

IDI/ADB project 'Sustainable Performance Audit Practices in Asia and the Pacific' - Phase II

ENVELOPE 1

Strategic & Annual Audit Planning for Impact

What is a Strategic and Annual Audit Plan for Performance Audits?

The starting point of any performance audit (PA) practice is the Strategic Audit Plan (SAP). The ISSAIs require SAIs to select audit topics through a strategic planning process considering criteria like risk, significance, auditability, audit impact and audit capacities.

However, the PA practice in a SAI, does not sit in isolation. SAIs also conduct financial and compliance audits. IDI recommends that SAIs look holistically across their audit practices to determine the value they wish to deliver and the audit capacities that need strengthening to deliver this value. We see the SAP for Performance Audits as an integral part of the overall SAP of the SAI and linked directly to the overall strategy of the SAI. We would describe the SAP as - *a roadmap of a SAI's strategy of 'how' (methodology) and 'what' to audit (topics/themes) in the long and medium term (3-5 years) to achieve the SAI audit outputs and outcomes. It is based on the SAI's overall strategy and aims to fulfil SAI's audit mandate. A SAP balances available SAI resources while being responsive to stakeholder expectations, and significant current and emerging matters of public interest. It strategizes to address risks to audit quality and areas of good governance.*

The Annual Audit Plan (AAP) is then described as - *a detailed plan for how to operationalize the SAP for that year. It starts with revisiting and reflecting on the SAP, the risks identified and changes in the environment. An AAP strategizes to deliver the SAI audit mandate and the progress towards strategic audit outcomes. It involves deciding on the number and type of audits to be carried out, allocation of resources to each audit in such a way that risks are managed and the audit outputs and outcomes for the year can be achieved.*

Why should SAIs develop Strategic and Annual Audit plans for performance audits?

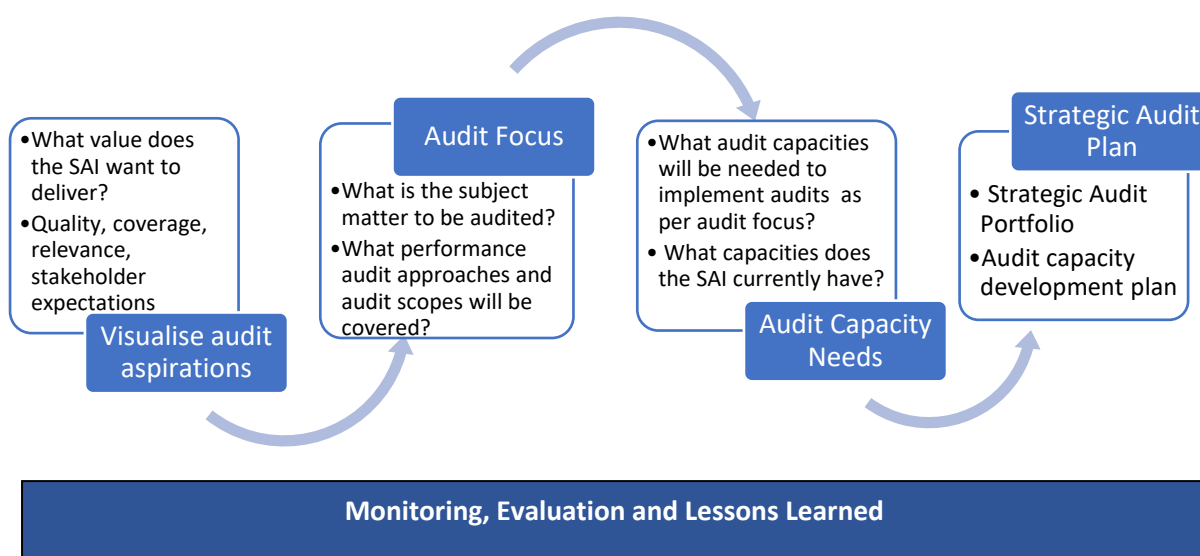
To be a **credible, trusted** body that demonstrates value, SAIs need to provide assurance that they follow the standards and that their audits have desired impact. This implies that SAIs need to **comply with ISSAI requirements** related to selecting audit topics as well as planning. Moreover, since the biggest risk in a performance audit is that the audit may not add value, SAIs constantly need to scan horizons, ascertain stakeholder expectations and create a dynamic portfolio of audit topics that are relevant in the national context. In order to be realistic and at the same time develop capacities to respond to emerging needs, SAIs also need to **plan for how they will develop audit capacities** to conduct audits expected of them. The strategic and annual audit planning process creates a robust framework for SAIs to make these decisions and the plans provide a roadmap that guides the SAIs work and helps in communicating with key stakeholders.

Effective planning enables SAIs to establish noteworthy **performance targets**. Clearly established and preferably – measurable performance targets play a vital role in **evaluation of SAI's effectiveness**. This aspect holds immense significance as it reassures stakeholders about the relevance and impact of SAI's work thus increasing trust in the SAI and enhance its reputation. This, in turn, not only helps the SAI to remain relevant but also facilitates obtaining additional resources to set more ambitious goals in making a difference in people's lives.

How can strategic audit plans and annual audit plans for performance audit be developed?

Developing high quality SAP and AAP for performance audits on regular basis requires robust organisational systems and competent professionals. The IDI has developed a model which can be adapted by SAIs in developing such audit plans.

We offer a dynamic, iterative process which starts with visualising the SAI’s audit aspirations or goals, determining audit focus, ascertaining capacities needed to carry out audits as per the focus, taking stock of audit capacity development needs and drawing up a SAP that includes a strategic audit portfolio and an audit capacity development plan to support the implementation of the portfolio. The two parts taken together would enable the SAI in reaching its audit aspirations. A monitoring, evaluation and learning framework would help the SAI in monitoring risks and actions for implementing the plan, measuring if their audits performed as per plans and the lessons learned that can inform the next planning cycle.



Such a SAP needs to be reviewed and revised on an annual basis through an AAP.

What support will IDI provide under this envelope ?

As a part of Phase I, SAIs would have identified their needs for sustainable PA practices. Those needs in the area of strategic and annual performance audit planning will be the starting point of the support.

1. IDI will help SAIs in analysing their current situation.
2. Deciding on actions to be taken for enhancing strategic and annual performance audit planning systems and capacities on a sustainable basis.
3. Help the SAI in developing a fit for purpose solution and piloting it.

The size, shape and timeframe of this envelope will be decided after detailed dialogue between IDI team and SAI top management and technical leaders.