and implementable. Therefore, it is strongly recommended that as part of assessing its current situation, the SAI follows a broad-based consultative process for its development. The project plan for the SAI strategic plan development should include a high-level overview of those key external and internal stakeholders, which the SP team deems crucial to be consulted and kept informed about the process. An in-depth discussion of the SAI's possible main stakeholders is included in Chapter 4.2 of this handbook. As the following chapters in this part of the handbook will demonstrate, as a minimum, the consultation process should cover the following:

- Initial consultation with the Head of the SAI and the management team;
- Consultation with SAI staff or representatives, as part of the stakeholder analysis process;
- Consultation of key external stakeholders on their views and expectations, as part of the stakeholder analysis process;
- Consultation with the Head of SAI and the management team on the vision, mission and value statements, as well as on the findings of the analysis of the current situation of the SAI;
- Presentation and consultation of the draft results framework to the Head of the SAI and the management team;
- Presentation of the draft SAI strategy to the Head of the SAI and the management team and incorporation of feedback;
- Presentation of the draft final SAI strategy to SAI staff;
- Presentation and awareness-raising on the finalized document with external stakeholders and through appropriate channels (media releases, press conferences, etc.).

3.5 | DRAFTING THE PROJECT PLAN

The project plan would detail each milestone in the strategic planning process, the resources required, the steps in the process, the timelines and the deliverables expected at each milestone. Table 3.1 demonstrates an example of how such planning can look like for some of the key milestones discussed.

The SP team may decide to set milestones at a more detailed level if they find that more convenient to plan and monitor the strategy development process. The SP team may also decide to run some of the processes in parallel. Experience from SAIs shows that the overall process from start to producing the final strategic plan document in its final form takes 9 to 12 months. The SAI PMF assessment stage is usually the most time-consuming activity in this process. Therefore, it is fundamental to dedicate sufficient resources to it, in order not to slow down the posterior stages.

After developing a project plan for strategy development, the SP team can consider using a checklist to review the project plan.

BOX 3.1

CHECKLIST FOR PROJECT PLAN EVALUATION

- **Is it realistic?** Will it be possible for the SP team to reach the stated objectives within the stated timeframe and with the stated resources? Moreover, is it realistic to expect the stated resources to be made available to the SP team?
- **Is it comprehensive?** Does it detail all the milestones and tasks required in the process?
- **Are the tasks sequenced logically?** Especially if one step depends on the output from the earlier step.
- **Are the stated techniques appropriate for the envisaged output?** Are the estimated resources sufficient for the successful completion of the milestone?
- **Are the timeframes, responsibilities and expected output of each stage (objectives) clearly defined? Is there room for flexibility?**
- **Will the plan as a whole help the SAI achieve the final product i.e. a strategic plan document?**
- **Does it provide for broad-based stakeholder involvement?**
- **Does it clearly define quality control and quality assurance mechanisms to ensure information is correct and the processes have been followed, resulting in a high-quality strategic plan?**

TABLE 3.1 Project plan overview

What?	Result?	How?	Who?	When? Period and duration
Analysis of the current situation	Independently reviewed, holistic and evidence-based SAI PMF report on the SAI's current performance	Conducting SAI PMF as a self-, peer or external assessment, or a combination of those Independent review on adherence to SAI PMF methodology	SAI PMF assessment team, independent reviewer	Ca. 9-12 months before the new strategy is due Takes ca. 6 months
Stakeholder Analysis	Documented understanding of key internal and external stakeholders, their current perceptions and expectations of the SAI and their role in strategy development	Stakeholder analysis following the four-step approach	SP team, SAI staff responsible for communication	Ca. 6 months before SAI strategy is due Takes one month (can be done in parallel or upon finalisation of draft SAI PMF report)
Crafting SAI strategy	A strategic plan identifying a clear results framework and strategies to improve performance	SWOT analysis to identify strategic issues Definition of results framework: Impact, outcomes, outputs Identification of capacity gaps and strategies to address them Prioritisation and feasibility analysis Consult draft results framework with rest of SAI Obtain approval from Head of SAI	SP team	Takes 1-3 months (based on draft SAI PMF report) Ca. 3-6 months before the new strategy is due
Finalisation of the strategy	Language and design edits, consistency checks	Final document ready for sharing in digital and print formats	SP team, staff responsible for communication	Ca. 6-8 weeks before the new strategy is due Takes ca. 2-4 weeks
Communicate SAI strategy	Awareness-raising and advocacy on the new strategic plan	Internal staff meetings Media releases and engagement with key external stakeholders	SAI leadership, SAI staff responsible for communication	In the month before and after the new strategy is approved

CHAPTER 4 AT A GLANCE

Key learning points 

- An evidence-based assessment of performance using the SAI PMF methodology provides the best and most comprehensive approach for an SAI interested in knowing how it fares against the ISSAIs.
- SAI PMF findings provide a detailed and rich analysis of the performance of the key products of the SAI's work (audit and jurisdictional control coverage, quality, timeliness and follow-up, other core work) and the explanatory factors thereof.
- SAI PMF findings easily align against the results chain described in the SAI Strategic Management Framework.
- The SAI PMF process needs to be carefully planned and executed to be successful.
- The SAI PMF process needs to be understood, supported and prioritised by the SAI Leadership.
- A stakeholder analysis should apprehend the SAI PMF findings with information on what the SAI's main internal and external stakeholders think and expect of the SAI.
- The stakeholder analysis ensures that the SAI can choose its priorities that are relevant and important for its stakeholders and thus enable its contribution to the external environment in which it operates.
- To carry out the stakeholder analysis, the SP team will need to map internal and external stakeholders according to their power and interest in the SAI and then collect and analyse the views and expectations of a selection of those.

Main steps in the process to follow:
Do-minimum scenario for less experienced SAIs 

- Decide on the application of SAI PMF. Based on the degree of development of the SAI and the availability of internal assessment capacity and external support for the assessment, it could consider a simpler, less time-consuming methodology.
- Regardless of the specific methodology, ensure that the assessment approach is based on objective information and evidence and thematically covers the six main domains in SAI PMF.
- Map and select there to five most important external SAI stakeholders from which to source views and expectations, thus limiting the efforts. Do not forget internal stakeholders!

Additional steps in the process to follow:
Advanced scenario for more experienced SAIs 

- Apply SAI PMF, ensuring the engagement of SAI leadership and prioritisation of the process to complete in ca. 6 months.
- Do a comprehensive stakeholder mapping and analysis.
- Consider the stage of collecting stakeholder views and expectations as an opportunity to position, promote and affirm SAI's role as an essential institution in the public sector.

Having an in-depth understanding of its current performance is a prerequisite for a robust strategic plan. It allows the SAI to identify the key strengths and weaknesses and understand the key factors that influence positive and negative performance. The assessment of the SAI's current situation also provides a solid baseline against which it can track progress and report.

To assess the SAI's current situation, two different perspectives need to be taken into account. First, an evidence-based, objective analysis of current performance and capacity, which also reflects the local environment and culture in which the SAI operates (Section 4.1). Such an assessment ensures realism for the strategic plan. Second, assessing the current situation includes an analysis of the views and expectations of the SAI's stakeholders – internal and external (Section 4.2). It considers their importance, expectations, interest and attitudes. Such stakeholder analysis will enable the SAI to develop a strategy where the SAI stays relevant to its stakeholders and is crafted considering their likely support – or resistance – to the change process.

The Annex to this Chapter contains an example of the qualitative assessment of SAI performance using the SAI PMF methodology, as well as a stakeholder analysis of a fictitious SAI, SAI Norland. This fictitious case study continues throughout the Annex for each primary step in the SAI strategic management process.

Note that this chapter departs the commonly used terminology of 'Needs Assessment'. It focuses solely on assessing the SAI's current situation. The SAI can only determine its needs once it has worked out where it wants to get to in terms of desired performance and has made strategic choices regarding how to get there.

4.1 | EVIDENCE-BASED ASSESSMENT OF PERFORMANCE AND CAPACITY

Characteristic and choice of a performance assessment methodology

Various approaches, tools and frameworks exist to help SAIs assess their current performance. To serve as a sound basis for strategic management, a performance assessment should have the following features:

- Measure performance against an agreed set of standards or benchmarks, which remain consistent over time;
- Be based on the collection of reliable and relevant evidence, including review of audit work and, when applicable, jurisdictional controls;
- Provide a measure of performance at one point in time;
- Measure what the SAI does in practice, not just what it is supposed to do according to laws, standards and manuals, or what it intends to do in future;
- Combine quantitative measures that can be monitored over time with qualitative information that captures essential elements that are not easy to express in figures. The combination enables an overall understanding of performance.

The tool suggested in this handbook is the SAI Performance Measurement Framework⁹ (SAI PMF). SAI PMF was endorsed by INTOSAI in 2016, as the preferred tool for holistic SAI performance assessment, as it displays all the features mentioned above. Since then, SAI PMF has firmly established itself as the assessment methodology of choice for SAIs of all kinds, from both developed and developing countries. Other frameworks and tools, for example, an evaluation of the SAI's strategic plan, SAI performance reports or peer reviews, may be used, so long as they meet the critical requirements of being an evidence-based and holistic assessment

⁹ For more information about SAI PMF and specific guidance on how to conduct an SAI PMF assessment, please check the site for SAI PMF on the IDI webpage <http://www.idi.no/en/idi-cpd/sai-pmf>.

of performance and capacity. The SAI's experiences, background, confidence and available support in using any of these tools and techniques should inform its decision. The remainder of this section will refer to SAI PMF in explaining the details of conducting a performance assessment, but the information is mostly transferrable to other methodologies.

The SAI Performance Measurement Framework

SAI PMF examines the SAI's current capacities (professional, organisational and institutional) and its key products, such as audits, against international standards (principally, the ISSAIs) and other relevant good practices. It is a holistic performance measurement framework that analyses SAI performance in six key areas – Institutional and Legal Framework (A), Internal Governance and Ethics (B), Audit Standards, Process and Results (C), Financial Management, Assets and Support Services (D), Human Resources and Professional Development (E), and Stakeholder Management (F) (Figure 4.1). Each domain contains several performance indicators (known as SAI-1, SAI-2 etc.) further broken down into dimensions (ranging from i-iv) that measure in detail a specific element of the SAI's work. For example, one indicator in Domain A (Independence and Legal Framework) looks into the SAI's mandate (SAI-2). To capture all

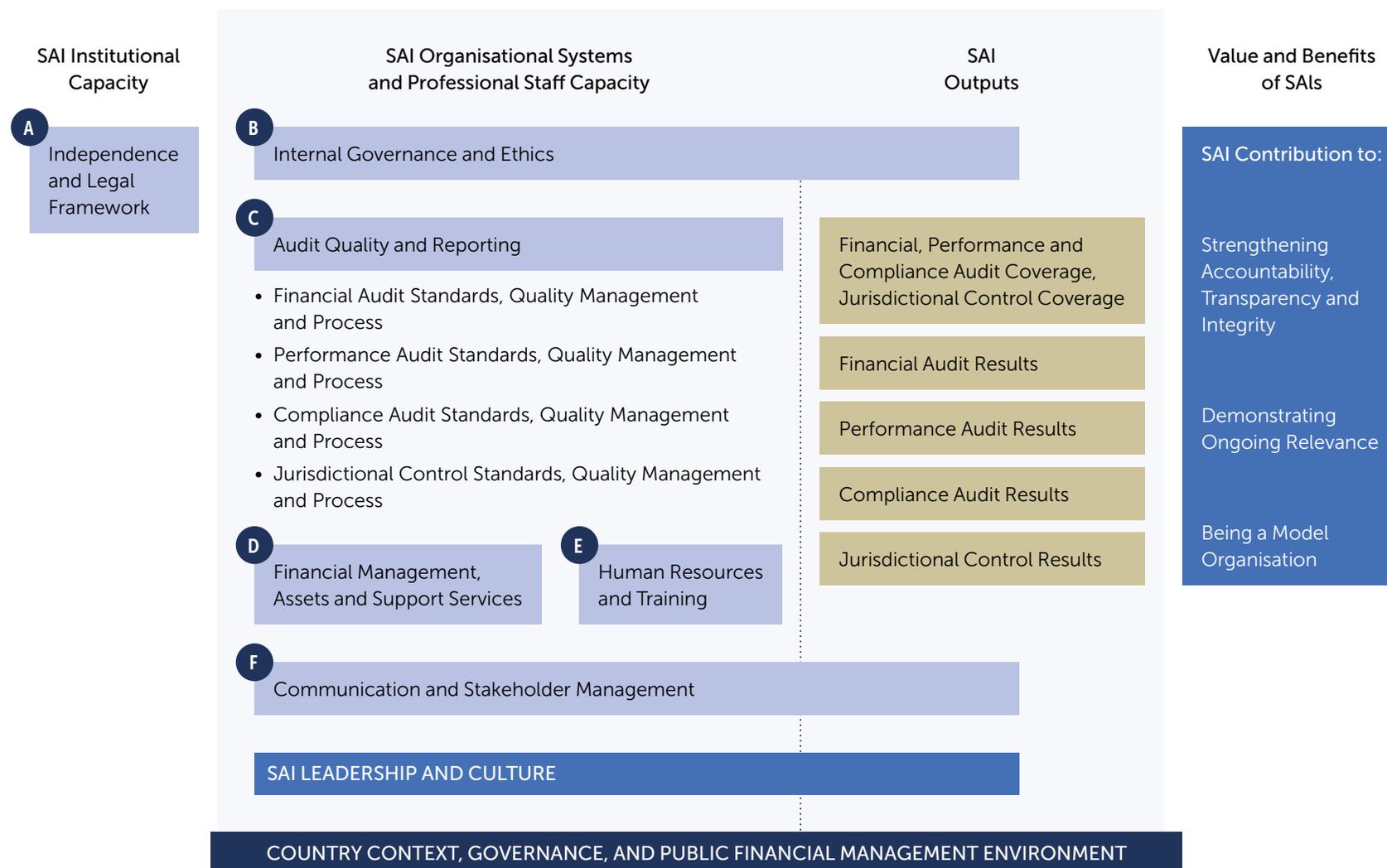
aspects related to the SAI's mandate, the indicator includes three dimensions – (i) Sufficiently broad mandate; (ii) Access to information, and (iii) Right and obligation to report.

There are several advantages of carrying out an SAI PMF assessment as compared to other assessment tools. First, the findings are based on a strict methodology that requires evidence, thus making the reliability and objectivity of results particularly strong. An independent review of the report administered by the IDI provides an additional layer of robustness to the findings.

Second, SAI PMF uses an objective measurement approach, whereby objective scores are assigned to up to 25 indicators of aspects of SAI performance, additionally broken down in almost 80 dimension scores. The indicators and scores allow for easy monitoring and comparison of progress and changes in performance between assessments.

Third, SAI PMF delivers not only rich and detailed analysis of SAI capacities in each of its six domains, but also contains a qualitative assessment of performance that greatly supports strategic planning.

FIGURE 4.1 The SAI Performance Measurement Framework



One part of this assessment is an integrated analysis of the strengths and weaknesses of the SAI. It captures SAI performance in terms of the coverage, timeliness and quality of the different audits and jurisdictional controls done by the SAI. It examines the root causes thereof and the extent, to which those are within the SAI's control or influence. This analysis is done in a structured way which can be easily related to the results levels in the SSMF (Table 4.1). Therefore, SAI PMF findings are a crucial input for strategy formulation. Besides, some of the indicators and dimensions can be applied on an annual basis and so can be used for regular monitoring of performance.

Finally, SAI PMF has its rationale in INTOSAI-P 12, SAIs delivering value and benefits to citizens. Therefore, another part of the qualitative assessment concludes on the actual contribution of the SAI to the INTOSAI-P 12 objectives of transparency and accountability and good governance in the public sector. Although captured at a high level and mostly based on examples, this analysis also has some useful inputs for strategic planning. It provides an indication of the current performance of the SAI at the level of outcomes – those desired changes in the SAI's external environment that it aims to influence through its audits, jurisdictional controls and other core work.

TABLE 4.1 Mapping of SSMF areas against SAI PMF indicators (SAI-1 to SAI-25) and dimensions (i-iv)

SSMF area	Corresponding SAI PMF domain, indicator and dimension (as per 2016 endorsement version)
Capacities	
Institutional capacity	Domain A: Independence and legal framework SAI-1, SAI-2
Organisational capacity	Domain B: Internal governance and ethics (SAI-3, SAI-4, SAI-5, SAI-6, SAI-7) Domain C: Audit quality and reporting (SAI-9 (i), SAI-12 (i), SAI-15 (i), SAI-18 (i)) Domain D: Financial management, assets and support services (SAI-21)
Professional capacity	Domain C: Audit quality and reporting, SAI 9 (ii), SAI-12 (ii), SAI-15 (ii), SAI 18 (ii) Domain E: Human resources and professional development (SAI-22, SAI-23)
Outputs	
Audit results and jurisdictional control results (Coverage, timeliness, quality, SAI follow-up)	Domain C: Audit quality and reporting SAI-8 (coverage) SAI-10 (iii), SAI-13 (iii), SAI-16 (iii), SAI-19 (iii) (Evaluating evidence and reporting on audit findings) SAI 11, 14, 17, 20 (Timeliness and publication)
Accountability reporting	Domain B: Internal governance and ethics, SAI-3 (iv)
SAI engagement with stakeholders	Domain F: Communication and stakeholder management (SAI-24, SAI-25)

SAI NORLAND'S SAI PMF FINDINGS

- Good coverage and timeliness across audit types, but weaknesses in audit planning and selection
- Significant quality issues for financial and compliance audit, due to lack of training and quality management weaknesses
- Small but strong performance audit practice
- Variable follow-up practices, motivated by experience and external interest for some audit types
- Weak but improving relationship with external stakeholders

**FIND
OUT MORE
in the Annex to
Chapter 4!**

SAI PMF assessment process

Carrying out an SAI PMF assessment is a process structured around four key phases (Figure 4.2). Those are briefly described in this section, but the official document describing SAI PMF framework¹⁰ and supporting guidance prepared by the IDI cover these steps in an exhaustive manner.

- **The decision to undertake an SAI PMF assessment:** There should be a high-level decision to conduct an SAI PMF assessment, made by the Head of SAI. This requirement builds on the principles that SAI PMF is a voluntary assessment tool, and that the end product, the SAI Performance Report, is the property of the SAI. SAI leadership must also consider the purpose and timing of the assessment, the assessment approach to be used, and how it aims to share the results externally. Most SAI PMF assessments are undertaken with an explicit aim of informing strategic or capacity development planning in the SAI. Still, results can also be used for monitoring and tracking of progress. Generally, it is recommended to do an SAI PMF assessment every five years¹¹ and time the process in the last year of the strategic planning period, so that results can come in time to inform the drafting of a new strategic plan. A SAI PMF assessment can be carried out as a self- peer- or external assessment, or as a combination of those approaches. The decision depends on the SAI's needs and capacities. In the spirit and expectations of INTOSAI-P 12 and SAIs, leading by example in being transparent and accountable, the SAI should strongly consider publishing at least a summary of the assessment results.
- **Planning the Assessment:** Key decisions on the assessment's purpose, approach, team composition and timeline should be documented in the Terms of Reference (ToR)¹² for the assessment. The ToR should be prepared by the assessment team and agreed with the Head of the SAI. The ToR should also create a mutual understanding between the SAI and the assessment team of what the SAI can expect and how it

FIGURE 4.2 Key phases in SAI PMF assessment process



needs to contribute to facilitate the assessment. The SAI PMF assessment team should be headed by a team leader in charge of the qualitative analysis and quality control. As a whole, the team should at best consist of team members who have good knowledge of the different audit streams the SAI is performing, as well as of support functions like Human Resources (HR), Information Technology (IT) and organisational processes. For SAIs with jurisdictional control functions, one team member should possess an in-depth understanding of those to apply the methodology. It is essential that there is enough knowledge about the SAI PMF framework and methodology amongst the team members. The assessment process requires a fair amount of analytical skills and ability to synthesize information. It also requires communication skills and ability to write.

- **Implementing the assessment:** Carrying out an SAI PMF assessment generally consists of a preparatory, field, drafting and concluding phases. In the preparatory phase, the team should carry out a document review and schedule interviews with SAI management and staff. The fieldwork is the most intensive stage of the SAI PMF assessments and consists of the gathering and analysis of evidence that supports whether the various criteria of the SAI PMF framework related to performance have been met. This work will typically cover a dedicated 2-3 weeks period, where the assessment team examines the detailed data collected, focusing mainly on the

¹⁰ Available at: <https://www.idi.no/elibrary/well-governed-sais/sai-pmf/426-sai-pmf-2016-english/file>

¹¹ Whenever a strategic plan covers a longer period of more than five years, the SAI may consider carrying out an SAI PMF assessment as part of the mid-term review of the strategic plan.

¹² The SAI PMF team at the IDI maintains a comprehensive webpage with methodological documents, guidance and templates on SAI PMF, including a template for the ToR that includes detailed steps and tasks in the process. See <https://www.idi.no/workstreams/well-governed-sais/sai-pmf/resources>

analysis of a sample of audit files that reasonably represents the SAI's work. For the assessment to give accurate results, the team must ensure that the data collected is valid and robust. The scoring of the 25 indicators forms the basis for the qualitative assessment in the performance report and should be finalised before writing this section. The next step is for the team to write a report to communicate its findings and conclusions to the relevant parties. The report consists of three main parts: One part that describes the SAI background and methodology; the Indicator report that details all scores for each of the six domains; and the qualitative assessment concludes on the performance of the SAI as regards the main products of its work and the root causes of this performance.

- **Quality management to ensure a high-quality report:** Ensuring the quality and objectivity of assessments is fundamental to producing an SAI PMF report which correctly describes the SAI and its activities and which adds value to the development efforts of the SAI. The quality control arrangements should cover review of working papers, work of the team, supervision and monitoring of progress. The assessment team leader is responsible for the first level of quality control of each part of the report and the consistency of findings. The second level of quality control of the draft report should be done by someone in the SAI, who has not been part of the assessment team, but who can verify that all facts stated in the report are correct and that observations and findings are consistent throughout the report. It is strongly recommended that all SAI PMF reports are subject to an Independent Review of the report's adherence to SAI PMF methodology by a certified external and independent reviewer¹³.

SAI PMF success factors

Applying the SAI PMF methodology can be a challenging task, especially if done for the first time. To ensure the success of the process, the following factors, which closely align with some of the SAI strategic management principles, are critical:

- **Inform and engage the Head of the SAI and SAI leadership:** The assessment team should provide regular updates on the progress of the work to the Head of the SAI. Such updates include an initial briefing on the approach, methodology and process. The assessment team should also emphasise the need for evidence to justify indicator scores, as well as the importance of prioritising efforts for finalising the assessment in a reasonable period of time. At least one additional meeting upon completion of the draft indicator report, but even better a meeting to present the draft findings per domain (potentially with the participation of responsible staff in that area), will guarantee the support and ownership of the SAI leadership for the results. Finally, a meeting to present the integrated assessment of performance should serve as a validation
- **Dedicate sufficient time and resources to the assessment:** The main reason why SAI PMF assessments sometimes take long is that assessment teams cannot dedicate the required time to the assessment. Team members sometimes get assigned other, new tasks, or even get pulled away completely. To mitigate such risks, assessments team should not only be well staffed in terms of skills and numbers but that they have a clear mandate to prioritise and complete the assessment in the desired timeframe. If prioritised, a team can complete the entire assessment within 6 to 9 months.

¹³ Key objectives of the Independent Review are to ensure that the indicators and scores are applied correctly, based on sufficient and appropriate evidence, and that these elements support an analysis leading to valid conclusions. The IDI is the coordinator of the Independent Review function globally and can provide support in identifying a certified reviewer from a pool of SAI PMF experts.

4.2 | STAKEHOLDER ANALYSIS

For an SAI to be able to perform not only effectively, but also meaningfully, it needs to be able to stay relevant to its stakeholders. Although the SAI PMF assessment examines the SAI's communication and stakeholder engagement practices, it usually does so only from the perspective of the SAI. To analyse what the SAI's key stakeholders consider its role to be, what specific expectations they have about its work, and the extent, to which the SAI fulfils those expectations currently, a different type of analysis is needed to supplement the SAI PMF findings and support strategic planning.

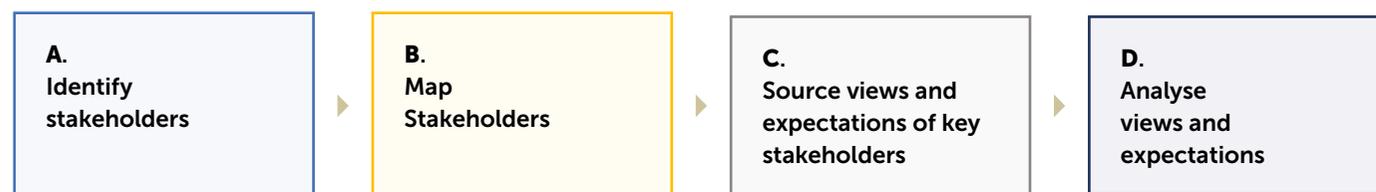
Gathering and analysing the views, attitudes and expectations from the main stakeholders to the SAI is an integral part of the strategic planning process and is often referred to as stakeholder analysis. Such insights are essential for SAIs if they want to be inclusive and are to advance challenging agendas to become more responsive, credible and visible to citizens. It can support more effective and feasible strategies, as well as can inform more realistic expectations of what can be achieved, and the risks involved. It provides the opportunity to develop more honest and productive relationships with audited entities, government and development partners. Through that process, an SAI can increase its standing as an organisation that champions accountability in its own work as well as regarding others.

This section introduces a four-step approach in conducting a stakeholder analysis (Figure 4.3)¹⁴. The analysis is best done by the SP team. However, some additional support may be required when it comes to the crucial step of collecting stakeholders' views and expectations. The Head of the SAI and SAI leadership should be kept closely in the loop during the process and should advise and possibly take on a leading role when it comes to (parts of) the analysis. Their involvement and support are vital because approaching the SAI's external stakeholders can be a delicate and sensitive issue. On the other hand, SP teams and SAIs, in general, should see this analysis as an opportunity to raise awareness on their role and on their efforts to become more responsive, relevant and accountable.

A Identify stakeholders

The first step in stakeholder analysis is the identification of stakeholders. Loosely defined, a stakeholder is a person or group of people who can affect or be affected by a given project or proposed change, in this case, SAI reform. Stakeholders can be individuals working on a project, groups of people or organisations, or even segments of a population. A stakeholder may be actively involved in an SAI's work, affected by the SAI's outcomes, or in a position to affect the SAI's success.

FIGURE 4.3 Main steps in the analysis of SAI stakeholders



¹⁴ This section and approach it contains have been strongly informed by the experiences of IDI's initiative on SAIs Engaging with Stakeholders, which ran between 2017 and 2020.

Stakeholders could be both internal and external. Internal stakeholders can relate to both individuals and groups within the SAI. How such groups will be defined depends on the specific SAI context. For example, the SP team could split internal stakeholders into leadership, senior and mid-management; or into audit and non-audit staff. Other distinctions, for example by audit profession, gender or physical location (e.g. regional offices) are also possible.

External are those groups of people or institutions outside the SAI that the SAI considers relevant for its work. Typically, external stakeholders can be broken down into the following groups:

- The Legislature
- The Executive and audited entities
- The Judiciary
- The media
- Citizens and Civil Society Organisations (CSOs)
- Development partners, academics and professional bodies.

The SAI's relationship to the first three stakeholder groups typically follows institutional rules and arrangements, whereas the latter three have non-institutionalised relationships with the SAI¹⁵.

It is important to consider whether a stakeholder group is a homogenous group, or whether it should be further divided into different groups. For example, Parliament can be split according to ruling and opposition parties having different interest and power concerning SAI reform. Some legislative committees, such as a budgetary oversight committee, can be especially significant for the SAI. Similarly, SAI staff could be split into those with professional qualifications who may benefit from an SAI reform such as professionalization of the SAI, and those without qualifications. It is advisable to also consider the role of informal groups and power structures, for example belonging to a trade union, or a particular tribe, if those are relevant.

SP teams doing the stakeholder analysis are encouraged to prepare an exhaustive list that takes into account all relevant groups and sub-groups, but still considers the principle of keeping things manageable. For example, it may not be advisable to consider every auditee separately. Still, grouping auditees into, for example, central government, local government, state-owned enterprises etc., may be a useful division.

A product of identifying stakeholders should be a stakeholder register. This is where the SAI reform team captures the names, contact information, titles, organisations, and other pertinent information of all stakeholders. The list of identified stakeholders could, for example contain the following:

TABLE 4.2 Example of the results of an SAI stakeholder identification analysis

External institutional stakeholders (non-Executive)	External institutional stakeholders - Executive	External non-institutionalised stakeholders	Stakeholders
Parliament – ruling party	Cabinet and Government Ministers	Community leaders	SAI leadership
Parliament – opposition parties	Ministry of Finance (MoF)	Business community	Heads of audit and corporate departments
Legislative Oversight Committee	Senior management of Ministries, Departments and Agencies	Media – radio, TV and newspaper and print journalists	Auditors
Judiciary and investigating agencies	Internal audit units in Ministries, Departments and Agencies	Trade unions	Other technical and support staff
Anti-corruption commission	Government accountants preparing financial statements	Civil Society Organisations	SAIs external technical advisors

¹⁵ The Annex to this chapter contains further specifications on the issue of institutional and non-institutional stakeholders.

B Stakeholder Mapping

Often the process of identifying stakeholders will result in a long list of individuals and groups. Once you have identified your stakeholders, the next step is to map out the position of stakeholders and then prioritise them in the order of importance. A common approach is to position each stakeholder group in one of four quadrants of a grid-based on an assessment of their power and interest vis-à-vis the SAI (Figure 4.4). Such power-interest grid can help determine which stakeholders to approach and actively seek feedback from.

Two basic dimensions are essential to know when **initially** considering key stakeholders. These are:

1. Their **power** or ability to influence the SAI. Some SAI stakeholders may be in a particularly strong position to influence the SAI, for instance, through exercising control over its resources. Identifying such influential stakeholders is critical as they can shape the SAI's reform agenda. The power of stakeholders can often be reflected in their degree of influence over audit topic selection, over human or financial resources or other aspects of independence. However, stakeholders can also exercise power by limiting the SAI's access to information. Another manifestation of power can be when individual stakeholders raise support or impede the SAI agenda.
2. Their **interest** in SAI matters: Some stakeholders may be powerful, but not necessarily interested in engaging with the SAI. On the other hand, others might have a particular interest in the work of the SAI, and the SAI should take advantage of such interest to influence specific actions. Stakeholders may have, or show (or refuse to show) interest to collaborate on general or specific topics, to use audit reports, to support or champion the SAI's reform agenda, or to report on the SAI's work.

The result of the power-interest grid (Figure 4.4, see also Annex to this chapter for detailed guidance on designing the grid) is a refined

list of highly relevant stakeholders to be asked to contribute their expectations. As a rule, the more powerful and the more interested a stakeholder is perceived to be, the more relevant it is to collect their expectations from the SAI. What stakeholders to involve must ultimately be the SAI's decision, though. Another advantage of the grid is that it provides for a guide on how to keep key SAI stakeholders informed and possibly engaged throughout the SAI strategy development process.

As a result of the mapping exercise, four distinct categories of stakeholders emerge (1) high power – high interest; (2) high power – low interest; (3) low power – high interest; (4) low power – low interest). Based on the placement of stakeholders in the four categories, the SP team needs to make a decision on a cut-off point indicating which stakeholders it will approach the next in Step 3 to collect their views and expectations. In addition to the stakeholders with high interest and high power, the SAI may select a few of the other stakeholders among the ones with high power – low interest or

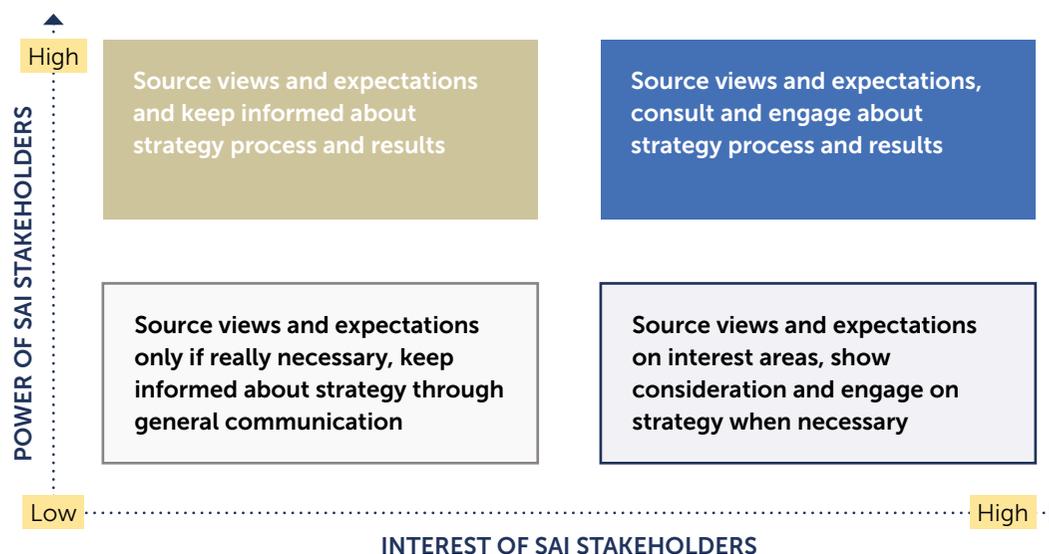
POWER

The ability of a stakeholder (both internal and external) to influence what the SAI does and how it does it.

INTEREST

The extent, to which a stakeholder takes an active role in engaging with the SAI.

FIGURE 4.4 SAI stakeholders' power-interest mapping grid



low power – high interest. The decision of where to set the cut-off should preferably take into account:

- Available time to undertake the collection of views and expectations;
- Available resources to invest in the process;
- The likelihood of additional stakeholders bringing in critical and new perspectives and information.

To assess whether additional stakeholders would add such critical value, one may carefully consider the knowledge and information within the SAI of these stakeholders. Another consideration can be the risk of bias if only collecting views and expectations from the high interest – high power group as these are likely to be more “like-minded” than stakeholders in the other groups.

C Source key stakeholders’ views and expectations

Collecting key stakeholder’s views and expectations can be conducted through various methods – from round tables, focus groups or consultations, to discussions with individual people or groups. Another way is through surveys and questionnaires or media analysis. The choice of suitable instrument(s) will depend on the relationship of the SAI with a stakeholder, on the number of possible interviewees within a particular stakeholder group, and on the SAI’s own capacity and confidence to reach out and ask for feedback on its work. The external circumstances, such as the current political situation in the country, can also play a role. An SAI may be more mindful of doing large-scale round tables close to elections if it is concerned that it may jeopardise how it is perceived. In the context of the COVID-19 pandemic, organising physical events and meetings has been very difficult, which is why using online tools such as questionnaires, followed up by phone or video calls with a few selected stakeholders, can be more practical. Again, the strategic management principle of keeping it manageable should be observed. For example, the SP team may consider already scheduled

events where both the SAI and a stakeholder would be present and try to organise a back-to-back meeting. Also, the SP team should seek to involve the Head of the SAI and the SAI’s press or communications office in the process. Audit team leaders may also be a suitable gateway to establish contact with auditees. Usually, the SP team will have to employ a mix of tools (Table 4.3).

TABLE 4.3 Principle methods for collecting stakeholder views and expectations

Method	Advantages	Disadvantages	Potentially suitable for
Bilateral meetings (interviews)	<ul style="list-style-type: none"> • Possibility to go in-depth into issues can yield rich findings • Provides an opportunity for awareness-raising and mobilization of support for the SAI’s reform agenda 	<ul style="list-style-type: none"> • Depends on availability and readiness of stakeholder • Not everyone in the SAI may be authorised to engage on the SAI’s behalf 	<ul style="list-style-type: none"> • Those stakeholders that are closest to the SAI • Members of Parliament and Parliamentary Committees • Development Partners • Individual members of the Executive (e.g. Minister of Finance, Head of the Presidential Administration) • Appeals judges (for SAIs with jurisdictional powers) • SAI senior management
Focus groups, round tables, workshop-setting discussions	<ul style="list-style-type: none"> • May allow for instant validation of findings if several stakeholders share the same view • Allow for exploration of various topics and issues 	<ul style="list-style-type: none"> • Risk of bias and convergence of opinions in the group • Requires careful selection of participants that should be at the same level 	<ul style="list-style-type: none"> • SAI middle management • Auditees • Internal auditors • Civil Society Organisations
Electronic questionnaires and surveys	<ul style="list-style-type: none"> • Allow for the gathering of information in a standardized way • May enable more honest responses if they guarantee anonymity 	<ul style="list-style-type: none"> • May be resource-intensive and difficult to follow-up if the response rate is low • May be challenging to ensure the right people are filling out the responses 	<ul style="list-style-type: none"> • SAI staff • Auditees • Citizens • Members of Parliament • Media

The specific audience will in part dictate the choice of detailed questions and the specific method chosen to gather their views and expectations. In general, it is advisable to keep the discussion around a set of seven key questions, which can be then appended and modified depending on the profile of the interviewees:

The Annex to this chapter contains more detailed examples of questionnaires that can be adapted and used for different groups of stakeholders.

BOX 4.1

GENERAL QUESTIONS TO SEEK FEEDBACK ON

1. What do you think is the SAI's main contribution to the public sector?
2. What do you think is the SAI's main contribution to the work of your institution/ organisation?
3. Do you think the SAI is fulfilling these roles now? If yes, how? If no, why?
4. Do you read/ use the SAI's audit reports? Can you name some?
5. If so, do you find them relevant and user-friendly?
6. Are there topics or issues where you think the SAI should engage more in?
7. Would you like to highlight some positive or negative aspects related to the SAI's work?

D Analyse views and expectations

Once the collection phase has finished, the SP team needs to analyse the obtained information. A first useful step towards this analysis is to populate a small grid, with concise summaries or bullet points capturing the essence of what has been communicated. On that basis, the SP team could assess each stakeholder on a scale of 1 to 5 regarding their possible support for SAI reform. Table 4.4 provides an example of a fictitious SAI on how such a table could look like if filled out for some stakeholders.

TABLE 4.4 Example of a populated summary table for analysis of collected SAI stakeholders' views and expectations

Stakeholder	Power / Interest	Stakeholder's Expectation	Stakeholder's current view	Tag
Ministry of Finance	Strong power, strong interest	<ul style="list-style-type: none"> • The SAI should contribute to better financial reporting and support the anti-corruption agenda • The SAI should audit reports and judgments that are objective, transparent and without any political agenda or biased 	<ul style="list-style-type: none"> • The SAI is not very active and could do more to engage on topics of general interest • The financial audit reports are of good quality but arrive very late 	3 – indifferent to SAI reform
Budget and Finance Committee in Parliament	Strong power, strong interest	<ul style="list-style-type: none"> • The SAI's primary role is to support Parliament in exercising its oversight function • The SAI should consider our requests for audits of specific topics • The SAI should provide us with timely advice when requested • The audit reports should be more user-friendly 	<ul style="list-style-type: none"> • The SAI does not provide us with timely advice, but when they do it is beneficial • Audit reports are very long and difficult to read 	5 – very supportive of SAI reform
President's administration	Strong power, low interest	<ul style="list-style-type: none"> • The SAI should enhance trust in government by demonstrating the accounts are in order • The SAI should support the President's anti-corruption agenda 	<ul style="list-style-type: none"> • The SAI is not causing any positive or negative headlines in the press, and this is good 	2 – not supportive, prefer things stay as they are

Based on the summary table, the SAI could also do an overall analysis of findings and emerging trends (Figure 4.5). To do this, the SP team should consider first if there are any general findings in terms of similar views and expectations, which should be reflected in the SAI strategy. The SP team should conclude on the extent, to which the SAI is already meeting the expectations of its stakeholders. Finally, it should also seek to determine the outstanding gap. Third, the analysis should seek to identify if the SAI's current understanding of the views and expectations of its stakeholders corresponds to its own. For example, the SAI may think that Parliament is interested in receiving more performance audit reports. However, the stakeholder analysis may reveal that legislators are in fact, much more focused on the financial audits.

SAI NORLAND'S STAKEHOLDER ANALYSIS FINDINGS:

- Both Parliament, Executive and wider public see would like the SAI to play a more active role in strengthening PFM, especially financial reporting
- SAI audit reports are perceived by many as too technical, unreliable and not always relevant
- More appetite for performance audits, but on more relevant topics

**FIND
OUT MORE
in the Annex to
Chapter 4!**

FIGURE 4.5 Topics for cross-cutting analysis of stakeholders' views and expectations

VIEWS

- What views emerge on the quality and relevance of the audits the SAI currently produces?
- How are recommendations perceived?
- How trustworthy/ reliable/ influential is the SAI perceived as an institution?

EXPECTATIONS

- What role is the SAI expected to play in the PFM system?
- What services is the SAI expected to provide?
- How is the SAI expected to manage itself?
- What audits are expected?

CHAPTER 5 AT A GLANCE

Key learning points



- The SAI’s vision, mission and values provide a framework for a shared understanding of why an SAI exists and its aspirations for the future.
- The SAI vision is an expression of what kind of change it aspires to affect in the long term- The vision statement should be timeless, inspiring and written with an external focus.
- The SAI mission is often linked to the SAI’s mandate and a succinct description of what the SAI is, what it does and whom it serves.
- The values of the SAI represent guiding principles that help to define how the SAI collectively should behave in the society and in the communities in which it operates.
- Often, the SAI vision, mission , and values have been defined. Any changes to those should be motivated by a clear justification and by the findings of the analysis of current performance.
- Changes to the vision, mission and values should be confirmed with, and ideally spearheaded by the Head of the SAI.
- A consultation process within the SAI, with all staff or at least representatives, should support a shared understanding, ownership and application of the SAI vision, mission and values.

Main steps in the process to follow:
Do-minimum scenario for less experienced SAIs



- If the SAI has all three elements: Apply the checklist in Figure 5.1 and note any significant issues with the current formulations.
- Decide if a change to the current formulations is required at this stage and why.
- Focus on the vision and mission statements, which are usually easier to change. For simplification, those could be combined in one overarching concept, noting down the vision and how the SAI aims to achieve it.
- Organise a light consultation process, based on providing some options and formulations on which basis staff can discuss and select.

Additional steps in the process to follow:
Advanced scenario for more experienced SAIs



- Use the discussion on the SAI vision, mission and values to follow-and reflect on the results of the assessment of the current situation. The discussion may also serve as an “appetizer” for the consultation process on the SAI strategy.
- If any changes are desired and concluded as regards the SAI values, consider the implications of such changes, e.g. the SAI’s code of ethics and related mechanisms, for human resource management, for internal communication etc. carefully

To undertake a strategic planning process, it is necessary to establish -or reaffirm- a shared understanding of why an SAI exists and its aspirations for the future. The most pertinent expression of this shared understanding is reflected in the SAI's mission, vision and values. Those fundamental descriptions of the SAI's long-term hopes and ambitions, purpose and guiding principles frame and shape the content of a strategic plan.

Most SAIs have already defined vision, mission and values. However, based on the results of the analysis of current performance, it is useful for SAI leadership to cast a critical look at those and determine whether they are still relevant, or whether they need some adaptation. The Annex to this chapter contains guidance developed by the Pacific Organisation of Supreme Audit Institutions (PASAI) with detailed checklists for vision and mission statements.

5.1 | VISION, MISSION AND VALUES: CONCEPTS

A **vision statement** defines the SAI's purpose and focuses on what it would like to achieve in the mid- or long-term future. It is timeless: even if the SAI changes its strategy, the vision will often stay the same.

A vision statement is an expression of the future that the SAI seeks to create. It is built upon reasonable assumptions about the future and influenced by the SAI's judgement about what is possible and worthwhile. A vision statement for the SAI answers the questions 'How does the SAI improve people's lives?' and 'What value does the SAI bring to its stakeholders?'. It is closely related to the impact the SAI is aiming to achieve.

A vision statement should have an external focus to capture how the country and society would improve if the SAI achieves its purpose. It may also display some inward-looking elements to outline what the SAI would aspire to look like in the future.

A vision statement should be inspiring. It should be something that everyone in the organisation relates to and identifies with. It should have a bit of a stretch that challenges the organisation. While the vision statement looks at a future reality, it should also consider the current reality of the SAI. Articulating a vision very far removed from reality may cause frustration and seem like an impossible dream to the stakeholders of the organisations. The vision statement should also be written in a style and manner that all stakeholders easily understand and remember.

BOX 5.1

EXAMPLES OF SAI VISION STATEMENTS

'Promote good governance by enabling SAIs to help their respective governments improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, promote public trust, and foster the efficient and effective receipt and use of public resources for the benefit of their peoples.'

– Vision statement of INTOSAI

'To be a leading audit institution that is responsive, effective and efficient in promoting public transparency and accountability.'

– Vision statement of the SAI of Somalia

'Strong CAROSAI for Stronger SAIs in the Caribbean' CAROSAI'.

– Vision statement of the Caribbean Organisation of Supreme Audit Institutions

The first component of the mission statement is the statement of purpose, which describes what the SAI is and why it exists. The second component of the mission statement is the description of the business of the SAI – what it does and who it serves.

A **mission statement** puts the vision into practice. Unlike a vision statement, a mission statement is factual rather than aspirational. However, like a vision statement, it should motivate and inspire commitment by employees, be expressed clearly and succinctly, and be convincing and realistic. A mission statement often emanates

BOX 5.2

EXAMPLES OF SAI MISSION STATEMENTS

'The Government Accountability Office (GAO) exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.'

– Mission statement of the Government Accountability Office (GAO)

'To Audit and Report to Parliament and thereby make an Effective contribution to Improving Public Accountability and Value for Money spent.'

– Mission statement of the SAI of Uganda

'To monitor the legality and regularity of public revenues and expenses, to judge the Accounts that the Law orders to be submitted, to give an opinion on accounts of the State and the Autonomous Regions, to appreciate the effective public financial management and the financial responsibilities.'

– Mission statement of the Tribunal de Contas of Brazil

'PASAI supports Pacific SAIs to enhance their mandate and capability to audit the use of public sector resources in a timely manner to recognised high standards with enhanced audit impacts.'

– Mission statement of the Pacific Organisation of Supreme Audit Institutions

from the SAI's mandate, but it goes a bit further in that it defines what kind of organisation the SAI needs to be to pursue its vision. It guides staff on what to do on a general level.

Core values are guiding principles that help to define how the SAI collectively should behave in the society and in the communities in which it operates. While the vision and mission are about the "what" of the SAI – what it wants to achieve and do – the values are all about the "how" the SAI wants to achieve that. Values also help SAI determine if they are on the right path and fulfilling their goals by creating an unwavering guide for behaviour.

An SAI must be a values-based organisation for several reasons. Values-based organisations ensure a positive and ethical organisational culture, attract talented people, are fundamental for stability and performance and as such have high potential to develop the skills and leadership qualities it needs in its staff (Dvorak & Pendell, 2018). Acting based on values builds trust in the SAI among the staff and the public. Values also guide decision making. When challenged, or facing complexity and uncertainty, the right values can lead to wise decisions.

For the SAI's values to be more than just a declaratory statement, they should be carefully selected. The SAI PMF and stakeholder assessments can give important insights into what values are needed or expected from the SAI. For example, an SAI PMF assessment may find evidence of unethical conduct or lack of cooperation between staff. Values such as integrity and teamwork could assist in emphasising the need for changing such behaviours.

BOX 5.3

EXAMPLES OF CORE VALUES

'Effective, accountable and inclusive SAIs.'

– Core Values Principles (values) of the INTOSAI Development Initiative

'Integrity, Accountability, Transparency, Professionalism, Teamwork.'

– Core values of the Royal Audit Authority of Bhutan

'Excellency, transparency, innovation, autonomy and results orientation.'

– Core values of the SAI of Peru

'Independence, objectivity, impartiality, professionalism.'

– Core values of the Court of Accounts of Algeria

'Independence, excellence, integrity, impartiality, confidentiality, loyalty and respect.'

– Core values of the Court of Audit of Belgium

'Independence, transparency, professionalism, innovation, integrity, diversity, solidarity.'

– Core values of the African Organisation of Supreme Audit Institutions

An assessment of stakeholders' views and expectations may highlight an overarching need for the SAI to demonstrate transparency, which can be adopted as a core SAI value. Crucially though, values should underpin all of the SAI's policies and actions. In other words, they should transpire and relate to SAI's work. The Head of the SAI and SAI leadership should spearhead this process and encourage commitment and alignment of the SAI's work to the selected values.

There are four main types of values:

- **Individual** values are carried by persons and shape the way they act, e.g. impartiality, creativity or honesty;
- **Relationship** values shape the way people in the organisation act towards each other, e.g. collegiality, respect or fairness;
- **Organisational** values shape the way the whole SAI presents itself, e.g. transparency, efficiency or embracing change;
- **Societal** values shape the way the SAI influences citizens' lives, e.g. making a difference or sustainability.

Finally, some key considerations for devising a values statement are:

- The values should be aligned to the SAI's vision and mission;
- The values should define behaviour that all staff members should demonstrate;
- The values should represent the SAI's areas of strength;
- The values should represent the type of culture the SAI wants to present to the world;
- There should not be too many different values. Chose a few that everybody can remember;
- The values should be of different types (individual, relationship, organisational, societal);
- For each value, underlying behaviours should be defined.

5.2 | PROCESS FOR DEVELOPING VISION, MISSION AND VALUES

Articulating the SAI's vision, mission and values statements is essentially a leadership function. The Head of SAI should be involved in the formulation process. The SP team may take a leading role in the preparatory work and in organising the consultation process. However, given the importance of those statements as guiding principles for the SAI, it is imperative that a wide range, if not all staff, is consulted to ensure broad ownership and application.

When defining or re-examining its vision, mission, and values statements, the Head of the SAI should have a solid, shared understanding of the role of the SAI and its mandate as a precondition. They need to indicate the principal strategic direction they aspire for the SAI to take and need to have a high-level appreciation of the expectations that the stakeholders have from the SAI.

SAI NORLAND'S VISION, MISSION AND VALUES

- **Vision:** Foster the effectiveness, accountability and transparency in the use of Norland's public resources towards improving the lives of its citizens
- **Mission:** To audit and report to Parliament on the proper and responsible management and use of public resources so as to enhance public accountability and help strengthen the financial governance of the public service
- **Values:** Integrity, ethical and professional behaviour, Mutual respect and accountability, Efficiency, transparency and performance orientation, Equity and sustainability

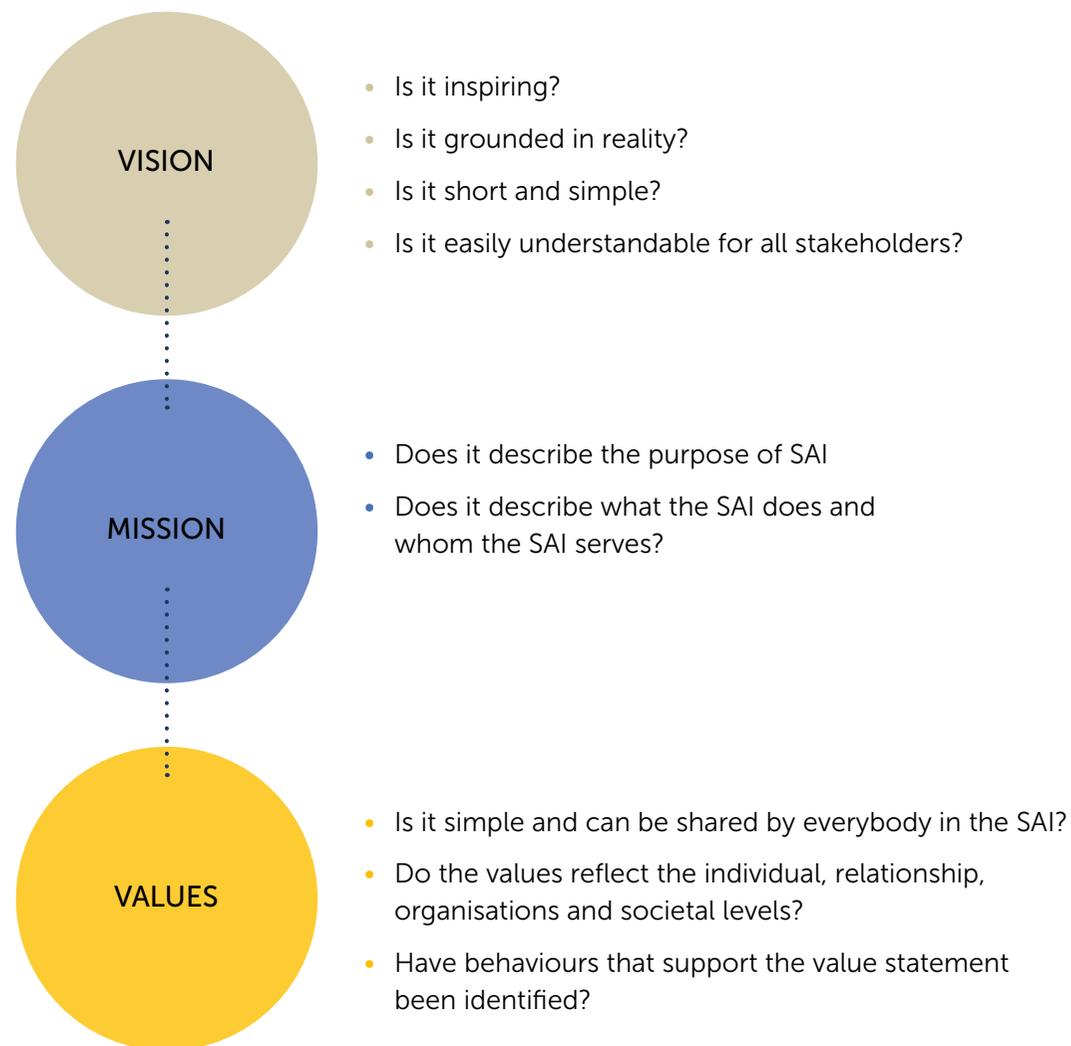
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On that basis, the SP team should look at the available definitions and formats for writing vision, mission and values statement. The process should allow for discussion and feedback from mid-level managers and other staff, or staff representatives for the draft vision, mission and values statement. In the case of small SAIs, all staff members should provide their feedback. In case of large SAIs, to prevent the process from becoming cumbersome, it is better to structure the process to keep it manageable, for example through electing representatives from different internal stakeholder groups.

The output of this stage of strategic planning is an agreed and approved vision, mission and values statement. Figure 5.1 provides a checklist that can be used to review those statements.

The Head of SAI should approve the statements, which should then be widely publicised across the SAI so that all staff members are familiar with them and aware of the progress in the strategic planning process.

FIGURE 5.1 Checklist for vision, mission and values statements



CHAPTER 6 AT A GLANCE

Key learning points 

- The analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT analysis) combines the findings of the SAI PMF assessment and the stakeholder analysis.
- SAI PMF findings related mainly to objective strengths and weaknesses, while the findings from stakeholder analysis, as well as considerations of the broader external environment, constitute opportunities and threats.
- The SWOT analysis supports identifying the strategic issues the SAI is facing, by analysing the interlinkages and convergence of external opportunities and threats, SAI internal strengths and weaknesses, as well as of current aspects, trends and prospects from the broader SAI environment.
- Strategic issues are those challenges and constraints that are truly important for the SAI's existence, vision and mission, relevance and excellence.
- Strategic issues have no obvious solution, are complex and long-term in nature. They should be formulated as questions to allow exploration and analysis.
- For the selection of strategic issues, the SP team should consult SAI leadership. It should apply prioritisation criteria such as political feasibility, availability of resources, potential impact, legality, probability of risks materialising, and consequences of inaction.

Main steps in the process to follow:
Do-minimum scenario for less experienced SAIs 

- Prepare a basic SWOT matrix, considering the findings from the assessment of current performance and the external environment, focusing on 5-10 critical findings per category.
- For some SAIs that are preparing a strategic plan for the first time, a SWOT analysis may be the first step in the process: In the absence of comprehensive or objective information, make informed assumptions on strengths, weaknesses, opportunities and threats which the entire SP team agrees on and verify those with the Head of the SAI.
- Starting from the opportunities and threats, consider which of those are essential to seize or mitigate. Then look at the strengths and weaknesses: What can help or prevent the SAI?
- Formulate 2-3 strategic issues using the formula "How can we.....when....?"
- Disregard any issues that do not seem feasible politically or legally.

Additional steps in the process to follow:
Advanced scenario for more experienced SAIs 

- Prepare a first comprehensive version of the SWOT matrix, using the findings from the SAI PMF assessment and the stakeholder analysis.
- Consider the information and select the most critical findings in the SWOT matrix to arrive at 5-10 findings per category.
- Analyse and define 3-5 strategic issues.
- Select 2-3 strategic issues by applying the prioritisation criteria.
- Present the SWOT analysis and the strategic issues to the Head of SAI to obtain feedback and confirm the final selection.

Based on the results of the SAI performance assessment and the stakeholder analysis, the SP team should carry out an analysis of the SAI's Strengths, Weaknesses, Opportunities and Threats (SWOT) (Section 6.1). This SWOT analysis is a simple yet powerful to identify critical strategic issues (Section 6.2). Strategic issues are those fundamental questions that the SAI will need to prioritise and address in the upcoming strategic management period (Section 6.3). Those will become the main focus of the strategy.

6.1 | SWOT ANALYSIS

A SWOT analysis is a technique that enables an individual or organisation to understand how it can best align its internal capabilities, potential and limitations to respond to the key requirements and challenges stemming from its external environment. It focuses on four separate areas of analysis:

- It analyses the STRENGTHS of the SAI, namely the value existing within the SAI that supports it in delivering its mandate;
- It analyses the WEAKNESSES that detract the SAI from its ability to contribute to changes in public sector performance, or that affect the quality of its products;
- It identifies OPPORTUNITIES in the SAI's environment that can be leveraged to reinforce the effects of its work;
- Lastly, it identifies THREATS that put at risk the SAI's functioning and capacity to deliver on its mandate and mission.

The preparation of the SWOT analysis is dependent on the results of the assessment of current performance (Chapter 4). SAI PMF would be an essential source for identifying strengths and weaknesses, whereas the stakeholder analysis will yield into the identification of opportunities and threats. It is important to note that other tools for assessing current performance can also be used to populate the SWOT matrix. In that case, the SAI should ensure that the information is objective (as concerns strengths and weaknesses) and representative (as concerns opportunities and threats).

Strengths and weaknesses are mainly characteristics of the SAI itself and lie within its direct sphere of control. They usually pertain to capacities, processes and products of the SAI's work, such as the quality audit reports or the timeliness and accuracy of judgements. Depending on being a strength or a weakness, such aspects can either require preservation, improvement or even discontinuing.

Importantly, though, strengths and weaknesses can refer to both tangible elements such as quality of audit standards or success of appeals against judgements, or less tangible attributes such as leadership or internal culture.

For strengths and weaknesses, the SAI performance assessment is the primary source (Figure 6.1). The SAI PMF methodology entails a root cause analysis that puts the different elements of performance in perspective to each other and a qualitative assessment that should identify the most relevant strengths and weaknesses of the SAI. If the SAI is using a different performance assessment tool, it should ensure that the findings clearly state the positive and negative aspects of performance. One should keep in mind that strengths and weaknesses are internal characteristics of the SAI as an institution and not external factors. So not all root causes of performance are relevant for this step.

Opportunities and threats refer mostly aspects of the SAI's environment and lie beyond its direct sphere of control. They pertain to factors or circumstances that could enable, reinforce or jeopardize the effects of the SAI's work, and impact on its ability to deliver on its mandate and achieve its vision and mission.

Identifying opportunities and threats are slightly less straightforward than determining strengths and weaknesses. From the previous two steps, there are two sources for opportunities and threats (Figure 6.1). Using the SAI performance assessment, one can identify the external enablers and constraints to improved SAI performance and increased SAI impact. These could be root causes of performance but beyond the SAI's sphere of control, for example, the SAI's mandate, its financial resources or even the general development level of the public financial management system in the country.

From the stakeholder analysis, one can define the stakeholders' views and expectations that are enabling for SAI development and those that are less so (See Section 4.2). Those can be understood

FIGURE 6.1: Main source of evidence for populating the SWOT matrix



as opportunities and threats, too. If for example, the Parliament had expressed a clear wish to receive more high-quality performance audit reports and is willing to support the SAI in that, it would be considered an opportunity. If on the other hand, the Executive had expressed an unwillingness to cooperate on this matter, it would be considered a threat.

Opportunities and threats can also be external factors stemming from the broader environment. The introduction of a performance-based budgeting approach by the Ministry of Finance could be an opportunity for the SAI as it places more emphasis on its performance audit function. Still, the same reform may also be a threat if the SAI does not have a clear mandate for performance audit. Other examples of opportunities could be the passing of a law aimed at enhancing fiscal transparency in the country, the possibility of provision of donor support, or a change in the governance climate leading to more demand for accountability from citizens. Frequent changes in the composition of the legislative committee in charge of the follow-up of audit reports, the imposition of legal limitations on the scope of jurisdictional controls, or a looming external debt crisis in the country, are examples of possible threats. The COVID-19 pandemic is another crucial example of an external factor that can represent both an opportunity and a threat for SAIs. The governments' pandemic emergency responses and spending packages have called for a fast and thorough audit response from SAIs. The accountability implications of the pandemic can be an opportunity for SAIs to enhance their relevance and affirm their oversight role. However, suppose an SAI cannot respond by adjusting its audit programme and activities and by entering into a dialogue with other public sector institutions on the implications of the pandemic. In that case, this can be considered a threat.

In some cases, it may be difficult to distinguish between a weakness and a threat. For example, when auditees consider financial audits to be of insufficient quality, it is important to determine whether this is a subjective view (which would place the finding under the threat

category). If however, the SAI PMF assessment objectively verifies this finding, then the low quality of financial audits is as a weakness.

The result of the mapping of SAI's strengths, weaknesses, opportunities and threats is a so-called SWOT matrix, which enumerates all key findings and places them together. The Annex to this chapter demonstrates the SWOT analysis for the SAI of Norland.

6.2 | IDENTIFYING STRATEGIC ISSUES

As evident from Figure 6.1, the SWOT matrix may be rather busy and merely put together a list of various issues. The real value of the SWOT analysis lies in analysing the possible interlinkages between strengths, weaknesses, opportunities, and threats. A key product of the SWOT is, therefore, the list of the critical emerging issues that the SAI needs to consider for achieving its vision and realising its mission and mandate. Those issues are also known as strategic issues (Byrson, 2011).

Strategic issues are those challenges and constraints that are truly important for the SAI's existence, relevance and excellence. They usually have no obvious best solution. Strategic issues represent a convergence of external opportunities and threats, SAI internal strengths and weaknesses, as well as of current aspects, trends and prospects from the broader SAI environment. It is this complexity that makes issues truly strategic, since the consequences of inaction for the SAI may be both long-term and multi-faceted. To identify strategic issues, the filled-out SWOT matrix could be analysed using a set of central questions (Figure 6.2).

A strategic issue must be something the SAI can significantly influence. Issues such as the reduction of the budgetary deficit, or eradicating debt may be seen as strategic; however, few SAIs would have the means to take them on. In the terminology and value chain of the SSMF, strategic issues centre at the level of outcomes and focus on the challenges from the SAI's immediate stakeholder environment, which limit the contribution of the SAI's work to a better performing public sector.

Such strategic issues can deal with lacking implementation of audit recommendations by government agencies, with weaknesses in the public sector accounting and reporting systems and practices that slow down the SAI's work, or with a polarized or disengaged media and citizen involvement on topics of public sector control and accountability.

When identifying strategic issues, a key question for the SAI will be to determine how far it can leverage on its current strengths and use emerging opportunities. However, understanding all dimensions of a strategic issue and identifying the whole range of possible responses to them can be challenging. It requires a self-critical and unbiased attitude to pinpoint and frame issues such as *"How can we support better financial reporting without being perceived as interfering in the Executive's sphere of control?"*, or *"How can we improve our credibility to citizens when the implementation of audit recommendations is lagging?"*.

Strategic issues will mainly emerge from the assessment of the current situation and the subsequent stakeholder consultations and SWOT analysis. Yet it is important to highlight that in an SAI,

STRATEGIC ISSUES

Fundamental policy questions or critical challenges affecting an organisation's mandates, mission and values, product or service level and mix, clients, users or payers, costs, financing, structure, processes, or management.

FIGURE 6.2 Analysing SWOT matrix: key questions

	STRENGTHS	WEAKNESSES
OPPORTUNITIES	<p>Use strengths to take advantage of opportunities Which possibilities would yield the highest improvements if we INVEST our strengths in them?</p>	<p>Exploit opportunities to overcome weaknesses Can/ should we DECIDE to use any of the opportunities to address weaknesses?</p>
THREATS	<p>Apply strengths to avoid threats How can we employ the things we do well to DEFEND the organisation against challenge?</p>	<p>Minimize weaknesses to avoid threats Which current weaknesses do we need to DIVEST/ DAMAGE control in order to prevent the situation from getting worse?</p>

their identification, framing and discussion is a process that often precedes the specific planning effort, and will likely continue long past the formal adoption of the strategic plan. It is in the continuous analysis and response to strategic issues that an SAI can truly exercise strategic management. Therefore, strategic issues are typically first framed as questions, which encourage exploration, creative thinking, reflection and weighing in of different options in search of the best solution.

BOX 6.1

KEY CHARACTERISTICS OF STRATEGIC ISSUES

The issue is relevant for the vision, mission and values of the SAI. If it is crucial to use a certain opportunity to achieve the SAI's vision, it would be considered a strategic issue. Equally, if a threat endangers the SAI's living up to its values, it would be considered strategic.

It is a long-term issue. One should determine whether the issues at hand are of high importance for the length of the strategic management cycle. All issues may seem important, but it can be helpful to differentiate between urgent and important. Finalising an audit, the SAI begun a long time ago, may be urgent but as such is not on the strategic level. Acting to finalise more audits in time overall, on the other hand, may be important on the strategic level.

It is in the clear interest of crucial stakeholders. If several powerful stakeholders have declared a demand for a certain change it may be considered a strategic issue. The SAI should however assess if the stakeholders' demands are in line with the SAI's general direction of development, mandate and independence, and does not jeopardise achieving other strategic issues. Whether or not to fulfil stakeholders' demands should always remain the SAI's decision.

It is crucial for the value and benefits of the SAI. This criterion is very similar to the first one. If a certain weakness renders it impossible for the SAI to demonstrate value and benefits to the citizens, it would be considered a strategic issue.

6.3 | PRIORITISING STRATEGIC ISSUES

Initially, strategic issues should be considered exhaustively so that all the issues emanating out of the SWOT analysis are covered. However, often the sheer number and the magnitude of the strategic issues may be a few too many for the SAI to consider in one strategic plan. For instance, the SAI may consider that both increasing engagement with Parliament, ensuring better compliance with laws and regulations, and enhancing the confidence of the public in its audit work is of strategic importance to advancing its mission and vision. Yet the SAI may have to choose to defer addressing the last issue, owing to balancing the relative importance of the three outcomes with the expected availability of the resources, or the political feasibility of the suggested change.

The decision on how many and which strategic issues the strategic plan should cover depends on the specific situation in each SAI. As a general rule, the SAI should consider two or three strategic issues for a strategic planning period of five years and formulate respective desired outcomes for those. The key considerations for prioritising between strategic issues are as follows:

- **Political feasibility:** Even when the SAI is fully independent, it does not operate in a vacuum. Instead, it is part and parcel of the public sector. The role and likelihood of key stakeholders supporting intended outcomes by the SAI are, therefore, critical. For example, a strategic issue for the SAI may be to address concerns about fiscal transparency in the country. However, in the absence of laws, regulations and political appetite for such changes, the SAI may wish to consider if this

SAI NORLAND'S PRIORITISED STRATEGIC ISSUES

- **Strategic issue 1:** How can we be seen as a reliable and independent institution, when the implementation of audit recommendations is lagging behind?
- **Strategic issue 2:** How can we contribute to a more effective financial management system and COVID-19 emergency response when our own systems do not effectively prioritize resources?

FIND
OUT MORE
in the Annex to
Chapter 6!

should be a central outcome to its strategy. Conversely, the SAI may also find compelling outcomes in national or PFM reform strategies, to which it can align its outcomes. Such a link can confirm and reinforce its position as an institution aiming to enhance the quality of public sector management.

- **Availability of funds or probability for additional resource mobilisation:** For an SAI strategy to be effective, it should in the first place be credible. Credibility implies in particular affordability since a strategy that is not affordable is merely a wish list. An aggregate estimate of the likely revenues the SAI can mobilise over the strategic planning period, compared to the additional funding needs associated with the implementation of the strategy will ensure that the SAI remains realistic when taking on strategic issues. Human resources will also need to be taken into consideration. Section 8.2 deals with the issue of resource estimation linked to the strategy in more detail, while Chapter 10 covers annual budgeting and resourcing.
- **Potential impact (SAI contribution to value and benefits):** When selecting strategic issues and formulating respective outcomes, the SAI should also consider the extent to which they can affect changes at the highest possible level.
- **Legality:** Closely linked to political feasibility, the aspect of legality can significantly influence the choice of strategic issues. For example, the SAI may want to address the issue of improving the quality of public service delivery; however, it

may not have the mandate to carry out performance audits. Or, the SAI may want to focus on gender equality but may be bound by national legislation that public sector recruitment is strictly exam-based.

- **Probability of risks materialising:** The SWOT analysis is a powerful tool to identify specific risks as part of the determination of strategic issues. Sometimes, such risks may be deemed too high for the SAI to engage. For example, the SAI may consider improving its relationship with Parliament as strategic, and rightly so. However, suppose due to the political situation in the country, there are frequent elections and changes to members of Parliament, or long periods when Parliament is in recess. In that case, the SAI may consider focusing on other issues where it can expect to make a more substantial contribution.
- **Consequences of inaction:** By definition, strategic issues are fundamental to the existence and performance of the SAI. However, some may be more urgent to deal with than others. The SAI may choose to ask if a strategic issue is so important that it has to be dealt with within the next period no matter the resources needed (critical priority). An important priority is one where the issue at hand is seen as significant, but where the SAI will put a limit on the resources to invest in. Finally, the third set of strategic issues can be classified as desired priorities, which can be dealt with if time and resources allow, but where the consequences of inaction would not be as significant.

CHAPTER 7 AT A GLANCE

Key learning points 

- The results framework is the centrepiece of any strategic plan. It provides a logical link between the impact the SAI is aiming to contribute to, the outcomes it would like to reach, the outputs it is going to produce, and the capacities it needs to build for that purpose
- A good results framework is effective if it considers necessary financial and human resources for its implementation and if it includes a listing of underlying assumptions and risks, and a measurement framework.
- The desired impact is the highest level of a results framework, representing a strategic direction that often will not change from one strategic management period to the next.
- Outcomes are the highest level of the results framework that can be regularly monitored. They are concrete changes in the SAI's more immediate environment that the SAI can contribute to, based on their strategic issues.
- The SAI should select relevant outputs in the form of concrete changes within its sphere of control that have a direct relation to the outcomes. The concrete outputs to be chosen are rooted in the strengths and weaknesses identified in the SWOT analysis.
- To produce the planned outputs, the SAI needs to identify the necessary capacities, its capacity gap and an approach for closing this gap. The SAI PMF assessment can provide rich information to support this step.

Main steps in the process to follow: 

Do-minimum scenario for less experienced SAIs

- Define two to three outcomes as concrete changes in the immediate public sector environment that the SAI directly contributes to. The outcomes should be an answer to the strategic issues posed as a question in chapter 6.
- Define the outputs the SAI must and can produce to contribute to the outcomes as concrete contributions with the SAI's control.
- Identify the necessary capacities to produce these outputs, the capacity gap based on your internal assessment (SAI PMF).
- Devise a high-level approach for closing the capacity gaps.

Additional steps in the process to follow: 

Advanced scenario for more experienced SAIs

- Define or review the SAI's desired impact as a contribution to broader societal goals.
- Consider the level of your outcomes. More advanced SAIs may aim at a broader definition at the outcome level if they can reliably measure such outcomes and if they have a clear understanding of what is the SAI's contribution.

Once the key strategic issues for the strategic planning period have been determined, the next step for the SAI and for the SP team will be to develop the SAI strategy. While no blueprint exists as to what should be the main contents of a strategic plan, most strategy documents contain a set of key elements (Section 7.1). The strategic plan's results framework, which specifies impact, outcomes, outputs and capacities, is a central such element. Based on the determination of the desired long-term change at the impact level that the SAI sees as the ultimate effect of its work (Section 7.2), the SAI will need to formulate strategic outcomes for each of the selected strategic issues. Those outcomes will form the cornerstone of the SAI strategy. They will identify the critical changes in the SAI immediate environment that it wishes to influence, such as improvements in public sector governance or stakeholders' demand for accountability (Section 7.3). Next, the SAI will need to determine which are the most relevant outputs, or products of its work that it considers most suitable to facilitate the achievement of outcomes (Section 7.4). For each output, the SAI will need to determine what is the required combination of institutional, organisational and professional capacities that will enable the realisation of the output. On that basis, it will need to establish the existing capacity gap given the current situation (Section 7.5).

7.1 | THE RESULTS FRAMEWORK AND OTHER KEY ELEMENTS OF AN SAI STRATEGIC PLAN

The culmination of the strategic planning process is the production of the SAI strategy. Although each strategic plan looks a bit different, several common elements can be identified. Those include:

- A message for the Head of the SAI;
- Background information about the SAI, i.e. legal framework, organisational structure;
- Summary of the process for developing the strategy and of the results of the analysis of current performance;
- The SAI's vision, mission and values;
- A results framework, specifying the strategic goals and priorities for the period of the strategic plan (often with a supporting visual for easy comprehension), accompanied by explanatory narrative;
- Performance measurement and reporting arrangements;
- Risks, assumptions and resourcing considerations.

While all those elements are important, the centre-piece of the strategy is the results framework (Figure 7.1). The results framework is an explicit articulation of the different chains of results expected from the SAI strategy. The results framework follows the logic of the SAI Strategic Management Framework (SSMF). It builds on the findings from the assessment of the current situation, the SWOT analysis and the strategic issues selected.

RESULTS FRAMEWORK

An explicit articulation of the different chains of results expected in time from the SAI strategy, distinguishing between impact, outcome, output and capacities and noting down the assumptions about the expected cause-and-effect relationships between the different levels and the risks that may affect the attainment of envisaged changes.

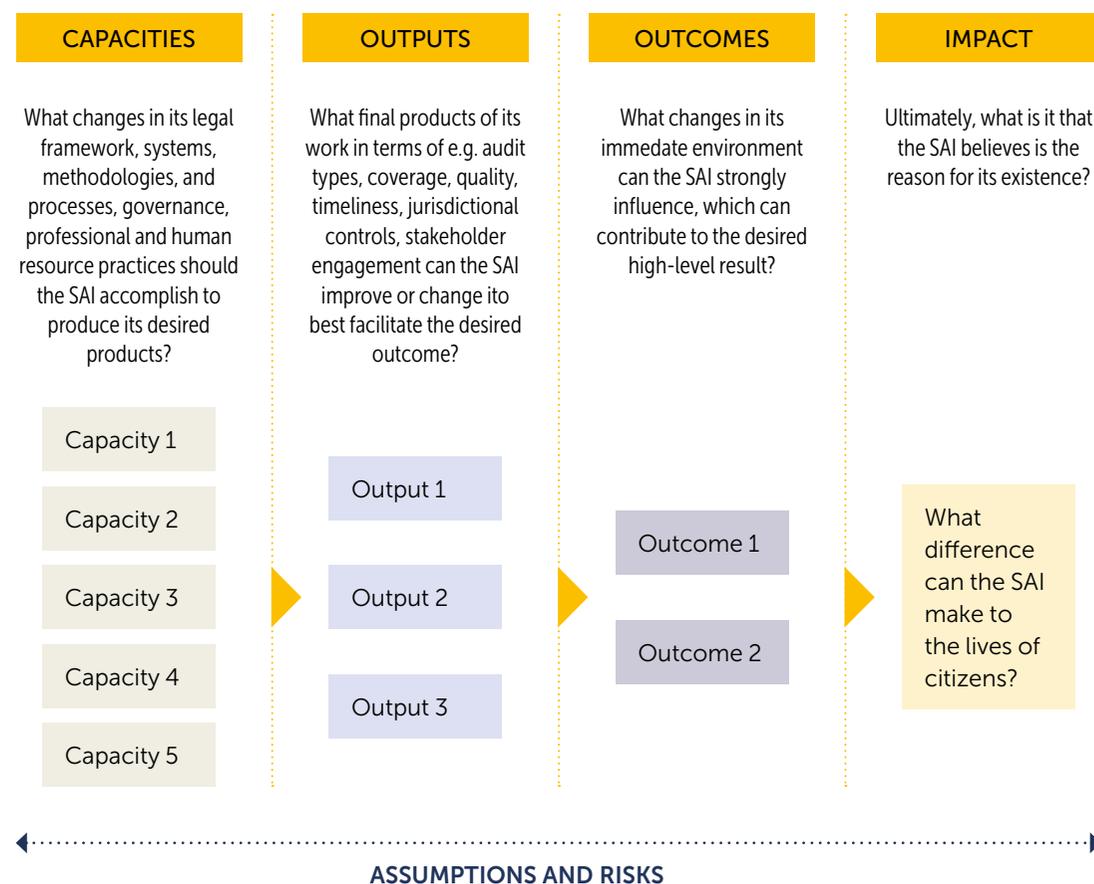
When preparing the results framework, the SP team should, as a minimum, specify and describe the following key elements:

- The desired long-term change in terms of SAI **contribution to impact** (delivering value and benefits to citizens);
- The envisaged changes in the immediate SAI environment over the medium term (the period of duration of the strategic plan), which the SAI can influence, corresponding to **SAI outcomes** that respond to the selected strategic issues;
- The expected products under the control of the SAI, or the **SAI outputs**, to be attained over the strategic planning period, which will facilitate the achievement of outcomes. Each SAI output may contribute to the realisation of more than one outcome.
- The **required capacities** for each output and the chosen **approach (pathway) to address and close capacity gaps** in the SAI that should enable the realisation of each output.

Also, it is highly desirable that the SP team also considers the following elements related to the results framework, which will be discussed in the next chapter 8 of this handbook:

- The necessary **financial and human resources** for each major capacity gap.
- The results framework should also identify any underlying **critical assumptions** that must be in place or fulfilled for the strategy to be successful, i.e. that it leads to the targeted outcomes and impacts.
- Any **risks** that can deter the achievement of intended outputs and the contribution to outcomes and impact shall also be presented. The strategy should specify the specific mitigation measures for major risk categories.
- The **performance measurement** approach should specify how the SAI will assess the realisation of outcomes and outputs. The outcome and output levels defined in the results framework should correspond to suitable **performance indicators and related baselines, targets and milestones**.

FIGURE 7.1 SAI results framework



One crucial aspect to consider when preparing the results framework is the timing and structure of internal consultations with the rest of the SAI. Such consultations are critical in the context of the strategic management principles of being inclusive and involving SAI leadership. As noted in Chapter 3, Section 3, such internal consultations need to take place to ensure ownership and shared commitment towards the desired results and thus support implementation. Depending on the size and structure of the SAI, the SP team may choose to present either a first or a final draft of the results framework for consultation with staff or organise specific sessions to gather their input. Leadership approval for the final results framework is of utmost importance.

7.2 | DETERMINING THE DESIRED IMPACT

As mentioned in Chapter 2, the premise of the SSMF is that an SAI can only sustainably improve its performance if it defines this same performance in terms of the long-term, lasting societal changes it aims to influence. This level of intended results at the impact level is closely linked to the SAI's vision in terms of the type of country and society it would like to support and affect through its work.

The SSMF provides examples of various potential impact-level changes that the SAI can ultimately strive towards. Those are broad changes in transparency, accountability and integrity in the public sector as a whole; an enhanced democracy and public trust in society; better public service delivery positively affecting lives of citizens; and support for the UN agenda 2030 and SDG implementation.

The precise selection and definition at the impact level will be country and context-specific. For most SAIs, the desired impact of the SAI should not and will not change significantly between two strategic plans. Instead, it should remain a continuous anchor of the overall strategic direction, guiding and shaping the remainder of the intended results by the SAI. One exception from this general rule is for SAIs that find themselves amidst a comprehensive reform process or a very dynamic country situation. A relatively undeveloped SAI with newly found strong support from its government and development partners could embark on a process of rapid and substantial change. Successive strategic plans could thus present some quite different desired impacts, starting from a more modest contribution, towards the vision of a more ambitious and encompassing societal change in which the SAI plays a role.

SAI IMPACT

The desired long-term societal change the SAI would like to see occurring in its country and to which it would like to indirectly contribute to, linked to the SAI's vision.

7.3 | FORMULATING OUTCOMES

To best explore and analyse strategic issues, they should initially be framed as questions. However, once they have been analysed and prioritised, the SAI should formulate the specific outcomes associated with each strategic issue. Those should describe clearly and concisely, in positive terms, the desired result, or the intended change that the SAI aims to contribute to.

For example, an SAI may have formulated the following strategic issue: *“How can we be seen as a reliable and independent institution when the implementation of audit recommendations is lagging, and our judgement processes suffer systemic delays?”*. This strategic issue has been based on an analysis of SWOT findings, which suggests that citizens may not really view the SAI as trustworthy and efficient. Besides, the auditees are not taking reports seriously and implementing recommendations because audit quality is low. As a result, the SAI has chosen to define the following outcome it would like to strive towards: *“Become a credible oversight institution for clients and citizens”*.

In another example, a strategic issue emanating from the SWOT analysis is *“What role can we play in the current accountability movement in the country, given our limited audit coverage and professional capacities?”* Here, the SAI has observed that there is a demand for more accountability in the country by CSOs and other actors. The demand is motivated by some recent scandals with funds embezzlement by high-ranking public officials, exacerbated by the impact of the COVID-19 pandemic. Although not directly implicated, the SAI fears it may not be able to address adequately such demands due to limited resources. However, its performance audit practice is good. As a result of exploring the strategic issues, it has chosen to focus on supporting the case for *“More effective and accountable management of key service delivery programmes”*. In other words, since the SAI lacks coverage in financial and compliance audits, it aims to capitalize on its healthy performance audit

practice and contribute towards ensuring better accountability at least within an essential subset of government.

The SSMF includes examples of possible strategic outcomes, for example, “Improved compliance with laws and regulations”, or “Stronger public confidence in the SAI”. One important consideration when formulating strategic outcomes is the use of adjectives such as “improved”, “enhanced”, “better” etc. The SAI will need to clearly define what does such improvement look like, and how it will measure it as part of its monitoring framework. To the extent possible, the formulation of strategic outcomes should avoid using such so-called pitfall words. At a minimum, the SP team should agree on what they mean precisely how they will be measured, and aim to avoid subjectivity and misinterpretation. In any case, the desired change should be tangible and attainable over the strategic planning period, under certain assumptions about the behaviour of others.

Finally, it is essential to remember that the SAI should also consider relevant outcomes at the sector and national level it can contribute to. Outcomes often relate to national or sector-level priorities, especially on PFM and governance. For example, an SAI can consider the priority of *“Improved fiscal governance”* which is part of the PFM Strategy spearheaded by the Ministry of Finance. A relevant and related outcome for the SAI could be to contribute to *“Stronger compliance of public service officials with fiscal regulations (to ensure aggregate fiscal sustainability)”*.

SAI OUTCOMES

Specific, tangible desired changes in the SAI’s public sector environment, which are linked to the strategic issues faced by the SAI, or to broader sectoral or national priorities on PFM or governance.

SAI NORLAND’S OUTCOMES

- **Outcome 1:** Increased credibility in the SAI and its work among key stakeholders (Budget and Audit committee, Ministry of Finance, audited ministries)
- **Outcome 2:** More reliable and responsible financial management and reporting, including COVID-19 emergency funds

REVIEW
the entire results
framework in the
Annex to
Chapter 7!

One important aspect to consider when formulating and selection outcomes are how many should there be in a results framework. By definition, changes at the outcome level are usually possible only in the medium term and require several years to materialise. Depending on the duration of the strategic planning period, the SP team may choose two to several outcomes towards which it aims to contribute. As a rule of thumb, a strategic plan with a duration of five years would typically include two to three outcomes.

7.4 | SELECTING SAI OUTPUTS

Once all the strategic issues have been identified, and respective outcomes have been formulated, the next step for the SAI will be to identify and select the most suitable responses to the outcomes chosen by the SAI. For that, it needs to consider which outputs, or key products of its work, can contribute most to the realisation of the outcome. Formulating SAI outputs always require defining a quality aspect to specify what the desired change is. Such quality aspects include, for example, an increase in coverage, an improvement in the quality of the reports, better transparency of the judicial process, an effective mechanism for monitoring the implementation of the audit recommendations, the timely and complete publication of audit reports or judgements, etc.

For selecting SAI outputs, the SP team should consider the strengths and weaknesses brought forward from the SAI PMF assessment¹⁶ into the SWOT analysis and highlighted when formulating the strategic issues. In other words, the outputs are selected in direct relation to each outcome and represent the most relevant changes within the control of the SAI that can contribute in the strongest way to facilitate the desired outcome.

For example, consider an SAI that has formulated a strategic issue on *“How can we remain relevant in the context of the COVID-19 pandemic, when albeit our financial and compliance audits are of*

good quality, their coverage is low, and we also lack human resources or regular communication with the Ministry of Finance?”. The SAI has selected an outcome on *“Responsible and compliant management of COVID-19 emergency funds”*. To achieve this, it has considered the following outputs: *“Enhance financial and compliance audit coverage in key areas”, “Introduce concurrent compliance audits”* and *“Establish regular communication with Ministry of Finance and Parliament”*.

As visible in the example above, each outcome should link to several outputs, which should work together to ensure a strong contribution of the SAI to the desired changes in the immediate public sector environment. Vice versa, one output may contribute to more than one outcome. At this stage of the process, the SP team must make an exhaustive list of possible outputs for each outcome, which should serve as a basis for the feasibility analysis and prioritisation exercise in the next step of the process. Consider another example where the outcome is on better implementation of audit recommendations by the auditees. One potential output may be to improve the quality of audit reports, which has been evaluated as weak by the SAI PMF assessment. Another output may be to seek more effective communication between the audit staff and the auditee. A third output could be to enhance cooperation with Parliament and ensure more effective follow-up based on the audit reports, which could require targeted support to Parliamentarians to understand audit findings better. Finally, the SAI may consider working with CSOs to put external pressure for implementation.

SAI OUTPUTS

Key products of the SAI’s work, such as timely, high-quality and publicly available audit reports or judgements, or stakeholder engagement results.

SAI NORLAND’S OUTPUTS

To contribute to the realization of its first desired outcome, *“Increased credibility in the SAI and its work among key stakeholders (Budget and Audit committee, Ministry of Finance, audited ministries)”*, SAI Norland will work towards achieving:

- Regular consultations with key stakeholders
- Improved coverage of financial and compliance reports on topics chosen based on risk and relevance
- Relevant performance audit reports and recommendations
- Regular public reporting on the SAI’s governance and performance

REVIEW
the entire results
framework in the
Annex to
Chapter 7!

¹⁶ Consider Table 4.1 on mapping the findings of the SAI PMF assessment against the different levels of results in the SSMF.

7.5 | DETERMINING CAPACITIES

In the final part of formulating the initial results framework for its strategic plan, the SAI and the SP team should establish, in broad terms, the required combination of organisational, professional and institutional capacities that would ensure the realisation of each output. On that basis, it should then determine the current capacity gap by comparing what is required with what is existing and thereon devise a strategy to address the capacity gap (Figure 7.2). The findings from the SAI PMF assessment will be a critical input to this exercise, as they will identify the current capacity gaps in the various domains of SAI performance. Moreover, the integrated assessment of SAI performance in the SAI PMF report will provide an analysis as to which capacities are determining the observed performance at the level of the key SAI products, or outputs. By using this analysis, the SP team can make a focused assessment on which combinations of capacities will facilitate the achievement of a performance improvement at the output level.

As per the SSMF, institutional capacity pertains to the SAI independence and legal framework. Organisational capacity captures issues related to internal governance, audit methodologies and practices, as well as financial management and corporate services and external communications. Professional capacity is about human resources and professional development. Consequently, for each identified output, the SP team would need to consider, what combination of capacities would ensure the materialisation of the output. It is important to note that this first step in the process of determining capacities should not seek to identify the most advanced or sophisticated capacities that may come to mind concerning an output. Preferably, the SP team should establish the minimum combination and level of desired capacities that would facilitate performance. Consider an SAI that has selected one output on “*Improving coverage of financial audits*”. Initially, it may identify that a combination of a risk-based audit selection methodology, an audit management software, 30% more staff with advanced accounting degrees are

necessary. Upon a more in-depth assessment, it may conclude that just introducing a risk-based selection methodology and the reorganisation of its financial audit practice, together with retraining all auditors, may be sufficient to ensure a significant increase in coverage. Thus, when determining the desired capacities, SP teams should observe the SAI strategic management principle of “Keep it manageable” and remain realistic as to what is needed.

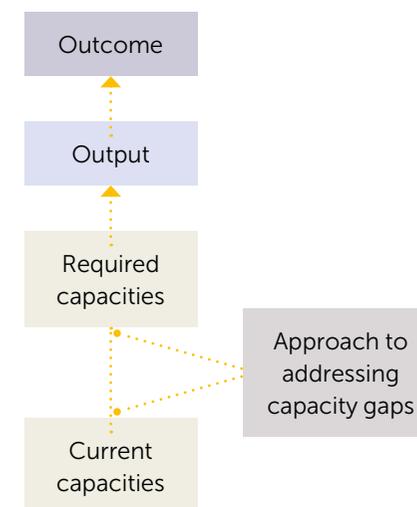
The next step in the identification of capacities is to compare, for each desired capacity, what is the current situation and thus, what is the existing gap. The primary source for this analysis is the SAI PMF report and the integrated assessment of performance, which related the performance observed at the output level to the observed strengths and weaknesses at the capacity level.

Consider the example of an SAI which has identified an output on “*Enhanced communication with auditees*” as one of the relevant products to contribute to the better implementation of audit recommendations at the outcome level. To have a right level of communication with the audited entities, the SAI considers it essential to have well-written audit reports, which require specific drafting skills (professional capacity). Based on the reports, the leaders of the audit teams will communicate their findings and recommendations to the audited entities. For this, they require not only communication skills (professional capacity) but also a procedure that regulates deadlines and milestones for exchanges with the audited entities at set stages in the audit process (organisational capacity). Finally, the SAI requires an internal system that allows the monitoring of the implementation of the recommendations (organisational capacity), as this should be a key topic in communication with auditees.

SAI CAPACITIES

Organisational, professional and institutional attributes such as procedures, methodologies, skills, knowledge, structures, and ways of working that make the SAI effective both as an institution and as an organisation

FIGURE 7.2 Capacities and capacity gap



The SAI PMF assessment has, however, demonstrated that there are deficiencies in the drafting of the financial audit reports, which are written in a very technical and complex manner and include errors. Besides, the SAI lacks an exact procedure regarding the exchange and communication with the auditees, despite having a commitment to cooperation and providing general information regarding the objectives and the implementation process of financial audits. Finally, the SAI has a basic system for following up on audit recommendations; however, this system does not allow the evaluation of the materiality of the findings, nor does it result in the preparation of a follow-up report to support the legislative body in its oversight role.

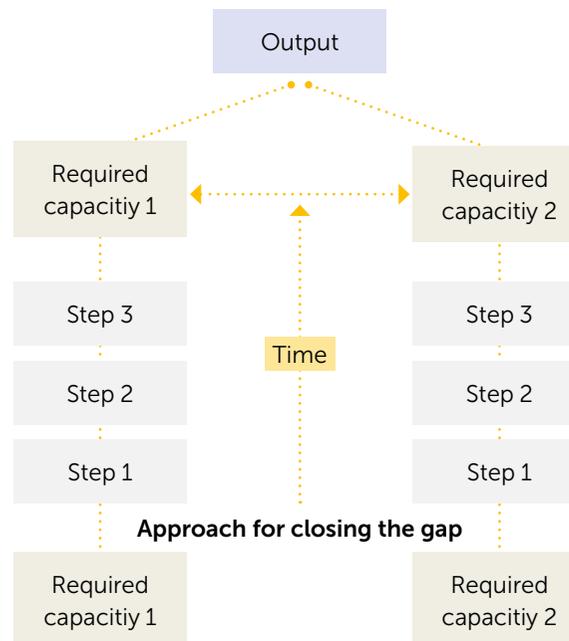
Finally, once the SP team has established the gaps between required and current capabilities, it needs to develop an approach to closing the gaps (Figure 7.3). This approach requires specifying sequentially the tasks that the SAI should complete throughout the strategic planning period to close each specific capacity gap. In practice, this part of the results framework represents the most operational part of the strategic plan. Although the strategy should indicate tasks at a much more aggregated level than a typical activity in an operational plan, this level will guide and ensure the link with the annual planning of the SAI.

When the SP sets the tasks linked to the capacities, it is useful to think about specific milestones or deliverables for each one, to give a degree of concretisation of the strategic plan, and to be able to link the operational plan to it. Consider the previous example, where the SAI had identified an output related to improving communication with auditees and a capacity gap that pertains to a combination of four professional and organisational capacity gaps to address over the next strategic planning period. In response, the SAI has identified four concrete, sequenced steps. The first thing it is going to do is train the auditors on the subject of report writing. They will then adjust the audit manual to incorporate guidelines and procedures for communicating with auditees at each stage of the audit, from planning to the final report. Based on these procedures, the

auditors who are leading financial audit teams will receive training on the subject of communication. In parallel, work will be done to improve the deficiencies in the mechanism for monitoring the recommendations.

Notably, upon reaching this stage of defining the results framework, SAIs and SP teams are likely to identify many interconnections between the various capacity gaps and foreseen tasks to close them. For example, training auditors in the drafting of audits will contribute to the better implementation of audit recommendations. Still, it can also contribute to better follow-up by the Parliament, if it will result in easier-to-understand reports.

FIGURE 7.3 Approach for closing capacity gaps



SAI NORLAND'S CAPACITIES

To close the existing capacity gaps with respect to the output of "Regular public reporting on the SAI's governance and performance", during the course of its strategy the SAI of Norland will work towards:

- Developing a monitoring plan
- Approving a reporting mechanism
- Hiring staff skilled in monitoring and reporting
- Improving processes for ethical and gender-sensitive behavior

REVIEW
the entire results
framework in the
Annex to
Chapter 7!

CHAPTER 8 AT A GLANCE

Key learning points 

- As part of the process of defining its results framework, the SAI needs to prioritise between possible outputs to produce, capacities to build and different approaches to building those capacities based on objectifiable criteria of relevance and feasibility.
- Estimating an aggregate of human and financial resources available and needed to close the capacity gaps supports this process of feasibility and finalisation.
- The logical chain of the results framework should specify underlying assumptions and potential risks.
- The SAI can only implement the results framework successfully if it can rely on a supporting monitoring framework on the outcome and output levels to measure progress.
- Finalising the strategic plan as a document takes time and resources and requires a thorough process of consultation and consolidation.

Main steps in the process to follow:  Do-minimum scenario for less experienced SAIs

- Rank outputs by their relevance to reaching the outcome and their feasibility. Rank capacities by their relevance to producing the output and their feasibility.
- Get a high-level overview of available financial and human resources. Define which capacities can be built by existing resources and for which additional resources are required. Define potential sources for those additional resources.
- Streamline the results framework only to include outputs and capacities that are the most relevant and technically and financially feasible.
- Define the main strategic risks.
- Define indicators for the outcome and output levels.
- Consult with SAI leadership on the results framework and communicate the finalised strategic plan to all SAI staff.

Additional steps in the process to follow:  Advanced scenario for more experienced SAIs

- Conduct an in-depth feasibility analysis of the outputs, including on political feasibility, probability of risks and consequences of inaction.
- Conduct an in-depth feasibility analysis of capacities, including their cost-effectiveness, budgetary implications and the degree of reliance on external stakeholders. Analyse several ways of closing the capacity gaps for their feasibility.
- Do a high-level costing of closing the capacity gaps and a high-level estimate of the necessary human resources. Compare estimates with budgetary and staff forecasts. Consider possible additional donor support for specific capacity gaps.
- Streamline the results framework to contain the most feasible and relevant outputs and capacities. Be, at the same time, ambitious. Some capacities may be included with a financing caveat.
- Make the assumptions for each level of the results framework explicit and connect them with related risks.
- Define indicators, baselines, milestones and targets for the outcome and output level.
- Consult with a wide range of internal stakeholders on the strategic plan. Present and discuss the strategic plan for all staff as well as external stakeholders.

A strategic plan needs to be both ambitious and implementable. Still, initially, there will likely be more capacity gaps to close and outputs to address that the SAI can realistically aim for over several years. Once the SP team has prepared the draft results framework, it will need to apply a feasibility analysis and prioritise among the desired changes at the output and capacity level (Section 8.1). This will ensure the necessary degree of realism and support implementation of the strategic plan, as per the SAI strategic management principle of keeping this manageable. A critical input for the feasibility analysis is the consideration of resources (Section 8.2). The SAI will need to estimate in aggregate terms the amount of financial and human resources it can expect over the strategic planning period and reconcile that with the resource needs arising from closing the capacity gaps. Once the results framework has been finalised, several other elements need to be added, such as risks and assumptions (Section 8.3) and performance measurement at the outcome and output level (Section 8.4). The SAI will also need to ensure a thorough internal consultation process on the draft strategic plan and consider enough time for preparing the supporting narrative, for finalisation and awareness-raising (Section 8.5).

8.1 | FEASIBILITY ANALYSIS AND PRIORITISATION

When developing the draft results framework, the SAI should initially not be too critical or restrictive. Strategic planning as a process is both an explorative and an iterative exercise, where the SAI should consider different options and alternative pathways to affecting change. It will have to way such options several times before making a final decision on what is the most suitable way forward. In the draft results framework, the SAI has identified several outcomes that respond to its key strategic issues, as well as suitable outputs and related capacity needs and gaps. For each outcome, it has formulated a results chain, structured in the logic of the SSMF, identifying the possible pathway to influence the desired change by addressing capacity gaps to achieve tangible outputs.

Even if sounding simple, in practice, this may often be a somewhat unstructured process that does not follow a linear logic. The process involves a lot of deliberation, iteration and passionate discussion among the team tasked with developing the SAI strategy. If the Head of the SAI and SAI leadership are not part of this team, they would also need to be consulted, which will likely result in additional aspects and nuances to consider. Therefore, the next part of crafting the SAI strategy aims to restore a more structured approach towards the final product. Carrying a prioritisation exercise and a feasibility analysis is a crucial enabler to this end.

At this stage of drafting the strategy, the SAI will likely have a relatively long list of outputs aimed to facilitate the achievement of outcomes. In turn, each output will imply a capacity gap and so a different set of capacities to be addressed. All those elements may seem a little overwhelming. In line with the SAI strategic management principle of "Keep it manageable", it is time for making a final selection of what changes the SAI will aim to address in the strategic planning period. For that, the SAI will have to make threefold strategic prioritisation choices:

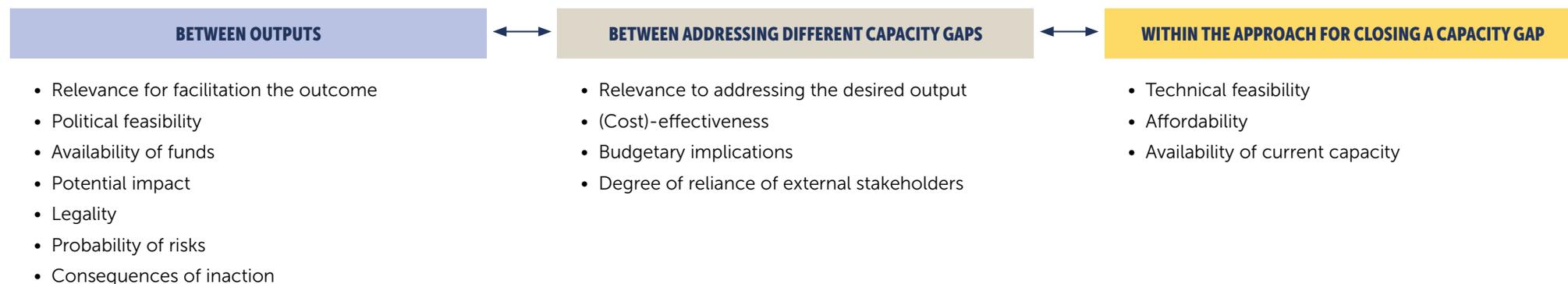
- A choice between outputs that contribute to the realisation of an outcome;
- A choice between addressing different capacity gaps related to an output;
- A choice on how to best devise an approach for closing a capacity gap.

Making choices requires a considerable degree of political and value-based judgements, spearheaded by the SAI Head and leadership and its vision and decision on what is important, how important it is, and what compromises should be made in the face of conflicting priorities and finite resources. Nevertheless, avoiding an entirely subjective selection process for defining the SAI strategy is imperative to ensure implementation. To that end, it is recommended to come up with a list of criteria to facilitate the decision-making process and make it more objective and transparent. Criteria form a

crucial part of the feasibility analysis methodology that the SAI can apply to help discount all options that face a high risk of not being implementable and make the final selection between the viable alternatives. Figure 8.1 depicts a possible list of feasibility and prioritisation criteria for each level, at which a strategic choice needs to be made, which can be customised based on the SAI's preferences.

Most of the criteria included in Figure 8.1 are the same as those used to prioritise between strategic issues (See Chapter 6). However, one important additional criterion is relevance. Relevance refers to the degree, to which a specific change at one level of the results framework (capacity or output) is conducive to the realisation of the higher level in the framework (output or outcome respectively). In turn, relevance closely relates to prioritisation – the more relevant a certain desired change is for the overall desired improvement in the SAI's performance, the more strongly the SAI should prioritise

FIGURE 8.1 Criteria for feasibility analysis and prioritisation



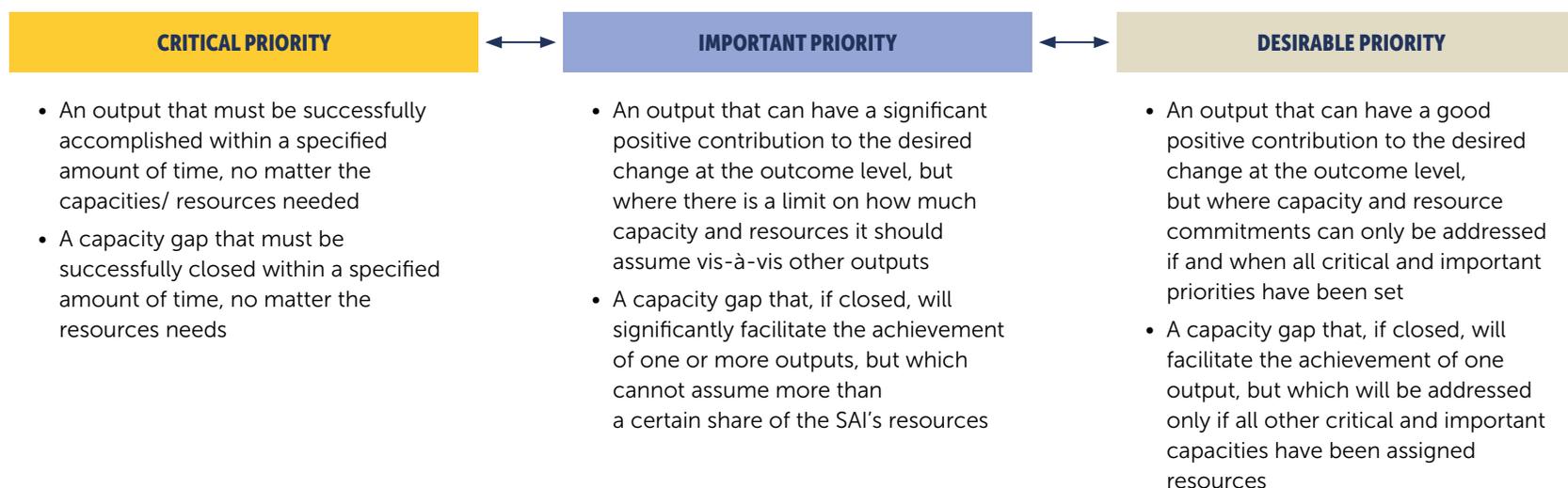
including it in the strategy. A simple way to determine relevance is to determine whether we see each change as critical, important, or desirable priority (Figure 8.2):

Assessing the relevance of the various outputs and capacities in the draft results framework is the first significant prioritisation step towards refining and finalising the results framework. It enables the SP team to assess which are the changes of real and utmost importance for the period ahead and to disqualify or set aside any changes that may be less relevant for the time being. The next steps in the feasibility analysis and prioritisation exercise are to consider the availability of financial and human resources and to apply the remainder of the feasibility criteria to arrive at the final version of the results framework.

8.2 | ESTIMATING HUMAN AND FINANCIAL RESOURCE IMPLICATIONS OF THE STRATEGIC PLAN'S PRIORITIES

Once the SP team has established and agreed on the priorities at the output and capacity level, it should consider if, at an aggregate level, it will be able to ensure sufficient human and financial resources related to closing each of the identified capacity gaps. There will always be more priorities than available resources, and so the SP team will need to make difficult choices on what the final set of desired changes will be. This step supports the realisation of the commitments in the strategic plan and avoids making even harder choices during implementation that can further disrupt prospects

FIGURE 8.2 Distinguishing the priority of outputs and capacities



of success. The involvement of SAI budgeting and financial staff, as well as of SAI leadership, will be necessary for this process.

Considering the resource implications of the SAI strategy is a hard, but necessary requirement for ensuring realism of the plan so that it can be implemented later on. This does not mean that the strategic plan should be prepared through the budget, but rather that the SAI will need to apply a budget lens to the strategy. Usually, the fiscal space for new initiatives will not be big, since much of the SAI's budget is already committed to salaries and other types of ongoing spending. In fact, at the level of the entire government budget, it is estimated that only 5% of the total revenues are in a given year available for new spending priorities (see Schiavo-Campo, 2007). The situation is likely to be no different in an SAI. External factors, such as the global COVID-19 pandemic (See Box 8.1), but also other country-specific factors like political stability or natural disasters, can also have a significant effect on the SAI's resource situation.

The first step in the process is to estimate the so-called aggregate resource envelope. Second, for each identified capacity gap, the SAI and SP team will need to assess if there is a need for additional resources, beyond what is already existing (staff, services and infrastructure). Finally, the resource availability and needs will need to be reconciled to identify potential additional resources, and efficiency gains and likely apply another round of prioritisation.

To estimate the aggregate resource envelope, the SP team will need first to examine the approved and executed SAI budgets of the last three years. It will need to determine if there are any visible trends, for example of a stable, increasing or decreasing overall allocation of resources or budget execution rate below 100%. Those can provide a first indication as to what the SAI can realistically expect and is likely to absorb over the coming years. To make a forecast for the future period, the SP team will also need to consider the expectations concerning potential donor funding, inflation and any other external impacts on the budget, for example, due to COVID-19. It will

need to make a forecast for each year of the strategic plan. The SP team will need to discuss with those in the SAI responsible for budgeting, as well as with the SAI leadership, to arrive at the most likely scenario. In periods with increased uncertainty, the SP team may even have to consider constructing additional scenarios on the expected resource situation to support agility and prioritisation later on.

Once there is more clarity on the expected aggregate resource envelope, the next step is to consider the specific resource implications of the results framework, in particular related to closing the various capacity gaps. At this stage of the planning process, the SAI should not go into detailed costing of the various capacity gaps. However, it should consider each capacity gap and follow a simple process to determine its expected resource implications (Figure 8.3). This process aims to identify capacity gaps that will likely require additional financial and human resources beyond what the SAI already has, which should then be assigned a rough cost estimate.

In general, there are four broad categories of resource implications for each capacity gap: 1. Additional staff needs (hires) and associated recurrent costs (salaries, pension contributions etc.); 2. Other recurrent costs (training, production of materials, consultancy support); 3. Capital expenditure, e.g. costs for computers, licenses, for additional space, etc. 4. Overhead costs related to administration and management. Such estimates will need to be produced for the entire strategic planning period. This is because closing most capacity gaps will require implementation over a more extended period,

BOX 8.1

COVID-19 AND THE SAI'S RESOURCES

Resource implications of the COVID-19 pandemic for SAIs

The recent COVID-19 pandemic is widely considered to impact resource situation for SAIs. Many countries have suffered unprecedented economic downturns and reductions in revenue, paired with elevated need for pandemic-related emergency spending. This has resulted in growing fiscal deficits and is likely to lead to reductions in budget envelopes and hires and salary freezes across public sector. SAIs may also face an increased uncertainty regarding donor funding. Internally, SAIs have seen a challenging situation with respect to efficiency of working from home, higher IT and communication costs and need for additional equipment.

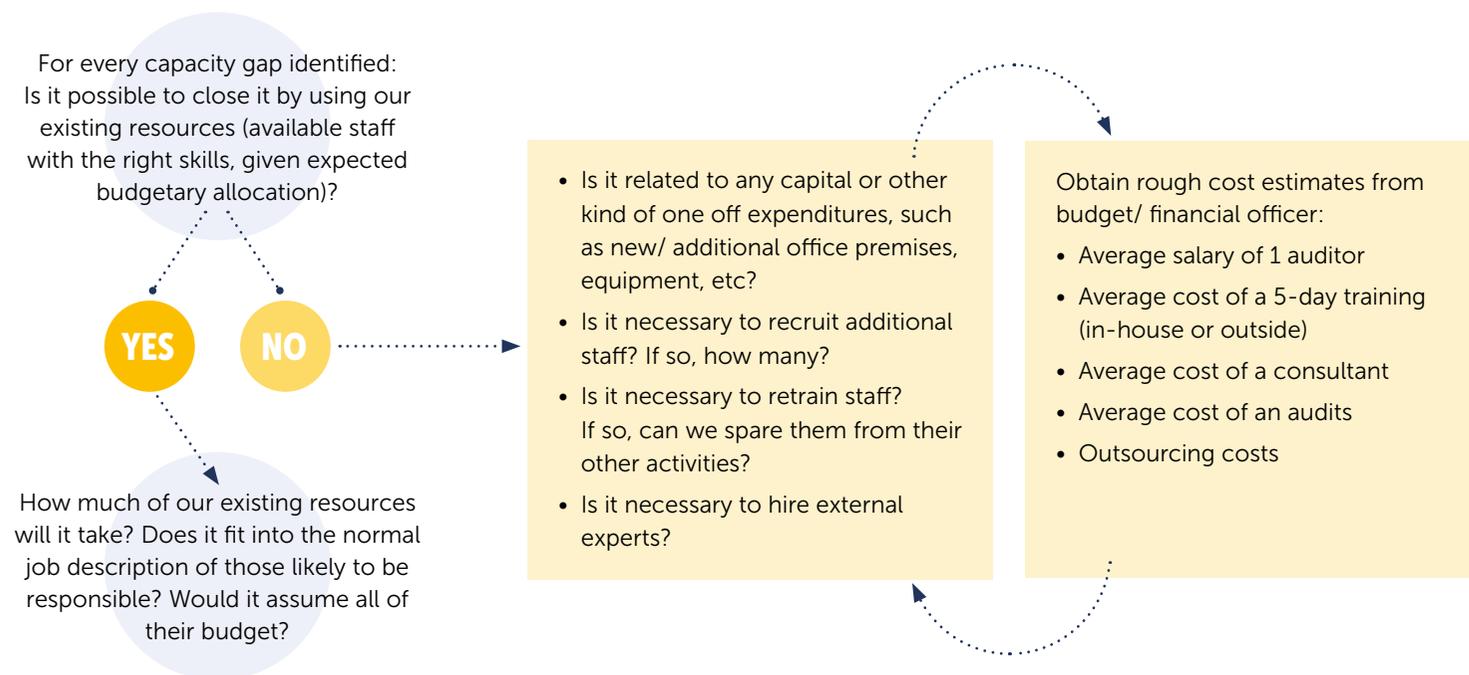
and the SAI needs to have a clear idea as to the multiannual implications of any changes. Even when these will be rough estimates, they will be sufficient for the SAI and the SP team to make a feasibility analysis and to select the most realistic option.

Once both sides of the resource equation - expected availability and estimated needs - have been determined, the SAI and the SP team will need to reconcile those carefully. In the likely situation that needs will be more than what the SAI can afford, they will need to consider if the potential for efficiency gains and mobilising additional resources. There may be a possibility of receiving external funding through development partners. The SAI should also

examine any cost-saving potential within its existing commitments, but also within the suggested approach for closing capacity gaps, such as scaling down some lower priority activities and reallocating staff and spending.

To finalise the results framework, a second round of prioritisation and feasibility analysis will be necessary, this time considering the entire set of criteria (Figure 8.1). The SAI should carry out a straight-forward, open discussion among the strategic planning team about which options seem most relevant given the magnitude of change they are aiming to affect and the risks, threats, opportunities and challenges they may be facing. The involvement of the SAI Head

FIGURE 8.3 Approach for estimating resource implications for closing capacity gaps



and leadership in this part of the decision-making process will be indispensable. There may also be a need for additional discussions with representatives from different parts of the SAI, especially to determine resource needs and implications.

For example, an SAI may be considering two outputs concerning the outcome of *“Responsible and compliant management of COVID-19 emergency measures”* – namely an increased coverage of its compliance audits, or enhanced relevance of its performance audits through a focus on crisis preparedness and crisis management. The first output has been identified as key by various external stakeholders, and the SAI considers it cannot afford inaction on it as it is the main product at its disposal concerning the outcome it aims to influence. Closing the associated capacity gaps will require some additional financial resources, but mostly a shift of auditors from other parts of the SAI. The output is unproblematic from the perspective of legality as it fits within the existing mandate of the SAI. This SAI therefore deemed this output a critical priority.

The second output in this example also deals with coverage, but this time of performance audits in the area of disaster and crisis management. The SAI considers that the potential contribution of such audits to the realisation of the outcome can be high, and there is significant external demand for those. They also represent an opportunity for the SAI to improve its image and relevance to citizens. While performance audit is part of the SAI’s mandate, there are no requirements when it comes to coverage. However, as the performance audit practice is currently underdeveloped, closing such capacity gaps would require significant additional funding, and there is no current potential for mobilising such resources. Therefore, this output and the associated capacities are deemed an important, but not a critical priority. This means that the SAI will undertake steps to close some critical capacity gaps but focus more strongly on this output in the second half of the strategic planning period, for when it estimates the resource situation to become more stable.

Which capacity needs and gaps to address first, and how to create the most effective intervention strategy requires in-depth analysis and consideration when crafting the SAI strategy. As shown in the example above, sequencing the changes is also critical, especially when a process requires several changes. Ultimately, the SP team will have to select and specify a clear and sequenced strategy for closing the capacity gaps associated with each output.

SAI NORLAND’S ESTIMATED RESOURCES AND NEEDS

The SAI of Norland has studied in detail its past budget performance to conclude that it has received incremental budget increases and has not been able to fully absorb its allocations. In light of growing inflation, expected budget cuts and personnel freezes, it has re-assessed its results framework to identify if some priorities should be scaled down or left for later on in the strategic planning period.

REVIEW
the adjusted results framework, including underlying assumptions, in the Annex to Chapter 8!

8.3 | DEFINING THE ASSUMPTIONS AND RISKS OF THE RESULTS FRAMEWORK

When the SAI prepares the chain of intended changes in the results framework, it also makes assumptions about the anticipated change process that will respond to the strategic issue at hand. Also, it should consider the risk, or the uncertainty of an event occurring that could have an impact on the achievement of the desired change. The last stage of the finalisation of the results framework is, therefore, the definition of the assumptions and risks.

Generally, assumptions are beliefs or feelings that something is real or that something will happen, an assertion about the world we do not always question or check. For instance, if as part of closing a capacity gap, the SAI considers a training on audit methodologies, it assumes that the auditors attending the training will pay attention and will acquire new skills. It then also assumes that auditors will apply the skills and be able to write better audit recommendations. An even stronger assumption is that those recommendations will be better understood and followed up. And on their turn, this can contribute to some long-lasting changes that affect citizens.

Risk, on the other hand, are such events, which, should they occur, could jeopardise the likelihood of achieving the desired change. In the example above, one risk is that the facilitator delivering the training is not knowledgeable enough about the topic. A much higher risk – and a strategic risk – however, is that the SAI is perceived as biased by the public, so that even if audit recommendations are better written, the auditees may reject them as they would not

consider them valid. Strategic risks are, therefore, such risks that affect the level of outputs and outcomes in the SSMF. The identification and classification of risks are dealt with more extensively in Chapter 13 of the handbook.

The SP team should rigorously test the strength and validity of assumptions and the impact and likelihood of strategic risks occurring. It should do so not only at the end but also as part of the process of defining the various levels of the results framework and the chain of intended changes. Assumptions and risks influence both the choice of desired results the SAI selects for its strategy, and the design of the specific interventions to affect such change. Finally, the periodic checking of the validity of the assumptions and the active monitoring and managing of risk is a key part of the implementation of the SAI strategy.

8.4 | PERFORMANCE MEASUREMENT AND REPORTING ARRANGEMENTS

How the SAI will measure the progress and achievements and the outcome and output level is a critical supporting element of the results framework and therefore, part of strategy formulation. At the same time, in the context of strategic management, the SAI should strive to establish an integrated performance measurement system capturing both the strategic and operational level. Such an integrated system will allow the SAI to continuously assess and compare whether operational realities still allow and support the realisation of the strategic intent. Therefore, the detailed guidance on how to define performance measures, their main elements and respective process requirements are captured in Chapter 11 in the context of establishing a performance measurement system for the SAI.

The SP team will need to define indicators, targets and related base-lines and milestones at the outcome and output level, as well as suitable reporting arrangements. Achievement at the output level

is usually to be measured and reported against annually. Outcome changes are usually more time-consuming. The duration of the strategic planning period and the degree of expected change are the main influencing factor. Outcome changes are usually measured either only at the end of the strategic planning period or once or twice during the implementation. The strategic plan should include a dedicated section on performance measurement, which specifies:

- The performance indicator(s) for each outcome and output;
- Related baselines, milestones and targets;
- Sources of information and means of verification;
- Frequency of measurement;
- Frequency and type of reporting (internal or external).

It is important to note that considering how to measure the intended results often leads to even more precise and better definitions of the outcomes and outputs. Such improvements may be possible even after the results framework having undergone several rounds of iteration and feasibility analysis. For example, an SAI may have formulated an outcome on *“Better public financial management by key government officials”*. When considering how to measure this outcome, the SP team has identified that they would like to use the indicator *“Percentage of deviation between the approved and executed budget”*, since there is a consistent trend of significant overspending, which drives a growing fiscal deficit. As a result, the SP team has changed the definition of the outcome itself to *“Improved fiscal responsibility of planning and budgeting officers”*.

SAI NORLAND'S MONITORING FRAMEWORK

The monitoring framework includes six performance indicators at the outcome level and eight at the output level.

REVIEW
the adjusted
results framework
in the Annex to
Chapter 11!

8.5 | CONSULTATION, DRAFTING AND COMMUNICATION OF THE SAI STRATEGY

Once it has finalised the results framework with its underlying assumptions and risks and supporting performance measurement, the SP team can move towards preparing the final document. A first essential part of this process is to ensure that there is a satisfactory degree of internal buy-in and ownership of the strategy. As per the SAI strategic management principle of committing SAI leadership, this will first require that the Head of the SAI and the management team are involved and provide feedback at least for the initial results framework and during the prioritisation stage. However, in line with another of the SAI strategic management principles, “Being inclusive”, the rest of the SAI staff should also be consulted. As a minimum, they should be kept informed during the development process. It is critical that all of the people who are working at the SAI can recognise their work and contribution to the desired results. They should not see the strategy as a document that is prepared and used by a certain few at the SAI; rather, its contents and commitments should be understood, shared and implemented by the whole of the SAI.

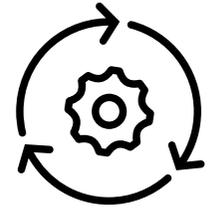
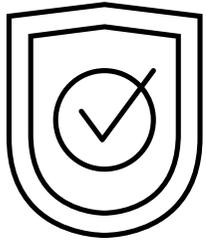
To that end, besides internal consultations, it is important to pay attention to the final product of the strategic planning exercise. The contents of the strategic plan need to be put together cohesively and attractively. The final SAI strategy should become a stand-alone document that can communicate to an external reader how the SAI intends to improve its performance over the strategic planning period. The strategy should use a language that is easily understandable and provides stakeholders with just the right amount of information on its future plans. Writing skills play a vital part in documenting the strategic plan. The SAI should also set aside sufficient time for proofreading, formatting and graphic design. Finally, SAI management has to sign off on the final draft. The project plan that guides the process for drafting the strategy should, therefore, include such steps (See Chapter 3).

As presented in Section 7.1, besides the results framework, the SAI strategy should also include the SAI vision and mission, its core values, as well as the supporting narrative. Different SAIs choose to provide different kinds of information in the strategic plan document. Examples can include organisational history, the legal framework, an organisational chart, a message from the Head of SAI, or a summary of SAI PMF and SWOT analysis results. The SAI has to decide what the contents of the strategic plan document should be and what sequence it wants to present those. As a word of caution, the strategic plan should not become a lengthy document. It is better to keep the body of the plan short and simple. The Annex to this chapter contains a suggested table of content for the strategic plan.

One essential part of the strategic plan is the narrative supporting the results framework. A visual at the start, identifying the various elements and the intended results chain is a great tool to facilitate comprehension. Still, the readers will also require an explanation of the choices made. Therefore for each outcome and output, the strategic plan should provide the rationale for focusing on it, as well as a narrative explaining the results chain associated with the intended change and the associated assumptions. The strategy should present the approach for closing capacity gaps in a sequential manner, paying due consideration to the required resources.

At the end of the strategic plan development process, the SAI would be ready with an attractive strategic plan document. The process of marketing or publicising the strategic plan is a process of getting prepared for its implementation by gaining the support and involvement of the SAI's internal and external stakeholders. It involves determining who the plan should be distributed to and how its contents can be exhibited to the best interest of the SAI. Both the methods of marketing and the audience to be targeted play a role at this stage. The printed plan would also be the SAIs communication tool with all its internal and external stakeholders. The process of marketing may be necessary for the following reasons:

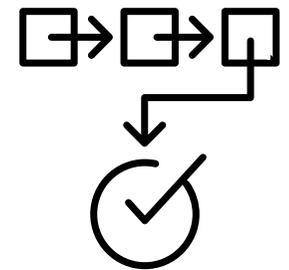
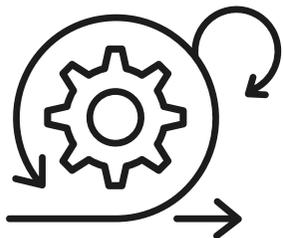
1. To help create ownership and buy-in of staff within the SAI;
2. To create an increase in awareness and understanding about the strategic plan;
3. To help enhance the SAI's image and reputation;
4. To help obtain the support of external stakeholders;
5. To help in managing expectations of stakeholders.



PART C



IMPLEMENTING THE STRATEGIC PLAN



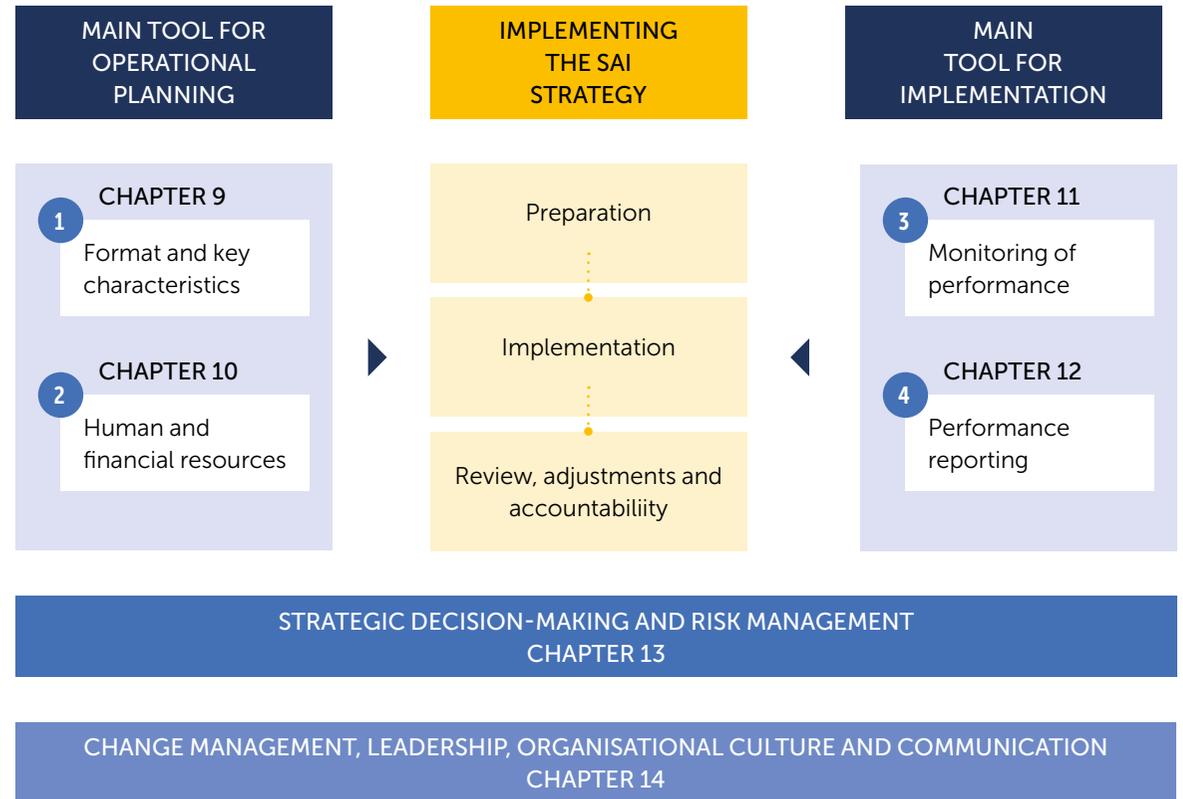
INTRODUCTION TO PART C

A strong strategic plan is a necessary, but not sufficient condition for sustainably enhancing SAI performance. It is usually when the strategy is finalised that the challenges begin. To quote Jeffry Pressman and Aaron Wildavsky (1978), the founding fathers of the study of policy implementation in the public sector, *“People now appear to think that implementation should be easy; they are, therefore, upset when expected events do not turn out or turn out badly. [...] Implementation, under the best of circumstances, is exceedingly difficult.”* The recent COVID-19 pandemic has illustrated this point with almost painful clarity. Even with the best of plans, nobody knows with certainty even the near future. Having the right tools to ensure preparedness and agility and to remain focused on the SAI strategic direction becomes crucial.

For SAIs, four main ingredients for effective implementation are essential: (1) an operational plan that clearly specifies and allocates annual tasks and resources that accurately reflect the strategic intent; (2) a system for objective and systematic measurement and reporting of performance against operational and strategic targets that ensures organisational accountability and learning; (3) effective and transparent decision-making mechanisms, including risk management; and (4) a system of management controls to hold employees accountable, paired with measures to incentivise their performance, underpinned by inspirational and informed SAI leadership.

As discussed in the introduction, there is significant evidence that SAIs struggle to translate strategic plans into actionable operational plans. What makes for a robust operational plan is, therefore, the subject of Chapter 9. Chapter 10 tackles the issue of financial and human resource allocation in the SAI context. SAIs also face challenges with defining and incorporating effective performance measurement in their organisation. There is a lot of room

FIGURE C.1 Main steps in the implementation process





for improvement in many SAIs when it comes to their internal and external reporting. Chapter 11 thus treats the crucial topic of measuring SAI performance and establishing an SAI monitoring system. Chapter 12 discusses the types of SAI performance reporting.

While operational planning, monitoring and reporting are formal processes, much of their quality and actual achievements will depend on the decision-making style and preferences of the SAI head and management team, including their risk appetite. Chapter 13 casts an eye over the issues of strategic decision making and risk management. In turn, decision making is heavily shaped by the SAI leadership and the propensity of staff to align and implement the desired changes (Chapter 14).

The processes discussed in this part are ongoing for the whole duration of the strategic management period. SAIs should set up a strategic management team (SM team) for these tasks that may be different from the strategic planning plan. The SM team may or may not include the Head of SAI but should be enabled to directly report to them.

CHAPTER 9 AT A GLANCE

Key learning points



- The strategic plan needs to be translated into annual operational plans that define in concrete terms what the SAI will do to implement the strategic plan in the given year.
- Like a strategic plan, an effective operational plan should fulfil some essential characteristics: It should be linked to the strategy, holistic, linked to the budget, clear and specific, flexible and iterative, as well as easy to monitor.
- Operational planning should follow a well-defined process that ensures the realisation of said principles.

Main steps in the process to follow: Do-minimum scenario for less experienced SAIs



- Define what part of the strategic plan should be implemented in the next financial year. Be guided by your sequenced approach to closing the capacity gap and the performance targets in your strategic plan.
- Align the operational planning timeline with other annual planning timelines in your SAI, including the budgeting timelines
- Define clear and specific activities that lead to reaching the milestones for the year and closing the relevant capacity gaps.
- Define in-year milestones and assign responsibilities.

Additional steps in the process to follow: Advanced scenario for more experienced SAIs



- Write an integrated operational plan, encompassing all audit and non-audit activities of the SAI. Such a holistic character may make some other annual plans of the SAI superfluous; others may detail parts of the operational plan further.
- Devise operational-level monitoring mechanisms (milestones and partially indicators) that derive from the strategic level monitoring framework.
- Fully align your operational planning and budgeting processes.

The finalisation of the SAI strategy marks a significant milestone for the SAI. It may gain attention and traction in media and among key stakeholders. Equally important, but a lot more hidden and internalised is the SAI's operational plan, which is the subject of this chapter. Even a perfectly crafted strategy would be impossible to implement without a supporting operational plan. The operational plan translates the SAI strategy into implementable tasks and actions, which can be taken up and followed through by SAI staff. It represents a detailed blueprint for implementation, which should ensure that the SAI meets its capacity needs identified in the SAI strategy, attains the corresponding outputs and facilitates the achievement of outcomes. In other words, while the SAI strategy is about goal setting, the SAI operational plan is about goal achieving.

Section 9.1 discusses the objectives of the operational plan and how it serves as the linking pin between the SAI strategy and the achievement of performance. For an operational plan to fulfil these objectives, it should display a set of crucial characteristics (Section 9.2). One such characteristic is the need to align the operational plan to both the SAI strategy and the budget. Another is to cover both audit and non-audit activities. A third requirement is to strike the right balance between comprehensiveness, specificity, manageability and flexibility in the operational plan. An SAI will need to carefully consider those characteristics and apply those through its operational planning process (Section 9.3). The Annex to this chapter contains suggested formats for the operational plan as well as the example of SAI Norland's operational plan for several of the outputs from its results framework.

EVEN A PERFECTLY CRAFTED STRATEGY WOULD BE
IMPOSSIBLE TO IMPLEMENT WITHOUT A SUPPORTING
OPERATIONAL PLAN. THE OPERATIONAL PLAN TRANSLATES
THE SAI STRATEGY INTO IMPLEMENTABLE TASKS
AND ACTIONS, WHICH CAN BE TAKEN UP AND
FOLLOWED THROUGH BY SAI STAFF.

9.1 | MAIN FUNCTIONS OF AN OPERATIONAL PLAN

An operational plan is a translation of the SAI's strategy into a practical, more detailed instruction on how to focus and structure the SAI's day-to-day operations towards achieving its performance goals for one year. It provides a framework for action, based on the strategic vision given by the SAI strategy. The operational plan includes the projects, activities, timelines, resources required, estimated budget, milestones, responsibilities for the projects and risks involved. It should provide enough detail on the annual activities to keep all SAI staff advancing in the direction of the strategic plan, with a shared understanding of when, how fast and how far to move. If followed, a well-written operational plan ensures that the SAI's operations achieve the results foreseen in the strategy. An operational plan is thus the main vehicle that transforms the strategy into actual performance.

Although the critical premise of an operational plan is to ensure the translation of the SAI strategy into actionable annual steps for a given year, such plans can have several additional functions:

- **Facilitate the coordination and optimal allocation of resources:** An operational plan enables the planning and allocation of the SAI's available resources (human, financial and physical) in support of fulfilling the SAI strategy and mandate.
- **Ensure meeting set timeframes as per the SAI mandate:** The operational plan allows managers to structure their work in such a way as to produce the required audits and other expected products as per the SAI's mandate in the stipulated legal timeframes, and with the required quality.
- **Promote cross-departmental cooperation:** An operational plan for the whole SAI considers both audit and non-audit activities. In the process of preparing the plan, it often

becomes evident how the various tasks require the coordination and cooperation between various departments and units within the SAI. A good operational plan ensures that the SAI does not work in so-called silos, where different teams do not communicate and do not exploit the potential for synergies and improved efficiency when working together.

- **Provides agility:** In some contrast to the SAI strategy, the operational plan is a living document. It should be reviewed and adjusted frequently during the year, taking into account the operational realities. At any point in time, the SAI should have a relevant and suitable short-term plan to fall back on, which will not forget the strategic intent for the medium term.
- **Support accountability of SAI staff:** An operational plan assigns clear responsibilities to staff for specific activities. Responsibility assignments ensure ownership, support effective implementation and promote internal accountability. By consulting the relevant staff in developing the operational plan, the SAI can ensure that everyone tasked with a specific responsibility understands and agrees to it.
- **Guides implementation:** Despite its name, an operational plan is essentially an implementation tool. It allows SAI management to have an overview of all ongoing activities and to steer and adjust them. It guides and supports managerial decision-making towards the ongoing and informed execution of the SAI strategy.

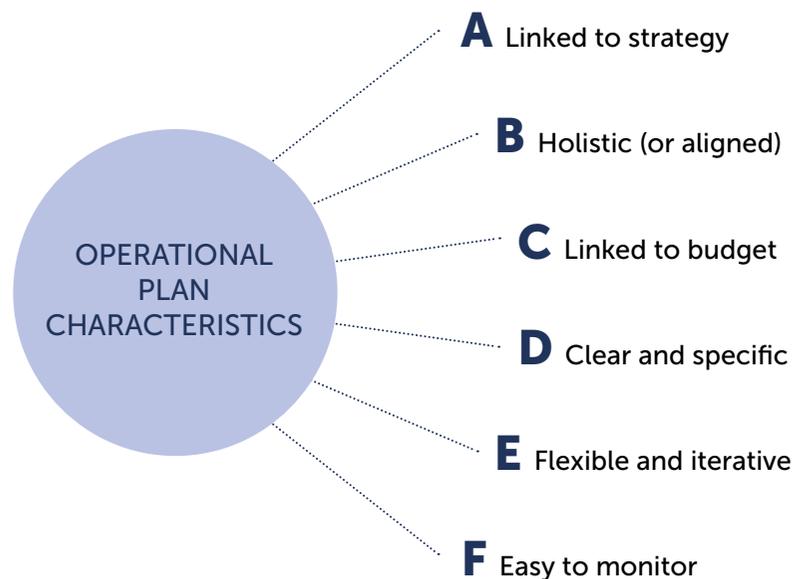
SAI OPERATIONAL PLAN

An annual, resourced plan of the SAI's audit and non-audit activities. It describes how, or what portion of a strategic plan will be put into operation during a given financial year and breaks down the approach for closing capacity gaps identified in the SAI strategy into separate activities. It ensures that the SAI focuses its work towards achieving the outputs and facilitating the outcomes of its strategy.

9.2 | KEY CHARACTERISTICS

An operational plan can be a powerful management tool when it has a set of key characteristics that support the fulfilment of its functions (Figure 9.1).

FIGURE 9.1 Characteristics of a robust operational plan



A The linkage between the strategic and operational plan

A key finding from the 2017 Global SAI Stocktaking report was that there is a strong disconnect between the strategic and the operational plans in many SAIs. In some cases, SAIs may lack an operational plan altogether, and instead, just have an annual audit or jurisdictional control plan. As a consequence, there is no mechanism to ensure that the annual activities in the SAI thoroughly address the strategy's capacity gaps, and so support the realisation of outputs and outcomes¹⁷. Usually, in such a situation, the operational or annual audit plan becomes the leading document as it is a tool the SAI middle management, i.e. those in charge of various departments and units, has likely developed or contributed to and can better identify with and own. The strategic plan becomes a document of declaratory value at most, sitting on a shelf and with little or no relation to the SAI's day-to-day operations. The disconnect between the strategy and the operational plan brings paralysis, confusion and at best a confirmation of the status quo in the SAI.

To be effective in achieving performance, the operational plan should **be linked to the SAI's strategy**. It should describe how, or what portion of the strategic plan will be put into operation during a given financial year, with operations detailing actions required within that year, and related responsibilities, timeframes, monitoring arrangements and risks. Thereby it ensures that the SAI will make progress on implementing its strategic plan and will make any operational choices with a view to long-term priorities.

The crucial link between the strategic and the operational plan is the level of outputs. An operational plan should consider the approach of the strategic plan in terms of which capacities related to each output should be closed and when, and should detail (a portion of) this work into specific, implementable activities for the year. At any point of time, the SAI leadership should be able to track how a separate activity is related to the achievement of the SAI's core products (outputs).

¹⁷ Some strategic plans contain an implementation matrix, breaking down strategic goals into projects to be undertaken. Such matrices do not replace an operational plan since they focus on the whole strategic period and do not have links to routine tasks. Practically, they add little value to an SAI's strategic management. One criterion of SAI PMF measures whether the SAI has an implementation matrix in place. It is IDI's view that an operational plan that is linked to the strategic plan can be considered as fulfilling that requirement.

B Holistic coverage

While most SAIs would only have one, or at most a handful of strategic plans for a period¹⁸, they usually possess an array of plans at the annual level, focusing on various areas and frequently with a varying degree of detail. Figure 9.2 presents an example of the different plans that an SAI may have simultaneously. The risk of having a multitude of plans during the year is threefold. First, it may lead to duplication of efforts, conflicting activities and timing, and can promote working in silos. Second, it makes the resourcing of activities, both in terms of costing and human resources, more difficult. Finally, from the managerial perspective, it makes the monitoring of implementation and the tracking of progress towards the achievement of the outputs in the SAI's strategy harder.

To avoid such pitfalls, **the operational plan should be holistic**. That means that it either covers all audit and non-audit activities or is aligned with other SAI-level plans. The operational plan should contain the activities related to the realisation of outputs and ultimately strategic outcomes as well as the SAI's primary support services like financial management, human resources, professional development and training, IT, and infrastructure. The latter may not

be strategic concerns, as they will relate to the SAI's day-to-day operations, but they do contribute to the strategy's implementation. A holistic operational plan facilitates internal coordination and communication and helps ensure proper resourcing of all activities. To that end, it is crucial that those responsible for the key functional areas in the SAI coordinate, discuss and agree jointly on the contents of the plan. They should consider all possible interlinkages between activities. For example, an SAI may be planning training on financial audit. Organising the training may be the responsibility of the training unit; however, it should clarify its contents with the financial audit and quality assurance units. They will need to jointly choose timing for the training that does not coincide with intensive periods of financial audit implementation.

SAI NORLAND'S OPERATIONAL PLAN

The operational plan has a holistic coverage and includes:

- Both audit and non-audit activities. For example, relating to the output "Improved coverage and quality of compliance audit reports on topics chosen based on risk and relevance", it has planned an activity to train additional compliance auditors, as well as one to carry compliance audits of the biggest spending units

REVIEW
the entire results framework in the Annex to Chapter 9!

FIGURE 9.2 Example of different annual plans in an SAI



¹⁸ For example, a strategic plan, a communications strategy and a professional development strategy. Similar to the importance of a holistic operational plan, strategic-level documents should also be at the minimum aligned, and best integrated in a single strategic plan to ensure coherence and proper resourcing.

Figure 9.2 also shows how the various annual plans could feed into a single operational plan for the SAI. Several important clarifications should be made:

- **A holistic annual plan implies the integration of audit and non-audit activities.** The large majority of SAIs have an annual audit plan or an annual plan of jurisdictional control engagements. Such plans or programs may be a legal requirement and are often discussed with external stakeholders. To meet such requirements does not prevent an SAI from having a holistic operational plan. To avoid that the operational plan becomes excessively lengthy and difficult to monitor, it does not need to include each audit as a separate activity. It can consider grouping the planned audits or jurisdictional controls into aggregate activities, for example, *“Execute first 12 compliance audits”* or *“Control and judge five sub-national level accounts”*. More importantly, the execution of planned audits should be clearly linked to the outputs of the strategic plan. In the example above, the SAI would relate the activity on compliance audit execution to an output on the timeliness of compliance audit reports.
- **The preparation of a holistic operational plan does not necessarily eliminate the need for more detailed activity plans, for example, at the level of each department.** The operational plan will contain activities at a more aggregate level, which can be further broken down by the responsible units. For example, the operational plan will specify an activity like *“Organise a training on financial audit ISSAIs”*. The responsible unit can separate this activity into smaller tasks related to the preparation of materials and logistics. From a management perspective, those detailed tasks are not necessarily something to explicitly track and consider.
- **Linking routine and ongoing activities, such as human resource management or financial administration to the outputs of the strategic plan, may not always be straightforward.** However, such activities are also crucial for the achievement of the desired outputs. They also require attention, coordination and monitoring. The SAI should not take them for granted and leave them of the operational plan. One approach would be to include those “below the line”, thus at the bottom of the operational plan. Another approach would be to consider where the bulk of specific activities linked to routine work are concentrated and place such activities there as well. For example, consider if the SAI strategy includes an output on *“ISSAI-based compliance audits”*. Consider further that the output requires addressing capacity gaps related to hiring new staff and organising various rounds of comprehensive training on compliance audit. The SAI could link its routine human resource management activities in the operational plan to this output, even if such activities will naturally have broader links to other outputs too.
- **As an alternative to a single operational plan, the SAI may choose to maintain different plans covering different operations but keep a substantial degree of alignment between them.** Such alignment requires that all plans should be prepared together by the respective responsible persons in the SAI. They should ensure coordination and facilitate a joint discussion on resourcing and sequencing of activities. The advantage of this approach can be that SAI middle management may feel more comfortable sticking to their existing documents. The disadvantage is that from the perspective of the SAI leadership, comparison and monitoring of implementation can become more difficult because of the various documents it would have to consider.

C Alignment to the SAI budget

The annual SAI budget is the financial mirror of the operational plan. Every activity foreseen in the operational plan should be appropriately resourced to be implemented. Therefore, the SAI should ideally synchronise operational and budget planning processes. An operational plan without an underlying budget is bound to remain a wish list, and full implementation becomes highly unlikely.

To ensure this alignment, it is crucial to carry out the two processes simultaneously and to involve the budget and finance staff of the SAI in the discussion about the operational plan. Chapter 10. discusses this process in more detail.

Drawing up an operational plan with a clear view of the financial resources need will not only support realistic annual implementation. The alignment of both processes will also support prioritisation since the selection and specification of activities will need to be critically weighed in against the associated costs. For many SAIs the budget is discussed externally, for example in an Audit or Oversight Committee in Parliament. When the budget is aligned with the operational plan, this adds another layer of credibility to the operational plan.

D Clear, specific formulations, iterative process and monitorable formulations

The operational plan should be **clear and specific**. Its language needs to inspire the desired action with no confusion or misinterpretation as to what is wanted. Activity descriptions should clearly state what is required, short and to the point. Open-ended activities and use of words such as “promote” “engage”, “increase”, “improve” encourage subjective interpretation and blur strategic direction (Box 9.1). There should be no ambiguity on the expectations among leadership and staff on the activities for the year and requirements associated with them. A common language promotes a shared understanding and increases accountability for individual or team responsibilities.

E Flexible and iterative process

Importantly, clear and specific does not equate prescriptive and rigid. Those terms should not be confused with overwhelming, highly detailed manuals that describe each small characteristic of what needs to happen. An operational plan should simultaneously allow for **flexibility and iteration**. First, while activity descriptions should be unambiguous, they should leave sufficient room for responsible staff to decide on the best approach to complete the activity. For example, an activity such as “*Organise a training on dealing with appeals of judgement decisions*” should not in itself include the details on the specific content or the guest trainers to be used. Second, the operational plan should be reviewed and adjusted regularly, and the SAI should not regard it as a set-in-stone document. Such flexibility is central to the implementation of the entire SAI strategy. No one knows with exact certainty what will happen even a month later. The strategic plan gives the high-level orientation for the SAI, which serves as a basis for the content of an operational plan. The operational plan is an implementation plan for the strategic plan. It can only adequately serve that function if it can be modified along the way, as and when situations change, or new elements come into play. The SAI must be bound by “what” it is trying to achieve by the end of the strategic period, but “how” to do it within the strategic period can be open to changes. Flexibility requires a fair degree of review, iteration and adjustment as implementation progresses. The operational plan should be subject to change depending on feedback, on results that come from monitoring, and on ongoing field experience. If something is not working, it is often necessary to change what is being done.

BOX 9.1

USEFUL QUESTIONS TO CONSIDER WHEN FORMULATING ACTIVITIES FOR THE OPERATIONAL PLAN

- What sequenced steps during the year are needed to reach or progress against the desired output?
- Are we sure? Is that the best way? Do we all understand what is expected?
- Are the activities sufficiently action-oriented (focused on execution and doing)?
- Are they implementable and realistic?
- Do we have enough detail on what is expected?
- Are activity specifications unambiguous? Do they avoid pitfall words, such as encourage, leverage, promote, recognize, support, increase, maintain?

F Monitorable formulations

The operational plan should be **easy to read, monitor and manage**. It needs to provide everyone in the SAI with enough detail on what to do to ensure moving in the same direction. SAI staff should feel comfortable using the plan regularly. Management should be able to get a quick and thorough overview of implementation and manage on that basis. To support the user-friendliness of the operational plan, a structure that is aligned to the strategic plan is necessary. The format should facilitate clear links to other plans, use tables that include all essential information at a glance and cover elements that enable status monitoring, like for example progress colour coding. The operational plan should allow for tracking of activities during the year based on clearly defined milestones. It is also important to remember that an operational plan is linked to the SAI strategy and breaks down work towards the achievement of SAI outputs. Therefore, the monitoring of milestones and annual targets at the output level is a vital element of the operational plan.

9.3 | THE OPERATIONAL PLANNING PROCESS

As every (financial) year has its own operational plan, the operational planning naturally repeats itself annually. However, the first annual operational plan for a new strategic planning period deserves special attention. It involves some critical decisions that are likely to have an impact on the overall strategic planning period. It is advisable to invest more resources in finding a suitable approach and format for operational planning that can be copied in the coming years right at the beginning of the strategic management period, rather than developing and adopting a new format every year.

Scoping and preparation

While not as elaborate as the strategic planning process, the operational planning process also requires a degree of preparation. First, a **strategic management team (SM team)** needs to be in

place to take responsibility for the preparation of the operational plan as well as its implementation, monitoring and reporting on it. This team should consist of at least two persons in charge of audit and non-audit areas in the SAI. The team should regularly consult with SAI leadership for key aspects and at critical stages of the process. For purposes of coordination, it is highly advisable to carry out consultation with all middle-level management, for example, departmental heads and persons in charge of both audit and non-audit functions. Their involvement is crucial to provide the necessary degree of detail and in-depth knowledge to draw a realistic operational plan that will be understood, supported and used by everyone. Moreover, it ensures ownership among the key persons responsible for implementation.

Before writing the operational plan, the SM team established in the SAI needs to familiarise itself with the strategic plan as the primary input source for the operational plan. It should also **map and study any other plans** the SAI has in place, like annual audit plans, professional development plans, communications plan and so on. Understanding how such plans have been drawn and how they are followed up will provide rich information for learning and improvement.

As a next step, the SM team needs to decide on the **format** of the operational plan. The team will need to consult and make a choice between a single, holistic operational plan, or coexistence of various annual documents that guide the SAI's work. If the operational plan is not holistic, the SM team must ensure alignment to the other planning processes at the earliest possible stage. If the team decides to go for a holistic plan, it should identify which elements from the various plans it should take up and at the level of the overall operational plan. Some activities from separate plans will need to be aggregated, while others will be brought down to a more detailed working plan for a unit or department in the SAI. To make a choice, the SM team should discuss with the rest of the leadership and determine their preferences with the view of monitoring and decision-making based on the operational plan. The team should

also require input from middle management and different functional units on how they see their units contributing to the strategic plan for that year and what are their priorities.

The next choice is related to the **structure**, as well as the **timeframe** it should cover. The operational plan should follow a structure that fits the SAI very well, and that makes it easy to follow up. Ensuring clear and visible alignment to the structure of the strategic plan is highly advisable, as this makes the function of the operational plan as a vehicle to implement the SAI strategy visible to everyone involved and facilitates decision-making. The operational plan could also be aligned to the SAI's organisational structure or even the budget format. As regards the timeframe, the operational planning process should ideally run parallel to the budgeting process. The operational plan should be ready and approved before the start of the fiscal year.

Finally, the SM team should also decide on the **level of detail of activities** in the operational plan. In the holistic approach, activities should be kept at a relatively aggregate level, to allow SAI leadership a clear and straightforward overview of all the SAI's work. Details could be then specified in lower-level plans, for example of SAI units or teams. Another important consideration is the degree of maturity and experience of the SAI with operational planning and management. A less experienced management team may have good arguments to develop a plan with a fair degree of detail, to allow for stronger top-down oversight and control of implementation. For more mature SAIs, the activities could be defined more broadly, to allow middle management enough flexibility and responsibility in shaping and steering the detailed tasks under each activity.

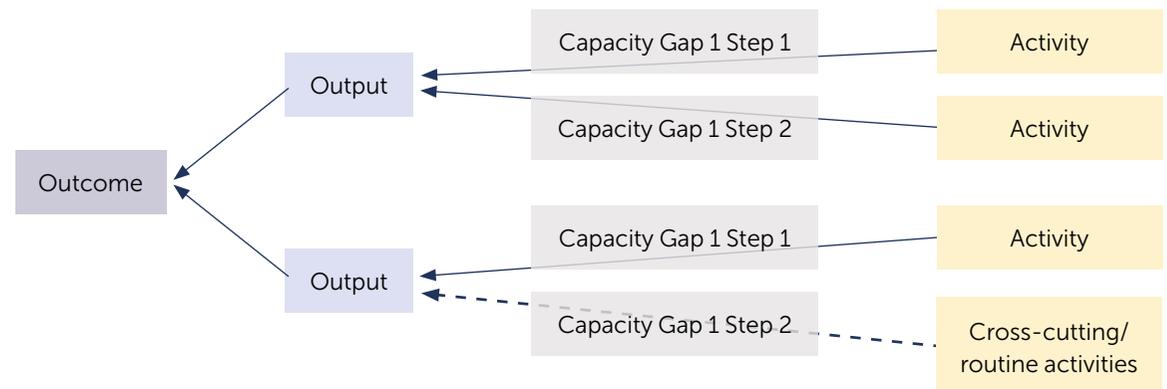
Drafting the operational plan

The drafting process is closely related to the decisions on the **format and structure** of the operational plan. It starts with giving the plan its basic outline. For each output from the strategic plan, the SM team needs to consider the desired capacities in the results framework

and the sequenced steps identified for closing the capacity gaps. Each step for closing a capacity in the strategic plan should guide the SM team to spell out the relevant annual activities. Cross-cutting and routine activities should also ideally be linked to specific outputs and capacities, to which they contribute significantly (Figure 9.3). Moreover, those need to be put in a logical order. It could be that various activities will need to be carried out in parallel to build all the necessary capacities for one desired output, or that the result of one activity (a capacity built) is necessary before the next one commences. The SM team should also consider which capacities will only need to be addressed in a subsequent year.

Consider an example where the SAI has identified the enhancement of performance audits towards ISSAI compliance as one output in its strategy. As this is a new endeavour for the SAI, it has identified various organisational capacities, such as a performance audit methodology, a quality assurance mechanism, as well as procedures to consult with external stakeholders on topic selection. The SAI also needs to recruit and train suitable performance audit staff to ensure professional capacity. In the first year of the strategy implementation, the SAI may choose to focus on working on the methodology

FIGURE 9.3 Link between outcomes, outputs and activities



and the recruitment of selected new staff. The operational plan will include related activities to those capacities, which could either run in parallel (if for example a consultant or a team within the SAI is tasked with writing the methodology) or could be sequenced. In this case, the operational plan would first capture activities related to staff recruitment, followed by an activity on the preparation of a draft performance audit methodology. The SAI could leave the testing and piloting of that methodology and the recruitment and training of additional performance auditors for the second and third year.

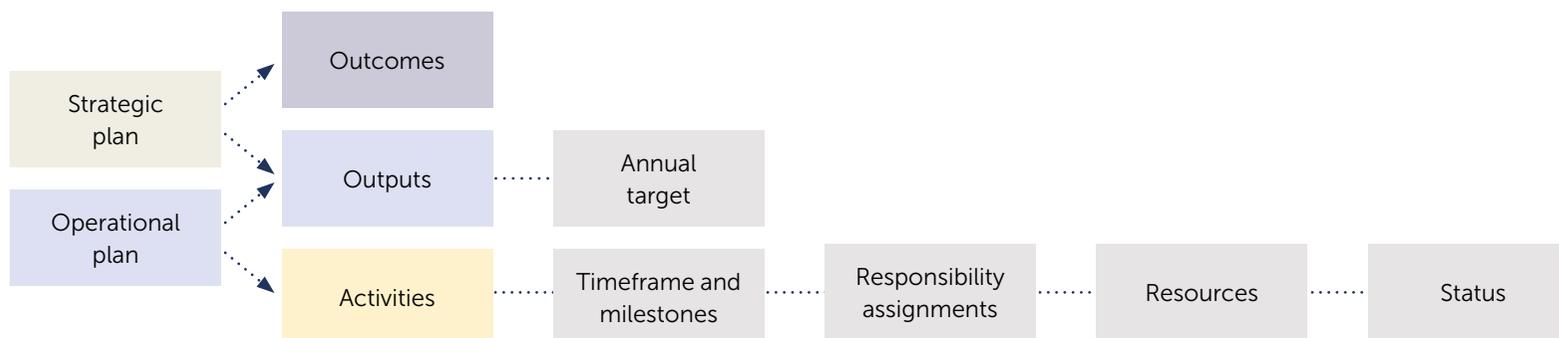
As mentioned, the SM team has to define activities in the operational plan in a **clear and specific** way. They should be action-oriented – that means focused on execution – and realistically implementable. Each activity should be supplemented by a milestone that specifies the activity’s expected result by the end of the year. In case of activities spanning over much of the duration of the operational plan, the SM team should break down milestones based on the expectation for work done within a period, for example, within each quarter. For instance, if an activity focuses on carrying out an audit, a milestone for the first quarter could be a completed draft report, while for the second quarter of the year the milestone could be that the SAI

Head signs off the report. Timeframes are also essential and should consider peaks of work in the SAI. For example, the SM team should not schedule audit training activities during the period when audit reports are being finalised.

Once the SM team has identified the appropriate activities for all the outputs and underlying capacities, they have a skeleton plan of what needs to be done. The SM team will yet need to add more elements to ensure actual implementation. In other words, it will need to add the flesh of the operational plan (Figure 9.4). One crucial element is **responsibility**. Who is responsible and ultimately accountable for each activity? Responsibilities might include several levels, like a senior manager being responsible for a process or a unit or department collectively doing the actual bulk of the work, with other units being responsible for delivering specific contributions.

Another element that the operational plan should cover is a **specification of the financial and other resources required**, most notably staff time. Other likely elements could be the identification of possible operational-level risks that may jeopardise the plan’s implementation or tracking of progress in the execution of activities.

FIGURE 9.4 Possible elements of an operational plan



The operational plan should be linked to the SAI's risk register (See section 11.5 on risk management). It should cover the most likely and potentially impactful risks and mitigation measures against them, at least for the output level and possibly for major activities. In the case of an operational planning approach focusing on alignment rather than integration, a reference to interrelated activities from other plans may be very useful.

Finalising the operational plan

As the operational plan is designed to shape everybody's work in the organisation for the whole year, it needs leadership approval and staff ownership. Several rounds of discussions with SAI leadership may be necessary, depending on the previous degree of involvement in the preceding process. There should be enough time planned for that. Box 9.2 provides a set of questions that can be used as a final checklist to ensure the quality of the operational plan. Finally, the operational plan needs to be distributed to all staff so that they can assume responsibility for implementing it. Those that have the primary responsibility for implementing the plan, most commonly unit or department heads, should organise dedicated awareness-raising sessions with their subordinates to explain the contents of the document and clarify expectations.

BOX 9.2

OPERATIONAL PLANNING QUALITY CHECKLIST

- Are all activities in the operational plan clearly linked to the outputs of the SAI strategy?
- Are all core elements of the strategic plan contained in the document? Does the document convey the essence of the SAI's strategy?
- Does the plan cover all the SAI's activities (audit and non-audit) or is it at least aligned to other plans?
- How does the plan treat ongoing routine activities, for example financial management?
- Are the resources identified enough to achieve the outputs?
- Are the time frames realistic?
- Does the plan identify responsible persons for each activity?
- Is everything clear and specific?
- Have operational-level risks been identified?
- Is the plan document easy to read and understand for the stakeholders?
- Is the content logically structured?
- Is the document visually attractive?

CHAPTER 10 AT A GLANCE

Key learning points



- Required human resources to implement the operational need to be planned for and need to be available in totality – including the different types and levels of qualifications needed.
- Activities in the operational plan need to be costed. The costing should be in line with the SAI's budget proposal for the year.
- Due to the likely gap in human and financial resources, prioritisation on the operational level is necessary. When the operational planning and annual budgeting processes are fully aligned with each other, the prioritisation becomes most meaningful. In the ideal state, the annual budget is the financial representation of the operational plan.

Main steps in the process to follow:
Do-minimum scenario for less experienced SAIs



- Plan the necessary human resources for implementing the operational plan. Consider the number of staff but also their qualifications. Ensure that the total staff need is not greater than the available human resources.
- For each activity, plan for the necessary financial resources. Ensure that the total cost will not be beyond your budget.
- Ensure that the operational planning happens when the SAI is proposing its budget.

Additional steps in the process to follow:
Advanced scenario for more experienced SAIs



- Introduce a staff time planning and recording system. Such system is most relevant for the core work of the SAI but could ideally go beyond.
- Apply activity-based costing for all activities in your operational plan. Make the activity-based costing of the operational plan the basis for your budget proposal.
- Fully integrate budgeting and operational planning processes, where both a proposed and finalised at the same time.
- Apply activity-based budgeting as the financial mirror of your operational plan.

To stand a chance of being implemented, any operational plan needs to be underpinned by the necessary inputs. All inputs to the operational plan can be regarded as resources. Inputs include people of different qualifications, physical and technical infrastructure, or services. They can be expressed and measured in monetary costs and working time. This chapter focuses on estimating the necessary financial and human resources to execute the operational plan.

Resourcing the operational plan is of prime importance to its implementation. By defining the necessary resources, the SAI can ensure that it commits only to activities that it can implement in the year. Resourcing also establishes the necessary link between the operational plan and the budget, one of the critical quality requirements for operational planning (see Chapter 9). Planning for resources enables the SAI to identify the potential for improved efficiency. As most SAIs face resource shortages, properly defining them also supports the necessary prioritisation and provides the opportunity to weigh the expected benefits of a planned activity against its projected costs. Finally, a thoroughly resourced operational plan can support the mobilisation of additional resources where needed.

The estimation of human and financial resources available and needed in the SAI has become even more prominent in the context of the COVID-19 pandemic. SAIs across continents and with different stages of development and independence have experienced budget cuts and disbursement delays, staff shortages; as well as unexpected financial pressure to secure IT and communication equipment to support remote work. At the same time, demands and pressure for SAIs to implement specific and rapid audits related to emergency funding, have put an additional resource strain. As a result, capacity development activities have been delayed or put on hold. In this type of emergencies, having a good understanding of the resource implications of planned activities will much support continuity and efficiency in running the SAI's operations despite disruptions.

Section 10.1 of this chapter discusses techniques of human resource planning, while section 10.2 focuses on financial resource planning. Section 10.3 takes a closer look at aligning operational planning and budgeting and discusses ways of reconciling operational plans with the available resources and the budget proposal.

THE ESTIMATION OF HUMAN AND FINANCIAL RESOURCES AVAILABLE AND NEEDED IN THE SAI HAS BECOME EVEN MORE PROMINENT IN THE CONTEXT OF THE COVID-19 PANDEMIC.

10.1 | HUMAN RESOURCES

Human resource planning consists of several steps. First, the SAI needs to determine the human resource requirement for carrying out all planned activities. Those requirements entail the number of staff needed and staff specificities, like whether they are audit or non-audit staff, and which exact competencies and qualifications are needed, for example, trained financial or performance auditors, or qualified lawyers. Second, the SAI needs to determine what human resources it has available. Third, the SAI needs to decide on how to deal with the gap that usually emerges between human resource requirements and current human resources.

The human resource planning process should ideally be based on a staff time recording system. Alternatively, SAIs may use assumptions on time used on core work (audits and jurisdictional controls), non-core work and non-productive time. It will have to draw on information on experiences from different organisational units within the SAI, such as:

- The number and type of staff needed for each task;
- The scope for improving productivity and efficiency;
- The opportunity for cross-departmental collaboration;
- Additional training and professional development needs emerging from specific tasks.

The starting point for determining the SAI's human resource need is the core work, audits and jurisdictional controls. The SAI should set benchmarks of working time needed for the different types of audits and jurisdictional controls. Working time can vary significantly between and within the audit streams. For financial and compliance audit, entity size is a key factor for determining the time need, whereas performance audit is harder to standardise and often takes more time. When establishing such benchmarks, the SAI should try not only to define the gross sum of working time per audit engage-

ment but also differentiated by seniority level as well as specific qualifications, like the relevant audit methodology.

Further, each audit or jurisdictional control engagement of the SAI creates work for the organisation's support services, so-called overheads. These vary from SAI to SAI and can be manifold. Some typical examples of overhead staff time observed in SAIs are:

- Support from drivers, secretarial staff and similar for the audit assignment, especially fieldwork;
- Management and supervision of audit or jurisdictional control tasks;
- HR unit working on time recording for audits or fieldwork trip approvals;
- Financial management of costs incurred due to audit engagements;
- IT support in the field or concerning audit work or judgement procedures;
- Legal departments checking formulations and specific requirements of audits and jurisdictional controls.

These overheads may, factually, vary from audit engagement to audit engagement. They are sometimes difficult to pin down and differentiate from support services' other tasks. The easiest is to operate with a lump-sum percentage for the different services, based on a rough estimate and experience. Still, there can be different, more sophisticated tools SAIs can use for estimating human resource needs.

The SAI's operational plan entails other activities that are neither its core work nor direct overheads thereof. Some are routine tasks like maintaining the SAI's buildings or the SAI's internal audit function. Others are more directly related to achieving the strategic priorities

and cannot be characterised as recurring. These activities are often connected to training or developing new capacities. It is crucial to estimate the human resources needed for these since they often come in addition to the core tasks which already occupy most staff for most of their time.

When defining the available human resources, the SM team needs to differentiate between different groups of staff, firstly audit and non-audit staff. Secondly, the audit staff may have different levels of seniority and different specific qualifications. The definition of these qualifications should be linked to the staff need established before. To assign staff flexibly, it is helpful to calculate in so-called Full-Time Equivalents or FTEs. An FTE is the working time of one person who is employed with full time at the SAI. However, no human being is productive towards the assigned activities for 100 per cent of their time. Some time is used on personal professional development, sick leave and unexpected issues that came up during implementation. It is useful to define a utilisation rate – the percentage of staff time spent on productive work. Seventy per cent is a realistic to slightly optimistic utilisation rate for many SAIs.

When comparing staff needs and available staff, most SAIs will face a gap. To tackle that gap, the SAI may look at different approaches. In the short term, it will have to prioritise and seek efficiency gains (see section 10.3). It may also consider outsourcing. In the long term, it should consider the necessary staffing level and mix, its training needs and estimated costs for meeting those.

10.2 | FINANCIAL RESOURCES

Planning for financial resources is at least as important as planning for human resources. It is a detrimental and futile exercise to prepare an operational plan that does not stand a chance to be implemented as it lacks funding. The SAI's annual budget should be the mirror of its operational plan; it is nothing more or less than the financial expression of the commitments undertaken. But if the two parts are misaligned, the budget will drive implementation. On its turn, this may mean that implementation deviates from priorities defined in the strategic plan. There is no more straightforward way to check if an institution – an SAI or any other – is serious about their priorities and commitments, then to check whether what is stated as a priority also receives the highest share of funding. While operational plans are often internal documents, budgets usually are not. A budget that is well-aligned with the SAI's operational plan and thereby also with the strategic plan is the best way to reaffirm the strategic commitments to stakeholders.

The process of planning financial resources for the operational plan is called costing. In this process, for all activities of the plan, monetary costs are defined. Costing is based on two distinct activities: measuring the types and quantities of physical resources needed for the delivery of each output and its assigned activities and valuation of these resources in monetary terms. Costing involves collecting and analysing historical data, identifying the various cost types and examining their financial implications. While there are many approaches to costing, this handbook describes just two prevalent ones: line item costing and activity-based costing.

SAI NORLAND'S ACTIVITY-BASED COSTING

- SAI Norland has separated its activities to the lowest input level and costs them accordingly

REVIEW
the input
splitting of one
example activity
in the Annex to
Chapter 10!

Line-item costing is the most widely used costing approach. Application of this technique requires breaking down all planned activities into their smallest components. Resource requirements (labour, materials, capital items) and their cost are estimated at the lowest level. Costs are then presented by using the economic classification of the budget, which is also the one most aligned to the chart of accounts. Costs are then summed up and shown at the level of the budget as salary costs, material costs, capital costs, depreciation and so on. Indirect costs, such as utilities and support services, are not directly considered when breaking down activities. They are allocated ex-post based on assumptions, for example, based on the size of each audit department. This unprecise allocation is one limitation of traditional line-item costing, as it does not give a very accurate picture of how much one specific output costs in total. In this approach, comparing actual costs and plans is not very fruitful. Differences can only be seen on the level of economic classification, not on the level of activities. The SAI cannot follow up on the question *what for* it has spent its resources, only on the question, *on what* it has spent them.

In contrast, activity-based costing, which is a modification of line-item costing, uses a slightly different approach for both estimating and presenting costs. As with line-item costing, the starting point is to break down and analyse the detailed resource requirements of activities. Costs are then grouped and presented per activity. As activities relate to the outputs in the strategic plan, such presentation allows for better identification and understanding of how much the implementation of the plan costs per output. The second key difference to line-item costing is that indirect costs are analysed and assigned in a much more precise way, based on concrete assumptions of indirect costs for each activity. This more substantial degree of accuracy makes activity-based costing a preferred approach for understanding cost variances, making decisions and exercising cost control.

The starting point for choosing a costing approach for any SAI should be its existing budgeting policies and practices. This holds especially true if the SAI is following some overall public-sector guidelines on budgeting. The process and amount of work for the SM team, supported by the budget staff, is roughly the same between the two costing approaches presented here, the key difference being in the presentation. SAIs should, in any case, avoid incremental costing, where it merely increases previous budgets by a set percentage, inaccurately representing the intent of the SAI.

FIGURE 10.1 Costing approaches

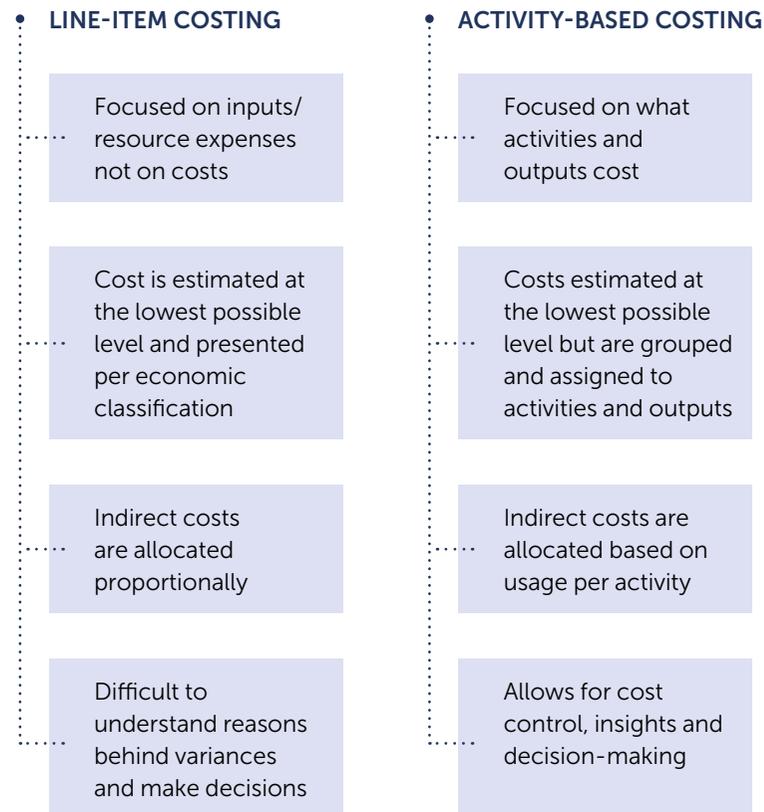
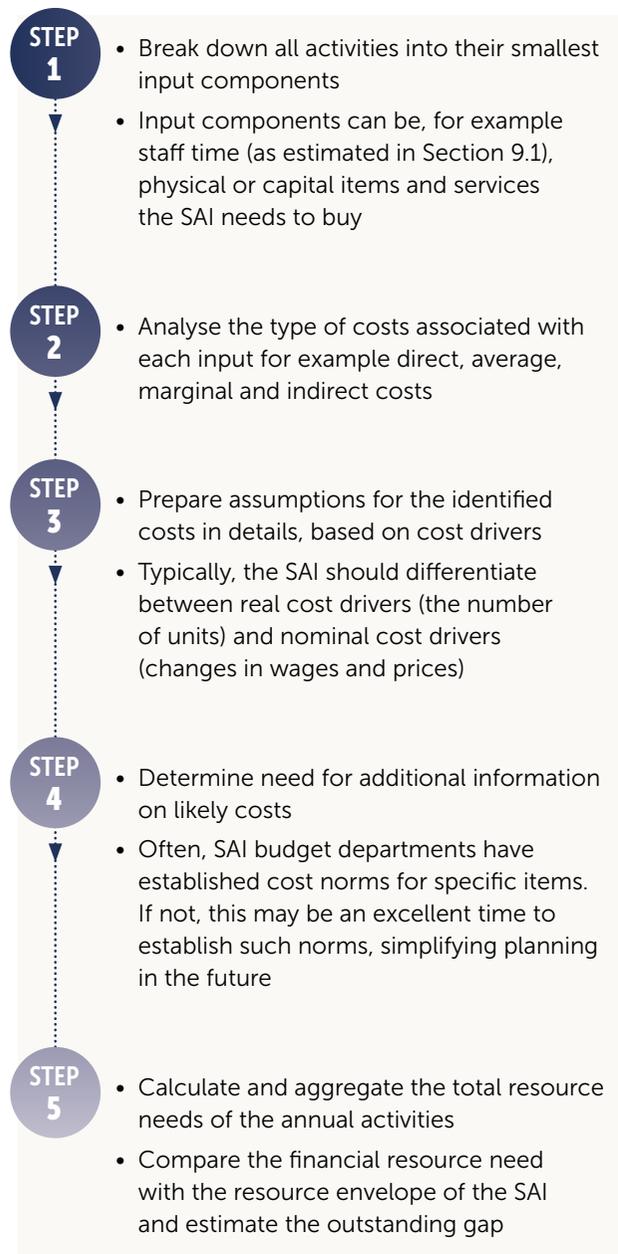


FIGURE 10.2 Steps in the costing of the operational plan



10.3 RECONCILIATION AND THE BUDGETING PROCESS

The last step to ensure the financial resourcing of the operational plan is to align the budgeting and planning processes. As mentioned in Chapter 9, the operational planning process starts by considering the relevant outputs and related capacity caps to be closed as identified in the strategic plan, including its sequencing. On that basis, the SM team will prepare detailed proposals for activities, which will need to be discussed and harmonized among the management staff responsible for the different areas, ultimately resulting in a revised and approved version.

As can be seen from figure 10.2, the budgeting process typically follows similar steps as the operational planning process. At the start, the SAI receives or estimates its overall resource envelop for the year- sometimes this is given externally, sometimes it is the result of a discussion with Parliament for example. Then the bottom-up costing process is launched, where financial resources are assigned to activities. The reconciliation of the budget envelop, and the bottom-up estimates results in the final budget to be approved. It becomes evident that the two processes are intrinsically linked to each other and effectively represent the two sides of the same coin. Crucially, they are both required for prioritisation purposes. Knowing how much money is broadly available for the year will inform how many of the relevant outputs the SAI can address; while knowing the specific activities planned for the year is the crucial input for costing. The discussion and harmonisation of the operational plan and budget should ideally be done together, at least at a high level when reaching management decision stage, to be able to make informed decisions and choices and move towards approval.

Aligning operational planning and budgeting processes links the bottom-up costing process with the top-down budgeting process. The SAI budget department provides the rest of the SAI staff with

the overall resource envelop for the year. This will be determined based on an estimate considering last year's budget or other parameters- For example, some SAIs receive a fixed percentage of the state budget each year. In some cases, the final budget may not be approved yet. The budget department would then use the information on costing needs to prepare a well-justified and reconciled budget proposal that would serve as the basis for discussion with Parliament or Ministry of Finance in case the SAI lacks financial windependence (Box 10.1).

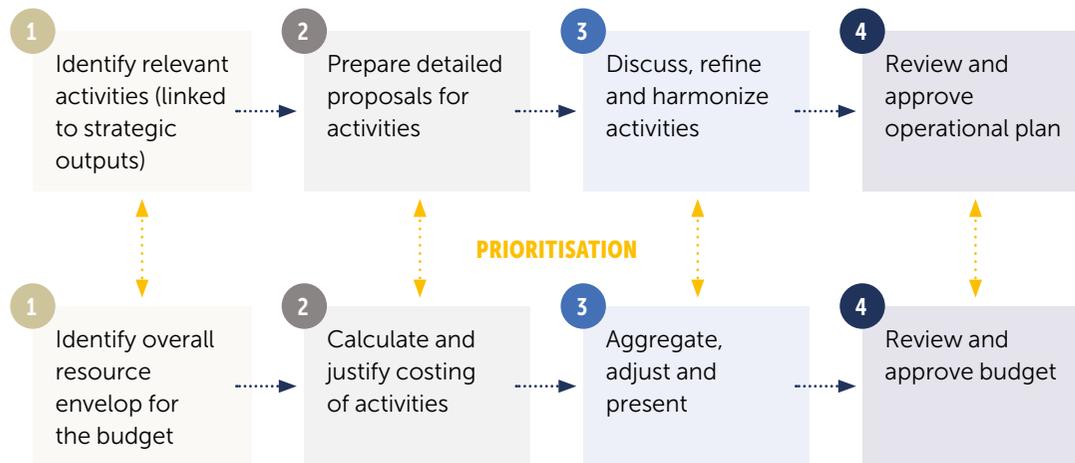
In parallel, the bottom-up costing process in the SAI requires estimating the costs for each activity. In the traditional case, bottom-up costing is often done by the budget department based on inputs

from the various functional areas in the SAI. In other cases, each department will do its own costing or will organise a cross-coordinated process between all departments, with the help of the SM team. It is important to ensure that when the SAI costs activities that require the contributions of various parts of the SAI, the final estimate reflects such costs properly.

Eventually, once costs are estimated at a detailed level, they need to be calculated in terms of totals and reconciled with what is available. Usually, the reconciliation process will require a fair share of decision-making and prioritisation. This step is facilitated by activity-based costing, which allows more insights and evidence for making such hard choices.

FIGURE 10.2 Aligning the operational planning and budgeting processes in the SAI

OPERATIONAL PLANNING PROCESS ▶



BUDGETING PROCESS ▶

BOX 10.1

CHARACTERISTICS OF A HIGH-QUALITY BUDGET PROPOSAL

- Timeliness, entailing the most up-to-date data
- Comprehensiveness, covering all operations, income and expenditure of the SAI
- Accuracy, being a correct reflection of the expenditure the SAI plans
- Justified, with transparent assumptions and cost estimates
- Combination of performance and financial information, linking money spent to outputs achieved
- Linked to the operational and strategic plans
- Containing a multi-annual outlook, which specifies the expected aggregate spending per main category (recurrent, investment) over the medium term, i.e. any forecasted spikes or deviations from the usual spending patterns

In the reconciliation process, the SM team must weigh in the prospective results of activities with the necessary costs. From the cost perspective, they need to reconcile the overall resource envelope with their estimated activity costs. While doing that, the SM team may have to answer several questions:

- Are costs clear and justifiable? Have costs been clearly assigned to activities and inputs? Are they based on sound assumptions, agreed upon by the SAI?
- Are there any opportunities for efficiency gains and optimisations? Can any of the activities be carried out in a less costly manner? Where does the SAI find synergies between several activities?
- Are there any opportunities for reductions in costs? Can the scope of some activities be reduced? Is there a need to revisit the specific cost drivers of the activities?
- Have contingency reserves for unforeseen events been planned into to budget?
- Has the SAI considered the timing of cost realisation? Does this correspond to cash availability?
- How have budget ceilings been defined? To support decision-making processes, could the SAI consider defining ceilings per output, rather than department?

From the results perspective, some other considerations are relevant. The SM team must weigh the priorities against the costs. Are the costs of activities justifiable in relation to the activities' significance? If there are not enough financial resources, the SAI needs to prioritise between activities in the operational plan but stay in line with the strategic direction. The SM team may need to consult with SAI leadership on which activities to prioritise. In times of heightened resource uncertainty, such prioritisation may even result in the development of different scenarios for the operational plan. A do-minimum scenario would include the SAI's most critical annual activities, but the SM team may also prepare a more extensive version of the OP that should indicate which additional activities should be taken up in case more resources become available. Such scenario planning can strongly support agility and resilience in SAIs.

For many SAIs, the calendars for budget preparation are fixed externally. The SAI may need to consider shifting the operational planning process accordingly. Strategic plans provide the broad roadmap for operational planning through identifying the sequenced high-level approach and tasks to close capacity gaps related to outputs. This implies that operational planning is never a purely annual exercise but always considers a multi-year perspective as it links back to the strategic plan and the approach and sequencing for closing capacity gaps described there. In that sense, while of course, the full picture on implementation of the operational plan will only be ready at the end of a given year, the SAI should not be waiting until that period with preparing next year's operational plan.

CHAPTER 11 AT A GLANCE

Key learning points

- It is crucial to monitor the implementation of strategic and operational plans with the help of appropriate monitoring frameworks. They include indicators, baselines, milestones and targets.
- Strategic plans should be monitored at least for each outcome and output, possibly for some capacities.
- Operational plans should be monitored at the activity level but preserving the link to the capacity and output monitoring.
- Indicators should fulfil specific criteria to support the decision-making process. They should be specific to the result they are measuring, they should be measurable in theory and practice, and achievable by the SAI in question.
- Baselines are the status of the indicator at the beginning of the strategic management period, and they should be set as soon as possible. Milestones are desirable intermediate states of the indicator while targets the planned end-state. They should be determined according to the baseline and the measurement intervals.
- A monitoring plan defines when each indicator will be measured, by whom and in what exact way. Some indicators (often on the outcome level) should be measured only every few years, others (most output indicators) every year. The measurement interval should depend on the timeline of expected change.

Main steps in the process to follow:

Do-minimum scenario for less experienced SAIs

- Define at least one indicator for each outcome and one for each output that reliably measures the result and is easy to monitor.
- Define the baseline. If the SAI does not have the necessary information, leave the baseline for the result after the first year.
- Set realistic milestones and targets for each indicator.
- Define when to measure each indicator and whose responsibility it is.

Additional steps in the process to follow:

Advanced scenario for more experienced SAIs

- Ensure a mix of quantitative and qualitative indicators, possibly using some of the SAI PMF indicators.
- Formulate 2-3 indicators per outcome and 1-2 per output.
- Ensure that the chosen indicators reflect the result to a substantial degree, combining information from different internal and external sources.
- Define the timeline for measuring indicators as well as the methodological details. Plan for the necessary resources for monitoring, especially when more advanced data gathering methods like surveys are going to be used.
- Build an integrated monitoring system that includes financial and time utilisation information and aligns to your annual planning procedures.

Monitoring of SAI performance is a continuous function over the whole duration of the strategic management period. The information from a monitoring system enables the SAI and its key stakeholders to track progress against the strategic and operational plans and to make fact-based decisions.

Performance monitoring as a function falls under the domain of strategy implementation. It is essential, though, to establish the fundamentals of the monitoring framework already when crafting the SAI strategy. The strategic plan should specify relevant performance indicators, baselines, targets and milestones for each outcome and output it has committed to.

This chapter describes two critical elements of a monitoring system for the SAI. Section 11.1 discusses the concept of a monitoring framework that the SAI uses to measure the different levels of the results framework in the SAI strategy. Section 11.2 presents the need for a monitoring plan that details how the SAI will regularly monitor progress against the monitoring framework.

11.1 | MONITORING FRAMEWORK

For an SAI to be able to track the implementation of its strategic plan, it is necessary to have in place a monitoring framework. This framework sets out the SAI's performance indicators, baselines, milestones and targets that will help assess progress with the implementation of planned capacities, outputs and outcomes as specified in the results framework of the SAI strategy. The monitoring framework should also capture the operational level and establish targets and milestones for key activities linked to the realisation of outputs.

There are several key elements to a monitoring framework which this chapter addresses separately below:

- **Indicators:** A quantitative or qualitative measure that shows the level of achievement of envisaged change, most notably at the outcome and output level and for some crucial capacities.
- **Baselines:** The status of the indicator at the beginning of the strategic period.
- **Milestones and Targets:** On what level the indicator should be, or to what extent activities should be implemented at a given time.

Indicators

An indicator is simply 'the thing that will be measured'. It is a measurable fact that provides information on whether the result is achieved. Indicators should have a direct relation to the specific results on the levels of capacity, output and outcome.

Indicators should possess a set of characteristics. They should be non-directional (i.e. not state 'improve performance') and should not include the baseline or future targets (which are a separate part of the performance measurement system). They can be quantitative or qualitative. Quantitative (numerical) indicators are relatively straightforward to measure. Qualitative indicators are more descriptive and often require additional criteria for measurement. Table 11.1 provides some examples of good and bad indicators.

TABLE 11.1 Examples of good and bad indicators to measure SAI performance

Intended result from SAI strategy	Bad Indicators	Weaknesses	Good Indicators	Observations and data source needs
ISSAI-based performance audits (output)	Overall quality of performance audit	No indication of what will be measured	% of the SAI's performance audits completed during the year which passes the SAI's quality assurance review	Implies the SAI needs to have a quality assurance system, and that it makes a pass/fail assessment of an audit against the SAI's relevant audit standards
Timely publication of audit reports (output)	Increase the percentage of audit reports published to 50%	The indicator includes both a direction (increase) and the target (50%), but no definition of the population or timeliness	Percentage of the SAI's audit reports completed during the year which are published within three months of completion	The SAI may need to consider which audit reports it expects to be published (i.e. do all financial audits lead to a published audit report), and establish a system to record the dates by which audits are completed, and published.
Competent financial auditors(capacity)	Number of trained financial auditors	Not specific what is meant by 'trained' and to what level of seniority the SAI should auditors at different grades	Number of financial auditors meeting the SAI's defined competency, qualification and experience requirements for their grade	Implies the SAI needs to define the competency, qualification and experiences required for each seniority level of a financial auditor, and a system for monitoring auditors against these requirements.
High-quality performance audit findings and recommendations (output)	Relevance of performance audit recommendations for audited entities	Requires specific criteria on "relevance" and may be cumbersome to measure.	Score on SAI PMF indicator 13 (iii): "Reporting on performance audit"	Implies the SAI must carry out an SAI PMF assessment, or at least assess this dimension, according to the frequency with which it wants to measure this indicator.
Effective parliamentary follow-up of audit reports (outcome)	Frequency of audit report reviews in Parliament	Does not say anything about the quality and the results of audit reviews	Score on PEFA ¹⁹ indicator PI-30, Legislative scrutiny of audit reports	Implies there is a PEFA assessment (which is not the SAI's decision) done by the time the outcome will be measured.

19 A Public Expenditure and Financial Accountability (PEFA) assessment provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance.

One of the most important considerations to make when designing indicators is the level they refer to. When designing indicators for the outcome level, they should aim to measure the expected change in the SAI's immediate public sector environment. Such indicators will, therefore, not be able to capture the SAI's contribution to the change directly. Indicators on the output level should directly measure the output, meaning the direct result of the SAI's work. If the SAI intends to design indicators on the capacity level, they should also directly refer to the capacities. A monitoring framework with indicators on the wrong results level is not suitable for measuring the achievement of results. Figure 11.1 provides an example of indicators on different levels.

To decide which indicators are the most suitable for each objective, the SM team should reflect on what the objective is aiming at. What exactly will change and for whom? If they expect certain aspects to be "better" or "improved", what does "good" or "improve" actually mean? What are the defining qualities of outputs?

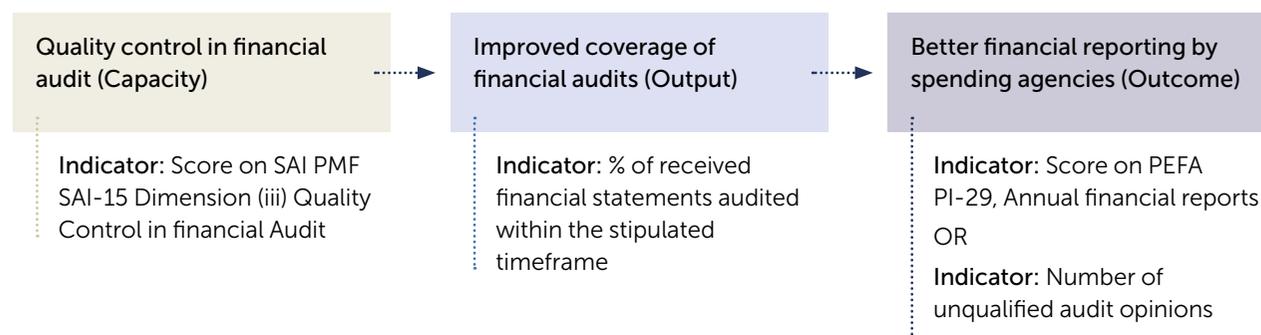
While there are no set rules for choosing indicators, two popular acronyms can give guidance: SMART and CREAM, as explained in table 11.2.

TABLE 11.2 SMART and CREAM indicators

SMART indicators	CREAM indicators
SPECIFIC: The indicator is exact, distinct and clearly states what will be measured, leaving no ambiguity for those monitoring them.	CLEAR: The indicator is unambiguous about what will be measured.
MEASURABLE: The indicator can be measured, in theory as well as in the specific circumstances of the SAI. This may refer to quantitative measurement methods as well as objectifiable qualitative observations.	RELEVANT: The indicator measures the specific result it has been assigned to.
ACHIEVABLE: The indicator is achievable with the projected human and financial resources available to the SAI.	ECONOMIC: The indicator is measurable regularly within the resource constraint of the SAI. The human and financial resources necessary to measure the indicator should not exceed the use and power of it.
RELEVANT: The indicator measures the specific result it has been assigned to.	ADEQUATE: The combination of indicators enables the SAI to measure progress towards the objectives.
TIME-BOUND: The indicator states not only what should be achieved but gives an exact timing for that achievement.	MONITORABLE: The indicator can realistically be measured regularly and with repeated and continuous telling power.

Source: UNDP (2009) Handbook on Planning, Monitoring and Evaluating for Development Results.

FIGURE 11.1 Examples of indicators for a chain of results at the capacity, output and outcome levels



It will not and does not need to be possible in every single case to have indicators which strictly fulfil all the SMART and CREAM criteria. The strategic management team should treat these as guiding principles. The main requirement is that they enable the SAI to track changes in performance over time.

The number of indicators in a monitoring framework should be kept manageable. Too many indicators will be cumbersome to monitor continuously. SAI staff should thus concentrate on a few indicators, each having high telling power for the outcome or output they are supposed to measure. As a rule of thumb, the more complex the envisaged change, the more performance data it will take to be able to reliably conclude on the progress achieved. Each outcome would require a combination of 2-3 indicators, while 1-2 indicators would measure each output. Significant capacities that should be measured would usually require using a single indicator, as they are more specific. Finally, the SAI should not confuse the indicators with the results, meaning output, outcome or impact. Reaching the target of an indicator does not necessarily provide proof as such that the SAI has achieved what it aimed at. Rather, it gives a reliable sign that the desired change has happened.

SAI NORLAND'S MONITORING FRAMEWORK

To measure the outcome of Enhanced SAI credibility among key stakeholders, the SAI of Norland will rely on a combination of 3 performance indicators:

- Average expressed credibility by key stakeholders on a 0 to 10 scale
- Percentage of performance audit recommendations implemented within one year of issuance
- Percentage of SAI reports issued (audit and performance) that are subject of a meeting in the

FIND
OUT MORE
on the monitoring
of SAI Norland's
outputs and capacities
in the Annex to
Chapter 11!

Baselines

The **baseline** for an indicator is the status of the indicator at the beginning of the strategic management period. For an indicator like *"Percentage of audit recommendations implemented within a year of issuance"*, the baseline would be the share of recommendations implemented at the beginning of the strategic management period, for example, 10 per cent. The baseline is important because it provides a starting point to decide on the desired future state realistically. Also, the baseline allows for retrospective comparison and thus makes the change visible. A relevant source for baseline data is the assessment of the current situation (ideally SAI PMF) done as an input for the strategic plan. The SAI can use the current score on the SAI PMF indicator or dimension as a baseline and then compare with a subsequent SAI PMF assessment later on. In fact, some SAI PMF indicators and dimensions, for example, on audit and jurisdictional controls coverage, timeliness or publication even allow for annual measurement.

Milestones and Targets

The **target** is the desired state of the indicator towards the end of the strategic management period. Suppose the SAI has formulated an outcome on *"Better implementation of financial audit recommendations"*. Through its monitoring system, it has observed that currently, auditees implement only 25 per cent of its financial audit recommendations (baseline). It could set a target that at the end of the strategic planning period, auditees implement 70 per cent of financial audit recommendations within a year of issuance.

Milestones are steps towards the target, descriptions of where the indicator should stand at a certain point in time. Depending on the indicator, what it measures and how work intensive it is to retrieve the necessary data, milestones might be set just once half-way through the strategic management period, annually or even semi-annually. A general rule is that an SAI should measure progress on outcome-related indicators less frequently than output-related indicators as it takes more time for change on the outcome level

to happen. In the example above, the SAI may set a mid-term milestone to measure the outcome, expecting that after two years, the percentage of implemented recommendations will increase to 50.

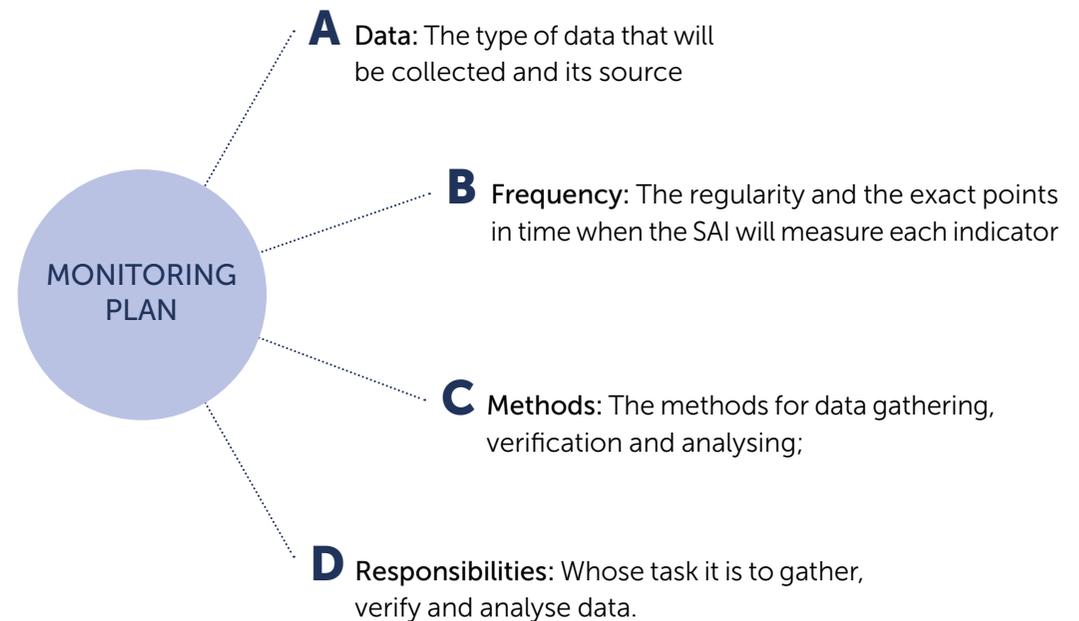
Milestones and targets are also a useful concept for monitoring activities on the operational level. SM teams should define concrete targets and milestones as steps of fully implementing an activity (compare Chapter 10). An effective monitoring framework combines strategic and operational level performance information.

TABLE 11.3 Example of an indicator, baseline, milestones and target at the output level

RESULT LEVEL: SAI Output				
SAI Output 1: Gradually increased performance audit (PA) coverage	Baseline 2019	Milestone 1 2020	Milestone 2 2022	Target 2024
INDICATOR DEFINITION: Number of the following sectors/topics (relevant to the country context) covered by PA reports (in the previous five years): defence, education, environment, health, infrastructure, national economic development, revenue collection, police, PFM, social security.	2	4	8	10
ACHIEVED:				
Indicator Use (Purpose, Frequency) SAI's annual performance report and mid-term review & final evaluation of SP implementation.				
Data Source and Responsibility for Data Collection: Analysis of list of submitted PA reports. Data to be gathered by the SAI's planning department.				

11.2 | MONITORING PLAN

The monitoring plan is a detailed description of the process of monitoring progress against the indicators, milestones and targets laid down in the monitoring framework. Usually, the monitoring framework and the monitoring plan will be a joint document, ideally elaborated already when crafting the SAI strategy. Nevertheless, an SAI may choose to work out the details of the monitoring framework and plan at a later stage, when it has also prepared its first operational plan related to the new strategy. This will allow for an integrated monitoring process that caters simultaneously for operational and strategic planning monitoring needs.



A Types and sources of data

Different data is needed to measure the performance at the level of capacities, outputs and outcomes at different points in time. The right data analysed in the right way will create information that, in turn, leads to decisions that are based on facts rather than feelings and are, finally, convincing. What data to collect depends on the level of performance to be monitored and the specific indicators.

The SAI should identify the exact source of data it aims to use for measuring each indicator. Here, it is crucial to ensure that the specified data systems will produce the exact required data, with the necessary frequency. This is often assumed when the performance measurement is designed, only to find at the data collection stage that the data source does not match the indicator definition. For example, the SAI may assume that its quality assurance (QA) system will generate data on compliance with the audit standards. Still, in practice, the QA system often produces narrative reports with no overall, specific conclusion on each audit. Besides, if the SAI's QA practices are underdeveloped, the reliance on QA reports as an adequate indication of compliance with the audit standards may be difficult. Establishing a sound performance measurement system then also requires the SAI to make adjustments to its underlying systems to generate appropriate performance data.

There are two critical considerations for choosing what data to collect: **economy** and **relevance**. **Relevant** data is data that will provide the exact information needed to measure each performance indicator. Another aspect is if existing data suffices to understand performance or if it is worth to change the SAI's processes to obtain the data. Colloquially speaking, this is the difference between data the SAI's management *needs to have* and data they *would like to have*. For example, an SAI that is aiming to promote gender equality at the organisational level needs to have gender-disaggregated data on critical categories, such the wages and the number of staff it employs. It may also want to consider data on incidents of sexual harassment at the workplace. However, such data may be much more difficult to capture accurately. Finally, if the SAI cannot reasonably attain relevant data, it should consider redesigning the indicators.

Economic data is any data that can be gathered at an affordable cost and on time. An essential approach is to rely on already existing data that can be reused for monitoring performance. Such data could be financial HR records, for example. The main concern should be whether the cost of retrieving the data is worth its benefit. Data on savings resulting from audits could be beneficial but costly to obtain and methodologically challenging. Surveys, as a second example, can work but require capacities on the SAI's side.

B Frequency of measurement

The performance measurement system should clearly define how often each indicator will be measured. The SAI should determine the frequency in relation to the purpose of the measurement, in other words, how it intends to use the data. Data can feed into annual performance reports, inform performance reviews, and serve as input for reviews or evaluations of the implementation of the SAI's strategic plan. Data should furthermore inform operational planning and aide discussions at the regular in-year management meetings to adjust activities during the year. A successful performance measurement system will explicitly consider the various data uses and the required measurement frequency and link those to core management systems of the SAI.

The frequency of measurement should find an appropriate balance between the costs and benefits of data collection. Results at high levels such as SAI outcome level typically require more efforts to measure and often use a combination of several indicators. On the other hand, the SAI is unlikely to see a significant change from year to year. As a consequence, the efforts put into an annual measurement at the outcome level may not justify the benefits in terms of information. An illustration of the purpose and frequency of measurement is provided below in Table 11.4.

TABLE 11.4 Purpose and frequency of measurement

Result Level	Purpose of Measurement	Likely Use of Data	Frequency of Measurement
SAI capacity	<ul style="list-style-type: none"> Keep operational plan implementation on track 	<ul style="list-style-type: none"> Inform operational planning Inform decisions at regular management meetings Inform performance reviews (e.g. of SAI departments/ functions) 	Monthly, Quarterly, Semi-annual to annual, depending on the frequency of management meetings and cost of data collection efforts
SAI output	<ul style="list-style-type: none"> Demonstrate how the performance of the SAI is changing Demonstrate implementation of the strategic plan 	<ul style="list-style-type: none"> Annual performance reports Review/evaluation of the implementation of the strategic plan 	Every 1-2 years, depending on the cost of data collection and how quickly the SAI expects the change to materialise
SAI outcome	<ul style="list-style-type: none"> Communicate the value of the SAI to stakeholders by showing how it contributes to changes in the public sector environment and, thereby, to the lives of citizens 	<ul style="list-style-type: none"> Annual performance reports Ad hoc communication materials Review/evaluation of the implementation of the strategic plan 	Every 1-5 years, depending on the cost of data collection and how quickly indicators are expected to change

C Methods

This section follows three simple steps of working with data and elaborates the methodological choices the SAI must make for monitoring: Collecting Data, Verifying Data and Analysing Data.

For **collecting data**, the first methodological question is which data gathering methods - quantitative or qualitative- are more relevant and easily attainable for the specific indicator. Quantitative data is numerical and is seen by many as more reliable and objective. Qualitative data is descriptive rather than numerical. Both have their advantages and disadvantages, depending on the kind of information the SAI needs for reporting and decision making. Quantitative data is mostly easier to gather and analyse, and so SAIs often find it more suitable for annual or in-year measurement. On the other hand, quantitative data often lacks detail and does not always provide the opportunity for more in-depth analysis. Moreover, depending on its nature, some quantitative data may also be challenging to obtain; for example, calculating the savings achieved from audits is not an easy task.

Qualitative data is gathered through in-depth analysis and produces rich and detailed data. It is suitable for understanding mindsets, perceptions and feelings. However, qualitative data is usually very time consuming to gather and often hard to draw generalised conclusions from. Qualitative data relies heavily on the skills of the person gathering the data. In many cases, a combination of data gathering methods can be useful to come to meaningful information.

Verifying the collected data is the next step. As the collected data will inform management decisions of the SAI, it is crucial to ensure data validity and reliability. In many cases, verifying data may be achieved by just having another person look at the correctness of the data and doing a simple quality control check. If it is possible, data triangulation, i.e. verifying data from another source may also be considered. Specific high-risk data collection techniques merit more robust verifying procedures. Suppose an SAI wants to calculate savings resulting from audits. In that case, it should develop and verify the calculation method used, for example, with peer SAIs that have also chosen to do such measurement. Another possible verification test is whether the audited entity agrees that these savings results from the audit. If the SAI uses qualitative interviews as a data source, it should consider asking the respondent to confirm the validity of the interview summary.

The data needs to be **analysed** to arrive at meaningful information. That means that the raw data needs to be put into perspective, grouped and analysed to find patterns, connections and relationships. This overarching analysis should allow the SAI to establish the contextual relevance of the data. Consider an SAI that has surveyed opinions of stakeholders using numerical scales. It can end up with a detailed spreadsheet full of data points that do not as a mass provide any meaningful information. Through analysis of the data like excluding outliers, calculating averages, and sorting by stakeholder group, the SAI may end up with meaningful information like the most common responses of certain groups. On their turn, those may indicate what the SAI could focus on more.

D Responsibilities

Like for activities in the operational plan, the different responsibilities in the monitoring plan need to be defined. Defining responsibilities applies to the three steps from the previous section: collection, verification and analysis. Different levels in the SAI organisation can have roles in monitoring, depending on the nature of the task and the specific data. While the strategic decisions about monitoring, like frequency and responsibilities, will be taken by SAI leadership (perhaps upon recommendation by the SP and SM teams) different parts in the organisation have a different kind of data to collect and analyse (Figure 11.2). Auditors would, for example, register the recommendations they issue, whereas the Human Resource department would collect data on development and training, and the communications department would monitor media appearances of the SAI.

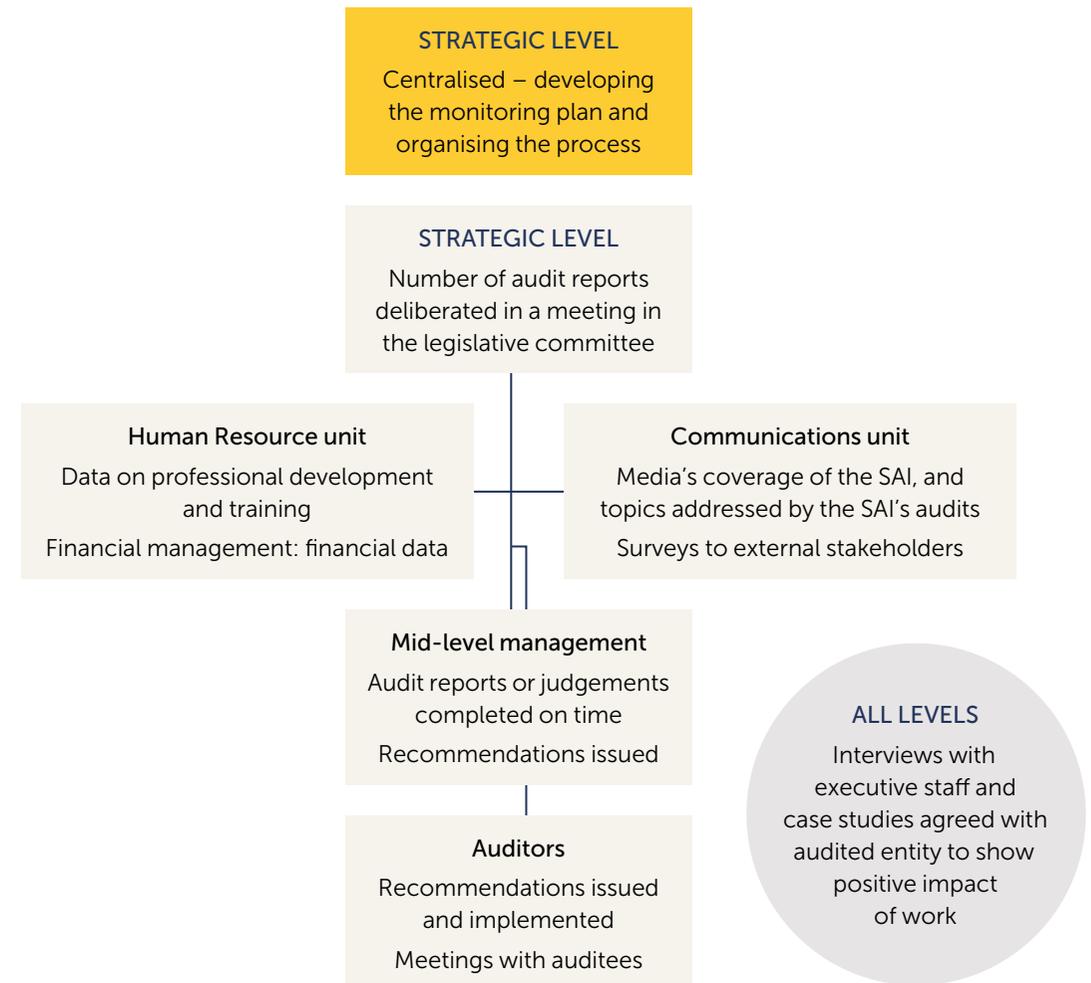
BOX 11.1

CHECKLIST FOR VERIFYING THE QUALITY OF THE MONITORING FRAMEWORK AND PLAN

- Do all outcomes and outputs have at least one defined indicator?
- Is measurement of capacities in place?
- Are all indicators measurable, both in theory and in the practical realities of the SAI?
- Are all indicators specific and relevant for the respective capacities, outputs and outcomes?
- Are all indicators non-directional and do not describe the target in themselves?
- Do all indicators have a baseline and specific milestones and targets?
- Are data sources for the indicators identified and will they provide good data at an affordable cost?
- Is the frequency of measuring performance linked to the way the results will be used?
- Are all responsibilities, for gathering, verifying and analysing specific data as well as for the management of the overall system clearly defined?

The final output will be a monitoring framework that sets clear indicators, milestones and targets for the strategic plan's objectives as well as a more detailed monitoring plan that describes the process of monitoring the SAI's performance to those responsible for it. To determine the quality of this framework, Box 11.1 provides a checklist.

FIGURE 11.2 Responsibilities for monitoring among different SAI staff



CHAPTER 12 AT A GLANCE

Key learning points



- Reporting is an integral part of the strategic management process and should follow certain principles. It should be focused on results, reflecting on whether outcomes and outputs have been achieved as planned. Reporting should use the evidence from the monitoring system and be transparent about the SAI's level of performance. At the same time, it should be practical and economical.
- Internal reporting is mainly for decision-making purposes. This reporting addresses SAI leadership and reflects progress against in-year milestones of the operational plan and – to a limited extent – outputs of the strategic plan.
- External reporting is addressed at stakeholders and reflects on the SAI's achievement of its strategic objectives.
- While the primary purpose of external reporting is accountability, the SAI should be mindful that it is also an advocacy and learning tool.

Main steps in the process to follow:
Do-minimum scenario for less experienced SAIs



- Set up an internal reporting routine against the achievement of the operational plan, at least bi-annually.
- Publish an annual performance report against the results framework of the strategic plan.

Additional steps in the process to follow:
Advanced scenario for more experienced SAIs



- Combine financial and non-financial information in your internal reports to facilitate decision making.
- Ensure quarterly reporting against the operational plan.
- Write internal mid-year reports on the prospects and factors for achieving milestones of critical outputs.
- Establish a monthly reporting routine, possibly partly automated, on main activities.
- Use the performance report not only for accountability purposes, but also for advocacy towards key stakeholders. Launch the report publicly, for example, with a press conference.

Reporting is an integral part of an SAI's work. INTOSAI-P 12 and ISSAI-20 stipulate that SAIs should report publicly on how they manage their operations, should be able to communicate the results of their audit work effectively to key stakeholders and should promote transparency through their work. Performance reporting is also part and parcel of the SAI's strategic management cycle. It provides powerful evidence and narratives that justify strategic decisions. It enables SAI leadership to make informed choices on steering and implementation and ensure continuous learning towards achieving the results of the SAI strategy.

This chapter starts with a discussion on the essential purposes and main properties of SAI performance reporting in Section 12.1. Section 12.2 discusses the role and characteristics of internal reporting, while Section 12.3 deals with external accountability reporting. Finally, Section 12.4 reviews the issue of advocacy in the context of SAI capacity development efforts and reform.

The Annex to this chapter contains examples with suggested content per type of SAI performance report.

12.1 | PURPOSES AND KEY CHARACTERISTICS OF SAI PERFORMANCE REPORTS

Performance reporting relates to the timely, reliable, clear and relevant public reporting on the SAI's mandate, strategy, activities, financial management, operations and performance. However, for the SAI to be able to exercise strategic management effectively, it will require additional types of performance reporting during the year, which will draw on the information from the monitoring system and ensure continuous learning and improvement. Therefore, the SAIs may use performance reports for different purposes, aimed at providing both external assurances on the SAI's work and on facilitating internal implementation processes. Regardless of the type of reporting and the specific results, here are some essential properties that any SAI performance report should possess:

- **Focused on results** – Performance reporting is not the same as reporting on activities. Any report should provide a clear link to the envisaged performance objectives. In many cases, this would include an explicit analysis of the SAI's progress towards the achievement of its strategic outputs and outcomes.
- **Evidence-based** – Performance reporting is one of the main ways for an SAI to demonstrate its relevance and set an example. That means that it must form its conclusions based on a balanced and structured analysis of different types of information to make a convincing argument. Thus, performance reporting relies crucially on a functioning performance measurement system as well as other data sources.

SAI PERFORMANCE REPORTING PURPOSES:

- Demonstrating impact
- Ensuring transparency and accountability
- Demonstrating improvement
- Facilitating steering and learning
- Justifying need for additional support
- Ensuring internal support and alignment between strategic and operational plan

- **Transparent and forward-looking** – The SAI should transparently describe its performance and the reasons for it. It should identify constructive forward-looking solutions for any underperformance.
- **Relevant** – A classic pitfall of SAI performance reporting is the tendency to include too many details. Especially when reporting externally, the SAI should assess what information is relevant and responds to the audience’s expectations.
- **Economical** – Performance reporting as the potential of becoming a very time-consuming task. It is imperative to define a process clearly, and set roles and responsibilities for performance reporting, including for quality control, in line with existing reporting capacities.

capital and other costs. Most of that information comes from different functional and support units of the SAI. **Results and performance** include the progress and milestones towards the operational plan as well as, in the case of six-monthly reports, future directions. This part inevitably comes from SAI leadership. Internal reporting serves a bottom-up as well as a top-down process. It gives leadership a consolidated overview of the different audit and non-audit activities, budget execution, and performance. It also provides everyone with visible, recorded information on progress and outstanding issues. On that basis, internal reporting can support a shared understanding of the changes needed and facilitate that the messages from the top are delivered to the whole of the organisation.

12.2 | INTERNAL REPORTING

Internal reporting has an array of purposes: exchanging information across the SAI to maintain an overview of the organisation, assess the feasibility of current operations, allow for mitigation of emerging risks, inform decision-makers and staff, assess performance and hold to account management and staff internally. Each internal report will allow management to reassess the current situation and react accordingly. Depending on the type of internal report – monthly, quarterly or biannual – the report’s content, audience and objective may differ (Table 12.1).

Internal reports should entail information on **activities**, **resource use**, and **results and performance** with a focus on their strategic implications (in the case of six-monthly reports). **Activities** concern audit work, other routine work, and activities on capacity improvement and development projects. The information on the implementation of activities comes from middle management (for example, audit unit directors) and those assigned with specific tasks in the operational plan. **Resource use** includes budget execution, human resource,

TABLE 12.1 Objective, audience and performance information needs per type of internal report

	Monthly or quarterly reports	Six-month report
Purpose/ Use	<ul style="list-style-type: none"> • Monthly or quarterly progress against the achievement of the operational plan • Steer execution to align with the SAI strategy 	<ul style="list-style-type: none"> • Take stock of overall progress against the operational plan • Reporting per output linked to an outcome • An explanation for any deviations • Outline and justify changes to the operational plan
Main audience	<ul style="list-style-type: none"> • Middle management • SAI Leadership • Staff responsible for the implementation of critical activities 	<ul style="list-style-type: none"> • SAI Leadership • Middle management • All SAI staff
Performance information	<ul style="list-style-type: none"> • Data on progress against milestones from the operational plan • Monitoring of operational risks • Financial data 	<ul style="list-style-type: none"> • Progress and outlook of achievement against annual output targets • Budget execution data • Staff utilisation data

Finally, internal reports will serve as a basis for in-year decision making. When all data has been collected according to the monitoring plan and reporting calendars and analysed accordingly considering indicators and milestones, an objectifiable assessment of performance against the strategic and operational plans is possible. Narrative reporting then summarises the performance and provides a sound basis for making decisions. In the typical case that some results are not as expected, the data and report summary should enable SAI management to decide to change direction, prioritise activities, outreach to others for support or even terminate activities.

12.3 | EXTERNAL REPORTING

External Reporting, for many SAIs in the form of an annual performance report, serves different purposes for the SAI. It has, firstly, outward-looking purposes. It is a tool for accountability of the SAI in the sense of INTOSAI-P 12 and towards stakeholders' expectations. It may serve as an advocacy tool to engage stakeholders on issues of common interest. In parallel, an external report can also serve internal purposes such as learning and revisiting the strategy.

SAIs' duty to **transparency and accountability** is laid down in INTO-SAI-P 12, principle 8, saying that: *"SAIs should manage their operations, economically, efficiently, effectively and in accordance with applicable laws, and report publicly on these matters, as appropriate"*, as part of being a model organisation through leading by example. In the context of strategic management, accountability in external reporting has an even broader role to play, as the publicly available performance report is the leading way for the SAI to demonstrate accountability for the implementation of the commitments made in its strategic plan. In the same way, in which the strategic plan should be public, the annual performance report should be published too and demonstrate how the SAI is living up to the promises and commitments in its strategy. The strategic plan is also a response to the expectations of the SAI's key external stake-

holders, which also implies a need to provide them with information on how it is advancing in meeting such expectations. Depending on the legal circumstances, the SAI may have a particular degree of accountability towards specific stakeholders, like the legislative committee in Parliament in charge of audit that also needs to be reflected in external reporting.

At the same time, external reporting provides an excellent opportunity for the SAI to **advocate** for its interests. For the context of strategic management, there are two crucial reasons for advocacy. Firstly, the causes of an SAI's performance are not always within the direct control of the SAI. They depend on available resources, the legal framework and cooperative behaviour of auditees. The SAI can publicly report on any deficiencies and advocate for more substantial inputs from institutions it depends on. Secondly, even if the SAI is performing well on the output level, it is always dependent on other institutions to deliver outcomes. Here, the SAI can advocate for others to use the immediate results of the SAIs work and thus increase its impact.

Finally, even external reports can serve the internal purposes of **strategy and learning**. An external report should give a consolidated picture of performance that goes beyond a mere account of the status of achievement on each indicator. That allows the SAI to look at the causes of good and bad performance and act on that basis.

12.4 | ACCOUNTABILITY AND ADVOCACY

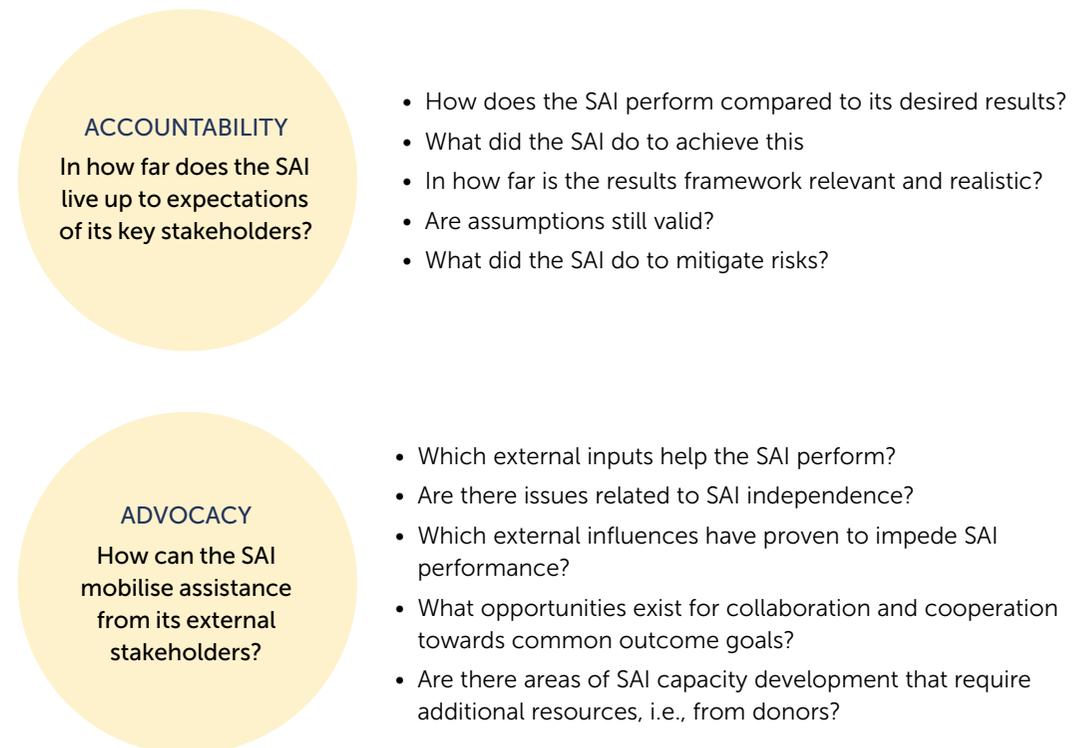
For an external report to fulfil its accountability and advocacy functions, it needs to focus on performance rather than activity. To do that in a consolidated manner, the SAI needs to revisit its whole value chain from outcomes to outputs and capacities and activities. The report should clearly point out the underlying reasons for good and bad performance by reflecting on the linkages of

elements in the SAI value chain. It could, for example, elaborate on whether an updated quality control protocol and staff training on the capacity level have led to more timely and high-quality financial audits on the output level. The report could also demonstrate if the improvements in financial audits have contributed to specific improvements in public financial management, such as, for example, financial reporting, which could demonstrate achievement of performance across the value chain. It could also report on a minimal possibility to hire staff due to the civil service commission that makes setting up a functional performance audit unit (capacity) very difficult. On its turn, this prevents the SAI from delivering timely and high-quality performance audit (output) to contribute to better public financial management (outcome) ultimately. The SAI might also report on lacking implementation of recommendations or enforcement of sanctions which makes it impossible for a high-quality output (performance audit or judgement decisions) to facilitate the achievement of a positive outcome. It would thus make use of the advocacy function of external reporting to increase the impact of its work results.

The accountability and advocacy functions of external reporting answer different questions (Figure 12.1).

One of the most pressing issues for those tasked with external reporting is how they should report on underperformance. As accountability and transparency are inevitably linked, an external report cannot stay silent about a lack of performance. Instead, the report should aim to clearly explain and analyse the reasons behind the lack of progress. It should also identify corrective measures and constructive solutions on the way forward. By that, the SAI can lead by example not only when it comes to excelling at performance, but also when it comes to being open and ready to learn from the challenges and errors made on the quest for better performance.

FIGURE 12.1 Main questions of reporting for accountability and advocacy



CHAPTER 13 AT A GLANCE

Key learning points



- Strategic decision-making plays an integral role in all parts of the strategic management cycle. The SAI will need to exercise strategic decision-making when deciding on the strategic direction, during implementation, on learning and adjusting the plan as well as at the accountability stage.
- Different decision-making styles rely on performance information to varying degrees, but all benefit from the availability of information.
- Decision-making should follow certain principles: It should be evidence-based, inclusive, and transparent.
- Risk management is an integral part of the strategic management process. It follows the steps of risk identification, risk evaluation by impact and likelihood, and implementing mitigation measures.
- Mitigation measures follow broadly four paths: Avoid the risk, reduce the risk, share the risk and tolerate the risk.

Main steps in the process to follow: Do-minimum scenario for less experienced SAIs



- Introduce regular decision-making meetings based on internal monitoring reports.
- Communicate major decisions to all staff.
- Keep a register of your operational and strategic risks and monitor them regularly.

Additional steps in the process to follow: Advanced scenario for more experienced SAIs



- Analyse your decision-making style. Adjust the information the monitoring system entails accordingly.
- Hold decision-making meetings regularly on different operational and strategic levels. Use the information from the monitoring system and combine it with financial information.
- Consult with different levels of staff for different types of decisions.
- Classify and rank the identified risks by likelihood and impact. Design appropriate mitigation measures for the risks.
- Monitor the risks regularly and adjust the mitigation measures accordingly. Integrate risk management into your decision-making process and monitor the implementation of mitigation measures.
- When necessary, adjust the operational or strategic plan.

Strategic decision-making lies at the heart of implementation and is a cornerstone of strategic management. It encapsulates all six SAI strategic management principles – it should be realistic, simple, inclusive, results-focused, spearheaded by SAI leadership and aimed at managing change. This chapter seeks first to explain the concept of strategic decision-making and place it in the SAI context (Section 13.1). It then goes on to explain how different decision-making styles will affect and shape the extent, to which decision-making is a formalized and structured process, based on the objective and systematic use of performance information (Section 13.2). Section 13.3 introduces a practical approach to ensuring that strategic decision-making is exercised in pursuit of strategic intent but remains anchored in evidence. Finally, Section 13.4 deals with the topic of risk management as a critical area where the SAI needs to exercise strategic decision-making.

13.1 | STRATEGIC DECISION-MAKING: CONCEPT AND OBJECTIVES

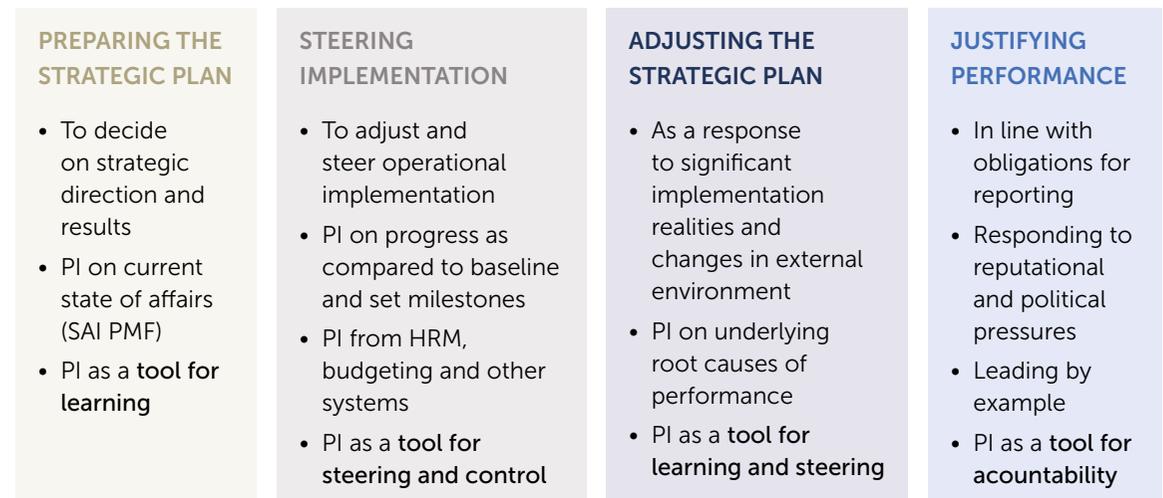
Strategic decision-making is a crucial element of strategic management focused on achieving performance and results. It implies a continuous iteration between planning, implementation and monitoring for the production of strategic and operational choices meant to steer SAI's direction and performance. Henry Fayol, the founder of modern-day management theory, said that *"to manage is to forecast and to plan, to organise, to command, to co-ordinate and to control"*. Thereby, strategic decision-making is about putting together strategic direction and implementation realities, as reflected through the performance information obtained by the monitoring system and making informed decisions on that basis.

The main aims of strategic decision-making are (1) to learn and improve; (2) to steer and control implementation, and (3) to ensure accountability. To meet those aims, SAIs should exercise strategic decision-making at four main levels (Figure 13.1).

STRATEGIC DECISION-MAKING:

Making informed choices to facilitate performance, based on comparing strategic direction and implementation realities, supported by performance information.

FIGURE 13.1 Levels and aims of strategic decision-making, including performance information (PI) need



Anticipative decision-making for learning and improvement

Firstly, the SAI has to make various decisions as part of the process of preparing the strategic plan. This so-called anticipative decision-making is concerned with deciding on the desired state of SAI performance and selecting the preferred course of action on how to achieve this (Raczkowski, 2016). Chapter 8 dealt extensively with the topics of making strategic choices and prioritisation in the context of drafting the SAI strategy. This represents the first prominent expression of strategic decision-making. The main aim of strategic decision-making in this context is to make an informed choice based on information on past performance but envisaging future improvement. For example, when considering the most likely scenario on how COVID-19 will impact its resource availability, the SAI may consider how its budget was affected during an event of similar scale, such as the global financial crisis of 2008. It may also have to scan and consider the indications from external development partners on the prospects for additional support. Therefore, when exercising this type of strategic decision-making, SAIs will have to take into account both results from performance assessments and reviews, as well as analyse the perspectives and expectations of their key stakeholders to outline a future direction. The SAI leadership's vision, preferences and style will provide the final shape of the SAI strategy. The main aim is for the SAI to learn and improve.

Decision-making for steering implementation

Secondly, and perhaps somewhat contrary to its name, strategic decision-making is not only about making choices at the strategic level. It is also concerned with ensuring that operational-level decisions support, nurture and enhance the fulfilment of the SAI's strategic direction. Strategic decision-making is, therefore, a crucial part of making continuous adjustments, refinements and choices at the operational level. The level, at which the SAI will make such decisions is mainly the activity level, in pursuit of the overall desired performance results as set out in the strategic plan. When making such decisions, SAI leadership will have to draw on data from the achievement of operational performance milestones and targets. They will then have to seek the critical drivers of operational performance and then assess the information on implementation realities against the envisaged outputs and outcomes in the SAI strategy. Finally, they will have to make a decision will on the right corrective course of action. Such action can include re-prioritisation of activities, changing of their design or sequence, or even their discontinuation. The main aim of decision-making at this level is to steer and control implementation towards the achievement of envisaged SAI performance as expressed in the strategic plan.

Decision-making to adjust the SAI strategy

The third level of strategic decision-making is concerned with making strategic-level adjustments and changes to the strategic plan itself. No plan should be set in stone, and even with the best of planning and forecasting of risks, unexpected changes may occur that may dictate a revision of the whole strategy, and not just of the operational plan. For example, a sudden change in the composition of the legislative oversight committee and their expectations from the SAI, a natural disaster or a pandemic such as COVID-19 that affects the SAI's ability to function, or a sudden withdrawal of donor support. Even more so, even without any unexpected or dramatic events occurring, implementation realities will always be affected by the SAI environment and context and will motivate an adaptation of the SAI strategy. A change in the Integrated Financial Management Information System (IFMIS) in government can redefine the approach towards IT system audits in the SAI. A change in the accounting principles, for example towards a move to full accrual accounting, can have wide-range implications for the nature and type of audits the SAI does. A large-scale corruption scandal across government may lead an SAI to re-focus its strategy towards more vigorous efforts to fight against corruption. In such cases, when the SAI contemplates changes in the strategy itself, it should aim to consider issues to inform its choice. It should examine in more depth recent lessons learnt from the implementation of the strategic plan and verify whether initial assumptions are still valid. The SAI should also consider any external environment and stakeholders' preferences and related implementation realities. On the basis, the SAI leadership should conclude the parts of the SAI that still strategy remain valid, and on those that require adjustment or even discontinuing. Much of this process concerns risk management (see Section 11.4 below).

Such decisions are particularly challenging, since they may be interpreted as breaking the promises and commitments made in the SAI strategic plan. Pressman and Wildawsky (1978) capture this by saying *"Promises can create hope, but unfulfilled promises can lead to disillusionment and frustration. By concentrating on [...] implementation [...], we should be able to increase the probability that policy promises will be realized. Fewer promises may be made in view of a heightened awareness of the obstacles to their fulfilment, but more of them should be kept."* A careful examination of a multitude of performance information, as well as a confident SAI leadership, able to explain and justify the changes, are particularly important for this level of strategic decision-making. The main aim here is to both learn and improve, and steer implementation.

Decision-making for accountability purposes

Finally, strategic decision-making will have to be exercised in line with one of the SAI's core objectives as per INTOSAI-P 12, namely being a model organisation in ensuring accountability of their own performance. This includes decision making in terms of being accountable to the SAI key stakeholders such as the Legislature. There is a significant degree of choice in how the SAI will present, explain and justify performance in its annual performance report, and how it will structure the dialogue with stakeholders. The SAI will need to decide in terms of responding to political pressures, reputational risks, or threats to SAI independence. The influence of the SAI leadership style will be significant at this level. Still, it is also where the telling power of performance information, especially in terms of SAI realisation of outcome and output targets, can have a powerful effect.

13.2 | DECISION-MAKING STYLES AND PERFORMANCE INFORMATION NEEDS

As demonstrated in the previous section, the different levels at which the SAI exercises strategic decision-making, and their specific objectives have different implications for the type of performance information that decision-making should consider. However, how the SAI will make decisions will always include a normative aspect. Strategic decision-making occurs at the intersection between objectivity and normativism, with the SAI leadership style and preferences in constant interplay with the type and amount of objective performance information to inform decisions.

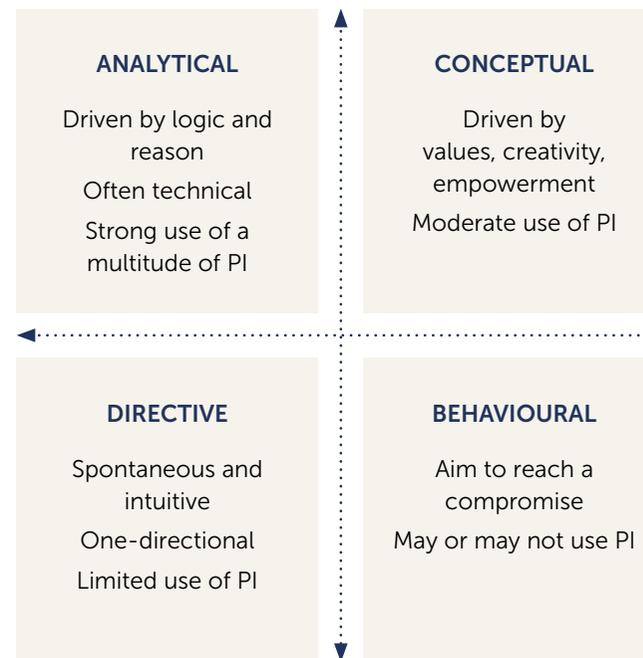
The decision-making style of the SAI leadership will have a strong influence over the type, volume and weight of performance information they will consider to make a decision. This link is also referred to as a hard or soft coupling of performance information and judgement (Van Dooren, Bouckaert and Halligan, 2015). The potential consequences of decisions in terms of their possible impact on the SAI's performance will also play a role.

Personality traits exert a strong influence on how people make decisions. Rowe and Bououlgarides (1994) identify four broad styles of managerial decision-making (Figure 13.2):

- **Analytical** — oriented at the strong need for achieving results, setting new challenges for themselves and others. It is characterised by a positive approach to cognitive complexity, accumulation of data and information, and slower decision-making, which is sensible and based on many possibilities.
- **Directive** — directed at power, this type of decision-making may be linked to the desire to dominate and subordinate staff. It is characterised by a low level of cognitive complexity and ambiguity. Such an approach leads to spontaneous restriction of the amount of available information and decision-making capabilities.

- **Conceptual** — similar in style to analytic but directed at independence (associated with creative work) and need for praise and acknowledgement. Decision-makers use idealism, conformism and are people-oriented, and their decision-making process has typically strategic, thus far-reaching time horizon. Before making a decision, they usually collect as much information as possible and test many possibilities or convene with many people in a thinking process (or councils).
- **Behavioural** — decision-makers communicate easily, can reach a compromise and are highly people-oriented and at the same time have low cognitive complexity. They may or may not consider enough performance information.

FIGURE 13.2 Decision-making styles and propensity to rely on performance information (PI)



Adapted by Rowe and Bououlgarides (1994).

Next to the decision-making style, another determinant of the need for performance information is the perceived impact of the decision at hand. Not all decisions, even if strategic, will matter in the same way. For example, a decision on whether to reallocate financial and human resources from performance to compliance audits will likely carry a different weight than a decision to change the SAI's system for follow-up on ethical complaints or introduce a system for performance-related pay. In general, high-impact decisions are those that concern the SAI's core business, the way it presents itself to stakeholders, or represent a significant departure from the organisational status quo. High-impact decisions will likely justify a higher need for performance information to inform the decision-making process. This issue is also closely related to the topic of risk management, as higher impact decisions carry a higher risk, and therefore prompt a more substantial reliance on performance information to assess the situation and decide on the way forward. Table 13.1 presents a non-exhaustive typology on the potential impact of performance judgements in the SAI.

TABLE 13.1 Typology of decisions based on their potential impact

Lower impact decisions: May require less performance information	Higher-impact decision: May require more performance information
Peripheral and internal organisational issues , for example, changes in the archiving system, or the introduction of performance management tools	Changes that affect SAI core business , such as the adoption of new methodologies, or shifting the focus from one audit type to another
Non-reputational issues , such as developing a new staff retention and promotion policy	Changes that may affect the reputation of the SAI , for example, whether or not to publish a critical audit report, or how to report on an unsatisfactory follow-up of audit recommendations
Decisions that do not carry significant budgetary or human resource consequences , such as the revision of the Code of Ethics, or extending the piloting of a new performance audit methodology	Decisions with large budgetary or human resource impacts , such as outsourcing parts of the audit work, the introduction of a large-scale professionalization programme, or the introduction of Computer-Assisted Audit Techniques (CAATs)
Decisions that do not affect the degree of SAI autonomy and independence , such as introducing a quality assurance mechanism or changing SAI's organisational structure	Decisions that may affect the (perceived) autonomy or independence of the SAI , for example following up on requests for audits by Parliament or the Executive, engaging too closely on accounting or internal control issues or commenting on the Government's budget proposal when not mandated to do so
Decisions congruent with the organisational culture , for example, addressing gender imbalances throughout the organisation or introducing more robust management controls in a highly bureaucratic SAI environment)	Decisions not congruent with the organisational culture , such as strengthening managerial autonomy in an environment where most decisions are usually done directly by SAI leadership

Adapted by Van Dooren, Bouckaert and Halligan, (2015).

13.3 | DECISION-MAKING PRINCIPLES AND PROCESS

It is vital to ensure that strategic decision-making remains a structured and, to the extent possible, an objective and transparent process. If there is no such exact process, decisions risk to be opportunistic, opaque and often not implemented. Striking a balance between a process that should be both structured and logical on the hand, and on the other hand, should accommodate the different SAI decision-making style, is no easy task. Adhering to the following three principles will support SAIs during the decision-making process:

- **Basing decisions to the greatest extent possible on evidence:** Well-justified decisions consider a wealth of evidence. While personal styles and preferences will vary, the evidence lies at the heart of the right decision.
- **Inclusive in considering others' perspectives:** A well-respected decision will be the one that has taken into account the views of key stakeholders the decision affects. Being inclusive in this context does not necessarily mean finding a compromise between conflicting perspectives, but rather taking into account all arguments and weighing in all options before making a decision.
- **Transparent in communication:** For SAI staff to be able to follow a decision, it should be able to understand its rationale and implications. Communication is therefore a critical reinforcer of decision-making.

To further aid the decision-making process, SAIs could follow an approach where the challenge at hand is scrutinized by asking and responding to eight key questions.

For example, an SAI may be contemplating introducing an IT audit stream. The first key question it should ask itself is what would be the concrete expected results of IT audits. Then, the SAI should explore

how those results would contribute to the strategic outcomes of the SAI strategic plan, namely "*Being a relevant SAI for citizens*" and contributing to "*Efficiency of public financial management*". The SAI would need to examine the potential effectiveness of IT audits, and critically question if those indeed well-positioned to make the SAI more relevant. Possible information sources to answer such questions could include examples from peer SAIs on the introduction of IT audits, as well as a good analysis of the necessary resources (skills, technology, methodology, time) required. Importantly, such an analysis would also have to consider opportunity costs in terms of re-training staff, as well as the multi-year cost implications, i.e. in respect to specialized software licenses etc. The broader PFM environment and the feasibility of IT audits (especially in cases where

BOX 13.1

DECISION-MAKING GUIDING QUESTIONS FOR SAIS

1. What is the result we are aiming to achieve with the intended change? Have we defined it sufficiently and unambiguously? How does this result relate to the outcomes and outputs in the SAI strategic plan? Which principle considerations (effectiveness, efficiency, quality) are key to take into account?
2. Do we have sufficient information to make the decision? If not, where can we find it?
3. What are the feasible options in terms of time, resources, political acceptance etc. (link to feasibility analysis criteria applied to the process of development the strategic plan in Chapter 7)
4. What is the best possible scenario of what the intended change would bring?
5. What is the worst possible scenario of what the intended change would bring?
6. Is the best possible scenario worth risking to end up with the consequences of worst possible scenario?
7. Can we live with the consequences of the worst possible scenario?
8. Does the decision feel right/ Can we justify it to ourselves and to our stakeholders?

Adapted from Baker (2007)

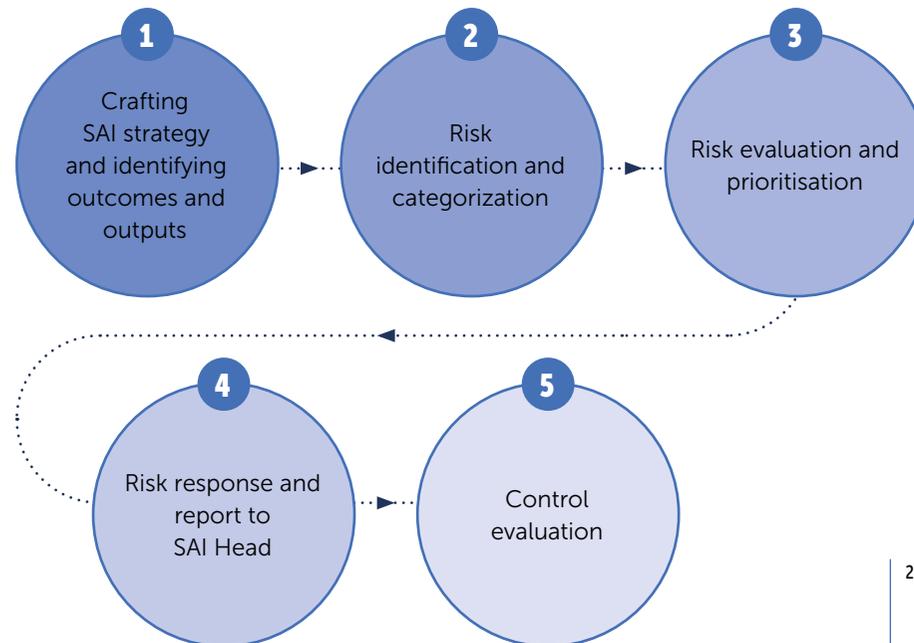
government IT/ financial management systems are rudimentary) should also be considered. Collecting such information from the onset may not always be easy but is necessary to make an informed decision. At best, the SAI will be able to contribute to better government IT systems in support of better public sector performance. At worst, the SAI will spend a lot of efforts and resources without achieving any tangible results. SAI management would then need to consider the trade-off between the best possible and worst possible outcome, given all information at hand. Depending on the decision-making style, the decision could go either way.

In another example, consider an SAI that is struggling with limited progress towards achieving its outcome of better stakeholder engagement, which is part of its strategic plan. With progress stalling, it may be worth taking a step back and re-assessing this in light of current circumstances. Effectiveness and relevance are the two fundamental considerations here. The critical question to ask is *“Why has implementation not been satisfactory?”*. SAI leadership would need to gather detailed information to understand the reasons behind the lack of progress. It should first gather data on the inputs for the implementation (staff, funding allocated to activities to ensure stakeholder engagement). It should relate such inputs to the information on milestones and possible output targets achieved (e.g. the number of press conferences, or the number of audit summaries published online). Besides, the SAI should consider whether operational risks have occurred and how it managed them. On that basis, the SAI management should devise options going forward, which could range from discounting any efforts related to the outcome to concentrating a lot more efforts in it. There may be a need for tweaks at different levels.

13.4 | RISK MANAGEMENT

The previous sections have demonstrated that strategic decision-making is closely linked to the process of managing risks in the SAI. Risk management is a crucial component of strategic management for the SAI as it indirectly affects an SAI’s achievement of goals and objectives. The need for effective risk management in the SAI stems from INTOSAI-P 12 on the Value and Benefits of SAIs, which underscores that SAIs must be seen as credible and trustworthy and must periodically assess risks. Consequently, SAIs should install effective mechanisms to deal with risk and uncertainty, avoid external threats, and mitigate the potentially damaging impact of internal vulnerabilities²⁰.

FIGURE 13.3 SAI risk management process



Source: Adapted from EGVBS (2018), based on COSO ERM 2017

²⁰ INTOSAI Working Group on Values and Benefits (2018): SAIs Internal Risk Management and (Identification of High Risk Areas / Programs in the Public Sector. Exposure draft.

Figure 13.3 depicts a general risk management process adapted to SAIs. The process of crafting the SAI strategy (1) incorporates a first exercise in the identification and categorization of strategic risks (2)—those events that, should they occur, could jeopardise the achievement of the SAI’s outputs and outcomes²¹. To that end, the strategic planning team should dedicate sufficient time for discussion and analysis of possible risks that may affect the realisation of the strategic plan. Some of those will stem from the SWOT analysis (Table 13.2).

As shown in Table 13.2, during implementation, the second category of risks, namely operational risks, is also of key importance. Operational risks are those that affect the daily activities of the SAI. They may be easier to deal with, but it is essential to underscore that operational risks may have consequences at the strategic level as well. For example, an SAI may be facing an operational risk due to the lack of robust procurement procedures. Although this is an operational issue, it may have severe consequences at the strategic level. A flawed selection process of a private audit firm to carry out a part of the SAI’s obligations according to its mandate may result in reputational and ethical damage to the SAI. In another example, the COVID-19 pandemic has disrupted the ongoing audit activity in many SAIs, especially whenever the SAI has not had a well-functioning practice of digital and remote work. This impediment can quickly become a strategic one as it jeopardises the fulfilment of the SAI’s mandate as required by the law.

TABLE 13.2 Typology of risks faced by SAIs

Type of risks	Examples of sub-categories of risks	Description
Strategic risks: Risks that threaten the prospects of the SAI to realise their mission and achieve the strategic intent (outcomes and outputs) in the SAI strategic plan	Reputational risks	Risks that could impact negatively on the integrity, credibility and reputation of the SAI, and the way external stakeholders perceive it, mainly influenced by communication means such as media management.
	Ethical risks	Related to integrity, independence, objectivity, competence, professional behaviour, confidentiality and transparency, which ultimately create credibility that enhances the image of the SAI.
	Legal risks	Risks that would affect the independence or ability of the SAI to comply with regulations and contractual obligations to fulfil audit or judicial responsibilities or other legal requirements. Includes risks related to financial independence.
	Political risks	Risks arising from unclear or informal authorities and accountabilities, ineffective or disproportionate oversight of decision-making or performance.
	Other external risks	Risks that may affect the entire functioning of the SAI, for example, the occurrence of conflict or a natural disaster, or the COVID-19 pandemic
Operational risks: Risks pertaining to inadequacies or deficiencies in the management of the SAI’s internal systems, processes, structures, tools and resources, as well as risks arising from external events that could negatively impact on their operations	Financial risks	Risks that result in failure to maintain adequate financial, efficient and transparent management and accountability arrangements for financial resources
	Technological risks	Related to the ability of the SAI’s technological tools such as IT systems and communication and archiving routines to support the realisation of activities and the achievement of strategic objectives

Source: Adapted by WGVBS (2018).

²¹ See also Box 7.1 in Chapter 7.

At the implementation level, risk management is about monitoring the occurrence of both strategic and operational risks, and about making decisions on how to best mitigate or react to those materialising. Managers control risks when they modify the way they do things to make their chances of success as great as possible while making their chances of failure, as small as possible. Therefore, although the process of identification and categorization should happen during the process of creating the SAI strategic plan, such risks should be periodically assessed, updated, apprehended and monitored during implementation. It is thus at the implementation stage that risk management usually receives dedicated attention and gets expanded into a stand-alone operation in the SAI, in support of the realization of the SAI strategy.

Once risks have been categorised, they need to be evaluated. The evaluation should cover the probability of risk occurrence, and the potential impact risks could have, in terms of the consequences for the SAI, should they occur (3). Usually, this process is done through assigning each identified risk a rate based on either a numerical or qualitative scale, or both. The likelihood of a risk materialising can be rated on a scale from “highly unlikely” to “recurrent”, while the impact can range from “serious” to “limited”. The SAI should use specific criteria and questions to ensure a consistent assessment.

The analysis of the two aspects of risks – probability and impact – will yield a so-called risk map for prioritizing which risks are most important to deal with immediately, and what kind of response, such as mitigating or transferring the risk, is most appropriate. The response to risks is also determined based on the current control environment (in particular for operational risks) in the SAI (4), concerning its effectiveness and presumed ability to respond to the possible occurrence of high-impact risks. A risk response (5) usually falls into one of the following four categories:

- **Avoid:** A risk that should be avoided is a risk that is likely to cause significant consequences, should it materialise. The SAI should employ everything at its power to avoid the risk. It may have to discontinue certain activities to do so. For example, the SAI may be facing a reputational risk that the Parliament perceives it as ineffective, due to limited progress with the implementation of its strategy. The limited progress may also jeopardise the way audit clients accept the audit recommendations of the SAI. To avoid such a risk, an SAI may decide to revise its strategy and likely limit its scope and ambition.
- **Reduce:** A risk that should be reduced is a risk where the SAI believes it can effectively limit both the probability of occurrence and the potential impact if the risk materialises. For example, the SAI may be facing a significant reputational risk due to continuous efforts from the Executive to dictate the SAI’s selection of audit subjects. This is a risk that can be reduced by the SAI taking a proactive stance, for example through dedicated stakeholder engagement activities, or by strengthening the citizen engagement in audit, since it may jeopardise how the public perceives the SAI and thus harm its legitimacy. Also, the SAI should consider how it can effectively deploy existing strategic management tools towards reducing risk. For example, it should assess whether the values it has set support risk management and whether specific risk management policies are widely available and clearly understood by all staff.
- **Tolerate:** This response is mainly reserved for risks that the SAI considers both unlikely to materialize and of low impact. For example, the SAI may have identified that its legal framework related to financial independence poses a risk for interference from the Executive in reducing the approved SAI budget, which is a legal risk. If, however, such interference has never occurred before, and if the SAI considers that there are enough safeguards, for example, a strong and independent legislative body, then it may choose to tolerate the risk.

- **Share:** This risk response focuses on ways to transfer (part of) the risk to a third party. For example, if the SAI has been suffering from a weak public image due to its unreliable financial audit reporting, and thus faces a reputational risk, a way to share the risk would be to sub-contract financial audits to a private provider.

In practice, a risk management process for the SAI should be an integrated management function spearheaded by a dedicated risk management officer that reports directly to SAI leadership. A SAI risk register covering both strategic and operational risks should support the regular review of planned mitigation measures and the continuous assessment of the nature of risks and their occurrence. What is important is to strike a balance between control, cost of control and appropriate risk-taking. For example, the SAI would likely have a very low tolerance when it comes to ethical risks. Still, it may be willing to take on a higher technological risk by implementing a new IT system that may cause some short-term disruption to work until everyone in the SAI is well versed with the technicalities of such system.

Risk management should be a standard agenda item at SAI management meetings, aiming at a consensus over the relative significance of risks across the different levels of the SAI and the individual responsibility for risk management. The Annex to this chapter includes an example of an SAI corporate risk register.

The SAI should avoid at any costs a situation where risk management remains an add-on that is not integrated with other management processes. Risk management should also be systemic and should ensure that there is a continuous analysis of operational risks across different parts of the SAI that can be elevated to the strategic level. There should be clear responsibilities for monitoring, mitigating and reporting on risk management in the SAI. Finally, it is important to consider risk management as more than just a compliance exercise that is automatically embedded in day-to-day decisions (Williams, 2017). Risk management should be an integral part of the SAI's business-as-usual practices. Integration can be achieved by using consistent language, by clarifying the role of senior staff in understanding and managing risk, by using consistent risk management approaches, by keeping clear documentation and by adopting both qualitative and quantitative risk analysis tools.

CHAPTER 14 AT A GLANCE

Key learning points 

- Change management is the process of managing the people-side of change. It depends on leadership, communication and organisational culture.
- Leadership takes a transformative as well as transactional function, motivating and inspiring while also setting incentives and rewards. Culture can be interpreted along the same lines.
- All levels of the organisation should participate in enabling effective communication.
- Change management is made easier by following certain principles and using management tools as described in this handbook.

Main steps in the process to follow: **Do-minimum scenario for less experienced SAIs**

- Use the strategic management tools described in this handbook: strategic planning, operational planning, monitoring, and reporting.
- Base your decisions on the formal tools and communicate and justify them towards staff.

Additional steps in the process to follow: **Advanced scenario for more experienced SAIs**

- Think about your change management approach. What can be improved in internal communication? What support or obstacles do you find in the SAI's culture? Adjust your approach accordingly.
- Make sure your plans integrate a gradual approach of change that allows for adaption and learning.
- Regularly review decisions made and gather staff feedback. Adjust course of action accordingly.

A strategic plan is a structured roadmap for the reform of the SAI's institution and organisation towards improving performance. It contains a specific vision about change and a concrete, deliberate design about how to achieve such change intentionally and transform the institution. Yet the practice shows that, despite a plethora of tools, guidance and support for the crafting and implementation of strategic or capacity development reform plans, about 80 per cent of public sector reforms fail in this crucial objective of achieving significant organisational change, or "*transformative change*" (McKinsey Centre for Government, 2018). Hence, it appears that even the best written strategic plans, supported by a robust technical implementation process and sound strategic decision-making, may not be enough for an SAI to succeed in improving its performance as envisaged in its strategic plan.

Against this backdrop, a growing consensus has emerged for the need for change management, or a dedicated approach to navigating not only the technical but also the people-side of change, as an essential determinant of achieving the change foreseen strategic and other reform plans (Baker, 2007). Public sector reforms that included a change management component alongside technical aspects have been shown to achieve a higher degree of performance improvements over the same period as compared to such where change management was not explicitly considered (World Bank, 2015). In the context of SAIs, the existence of an explicit change management focus as part of the SAI capacity develop-

ment project's design has been highlighted as a primary factor for ensuring relevance and effectiveness of such support (INTOSAI Development Initiative, 2014).

This chapter aims to close the SAI strategic management cycle by casting an eye on change management and its key ingredients. Section 14.1 discusses the concept of change management and why it is crucial in the SAI context. The subsequent sections deal with three critical determinants of successful change management: SAI leadership (14.2), Organisational culture (14.3) and Effective communication (14.4). Section 14.5 provides some on the formal tools and soft principles for a change management process that accompanies the design and implementation of the SAI's strategy.

14.1 | CHANGE MANAGEMENT CONCEPT AND RATIONALE

Change management aims to deal with the unexpected non-technical challenges of implementing a new strategic plan. In other words, while strategic management as a whole focuses on the content of change and ensuring performance improvements, change management tackles the process through which such change comes about (Van der Voet, 2014). Accordingly, the World Bank (2015) defines change management as "*The process of helping people understand the need for change and to motivate them to take actions, which result in sustained changes in behaviour*". Another definition is provided by Baker (2007): "*Change management is the process, tools and techniques to manage the people-side of the change processes, to achieve the required outcomes, and to realise the change effectively within the individual change agent, the inner team, and the wider system*".

Paradoxically, the people who are mainly responsible for implementing the change envisaged in a strategic plan and thus achieving better performance are often those that may resist change the most.

That is why having a dedicated change management approach as an integral part of strategic management can be helpful (Van der Voet, 2014). There are different reasons why staff may not support the reforms suggested by an SAI strategy. They may not understand the reason why change is needed, or they may disagree with the technical design of the reforms. Often, when it comes to more technical changes, such as introducing new software like TeamMate, staff may fear that they may not be able to adapt their skills to the new requirements. When an SAI strategy contains wide-ranging organisational changes, staff may oppose it due to fear and uncertainty about a changing work environment and the possible negative consequences such as loss of a position or authority. In some cases, the opposition may come from the SAI senior staff echelon too, especially due to embarrassment to admit that changes could have been done before. Although SAIs have made great strides towards becoming more responsive and adaptive to a rapidly changing environment when it comes to new audit topics, internally, they are often less prone to accept and embrace change.

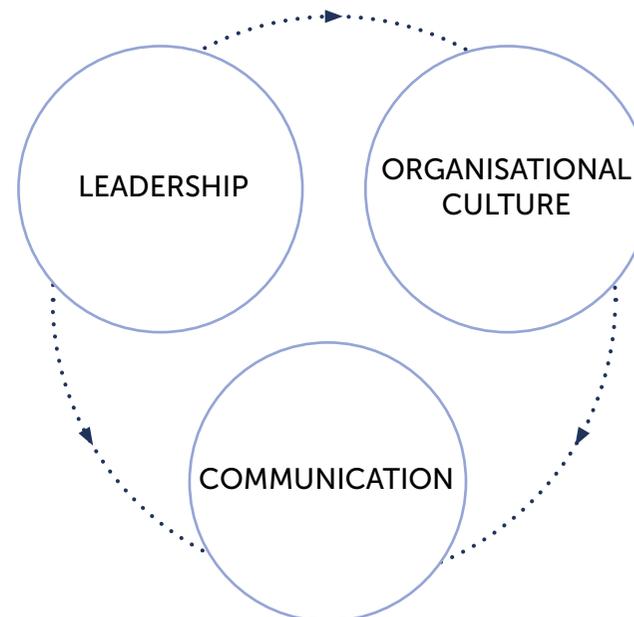
While there is general agreement that change management is essential, there are differing understandings in terms of what can be a successful framework for navigating such change (Van der Voet, 2014). The extent to which change management should be formalised alongside technical reforms, and the main factors influencing the success of a change management approach are also a subject of discussion among practitioners and academics. Kuipers (2014) distinguishes following drivers of change management:

- Contextual and socio-economic factors, such as the political and direct external stakeholder environment;
- Content-related factors that pertain to the degree and scale of desired changes;
- Process-related factors such as planning for incremental change, communicating and navigating change and overcoming internal resistance to change;
- Leadership behaviour.

Context- and content-related factors are mainly dealt with in the “formal” aspects of the strategic management process. The analysis of the broader SAI environment and context is explicitly considered in the SAI’s strategic plan at the level of risks and assumptions. The SAI strategic plan also outlines a degree of desired changes that are considered realistic and manageable.

The remainder of this chapter focuses on the process-related factors, most notably communication and studying the role of the SAI’s organisational culture, as well as on leadership. Change management for SAIs includes both formal processes and tools, such as communication methods or performance incentive techniques, as well as less tangible aspects such as exercising effective leadership and responding to the informal dynamics posed by the SAI’s organisational culture (Figure 14.1). These elements are mutually interdependent and reinforcing each other. A successful leader will employ strong communication taking into account the organi-

FIGURE 14.1 Key internal determinants of change management



sational culture. In turn, a healthy organisational culture that adopts the SAI's values and has a shared vision will be strongly influenced by the leadership style and communication approach.

14.2 | SAI LEADERSHIP

Leadership lies at the heart of SAI strategic management. The SAI Strategic Management Framework correspondingly identifies it, together with the SAI's organisational culture, as a cross-cutting factor that will influence the quality and the results of the entire strategic management process and thus SAI performance. As noted by the IDI in the announcement to its SAI Young Leaders initiative (see Box 14.1), *"SAI leadership is widely recognised in the INTOSAI community as the most effective moving force, which transforms an SAI. Supporting SAIs in sustainably enhancing capacities and performance is impossible without SAI leadership driving positive change"*.

While no commonly accepted definition of public sector leadership exists, one widely cited definition is from Van Wart (2003). According to him, public sector leadership is *"the process of (1) providing the results required by authorized processes in an efficient, effective and legal manner, (2) developing and supporting followers who provide*

those results, and (3) aligning the organisation with its environment." In turn, this process is best facilitated by a combination of so-called transformational and transactional approaches to be employed by public sector leaders (Figure 14.2).

In the context of SAIs, transformational leadership translates to an expectation that SAI leaders would pursue and guide the transformation of the SAI by articulating an appealing vision and clarity of the desired outcomes to be achieved. Transformation is also about ensuring the SAI's responsiveness and relevance to its external environment. An SAI leader would underpin such transformational strategic direction by motivating, inspiring, and continuously developing the SAI staff, and preserving fairness, ethics, gender equality and integrity in their actions, including by leading by example herself or himself. On the other hand, SAI leadership is also concerned with the more transactional or managerial aspects of directing organisational performance and employee behaviour. Such pecuniary measures include formal mechanisms for motivating, monitoring and evaluating organisational and employee performance, focusing on autonomy, mastering of skills, and providing direction and prospects for career progression. They also imply taking corrective actions, including rewards and sanctions when said performance is not as expected (Orazi, Turrini, & Valotti, 2013).

FIGURE 14.2 Transformational vs transactional leadership



Source: Own elaboration based on Oratzi, Turini and Valotti (2013)

In the realm of SAIs, the leadership may often struggle with finding the balance between being focused on the transformational and outward-looking aspects of leadership, and the need to control and steer implementation and performance at the technical and often detailed level. Especially in such SAIs where human resource capacity is weak, it is not uncommon for SAI leadership to be heavily involved in finalising audit reports. For example, they could be the ones doing the quality control and even formatting and editing of documents and adjusting planning at a very detailed level. Such technical involvement may limit the space for exercising transformational leadership. As noted by Orazi, Turrini, & Valotti (2013), *“Leadership skills truly do matter in improving the performance of public sector organisations, and it is highly likely that the optimum style is an integrated one: Public sector leaders should behave mainly as transformational leaders, moderately leveraging transactional relationships with their followers and heavily leveraging the importance of preserving integrity and ethics in the fulfilment of tasks”*.

Against this background, the IDI has been supporting leadership development for SAIs since 2017, through its SAI Young Leaders initiative, which integrates an approach that focuses primarily on transformational leadership, but without ignoring transactional aspects. The initiative aims to nurture young leaders in SAIs, to enable their own growth and contribute to the development of their SAIs. The initiative aims to connect SAI leadership at different levels with the main focus on the SAI Young Leader. The initiative also envisages adding to and consolidating a global SYL network that interacts, shares and works together. The SAI Young Leaders initiative views leadership development as consisting of four different clusters: Discover Self, Grow People, Discover Universe and Create Value (Figure 14.3). The cluster comprises various aspects aimed at reinforcing transformational leadership, such as emotional intelligence, interpersonal and motivational skills, understanding of the SAI environment and envisaging change. At the same time, crucial transactional leadership elements, such as time and performance management, coaching and project management, are also reflected.

FIGURE 14.3 IDI’s SAI Young Leaders approach to leadership development



14.3 | SAI ORGANISATIONAL CULTURE

The extent, to which the organisational culture can accommodate and adapt to change is critical to effective change initiatives and strategies (Parry & Proctor-Thomson, 2003). Like any other organisation, each SAI has its own culture – an interplay between symbols, rituals, stories, and shared history what influence the attitudes and behaviour of the people work in it. Part of this culture is inherited and reinforced by continuously using the same approach to solve specific problems. This may limit the potential to embrace change. Another part is shaped by the differences, disagreements, challenges and conflicts that also exist in the organisation. This may both limit and create opportunities for change since it is likely that there are sub-cultures and particular groups in the SAI that could be mobilised to promote organisational change (Baker, 2007)²².

Organisational culture and leadership are intrinsically related as leaders shape culture, for example, by “setting the tone at the top”, but culture can define what kind of leaders are acceptable and ultimately successful. For example, an SAI may long have been characterised by an organisational culture that favours seniority over merit when it comes to promotions, or where women are heavily underrepresented in senior roles. Again, it takes a strong leader to be able to break through the barriers of such an organisation and induce it to step out of its comfort zone to get to the next level of performance.

In the same ways as leadership, the SAI’s organisational culture can either be transformational or transactional. The former means that staff would be more prone to accept flexibility, disruption and innovation. This type of organisational culture is critical in the context of the necessity for more agility and foresight, given the COVID-19 pandemic, for example. Transactional culture refers to a culture where the staff is more focused on complying with the strictly transactional relationships defined by the SAI’s organisational structure and hierarchy, job profiles and responsibilities, and therefore on maintaining the status quo, hierarchy and conformism (Parry & Proctor-Thomson, 2003).

At the same time, although transformational organisational culture has been strongly correlated with successful change management, it appears that it is the transactional organisational culture that continues to be the prevalent one in many SAIs. This type of organisational culture corresponds to the notion of the SAI pursuing its responsibilities as per its mandate and exhibiting a substantial degree of service-orientation and compliance to formal rules. In this context, it is up to SAI leadership to determine how to achieve best a fit between the desired change in a strategic plan, and a culture that may not be so receptive to change. There may be different strategies on how the SAI can achieve an optimal combination of transformational and transactional culture – one that sees and accepts change as needed and beneficial, but that does not perceive such change as completely and drastically disruptive to the status quo. Such strategies include the involvement of SAI staff in the consultations around the strategic plan priorities, identifying so-called “change champions” to promote change internally, as well as the encouragement of individual initiative.

²² Those should ideally be identified already at the level of mapping the SAI’s internal stakeholders as part of assessing the SAI stakeholders’ views and expectations (Chapter 4).

14.4 | EFFECTIVE COMMUNICATION

Effective communication within the SAI is the last key ingredient of an effective change management approach. Communication is of such fundamental importance that it is essential not only for change management in terms of navigating the people-side of change but also for ensuring technical feasibility throughout the strategic management cycle. In this sense, it also relates to the strategic management principle of being inclusive (See Chapter 1 and Annex).

One of the primary rationales of communication in the context of strategic management is to demonstrate respect among all the internal and external stakeholders involved in the change process. Without effective communication, the change will be slower and less effective. There is even a risk that the change project may break down altogether through misunderstanding, misinformation, lack of crucial knowledge and an air of secrecy or exclusiveness. Communication is also needed to avoid reinventing the wheel, repeating processes or even working in conflict.

By definition, communication is a two-way process. In the context of SAIs, this means that SAI leadership needs first to communicate their change rationale and decisions to staff. Leadership should also encourage staff to question or challenge what they are hearing and allow them to present their ideas. Kotter and Heskett (1992) identify successful leaders as those who repeatedly communicate their vision, allow people to challenge these messages and stimulate middle managers to take up the cause and provide leadership themselves. Table 14.1 provides some insight into the different roles and responsibilities regarding internal communication in the SAI during strategy preparation and implementation.

TABLE 14.1 Internal communication roles and responsibilities

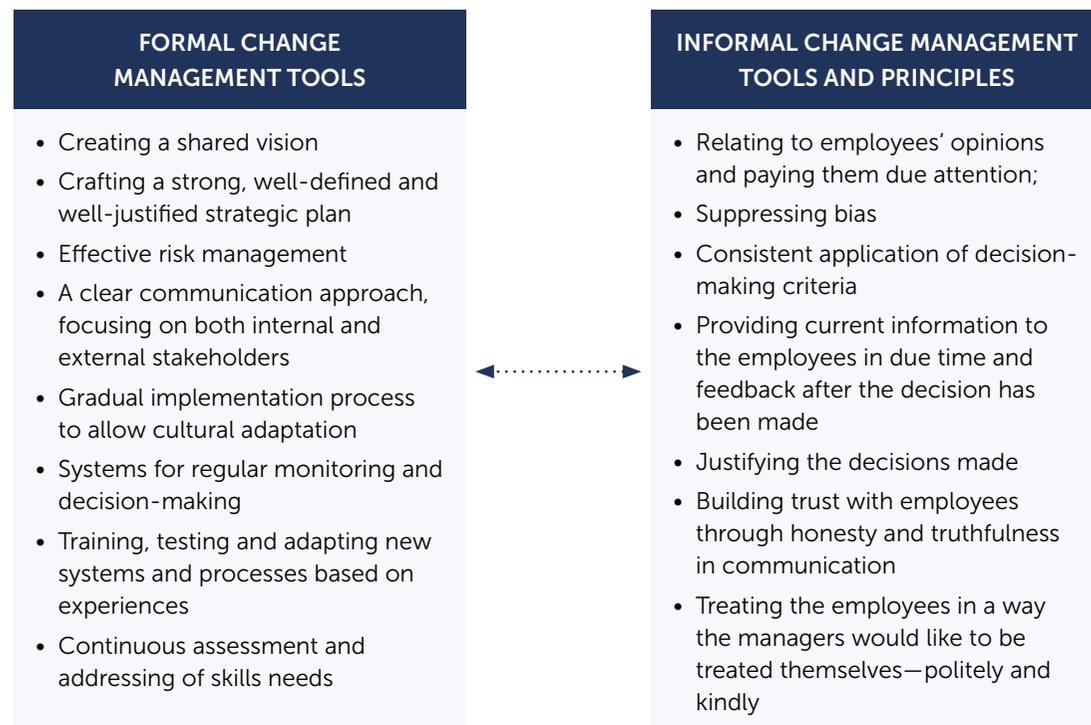
	Strategy preparation	Strategy implementation
SAI Head and leadership	<ul style="list-style-type: none"> Communicates the SAIs mandate, vision and core values Explains the rationale for change Seeks feedback from middle management and employees on strategic priorities and gives credit when due Communicates clearly, thoroughly and regularly on the strategic plan contents and any updates 	<ul style="list-style-type: none"> Setting a tone enabling accountability and strengthening the culture of internal control Empowers middle management to take an active role in organizational planning Provide flexibility for middle management in the implementation Justifies operational decisions if diverging from middle management's views Ensure complementarity, vertical alignment and enable cooperation/ interlocks between departments
Middle management	<ul style="list-style-type: none"> Provides significant inputs to strategy development Channels through staff suggestions and feedback on the strategy 	<ul style="list-style-type: none"> Indicate what works best, what doesn't work and why Regular and open, honest interactions between management and staff Provides precise and clear instructions to staff on what is expected of them Informs and consults with staff on ongoing implementation regularly and also informally ("on the floor") Maintains an open door policy
Staff	<ul style="list-style-type: none"> Raises questions and communicates any concerns about the need and consequences of change Provides their views and expectations about the SAI's strategic direction, e.g. through a structured consultation process 	<ul style="list-style-type: none"> Everybody within the SAI can provide input into organizational planning in some form Seeks clarifications if activities and their parameters are not clear Provide feedback to direct management on the ongoing implementation

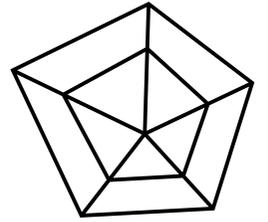
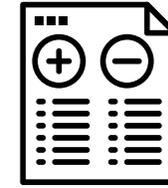
As regards external stakeholders, the SAI should be similarly open to others' views and expectations and listen to the feedback coming from its main institutionalised and non-institutionalised counterparts. A thorough stakeholder analysis (Chapter 4), as well as high-quality SAI performance reporting, are useful tools to facilitate external communication. The SAI PMF methodology also provides guidance on good practices in engaging with external stakeholders (Domain F).

14.5 | PRINCIPLES AND TOOLS FOR CHANGE MANAGEMENT

The preceding sections of this chapter have demonstrated that change management is a complex process underpinned by three key variables – leadership, organisational culture and communication. To support an effective change management strategy, the SAI should consider following formal tools, all of which are addressed as part of the strategic management toolbox:

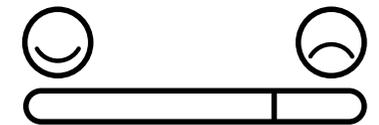
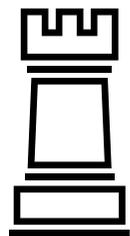
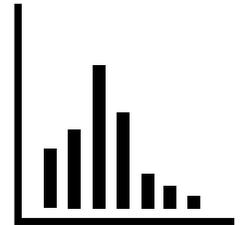
FIGURE 14.4 Formal and informal change management tools





PART D

EVALUATING THE STRATEGIC PLAN



INTRODUCTION TO PART D

Change is not a linear process. The external and internal environment heavily influences it. Even with the best tools in hand, no SAI will be able to implement its strategic plan perfectly. Circumstances change, and so the SAI must adapt its processes and plans to ensure its response continues to lead in the right direction towards better performance.

When the strategic management period reaches a particular stage, for example, the middle point in its implementation, or approaches to an end, it is time to take stock of all that has happened. At the latest beginning in the final year of its strategic management period, an SAI could consider one of two options: An evaluation of its strategic plan and its implementation, or a repeat SAI PMF assessment. The same approaches can be applied for a so-called mid-term review of progress against the strategic plan. While both of those serve a similar purpose, they have specific advantages and disadvantages. Chapter 15 discusses those two main approaches to closing the strategic management cycle and concludes how their findings should fit into the SAI's next strategic plan.

CHAPTER 15 AT A GLANCE

Key learning points



- The strategic cycle is closed by an evaluation of what the SAI has achieved and a repeated measurement of SAI performance to demonstrate improvement and prepare the next strategic management cycle.
- An SAI PMF repeat assessment allows for tracking performance changes and comparing results.
- An evaluation is more externally oriented, considering the achievement of outcomes. It is inherently more focused on learning and adapting the strategic management process itself.

Main steps in the process to follow: Do-minimum scenario for less experienced SAIs



- Conduct an SAI PMF repeat assessment about one year out from the end of the strategic plan. Feed the results into the next strategic cycle.

Additional steps in the process to follow: Advanced scenario for more experienced SAIs



- Evaluate the achievement of the SAI strategy. Take critical lessons learned from the results to adjust your management process in the next cycle.

In line with the strategic management principle of focusing on outcomes, an SAI would need to take an in-depth assessment of whether outcomes have been achieved, and what have been the key lessons learnt for the next strategic planning period. In some cases, holistically examining performance may even be necessary mid-way through a strategic plan. The duration of an SAI's strategic management cycle, as specified in the period covered by the strategic plan, may vary from anything between three and ten years. Although no statistics are available, most SAIs tend to draft their strategic plans to capture around five years. There are significant differences, though, and sometimes SAIs also follow general public service rules and procedures to determine this duration. In general, it is recommended to take stock of achievements every three to five years.

This chapter discusses the approaches for taking stock of performance mainly from the premise that such are done towards the end of the strategic plan implementation. However, some SAIs may be experiencing periods with higher uncertainty caused by external circumstances. Examples include political instability, financial crises, a natural disaster or the COVID-19 pandemic and its socio-economic implications. In such cases, the SAI may choose to formulate shorter strategic plans and thus take stock and change strategic

IN GENERAL, IT IS RECOMMENDED
TO TAKE STOCK OF ACHIEVEMENTS
EVERY THREE TO FIVE YEARS.

direction more often. Alternatively, it may incorporate regular and formal review milestones in its strategic plan to gather sufficient information to guide adjustments. The review approach discussed in the chapter may be applied equally well for a mid-term review of the strategic plan, or at any other point deemed necessary by the SAI leadership.

This chapter builds on the discussion in Chapter 4 that covered in detail how the SAI PMF tool can serve as a powerful instrument for assessing SAI performance. Chapter 13, which deals with strategic decision-making and risk management, is another critical input. A repeat SAI PMF assessment has many advantages for the SAI that are discussed in Section 15.1. Additionally, Section 15.2 deals with an alternative approach of taking stock, namely through an evaluation of the SAI's strategic plan design and implementation.

15.1 | SAI PMF REPEAT ASSESSMENT

One relatively straightforward way of assessing changes in performance is to carry out a repeat assessment using the SAI PMF framework. This could serve multiple purposes. It will generate data for the performance measurement system regarding the state of SAI performance at the capacity and output level, which will aid the evaluation of strategic plan implementation. It will also form an updated assessment of the SAI's current situation, as a basis for the development of the next strategic plan. Such an assessment should be timed so that its findings are available early enough to inform both the evaluation of the strategic plan and the development of the next strategic plan. This approach has several valuable advantages for the SAI:

- A repeat SAI PMF assessment allows for tracking of performance changes between indicators and dimensions, including a score comparison (whenever the same version of the SAI PMF framework has been used).

- The SAI leadership and staff would be familiar with the assessment framework and report and would know how to interpret the findings and performance changes.
- If the SAI has done the first assessment as a self-assessment exercise, it can use the same internal team, if possible to do so. This can contribute to a more efficient process.
- The SAI PMF performance report can capture small improvements and changes that are not evident in the indicator and dimension scores. For example, an improvement in the timeliness of submission of the SAI's compliance audit results to the appropriate authority from eight months after the year-end to seven months after the year-end (where no legal timeframe is established). The SAI still receives a score of 2, but its performance has improved.
- The SAI PMF performance report can also reflect on capacity development activities implemented but not yet impacted on SAI performance. For example, a performance audit unit has been created, and a performance audit manual is being developed but is not yet being used for performance audits. The reform should be noted in the performance report, even though it has not yet impacted on SAI performance.
- The integrated assessment of performance could draw on the data of the SAI performance measurement system, and on the findings of annual SAI performance report to do an in-depth analysis of the SAI's contribution to the outcomes and impact specified in the SAI strategy. Depending on the chosen outputs, SAI PMF scores may serve as direct evidence of attainment, for example when it comes to the coverage (SAI-8), timeliness or SAI follow-up of audit reports (SAI-11, SAI-14 or SAI-17).

15.2 | EVALUATION OF THE SAI STRATEGIC PLAN

Evaluations serve two primary purposes:

- Learning, to improve current and future policies, approaches and operations and their results.
- Accountability for results and impact, including the provision of information to the public.

Evaluations should seek to answer questions about the relevance, effectiveness, efficiency, impact and sustainability of interventions (known as evaluation criteria). In addition, evaluations should address questions related to the purposes, nature and architecture of interventions. For example, evaluations of INTOSAI regional bodies could also answer questions about their governance, structure and strategy to support improvements in the performance and capacity of SAIs in the region. An evaluation of an SAI intervention can also use pertinent international standards (e.g. ISSAIs) as assessment criteria, perhaps drawing on tools like SAI PMF which include an assessment of performance against the ISSAIs and other international good practices.

Evaluations are generally conducted independently of those involved in an initiative. Often independent, external evaluation experts are commissioned. However, an SAI may sometimes decide that an evaluation designed for internal learning purposes may have more impact on learning if it is conducted by suitably experienced evaluators (or performance auditors) internal to the organisation.

The SAI, in consultation with its key stakeholders, should consider the need, the timing and the purpose of an evaluation of the strategic plan. It should ascertain whether any of its stakeholders require an evaluation, either of the SAI, its strategic plan implementation, or specific capacity development initiatives. For example, in some countries, the legal framework requires a periodic, independent

review of the performance of the SAI. Besides, long term capacity development initiatives financed by donors or peer SAIs may contain a review or evaluation requirement. Early discussions on evaluation requirements and purposes may make it possible to cover all evaluation requirements in a single, broad evaluation of the SAI's strategic plan implementation, and the contribution of capacity development initiatives to this. Regardless of the modality chosen, the timing of an evaluation should be carefully considered and aligned so that results can feed into the development of the next strategic plan.

An evaluation of an SAI strategic plan is likely to address both accountability and learning purposes, to meet the needs of key stakeholders. It is likely to combine process evaluations, lessons learned evaluations, outcome evaluations or possibly impact evaluations²³, to answer broad evaluation questions such as:

- What is the overall impact of the SAI to the lives of citizens – both women and men –, including assessment of intended and unintended consequences? What is the possible contribution of SAI outcomes to impact?
- Whether there have been improvements to SAI outcomes, and what factors (including SAI outputs and capacity, and external factors) contributed to or constrained, the achievement of SAI outcomes?
- Are planned SAI outputs produced effectively and efficiently? Are there better ways to deliver these outputs?
- How have SAI capacity development initiatives contributed to the improvement of SAI capacities and achievement of SAI outputs? What are the lessons learned?
- Is the SAI strategic plan still relevant to stakeholder expectations; is the chain of capacities-outputs-outcomes necessary and sufficient; have the assumptions been realised; is the strategic plan deliverable given available resources; and how can implementation be further strengthened?

- Is the SAI performance measurement system producing timely, meaningful and useful information for decision making? How can it be improved?

The timing of evaluation(s) will again depend on the purpose of the evaluation. However, the SAI should aim to work towards satisfying all stakeholder needs with a single evaluation. This should be timed so that the evaluation results can be fed into the development of the next strategic plan. What the SAI should avoid at all cost is starting the evaluation after the strategic plan period has finished, and not being able to feed lessons learned into the next strategic plan. A broad evaluation could take 9-18 months from initial conception to finalisation of the report. The SAI should consider the timing so the results can feed into the initial stages of developing the new strategic plan.

If the strategic planning period is quite long, or if the SAI considers it appropriate in light of stakeholder expectations, a mid-term review of strategic plan implementation may also be considered. This would be much lighter than a full evaluation, hence use of the term 'review' to manage expectations of stakeholders. It provides an opportunity to demonstrate and review progress and consider the need for changes to the plan and implementation measures. It would not usually seek to understand the how and why of the success of the strategic plan.

The following Table 15.1 provides an illustration for possible time-lines for monitoring and evaluating an SAI strategic plan. It assumes a five-year strategic planning period. It also shows how it might fit with related activities, including assessing the current situation and development of the next strategic plan.

²³ The approach used in this handbook discourages the direct measurement of the results framework at the impact level. A strategic plan evaluation should consider that it is very challenging to determine the SAI's contribution at the impact level because of issues of attribution and because of the long period it may take for impact changes to take place and be measurable.

TABLE 15.1 Strategic management timelines

Activity	Year 0				Year 1				Year 2				Year 3				Year 4				Year 5			
	Q1	Q2	Q3	Q4																				
Strategic plan period	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
SAI PMF	●	●																						
Stakeholder analysis		●																						
Craft the SAI Strategy			●	●																				
Prepare operational plan				●																				
Internal monitoring reports					X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
Annual performance report								X				X				X				X				
Mid-term review of strategy										●	●													
Repeat SAI PMF/ strategy evaluation																	●	●	●					

- X The month when a report is due.
- Duration/ applicability of the strategic plan.
- Preparatory and drafting stages of strategy development.
- Reporting.

15.3 | PRECONDITIONS AND PROCESS FOR TAKING STOCK OF SAI PERFORMANCE

Regardless of whether an SAI chooses to go for a repeat SAI PMF assessment, or an evaluation of the strategic plan, several pre-conditions need to be in place:

- SAI strategic (and operational) plan, including performance measurement system;
- Early agreement on the broad need for, and purpose of, an SAI PMF repeat assessment or an evaluation of the SAI strategic plan (i.e. learning and improvement, accountability, to inform the next strategic plan or capacity development efforts, or a combination of those);
- Data systematically collected on specific indicators from the SAI's monitoring system;
- Suitably independent, credible and experienced SAI PMF assessment/ evaluation team;
- Terms of Reference drawn up to guide the SAI PMF assessment or evaluation;
- Clear responsibilities for managing, approving, disseminating findings and responding to the SAI PMF or evaluation report key findings.

An SAI PMF repeat assessment or an evaluation of an SAI strategic plan are both significant undertakings, requiring dedicated time from senior management to participate, manage stakeholders, support dissemination activities and address the findings. A decision to undertake an SAI PMF repeat assessment or an evaluation should be made at the level of the Head of the SAI, with broad buy-in from senior management. A dedicated officer, perhaps from the SAI's strategic planning team, should be appointed as responsible for coordinating the different parties involved in the process. The SAI PMF assessment or an evaluation is likely to involve some or all of the following groups:

- The Head of the SAI, as key decision-maker regarding the SAI PMF repeat assessment/ evaluation;
- An assessment/ evaluation owner within the SAI, with overall responsibility for coordination
- An assessment/ evaluation team within the SAI, to support the design, implementation, review and dissemination of the exercise;
- An independent assessment/ evaluation team, responsible for conducting the SAI PMF assessment/ evaluation;
- Staff from across the SAI, who will need to be aware of the exercise, its purpose, and be willing and able to engage with the assessment/ evaluation team;
- External stakeholders, who may have a variety of different roles in the process, from engaging with the team in charge to having input to the design of the evaluation, and financing an external SAI PMF assessment or evaluation team.

The process for carrying out an SAI PMF assessment is described in detail in Chapter 4. While broadly similar, an evaluation of an SAI strategic plan may follow a slightly different path and include the following steps:

1. The decision to conduct an evaluation, purpose and planned timing;
2. Develop and agree on terms of reference;
3. Select the evaluation team based on the term of reference;
4. Inception report by the evaluation team setting out their detailed evaluation approach;
5. The implementation phase, gathering and analysing evidence;
6. Discussion of initial findings and writing the draft report;
7. Feedback and discussions on the draft report;
8. Finalisation of the report;
9. Disseminating findings and deciding how to take these forward.

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ANNEX 1: FURTHER GUIDANCE, FORMATS AND EXAMPLES PER CHAPTER

1 SAI performance and strategic management

1.1 SAI Strategic management principles in practice

<p>Keep it manageable</p> <ul style="list-style-type: none"> Decide on a representative, but compact size of performance assessment and strategic management teams Ensure commitments in the strategic plan can be implemented, even if it requires a stretch Do not go for large numbers of outcomes and outputs but focus on what are key priorities for the time period Do not overburden the performance measurement system with an excessive number of indicators 	<p>Lead by example</p> <ul style="list-style-type: none"> Ensure whatever plans, audit reports and performance assessment can be published are published, and timely Prepare a model budget proposal, with clear reasoning and justifications Subject the SAI financial statements to an independent audit (e.g. as a peer review) Initiate a constructive dialogue with key stakeholders on issues of common interest, e.g. accountability or transparency of the management of public funds, accounting systems and practices, coordination of institutions and entities involved in financial control and oversight Develop and promote a culture of performance and integrity in the SAI
<p>Be inclusive</p> <ul style="list-style-type: none"> Consult with key internal and external stakeholders during the strategic planning process (but keep it manageable) Consider emerging risks, needs and developments from the broader SAI environment and how they can affect SAI performance throughout the implementation Seek opinions and feedback from middle-level management on what works and what not and the reasons why during the operational planning exercise and reviews Consider integrating a gender and equality perspective in the strategic plan especially if those are national strategic priorities 	<p>Commit SAI leadership</p> <ul style="list-style-type: none"> Keep the Head of the SAI informed about planning and progress at all key stages of the SAI PMF assessment process. Involve the Head of the SAI and the leadership/ senior management team in sourcing external stakeholders' view and expectations of the SAI. Consult and agree on any necessary changes in the SAI vision, mission and value statements. If possible, the Head of the SAI should lead or should participate in the SP team, other members of SAI leadership to be involved as appropriate. Seek feedback and confirmation from the Head of the SAI on the draft results framework, on the prioritisation and the final strategy document. Confirm any changes to the operational planning process and format with the Head of the SAI. Reflect the preferences of the Head of the SAI and the management team when it comes to the frequency of the operational plan periodic reviews and the level of detail in the plans.
<p>Focus on outcomes</p> <ul style="list-style-type: none"> Make the outcome level – those changes in the close SAI environment that the SAI considers it can best influence through its core services and products– the cornerstone of the SAI strategic plan and SAI performance Identify SAI outputs – the core products of an SAI such as audits or judgements - in terms of how they best facilitate the envisaged outcomes In the operational plan, decision-making and prioritisation on implementation issues and resource allocation should always consider how activities affect the achievement of outputs and facilitate outcome level changes Report and account for SAI performance in terms of contribution to outcomes 	<p>Manage change</p> <ul style="list-style-type: none"> Do not forget that whatever system and process changes may be required; people need to be on board SAI leadership leading by example in setting the tone at the top Focus on provision of information to staff, including explanations behind the decision-making process and reasoning to ensure staff understand the underlying reasoning Emphasise that performance improvement, accountability and transparency go hand in hand, and the objective is not to punish underperformers but to help them adapt towards the changes

2 SAI Strategic Management Framework

2.1 The 12 principles of INTOSAI-P 12



3 Plan the plan

3.1 Project Plan Template

A Background and purpose of the strategic planning exercise

C Activities, milestones, timeframes and responsibilities (as per table below)

B Suggested duration of the strategic plan

D Involvement of internal and external stakeholders

Activity	Milestone	Responsibility (lead/ support)	Target date
Planning the SAI PMF assessment	SAI PMF assessment Terms of References		
Document collection and preparation phase	SAI PMF report background chapters and collated documentary evidence for the assessment		
SAI PMF fieldwork	Filled out scoring sheets for Chapter 4		
SAI PMF draft report	Draft Chapters 1,2,3,4,5		
SAI PMF qualitative assessment draft	Draft analysis of SAI performance		
Quality control and independent review of SAI PMF assessment	Independently reviewed SAI PMF report		
Identify relevant stakeholders	Stakeholder register		
Stakeholder mapping	Stakeholder power-interest grid		
Conduct stakeholder consultations	Stakeholders' expectations and attitudes		
Stakeholder Analysis	Overview of stakeholders' issues		
Consolidating internal and external perspectives	SWOT analysis		
Identifying strategic issues	List of prioritized strategic issues, input from leadership		
Defining the SAI results framework	Results framework including outcomes, outputs and capacities, as well as a suggested course of action to close capacity gaps		
Feasibility analysis and prioritisation	Refinement of results framework based on consideration of resources and prioritisation criteria		
Definition of risks and assumptions and performance measures of the results framework	Additional elements to provide robustness and validation to the results framework		
Internal consultations on draft results framework with staff	Draft final results framework supported by SAI staff (or representatives)		
Approval of the results framework	Obtain final approval by the Head of the SAI		
Drafting the strategic plan	Text version of the strategic plan		
Quality control and editing of the draft document	SAI strategy proofread; Consistency ensured		
Graphic design, printing	Final strategic plan document in a visually attractive format (digital and print)		

4 Assess the SAI's current situation

4.1 SAI PMF assessment findings SAI Norland

Background:

Norland is a developing country in the equatorial region with a total area of 71,000 km² and a population of 10 million (according to the 2015 census). The country's Gross Domestic Product (GDP) and per capita income in 2015 was USD 14.2 billion and USD 700, respectively. The country's population is mostly young, with an estimated 42% under 15, and rural, with an estimated 60% living outside the cities.

Norland is a unitary presidential constitutional republic with a directly elected president and a unicameral legislative branch elected every four years. Norland's public sector is considered to suffer from endemic corruption at all levels. In 2015, Transparency International ranked it at 111 out of 168 on the Corruption Perception Index. Governance Indicators indicate that corruption is a severe problem and that the country annually loses approximately USD 300 million due to corruption.

Despite this, a growing amount of donor funds are channelled through the national budget. Donors now provide over 25% of budget funding, and all of this is targeted at Poverty Eradication Action Plan priorities. Donor support has been well coordinated. The Ministry of Finance (MoF) is perceived to be highly independent and pragmatic in its relationship to donors. It is perceived difficult to convince the government of some governance reforms.

COVID-19 has had wide-ranging implications on Norland's economy and the public sector. The economy, and especially exports and tourism, have seen dramatic falls. The government has announced budget cuts for 2021, while at the same time it has established a USD 200 million emergency spending fund.

The SAI of Norland (SAIN) is a Parliamentary-type SAI that reports to the Budget and Finance Committee in Parliament. The Head of the SAI is appointed for a fixed tenure of seven years. The current Head has been recently appointed following the retirement of her predecessor.

She is the first female leader in the history of the SAI. The Head of the SAI has a long career in the public sector, including as a Minister of Finance and a Deputy Minister of Economy and Transportation. She is a newcomer to the SAI and has a degree in accounting and finance. The SAI comprises of 290 audit staff, a management and corporate services department counting 70 staff, as well as 50 support staff. The SAI has a central office in the capital city, and small offices in each of the seven country provinces, with about 5-15 staff each.

The SAI has been impacted badly by the COVID-19 pandemic. It had to close its offices for full three months, and many of its staff were infected, including some fatalities. The SAI IT system does not allow for remote access to all files, so auditors use Dropbox instead. There have been delays in finalising financial, and compliance audits and the SAI has also had to relocate staff from its performance audit practice to support the compliance audit work concerning emergency spending. The SAI employs about 45% of female staff who have been hit disproportionately by the need to combine work and childcare during the prolonged period of lockdown. There has been increasing frustration among SAI staff about the current working conditions, especially since the pressure from management to finalize all audits on time is very high.

An external assessment team carried out the SAI PMF assessment. It was done shortly before the onset of the COVID-19 pandemic and therefore does not reflect on its implications in detail.

I) Integrated Assessment of SAI Performance

The detailed assessment results set out in chapter 4 of this report shows that the Supreme Audit Institution of Norland (SAIN) has scope for improvement across all domains. Over recent years the SAIN has taken a range of initiatives intended to introduce improved processes, procedures, manuals and methodologies. But these have not yet been fully adopted and adhered to consistently across the organisation. This means there are some real opportunities for improvements to take place relatively quickly, particularly regarding audit planning, quality assurance and improved communications with stakeholders. There is a clear need for SAIN management to follow through on these initiatives to ensure they become fully embedded and sustainable.

Furthermore, if the National Audit Bill is enacted, the SAIN will enjoy greater freedom and control over its resources. Consequently, the SAIN must prepare properly for the major changes that the new law will bring. In the absence of those changes, the quality and timeliness of audit reports will remain variable, and the contributions of SAIN to improvements in the transparency, accountability and quality of public financial management will be negligible.

Audit coverage

The Supreme Audit Institution of Norway (SAI) performs adequately in terms of auditing the entities that are within its mandate. The SAI undertakes financial audits and compliance audits, as provisioned for in the National Audit Act. For 2018, it audited 80 per cent of all submitted financial statements, and 70 per cent of all entities were subject to a compliance audit. There are, however, some deficiencies in SAIN's work. Firstly, the office does not yet report publicly on delays or non-submission of financial statements. Secondly, SAIN does not apply a risk-based selection approach for financial and compliance audits. As a consequence, SAIN cannot demonstrate that their audits cover the most pertinent issues, which negatively affects the quality of reports and may pose a reputational risk should a scandal emerge in one of the audited entities. Moreover, the audit team found that the reports are delivered within short time frames, caused by the current approach.

The main reason for the lack of a risk-based approach in compliance audit is beyond SAIN's sphere of control. The current legal framework requires SAIN to complete 100% coverage of compliance audit in respect of the appropriation accounts and financial statements it receives in respect of ministries and departments. This requirement, together with limitations in audit planning, skills of staff and issues with the communication with auditees result in a low financial and compliance audit coverage.

SAIN has given increasing prominence to performance audit in recent years, and such reports form a significant part of the SAI's annual report. Performance audit reports are still limited in number due to the comparatively small size of the performance audit division; however, they cover various subjects. The performance audit manual provides

thorough and practical guidance on how to determine potential topics for performance audits. Nonetheless, there is scope for improving the selection process for performance audits by assessing risks to value for money across all areas of government spending and by consulting more with external stakeholders to collect their views on risks.

Quality of audit reports and recommendations

The assessment team observed significant shortcomings in the quality of financial and compliance audit reports. The financial audits that were assessed did not have proper conclusions and recommendations. In some cases, these audit reports also failed to put findings into context. Compliance audit reports only included observations. The reports did not give any reasons as to why these observations happened, nor did they provide recommendations designed to resolve the underlying reasons causing these observations. The same issues are found each year across a wide range of institutions, but SAIN does not analyse the reasons behind these reemerging observations.

SAIN updated its financial and compliance audit methodological and guidance materials two years ago (2016). However, the assessment showed that the poor quality of the final reports was mostly due to the inconsistent application of standards and manuals, improper audit engagement planning, as well as limited application of quality control processes by SAIN staff. There is no functioning quality assurance function in SAIN. This was further exacerbated by a scattered approach to training and professional development and a lack of a human resources strategy. All those factors are clearly under SAIN's control and could be remedied within a reasonable time.

Although individual audit plans are prepared, there is no overall audit or operational plan that would ensure that SAIN's resources are used where the need is greatest. Such a plan should be risk-based and ensure that identified high-risk areas receive the necessary resources to undertake an appropriate level of audit. This is particularly important where the number of employed audit staff is below the approved figure - as is currently the case. Should a major scandal emerge, SAIN would be vulnerable to criticism, as it does not undertake an overall risk assessment of government spending as a basis for informing the allocation of audit resources.

Although officers have necessary skills and experience, the absence of a proper structure for professional and management training that is based on a comprehensive analysis of needs also impacts on the quality of audit reports and consistent application of standards and methods. SAIN has recently started investing more in training. This is an important move, but such training should be based on identified needs. Moreover, to maximise the benefits of training, hence ensuring that resources are not wasted, officers should be allowed to apply their new-found knowledge. Although risk and materiality issues are covered by SAIN manuals, the office does not ensure that these are applied consistently and reliably. The current gaps in quality control processes and training demonstrate this point.

The total absence of a properly functioning quality assurance process also represents a risk for SAIN, as there is no meaningful independent review of audit quality. SAIN does have a centralised quality assurance section, but in practice the work it does is limited to an extended quality control on the audit draft reports prior to submission to the Head of SAIN for signature. The lack of an effective quality assurance system also means that SAIN is failing to capitalise on a valuable opportunity to identify weaknesses in performance. Subsequently, SAIN fails to identify appropriate remedial action through training or improved guidance.

Similarly, SAIN lacks a centre of expertise on financial and compliance audit staffed by experienced officers and trainers. Hence, audit staff have no access to expert advice when assistance is needed on more complex matters that arise from time to time. Together with the output from an effective quality assurance function, a centre of expertise would assist SAIN in determining and meeting training needs by analysing requests for assistance and weaknesses identified through the quality assurance process.

The performance audit function is generally performing better. It benefits from being a comparatively small and compact function. Hence, it is easier for this unit to ensure that it continues to meet and maintain quality standards. Being a new unit, it is staffed with young and eager personnel who have received proper training by international consultants, next to prolonged traineeships in a peer SAI. However,

while the planning and implementation of performance audits are of good quality, the quality of performance audit recommendations, in particular, remains work in progress. In general, the recommendations are broadly formulated about very detailed findings, rather than seeking to address broader systemic issues or organisational or programmatic weaknesses and defects. Moreover, the team found that it was difficult to assess the potential effectiveness of these recommendations in potential changes happening within audited entities. The reason is that SAIN lacks a process for the systematic follow-up of the conclusions and recommendations that it issues in its performance audit reports.

Timeliness of audit submission and publication

SAIN performs impressively in terms of timely submission and publication of all types of audit reports, despite the legal obligation to prepare each report in all three official languages. Still, this requirement results in a significant amount of human and financial resources spent on such translations.

The main factor that enables timely submission and publication is the workforce numbers that SAIN enjoys. Over the last three years, the number of employees has increased by approximately 40 per cent, mostly in auditor positions. Nevertheless, the current legal framework leaves decisions on the staff complement, recruitment and promotion largely with the Executive. The observed upwards trend in SAIN staffing can be attributed to both an increased effort from the SAI to engage with its external stakeholders and raise awareness on the need for appropriate human resources, as well as to external pressure on the Executive by development partners. Unfortunately, staff increases have not been supplemented by financial allocations to ensure a parallel expansion of SAIN's premises and equipment. Auditors often work in sub-optimal conditions and overcrowded offices. Except for the performance auditors, all audit teams share one laptop among five persons. Issues have also been noted concerning promotion policies as well as insufficient safeguards against unethical behaviour and especially sexual harassment against a growing proportion of junior female audit staff. These difficult working conditions makes SAIN's strong results in submitting and publishing reports even more impressive.

SAI follow-up of audit results

There is significant variation in SAIN's practices for following up on its audit results. In financial audit, there is no formal follow-up procedure for ensuring that audit entities properly address SAIN's observations (reports do not include recommendations). However, auditors generally do revisit previous year's audit findings at the audit plan stage and re-examine them in the current year. The entity is allowed to explain what they have or have not done about audit observations. Where appropriate, the audit report to Parliament will include a reference to previous year's findings and the action taken or not taken to address those.

In contrast, SAIN has a working and systematic process to ascertain if the audited entity has addressed compliance audit findings and issues from the previous audit. However, this process does not include an assessment of the adequacy of corrective measures and often appears to be superficial.

Finally, SAIN's follow-up of completed performance audit reports is restricted in practice to the provision of advice to relevant parliamentary committees on audited entities' responses to, and comments on, SAIN's reports in advance of any Committee meeting to consider those reports. Otherwise, there is no structured, systematic follow-up of SAIN's performance audits.

The differences in the SAIN's follow-up of audit results between the audit types can be partially explained with the significantly longer existence of a compliance audit practice as compared to financial and performance audit. Moreover, it appears that parliamentarians show a greater interest in compliance audit reports than the other reports. The team also found that parliamentarians are more familiar with the compliance audits.

Stakeholder engagement

The assessment found that while SAIN has managed to establish a working relationship with the Budget and Audit Committee (BAC) in Parliament, the relationship was not as close as desired. SAIN has been successful in advocating for a significant staff increase to both BAC and the Executive. However, there is scope for improving the relationship

to ensure that BAC can maximise the benefits of the audit reports. Similarly, SAIN needs to have appropriate follow-up mechanisms in place to ensure that recommendations from the BAC are properly addressed and, where appropriate, action taken in response to them. SAIN should also seek to engage more effectively with the media and civil society if it is to increase its impact. Equally important, SAIN needs to work more closely with the Executive to ensure that government ministries, departments and agencies properly understand the reports produced by SAIN and what needs to be done to put things right. SAIN should seek to become "the critical friend" to ensure that it works with those responsible for public spending to maximise the benefits for the citizens of Norland.

ii) The Value and Benefits of Supreme Audit Institutions

– Making a Difference to the Lives of Citizens

Overall SAIN could do more to demonstrate the values and benefits of SAIs simply by engaging much more proactively with its stakeholders. The assessment team believes that the organisation has been too inward-looking and passive in engaging with its stakeholders. However, the agreement to undergo the current assessment process and to publish its results illustrates a desire to change which is to be welcomed.

Strengthening the Accountability, Transparency and Integrity of Government and Public Sector Entities

The impact of SAIN's work depends on the quality and credibility of the audit reports, and how effectively SAIN engages with the entities subject to audit, the Parliament and other institutions that use its reports. The wider public finance environment within which the organisation operates – and whether that environment is conducive to a "culture of accountability" – also significantly contribute to the quality and impact of audit reports in practice. This wider environment, moreover, includes the legal framework within which the SAI operates and an assessment of to what extent SAIN meets the basic principles for public sector auditing as defined by INTOSAI.

Currently, SAIN does not attempt to measure what impact the SAI has on the accountability, transparency and integrity of government and public sector entities. It is therefore difficult for SAIN to know whether

it contributes to strengthened transparency and accountability of public sector entities. The assessment team concludes that the fact that SAIN exists and is active will itself have some impact, but it is likely to be limited.

A recent event, the “Obligation Scandal”, demonstrates how the work of SAIN as contributed to improved transparency and accountability. This scandal attracted widespread public and parliamentary attention - underpinned by an SAIN report to the Committee of State Enterprises on the issue. The report and subsequent events led to parliamentary debates and the establishment by the President of a special commission to collect and examine further evidence to prosecute those involved.

The decision to publish the SAI PMF report, as well as the noticeable efforts to translate and publish audit reports, paired with a newly developed Twitter account, are some positive signals towards more transparency in the public sector. On the other hand, the failure to comment on delays and non-submission of financial statements in the audit reports is not conducive to this objective.

Demonstrating Ongoing Relevance to Citizens, Parliament and other Stakeholders

SAIs demonstrate ongoing relevance by responding appropriately to the challenges of citizens – women and men, the expectations of different stakeholders, and emerging risks and changing environments in which audits are conducted. SAIN appears to have real opportunities for enhancing impact by engaging more actively with stakeholders and strengthening audit quality. In turn, such moves could make SAIN a more credible organisation in the eyes of stakeholders. Encouraging greater public and media interest in its report would have the benefit of exposing weaknesses in transparency and governance, thus generating pressure for improvement in the stewardship of public on funds on the part of the Executive. Similarly, engaging more actively with Parliament would stimulate interest in the way in which public funds are utilised. However, by providing greater support to Parliament, the SAIN would encourage Parliamentarians to hold public servants to account for their delivery of public services and spending of public funds.

SAIN does not actively seek feedback on its performance from any of its stakeholders. Moreover, does not SAIN actively engage with its stakeholders when determining how best to use its resources. Besides, the lack of a formally approved and implemented communication strategy demonstrates that there is scope for improvement in responding appropriately to the expectations and challenges of different stakeholders.

Being a Model Organisation through Leading by Example

The assessment team understand that SAIN plans to publish this report - setting a positive example on transparency and demonstrating SAIN’s willingness to open itself to external scrutiny. However, there are several areas where SAIN needs to improve if it is to be seen as an example for others and to demonstrate clearly that it fulfils its functions efficiently and effectively. These include improved stakeholder communication; improved strategic and annual planning processes; the meaningful implementation of the Code of Ethics; finalisation and maintenance of audit manuals; improved and fully effective quality control and quality assurance processes; improved training opportunities and continuing development and implementation of risk-based audit methods.

iii) Analysis of SAIN’s Capacity Development Efforts and Prospects for further Improvement

Past and present capacity development projects resulted from a recognised need for SAIN to improve its technical capacity in core audit areas. Our assessment indicates that the audit manuals prepared with the support of these projects are used and that SAIN audits broadly comply with the requirements of the ISSAIs. However, there is scope for further improvement, particularly in terms of consistency of application and improved consideration of risk and materiality. It is also evident that efforts to introduce “TeamMate” have been successful. However, a shortage of laptops and limited staff training has acted as a brake on the universal application of the software.

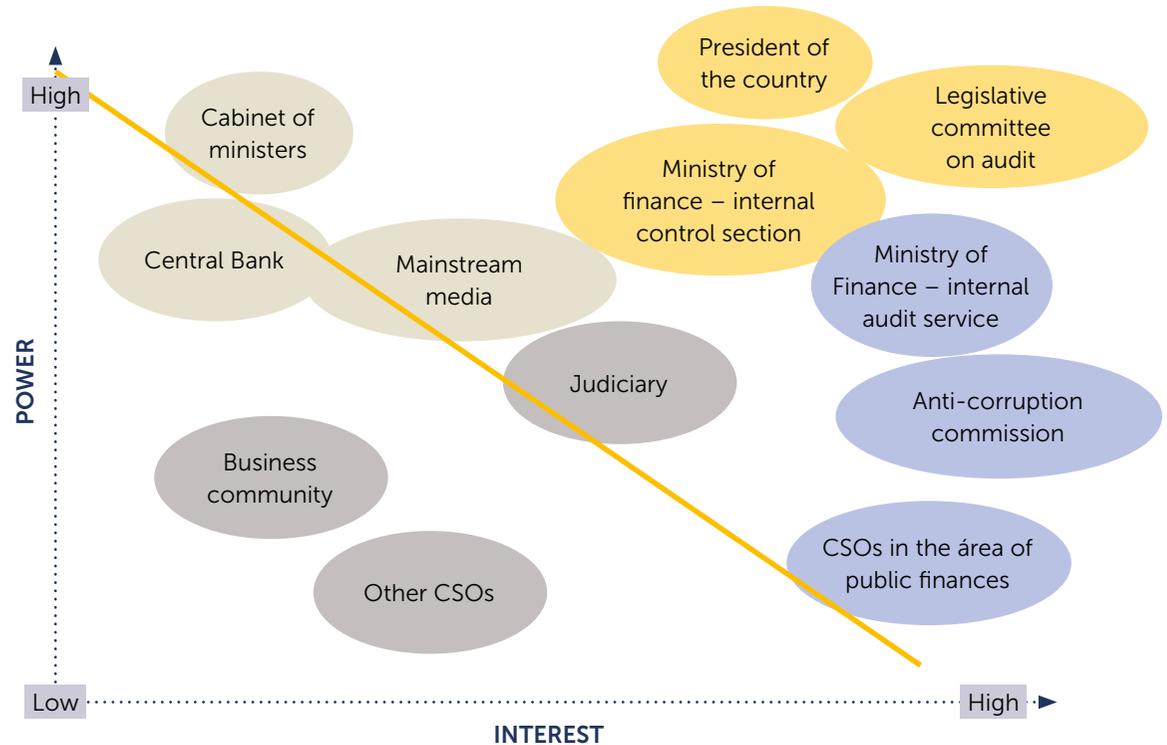
The World Bank and the EU have indicated that they are willing to support a project aimed at strengthening the capacity of SAIN in line with the envisaged mandate and responsibilities arising from the new

National Audit Bill, once enacted. To maximise the success of capacity development opportunities presented by this proposed project, it will be vital that SAIN uses the results of this assessment to prepare a comprehensive and realistic strategic development plan with clear outcomes, outputs and measurable indicators. The plan should differentiate between outputs and tasks which will be necessary following the planned legal reforms and those at the more technical level, which can be addressed irrespective of whether the proposed reforms take place.

Suppose the Bill is enacted and a new fully independent SAIN is created. In that case, the new organisation will need to carry out several major reviews aimed at ensuring that it is fit for purpose and able to fulfil the full range of its duties and responsibilities. These reviews will among other things need to encompass the following: an optimal organisation and staffing structure for the new organisation; the competencies required at each level of the hierarchy; and provide a training needs analysis and subsequent training programme to ensure that professional audit staff have the opportunity to attain the competencies necessary to discharge the full range of their responsibilities. In the course of this process,

SAIN will also need to determine the level of resources it wishes to devote to different audit types such as performance audit.

4.2 Example of a power interest grid with a cut-off point: SAI Norland



4.3 Example of interview guides and questions

Interviews with stakeholders is a useful way to collect information on their expectations. To arrive at a high-quality summary of the interviews, it is advised that at least two people take part in the interview from the SAI. If other options are selected, such as focus groups, several of the questions below may assist you but would have to be adapted to the focus group setting. Moreover, if the SAI decides to do a brief questionnaire or a survey, the questions below may assist as a departing point for the development of these data collection tools. Still, they then would have to be further developed to fit into the type of questions suitable for a questionnaire or a survey (see an example of questions suitable for questionnaire).

Example of an interview guide for collecting stakeholders' views and expectations

The following guide serves as an example only, and, would have to be adjusted to the SAI's institutional environment and stakeholder to be interviewed. Some questions are likely to apply to more than one stakeholder, and thus, it may be relevant to identify the questions first, before assessing their applicability to other stakeholders.

Some of these questions may also be used in a focus group.

Example of questions for all stakeholders

The list of questions below is not exhaustive and is mainly intended as a suggestive list of questions that may assist you in interviews. The questions may also be used in focus groups or other types of interaction with stakeholders, for instance, as a starting point for developing questions for a questionnaire or a brief survey.

Main question	Sub-questions	Possible follow-up questions
To what extent are you familiar with the SAI?	In what ways have you gained knowledge of the SAI in general? (e.g. through work, media, CSOs, Parliament debates)	
What do you believe is the purpose of an SAI?	On what basis/knowledge have you gained this understanding of the purpose of the SAI?	E.g. probe for sources of information: Media, debates in Parliament, SAI communication to the public, engaging with the SAI (e.g. as an audited entity)
What is/are the main role(s) of the SAI?	How does the SAI's role resonate with your expectations of the role the SAI should play?	
In your view, what are the main tasks of the SAI?	In what ways have the tasks of the SAI any influence on your work?	
Have you engaged with the SAI in any way?	What type(s) of engagement have you had with the SAI?	E.g. Communication on specific audit reports,
What is your interest in the SAI, if any?	In what areas do you have a particular interest in the SAI's role and work?	In what ways have you, if any, communicated your interest to the SAI?
In your view, what is the SAI's contribution to your work?	<ul style="list-style-type: none"> If any contribution identified: In what ways has the SAI contributed to your work? If no contribution identified: What are the reasons for the SAI not having contributed to your work? 	<p>May you specify some areas of contribution?</p> <p>In what ways did the contribution lead to any changes? (e.g. in management practices)</p>
In your view, what is the SAI's contribution to the society (or, more narrowly, to public sector performance)?	<ul style="list-style-type: none"> If any contribution identified: In what ways has the SAI contributed to the society (or in public sector performance)? If no contribution identified: What are the reasons for the SAI not having contributed to society as such? 	<p>May you specify some areas of contribution?</p> <p>In what ways did the contribution lead to any changes? (e.g. in management practices)</p>

Example of specific questions for main groups of stakeholders

Please note that the list of questions is not exhaustive – it only provides an example of what may be relevant questions to ask. The questions have to be adjusted to the SAI’s particular demand for information and other related issues.

Stakeholder	Main theme/question	Sub-questions	Possible follow-up questions
Budget/audit/ finance committee in Parliament	If a member of the committee proposes that the SAI audits a topic, would the committee expect the SAI to do so?	Have there been incidences of such requests?	If yes, to what extent did the SAI’s work meet your expectations? If no, what would be the committee’s expectations if such requests are to be made in the future?
	To what extent does the committee deem the audit reports relevant?	To what extent are the reports on issues of high societal value To what extent do the reports touch upon timely issues? To what extent do the reports respond to changing and emerging risks?	What areas considered to be of high relevance for the office have not been covered by audits?
	What is the impact/result of the SAI’s work in improving public sector performance?	To what extent have there been improvements in public sector performance due to the SAI’s work?	What are the examples of such improvements/results? What are the gaps in the SAI’s work in improving public sector performance?
Audited entity	To what extent have the SAI’s reports contributed to improving the performance of your entity/across government/public sector organisations in the country in general?	How do you find the recommendations that your entity has received in audit reports?	To what extent have the recommendations been relevant, at the right level, or targeted key areas of improvement for your entity? What are your expectations of the SAI’s audit reports (e.g. content, relevance, recommendations)?
	To what extent are the audit findings well communicated to the public?	What findings have you found particularly relevant?	Why were these findings relevant?
	To what extent do the reports deliver high value?	To what extent do you believe the audits have covered relevant societal topics and have responded to changing and emerging risks?	Could you provide examples of reports that have covered such topics and risks? What are the gaps in coverage?
	To what extent do you believe the reports communicate how the SAI has arrived at the findings in a transparent way?	What do you see as the potential gaps in terms of transparent communication?	
	How have you experienced the dialogue during the audit process?	What areas of improvement do you see in this dialogue?	
	Has the process been transparent in terms of the SAI communicating its objectives of the audit? Has it given you the chance to verify the information collected from you?	If no/partially no, what areas do you believe should be improved?	

Stakeholder	Main theme/question	Sub-questions	Possible follow-up questions
Media	To what extent does the SAI communicate with the media on audit findings?	To what extent is the communication clear and effective, e.g. in user-friendly language, communicating the main audit findings, recommendations?	What are the areas of improvement concerning the communication of audit findings to the media?
	To what extent do you follow the work of the SAI?	What areas are of particular interest to you?	
Ministry of Finance (MOF)	To what extent does the MOF view the SAI as pertinent in addressing challenges in public financial management practices?	What is the coverage of the SAI's work to address weaknesses in public financial management practices?	In your opinion, has the SAI addressed the most relevant weaknesses in their work?
	To what extent does the MOF view the SAI's audit reports as relevant?	What makes some audit reports relevant? What makes some audit reports less relevant/not relevant?	
	To what extent does the MOF view the SAI's audit reports as timely?	What makes some audit reports relevant? What makes some audit reports less relevant/not relevant?	
	What role does the MOF expect the SAI to undertake in improving public financial management practices?	What constitute the most critical areas in terms of SAI engagement?	
	What does the MOF expect the SAI to address in future audits?	What constitute the most critical audit topics for the MOF to address in future audits?	
Internal stakeholders	Do you know the SAI's vision and mission? Do you identify with those?	What do you think prevents, and what enables the achievement of the SAI's vision and mission?	
	In what way do you think the SAI as a whole makes a difference for the public sector?	If you could name the three most important contributions the SAI should make to public sector management, what would those be?	Do you think the SAI is currently able to make such contributions? If yes, how? If no, why?
	In what way do you think your work contributes to achieving the SAI's vision and mission and to contribute to improvements in the public sector?	What would it take to make your contribution stronger?	Can you name the three key challenges in your work?
	Which of the SAI's audit types do you consider to be most relevant?	Can you comment on the balance between the different audit disciplines?	What do you think should be a priority for the SAI going forward?

4.3 SAI Norland stakeholder analysis

Stakeholder	Power/ Interest	Expectations	Current views
Auditees	High/Low	<p>The SAI should support stronger PFM</p> <p>Better audit reports with more relevant recommendations</p> <p>More communication during the audit process, including on used audit criteria</p>	<ul style="list-style-type: none"> • Audits are not relevant, written poorly, recommendations hard to follow • Like performance audits but not too many of them • Internal audit reports are much better and useful, and also more friendly
CSOs	Low/ low	<p>SAI should play a role in strengthening financial management and accountability in the country</p>	<ul style="list-style-type: none"> • SAI may become a better source of information for CSOs, currently not well known • Audit reports hard to read and comprehend by journalists
Wider Public	Low/ High	<p>More independent oversight of the government and less corruption in Norland</p>	<ul style="list-style-type: none"> • The SAI is not independent but rather acts in support of the ruling party
Budget and Audit Committee in Parliament	High/ high	<p>Relevant insights and targeted support to ensure follow-up of audits</p> <p>Better audit reports with more relevant recommendations</p> <p>Provide views and suggest solutions to obvious weaknesses in PFM such as financial reporting</p> <p>More performance audits</p>	<ul style="list-style-type: none"> • The SAI does not have sufficient institutional capacity (legal framework) to carry out its functions • The SAI is not responsive enough to requests to audit specific issues
Ministry of Finance	High/ high	<p>The SAI should focus on financial reporting issues</p> <p>Performance audits do not cover the topics that matter</p> <p>The SAI has a role to play to support the new PFM strategy; this is also important for donors that provide budget support</p>	<ul style="list-style-type: none"> • The SAI does not engage with the Ministry of Finance directly • The issue is not the coverage but the quality of the audits • The SAI itself seems less interested in the follow-up and the implementation of audit recommendations
SAI staff – management leadership	High/ high	<p>The SAI should ensure accountability of spending entities</p> <p>The SAI needs to promote and lead by example through a culture of transparency and performance</p> <p>Performance audits should become stronger</p>	<ul style="list-style-type: none"> • There are many outdated systems and processes in the SAI, especially regarding financial and compliance audit but maintaining good coverage and timeliness is key • Internal resistance to change among older staff
		<ul style="list-style-type: none"> • The SAI needs to contribute to better and more responsible PFM leading to less corruption • The SAI should demonstrate good governance and ethical behaviour 	<ul style="list-style-type: none"> • There is a mismatch between the current resource situation, the expectations from management and the workload • The culture is not conducive to promotions based on merit, but only on experience • Despite the Head of SAI being a woman, there is a large gender disbalance at senior auditor positions and above

5 Articulate vision, mission and values

5.1 Vision, Mission and Values Step by step

Step 1: Create a Vision Statement

Developing a vision statement is a creative process without hard and fast rules. Develop a simple statement that answers one or several of the following questions:

- What should the SAI stand for?
- How would the SAI define its success?
- What success will the SAI accomplish?
- How will the SAI have a positive impact on its society?
- What will the SAI and its stakeholders value the most about the organization?

Step 2: Create a Mission Statement

As preparation, you may answer the following questions:

- What is the focus problem that our SAI exists to solve?
This may entail sub-questions like What need or opportunity does our SAI exist to resolve? Who is affected by the problem? How are they affected? If we were successful what impact would we have regarding this problem?
- What are the assumptions on which our SAI does its work?
- What is the purpose of our SAI?
The purpose should describe why an SAI exists rather than what it does. Focus on the ultimate result of the SAI, not the method of achieving the result.
- What are the methods that our SAI uses to accomplish its purpose? What is the SAI's business or primary service?

Combine the Purpose sentence and description of primary services and activities into a mission statement of the model: *Doing A to Achieve B*.

Step 3: Determine your SAI's values

First, clarify your organisation's belief system: What are some of the values, beliefs and guiding principles that guide your management's and staff's interaction with each other and with external stakeholders?

Secondly, define those values' practical impact for each value you defined: What are the behaviours all should commit to in everyday practice in support of those values, beliefs and guiding principles?

5.2 Vision, mission and values of the SAI of Norland

Based on the results of the SAI PMF assessment and the stakeholder analysis, the SAI of Norland assessed its existing vision, mission and values to confirm their relevance and validity.

It found that both its vision and its value statements required some updating. The mission statement was considered appropriate. The process for the adjustments was organised as follows:

The Strategic Planning team prepared three versions of the vision and values statements that were presented to the Head of SAIN and her management team, which provided feedback and indicated their preferences.

- The versions were then also presented to a group of SAI staff, consisting of representatives of each department and functional area. The SAI gender focal point was also present. The meeting was organized as a half-day brainstorm session. The findings from the SAI PMF assessment and the stakeholder analysis were also presented to the group.
- The group worked on refining the statements and value selection, before making a final proposal to the SP team and the leadership of SAIN.
- This proposal was then adopted by the Head of SAIN and communicated to all staff.

Current statement	Assessment/ Issues	New statement
Vision: Audit all of Norland's public spending and ensure accountability and transparency	<ul style="list-style-type: none"> • Does not clearly the difference the SAI wants to make Timeless but not inspiring • Partly inaccurate as the SAI also audits revenue 	Foster the effectiveness, accountability and transparency in the use of Norland's public resources towards improving the lives of its citizens
Mission: To audit and report to Parliament on the proper and responsible management and use of public resources to enhance public accountability and help strengthen the financial governance of the public service	<ul style="list-style-type: none"> • Linked to the SAI's mandate • Describes clearly what the SAI does and whom it serves • Aligns well with the new vision statement, by providing more detail 	Keep the same
Values: Effectiveness, performance, fairness, professionalism, respect, objectivity, reliability, motivation, service-orientation	<ul style="list-style-type: none"> • The values are sometimes overlapping • Cannot be categorised as individual, relationship, organisational societal • Some are difficult to relate to while others need to be emphasized more • Do not reflect how employees want to see the SAI's culture 	<ul style="list-style-type: none"> • Individual values: Integrity, ethical and professional behaviour • Relationship values: Mutual respect and accountability • Organisational values: Efficiency, transparency and performance orientation • Societal values: Equity and sustainability

6 Identifying strategic issues

6.1 SWOT analysis of SAI Norland

STRENGTHS <ul style="list-style-type: none">• Broad audit mandate covering all three audit types• SAI produces a high number of audit reports despite resource challenges• Performance audit quality satisfactory• Access to information ensured in practice• Good coverage of financial audits• Submission and publication are timely	WEAKNESSES <ul style="list-style-type: none">• No overall planning• Weak legal framework (independence, mandate)• No quality assurance• No risk-based audit• Weak engagement with Budget and Audit Committee• No follow-up mechanism in the SAI• No stakeholder communication strategy• Outdated organisational structure
OPPORTUNITIES <ul style="list-style-type: none">• New national audit bill (SAI PMF)• Budget and Audit Committee in Parliament interested in strengthening the SAI's role and more performance audits (stakeholder analysis)• Widespread attention to the SAI's role in the "Obligations Scandal" (SAI PMF)• Stronger citizens' demand for accountability of COVID-19 emergency spending (stakeholder analysis)• New PFM strategy emphasising the role of the SAI and aiming to address weaknesses in public procurement and accounting that were highlighted in a recent PEFA assessment (Country background)• Parliamentarians expect input from the SAI for the oversight role of the executive (stakeholder analysis)• Development partners willing to support SAI (SAI PMF)	THREATS <ul style="list-style-type: none">• Delays in financial statements (SAI PMF)• The weak educational system (Country background)• Little appreciation of the SAI's work on the auditees' side and little implementation of recommendations (stakeholder analysis)• SAI not particularly known to civil society (stakeholder analysis)• Media's reporting on PFM issues is limited (Country background)• Financial management in the country perceived as weak by CSOs (stakeholder analysis)• Strong limitations on efficiency and difficulties in doing financial audits during pandemic and lockdown (Country background)• Citizens see the SAI as close to the ruling party (stakeholder analysis)

6.2 Strategic Issues SAI Norland

SWOT findings:

- Citizens see the SAI as close to the ruling party (*Threat*)
- Little appreciation of the SAI's work on the executive's side and little implementation of recommendations (*Threat*)
- No quality assurance (*Weakness*)
- Parliamentarians expect input from the SAI for the oversight role of the executive (*opportunity*)

Strategic Issue: *"How can we be seen as a reliable and independent institution, when the implementation of audit recommendations is lagging behind?"*

SWOT findings:

- No risk-based audit (*Weakness*)
- No follow-up mechanism in the SAI (*Weakness*)
- SAI produces a high number of audit reports despite resource challenges (*Strength*)
- Budget and Audit Committee interested in strengthening the SAI's role and more performance audits (*Opportunity*)
- Financial management in the country perceived as weak by CSOs (*Threat*)
- Stronger citizens' demand for accountability of COVID-19 emergency spending (stakeholder analysis)

Strategic Issue: *"How can we contribute to a more effective financial management system and COVID-19 emergency response when our own systems do not effectively prioritize resources?"*

7 Drafting the Results Framework of the SAI Strategy

7.1 SAI Norland draft results framework

CAPACITIES	OUTPUT	OUTCOME	IMPACT
Communications Strategy	Regular consultations with key stakeholders	Increased credibility in the SAI and its work among key stakeholders (Budget and Audit committee, Ministry of Finance, audited ministries)	A more reliable, responsible effective and accountable management of Norland's public resources towards sustainably improving the quality of life of Norlandians
Improved risk selection procedure Staff skilled in compliance audit methodology and procurement regulations Specific methodology on concurrent compliance audit A mechanism for monitoring applicable government regulations	Improved coverage and quality of compliance audit reports on topics chosen based on risk and relevance		
Updated performance audit manual Staff trained on performance audit methodology Subject matter expertise on disaster management and crisis preparedness	Relevant performance audit reports and recommendations		
Monitoring plan Reporting mechanism Staff skilled in monitoring and reporting Improved processes for ethical and gender-sensitive behaviour	Regular public reporting on the SAI's governance and performance	More reliable and responsible financial management and reporting, including COVID-19 emergency funds	A more reliable, responsible effective and accountable management of Norland's public resources towards sustainably improving the quality of life of Norlandians
Quality assurance mechanism Consistently applied quality control mechanisms Consistent knowledge of standards and manuals among financial auditors	Accurate and timely financial audit opinions		
Appropriate follow-up mechanism of financial audit recommendations	Increased follow-up and reporting on implementation of financial audit recommendations		
Integrated follow-up mechanisms of financial statement non-submission	Reporting on financial statement non-submissions		

7.2 Strategic Plan key quality requirements

1. Duration: At least 3 years, preferably 5
2. Based on the SAI PMF report covering the main SAI strengths and weaknesses and the explanatory factors thereof, as captured in the integrated assessment of performance
3. Factors in stakeholder expectations and emerging risks, and is geared towards opportunities and areas where the SAI can add value within the context of the general country PFM and governance environment;
4. Clearly states the SAI's vision, mission and values
5. Developed with a clear performance orientation, in terms of how the SAI audit coverage, quality and timeliness contribute to broader public sector improvements
6. Has a results framework with a logical hierarchy of purposes: impact - outcomes - outputs – needed capacities
7. Explains the rationale and contents of the outcomes, outputs and capacities, as well as the assumed links between these
8. Identifies the current gap between needed and current capacities (linked to SAI PMF) and describes in broad terms the course of action over the strategic planning period on how to address those
9. Clarifies in brief how the implementation of the strategic plan is going to be monitored and reported
10. Contains a manageable number of indicators to be used for measuring the achievement of the outcomes and outputs
11. Is developed with a clear consideration of the available resources (funding and staff) and the potential for additional resource mobilization
12. Has a buy-in and understanding from all staff
13. Clarifies strategies for resourcing of the plan
14. Clarifies strategies for gender, inclusion and diversity

7.3 Strategic Plan key elements

The outline of the strategy will be developed and refined through consultations. Typical elements of the strategic plan are:

1. Overview of the SAI's contribution to impact: a one-pager illustration/poster showing the results framework including vision, mission, values, outcomes, outputs, and capacities
2. Table of contents
3. Acronyms
4. Foreword by the AG
5. Current status of the SAI and its environment (including topics as a mandate, summary of the SAI PMF report, current organisational structure, selected stakeholders' expectations, PFM situation in the country)
6. Vision, mission, and values
7. Description of outcomes, outputs and needed capacities and the course of action to close identified capacity gaps
8. Monitoring and reporting
9. Resourcing

8 Strategic plan prioritisation and finalisation

8.1 SAI Norland Financial Projection (USD x 1000)

	Proposed	Of which recurrent costs (personnel)	Other recurrent costs (operating)	Capital expenditure
2020	106.3	73	17.5	15.8
2021	100.3	70	18.3	12
2022	103.8	71	19.5	13.3
2023	107.4	73	20.3	13.5
2024	110.0	80	15.0	15.0
2025	113.0	82	16.0	15.0

8.2 SAI Norland Adjusted Results Framework

CAPACITIES	OUTPUT	OUTCOME	IMPACT
Communications Strategy	Regular consultations with key stakeholders	Increased credibility in the SAI and its work among key stakeholders (Budget and Audit committee, Ministry of Finance, audited ministries)	A more reliable, responsible effective and accountable management of Norland's public resources towards sustainably improving the quality of life of Norlandians
Improved risk selection procedure that considers updates in procurement regulations	Improved coverage and quality of compliance audit reports on topics chosen based on risk and relevance		
Staff skilled in compliance audit methodology and procurement regulations			
Updated performance audit manual	Relevant performance audit reports and recommendations		
Staff trained on performance audit methodology			
Subject matter expertise on disaster management and crisis preparedness			
Monitoring plan	Regular public reporting on the SAI's governance and performance		
Reporting mechanism			
Staff skilled in monitoring and reporting			
Improved processes for ethical and gender-sensitive behaviour			
Quality assurance mechanism	Accurate and timely financial audit opinions	More reliable and responsible financial management and reporting, including COVID-19 emergency funds	
Consistently applied quality control mechanisms			
Consistent knowledge of standards and manuals among financial auditors			
Appropriate follow-up mechanism of financial audit recommendations	Increased follow-up and reporting on the implementation of financial audit recommendations		
Integrated follow-up mechanisms of financial statement non-submission			Reporting on financial statement non-submissions

Underlying assumptions:

- Efficiency gains in other areas allow for increased work on compliance audit.
- A concurrent audit cannot currently be introduced due to the technical challenges and resource implications, both human and financial.
- Work on performance audit to commence at a later stage (year 3 of the strategic plan) when work on improving the compliance audit practice is largely finalised.
- Donor funding may be available for supporting performance audit development. The work may commence earlier than year three if deemed possible.
- The development of some capacities beyond the core work may be slightly delayed due to budget cuts; this will be reflected in the monitoring system.

9 Operational plan

9.1 Possible template for an operational plan linked to the strategic plan and aligned with other plans

1. Outcome Statement
2. Activities in year x

Output	Activity	Responsible	Time frame	Milestone year x	Status Quartal y	Budget	Staff need	Relevant other plans
Output 1	Activity 1.1							
	Activity 1.2							
Output 2	Activity 2.1							
	Activity 2.2							

9.2 Possible template for an integrated Operational Plan

Strategic Outcome 1							
Output	Activity	Milestone	Target Date	Responsible	Budget	Staff assigned	Other resources
Output 1	Activity 1.1						
	Activity 1.2						
	Activity 1.3						
Output 2							

9.3 SAI Norland integrated operational plan – section on outcome 1 (Year 1 of Strategic Plan)

Increased credibility in the SAI and its work among key stakeholders (Budget and Audit Committee, Parliament, audited ministries)							
Output	Activity	Milestone	Target Date	Responsible	Budget	Staff assigned	Other resources
Regular consultations with key stakeholders	Develop Communications strategy	Communication needs identified	01.05.	Head of Planning & Reporting Department	\$	2 staff P&R Department	All other departments to feed information
		Communication strategy draft	01.08.	Head of Planning & Reporting Department	3	Three staff P&R Department	Consultant
		Communication strategy comments collected	01.12.	Head of Planning & Reporting Department	\$	1 staff P&R Department	All other departments for comment
Improved coverage and quality of compliance audit reports on topics chosen based on risk and relevance	Write Audit Plan for next year	Risk Assessment completed	01.08.	Head of Planning & Reporting Department	\$	1 Staff Planning Department; 1 Staff per Audit Department	-
		Analysis of relevant topics completed	01.08.	Head of Planning & Reporting Department	\$	1 Staff Planning Department; 1 Staff per Audit Department	-
		Audit Plan finalised and approved	01.12.	Head Of Planning & Reporting Department; Board	\$	1 Staff Planning Department; 1 Staff per Audit Department	-
	Train additional staff in compliance audit methodology	30 staff trained in methodology	01.12.	Head of Methodology and Training Department	\$\$	2 Staff Methodology Department; 30 staff CA department	Software solution for eLearning
	Compliance audits of biggest spending units	CA Poverty Reduction Programme	01.07.	Head of CA Department	\$\$	3 Staff of CA Department	Cars from carpool
		CA Government Pension Fund	01.07.	Head of CA Department	\$	2 Staff of CA Department	Cars from carpool
		CA Renewable Energy and Climate Change Mitigation Fund	01.07.	Head of CA Department	\$	2 Staff of CA Department	Cars from carpool

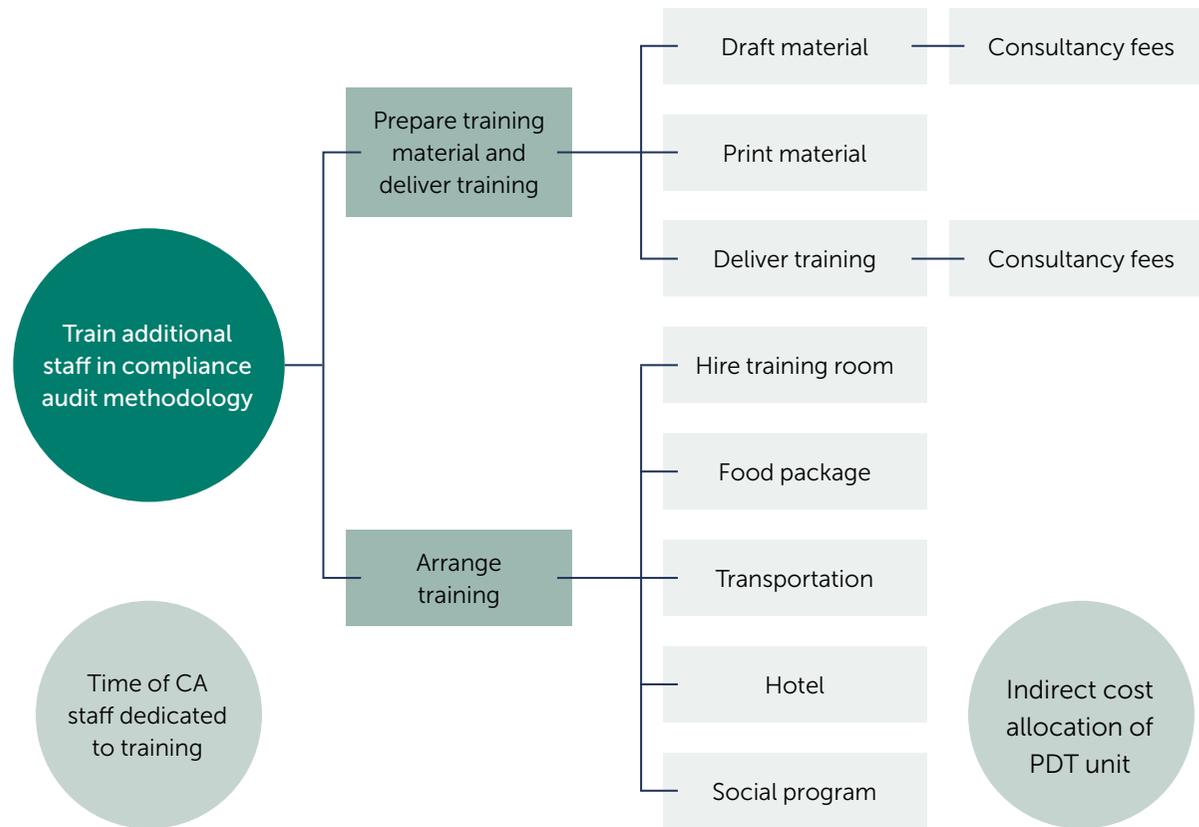
Output	Activity	Milestone	Target Date	Responsible	Budget	Staff assigned	Other resources
Improved coverage and quality of compliance audit reports on topics chosen based on risk and relevance	Compliance audits of biggest spending units	CA of Coronavirus Crisis Mitigation Fund	01.11.	Head of CA Department	\$\$	3 Staff of CA Department	-
		CA Ministry of Defence	01.11.	Head of CA Department	\$\$	4 Staff of CA Department	Cars from carpool
		CA Public Health Authority	01.11.	Head of CA Department	\$	2 Staff of CA Department	-
		CA Road Authority	01.11.	Head of CA Department	\$	2 Staff of CA Department	Cars from carpool
		CA National Railways	01.11.	Head of CA Department	\$	2 Staff of CA Department	Cars from carpool
Relevant performance audit reports and recommendations	2 Performance Audits	PA of Road Authority	01.07.	Head of PA Department	\$\$	2 Staff of PA Department	Cars from carpool
		PA Public Health Authority	01.11.	Head of PA Department	\$\$	4 Staff of PA Department	Cars from carpool
Regular public reporting on the SAI's performance	Train Staff in Monitoring and Reporting	Seminar implemented	01.06.	Head of Planning & Reporting Department; Head of Methodology and Training Department	\$\$\$	1 Staff of Planning & Reporting Department; 1 Staff of Methodology and Training Department	All Staff Planning & Reporting Department; 3 Staff per Audit Department; Trainers and Training Facility

10 Resourcing

10.1 Overview of cost concepts

Cost concept	Description
Fixed cost	Fixed costs are not affected by in-year changes in activity. For example, rent and property tax.
Semi-fixed cost	Where costs are fixed for a given level of activity but change in steps when activity level exceed or fall below these given level, for example, office space or vehicles needed to transport an audit team.
Variable cost	Where costs vary directly with changes in activity, for example, the cost for printing materials for a group of training participants.
Direct cost	Those costs that relate solely to the provision of the service/activity and nothing else (e.g. cost for hiring a consultant to prepare training materials).
Indirect cost	Costs that contribute significantly to this and other services/activities and will be impacted by a change in activity, but which are not directly charged (e.g. secretarial support to the audit department).
Overhead cost	Costs of, e.g. management and support services that do not contribute clearly and which will be unaffected by a change in activity (management, HR or office cleaning staff etc.).
Total cost	All the costs associated with a specific activity.
Average cost	The arithmetic mean, the total of all the costs divided by the total number of units produced or services provided.
Marginal cost	Marginal cost is that cost associated with producing the next unit or next quantity of units that we may be planning.

10.2 Breaking down of one activity into inputs to understand costs



11 Monitoring of performance

11.1 SAI Norland monitoring framework

RESULT LEVEL: SAI Outcome						
SAI Outcome 1: Increased credibility in the SAI and its work among key stakeholders (Budget and Audit Committee, Parliament, audited ministries)						
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Average expressed credibility by key stakeholders on a 0 to 10 scale	To be defined after the first measurement in 2020					
Source: Survey conducted by SAI.	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of performance audit recommendations implemented within one year of issuance	20 %	20 %	30 %	40 %	50 %	60 %
Source: SAI follow-up system of audits	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of SAI reports issued (audit and performance) that are subject of a meeting in committee on budgeting and audit	60 %	70 %	80 %	90 %	100 %	100 %
Source: Parliamentary records	Achieved:					
SAI Outcome 2: A more reliable and responsible public financial management and reporting, including COVID-19 emergency funds						
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of financial audits resulting in an unmodified opinion	50 %	50 %	65 %	80 %	95 %	95 %
Source: SAI annual audit report	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of financial audit recommendations implemented	20 %	35 %	50 %	65 %	80 %	80 %
Source: SAI follow-up system of audits	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of non-submitted financial statements measured in the monetary value they represent	30 %	25 %	20 %	10 %	5 %	0 %
Source: SAI annual audit report	Achieved:					

RESULT LEVEL: Output

SAI Output 1A: Regular consultations with key stakeholders

Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Number of key stakeholder groups identified in the communications strategy that were included into annual consultations.	To be defined in the communications strategy					
Source: Consultation minutes	Achieved:					

SAI Output 1B: Improved coverage and quality of compliance audit reports on topics chosen on risk and relevance

Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of compliance audit reports that pass the compliance audit manual's requirements according to the SAI's quality control procedures	70 %	70%	60%	75%	85%	95%
Source: SAI's quality control system	Achieved:					

Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of central government agencies subject to an annual compliance audit, measured by the relative weight of their spending	65%	75%	85%	100%	100%	100%
Source: SAI's annual audit report	Achieved:					

SAI Output 1C: Relevant performance audit reports and recommendations

Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of performance audit reports that pass the performance audit manual's requirements according to the SAI's quality control procedures	To be defined after performance audit manual has been updated					
Source: SAI's quality control system	Achieved:					

Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Number of performance audit reports on following key emerging issues: Healthcare, disaster prevention and mitigation, renewable energy, SDGs, climate change mitigation, gender equality	0	1	1	2	4	4
Source: SAI's annual audit report	Achieved:					

RESULT LEVEL: Output

SAI Output 1C: Regular Public Reporting on the SAI's performance

Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
The SAI issues to parliament and publishes an annual performance report	No	Yes	Yes	Yes	Yes	Yes
Source: Annual performance report	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
The SAI's annual performance report contains the SAI's performance vis-à-vis the strategic plan's output	No	No	Yes	yes	Yes	Yes
Source: Annual performance report	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
The SAI's annual performance report contains the SAI's performance vis-à-vis the strategic plan's outcomes and recommendations directed at those whose action is needed to achieve them	No	No	No	yes	Yes	Yes
Source: Annual performance report	Achieved:					

SAI Output 2A: Accurate and Timely Financial Audit Opinions

Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of financial audits that pass the SAI's improved quality control mechanisms	Baseline to be established after the quality control mechanism has been updated (2021)					
Source: SAI's quality control system	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of financial audits that pass the new quality assurance mechanism	Baseline to be established after the quality assurance mechanism is in place (2021)					
Source: SAI's quality assurance system	Achieved:					

RESULT LEVEL: Output						
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
An independently quality assured iCAT of the SAI's financial audit practice confirms that the SAI complies with the relevant ISSAI level 4 requirements	No	No	No	No	No	Yes
Source: iCat assessment report	Achieved:					
SAI Output 2B: Increased follow-up and reporting implementation of audit recommendations						
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
Percentage of financial audit recommendations that have been subject to follow-up within three years of issuance	50 %	60 %	70 %	80 %	90 %	100 %
Source: SAI follow-up system	Achieved:					
Indicator Definition:	Baseline 2019	Milestone 2020	Milestone 2021	Milestone 2022	Milestone 2023	Target 2024
The SAI publicly reports on all financial statements that have not been submitted, partially submitted or submitted with delays	No	No	Yes	Yes	Yes	Yes
Source: SAI annual audit report	Achieved:					

12 SAI performance reporting

12.1 Overview of key contents per type of SAI performance report

Report	Scope	Time due	Main content
Quarterly	January-March (Q1), April-June (Q2), July-September (Q3), October-December (Q4)	April (Q1), July (Q2), October (Q3), January (Q4)	<ul style="list-style-type: none"> Progress against activities during the quarter as per the operational plan Budget execution against plan
Semi-annual	January-June	July	<ul style="list-style-type: none"> Overall progress against the operational plan (consider reporting per objective linked to strategic goal) Assessment if the implementation is still on track Explanation of reasons for any deviations from the plan Outline of changes to the operational plan for the next six months, if any Financial and human resource overview
Annual	January-December	The first quarter of next year	<ul style="list-style-type: none"> Meant to be shared externally – the need for an introduction to SAI mission, vision, mandate, structure etc Address from the Head of SAI Annual progress against strategic goals (the accomplishment of planned activities as per the operational plan, reported high-level per objective with some detail) Narrative explaining achieved performance and main drivers/ factors thereof incl. materialization of risks Key statistics on, e.g. human resources, completion of audit activities Possibly summary of main audit results Financial overview against approved (revised) budget Outlook for next year

12.2 Suggested contents of an SAI annual performance report

1. The overall context of the SAI's performance for the year (What were the circumstances, what has changed as compared to last year?)
2. Achievement of output/outcome targets and supporting narrative
3. Materialisation of risks
4. Key statistics on the SAI:
 - a Staff numbers
 - b Gender composition of staff
 - c Qualification of staff
 - d Average person-days going into audits
5. Financial information
 - a Approved vs executed budget and analysis
 - b The average cost per audit
6. Audit information
 - a Audits delivered, per type
 - b Audit recommendations implemented
7. Success stories (examples of very impactful audits, for example)
8. Lessons learned
9. Changes and revisions of the strategy
10. Planned actions for the following year

13 Strategic decision-making and risk management

13.1 SAI Norland risk register

No.	Risk type	Specific risk	Impact (1-5)	Probability (1-3)	Risk rating (impact x probability)	Control measures	Control Owner	Alert Code ²⁴
1.	Strategic - reputational	The risk that a case of mismanagement of funds becomes public but has not been captured by AON due to lack of a risk-based audit selection approach	3	2	6	Short term: Carry out a periodic scan of possible topics and adjust audit plan if necessary Long term: Develop appropriate risk-based selection procedures	Heads of audit departments Head of methodology and training department	Yellow
2.	Strategic – reputational	The risk that quality of audit reports is low due to lack of quality assurance	4	2	8	Short term: Scale-up quality control procedures and carry out regular meetings with audit staff to address issues of quality Long term: Implement quality assurance and related training mechanism	Heads of audit departments Head of methodology and training department	
3.	Strategic – political and legal	The risk that Executive will block proposed changes to SAI legal framework	4	1	4	Carry out meetings with the Ministry of Finance, use support from the Budget and Audit Committee and mobilise media, incl. through organising press conferences and awareness-raising campaigns	Head of SAI, media department	Green
4.	Strategic – ethical	The risk that the implementation of an ethics control system is met with internal resistance	4	1	4	Continue work on ethics policy and organisational structure, carry out training, establish a rotation mechanism for auditors	Head of planning and reporting department	
5.	Operational – technological and logistical	The risk that newly recruited staff leave due to lack of computers and office space	4	3	12	File emergency application with MoF and donors to request additional funding for equipment Obtain construction approval for the new site Finalise agreements with the Ministry of Regional Development to use their old building while construction is ongoing	Head of SAI SAI Planning and reporting department with input from a financial officer Legal counsel	Red

²⁴ 1-5 green, 6-10 yellow, 10-15 red

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