



STRATEGIC PLANNING

A HANDBOOK FOR SUPREME AUDIT INSTITUTIONS

2009

FOREWORD

At the IDI, we consider the strategic development of Supreme Audit Institutions (SAIs) as our main mission - the reason for our existence. The strategic development of any organisation requires imagining a desired future and creating a plan to make that vision a reality. Thus developing a strategic plan is a critical first step in the strategic development initiative of SAIs. Currently, INTOSAI, some of its regional bodies and working groups and many member SAIs have strategic plans that guide their actions. However, many developing SAIs and regional bodies still need support in strengthening their strategic planning capabilities. In some cases they do not have strategic plans, while in other instances strategic plans, that have been developed by external agencies, exist because the SAIs do not have in-house capacity to develop such plans.

This strategic planning handbook is an attempt to help SAIs to create their strategic plans and more importantly to develop their strategic planning and thinking capacities. The handbook is based on a 'doable' strategic planning model developed and piloted by the IDI in cooperation with AFROSAI-E. The model has also been tested at a regional level in the development of a strategic plan for CAROSAI. The model endeavours to present a structured process for developing and implementing strategic plans. The need for a broad-based consultative process involving all stakeholders is emphasised.

While the handbook has been written with the needs of SAIs that will be developing strategic plans for the first time in mind, we hope that other SAIs and bodies in the INTOSAI community may also find the contents of this handbook useful.

This handbook has been developed by a team consisting of representatives with experience and expertise in strategic planning from the IDI, AFROSAI-E and CAROSAI. We are grateful to all the team members for the time and effort that they have devoted to this project. We appreciate the valuable contributions they have made to this handbook.

If this handbook succeeds in inspiring SAIs to take up strategic planning or proves to be a useful tool in guiding their strategic planning process, it will have met its objective.

We welcome readers and users to share their experiences and lessons learnt in using this handbook. Your inputs will help us keep this document alive and relevant.

Oslo, December 2008

A handwritten signature in blue ink that reads 'Else Karin Kristensen'.

Else Karin Kristensen
Deputy Director General/Head of Programmes
INTOSAI Development Initiative

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LIST OF ACRONYMS

| | |
|-----------|---|
| ACCA | Association of Chartered Certified Accountants |
| AFROSAI-E | African Organisation of English Speaking Supreme Audit Institutions |
| ARABOSAI | Arabic Organisation of Supreme Audit Institutions |
| CAROSAI | Caribbean Organisation of Supreme Audit Institutions |
| CBNA | Capacity Building Needs Assessment |
| CFE | Certified Fraud Examiner |
| CISA | Certified Information Systems Auditor |
| EUROSAI | European Organisation of Supreme Audit Institutions |
| IDI | INTOSAI Development Initiative |
| INTOSAI | International Organisation of Supreme Audit Institutions |
| KSA | Knowledge, skills and attitude |
| OLACEFS | Organisation of Latin American and Caribbean Supreme Audit Institutions |
| SAI | Supreme Audit Institution |
| SPT | Strategic Planning Team |
| SWOT | Strengths, Weaknesses, Opportunities and Threats |

ABOUT THIS HANDBOOK

Background

There is an increased awareness in the INTOSAI community of the need for strategic planning as a process for developing SAIs by optimising the use of resources to fulfil their mandates. Annexe 1 of this handbook provides information on strategic planning in the INTOSAI community. INTOSAI developed its first strategic plan in 2005. In this strategic plan the IDI was placed under Goal 2 Capacity Building. In keeping with its new mandate in the INTOSAI strategic plan, the IDI expanded its scope for 2007-12 and moved towards strengthening capacities of SAIs. The IDI's implementation model for its new role highlights strategic planning as the starting point of a strategic development process in SAIs. In keeping with its new mission, the IDI partnered with AFROSAI-E to develop and deliver a capacity building programme on strategic planning. In the first round of this programme a practical and doable strategic planning model was presented to five SAIs, who developed their strategic plans based on the recommended process. The model was also used to help CAROSAI develop a regional strategic plan. Meanwhile the IDI worked on a needs assessment model and toolkit which was also tried out in different regions of INTOSAI. The introduction of a needs assessment model, lessons learnt from the first round of strategic planning and subsequent developments such as the growing importance of performance indicators led to modifications in the strategic planning model. A modified version was delivered to five SAIs in AFROSAI-E during the second round of the strategic planning programme.

The idea of developing a strategic planning handbook arose during the presentation of the strategic planning model to SAIs in AFROSAI-E. The knowledge gained during this process indicated a need to compile strategic planning guidance in a format that was simple, readable and would be accessible to other interested SAIs. The IDI felt that through a practical guidance tool, it could reach out to a large number of SAIs in the INTOSAI community that have a need to strengthen their strategic planning capacities.

Objectives of this handbook

The aim of the handbook is to formulate a simple step by step approach to strategic planning that will enable SAIs to develop strategic plans and to claim ownership of them.

The handbook hopes to:

- Provide simple and user friendly guidance in strategic planning to assist SAIs to plan better for their future challenges;
- Provide a doable and practical strategic planning model for those SAIs embarking on strategic planning for the first time;
- Contribute towards the effective management of the implementation of a strategic plan;
- Share knowledge and experiences in the INTOSAI community; and
- Encourage a consistent approach in respect of strategic planning within the INTOSAI community.

Who can use this Handbook?

Although the handbook has been written mainly for developing SAIs intending to embark on the strategic planning process, any SAI can use this handbook to guide them through the strategic planning process. The Handbook may be particularly useful for:

- Heads of SAIs who wish to focus their vision and priorities in response to a changing environment and want to ensure that members of their organisation work towards the same goals;
- Senior managers who want to raise the awareness of the process and the need for strategic planning within their level of responsibility so that they can contribute more effectively to the achievement of the goal;
- Training officers who may wish to use this handbook for learning/training purposes; and
- Strategic Planning teams /Committees/ Departments may use the Handbook as a tool to help them effectively co-ordinate and manage each phase or activity of the strategic planning process.

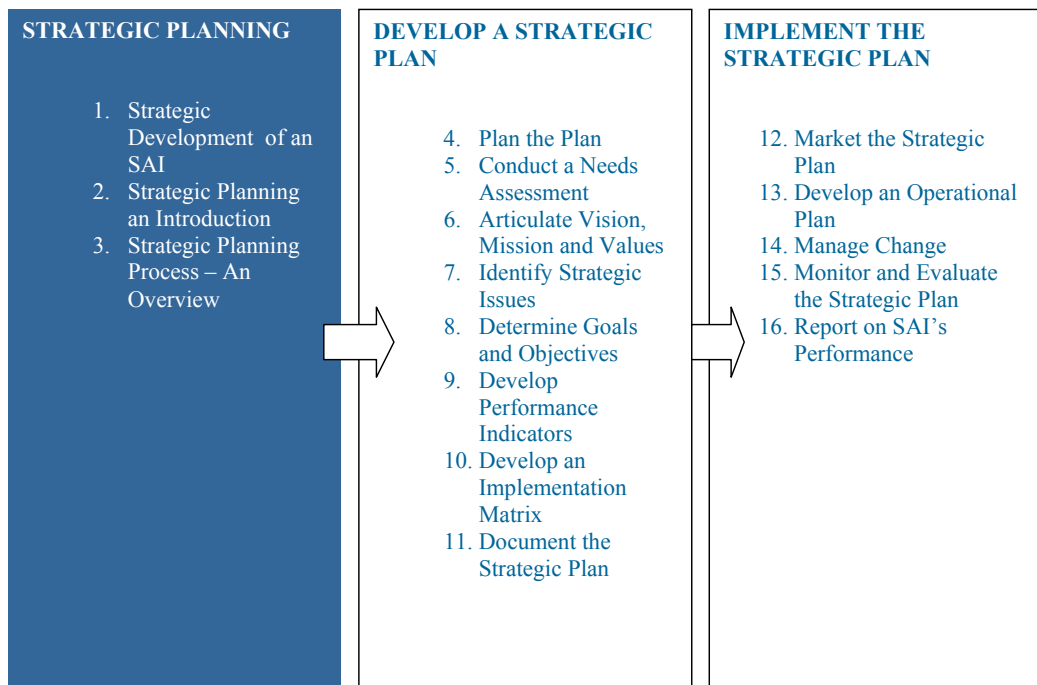
How to use this Handbook

This Handbook has been divided into 3 parts. Part 1 explains the strategic development framework of an SAI and the role that strategic planning plays in developing SAI capacity. In this part, the reader is also introduced to strategic planning terms and concepts and is provided with an overview of the strategic planning process. In part 2 of the handbook, the reader is taken through each stage of the strategic plan development process, where the questions: “what”, “how”, “when”, “who” in each of the stages are discussed with suitable illustrations. Part 3 discusses issues and processes to be undertaken in implementing the strategic plan. The appendices contain worksheets that may be used during the different stages of the strategic planning process, an overview of strategic planning in the INTOSAI community, a glossary of terms and a list of references that have been used in developing this handbook.

First time readers of the handbook are encouraged to read all parts to get an overview of the strategic planning model and its context. Subsequently users may go to the more specific guidance that they seek from the handbook for any specific stage of strategic planning.

PART I

STRATEGIC PLANNING



CHAPTER 1

STRATEGIC DEVELOPMENT OF AN SAI

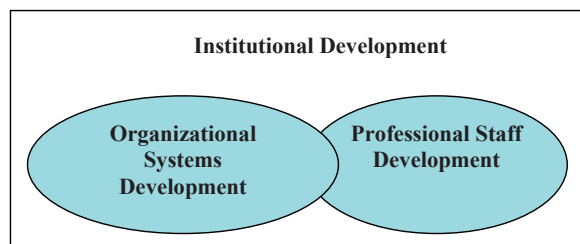
Strategic planning is a critical first step in the development of an SAI. Before progressing to the concept of strategic planning and the process of formulating a strategic plan, it is important to understand what constitutes the strategic development of an SAI, what are the elements of an SAI that need to be considered in a strategic planning process and the role that strategic planning plays in developing SAIs.

What is strategic development?

Strategic Development or Capacity building of an SAI implies the sustained development of the core skills and capabilities of SAIs to use their resources optimally and to deliver their mandate more effectively to create a desired impact. Strategic development initiatives may come in various forms such as changing the legislative framework, enhancing the organisational structure, re-engineering work processes, preparing job manuals and introducing various learning interventions for SAI personnel.

Aspects of strategic development

The SAI, as an organisation, has a mandate and is the creature of the legislative framework that defines it. The SAI consists of structures, processes and people that are interrelated to each other. The main aim of an SAI is to serve the purpose for which it was created i.e. to ensure accountability and transparency and to contribute to good governance. Thus strategic development in an SAI needs to be looked at from three aspects



ASPECTS OF STRATEGIC DEVELOPMENT

- Institutional Development
- Organisational Systems Development
- Professional Staff Development

The institutional development aspect involves working within the institutional framework that defines the SAI. The institutional framework may be a formal legislative framework or informal traditions and culture in the SAI. It is important to look at both the formal and informal aspects while building the SAI's capacity. Institutional capacity development initiatives may involve working with enhancing the SAI's legislation in terms of financial independence, administrative independence, wider audit mandate, terms and conditions of appointment of the Head of the SAI etc.

Organisational systems development includes strengthening the processes and structures in an organisation to enable a more effective and efficient achievement of desired objectives. These include systems in the core business area of a SAI - audit - as well as overall governance and support systems e.g. setting up IT audit unit, establishing a human resource management system, developing audit manuals, developing a management information system.

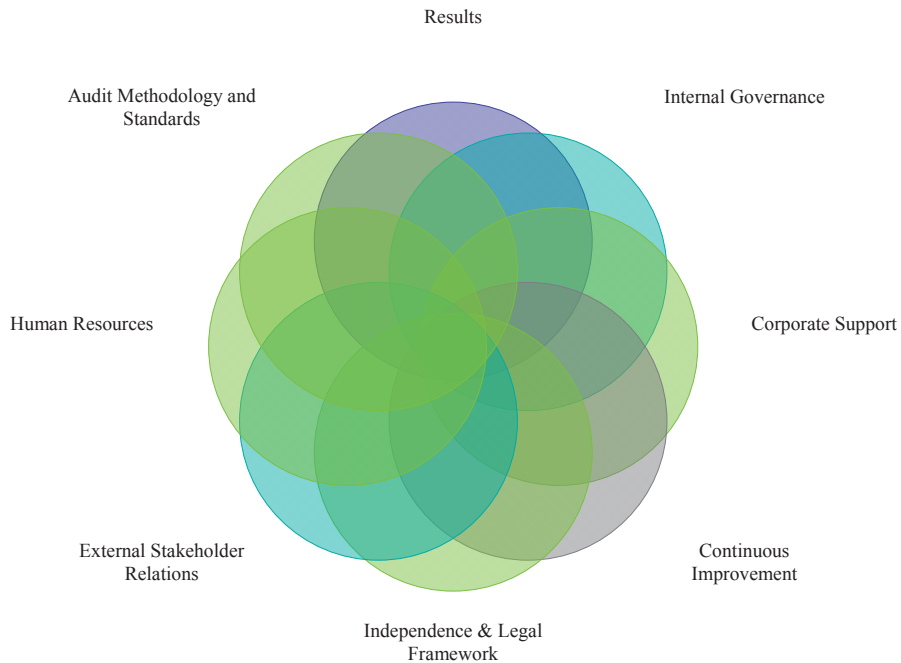
Developing professional staff capacity is the continuous process of growth and learning by people at all levels – irrespective of their position. This process results in change or progression as desired to meet their individual and organisational objectives. Professional Staff Development encompasses a set of processes and activities which lead to:

- (1) the identification of an individual's knowledge, skills and attitudes (KSA) requirements;
- (2) the design, development, and delivery of effective learning strategies to meet the KSA requirements of the individual and the organisation; and
- (3) the monitoring and evaluation of learning strategies e.g. on the job training for IT auditors, coaching and mentoring for middle managers, support in acquiring professional qualifications such as CISA, CFE ACCA, classroom training for performance audit, web based learning on public debt management audit etc

The Strategic Development Framework

For an SAI to develop, the institutional, organisational and people aspects of an SAI need to be strengthened in various functional areas. In the INTOSAI community,

there are many examples of these functional areas or domains and the degree of development that needs to take place in each domain in terms of resources provided, processes followed and results achieved. For example the AFROSAI-E Capability Model, the UK's NAO's SAI Maturity Model, Accountability Organization Maturity Model of US GAO and IDI's Capacity Building Framework. The strategic planning model set out in this handbook is based on the IDI's Capacity Building Framework. The IDI's capacity building framework identifies the following eight domains in an SAI:



If each of the above eight domains functions effectively and delivers the desired results, it can be reasonably assumed that the SAI as a whole will deliver high quality products and services. While some domains refer to the institutional framework of the SAI e.g Independence and Legal Framework, some refer to the SAI's internal capacity to deliver results e.g Human Resources, Methodology and Standards. The Results domain refers to the outputs and the outcomes of the SAI. The External

Stakeholder Relations domain is mainly concerned with the SAI's relationship with its external stakeholders to maximise its audit impact. All the above eight domains with their inter-relationships constitute the strategic development framework of a SAI. Any strategic development initiative has to be a concerted effort to achieve the desired condition in each of the domains.

1. Independence and Legal Framework – The desired condition on this domain is that the independence and mandate of the SAI should be comprehensive and as laid down in INTOSAI's Lima Declaration on Auditing Precepts. A fundamental principle of auditing is to provide an independent opinion on the performance of the audited entities and its compliance with laws, rules and regulations. Consequently, INTOSAI's Lima Declaration on Auditing Precepts stresses that Supreme Audit Institutions can only accomplish their tasks objectively and effectively if they are independent of the audited entity and are protected against outside influence. The Lima Declaration highlights the following elements of independence of SAIs that need to be in place:

Independence of Supreme Audit Institutions - SAIs should have both the functional and organisational independence required to accomplish their tasks. They should be free to determine the nature of their organisational structure and functional processes without outside interference. Ideally, the establishment of SAIs and the necessary degree of their independence should be laid down in the Constitution. The details, however, may be set out in legislation such as in a separate Audit Law. The Lima Declaration recommends that adequate legal protection by a supreme court against any interference with a SAI's independence and audit mandate should be guaranteed.

Independence of the Head of the SAI and officials of Supreme Audit Institutions - The independence of SAIs is inseparably linked to the independence of its head and the staff. The Lima Declaration recommends that the independence of the head should be guaranteed by the Constitution. In particular, the procedures for removal of head of the SAI from office should be embodied in the Constitution in a manner that may not impair the independence of the head of the SAI. In their professional careers, audit staff of SAIs must not be influenced by the audited organisations and must not be dependent on such organisations.

Financial independence of Supreme Audit Institutions - SAIs should be provided with the financial means to enable them to accomplish their tasks. If required, SAIs should be entitled to apply directly for the necessary financial means to the public body deciding on the national budget, for example the Parliament, instead of the Ministry of Finance, which is audited by the SAI. In addition, SAIs should be entitled to use and re-allocate the funds allotted to them under a separate budget heading in ways that they consider appropriate.

Mandate - The mandate of the SAI should be clearly defined in the constitution and/or in separate audit legislation. It should spell out clearly the powers and responsibilities of the SAI regarding access to information, those of entities over which it has audit jurisdiction and the nature, scope and timing of audits.

2. Human Resources - People are the most valuable assets of an audit institution. The SAI needs an adequate body of qualified and motivated staff. Sound human resources management should provide employees with a rewarding and professional environment, as well as maintaining and enhancing their capabilities. As a result, a motivated and professionally competent workforce plays a significant role in achieving high quality audit processes and outputs.

It is a common practice to set up a human resources management function within a SAI as a part of the SAIs' management system. The following aspects need to be emphasised in regard to human resources management:

- Establish policy and procedures for recruiting, training, motivation and professional development:
- Implement policies and procedures;
- Periodically review the results of training and professional development programmes to evaluate whether programmes are being presented effectively and are accomplishing objectives:
- Establish a performance based promotion system, link performance management with staff welfare and benefit: and.
- Assign the responsibility for the professional development function to a person or group with appropriate authority.

This human resources element along with its sub-elements is shown in the following flow diagram:

Figure 3: Structure of Human Resource Development:



The structure in Figure 3 is explained below:

Recruitment:

The INTOSAI Auditing Standards relating to recruitment state that:

The SAIs should adopt policies and procedures to recruit personnel with suitable qualifications. SAI personnel should possess suitable academic qualifications and be equipped with appropriate training and experience. The SAI should establish, and regularly review, minimum educational requirements for the appointment of auditors (Standard 3.5).

The SAI's talent pool should be sustained and built through recruiting, hiring, development and retention policies and practices. These policies/practices are targeted towards building and sustaining competencies, which includes knowledge, skills, abilities and behaviours. These are to be identified to achieve quality assurance of the services delivered by the SAI (Standard 3.9).

The following factors should be considered by the SAI to determine standards of qualification and competence of the staff members:

- Recruit multi-disciplinary persons with suitable qualifications and experience:
- Supplement internal human resource and skills by seeking outside expertise from qualified specialists, consultants and technical experts, professional associations and other organisations as needed;
- The SAI should ensure that the specialists and experts are qualified and have competence in their areas of specialisation and should document such assurance; and
- Outsourcing: – Private firms may be contracted to undertake audits on behalf

of the SAI. Joint audits with the SAI's staff may also be considered. However, the SAI remains responsible for the quality of the products, through a system of strict quality control, delivered by such external parties.

Retention:

Salaries and allowances, personnel welfare and benefits for SAI employees are usually covered by the public service regulations in most countries and so it may not always be possible for the SAI to provide attractive salaries to retain qualified staff. Therefore, it becomes even more important that the SAI's management ensure that the working conditions are sufficiently attractive to retain the services of experienced personnel. The SAI may also wish to consider, where possible, working towards a separate salary structure for its personnel. In cases where the SAI requires expert staff, who cannot be recruited on the basis of conditions of the civil service, special arrangements should be concluded with them, placing them outside the regular wage scales.

Career Development:

Career development is a concept, which goes beyond training of individuals. It is the process of managing the professional life, learning and work during the career of an individual. Career development should identify development priorities of employees and further identify priority changes in terms of approach and training needs, which aim at professional development with increased knowledge, skills and abilities of individuals. To ensure proper career development the SAI should specifically:

- Manage the careers of their staff within and between SAIs;
- Structure the career progress of their staff; and
- Manage succession planning, especially to higher decision-making positions.

Training:

Training is the process by which employees acquire knowledge and skills needed to accomplish their assigned tasks. The training has assumed critical importance purpose as the SAI needs to be a knowledge-centric organisation, with people being the key assets. Government auditors need to be armed with knowledge and a good

understanding of the government environment – the role of the legislature, legal and institutional arrangements governing the operations of the executive and the charters of public enterprises and of the SAI’s auditing standards, audit methodologies, policies, procedures and practices.

INTOSAI auditing standards (*Paragraph 2.1.5*) state: “SAI should adopt policies and procedures to develop and train SAI employees to enable them to perform their task effectively and to define the basis for the advancement of auditors and other staff.” Training has gained further importance as government practices are changing at a faster pace by adopting new techniques and more systems are becoming IT based. As a result, audit methodologies must keep pace with the change in government practices. SAIs may wish to consider initiating the use of new techniques such as risk based auditing, the application of quantitative techniques and increasing the use of IT as an audit tool to improve audit quality.

The SAI should have a training function with responsibility to develop, establish and monitor a training plan and conduct training needs assessments, as well as to plan and schedule training activities. The SAI should maintain an inventory of the skills of personnel to assist in the planning of audits as well as to identify professional development needs.

Training should be a continuing process and should be adapted to the needs of the SAIs so that employees may continuously improve themselves and be aware of with the latest technological developments and changes in audit methodologies, techniques and tools. Training activities may be multi-faceted and may cover in-house training courses, seminars, workshops, on-the-job training, etc...

Welfare:

The SAI should take effective steps to create a motivating working environment that takes care of the psychological and physical well being of its staff. Measures may include flexible working, health care programmes, social, recreational and sporting facilities, fitness programmes, housing and counselling services.

Performance Management:

A performance management system should be developed to provide timely and constructive feedback to employees on their performance. The objective of per-

formance management is to maximise the potential of individual staff members towards further improvement. Two key aspects of a competency-based performance system are performance feedback and appraisal. While appraisal also includes performance feedback, it is generally a more formal process conducted once or twice a year. Performance feedback, on the other hand, is a more informal, day-to-day process by a supervisor or manager offering relevant feedback to staff members on their performance.

Appraisal is an assessment of individual staff performance. The SAI should establish and publish performance standards for each core competency. Periodically, supervisors and managers should prepare and deliver performance appraisals by honestly, accurately and consistently applying the competency-based standards. The senior management of the SAI should set the overall policy on performance management and monitor its implementation vis-à-vis the appraisal standards and policies.

The system should provide the SAI's management with the information to recognise and reward high performers, as well as the information needed to deal with inadequate performance. The SAI should have a suitable reward system to reward employees who meet or exceed clearly defined and transparent standards of high performance. In this connection, the SAI may consider the following kinds of incentives:

- Naming and honouring the Auditor(s) of the Year;
- Certificate of Excellence for outstanding performance;
- Additional financial remuneration/benefits to the staff performing high quality work.; and
- Performance based promotions.

The performance management system should also enable the SAI employees to discuss performance requirements with their supervisors, to become familiar with the critical elements and performance standards that apply to them, prepare self-assessments and seek feedback from the supervisors, when appropriate.

3. Audit Methodology and Standards: The SAI's top management will have to steer the process of re-examining and refining the SAI's audit methodologies, processes and procedures and all other institutional factors affecting the SAI's achieve-

ment of its mission and goals and adherence to its professional standards and core values.

The quality management system designed by the SAI should provide reasonable assurance that appropriate standards, manuals, methodology, tools and techniques are in place, and applied consistently.

Standards:

Auditing standards constitute the criteria or yardstick against which the quality of audit results is to be evaluated. The auditing standards governing the conduct of an audit determine what the auditor should do. The fact that an audit has been conducted in accordance with certain standards gives necessary reassurance to people making use of the accounts. The objectives of the particular type of work or the particular assignment should dictate the specific standards that are followed. Each SAI should develop or adopt appropriate standards that are preferably in compliance with national, and INTOSAI standards. The SAI's policy should require all staff to comply with those standards relevant to the specific nature of their responsibilities. INTOSAI Auditing Standards (*Paragraph 2.1.35*) state: *“as part of its internal quality assurance mechanism, SAIs should ensure that applicable standards are followed on both pre-issuance reviews and post-audits. Reasons for any deviation from the standards which are determined to be appropriate should be documented.”*

In addition to auditing standards, the SAI is also expected to comply with standards of ethics that determine the conduct of its staff. This is discussed separately in this chapter under the heading ‘Internal Governance’.

Manuals, Guidance and Tools:

The audit methodology should be supported by manuals, guidance and other job aids. In addition to assisting the staff to perform their duties effectively, such guidance would constitute the quality control documents that would form the basis for planning and conducting quality assurance reviews. These manuals and guidance should be aligned with the auditing standards adopted by the SAI. The SAI should have in place detailed manuals and guidelines for two clear streams of audit, performance audit and regularity audit (financial and compliance audit) to help guide the audit teams in carrying out their work.

Where possible, the SAI may consider using IT based tools for different stages of the audit process as well as for support activities. In situations where auditees records are computerised, audit staff may have to use computer assisted auditing tools (CAATs), or the audit modules embedded in the auditee’s IT systems, for gathering and analysing evidence.

It is not enough that the above guidance and tools exists in the SAI. It is critical that the staff are aware of, and have access to them and have the capacity to use them as intended. Therefore, the SAI’s management should implement knowledge sharing practices to facilitate not only a greater awareness of the available guidance but also how to make the best use of it.

4. Internal Governance: Improving quality continuously through various policy measures remains the most important role for the top management. “SAIs should ensure that their human and financial resources are used in the most efficient way to secure the effective exercise of their mandate. To this end, SAI management will need to develop and institute appropriate policies and measures to help guarantee that the SAI is competently organised to deliver high quality and effective audit work and reports.” (Prague recommendations on Quality Management – Functioning of SAIs in the context of European integration)

This element of internal governance along with its sub-elements is shown in the following flow diagram.

Figure 4: Internal Governance:



(a) Leadership and Direction:

The head of the SAI and the SAI's top management need to set the appropriate tone and direction for the organisation. This is to ensure that the SAI's performance is consistent with the highest professional standards or, at least, moving towards that goal in the longer term. The SAI's top management, through its actions, will have to make clear that mechanisms are in place to ensure quality and high performance and to promote continuous improvement. They must continuously send those signals that inspire the staff to comply with the approved standards and procedures and make their best efforts to deliver quality services and products.

(b) Strategic and Operational Planning:

Organisations that consistently perform at high levels are generally those that are results oriented and demonstrate a clear idea of their long-term intent. This is where strategic planning can play a pivotal role in ensuring consistently high quality performance by the SAI. A strategic plan is only as good as its implementation. To facilitate implementation, the functional wings/units in the SAI should draw up annual operational plans to reflect the requirements of the strategic plan. Resource commitments and specific activities will have to be incorporated in these plans. Once the overall direction and targets have been set, the SAI's commitment to them should be complete. Every target should be assigned to an organisational unit with specific individual responsibility for achieving the target in question. Staff responsible for this activity should have sufficient authority to be able to overcome any difficulties that may arise. The SAI should circulate internally its organisational strategy and progress reports so that its staff are genuinely involved in its delivery and they contribute to the planning efforts. To facilitate this, there should be wide dissemination of ideas, information and good practices within the organisation. The SAI should develop a rigorous performance monitoring and review system to measure progress in delivering targets in line with expectations. Senior management should receive regular, timely and useful information for effective decisions to be taken. The strategic plan should be reviewed annually for it to remain valid, relevant and useful. To facilitate performance monitoring, measurement and reporting, the SAI may consider setting up a unit or committee assigned with this responsibility.

(c) Oversight and Accountability:

While promoting accountability in the public sector, the SAI must remain accountable for its performance. In some countries, the legal framework requires the SAI's performance to be independently evaluated by an external agency. Where this is not a legal requirement, an SAI may consider periodic evaluation of its performance by external agencies: this may include peer review by other SAIs. In addition, the the SAI's own quality assurance function should periodically conduct institutional level quality assurance reviews and report to the top management on the SAI's performance along with recommendations for improvements. Accountability will also be promoted if the SAI implements a system of performance measurement and reporting discussed above under "Strategic and Operational Planning" above.

(d) Code of Conduct

The SAI should establish policies and procedures designed to provide it with reasonable assurance that the SAI and its personnel comply with relevant ethical requirements.

Integrity is the core value of a 'Code of Ethics'. Auditors have a duty to adhere to high standards of behaviour in the course of their work and their relationships with the staff of the audited entities. The SAI should develop and circulate to its staff a code of professional ethics and conduct that is applicable to the institution and to its employees. There should be procedures in place that ensure compliance with the codes of ethics and conduct. The INTOSAI Code of Ethics highlights some of the major aspects of ethical conduct, namely, trust, confidentiality, credibility, integrity, independence, objectivity, impartiality, political neutrality, conflicts of interest, professional secrecy, competence, and professional development.

(e) Internal Controls:

The SAI's top management should ensure the existence and implementation of appropriate structures, rules, regulations and procedures that ensure the achievement of desired objectives. These structures, rules, regulations and procedures in their entirety constitute the internal control system of a SAI. The quality of the SAI's products and services are ensured by the adequacy and correct implementation of the internal controls.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO), a U.S. private-sector initiative has established a common definition of internal controls, standards, and criteria against which companies and organizations can assess their internal control systems. The COSO framework defines internal control as a process designed and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. It follows that internal control is designed and implemented to address identified business risks that threaten the achievement of any of these objectives.

The COSO framework provides for the following five interrelated components of an internal control system. These components provide an effective framework for describing and analyzing the internal control system implemented in an organization. The five components are:

I. Control Environment

The control environment includes the governance and management functions and attitudes, awareness and actions of those charged with governance and management concerning the SAI’s internal control and its importance in the entity. The control environment sets the tone of the SAI, influencing the control consciousness of its people. It is the foundation for effective internal control, providing discipline and structure.

II. Risk Assessment

The SAI’s management should obtain an understanding of the SAI’s processes for identifying business risks and take action to address those risks, and the results thereof. The process is described as the “entity’s risk management process” and forms the basis for how management determines the risks to be managed.

III. Control Activities

Control activities are the policies and procedures that help ensure that management directives are carried out; for example, that necessary actions are taken to address risks that threaten the achievement of the entity’s objectives. Examples of specific

control activities include those relating to: authorisation; performance reviews; information processing; physical controls; and segregation of duties.

IV. Information and Communication

The information system consists of the procedures and records established to initiate, record, process and report on SAI's performance against planned objectives.

V. Monitoring

Monitoring of controls is a process to assess the effectiveness of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions modified for changes in conditions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two.

It is the responsibility of each line functionary to ensure compliance with the internal controls relevant to the work of that functionary.

Quality Assurance:

While the SAI's management should put in place a system of quality controls, it is important to arrange for independent assurance that the quality controls are in fact being complied with. This is the process of quality assurance. It is the responsibility of the quality assurance function to provide independent, objective reports to the SAI's top management on the adequacy of quality controls in different functions of the organisation, the extent of compliance with the controls and recommendation for improvements. This should be done at regular intervals to be decided by the SAI's top management. It can also be useful to conduct institutional level Quality Assurance Reviews at the beginning of each strategic planning cycle of the SAI, to provide useful inputs to the development of the SAI's strategic plan.

5. Corporate Support: Effective performance of audit work is dependent on the timely and adequate provision of corporate support. In some SAIs, corporate support is known by different names such as administrative support, office support or back office support. The following are some of the key areas of such support.

Financial Resources:

Two dimensions to this sub-element need consideration. One is the availability of an adequate budget for the SAI as a whole. This was discussed earlier under the heading 'Independence and Legal Framework'. The other dimension, which is also the responsibility of the corporate support division, is the optimal utilisation of the budget to procure and provide the required infrastructure and material support to the various functions.

Infrastructure:

The SAI should have sufficient infrastructure to enable its staff to perform their duties satisfactorily. Infrastructure includes office buildings, working space for each employee, furniture and fittings, electric and water supply, training facilities, library, document storage facilities, transportation, etc. There may also be need for gender specific infrastructure such as separate rest rooms for female and male staff, depending on cultural environment of the SAI.

Technology:

Where possible the SAI should utilise technology to function efficiently and effectively. Technology includes telecommunications, information technology systems, internet and intranet, general office support software, information and decision-making systems, software for audit planning, documentation and reporting, etc.

Support Services:

Support services include such items as secretarial assistance, security, transportation and event management. Depending on circumstances, it might be cost-effective to outsource some of the support services.

6. Continuous Improvement: The SAI should continuously upgrade its organisational capacity and the competence of its personnel to remain abreast of developments in the field of auditing and be able to address emerging issues in the rapidly changing audit environment. The SAI should update its strategic plan at periodic intervals to make sure that its efforts are aligned to the major auditable issues facing the country.

To ensure a system of continuous improvement the SAI should develop and implement strategies for professional staff development, research and development and organisational development. At the same time, improvement implies change. Often good intentions fail to become reality because the SAI does not have a well-developed change management strategy. Change management actions should be integrated with any action plan for initiating new approaches. For example, a SAI that does not have a Quality Assurance function should include change management measures in their action plan for setting up a QA function. If necessary, the SAI should consider training some members of management and staff to become champions of change management, whose services could then be used to co-ordinate the processes of change management whenever the SAI undertakes any major change initiative.

7. External Stakeholder Relations: The SAI should sustain effective working relationships and communications with external stakeholders to ensure the impact of its audit reports and other products and services. The overall effectiveness of the SAI in promoting greater accountability, economy, efficiency and effectiveness in the functioning of public sector entities depends critically on the relationships it establishes and maintains with external stakeholders.

The SAI's stakeholders include the audited entities, parliament (or equivalent bodies), political executives, the general public, peers (other SAIs), donors, international organisations, media, professional and academic institutions, private sector auditing firms and others who have an interest or who are affected by the SAI's products and services.

While it may not be feasible to deal with all stakeholders, the SAI should conduct a stakeholder analysis to identify its significant stakeholders and their interests and influence on the SAI's functioning. Based on the stakeholder analysis, the SAI should implement measures to establish and maintain such relations with external bodies that assist in promoting the SAI's work without compromising its independence and objectivity.

Developing and maintaining relationships appropriate to each category of stakeholder is likely to entail considerable effort by the SAI. Therefore, the SAI may consider developing and disseminating a standard document on external stakeholder protocols to sustain effective working relationships with them. The purpose

of this document would be to provide a clearly defined, transparent policy and practices, consistently applied, on how the SAI will work with the stakeholders. It may identify what the external stakeholders can expect from the SAI and what the SAI expects of them. Such action may be particularly required because those relations may be at risk in a changing socio-political environment.

8. Results - The SAI is required to deliver quality audit reports and other services that promote accountability, transparency and value for money in the use of public resources and contribute towards good governance. To achieve this goal, the SAI should implement mechanisms for measuring:

- the quality of its outputs (that is, the SAI's audit reports and services); and
- the longer term impact of its products and services.

This issue of performance measurement was also highlighted earlier under the heading 'Internal Governance'. In order to implement a performance measurement system, the SAI should develop performance measures for its various functions. With regard to its audit reports and management letters, performance measures may include:

Significance: How important is the matter that was examined in the audit? This, in turn, can be assessed in several dimensions, such as the financial outlay of the auditees and the effects of the auditees' performance on the public at large or on major national policy issues;

Reliability: Are all opinions and observations in audit reports and management letters fully supported by valid and sufficient evidence?

Objectivity: Did the SAI duly consider the auditees responses to preliminary audit observations? Did the working papers demonstrate an impartial consideration and analysis of all evidence gathered?

Clarity: Are audit reports and other products clear and concise in presenting the results of the audit? This typically involves being sure that the scope, findings and any recommendations can be easily understood by users of the audit report who may not be experts in the matters that are addressed but may need to act in response to the report;

Timeliness: Were audit reports, management letters and services delivered at an appropriate time? This may involve meeting a statutory deadline or delivering

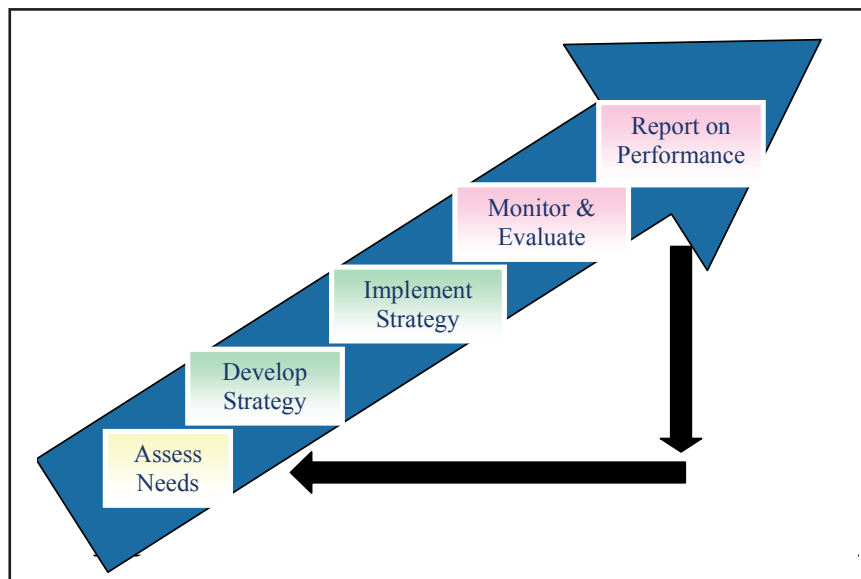
audit results when they are needed for a policy decision or when they will be most useful in correcting management weaknesses.

Impact measures may include:

- Reduction in the number of unresolved errors and irregularities identified during audits;
- Percentage of audit recommendations accepted by auditees;
- Percentage of audit recommendations implemented by auditees;
- Percentage of Public Accounts Committee (PAC) directives to auditees that are based on audit observations; and
- Extent of satisfaction of PAC and auditees with SAI’s products and services.

The Strategic Development Process

In order to achieve the desired condition under each of the domain areas and to develop the institutional, systems and people aspects in an SAI, a strategic development process needs to be followed. The process involves assessing the needs of an SAI, developing a strategy to address those needs, implementing the strategy, monitoring and evaluating the implementation and reporting on the performance of the SAI to stakeholders. The lessons learnt help the SAI to make adjustments in



the strategy or its implementation. As can be seen from the description of the process – it is the strategic plan that is the pivot of the entire strategic development process. The strategic plan is the tool by which the SAI’s management can drive the strategic development process in the SAI. The subsequent chapters in this handbook will focus on defining strategic planning, and how to develop and implement a strategic plan.

CHAPTER 2

STRATEGIC PLANNING – AN INTRODUCTION

What is strategic planning?

Strategic planning is a systematic process through which an organisation agrees on, and builds commitment among key stakeholders to priorities that are essential to its mission and are responsive to the environment. Strategic planning guides the acquisition and allocation of resources to achieve these priorities. It involves articulating a vision, mission and values statement that determines the strategic direction of the organisation and determining goals and objectives that describe how the organisation intends to achieve its vision and fulfil its mission.

The process is *strategic* because it involves preparing a ‘best estimate’ response to the circumstances of the organization’s dynamic environment. It involves planning for and taking decisions that will lead to long-term consequences for the organisation as a whole. It implies being clear about the organisation’s objectives, being aware of the organisation’s resources, and incorporating both into being consciously responsive to a changing environment.

It is a systematic process that calls for structure and is based on collecting information that will inform choices to be made for the organisation. The collection of data should throw up a variety of choices about what the SAI can and cannot do. In the strategic planning process, the decision makers consider and analyse their options and *choose specific priorities*. The strategic planning process is also about *building commitment*. Key stakeholders need to be systematically engaged in the process of deciding on priorities that have a broad consensus on the way forward and a buy in for the implementation of the strategy.

Why should an SAI take up strategic planning?

The strategic planning process requires human as well as financial resources. In an SAI where both these resources may be scarce, the question that could be asked is – why should the SAI have a strategic plan? An SAI can derive many benefits from the strategic planning process.

Provides direction - Any development initiative in an SAI requires the SAI to know where it is and where it wants to go. A strategic planning process helps the

SAI answer both these questions. If the direction of change is not clearly defined, an organisation is likely to waste its resources in piecemeal initiatives that do not add up. At the strategic level, the question is not whether things are being done rightly, but whether the right things are being done!

Helps respond to changing environment - All SAIs function in a constantly changing dynamic environment. In order to remain relevant as institutions and to add value through their services, the SAI needs to be able to respond to the changing environment. A strategic planning process enables the SAI to take stock of its opportunities and threats and provides the opportunity to define realistic goals and objectives, which may be demanding, yet achievable. For example, computerisation and the introduction of database management systems are changing quickly the way governments operate and the audit profession needs to be aware of such changes and have the capacity to respond adequately to them.

Helps establish a common understanding of the future direction – The strategic planning process helps the SAI articulate a vision and a mission. This helps different stakeholders both internal and external e.g staff, donors, government to have a clear understanding of the future direction that the SAI will take. It also sends out a message that the SAI is committed to achieving its developmental objectives. Thus many SAIs have found bilateral partners or obtained support from multilateral donor agencies such as the European Union and World Bank after they developed a strategic plan. Many SAIs are required to develop strategic plans as part of government-wide initiatives.

Helps the SAI develop in a concerted fashion – For an SAI to develop it is necessary to look at the gaps in all the functional areas or domains of the SAI and to consider different aspects of development (institutional, organisational and professional staff development). The strategic plan is a tool that enables the SAI's management to take this comprehensive view. For example, developing a performance audit function in an SAI may require change in the mandate of the SAI, the recruitment of qualified people, professional training of staff, the development of manuals and procedures for the audit etc. A strategic plan will help the SAI put together all these requirements in a cogent manner, instead of implementing piecemeal efforts that may not result in the sustained development of a performance audit function.

What is the difference between strategic planning and operational planning?

It is essential to distinguish between strategic and operational planning. Strategic and operational planning involve two different types of thinking. Strategic planning is about taking decisions that are overarching, fundamental, directional and oriented to a medium or longer-term future. Operational planning, on the other hand, is about developing detailed plans for the implementation of the strategic decisions taken during the strategic planning process. Operational plans normally identify year-on-year projects or activities, and the corresponding budgets necessary for achieving them. Operational plans bring the strategic plan into life. Generally, a number of operational plans need launching in sequence to achieve strategic goals and objectives. The two processes are closely related: without operational planning, strategic planning cannot produce systematic action while operational planning without strategic planning will trap the organisation in day-to-day management without a longer-term future direction. For example the decision of an SAI adopt a risk-based approach to audit is a strategic decision, while a decision on the number of entities to be audited in a year is an operational decision. The decision to set up regional offices to improve audit coverage is a strategic decision, while the decision to replace existing computers would be an operational decision.

Strategic Planning cycle

What should be the life of a strategic plan? Since strategic plans involve fundamental change at organisational level every strategic plan must have a life of at least three years. Many strategic plans do have a life of 5 years or in some cases 6 to 7 years eg the IDI strategic plan covers from 2007-12 . The life of a strategic plan may depend on many factors, the funding cycle of the government or the donor, alignment with other strategic plans, perceived likelihood of change in the environment in the near future.

Who is responsible for strategic planning in an SAI?

Strategic planning and providing strategic direction is essentially a leadership function. The Head of the SAI and the senior management are expected to take the lead in this exercise. It is recommended that a Strategic Planning Team(SPT) be appointed to drive the strategic plan development process in the SAI. This team may

consist of three to five members depending on the size of the SAI. In some SAIs the team is headed by the Head of SAI and the team members come from management positions. In other SAIs, the Deputy Head or equivalent could head the SPT. Given the nature of the mandate, the SPT must be headed at least by a Deputy Head level official. The SPT members should be staff who have sufficient experience, exposure and position in the SAI. They also should be keen to champion the process and believe in the benefits that change can bring. The ability to facilitate, analyse and communicate is important in all SPT members.

Key success factors for strategic planning

Strategic planning is not just about producing a good-looking document; it is about imagining a future and creating a strategy to make it a reality. As such the successful development and implementation of a strategic plan depends very heavily on the following factors

1. Strategic Leadership

Strategic planning is a leadership function. An initiative for change has to be led from the front. Strategic leadership is the ability to think, act and influence stakeholders in ways that promote sound practices in sustainable delivery of public audit services.

In a knowledge-acquiring and growing organisation everyone in the SAI is responsible for fostering strategic leadership in others. In many SAIs there is a tendency to believe that only the Heads of SAIs and the top management are responsible for the future of the organisation. However, it has been proven that strategic leadership works best when information from top leadership is sympathetic to those of lower and middle positions. Therefore, the importance of developing everyone in processes of creative and innovative thinking cannot be over emphasised. By applying this principle, the system thinking processes will stimulate people at all levels to see the bigger picture. Techniques to improve team performances may be considered to address this need.

By involving everyone in the organisation in the decision making process, the commitment to participate and the commitment to create a sustainable advantage

for the SAI will be an excellent opportunity for development throughout the organisation.

Strategic leadership should be developed in all SAIs, whatever their size, to ensure the relevance of public sector auditing.

Before strategic leadership can be fostered in an SAI, the Head of the SAI and the top management should first determine if they themselves are strategic leaders. According to Hughes and Beatty (“Becoming a Strategic Leader”) effective strategic leaders have the following characteristics:

- They have an effect on areas outside their own functional area/business unit;
- They realise that relationships have to be nurtured with staff and other stakeholders;
- They recognise that everyone is interconnected, and decisions are made and business completed based on good relationships;
- They keep long-term goals at the forefront while ensuring that short term objectives are accomplished; and
- They recognise that capacity impacts on the entire organisation.

The SAI also needs to create a climate that is conducive for creating strategic leaders. This may be done by:

- Creating knowledge in the SAI. People should be stimulated to accumulate knowledge by actively being involved in learning and development initiatives;
- Transferring and sharing knowledge with others within the organisation; and
- Stimulating people in the SAI to think constantly about ways and means to:
 - o Improve working methods to benefit the SAI and its stakeholders;
 - o Question existing processes that could be improved;
 - o Be productive and add value in the public interest;
 - o Consider the return on investment for each event and task eg. if more vehicles are needed, it should result in an equal improved audit coverage;
 - o Create sound internal and external relationships;
 - o Define the results that should be achieved; and
 - o Create tomorrow.

The process flow for strategic leadership and some tips are contained in Annexe 2 of this handbook

2. Communication and Stakeholder Involvement

Broad-based stakeholder involvement and communication are key to the successful development and implementation of the strategic plan. At the development stage it is necessary for the SAI to know what the external and internal stakeholders expect from the SAI, and in what kind of a vision would they like to participate. At the implementation stage, the SAI needs the involvement and participation of its internal stakeholders and the support of its external stakeholders. This can be achieved only if the stakeholders are suitably engaged in the strategic planning process. Their involvement would not only give the SAI the benefit of their input, but it will also inculcate a sense of ownership for the plan. This will facilitate implementation. The chapters in Part 2 of this handbook describe the recommended stakeholder involvement and communication at each stage of the strategic planning process.

3. Change Management

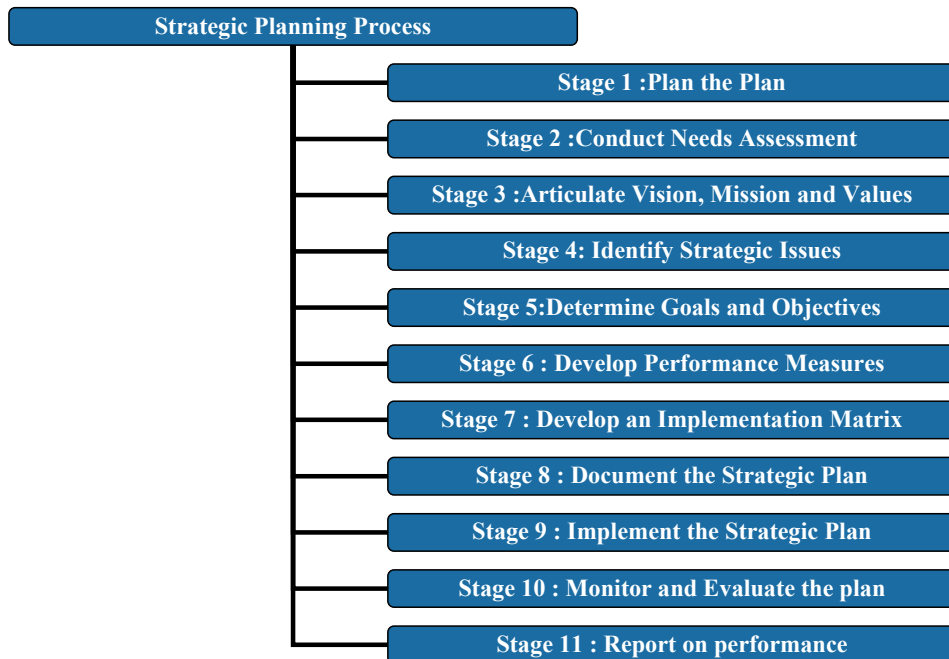
The strategic planning process is about going from one state of development to another, it is essentially a change process. There are a number of organisational and people issues that will appear when change is to be effected. If these issues are not managed properly, it can lead to derailment of the strategic plan implementation. This topic will be dealt with in more detail in a separate chapter in Part 3 of this handbook.

CHAPTER 3

STRATEGIC PLANNING PROCESS – AN OVERVIEW

As mentioned earlier, strategic planning is a structured and systematic process. In this chapter, the reader will get an overview of the process and the linkage between the different stages of the process. The questions “who”, “why”, “what”, “how”, and “when” about each stage the process will be answered in detail in the subsequent sections of this handbook.

There are many models and many ways of developing a strategic plan. The strategic planning process described in this handbook is based on a strategic planning model developed by the IDI in co-operation with AFROSAI-E. The model has been tested in 10 SAIs in Africa and one region of INTOSAI. It is based on the collective experience of strategic planning in the INTOSAI community. As in the strategic planning model, the strategic planning process in an SAI has eleven stages



Getting Ready

Developing a strategic plan is like any other project. It requires resources, takes a certain amount of time, has a specific output and needs a team to manage the project. As in all good projects, the first step in developing a strategic plan is for the strategic planning team to prepare an action plan for its development. Typically, the action plan would detail the milestones in the process, the people to be involved, the methods to be used, the resources required and the outputs at each stage.

Assessing Needs

Once the team is ready with the plan, the first thing to be done would be to assess the current situation of the SAI. Before deciding on where the SAI wants to go it is necessary to see where the SAI is. A variety of tools such as surveys, focus groups, interviews, observation, document review etc can be used to ascertain this information from internal and external stakeholders. Assessing the current situation would involve ascertaining the position of the SAI with regard to the different elements and domains of the capacity-building framework and comparing that position with the desired condition of that domain. The gap identified between the two would be the need of the SAI in that area. At this stage, a causal analysis of identified needs is also recommended. The final product of this stage of strategic planning would be a capacity building needs assessment report that identifies needs in different domains and their causes.

Developing strategy

The next stage is for the SAI to articulate its vision, mission and values statement. The vision statement reflects the desired future that the SAI is aiming at. The mission statement explains the purpose of the SAI, its mandate and the people it serves. The values statement is an affirmation of organisational beliefs. These statements are pivotal in the formulation of the strategic plan as they determine the direction and content of the strategy.

Stage four of the strategic plan involves identifying strategic issues. The CBNA report developed at step two of the strategic planning process would list needs and gaps in different domains. In many cases, similar needs and gaps may exist across domains. In this step of strategic planning, the team is expected to cluster needs

across domains to come up with the broad issues that face the SAI. These issues are should directly contribute to the fulfilment of the mission and achievement of the vision.

The goal statements follow from the strategic issues. They are mini-purposes that help achieve the mission. The objectives under the goal statements define the path that the SAI will take to reach the stated goal. As mentioned earlier, strategic planning involves choice. At the stage of determining objectives, the SAI has to have a process for formulating different alternatives for achieving a goal and then choosing from them.

How does an SAI know that it has achieved what it set out to do in the strategic plan? By using performance measures that help an SAI to measure success and monitor its progress. After determining goals and objectives, the SAI team needs to formulate relevant performance measures for the strategic plan. Such measures can be formulated for the plan as a whole or for the different goals and objectives in the strategic plan.

The vision, mission, values, goals and objectives are all at a very broad strategic level. In order to establish a link between the strategic level and the operational level of implementing the plan – an implementation matrix needs to be developed. An implementation matrix details the projects that the SAI will take up to implement the goals and objectives of the strategic plan. This step also helps the SAI in estimating the resources and funds that would be required for the implementation of the strategic plan. The success factors for each project are also defined at this stage.

The final product of the development stage of the strategic planning process is the strategic planning document. This document is the SAI's main communication tool with its stakeholders. It is important that the SAI carefully consider the content and structure of the document. The document needs to be presented in a way that is attractive and understandable to the reader and that clearly conveys the intent of the strategic plan.

Implementing Strategy

The biggest test of the strategic plan is in its implementation. In order to implement the strategic plan it is recommended that the plan be broken up into annual operational plans that are linked to the budget cycle of the SAI. Issues such as

marketing the strategic plan and managing change also need to be considered and provided for in implementing the strategic plan. It is also important for the SAI to integrate the strategic plan implementation with the day-to-day line function of the SAI.

Monitoring and Evaluation

During the implementation process, progress made and lessons learnt need to be carefully monitored so that timely corrective action can be taken. The strategic plan and its implementation should also be evaluated at regular intervals to determine if the assumptions made during the development of the plan still hold good. Suitable modifications can be incorporated in the annual operational plan.

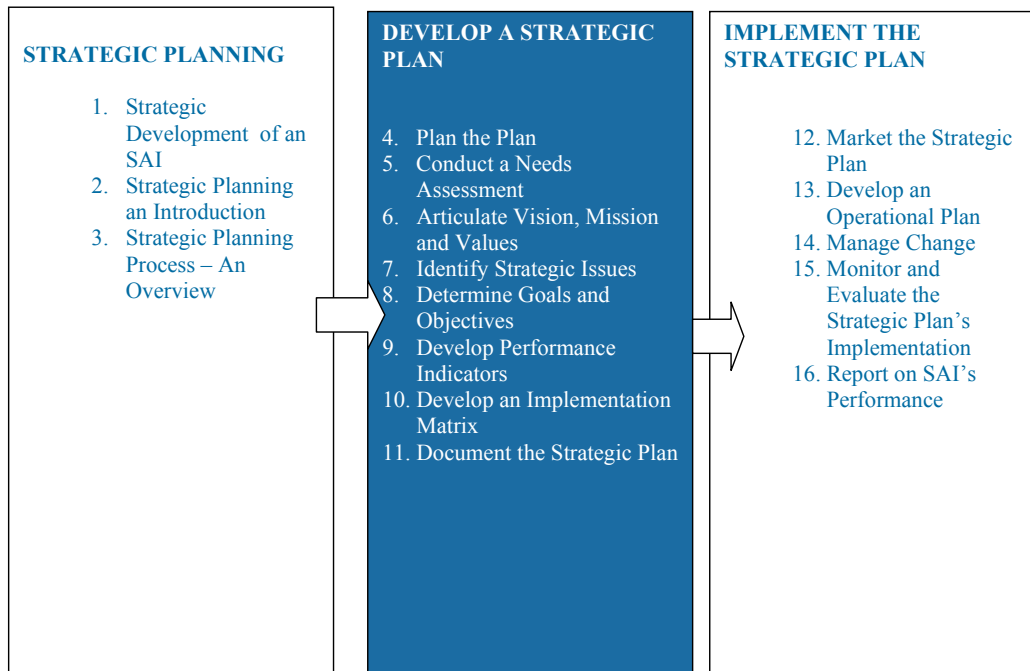
Reporting on Performance

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.

It is important that the strategic planning process is not a one-off exercise for the SAI. The process should be taken up on a periodic basis, so that when one strategic plan period is about to end, the next plan is in place. Establishment of the process and development of the SAI's own capacity to carry out the process are important for sustained development.

PART II

DEVELOP A STRATEGIC PLAN



CHAPTER 4

PLAN THE PLAN

What is planning the Plan?

Before starting the development of the strategic plan, the SAI must have an action plan in place to guide the development process. Preparing a plan for the strategic plan development process would involve:

- determining the steps and activities to be undertaken in the strategic planning process;
- the method to be followed;
- the resources required,;
- the time frame within which each milestone in the process is to be completed;
- the outputs at each step of the strategic plan development process; and
- the possible risks that may materialise at each step.

The action plan enables the SAI to get ready for the strategic planning process. It gives structure to the process, helps in gathering the required resources and in clarifying the expectations and roles and responsibilities of different players.

Preconditions

Before taking up this first step in strategic planning, the following need to be in place:

- A strategic planning team officially appointed by the Head of the SAI for development of the strategic plan;
- A clear understanding of the strategic planning process or model to be adopted by the SAI.; and
- Information on the resources that can be made available by the SAI for the strategic plan development process.

Who should be involved?

The strategic planning team is responsible for formulating this action plan. However, the Head of the SAI and its management should agree and approve the action plan so that the team has an agreement on the process and a commitment to have access to the required resources.

Process

1. Agree on strategic planning process - The strategic planning team should first agree on the strategic planning process that they will follow. For example a strategic planning team may decide that it is not necessary to develop an implementation matrix as a part of the strategic plan development. Yet another team may decide that it is important to articulate its vision and mission before assessing needs. Each step of the strategic plan development process must be agreed by the strategic planning team. The team could consider different strategic planning models before taking this decision.

2. Agree on format - The strategic planning team can then agree on the format of the action plan. A suggested format for the action plan is at Annexe A1.

3. Collect necessary information - The team should then divide tasks and collect information that will help them come up with a realistic plan. For example, the team can ascertain the financial and human resources that the SAI is willing to make available for this process. If certain tasks in the process require infrastructure, the availability of that infrastructure e.g. a conference room for a focus group discussion should also be ascertained.

4. Develop first draft - Once the team has determined the process, agreed on the format and collected required information, they are ready to develop the action plan. Development of the action plan should be a team effort. It is recommended that the SPT meet together for this purpose. The SPT should develop a first draft of the action plan and ensure that all columns of the plan format are appropriately completed.

5. Review draft - Before finalising the plan the SPT should review their draft. The checklist questions listed below may help the SPT in this review. Depending on the availability of resources, the SPT may also ask someone else in the organisation (with appropriate knowledge, skills and experience) to review the action plan.

6. Obtain approval - The plan should be submitted to the Head of the SAI for approval. The Head of the SAI should keep senior management informed about the document and the process that is planned to take place in the SAI.

7. Provide information - The action plan must be communicated to all stakeholders whose input or presence is likely to be necessary in the strategic plan development process. Information on the planning process can also be communicated

to the SAI's staff by newsletter, circular, bulletin board etc so that stakeholders are aware that a strategic planning process will be taking place in the SAI.

Checklist

After developing a draft action plan the SPT may consider using the following checklist to review the plan.

- √ Is it realistic?
- √ Will it be possible for the SPT to achieve the given output within the stated timeframe and with the stated resources? Moreover, is it realistic to expect the stated resources to be made available to the SPT?
- √ 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 an 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 time frames, responsibilities and expected output of each stage clearly defined?
- √ 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

Output

The output of this step of the strategic planning process is an approved action plan for the development of a strategic plan.

CHAPTER 5

CONDUCT A NEEDS ASSESSMENT

What is a needs assessment?

After developing the action plan the SPT is ready for the strategic planning process. Conducting a needs assessment is the next step in the strategic planning process. A needs assessment is the process of determining the current situation of the SAI, comparing it with the desired situation (such as international/regional best practices, its own future vision, environmental concerns) and determining the gap between the two. This exercise is important because an SAI cannot determine its strategy without having an accurate diagnosis of its current situation. A variety of frameworks and tools can be used for conducting such an assessment. In the IDI's capacity building needs assessment framework, conducting a needs assessment involves ascertaining needs in each of the eight domains of the framework. A causal analysis of gaps is also required to be carried out during this process. For example, under the audit methodology domain the current situation may be that the SAI does not utilise quality assurance methods for any of its reports. Whereas international best practice indicates, it is desirable to have quality assured reports. In this case, the SAI would need to set up a QA function. The causes for the lack of such function may be lack of knowledge and skills in conducting QA, the lack of a QA methodology, lack of staff, lack of an audit manual and prescribed audit process.

Preconditions

Before conducting a needs assessment, the following things should be in place:

1. The Head of SAI should appoint a capacity building needs assessment (CBNA) team for conducting the assessment;
2. The CBNA team should have the requisite knowledge and skills about the different needs assessment frameworks available and the different tools that could be used to carry out needs assessment; and
3. The CBNA team would require adequate resources to use various tools and conduct assessments. Access to external experts may be one of the resource requirements of the CBNA team, especially when carrying out a CBNA for the first time.

Who should be involved?

The needs assessment should be carried out by a dedicated CBNA team. In large SAIs a CBNA team of five to six members is recommended, whereas in small SAIs the team may consist of three members. As the CBNA requires an organisation wide review, it is recommended people from different functional areas such as audit, HR, communications, IT, support etc are included in the team. It is also recommended that team members include middle managers, supervisors and members of the staff so that all interest groups within the organisation are represented. The needs assessment process requires staff with a fair amount of analytical skills and the ability to synthesise. It also requires communication skills and the ability to write. These criteria may be kept in mind when appointing members to the needs assessment team. The CBNA team should be led by a management member. It may be effective to have a senior SPT member lead the CBNA team, as this will establish an effective link between the SPT and CBNA team.

If the team believes external expertise would assist them, they may wish to consider importing external resources from the region, other SAIs, or even other INTOSAI regions for the needs assessment work. An outsider may bring a different perspective that the SAI team members may lack because they are too close to the situation. The outsider may also be in a better position to handle issues that are sensitive within an SAI. More importantly, the outsider may also bring knowledge and additional technical expertise on needs assessment. This would be especially relevant for SAIs that are carrying out a needs assessment for the first time.

The CBNA process should be as broad based as possible, and a wide range of internal and external stakeholders of the organisation should be consulted to arrive at a comprehensive picture of the

SAI's needs. External stakeholders may include members of the Public Accounts Committee, representatives of audited entities, other professional bodies, the donor community. Internal stakeholders include both SAI management and staff at different levels in the SAI.

Process

1. Agree on the CBNA framework – The CBNA team should determine and agree the needs assessment framework it will use for carrying out the needs assessment.

This decision will be based on the level of knowledge and skills in the team regarding different frameworks. It will also depend on the resources required and the support that the team is likely to get in carrying out the CBNA. A number of frameworks are available as examples - AFROSAI-E Institutional Strengthening Framework, IDI's CBNA Framework, and the UK's NAO's SAI Maturity Model. This handbook is based on the assumption that the IDI's Capacity Building Needs Assessment Framework will be used to conduct the needs assessment. This framework has been used at SAI and regional level in AFROSAI-E, ASOSAI, ARABOSAI, CAROSAI, EUROSAI and OLACEFS. In some regions e.g AFROSAI-E the framework has been adapted to align with the existing regional framework. In regions that had no specific framework, the IDI framework has been used, occasionally with some modifications to suit regional requirements. Copies of the framework and the CBNA guidance are available from the IDI Secretariat at idi@idi.no

2. Agree on the tools to be used – The IDI's CBNA guidance details a framework and provides a toolkit for gathering data. It also provides a standardised reporting format for the CBNA report. Detailed guidance is provided for the use of data gathering tools such as survey questionnaires, focus groups, interviews, physical observations, document reviews etc. It may not be possible for a CBNA team to use all the tools to gather information. However, it is recommended that more than one tool be used for this purpose. Each tool has its advantages and disadvantages. In considering the tools to be used the team needs to look at their suitability for the information to be gathered e.g if the team wants to ascertain whether audits are conducted in accordance with international standards, document reviews may yield better results than interviews or survey questionnaires. It would of course be best if different methods were combined. However, the team also has to consider the cost

of using each tool and the resources at their disposal. e.g if the team does not have access to a facilitator, they may decide not to conduct a focus group.

3. Develop a plan for the CBNA - The needs assessment team develops a plan for carrying out the needs assessment. A format for the plan is similar to the format of the action plan shown at Annexe A1 of this handbook. The plan must be realistic, specify responsibility and ensure that there is an alignment between the resources, the tools and the envisaged outputs.

4. Prepare for the CBNA – The CBNA team should prepare for the assessment by developing different working papers such as surveys, interview questionnaires, verification checklists, invitee lists for focus groups etc. The team also needs to communicate with internal and external stakeholders to arrange for the various activities that are to be carried out. For example: if the team plans to carry out a focus group of external stakeholders, it must ensure that the relevant stakeholders are available and willing to attend the focus group, the facilitators for the focus group must be identified, the venue for the focus group and administrative arrangements also need to be finalised.

5. Gather data using different tools – After the plan and the preparation, the CBNA team is ready to use the different tools and gather data. Data needs to be gathered on each domain of the CBNA framework from both internal and external stakeholders. At this stage, the team may decide that it wants to involve more people in the SAI to help them. They may also decide to use external help such as facilitators or experts to help with the data collection. For the CBNA to give accurate results it is necessary for the team to ensure that the data collected is valid and robust. For this purpose, the team may wish to consider using different sources to collect data and also to verify and corroborate the data collected. The source of data is also an important consideration.

6. Analyse data - The data gathered from different sources using different tools should then be analysed in terms of the domains and the elements. Guidance regarding analysing data can be found in the IDI guidance on CBNA. The analysis should allow the team to conclude the needs of the SAI in each domain of the CBNA framework. It should also help the team determine the causes for the gaps or needs under each domain. In looking at gaps or needs, the team should not concentrate only on gaps in the resources or inputs that the SAI needs. It should also look at whether the SAI has proper processes in place and whether there is a gap between the outputs produced and those required to be produced by the SAI. Looking at needs, at input, process and output level in a functional area or domain of the SAI will enable the team to make an holistic assessment of needs in that area.

7. Write CBNA report – The CBNA team would then write a CBNA report to communicate its findings and conclusions to the relevant stakeholders. The report is expected to describe the mandate of the team, the methodology used by then

and then the needs identified by the team under each of the eight domains and the causes for those needs. Under each domain the following structure may be used:

- Desired condition on the domain;
- Current Situation;
- Gaps; and
- Causes of the gaps.

The working papers from the different tools used can be attached to the report as annexes. A sample of the contents of a CBNA report is provided at Annexe A2 of this handbook. An illustration of a needs assessment report can be found in the revised IDI guidance on Capacity Building Needs Assessment available from the IDI Secretariat.

8. Approval and Information - The Head of the SAI should approve the CBNA report. All senior management members and heads of units should have a copy of the report. The SPT team should have a copy of the report for each of its members. The report should also be distributed to important external stakeholders. Information about the CBNA report should be publicized in the SAI and the CBNA report should be made available the staff of the SAI on request.

Checklist

The following checklist can be used to review the CBNA report

- √ Is the report comprehensive?
- √ Is it in the prescribed format?
- √ Are all elements of the domain covered?
- √ Have gaps been identified at input, process and output level in each area?
- √ Has a causal analysis been carried out?
- √ Are identified needs based on verified data?
- √ Has the data been collected from relevant sources using appropriate tools?
- √ Are there any discrepancies in the needs identified on different domains?

Output

A capacity building needs assessment report that clearly identifies gaps and their causes in each area of the CBNA framework.

CHAPTER 6

ARTICULATE VISION, MISSION AND VALUES

What are vision, mission and value statements?

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 vision, mission, and values which can be defined as follows:

Vision - A vision statement is an expression of the future that the organisation 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 answers the question: 'What does success look like'.

For example: the vision statement of the SAI of Botswana is 'To be an independent and proactive supreme audit institution which is responsive to the needs and expectations of the nation and keeps abreast of regional and global developments'. A vision statement can be written with an external focus i.e. to focus on how the world will improve if the organisation achieves its purpose. For example: "To have healthy, productive, and effective citizens" - Ministry of Health of Ethiopia

A vision statement can also be written with an internal focus i.e. what the organisation will look like in the future e.g. "A leading regional organisation recognised for its excellence in facilitating effective auditing through the sharing of resources and ideas" – CAROSAI.

A vision statement can also be written with a combination of both internal and external focus e.g. 'To be a model institution in promoting transparency, accountability and improving the economy, efficiency and effectiveness of the use of public resources' – SAI of Gambia

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

Mission - A mission statement describes the purpose of the organisation and the business of the organisation. The first component of the mission statement is a statement of purpose, which describes the organisation and why it exists. The second component of the mission statement is a description of the business of the organisation – what the organisation does and who the organisation serves. For example:

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. – GAO , USA

The National Audit Office (NAO) is an independent public audit institution which provides professional assurance to the people of the Gambia on the extent to which public resources are used economically, efficiently and effectively for the purposes intended by the National Assembly - SAI of the Gambia

Values – The values statement of an organisation makes explicit or reaffirms the guiding concepts, beliefs and principles of the organisation. In writing values statements the SAI needs to consider how it will achieve an alignment of the stated organisational values with the individual values of the employees. The SAI also needs to consider how the values will be supported and realised in the organisation. For example:

“The Government Accountability Office of USA subscribes to the values of Accountability, Reliability and Integrity.”

More examples of vision, mission and values statements are provided at Annexe B1 of this handbook. Examples can also be found at Annexe B2 as a part of a strategic planning case study of the SAI of Atlantis.

Preconditions

The SPT needs to have a complete understanding of the role of the SAI and its mandate. It needs to be aware of the strategic direction that the leadership of the SAI is interested in taking and of the expectations that the stakeholders have from the SAI. The team should also be aware of general trends and developments in the INTOSAI community. The SPT should also be aware of the current situation of the SAI so that the vision is not pitched at an unrealistic level. Much of this infor-

mation will come from the output of the previous stage of strategic planning and the CBNA report.

Who should be involved?

Articulating a vision, mission and values statement is essentially a leadership function. The SAI's leadership needs to be closely involved at this stage in the strategic planning process. The SPT should facilitate a process for getting the Head of the SAI and senior management members involved in this process. Internal stakeholders such as middle management and staff should also be consulted before finalising the statements.

Process

Preparing to articulate vision, mission and values - The SPT should look at the available definitions and formats for writing a vision, mission and values statement. Where the organisation has a vision, mission and values statement it should be considered. Similar statements from the INTOSAI community can also be studied. The SPT should also arrange a meeting with the Head of the SAI and senior management members to formulate the statements. The CBNA report that details the current situation of the organisation and the stakeholder expectations should also be examined.

SPT and Senior Management meeting - At the meeting the SPT members can give the senior management team a brief background of all the preparatory work done and the formats and illustrations from different organisations. If possible, the preparatory papers could be sent to the senior management team before the meeting. During the meeting the SPT members could facilitate the process of writing the vision, mission and values statement. For this activity:

- Members could agree on the parameters for writing the vision, mission and values statement;
- Ask each person in the team to write a vision, mission and values statement within the agreed parameters (Format attached as Annexe A3-A5); and
- Each person could present their suggestions and the SPT could facilitate the process-building consensus to arrive at a single vision, mission and values statement.

Obtain feedback – The SPT could then get feedback from middle managers and staff representatives for the draft vision, mission and values statement. In small SAIs, all staff members could be asked for feedback. In large SAIs, in order to prevent the process from becoming cumbersome, it is better to restrict the process. The SPT can consider the feedback obtained and, if necessary, suggest modifications to the draft statements.

Approval and communication – 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.

Checklist

The following checklist can be used to review the vision, mission and values statement

Vision Statement

- ✓ Is it inspiring?
- ✓ Is it grounded in reality?
- ✓ Is it short and simple?
- ✓ Is it easily understandable for all stakeholders?

Mission Statement

- ✓ Does it describe the purpose of the SAI and why it exists?
- ✓ Does it describe what the SAI does and whom the SAI serves?

Values Statement

- ✓ Does the statement describe what the values means to the SAI?
- ✓ Have behaviours that support the values statement been identified?

Output

The output of this stage of strategic planning is an agreed and approved vision, mission and values statement.

CHAPTER 7

IDENTIFY STRATEGIC ISSUES

What is it to identify strategic issues?

In this step of the strategic planning process, a link will be established between the CBNA that has been conducted and the goals and objectives of the strategic plan to be developed. The CBNA in the SAI will reveal many gaps or needs in each of the domains. The causal analysis carried out will also help identify the reasons for the gap. When considering the gaps and their causes across domains, for the SAI as a whole, it may be that many of the gaps across domains can be linked under a common issue. It may also be found that gaps in one domain are caused by gaps in some other domain e.g. an SAI may not be able to carry out performance audits (audit methodology domain) because of high staff turnover in the SAI (HR domain). The issue could be regarded as a strategic issue if it directly affects the achievement of the mission. Identifying strategic issues is the process of clustering gaps across domains to arrive at strategic issues that directly affect the achievement of the organisation's mission. The goals for the strategic plan of the SAI can then be developed from the prioritised strategic issues.

Preconditions

In order to undertake this step of the strategic planning process the SAI must have completed the CBNA and finalised its report. The SAI must also have articulated its mission statement. While the CBNA report will provide a list of needs, the mission statement will prove to be the reference point to determine whether the need is strategic or not.

Who should be involved?

The strategic planning team would be responsible for identifying strategic issues across domains. However, it is necessary to involve top management and department heads to agree to the identified issues. Since the work at this stage is highly analytical work, the SPT may decide to use an internal or external expert to help with the analysis.

Process

In working on identifying strategic issues, the SPT should

1. Determine links across domains.

The SPT should tabulate all the identified gaps in each of the domains in such a way that the gaps in all eight domains can be seen together and compared. The next step for the SPT is to scan through the gaps and identify gaps that can be clustered together under some common issues. Linking the issues enables the organisation to arrive at a holistic view of the organisation and ultimately enables it to come up with issues which cut across the SAI as a whole. The SPT should also check for, and eliminate any duplications in the clustered gaps. An illustration of identified gaps and clustering of issues across domains can be found at Annexe B2 as part of the strategic planning case study of the SAI of Atlantis.

2. Determine strategic issues

When the gaps are clustered by common issues across domains, the SPT should check that the issues identified are directly relevant to the mission statement. The question to be asked is ‘Will addressing this issue make a direct contribution to the achievement of the SAI’s mission?’ It is recommended that the SPT identify not more than five and not less than three strategic issues.

A detailed illustration of this step is provided in the case study of the SAI of Atlantis at Annexe B2 of this handbook.

3. Review

If possible, both the SPT and internal and external experts should review the clusters.

4. Discuss with SAI management

The SPT should get concurrence of the Head of the SAI and the top management team on the draft strategic issues and the gaps clustered under each issue. This is important because the goals and objectives of the strategic plan will flow directly from the strategic issue clusters.

Checklist

The following checklist can be used to review the strategic issue clusters:

- √ Do the clusters cover all the gaps identified during CBNA?
- √ Is the gap in the cluster relevant to the strategic issue identified for that cluster?
- √ Have duplications in the cluster been eliminated?
- √ Are the issues identified directly related to the mission of the SAI?
- √ Do the identified issues cover all critical issues?
- √ Has any critical issue been left out?
- √ Not more than five and not less than three strategic issues have been identified?

Output

The output for this stage is strategic issue clusters that can be used for formulation of goals and objectives.

CHAPTER 8

DETERMINE GOALS AND OBJECTIVES

What are goals and objectives?

Goals and objectives are the centrepieces of any strategic plan. They detail and define the strategy of the organisation. Goals are the ‘mini-purposes’ that collectively enable the achievement of the ultimate purpose stated in the mission statement and lead to the realisation of the SAI’s vision. Goals are directly linked to the vision and mission and describe areas of directional change that will affect the value that the SAI creates for its stakeholders. Goal statements can be formulated directly from the strategic issues identified during the previous stage of strategic planning .For example:

‘To enhance the quality and standard of our audits’ – one of the goal statements from the SAI of Mauritius’ strategic plan.

“To develop and enhance the skills, competence and professional qualifications of OAG staff” – one of the goal statements from the strategic plan of the SAI of Eritrea.

An objective is a precise and measurable result that supports the achievement of the goal. The objectives under a goal describe the way in which the goal can be reached. The goals describe what the SAI needs to achieve in order to meet the vision and the mission. The objectives describe how the goal can be achieved. Objectives under a goal statement can be formulated by summarising the clustered needs or gaps under the strategic issue from which the goal statement is derived. The causes for the gaps also need to be considered while formulating the objectives. The following example is taken from the strategic plan of the SAI of the Gambia

| Goal 3 | Objectives |
|--|--|
| To have a highly motivated, qualified, productive and stable workforce | 3.1 To implement efficient human resource policies and procedures which enable staff to develop and to operate effectively 3.2 To provide staff with training and other development opportunities to enable them to maximise their potential and their value to the NAO 3.3 To establish the appropriate skills mix within the organisation. |

Since goals and objectives are a part of the strategic plan, it is important that they express key issues of strategic importance. They need to be formulated at a reasonably high level and activities and projects should not be formulated as goals and objectives.

Who should be involved?

The key players in determining goals are the SAI’s management, the SPT and relevant external stakeholders. Heads of operational units of the SAI may also be consulted while determining the goal statements. In determining the objectives, the key players are the heads of operational units and the strategic planning team. If the SAI does not have resources to facilitate the goal and objective development meetings, the SAI may seek external resources from the region to facilitate such meetings and help with formulation of the statements.

Precondition

The strategic issue clusters from the previous stage of strategic planning and the causal analysis from the CBNA report are the basis for the development of goals and objectives in this strategic planning model. Inputs from senior management, middle management and operational heads are also very important at this stage. Time and other resources would be required to arrange meetings and workshops, if necessary.

Process

1. Agree on the parameters of a goal statement.

The SPT consider and agree on the parameters of a goal statement. The SPT could consider the parameters in the adjoining box.

2. Convert the strategic issues to goal statements

After agreeing on the formulation for the goal statement, the SPT needs simply to convert the strategic issues identified in the previous round into goal statements

Parameters for goal statement

- Brief
- Not too narrow
- Not time bound
- Informative
- Simple
- Starting with the word “to”
- Focused on delivering results to stakeholders
- Not input oriented
- Directly related to vision/mission
- Indicates direction of change
- Indicates directional and not incremental change.

3. Determine objectives for the draft goal statements – In determining objectives for the goal statements the SPT should consider the gaps clustered under the strategic issue from which the goal statement is derived and the causes for the gaps. The SPT should then identify the important gaps and formulate the desired future position on the gaps. This formulation can then be converted into statements of objectives that should indicate the area in which change is to be brought about and the direction of change. For example, to establish and implement audit methodology in line with international standards. The objectives statements under a goal should, taken together, enable the achievement of that goal. The objectives also need to be realistic and feasible.

The following diagram explains the relationship between mission, goals, objectives and projects



The linkage between these elements of the strategic plan can be drawn by using the questions ‘how’ and “why”. The mission is accomplished by achieving the goal, which is realised by meeting the objective, which is implemented through projects that consist of activities. In the reverse order the SAI undertakes projects for the achievement of objectives, which in turn lead to the achievement of goals and thereby the mission. Each element in the hierarchy must be directly relevant to the element above and the element below. This hierarchy also shows how one can go from a broad, overarching mission statement to a very specific and detailed project. It also shows the relevance of a specific project in the larger scheme of things

Please refer to the case study of SAI of Atlantis at Annexe B 2 to see a detailed illustration of this step of the strategic planning process.

4. *Workshop the draft goals and objectives statement* – The SPT should organise a workshop for middle management, heads of operational units, representatives of the staff and external stakeholders. At the workshop the draft goals and objectives statements should be presented and discussed thoroughly. This workshop should be facilitated by an expert facilitator who would be able to structure discussions, draw out ideas and opinions and capture the output of the meeting. In case it is not feasible to gather all the relevant players for workshops or meetings – a survey based on the proposals of the workshop or meeting could be sent out to gather responses from a wider audience.

5. *Modify the draft* – Based on the feedback from the workshop, or survey, the SPT should modify their draft goals and objectives

6. *Obtain Management concurrence* – The SPT should then obtain the Head of the SAI's and senior management's concurrence on the draft goals and objectives and finalise them. All internal stakeholders should be suitably informed of the process and products of this stage of strategic planning.

Checklist

The following checklist can be used to review the goals and objectives statements.

Goals & Objectives

- √ Do the goal statements adhere to the parameters agreed to?
- √ Are the objectives based on relevant clustered gaps?
- √ Have the causes of the gaps been considered?
- √ Are the objectives directly relevant to the goal?
- √ Are the objectives realistic?

Outputs

At the end of this stage the SAI would have a final version of goals and objectives of the strategic plan.

CHAPTER 9

DEVELOP PERFORMANCE MEASURES

What are performance measures?

“What gets measured gets done!”

For an SAI to implement, monitor and evaluate its strategic plan it is necessary to have in place a performance measurement system. Performance measures may be considered standards used to evaluate and communicate performance against expected results. They are:

- Indicators to track the performance of an SAI’s strategy;
- A way of measuring gaps, if any, in actual as compared to targeted levels of performance; and
- A means of measuring both organisational effectiveness and operational efficiency. To be accountable to our stakeholders

They help define and assess success. They help ascertain gaps, monitor progress and improve service delivery. More importantly, they help the SAI be accountable to its stakeholders.

In the strategic plan they are linked to the strategic objectives and help us in determining degree of success in achievement of the objectives and thereby the goals. For example:

| Objective | Performance Measures |
|--|---|
| To set up a performance audit function | <ul style="list-style-type: none"> √ No. of qualified staff assigned to performance audit vis a vis no. of staff required √ No. of staff trained in Performance Audit (PA) vis a vis PA training requirement. √ Development of PA manual in line with international standards within a given timeframe √ No of performance audit reports tabled |

In the above example the first three measures refer to the adequacy of the input, while the last measure refers to the output. In addition to these input and output

measures, outcome measures can also be written. For example, number of performance audit recommendations implemented.

As such an SAI can formulate input, output and outcome measures to measure the performance on its strategic plan.

Preconditions

- √ Mission, goals and objectives of the strategic plan;
- √ Knowledge of performance measures and how to formulate them; and
- √ Given the technicality of the matter, an expert's support may be required at this stage.

Who should be involved?

The SPT would be the core team determining the approach to developing performance measures. Since performance measures at the strategic plan level affect the entire SAI – all levels in the SAI must be involved in some way or the other in determining the measures. The strategic planning team must consult with management and staff across the organisation to arrive at realistic and manageable performance measures. As the strategic plan is ultimately designed at delivering value to the external stakeholders of the SAI, it is important to ascertain their perception of what the success of the strategic plan looks like. Writing performance measures can become quite technical and it may be advisable to get expert support either within the organisation or from external sources in the region or at an international level.

Process

STEP 1 – The SPT should distribute the goals and objectives to concerned operational units in the SAI.

STEP 2 – The heads of operational units should consult with their staff through meetings or workshops to come up with a set of performance measures for a given objective. In formulating measures the following components are necessary:

- The unit of the measure – Performance could be measured in terms of percentages, numbers, ratios, time, scores etc;

- Baseline – The baseline data on that measure is important. It enables the SAI to then set a realistic target. The extent of progress would then be the movement forward from the baseline;
- Target - The performance to be achieved. The target will depend on the current situation of the SAI and a realistic estimate of what is achievable. Expectations of stakeholders and international best practice are also important considerations in determining targets. It is important to have baseline data of the current performance of the SAI before fixing targets;
- Source of information – How, and from where, will information regarding the measure be collected. The information must be easily accessible; and
- Measure owner – Who will be responsible for gathering and monitoring information on the measure.

A worksheet for formulating measures is at Annexe A6 of this handbook. Besides the format of the measure, it is also important to remember that measures can be formulated to evaluate input, output and outcome. In the context of a developing SAI it is important to not only look at the input aspect but also to measure the output. Finally, it is the output and outcome measures that reflect the degree of success of the strategic plan. In areas where functions are being newly established or set up, it may be too early to develop outcome measures. e.g in the previous example of setting up a performance audit unit, developing an outcome measure such as number of recommendations implemented may be premature. However, an output measure should clearly be defined to ensure that the focus remains on producing results. Annex B2 on the SAI Atlantis case study contains a detailed example of performance measures

STEP 3 – The SPT should gather the measures devised by all operational units. The team should obtain the comments of the management team and external stakeholders through a workshop or meeting. It should then modify and refine the measures based on the inputs from these activities. In working on the measures the following points need to be kept in mind:

- As there is a cost to implementing a performance measurement system, it is better to have a few key measures that help the SAI determine success of the strategic plan;
- The ease and cost of data collection for each measure should be considered;

- It should be considered whether the measure will drive the desired behaviour in the organization. If a measure is not well conceived it may drive the wrong behaviour;
- Measures assess performance. It is therefore important to focus on the results or the output measures.
- If the measures are to be implemented, they should be carefully linked to a system of incentives and disincentives; and
- Provide for a system of periodic review of measures.

STEP 4 – Get the concurrence of the Head of SAI and senior management team on the modified performance measures for the strategic plan.

Checklist

The following checklist may be used to review performance measures:

- √ Are the measures directly linked to the objectives?
- √ Are the measures manageable and cost effective?
- √ Are the measures driving desired behaviour?
- √ Are the measures assessing performance and not just inputs?
- √ Has the SAI considered the method of data collection and verification for the measure?

Output

A set of performance measures for the strategic plan.

CHAPTER 10

DEVELOP IMPLEMENTATION MATRIX

What is an Implementation Matrix?

The implementation matrix is a bridge between the strategic plan and the operational plan. At this stage, the SAI identifies and prioritises the projects that need to be undertaken to achieve the goals and objectives of the strategic plan. The resources required for the projects, the people responsible for them, the timelines, the success factors and the risks involved are identified. The projects identified relate to the entire strategic plan period. There may be a difference of opinion on whether the implementation matrix should be developed as a part of the strategic plan or at the stage of implementing the strategic plan. It is recommended that an implementation matrix be developed as a part of the strategic plan. This will help the SAI in getting a realistic picture of the resources required for implementing the plan. It will also help the SAI in making the necessary submissions for budgetary resources and external funding, if required. The implementation matrix also gives the reader of the strategic plan a very detailed picture on how the plan will be implemented. For example:

Goal 1: Improve quality of audit services

Objective 1.1: Enhance audit methodology

1. Projects :
 - a. Update existing audit manuals;
 - b. Adapt regional manuals on performance and IT audit;
 - c. Develop audit manuals in performance and IT audit;
 - d. Train audit teams in implementation of manual provisions; and
 - e. Conduct pilot audits to test methodology.

Preconditions

Before taking up this stage the goals, objectives and performance measures need to be in place.

Who should be involved?

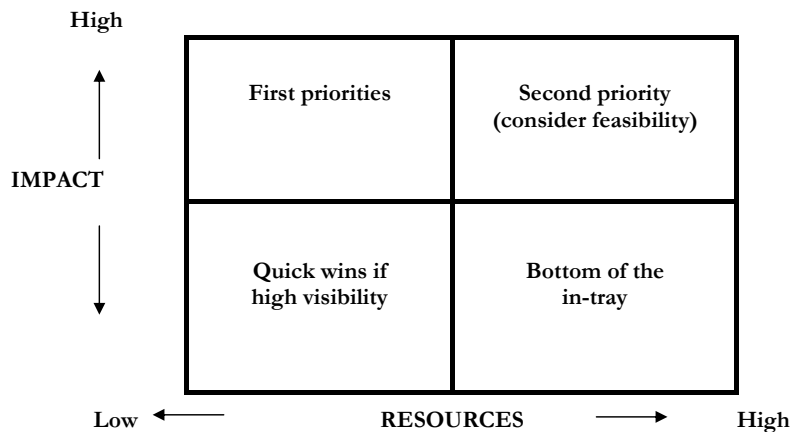
The SPT should coordinate this process, which would mainly involve discussions and inputs from the operational heads and their staff. The senior management and the Head of the SAI must be kept informed and must concur with the process. It is a good idea to invite outside stakeholders who may be providing resources, funds and other support for the implementation of the strategic plan. For example: in the case of an SAI where the strategic plan is entirely funded with budgetary support – the relevant stakeholders from the government should be invited to participate in this process. In the case of an SAI that seeks external funding and support from bilateral partners or multilateral agencies – the relevant stakeholders from these agencies should be involved in the process.

Process

The processes involved are as follows:

1. The SPT should send out the goals and objectives statements and performance measures agreed to in the previous stage to the concerned operational heads; and
2. The operational heads together with members of their staff, should then suggest projects that would be necessary to achieve the goals and objectives as per the performance measures.
 - √ **List projects** - A brainstorming process could be followed to list out all projects that can be undertaken to achieve the goal and its objectives. In listing the projects the timeframe for their completion, the resources required and the expected outputs from the projects should be stated.
 - √ **Prioritise listed projects** - The listed projects can then be prioritised on the basis of the following criteria:
 1. Degree of impact – In determining the degree of impact the following could be considered:
 - tangible results;
 - level of contribution to achievement of goals and objectives; and
 - high leverage potential that is, synergy with other projects.
 2. Resources - The resources would include funds and other resources such as human resources, infrastructure etc required.

The matrix given below may be used for prioritisation.



An illustration for prioritising projects is shown in the SAI Atlantis case study at Annexe B2.

Develop implementation matrix. – The prioritised projects should then be set out in an implementation matrix format. A suggested format for implementation matrix is at Annexe A7. In developing the implementation matrix, success indicators for the projects should be finalised. Success indicators are to a project what performance measures are to a strategic plan, they help determine whether the project has been successful or not. For example: to set up regional audit offices is a project, the success indicator for that project could be expressed in terms of the number of regional offices set up, the time frame within which they are set up etc. The success indicators at project level should be aligned to the performance measures for that goal or objective in the strategic plan. Responsible individuals must be identified for each project. They should be responsible for initiating the activity, managing its conduct and reporting on progress and achievements. The potential risks to the projects should also be identified at this stage.

3. The implementation matrices prepared by different operational units should then be consolidated by the SPT into one implementation matrix for the SAI strategic plan. The SPT should then consider resource requirements across projects under different goals and objectives. It is important that the SPT makes sure that all projects planned to meet an objective are adequate and comprehensive enough

to cover the objective of the strategic plan. Sequencing of activities is also a responsibility of the planning team. Some activities are dependent on others and not everything can be done at the same time. An illustration of an SAI implementation matrix is shown as a part of Case study of SAI Atlantis at Annexe B2.

4. The SPT should present the implementation matrix to the Head of the SAI and the senior management team for approval.

It will often take more than a year to carry out all the activities needed to fully cover one strategic objective. The column “Year of Achievement” in the Implementation Matrix (see Chapter 11) would give input to the operational plan.

To be realistic,, the number of activities and resources (human, tools, materials, money) required to carry them out is a constant challenge for any SPT. Set start and end dates which allow for enough time, indicate what and how much it would be possible to achieve during one year and what must be left over to later planning cycles. The planning team must also pay attention to possible hindrances that could confuse, delay or stop the implementation of the operational activities, and find the means to avoid such problems.

Checklist

The following checklist can be used to review the implementation matrix.

- √ Are projects directly related to the achievement of goals and objectives?
- √ Are timeframes for the projects realistic? Are they in the right chronological order?
- √ Have all resources required for the project been identified? Would it be feasible to find and provide the resources?
- √ Has specific responsibility been assigned for the project?
- √ Are specific outputs identified?
- √ Are success indicators identified? Are the success indicators aligned with performance measures the measures driving desired behaviour?

Output

The output for this step in the strategic planning process is an implementation matrix for all goals and objectives of the strategic plan.

CHAPTER 11

DOCUMENT THE STRATEGIC PLAN

What is required to document a strategic plan?

Working through the previous stages for the strategic planning process, the SAI has formulated vision, mission, values, goals, objectives and performance measures. These elements of the strategic plan need to be put together in a cohesive and attractive fashion. This is done at this stage of documenting the strategic plan. In documenting the plan the SAI needs to consider the contents of the plan – what should be included in the plan, the plan’s format and how it should be presented. The documented plan is the final product of the strategic plan development phase. It is the SAI’s main communication and marketing tool. It is important for the SAI to ensure that the plan is written in a language that is easily understandable to its stakeholders, that it provides the stakeholders with just the right amount of information on the SAI’s plans for the future. Annexe A8 contains a list of elements that could be included in a strategic plan document. The list is based on the strategic plans of several SAIs in the INTOSAI community.

Preconditions

This step in the strategic planning process assumes that the vision, mission, goals, objectives and performance measures for the strategic plan are finalised. Writing skills play a vital part in documenting the strategic plan. Proofreading, formatting and design competencies would also be required at this stage.

Who should be involved

- As with all previous stages, the SPT is responsible for the documentation of the strategic plan. If the SPT members have the required writing skills, they can document the plan themselves. They can also get assistance from internal or external sources to help them document the plan. The SPT would also need the assistance of a proofreader and a design specialist to proofread and design the layout of the plan document. Such help can be available within the SAI or can be sought from external sources. The SAI’s management has to approve the final draft.

Process

1. Determine the contents of the strategic plan document – Besides the core components of the strategic plan, different SAIs choose to provide different kinds of information in the strategic plan document. For example: organisational history, organisation chart, a message from the Head of the SAI, an executive summary, critical success factors etc. The SPT has to decide the contents of the strategic plan document, and in what sequence the contents should be presented. If the SPT decide to provide more information about the strategic planning process e.g. results of SWOT Analysis, gaps identified across domains etc, the SPT can include this material in annexes. It is better to keep the body of the plan short and simple.

2. Write contents - The SPT should write, or arrange to have written, those parts of the contents that had not been written earlier. For example, some description of each goal and objective, organisational history, executive summary etc.

3. Proofread and design layout - The completed draft strategic plan document should be sent for proofreading. The designer should then be called in to propose a layout design for the document. Providing a graphical overview of the vision, mission, values goals and objectives may be a good idea.

4. Obtain approval and print - A draft strategic plan should be developed by the SPT for the approval of the Head of the SAI. Once the draft has been approved the document can be printed.

Checklist

The following checklist can be used to review the strategic plan document:

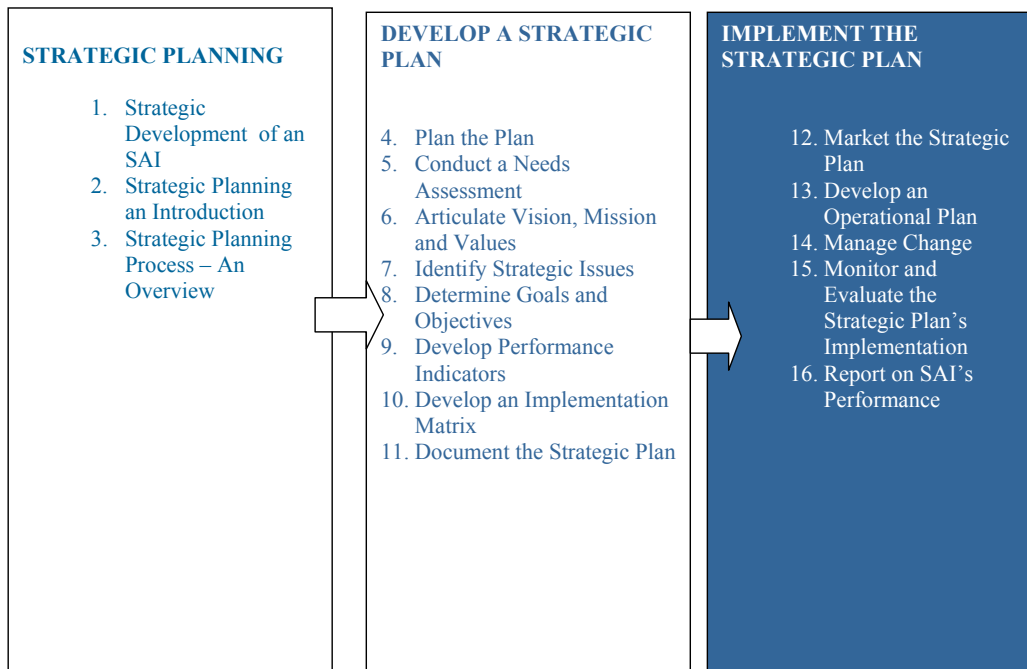
- √ Are all core elements of the strategic plan contained in the document?
Does the document convey the essence of the SAI's strategy?
- √ Is the plan document easy to read and understand for the stakeholders?
- √ Are the contents logically structured?
- √ Is the document visually attractive?

Output

A printed strategic plan document is the output of this stage and of the entire process of developing a strategic plan. With a strategic plan in place, the SAI now faces its next big challenge – implementation of the plan.

PART III

IMPLEMENT THE STRATEGIC PLAN



CHAPTER 12

MARKETING THE STRATEGIC PLAN

What is involved in marketing the strategic plan?

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. It involves determining to who the plan should be distributed and how the plan and its contents can be exhibited to the best interests of the SAI. Both the methods of marketing and the audience to be targeted are determined at this stage.

In order to implement this document, the SAI would need the support and involvement of its stakeholders. Stakeholders who have been actively involved in the plan's development process would like to see the final product. The printed plan would also be the SAI's communication tool with all its internal and external stakeholders. The process of marketing is important for the following reasons:

- To help create ownership and buy-in of staff within an SAI;
- To create an increase in awareness and understanding about the Strategic Plan;
- To help enhance the SAI's image and reputation;
- To help obtain support of external stakeholders; and
- To help in managing expectations of stakeholders.

Target Audience

The strategic plan document could be marketed to the following audience:

External Stakeholders

The plan could be marketed to the Public, Media, the Public Accounts Committee, Government, Donors, Audited Departments and Ministries, Service Providers, Professional Bodies, Regional Organisations, International Organisations

Internal Stakeholders

Management and staff of the SAI

How to market the plan

Before deciding on the marketing methods to be used the SAI should carry out a cost benefit analysis to ensure that the costs incurred are justified.

Printed plan – Printing the plan in an attractive layout and design could be one of the steps in marketing the plan. Some SAIs also print brochures of their strategic plan documents, for example, the IDI and AFROSAI-E have supported some SAIs in printing their strategic plans. The printed plans could be distributed to relevant stakeholders

Plan in an electronic format – The plan document could be placed on the website of the SAI. The SAI could also prepare small CD versions of the strategic plan.

Press releases on the plan

The SAI could issue press releases on the strategic plan. In many SAIs the unveiling of the strategic plan document is also a big event, where important stakeholders and media are invited.

Presentation at different forums

The SAI representatives could present the strategic plan and make copies available at different local, regional and international meetings that they attend.

Internal bulletins, notice boards, letterheads, posters, newsletters, magazines

The main elements of the plan must always be alive in the imagination of the staff. Different methods such as giving information on internal bulletins, posting information on notice boards, including key slogans on letterheads, putting up posters, writing articles on the plan in the SAI's newsletter or magazine could be tried out. Articles could also be published in regional journals and INTOSAI journal about the SAI's strategic plan.

CHAPTER 13

DEVELOP AN OPERATIONAL PLAN

What is an operational plan?

Developing an operational plan based on the strategic plan is an important step to ensure that the strategic plan is implemented in a coordinated and effective manner. The strategic plan must be converted into an annual operational plan, with a supporting annual budget. The purpose of the operational plan is to provide enough detail to keep everyone moving in the same direction with a common understanding of when and how far and how fast to move. Developing an operational plan is the process of determining the projects and actions to be undertaken during the year for the implementation of the strategic plan. The plan is generally developed annually and is tied in with the budget cycle of the SAI. Besides the strategic plan projects, an SAI would also have day-to-day operational issues that need to be planned. The SAI can develop one annual operational plan containing projects from the strategic plan as well as other projects that are necessary for day-to-day operations. Developing one consolidated operational plan will help the SAI to determine the allocation of resources across different areas.

The annual operational plan provides a detailed plan for the coming year. It includes the projects, activities, timelines, resources required, estimated budget, outputs, responsibility for the project and risks involved. The plan also involves a consideration of the source of resources and funds. The SAI can consider different ways of raising resources to implement the plan. For example: if the plan involves carrying out a QA review and the SAI does not have the internal capacity to conduct such a review, it may request its regional body (depending on the existence of such a mechanism in the region) or a bilateral partner to conduct such a review. A format for an operational plan is provided at Annexe A9.

Who should be involved?

Responsibility for developing an operational plans lies with the head of each operating unit. The relevant management structures in the SAI should be responsible for compiling an SAI wide operational plan. The SAI may also decide to continue with the SPT in a coordination role for the implementation of the strategic plan. If this

is decided by the SAI then the SPT needs to be expanded to be able to carry out this function. It needs to be emphasised that if the SPT continues, it should only play a co-ordinating role. The main responsibility for implementation of the strategic plan should lie within the line function of the SAI and all projects should be managed by the regular management structure of the SAI.

Process

1. Each department head must be provided with a copy of the strategic plan document including the implementation matrix and a format for developing the operational plan for their unit/department. The projects can be distributed on the basis of the responsibilities determined and the timeframes specified in the implementation matrix. The department heads and their staff are then responsible for developing an operational plan for their department. They should also include the other routine activities that they are responsible for in addition to the strategic plan projects. The plan should be submitted to the responsible management team member in the SAI.

2. After the receipt of operational plans of different units, the senior management team should meet with the heads of operational units and the SPT to consolidate the operational plan for that year. An illustration from an SAI operational plan is provided at Annexe B3.

3. The Head of the SAI would approve plan finalised at this meeting for implementation during the year.

4. The operational plan should be communicated internally and copies provided to managers and staff of the SAI. It is crucial that they are aware there is an operational plan which aims at specified contributions and achievements over a time-span of one year, how responsibilities are distributed, what is expected of units and individuals, and how and when to report on progress. The operational plan would normally be of interest only to a few external stakeholders, amongst them Parliament and Ministry of Finance. If external funding support is obtained, donors would normally require a copy of operational plans.

Checklist:

The following checklist can be used to review the operational plan document:

- √ Do the projects listed in the plan (relating to the strategic plan) match the prioritised projects in the implementation matrix?
- √ Are all details of the projects defined in the given format?
- √ Are the resources identified sufficient to achieve the outputs?
- √ Are the time frames realistic?
- √ Is it feasible to obtain the identified resources?
- √ Have risks been identified?

Output

At the end of the operational planning process the SAI will have a documented operational plan for one year, approved by the Head of the SAI and containing all information in the selected format.

CHAPTER 14

MANAGING CHANGE

What is change management?

Tony Manning, in his book ‘Making sense of strategy’ made a very pertinent observation when he said that ‘strategy *is* change management’. Strategic thinking is about visualising change from a current state to a desired future state. On the other hand, strategic planning is all about how to manage that change systematically, smoothly and effectively. Therefore, change management and strategy are two sides of the same coin. However, it is a common mistake to put strategy and change management in two different boxes.

As the term suggests, change management from an organisational perspective is the systematic process of managing the movement of the organisation from its current state to a desired future state (vision). There are two aspects to this change: *organisational change and people change*. One is the top-down perspective of management while the other is the bottom-up, non-managerial employee perspective. The former is referred to as *Organisational Change Management* while the latter may be called *Individual Change Management*

Organisational change management is the perspective of the top leadership looking down into the organisation. The focus is around broad management practices that will help the SAI understand, accept and support the business change. The emphasis is on organisation-wide communications, training and changing the overall culture of the organisation.

Individual change management is managing change from the perspective of the employees. The focus is around tools and techniques to help employees embrace and support the business change. Managers and supervisors need to provide the coaching required to help individuals understand how the change can benefit them and how they can contribute to the change process.

Strategic planning by an SAI is about organisational change since its purpose is to change the way it performs its business to move successfully forward from its current state of performance to its desired state described in its vision statement. Organisational change management is necessary for the SAI to be able effectively to address new issues continually emerging from a dynamic environment. Failing to

do so poses the serious risk of loss of the SAI's credibility and even the danger of it becoming redundant.

An SAI cannot possibly manage its organisational changes without involving its employees. After all, people not technology ultimately implement organisational change strategies. On the other hand, the employees may have any number of reasons for not embracing organisational change, thereby preventing the planned change. An SAI must therefore plan and implement people change strategies side by side with organisational change.

Most of this Handbook is about managing organisational change by adopting a systematic approach to strategic planning and implementation. This chapter will focus on the people side of change. Therefore, in the rest of this chapter, change management will refer to people change management. However, as mentioned above, SAIs should not make the fatal mistake of isolating and separating the two types of change management. Rather, people change management strategies must be seamlessly integrated with organisational change management strategies to make success a reality.

Managing individual change

Managing change at the individual level is the primary responsibility of the managers and supervisors. While there are various approaches to managing individual change, the ADKAR approach of Hiatt and Creasey may be considered by SAIs. The ADKAR model represents five sequenced stages that an individual goes through when embracing change:

1. **Awareness** of the need and organisation's reasons for change;
2. **Desire** to support and participate in the change;
3. **Knowledge** about how to change;
4. **Ability** to implement the required new skills and behaviours; and
5. **Reinforcement** to keep the change in place.

The above model captures how a single individual goes through change. Since individuals change at different speeds, it is very important for supervisors to be aware that not all individuals are necessarily at the same stage in the change process. Therefore, individual change management strategies should not treat the SAI as a homogeneous mass of people, all going through the change process at the same rate.

The ADKAR profile of an SAI or any of its functional units could be as follows:

| | | | | | |
|----------|-----------|--------|-----------|---------|---------------|
| Person A | Awareness | Desire | Knowledge | Ability | Reinforcement |
| Person B | Awareness | Desire | Knowledge | Ability | Reinforcement |
| Person C | Awareness | Desire | Knowledge | Ability | Reinforcement |
| Person N | Awareness | Desire | Knowledge | Ability | Reinforcement |

The diagram above brings out two issues: (a) different individuals may become aware of the need for change at different times, and (b) individuals go through the five stages at different paces. The awareness of these two issues is critical for supervisors to effectively manage individual change.

Using the ADKAR framework for effective change management communication

The timing and content of their change management messages should relate to the stage in which the individual is passing through and the pace at which the individual negotiates each stage. For example, if the supervisor communicates at the same time with persons A and N about their desire to support and participate in the SAI's new strategic planning process, staff member N may be quite confused or resistant because N is not even aware of the SAI's decision to develop a strategic plan. On the other hand, by that time staff member A has already passed through that awareness stage and is therefore ready to discuss willingness to participate in the process (or concerns about participating). Similarly, if the supervisor spends equal effort on persons B and C on the knowledge and skills required to implement the new strategies adopted in the strategic plan, they may face a lot of resistance from person C. Since person C requires more time to assimilate the desire to support the changes, they may not be a willing participant in the change process when person B is ready to learn the new skills required for implementing the new strategies.

Using the ADKAR framework for effective diagnosis of resistance to change and corrective action.

Resistance to change by individuals could be at any one or more of the five stages of the ADKAR framework. Corrective action should focus on the stage(s) which is at the root of the resistance. So for example, if an individual, or group of individual employees, are resisting changes required by the new strategic plan because they do not possess adequate ability to implement the new strategies, then the corrective strategies should focus on building their skills in that area. On the other hand, if resistance of another individual is because they are not aware of the business reasons for the change, then it would be quite ineffective if they were clubbed with the former group of individuals and provided skills training. Instead, steps have to be taken to create awareness and convince of the business imperative for the new strategic direction.

Managing organisational change

Like in any project management exercise, change management in an SAI at an organisational level can be based on three sequenced phases with steps within each phase, which are explained below. An overview of the process flow may be seen in the Annexe1.

1. Prepare for change

Defining the change management strategy will depend on a number of factors, including the scope of the change required by the strategic plan, readiness of the organisation for the planned change, internal strengths and weaknesses of the organisation and opportunities and external threats, resources available etc.

The change management team members should be selected and trained, if necessary, before creating detailed change management plans. The team's size will vary, depending on the size of the SAI and assessment of the above factors.

Every major management effort should have an executive sponsor, a person occupying a senior management position. While the change management team will be responsible for the day-to-day implementation of change management plans, the responsibility of the executive sponsor is to provide overall guidance and support to the change management team. The executive sponsor should possess the

authority to take high-level decisions and enjoy the trust and credibility of others in the SAI. Sponsorship models could be as large as a steering committee of key executives headed by the Head of the SAI or as small as one change management champion. The decision should be guided by the size of the organisation and the size and nature of the change demanded by the strategic plan.

2. Managing change

The change management team is responsible for developing various types of plans including the following:

- Communication plans;
- Coaching and training plans; and
- Resistance management plans.

Communication is a vital tool for change management. Communication planning should begin with a careful analysis of the audiences, key messages and the timing of those messages. The communication plan should address the needs of different levels of staff and management as well as different categories of key external stakeholders. It could be useful to categorise the “messages” under the following categories:

- The current situation and the change drivers creating the imperative for change;
- The desired situation which is reflected in the vision statement of the strategic plan;
- How the changes proposed in the strategic plan will affect the concerned people;
- Organisational strategies to address problems that the stakeholders may face as a result of developing and implementing the strategic plan; and
- The change schedule based on the period of the strategic plan and the timelines in the supporting operational plans.

3. Review progress and take corrective action

The change management team should closely monitor the progress of change occurring while preparing for and implementing the strategic plan. They should keep the executive sponsor informed how the changes are progressing and major concerns and resistance points, if any. This stage involves celebrating successes (often not given importance in organisations), collecting feedback from employees and

taking corrective action based on the results of analysis of the feedback. The change management team should keep their ears and eyes open to understand how the employees are embracing (or resisting) the change process driven by the strategic plan. Later during this phase, the change management team should take measures to transfer ownership of change management from the team to the organisation.

A strategic plan is more often than not a driver of major changes in an SAI's work processes, structures and culture. The best strategic and operational plans are almost sure to run into serious problems if the people side of changes required by those plans are not managed effectively. Ultimately, plans are implemented by the people in the SAIs. Therefore, it is critical that they embrace the required changes and put their hearts and minds into implementing the business changes described in the strategic and operational plans. Hence, the Head of the SAI must carefully manage both the organisational and individual aspects of people change if they are committed to the success of the strategic planning process. They must not make the fatal mistake of assuming that the right business change is enough.

Annexe 2 provides examples of some of the major contributors to success and failures in managing change by various organisations. SAIs would do well to take note of those while deciding on their people change management strategies during the strategic planning process.

CHAPTER 15

MONITOR AND EVALUATE STRATEGIC PLAN

Monitor and evaluate strategic plan implementation?

In the previous chapters, the process of developing and implementing the strategic plan has been discussed. During the implementation of the strategic plan it is necessary to monitor its implementation. Monitoring the strategic plan's implementation is a process of continuously keeping track of the different projects and activities that are taking place as a part of the implementation process. It also involves ascertaining whether the original plan requires adjustment because of major changes in the SAI's environment. Monitoring the implementation of the strategic plan has the following benefits: 1) It allows the SAI to track progress. 2) It enables the SAI to take preventive action or timely corrective action where matters are not going in accordance with plans, or in the light of changes in the environment.

In addition to keeping track of progress, it is also necessary to take stock. This is done through the process of evaluation. The SAI can evaluate both the process employed for the development of, and the results of the implementation of, the strategic plan. Evaluating the strategic plan development process is to ascertain whether the process followed by the SAI for developing the strategic plan produced the desired results, was efficient and suitably broad based. This evaluation provides a very good input into the next strategic planning cycle of the SAI. It also helps the SAI establish the strategic planning process and continue it at regular intervals. Evaluating the strategic plan's implementation helps the SAI determine its level of performance against identified performance measures. It provides information showing whether the SAI has been successful in implementing its strategic plan and whether the planned level of development and progress has been achieved. The lessons learnt recorded at this stage help the SAI in its future planning and implementation activities.

Who should be involved?

The responsibility for monitoring the strategic plan's implementation should lie within the line structure of the SAI. The most practical solution is, therefore, to integrate monitoring of the implementation of the strategic plan into the manage-

ment structure of the SAI. In those SAIs where strategic planning is a very new activity, the SAI may choose to have a team or committee responsible for monitoring the strategic plan's implementation. In such cases the co-ordination of this committee within the regular management structure is of paramount importance.

Evaluation of the strategic plan development process should be taken up by the SPT. While evaluation of the implementation of different projects should be reviewed within the respective line functions, the evaluation of the strategic plan as a whole may be considered by the committee set up for monitoring the progress of the plan.

Process

The SAI must determine and put in place the structure it desires to have for monitoring and evaluation. In doing so the following issues need to be considered:

- √ Parameters for monitoring and evaluation;
- √ Source of collection of data;
- √ Method of verifying data;
- √ Frequency with which data will be collected and analysed;
- √ Format for recording observations from the monitoring and evaluation process; and
- √ System for acting on differences and for communicating lessons to be learnt

Annexe A 10 provides monitoring and evaluating formats for the strategic plan's implementation. It is recommended that the SAI ensure that the data required is generated by the regular management information system in the SAI. Then monitoring of the strategic plan may be carried out through day-to-day supervision and meetings of the SAI's management. The evaluation of the strategic planning process can be carried out by collecting information from different stakeholders by using different tools such as surveys, interviews or focus groups. The method used for data collection will depend on the size of the SAI and the resources available. For example: in small SAIs it may be feasible for all staff to meet. In large SAIs a survey may need to be carried out.

Checklist

Monitoring

- √ Are the intermediate outputs and outcomes achieved?
- √ Are the SAI's assumptions regarding the environment still valid?
- √ In case of major differences from the intended results, what are the causes?
- √ Is the SAI able to overcome the causes?
- √ Should there be any adjustments to the plan?
- √ What corrective or preventive action needs to be undertaken and by whom?

Evaluation of strategic plan development process

- √ Was the strategic plan development process led from the top?
- √ Was the process broad-based?
- √ Will it be feasible for the SAI to carry out this process again?
- √ Was the process very resources intensive?
- √ Was there sufficient communication throughout the process?
- √ Was there sufficient involvement and participation of stakeholders in the process?
- √ Did the process yield good results? – a strategic plan document that was understandable and could be implemented
- √ What should be improved in the process and how?

Evaluation of the strategic plan implementation

- √ To what degree have the intended results been achieved?
- √ In case of gaps in achievement, what are the causes?
- √ In case of success stories, what worked well?
- √ What are the lessons learnt for future action?

Output:

The output of the monitoring process will be a record of the status of implementation and recommendations for preventive or corrective actions during the implementation of the strategic plan. The output of the evaluation of strategic plan process will be a report by the SPT on the process with recommendations based on lessons learnt. The results of the evaluation of the strategic plan's implementation will be an input into the next step – the SAI reporting its performance.

CHAPTER 16

REPORT ON SAI PERFORMANCE

What is reporting on SAI performance?

After evaluating the implementation of the strategic plan through the operational plan, the SAI should communicate the results of its evaluation to all internal and external stakeholders. This demonstrates the SAI's transparency and accountability. Reporting performance has the following benefit for the SAI:

- It strengthens accountability arrangements;
- It is an opportunity for the SAI to market its work to its stakeholders;
- The SAI can set a good example to its peers; and
- The SAI can share successes and challenges.

Many SAIs publish annual performance reports that are widely distributed to their internal and external stakeholders such as Parliament, PAC, the media etc.

A suggested contents for the SAI performance is at Annexe A 11.

Who should be involved?

The SAI's management is responsible for putting in place a system of collecting and validating information and reporting to relevant stakeholders.

Process

In setting up a system for reporting performance, the SAI's management should deliberate on the following issues:

- √ Purpose of the report and its audience;
- √ The format and contents of the report;
- √ Data gathering and validation system; and
- √ Frequency of the report.

The performance report should be widely circulated to internal and external stakeholders. The format and content of the report should be such that the report provides sufficient information to the stakeholders without being excessive. The information provided should be related to the SAI's achievements rather than its activities. The report should be written and presented in a manner that is easily understandable to its readers. Graphs and charts may be used to present information

or compare data. It is necessary to analyse the information presented. The report should mainly be based on the results of the evaluation stage carried out previously. It is important that the information presented in the report reflects a true and fair view of the situation in the SAI. After the report has been produced it should be distributed to the key stakeholders.

Checklist

The following checklist may be used to review the report:

- √ Does the report provide information on the planned objectives in accordance with performance measures?
- √ Are the shortfalls, their causes and corrective action planned reported?
- √ Is the report presented in an understandable language and format?
- √ Is the information in the report validated?
- √ Has the report been distributed to the relevant internal and external stakeholders?

Output

Report on the SAI's performance distributed to all relevant stakeholders.

CONCLUSION

Strategic planning is a key process in developing an SAI that the SAI's leadership needs to initiate. In order to be effective the process must be broad based and structured. There must be a team in place to drive the process. In developing a strategic plan it is essential to prioritise, to focus on results and to involve stakeholders. It is even more important to dare to dream and imagine a future and find a way for reaching it. The development of the strategic plan is only the beginning of the process that when consolidated reaches its conclusions through proper implementation, monitoring and evaluation. The importance of performance measures also has to be stressed. In keeping with transparency and accountability requirements an SAI should also report on its performance. Establishing the strategic planning and implementation process in an SAI is key to the sustained development of the organisation.

ANNEXES

ANNEXE 1

STRATEGIC PLANNING IN THE INTOSAI COMMUNITY

Introduction

The concept of strategic planning has been known and applied in the INTOSAI community for several years. Many countries SAI's introduced strategic planning in the last years of the 20th century, often as consequence of ongoing country specific public financial management reforms. Over a number of years the strategic planning concept was firmly rooted in INTOSAI and the first years of the 21st century have seen strategic plans come into existence at the global INTOSAI level, including its committees and working groups and the IDI, and regional bodies.

Strategic plans

The following is a list of strategic plans in the INTOSAI community, showing where they may be found.

Global strategic plans

INTOSAI Strategic Plan 2005-2010, www.intosai.org

IDI Strategic Plan 2007-2012, www.idi.no

INTOSAI Public Debt Working Group, Strategic Plan 2007-2012,
<http://www.intosaipdc.org.mx/>

INTOSAI Environmental Audit Working Group

Regional strategic plans

AFROSAI-E Strategic Plan <http://www.afrosai-e.org.za/>

ARABOSAI Strategic Plan 2007-20

ASOSAI Strategic Plan

CAROSAI Strategic Plan 2008-2011

OLACEFS Strategic Plan 2006-2010, www.olacefs.org.sv

(Website in Spanish language, see "Plan Estrategico 2006-2010")

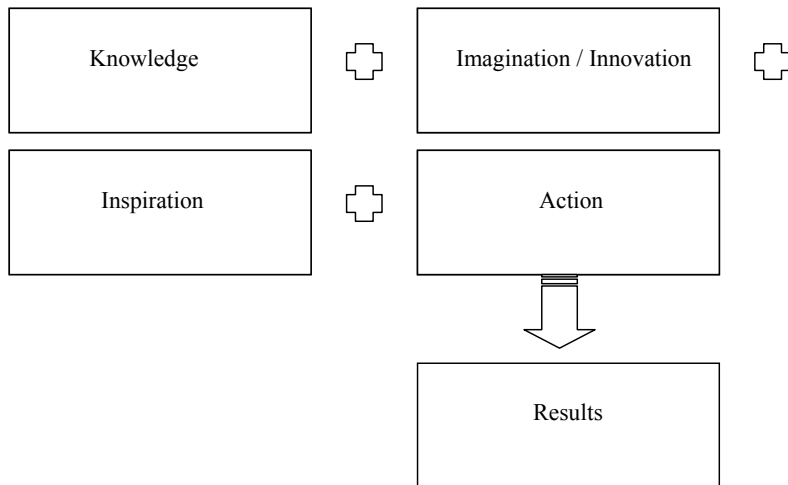
PASAI Strategic Plan

Individual SAI (country level) strategic plans

Many SAIs, across regions, have strategic plans in place. The shape and content varies as the plans often are designed to be in line with national circumstances and requirements. Many of these plans are available on the websites of the SAIs. Access to SAI strategic plans may be obtained via INTOSAI's [website www.intosai.org](http://www.intosai.org) which has links to the websites of the regions and many SAIs. The IDI website www.idi.no also provides links to some SAI websites.

ANNEXE 2 STRATEGIC LEADERSHIP

Process Flow for Strategic Leadership



Tips

- Structure drives behaviours! The SAI's organisational structure, processes and systems will influence the attitude and behaviours of their staff. The challenge is to change and use those mechanisms to positively influence and align the staff towards the strategic intent of the SAI;
- Remember the KISS principle (keep it straight and simple)! Avoid complex and expensive processes and be conscious of the cost benefit;
- Focus on actual and realistic needs that are aligned with your products and services;
- Always be mindful of the three D's (discovery, delivery and dialogue);
- There is always a need for a balance of reasonable expectations to create a favourable strategic environment, which also includes a sound balance between work and personal life;
- Delegate responsibilities and keep people accountable! There should be a strong emphasis on accountability amongst public sector auditors who must set an example for good governance;

- Walk the talk! Do not expect people to do what you are not doing yourself;
- Think out of the box! Do not limit the thinking to what is already known. Discover the world of the unknown;
- If you want to make a difference and ensure the successful implementation of your strategic plan, your people should be continuously aligned and empowered to get things done;
- Very little can be achieved by one person but by working together as a team mountains can be moved;
- Strategic leaders/managers should avoid getting involved in day-to-day operational matters. They should focus on the ongoing changing environment to ensure that the strategic goals and objectives are focussed on the desired future position of the organization; and
- More of the same is not what strategic leaders should be doing. Their role should be to focus their organizations on the future and keep them relevant;

ANNEXE A

FORMATS & WORKSHEETS

ANNEXE A 1– FORMAT FOR AN ACTION PLAN (WITH ILLUSTRATIONS)

Name of SAI: SAI of Atlantis

Date: May

| Milestones/ Activities | Responsibility | Time frame | Techniques | Resources | Output | Risk | Status |
|--|----------------|-----------------|----------------------------------|--|--|--|--------------------|
| Stage 2 Conduct Needs Assessment | | | | | | | |
| Appointment of CBNA team | Head of SAI | March | Office order | SPT to identify team and submit proposal | CBNA team | Find people with right qualificatio ns | Done |
| CBNA conducted | CBNA Team | April – June | To be decided by CBNA team | To be requested by CBNA team | CBNA Report | Availabilit y of resources. Ability to use data gathering and analysis tools | In progres s |
| Stage 3 Articulate Vision, Mission and Values | | | | | | | |
| Head of SAI and senior management team met with SPT | SPT | July | Facilitated Meeting | Needs Assessment Report, meeting venue and arrangements, facilitator | Draft Vision, Mission and Value Stateme nt | Non availability of all members | Yet to start |
| | | | | | | | |

ANNEXE A2

SAMPLE CONTENTS OF CBNA REPORT

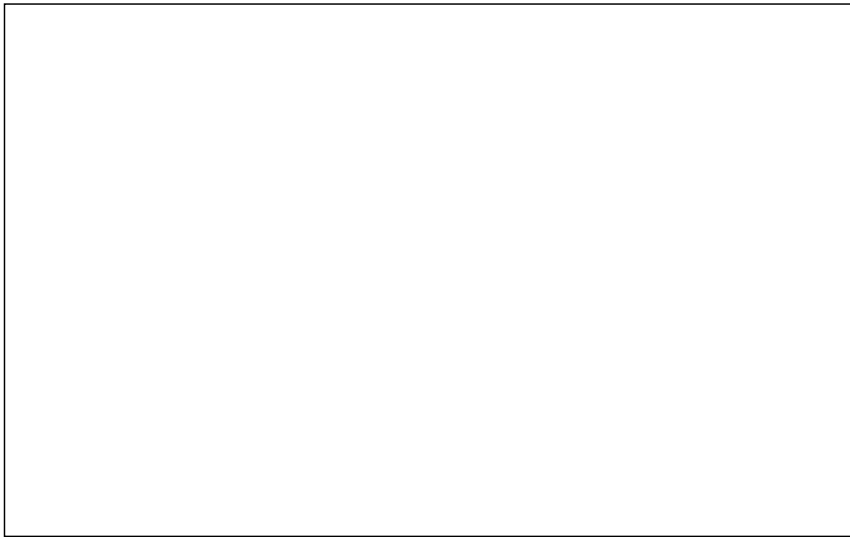
| | |
|---|--|
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| Domain 2: Human Resource | |
| Domain 3: Audit Methodology and Standards | |
| Domain 4: Governance..... | |
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| ANNEXES | |
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| Annex 7: Infrastructure’s Physical Observation Report | |
| Annex 8: List of Other Agencies involved in Capacity Building of Office of the Auditor General | |
| Annex 9.A: Output of the Focus Group Discussion- Senior Management..... | |
| Annex 9.B: Output of the Focus Group Discussion - Middle/Junior Management and non supervisory staff | |
| Annex 10: Performance Audit Topic Selection & Reported 2006 | |

ANNEXE A3

CREATE A VISION STATEMENT

Dare to dream the possible. What is your organisation's realistic but challenging guiding vision of success? (please write legibly)

WHAT DOES SUCCESS LOOK LIKE?



ANNEXE A4

CREATE A MISSION STATEMENT

- Draft a mission statement for your SAI (please write legibly)

STEP 1: Answer the following questions

| | |
|---|--|
| <p>What is the focus problem(s) that our SAI exists to solve? (In considering the focus problem or need, you might want to consider the following questions: 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?)</p> | |
| <p>What are the assumptions on which our SAI does its work?</p> | |
| <p>What is the purpose of our SAI? (A purpose sentence answers the question of why an SAI exists; it does not describe what an SAI does. The sentence should be a short, succinct statement that describes the ultimate result the SAI is hoping to achieve. When writing a purpose sentence, make sure to indicate outcomes and results [e.g. to eliminate homelessness], not the methods of achieving those results, which is what you do [e.g. by constructing houses].)</p> | |
| <p>What are the methods that our SAI uses to accomplish its purpose? Describe our business or businesses—our primary services or programs:</p> | |

STEP 2: Combine your purpose sentence and description of primary services/activities in a compelling mission statement:

ANNEXE A5

DETERMINE YOUR SAI'S VALUES

- Clarify your SAI's belief systems: What are some of the values, beliefs, and/or guiding principles that guide (or should guide) your management's and staff's interactions with each other and with the outside world?
- Practical impact: What behaviors should you commit to doing in everyday practice to support your values and beliefs?

| Clarify your organization's belief systems: What are some of the values, beliefs, and/or guiding principles that guide (or should guide) your management and staff's interactions with each other and with the outside world? | Practical impact: What are the behaviors we should commit to doing in everyday practice in support of our values, beliefs, and guiding principles? |
|--|--|
| | |
| | |
| | |
| | |

ANNEXE A6

FORMAT FOR A PERFORMANCE MEASURE

Performance Audit reports tabled annually

| Unit of measure | Baseline | Target | Source for data collection | Measure Owner |
|--|----------|--------|----------------------------|------------------------|
| Number of Performance Audit reports tabled | 0 | 2 | Report Section | Deputy Auditor General |

ANNEXE A 7

FORMAT OF AN IMPLEMENTATION MATRIX

| Goal | Strategic Objectives | Projects | Success Indicators | Year Of Achievement | | | Funding Source Amount | Responsible Person | Risk | Progress |
|------|----------------------|----------|--------------------|---------------------|--|--|-----------------------|--------------------|------|----------|
| | | | | | | | | | | |
| | 1.1 | 1.1.1 | | | | | | | | |
| | | 1.1.2 | | | | | | | | |
| | | 1.1.3 | | | | | | | | |
| | 1.2 | 1.2.1 | | | | | | | | |
| | | 1.2.2 | | | | | | | | |
| | | 1.2.3 | | | | | | | | |
| | 1.3 | 1.3.1 | | | | | | | | |
| | | 1.3.2 | | | | | | | | |
| | | 1.3.3 | | | | | | | | |
| | 2.1 | 2.1.1 | | | | | | | | |
| | | 2.1.2 | | | | | | | | |
| | | 2.1.3 | | | | | | | | |

ANNEXE A8

LIST OF COMPONENTS FOR THE STRATEGIC PLAN DOCUMENT

A strategic plan document may contain:

- Table of Contents
- Introduction by Head of the SAI
- Executive Summary
- Vision, Mission and Values
- Goals and Objectives
- Performance Measures
- Implementation Matrix
- Critical Success Factors
- Appendices
- Results of Stakeholder Analysis
- Results of Gap analysis
- Organisational Chart
- List of Acronyms
- Organisational History and Profile

ANNEXE A 9

FORMAT FOR AN OPERATIONAL PLAN

| Goal : To have in place a competent and motivated workforce | | | | | | |
|---|------|-----------------------|------------|--------|----------------|----------------|
| Objective : Strengthen Human Resource Management | | | | | | |
| Project | Risk | Success Indicators | Time Frame | Budget | Funding Source | Responsibility |
| 3.1.1 Develop a Human Resource strategy | Low | HR strategy developed | May 09 | 10 000 | Budget | Director HR |

ANNEXE A 10

FORMAT FOR MONITORING AND EVALUATION

| Performance Aspect | Planned Performance | Actual Performance | Level of Achievement (over / achieved / under) | Reasons for Performance level if under / over achievement | Actions planned |
|--------------------|---------------------|--------------------|--|---|-----------------|
| | | | | | |
| | | | | | |
| | | | | | |

ANNEXE A 11

CONTENTS OF SAI REPORT ON PERFORMANCE

Chapter 1: Foreword

The foreword should contain a summary of the purpose of the report, including legislation and other requirements (such as compliance with INTOSAI standards). It should be brief and should discuss other processes such as adherence to the institutional framework and strategic planning. A brief assessment of what action stakeholders might take on receipt of may also be considered.

Chapter 2: Executive Summary

The executive summary should be brief. It may contain both negative and positive aspects. If possible, an objective overall assessment can be made against:

- Prior year(s); and
- Strategic and operational plans.

Wherever possible assessment should take the challenges and phrase them as opportunities. This will demonstrate the future value to the stakeholders of lifting obstacles.

In addition, consideration of future issues that will catch the attention of stakeholders can be included.

Chapter 3: Introduction Covering Legal Framework and Mandate

The Introduction should state the legal mandate, including duties and functions of the SAI, relevant legislation, and any international guidelines. The information should also consider any significant changes in the future such as new legislation.

The vision, mission, values and overall objectives derive from a strategic planning document.

An overview of the SAI activities should be included. This will cover aspects such as:

- Number of regularity audits conducted;
- Number of performance audits;
- Percentage of all government entities audited by the SAI, by value and number;
- Number of qualified staff;

- Number of staff; and
- Number of audits performed by SAI compared with those outsourced.

Highlights of key financial information should be included. This may include:

- Percentage of budget spent;
- Donor funding received;
- The amount spent on capital equipment; and
- Ratio of audit to non-audit staff.

Chapter 4: Reporting on key performance aspects

For these categories it is vital to collect information using a systematic process. The steps identified below provide for such a process:

The process for reporting on the performance of a SAI

| Performance Aspect | Planned Performance | Actual Performance | Level of Achievement (over achieved/ under achieved) | Reasons for Performance level if under / over achievement | Actions planned |
|--------------------|---------------------|--------------------|--|---|-----------------|
| | | | | | |
| | | | | | |
| | | | | | |

The table below may be used to report on key performance aspects from the strategic and operational plans of the SAI.

Chapter 5 Analysis of Information and Conclusion

After completion of the template, the report will contain an analysis of the information collected. The type of analysis will vary depending on the nature of the information. The analysis must enable the SAI to conclude on the performance of the SAI for that year.

ANNEXE B

ILLUSTRATIONS

ANNEXE B1

EXAMPLES OF VISION, MISSION AND VALUES STATEMENTS

Vision Statements

- “To be an effective and efficient Supreme Audit Institution in promoting effective public accountability” – SAI of Uganda
- “Our vision is to take the leading role in the auditing profession in Zimbabwe” – SAI of Zimbabwe
- “To be an independent and proactive supreme audit institution which is responsive to the needs and expectations of the nation and keeps abreast of regional and global developments.” – SAI of Botswana
- “By December 2006, to be a respected, agile, merit-based and ethically transparent institution dedicated to assuring the productive stewardship of the investments of taxpayers and other stakeholders; and the safeguarding of the Citizen’s interests in the public sector.” – SAI of Sierra Leone
- “To help the nation spend wisely.” – NAO, UK
“To be an independent, efficient and effective audit institution that promotes public accountability and transparency.” – SAI of Eritrea
- “An independent audit office serving Parliament, widely respected for the quality and impact of our work.” – OAG Canada
- “A premier audit institution that promotes value for money in government operations and contribute towards good governance.” – SAI of Bhutan
- “We are the independent world-class provider of public sector audit and related value added services.” – SAI of South Africa

Mission Statements

- √ The IDI’s mission statement states that ‘ The IDI is a non-profit organisation that aims to enhance the institutional capacity of Supreme Audit Institutions in developing countries through needs based, collaborative and sustainable development programmes in INTOSAI regions and groups of SAIs to meet the existing and emerging needs of stakeholders.’

- √ “To audit without fear, favor or prejudice on the prudent and effective use of public resources and report to the Parliament and stakeholders for enhancing transparency and accountability in the government” - SAI of Bhutan
- √ “Providing independent and objective quality audit and related valued added services in management of public resources, thereby enhancing good governance in the public sector.” – SAI of South Africa
- “Our mission is to promote accountability through quality audit in the public sector and assure the nation that public resources are applied for purposes intended.” – SAI of Botswana
- “Our mission is to ensure Public Sector Accountability to Parliament.” – SAI of Zimbabwe
- “To audit and report to Parliament and thereby making an effective contribution to improving public accountability and value for money spent.” – SAI of Uganda
- “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.” – Government Accountability Office, USA
- “To promote the highest standards in financial management and reporting, the proper conduct of business and beneficial change in the provision of public services.” – NAO, UK
- “To provide reasonable assurance in the management of public resources by our independent and objective public sector audit services” – SAI of Eritrea

Values

- “Respect, Agility, Meritocracy, Relevant Ethics, Transparency, Dedication, Public Interest.” – SAI of Sierra Leone
- “Serving the public interest by reporting objectively, accurately and timely; meeting highest standards of professionalism, independence and integrity; performing its work with due regard to economy, efficiency, effectiveness and environmental protection using the latest technology; conducting audits in a

professional and ethical manner; maintaining open and continuous dialogue with the auditee; caring for its staff by treating people fairly, encouraging personal aspirations, growth and staff development.” – SAI of Zimbabwe

- “Accountability, Integrity, Reliability.” – Government Accountability Office, USA
 - “Co-operative spirit, integrity, looking outwards, making a difference, open communications, professional excellence, valuing individuals.” – NAO, UK
 - “Independence, Integrity, Objectivity, Professionalism, Commitment, Team work, Innovation and Continuous Development.” – SAI of Eritrea
- “Serving the Public Interest, Independence and Objectivity, Commitment to Excellence, Respectful Workplace, Trust and Integrity, Leading by Example.” – OAG Canada
- ”Integrity, Independence, Impartiality, People development, Accountability, Commitment, Excellence.” –SAI of South Africa

1. GAPS UNDER EACH DOMAIN

The table below shows gaps/needs found in the SAI of Atlantis under each of the eight domains.

| Independence & Legal Framework (IL) | Human Resources (HR) | Audit Methodology & Standards (AMS) | Governance (GO) | Corporate Support (CS) | Continuous Improvement (CI) | External Stakeholder Relations (ESR) | Results (RE) |
|--|---|---|--|---|---|--|--|
| The legal provisions related to financial and organisational independence of the SAI are inadequate. | The SAI has a shortage of skilled audit staff. The SAI does not have a career development policy and plan for its staff. | Existing audit manuals are dated and are not aligned to current international standards. The SAI lacks new methodology in such areas as performance audit, IT audit, forensic audit. | There are vacancies in critical top management positions. There is lack of delegation in the SAI. There is lack of adequate supervision of the audits conducted. | The budget provided by the government is inadequate for the SAI. The SAI is facing a serious shortage of space for its staff. The SAI occupies government premises. | The SAI uses training as the only means of professional development. The SAI does not conduct a needs assessment before preparing its training plan. There is no follow up on the training conducted. | The SAI is unable to meet the PACs expectation of carrying out performance audits. The SAI is unable to meet the government's expectation of auditing its new IT based financial systems. The SAI does not have a policy document on | There are delays in submission of audit reports. The SAI has not tabled any performance audit or IT audit report. There is lack of action on the observations of the SAI |

| | | | | | | | |
|---|--|--|--|--|--|---|---|
| <p>the head of the executive and not to Parliament.</p> | <p>for its staff. The remuneration package for skilled workers is not competitive. There are long delays in filling up vacant positions. The staff lacks good working conditions</p> | <p>prescribed in the manual and the procedure followed during audit.</p> | <p>system The SAI lacks internal capacity to take up strategic planning The SAI is not subject to an external audit and it does not produce a report on its own performance. The SAI has a QA manual which is not being implemented due to lack of trained staff. No peer reviews have been carried out in the SAI</p> | <p>The computers received from a multilateral donor agency have not been used due to lack of know how and IT support. The SAI has only one internet connection. The SAI does not have a canteen and a library. The dead stock in the SAI is not managed properly leading to blockage of space for productive use</p> | <p>There is shortage The SAI does not have a process for managing change when new systems are introduced. The SAI does not have a research function.</p> | <p>communicating with external stakeholders. The SAI's reports get very little press coverage. There is a huge backlog in reports by the PAC. The SAI is unable to accept audits of donor funded projects due to lack of capacity. The auditees perceive the SAI as a fault finding body. There is very limited public awareness of the mandate and functioning of the SAI.</p> | <p>The SAI is unable to provide adequate audit coverage. SAI reports do not meet quality standards.</p> |
|---|--|--|--|--|--|---|---|

2. The SAI of Atlantis articulates the following vision, mission and values statements

Vision

We are the preferred provider of audit and value added services for the benefit of the people of Atlantis.

Mission

The SAI of Atlantis is an independent external public audit body that aims to contribute to accountability and effective use of public resources by providing timely and professional audit services to its stakeholders

Values

Accountability, Transparency and Professionalism

3. Identifying strategic issues

Based on its mission and the inter-linkage across domains, the SAI clusters gaps under five main headings as shown below.

LINKING GAPS ACROSS DOMAINS

| Inability to provide Quality Audit Services | Need for independence and accountability SAI | Lack of personnel | Skilled | Inadequate organisational and management capacity | Image and impact of the SAI |
|---|--|---|---------|---|---|
| There are delays in submission of reports (RE) | The legal provisions related to financial and organisational | The SAI has a shortage of skilled audit staff.(HR) | | The SAI does not have a process for managing | There is lack of action on the observations of the SAI (RE) |

| | | | | |
|---|--|---|---|---|
| <p>The SAI has not tabled any performance audit or IT audit report. (RE)</p> <p>The SAI is unable to provide adequate audit coverage. (RE)</p> <p>SAI reports do not meet quality standards. (RE)</p> <p>Existing audit manuals are dated and are not aligned to current international standards. (AMS)</p> <p>The SAI lacks manuals and methodology in new audit areas like performance audit, IT audit, forensic audit. (AMS)</p> <p>There is a gap between the procedures prescribed in the manual and the procedure followed during audit. (AMS)</p> <p>The SAI is unable to meet the PACs expectation of</p> | <p>independence of the SAI are inadequate. (IL)</p> <p>The provisions relating to the Head of SAI do not guarantee his independence. (IL)</p> <p>The SAI reports are submitted to the head of executive and not to the Parliament. (IL)</p> <p>The budget provided by the government is inadequate for the SAI. (CS)</p> <p>The SAI is not subject to an external audit and it does not produce a report on its own performance. (GO)</p> <p>No peer reviews have been carried out in the SAI (GO)</p> | <p>There are vacancies in critical top management positions (GO)</p> <p>The remuneration package for skilled workers is not competitive.(HR)</p> <p>The SAI uses training as the only means of professional development (CI)</p> <p>The SAI does not conduct a needs assessment before preparing its training plan(CI)</p> <p>There training provided is no follow up on the training conducted. (CI)</p> <p>The SAI has inadequate welfare incentives for its staff. (HR)</p> <p>There are long delays in filling up vacant positions (HR)</p> | <p>change when new systems are introduced. (CI)</p> <p>The SAI does not have a research function (CI)</p> <p>The SAI is facing a serious shortage of space for its staff. (CS)</p> <p>The SAI occupies government premises.</p> <p>The SAI has only one internet connection. (CS)</p> <p>The SAI does not have a canteen and a library. (CS)</p> <p>The disused furniture and equipment in the SAI is not managed properly leading to blockage of space for productive use(CS)</p> <p>The staff lacks good working conditions (HR)</p> | <p>The SAI does not have a policy document on communicating with external stakeholders. (ESR)</p> <p>The SAI's reports get very little press coverage. (ESR)</p> <p>There is a huge backlog in discussion of SAI reports by the PAC. (ESR)</p> <p>The auditees perceive the SAI as a fault finding body. (ESR)</p> <p>There is very limited public awareness of the mandate and functioning of the SAI. (ESR)</p> |
|---|--|---|---|---|

| | | | | |
|--|--|--|--|--|
| <p>carrying out performance audits (ESR)</p> <p>The SAI is unable to meet the government's expectation of auditing its new IT based financial systems. (ESR)</p> | | <p>The computers received from a multilateral donor agency have not been used due to lack of know how and IT support. (CS)</p> | <p>There is lack of delegation in the SAI (GO)</p> <p>The SAI lacks a management information system (GO)</p> | |
| <p>There is lack of adequate supervision of the audits conducted. (GO)</p> | | <p>The SAI does not have a career development policy and plan for its staff. (HR)</p> | <p>The SAI lacks internal capacity to take up strategic planning(GO)</p> | |
| <p>The SAI has a QA manual which is not being implemented due to lack of trained staff. (GO)</p> | | <p>The staff are dissatisfied with the performance management system in the SAI.(HR)</p> | | |
| <p>The SAI is unable to accept audits of donor-funded projects due to lack of capacity.</p> | | | | |

4. Determine Goals

The SAI converts its strategic issues into goal statements

| | Strategic Issue | Goal Statement |
|---|---|--|
| 1 | Inability to provide quality audit services | To provide timely and high quality audit services |
| 2 | Need for independence and accountability in the SAI | To make the SAI independent and accountable |
| 3 | Lack of skilled personnel | To have an adequate and competent workforce in place |
| 4 | Inadequate organisational and management capacity | To establish a modern and effective organisation and management system |
| 5 | Image and impact of the SAI | To enhance the image and impact of the SAI |

5. Determine objectives

The objectives are determined by combining the gaps under the strategic issue

| | Goal Statement | Objectives Statement |
|---|--|---|
| 1 | To provide timely and high quality audit services | 1.1 To increase audit coverage by adopting a risk based audit approach 1.2 To establish and implement audit methodology in line with international standards 1.3 To set up performance audit and IT audit functions 1.4 To strengthen QA function in the SAI |
| 2 | To make the SAI of Atlantis independent and accountable | 2.1 To have in place new legislation for the SAI 2.2 To establish a system of reporting performance. 2.3 To have peer reviews of the SAI carried out periodically |
| 3 | To have an adequate and competent workforce in place | 3.1 To provide needs based, diverse and effective professional staff development measures 3.2 To introduce additional welfare measures for staff 3.3 To introduce a system of performance appraisal linked to incentives 3.4 To have a career development system in place 3.5 To develop and implement a strategy for recruiting and retaining qualified staff |
| 4 | To establish a modern and effective organisation and management system | 4.1 To enhance the existing infrastructure and facilities 4.2 To enhance management skills 4.3 To establish a management information system |

| | | |
|---|--|---|
| | | 4.5 To develop in house capacity for strategic planning and change management |
| 5 | To enhance the image and impact of the SAI of Atlantis | <p>5.1 To develop and implement a communications strategy</p> <p>5.2 To increase the visibility of the SAI and its work.</p> <p>5.3 To facilitate the strengthening of the PAC</p> <p>5.4 To strengthen audit follow up</p> |

6. Develop Performance Measures

Performance Measures can be

| Goal Statement | Objectives Statement | Performance Measures |
|--|--|--|
| 1 To provide timely and high quality audit services | <p>1.1 To increase audit coverage by adopting a risk based audit approach</p> <p>1.2 To establish and implement audit methodologies in line with international standards</p> <p>1.3 To set up performance audit and IT audit functions</p> <p>1.4 To strengthen QA function in the SAI</p> | <p>✓ % increase-decrease in the no. of audit reports issued on time.</p> <p>✓ Ratio of audits carried out to mandated audits.</p> <p>✓ No. of audit reports tabled for new areas of audit.</p> <p>✓ % increase in audit reports that are quality assured.</p> |
| 2 To make the SAI of Atlantis independent and accountable | <p>2.1 To have in place new legislation for the SAI</p> <p>2.2 To establish a system of reporting on performance.</p> <p>2.3 To have peer reviews of the SAI carried out periodically</p> | <p>✓ New legislation for the SAI approved and implemented by 2010</p> <p>✓ Annual performance reports submitted by SAI to relevant stakeholders</p> <p>✓ No. of peer reviews carried out in the SAI</p> <p>✓ % of peer review comments implemented by the SAI.</p> |
| 3 To have an adequate and competent workforce in place | <p>3.1 To provide needs based, diverse and effective professional staff development measures</p> <p>3.2 To introduce additional welfare measures for staff</p> <p>3.3 To introduce a system of performance appraisal linked to incentives</p> | <p>✓ % increase in level of staff satisfaction</p> <p>✓ % Decrease in qualified staff turnover</p> <p>✓ % Decrease in number of vacancies</p> <p>✓ Ratio of PSD programmes delivered to PSD</p> |

| | | | |
|---|--|---|--|
| 4 | To establish a modern and effective organisation and management system | <p>3.4 To have a career development system in place</p> <p>3.5 To develop and implement a strategy for recruiting and retaining qualified staff</p> <p>4.1 To enhance existing infrastructure and facilities</p> <p>4.2 To enhance management skills</p> <p>4.3 To establish a management information system</p> <p>4.5 To develop in-house capacity for strategic planning and change management</p> | programmes required. |
| 5 | To enhance the image and impact of the SAI of Atlantis | <p>5.1 To develop and implement a communications strategy</p> <p>5.2 To establish a public relations function in the SAI</p> <p>5.3 To facilitate the strengthening of the PAC</p> <p>5.4 To strengthen audit follow-up</p> | <p>✓ Degree of staff satisfaction with working conditions</p> <p>✓ No. of change management initiative implemented by the SAI</p> <p>✓ No. of qualified persons assigned to strategic planning function</p> <p>✓ Increase in formal delegation of power</p> <p>✓ Increase in the number of stakeholders that know about the SAI</p> <p>✓ Increased media coverage of SAI reports</p> <p>✓ % Increase in the number of SAI reports discussed by the PAC</p> <p>✓ % increase in the number of audit observations implemented</p> |

Prioritising projects under Objective 1.4 – Strengthen Quality Assurance function in SAI

The following options for training in QA are being considered by the SAI.

1. Send staff abroad for QA training
2. Train staff on the job through regional body
3. Contract private audit firms to do QA training

| | Project | Resource | Impact | Priority |
|---|--|----------|--------|----------|
| 1 | Send staff abroad for QA training | High | High | 2 |
| 2 | Train staff on the job through regional body | Low | High | 1 |
| 3 | Contract private audit firms to do QA training | High | Low | 3 |

After considering the resources required and the probable impact the SAI chose option 2 as the project to be entered in the implementation matrix of the strategic plan.

Annexe B 3
Illustration from an Operational Plan Document

| GOAL 3 | | | | | | |
|--|-------------------------------|--------------|------------------------------------|---------------|---------------------------------|---|
| TO TRANSFORM THE SAI FROM A GOOD TO A GREAT PLACE TO WORK | | | | | | |
| Objective 3.2 | | | | | | |
| To build team spirit through staff participation in common activities | | | | | | |
| Key Activities/ Projects | Success Indicators | Risks | Time Frame | Budget | Responsible Person | Progress as at 30 Apr 2008 |
| 3.2.1 To organise a Family Sports Day. | Staff participation | Low | August of each year | 5000 | Audit Fund | Family Sports Day for August 2008 is being organised. |
| 3.2.2 To organise social and recreational events for staff. | Social events held | Low | In April and December of each year | 5000 | Audit Fund | Some officers are participating in football tournament organised by the POWC whilst others are doing yoga and aerobics. |
| 3.2.3 To promote staff to participate in activities organised by the Public Officers Welfare Council | Number of staff participating | Medium | On going | Nil | Divisional Heads and Audit Fund | As and when activities are organised by POWC, staff is being encouraged to participate. |

GLOSSARY OF TERMS

Capacity Building

Strategic Development or Capacity building of an SAI implies the sustained development of the core skills and capabilities of SAIs to use their resources optimally and to deliver their mandate more effectively to create a desired impact.

Change management

Change management from an organisational perspective is the systematic process of managing the process of movement of the organisation from its current state to a desired future state (*vision*). There are two aspects to this change: *organisational change* and *people change*.

Critical Success Factors

Factors that have to be in place for the successful implementation of the strategic plan.

Domain

In the context of the capacity building needs assessment framework, the word domain has been used to denote an area or function to be considered in the development of an SAI. The CBNA framework looks at eight domains of an SAI.

Element

Element stands for sub-areas or functions under a domain

Goals

Goals are the ‘mini-purposes’ that collectively enable the achievement of the ultimate purpose stated in the mission statement and lead to the realisation of the SAI’s vision. The implementation matrix is a bridge between the strategic plan and the operational plan. At this stage the SAI identifies and prioritises the projects that need to be

Implementation Matrix

undertaken to achieve the goals and objectives of the strategic plan. The resources required for the projects, the people responsible for them, the timelines, the success factors and the risks involved are identified. The projects identified relate to the entire

strategic plan period.

Institutional Development

The institutional development aspect involves working within the institutional framework that defines the SAI. The institutional framework may be a formal legislative framework or informal traditions and culture in the SAI. It is important to look at both the formal and informal aspects while building the SAI's capacity.

Mission

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

Need Assessment

A needs assessment is the process of determining the current situation of the SAI, comparing it with the desired situation (according to international/regional best practices, its own future vision, environmental concerns) and determining the gap between the two.

Objectives

An objective is a precise and measurable result that supports the achievement of the goal. The objectives under a goal describe the way for achieving the goal.

Operational plan

Operational planning is about developing detailed plans for the implementation of the strategic decisions taken during the strategic planning process. Operational plans normally identify year-on-year projects or activities, and the corresponding budgets, necessary for achieving the objectives stated in the strategic plan.

Organisational Systems Development

Organisational systems development includes strengthening the processes and structures in an organisation to enable a more effective and efficient achievement of desired

objectives. These include systems in the core business area of a SAI - audit - as well as overall governance and support systems

Performance Measures

Performance measures are standards used to evaluate and communicate performance against expected results.

Professional staff development

Developing professional staff capacity is the continuous process of growth and learning by people at all levels – irrespective of their position. This process results in change or progression, as desired, to meet their individual and organisational objectives.

Quality Assurance

Quality assurance is the process that provides independent assurance to the Head of the SAI that the quality control systems and practices are working and the SAI is issuing appropriate reports.

Strategic issues

Strategic issues are arrived at by linking gaps across different domains of the CBNA framework. They are issues that directly affect the achievement of the mission.

Strategic Leadership

Strategic leadership is the ability to think, act and influence stakeholders in ways that promote sound practices in sustainable delivery of public audit services.

Strategic Plan

Strategic planning is a systematic process through which an organisation agrees on, and builds commitment among key stakeholders to priorities that are essential to its mission and are responsive to the environment. Strategic planning guides the acquisition and allocation of resources to achieve these priorities. It involves articulating a vision, mission and values statement that determines the strategic direction of the organisation and determining goals and objectives that describe how the organisation intends to achieve its vision and fulfil its mission.

Values

The values statement of an organisation makes explicit or reaffirms the guiding concepts, beliefs and principles of the organisation.

Vision

A vision statement is an expression of the future that the organisation seeks to create. Its foundations are reasonable assumptions about the future, influenced by the SAI's judgement about what is possible and worthwhile. A vision statement answers the question 'What does success look like?'

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