

PLANNING FOR AUDIT IMPACT

A PLAYBOOK FOR SUPREME AUDIT INSTITUTIONS

Pilot Version 2024

ACRONYMS

AAP(s)	Annual Audit Plan(s)
ADB	Asian Development Bank
AG	Auditor General
CPMS	Check-Post Management System
CSOs	Civil society organisations
DAG	Deputy Auditor General
EIPV	Elimination of Intimate Partner Violence against women
FS	Financial Statement(s)
GDP	Gross Domestic Product
HR	Human Resources
IDI	INTOSAI Development Initiative
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
ISAM	IDI's SDG Audit Model
ISSAI(s)	International Standard(s) of Supreme Audit Institutions
KPI	Key Performance Indicators
LDCs	Least-Developed Countries
LNOB	Leave No One Behind
MEL	Monitoring, Evaluation and Learning
NAP	National Adaptation Plans
NDC	Nationally Determined Contributions
OECD	Organisation for Economic Co-operation and Development
SAI(s)	Supreme Audit Institution(s)
SAP(s)	Strategic Audit Plan(s)
SDG(s)	Sustainable Development Goal(s)
SIDS	Small Island Developing States
SoAQM	System of Audit Quality Management
SSMF	SAI strategic management framework
UN	United Nations
WTO	World Trade Organisation

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ABOUT THIS PLAYBOOK

In working on supporting SAIs in achieving greater audit impact, we soon realised that planning for audit impact is key. If a Supreme Audit Institution (SAI) does not visualise upfront the impact it wants to achieve and does not plan for it in a holistic and structured fashion, it will only be able to achieve impact on a random and casual basis. By planning for impact, the SAI can intentionally generate audit impact, thereby adding value and making a difference in the lives of citizens.¹

Recognising the significance of planning for impact, we have developed this Playbook: Planning for Audit Impact. The playbook has four key parts:

1. Discussion of key concepts related to planning for audit impact, including what is SAI audit impact, why does it matter, and the value chain of audit impact (Chapters [1](#) and [2](#)).
2. Description of our understanding of Strategic Audit Planning (SAP) and Annual Audit Planning (AAP), providing guidance on how to develop such plans (Chapters [3](#) and [4](#)).
3. The system needed to develop and implement the Strategic Audit Plan (SAP) and the Annual Audit Plan (AAP) (Chapter [5](#)).
4. A major part of this playbook is devoted to providing practical, hands-on guidance and tips for the steps presented in the playbook (Chapter [6](#)). After each step's discussion, we have provided a hyperlink to the specific related play (press "*Click to read Play...*").

The playbook does not focus only on producing one-off strategic and annual audit plans, but rather focuses on building a system so that the SAI has in place a sustainable practice of strategic and annual audit planning, which leads to enhanced audit impact. In speaking about audit planning, the playbook covers all three audit streams of financial, performance and compliance audits. It encourages SAIs to look holistically at their audit practices and take up strategic audit planning in an integrated fashion. It recognises the link between the SAI's overall strategic plan and the strategic audit plan (SAP) and the annual audit plan (AAP). The model also encourages SAIs to provide for flexibility and dynamism in their planning system, so that the audits stay relevant to the fast-changing local contexts and add value.

We chose to write a playbook² because there is no one given way of setting up and operating a system of strategic and annual audit planning. While the end goals of the process are the same, different SAIs will choose different approaches, which are fit for purpose for their context and capacities. While pointing to good practice and standards, where applicable, this playbook reflects on different ways and examples ('plays') of achieving the intended objective and provides considerations for SAIs to select fit for purpose solutions.

This playbook is mainly aimed at supporting SAI leadership and staff involved in strategic and annual audit planning at the SAI level. It will also be useful for INTOSAI regions and other development partners supporting SAIs with audit planning and facilitating audit impact. This playbook could also be useful to internal and external stakeholders of the SAI in understanding the dynamics of the audit planning process in the SAI and in reflecting on the role they could play in their process.

We acknowledge the valuable contribution of the resource team members from SAI Bhutan, SAI Trinidad and Tobago, and AFROSAI-E. We also acknowledge the feedback and contribution from SAIs Bangladesh, Bhutan, Mongolia, Nepal, Papua New Guinea, and The Philippines, which piloted this draft playbook as part of the 'Sustainable performance Audit Practices in Asia and the Pacific' initiative, supported by the INTOSAI Development Initiative (IDI) and the Asian Development Bank (ADB).

¹ INTOSAI P-12: The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens.

² In the world of sports, a playbook defines what needs to be done to win the game, breaking the team's strategy down into actionable plays and defining roles and responsibilities to be successful.

CHAPTER 1 | WHAT IS SAI AUDIT IMPACT?

1.1. Three aspects of audit impact

Before we discuss how to plan for SAI Audit Impact, it is important for each SAI to visualise the audit impact that they want to create. Following an extensive discussion in the INTOSAI community, the IDI arrived at the following description of SAI audit impact:

SAI audit impact is the contribution of the SAI's audit work to positive effects on people, especially those left behind, or at risk of being left behind, and the planet.

The description emphasises three key aspects. First, it visualises audit impact as the **contribution** of an SAI rather than attribution. We recognise that it takes several key stakeholders working together to create desired change and impact. While the SAI's audit outputs contribute to this impact, they cannot create impact on their own. Audit impact is a **'shared responsibility'**.

Secondly, it visualises audit impact as a range of **positive effects**. These effects can range from deterrence and better compliance to contributing to national outcomes and strengthening the culture of accountability in the public sector.

The third aspect of the description is its emphasis on the difference that SAI's audit work makes for the people and the planet, especially those left behind. This is very much aligned with the 2030 Agenda for Sustainable Development,³ and with the vision of INTOSAI P 12 on the value and benefits of SAIs, which puts delivering value to people of the country at the centre of SAIs' work. It also helps SAIs in answering the 'so what?' question related to their audit work and outputs.

Deterrence	Assurance	Ethical Behaviour	Compliance
Accountability	Transparency	Inclusiveness	Trust
Effectiveness	National outcomes	Service Delivery	Culture change

3 The 2030 Agenda is structured around 5 pillars: People, Planet, Prosperity, Peace, and Partnerships (A/RES/70/1).

1.2. Audit Impact of Financial, Performance and Compliance Audits

SAIs conduct three types of audits – financial audits, performance audits and compliance audits. Each of this audit type has a specific objective⁴. Each of these audits help the SAI in contributing value and benefits for people and planet in different ways, based on the objectives of the different types of audits.



1. Financial Audits



2. Performance Audits



3. Compliance Audits



Financial Audits

Financial audits provide independent reasonable assurance on the financial statements of public sector entities. They provide the users of the financial statements with audit information that ensures the accountability and transparency of financial information provided by those charged with governance. Government action on financial audit observations will lead to financial statements which present a true and fair view of the financial situation of the public entity, thereby enhancing the quality and credibility of financial information provided by the government. This will in turn enhance public confidence and trust in public financial management.

A **financial audit** focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework.

Positive effects of a financial audit

- A culture of accountability and transparency in financial management
- Enhanced financial reporting framework
- Improved financial reporting process
- Better fiscal discipline
- Credible financial information that can be used for decision making
- Timely preparation of financial statements
- Improved internal control systems
- Minimised accounting errors
- Builds trust in public institutions

⁴ ISSAI 100: Fundamental Principles of Public-Sector Auditing.



Performance Audits

Performance audits add value by providing insights and recommendations on the economy, efficiency and effectiveness of an entity, project, programme or a cross-cutting target or national outcome linked to the Sustainable Development Goals (SDGs). Performance audits have several positive effects. They provide detailed information on the area audited, thereby creating awareness and transparency. They ensure performance accountability of those charged with governance. They provide insights and recommendations for improving performance. Government action on a performance audit recommendation can contribute to better service delivery and better performing entities. Mainstreaming gender and inclusiveness considerations in performance audits can also lead to positive effects of the audits for those that are marginalised or left behind. In case of performance audits that take a whole-of-government approach to examine achievement of outcomes e.g. SDG implementation audits, the recommendations can lead to greater policy coherence and integration, enhanced means of implementation, better data frameworks and systems, better stakeholder engagement and ensure that government policies and actions are inclusive and don't leave those that are vulnerable or marginalised behind.

A **performance audit** focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency, and effectiveness and whether there is room for improvement.

Positive effects of a performance audit

- A culture that emphasises performance and value delivery of all government efforts.
- Visibility, awareness raising and insights into key matters of national significance.
- Enhanced service delivery.
- Contributes to effective, transparent, accountable, ethical, and inclusive public institutions, policies, and their implementation.
 - Contributes to better national outcomes.
- Builds trust in public institutions.



Compliance Audits

Compliance audits can add value in many ways, through their coverage, through the high-quality audit reports in the public domain, through recommendations leading to more transparent, accountable, and inclusive compliance frameworks, decision making and greater compliance with applicable authorities by those charged with governance. Through compliance audits, SAIs can ascertain if audited entities comply with transparency requirements. While publication of SAI's compliance audit reports leads to greater transparency, executive action on the recommendations made by the SAI lead to more transparent compliance systems in the longer run. Compliance audits can ensure accountability by having a deterrent effect through adequate and regular oversight on compliance with authorities, and compliance audit reports can help citizens. Holding those charged with governance to account and action on compliance audit conclusions and recommendations will lead to more accountable systems and actions by government in the future. Compliance auditors can check if the authorities, rules, and regulations that provide for inclusion in different areas are complied with by those charged with governance. For example, compliance auditors can check if the socio-economic scheme for beneficiaries from vulnerable groups is being implemented as per requirements and that the beneficiaries are genuine. Compliance audits can also comment on the extent to which inclusion considerations find place in compliance frameworks of the government. Compliance audits contribute to enhanced ethical behaviour in the public sector by providing oversight on the extent to which decisions are made in compliance with the requirements of an applicable code of ethics and making recommendations for improving compliance frameworks for ethics.

A **compliance audit** focuses on whether a particular subject matter is in compliance with authorities identified as criteria.

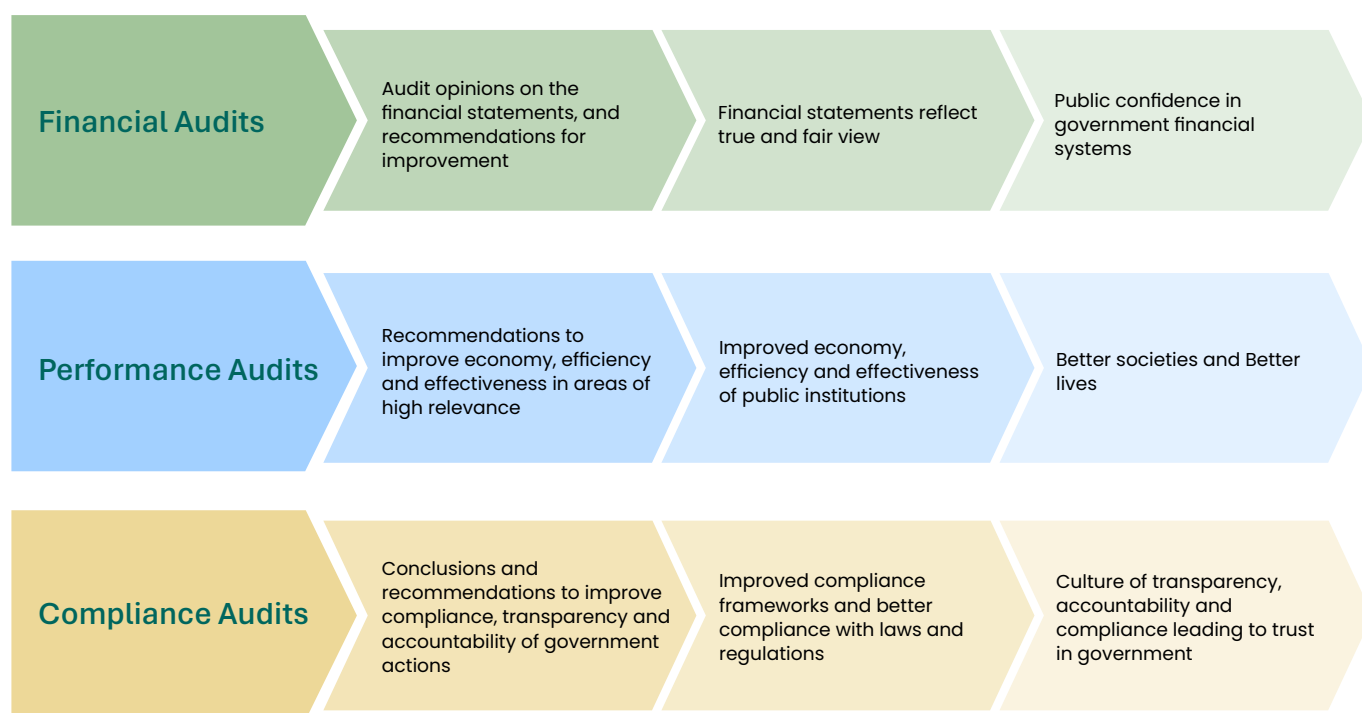
Positive effects of a compliance audit

- Acts as a deterrent to wrongdoing and non-compliance.
- Improves the culture of compliance to applicable rules and regulations.
- Improves ethical, accountable, and transparent behaviour of those charged with governance.
- Better internal control systems.
- Reduced instances of non-compliance.
- Leads to robust compliance frameworks.
- Reduces wastage and irregular government expenditure.
- Helps in preventing fraud and corruption.
- Builds trust in public institutions.

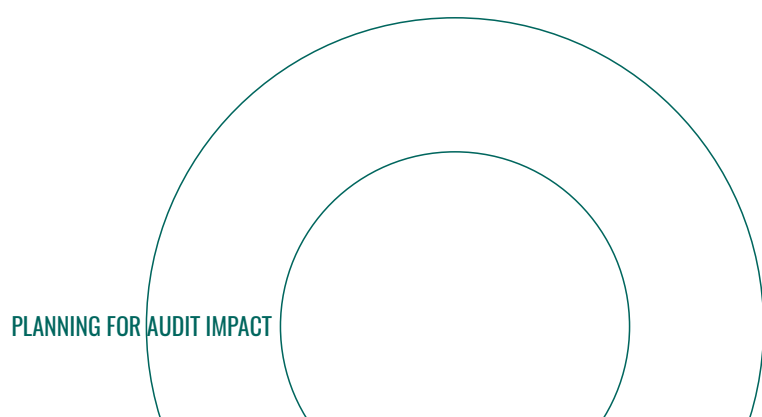
1.3. Value chain for delivering audit impact

The SAI strategic management framework (SSMF) as outlined in the [IDI Strategic Management Handbook for Supreme Audit Institutions](#) describes the value chain through which an SAI delivers value and benefits to citizens and the SAI environment that influences this value chain. The SAI starts out with defining the contribution to impact of the SAI on society. For an SAI to achieve its contribution to impact, it needs to identify and facilitate SAI outcomes. SAI outcomes are those medium- to long-term changes in society that the SAI can substantially contribute to, but which are still not within the full control of the SAI. Going further down the value chain, we come to SAI outputs. SAI outputs are those results that are within the control of an SAI, direct products of SAI processes and for which the SAI is mostly responsible. The SAI also has capacities which it mobilises to produce the outputs.

We can understand this by looking at the value chain through which SAIs deliver audit impact per audit type:



The value chain shows progressive positive effects of each audit practice at the SAI **output level** and at the SAI **outcome level**. The outputs, outcomes and contribution to impact illustrated in the diagram above are by no means exhaustive. While planning for audit impact it is important for each SAI to visualise the level and nature of positive effects they want to create through their audit work. The next chapters will provide further guidance on what an audit impact value chain may look like, including some tangible examples (plays).



CHAPTER 2 | WHAT IS PLANNING FOR AUDIT IMPACT AND WHY DOES IT MATTER?

In the previous chapter we have seen what audit impact is and how the different audit streams can contribute to audit impact. It is too late to think of such impact after the audit is done, as the possibilities of producing an impact are more limited then. If an SAI wants to achieve audit impact intentionally, it needs to plan for it in advance. Planning for impact is a systematic process for developing a Strategic Audit Plan (SAP) and an Annual Audit Plan (AAP) that create the envisaged audit impact. It involves building audit impact considerations throughout the planning process. In this chapter we will explore what a Strategic Audit Plan and an Annual Audit Plan are, and why having them matters for the SAI.

2.1 What is a Strategic Audit Plan?

A Strategic Audit Plan (SAP) is a roadmap of an 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's intended audit impact. It is based on the SAI's overall strategic plan and aims to fulfil SAI's audit mandate. An SAP balances available SAI resources while being compliant with the SAI's mandate and responsive to stakeholder expectations and significant current and emerging matters of public interest. It strategises to address risks to audit quality and areas of good governance.

An SAP typically sits one level of detail below the SAI's overall strategic plan. It specifically focuses on the SAI's audit strategy. SAIs may have different names and formats for such a plan. e.g. multiyear plan, rolling audit plan, long term audit plan, etc. While the names may differ, we recommend that the SAI's strategic audit plan reflect the SAI's decisions on the following four components:



Audit Impact Value chain

The audit outputs, outcomes and contribution to impact which the SAI aims at achieving through the strategic audit plan.



Strategic Audit Portfolio

The portfolio of financial, performance and compliance audits, the themes, trends or high priority areas to be audited, as well as follow-up audits that the SAI plans to take up to achieve the audit impact value chain.



Capacity Development Actions

Capacity development actions that the SAI identifies in order to have the capacity for implementing the strategic audit portfolio.



Monitoring, Evaluation, Learning (MEL)

- Risks and risk mitigation measures.
- Performance measures.
- Monitoring and evaluation actions.
- Process for learning lessons and acting on them.

2.1.1. Audit Impact Value chain

This component shows audit outputs and outcomes that the SAI plans to achieve during the SAP period and how these will contribute to audit impact. An SAI may decide to visualise such value for different audit streams or may want to include an overall audit impact value chain. The value chain may also be specific to a sector or issue that the SAI wishes to contribute to.

2.1.2. Strategic Audit Portfolio

The strategic audit portfolio of an SAI can contain the types of audits planned (financial, performance, compliance), the topics, themes, or trends to be covered e.g. climate change, digital transformation, poverty, debt sustainability, implementation of SDGs, etc. The portfolio may also provide for a certain percentage or number of follow-up audits. Under this component, SAIs will have to decide on the following aspects:

- Which matters of public interest the SAI will focus on the next 3–5 years when designing compliance and performance audits (e.g. focus on debt sustainability, climate action, digital transformation, equality and inclusion, disaster risk reduction, public health, economic development, etc.), and whether some of those matters will be addressed in financial audits⁵ to draw a full picture of them.
- How the SAI wants to distribute its resources in the audit portfolio (e.g. percentage of financial, performance, and compliance audits, number/percentage of follow-up audits, etc.).

The portfolio is a strategic piece of SAI's planning for the audit work, as it will guide the elaboration of the Annual Audit Plan (AAP), especially regarding audits to be undertaken and allocation of resources.

2.1.3. Capacity Development Actions

Capacity development actions for implementing the portfolio can include actions related to institutional, organisational systems and professional staff capacity. For example, the SAI may lack the mandate to engage with some key external stakeholders like civil society organisations (CSOs); the SAI may not be able to publish its audit report; the SAI may not have an approved methodology or guidance on conducting performance, compliance, or financial audits; an SAI may lack processes for competency development of its auditors; an SAI may want to leverage technology; etc.

Based on the SAI's audit impact value chain and the audits included in its strategic audit portfolio, the SAI will need to decide on the capacity development actions needed. Such actions will also depend on the resources that the SAI is able to mobilise. This is an iterative process.

2.1.4. Monitoring, Evaluation, and Learning (MEL)

This component includes collecting data and measuring performance on the implementation of the plans and the achievement of the audit impact value chain, as well as risk management and risk mitigation measures. It also includes provisions for learning lessons and acting on them. The Strategic Audit Plan could include risks related to resources to carry out the audits as planned, risks to quality of the audit, and risks that the desired audit impact may not be achieved. An SAI may identify performance measures related to the audit impact value chain including audit outputs as well as outcomes e.g. number of SDG audit reports published as per plans could be an output indicator, number of SDG audits meeting quality requirements could be a quality indicator, number of audit recommendations implemented could be an outcome indicator, and the contribution of the SAI to build a strong and resilient national public health system (linked to SDG Target 3.d) could be an impact indicator.

The SAP and its components are further explained in [Chapter 3](#).

⁵ This could be mentioned under 'Emphasis of Matter' or 'Other Matter' paragraphs in the auditor's report, or relating to other information, whether financial or non-financial, included in an entity's annual report (ISA 700–799).

2.2. What is an Annual Audit Plan?

The Annual Audit Plan (AAP) is a detailed plan on operationalising the SAP for a given year. It starts with revisiting and reflecting on the SAP, the risks identified and changes in the environment.

An AAP strategises to deliver the SAI's 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, and the timeline for individual audits.

An AAP typically sits one level of detail below the SAP and focuses specifically on short-term (annual) interventions. It includes decisions on:

- What are the outputs that the SAI will achieve in the year? These can include statutory audits, discretionary audits, follow-up work, and other pieces of audit work from across the audit streams. This may also include decisions about the focus and scope of audits.
- How does the SAI want to allocate its resources (financial, human, infrastructure) to maximise value?

The AAP is further explained in [Chapter 4](#).

2.3. Alignment with SAI's overarching strategic plan

The Strategic Audit Plan (SAP) and Annual Audit Plans (AAPs) need to be aligned with the overall strategic plan of the SAI. The SAP sits one level below the SAI strategic plan and focuses on the SAI's goals and priorities related to audits, by fairly detailing different types of audits and the audit topics to be covered. Therefore, the SAP needs more of a deep dive into the audit universe of the SAI.

The figure below illustrates the link and levels of the three plans, including their own purposes, horizon, and some examples of what they could contain.

	Purpose	Horizon	Example
Strategic Plan (overarching)	Long-term plan (3 to 5 or 6 years)	The overall strategy and vision of the SAI	Strategic Goal of 'Contributing to Sustainable Development Goals'
Strategic Audit Plan (SAP)	Medium- to long-term plan (3 to 5 year), aligned with Strategic Plan	The audit strategy and vision of what value the SAI wants to deliver through its audits	Audit Impact Value Chain includes audits of SDGs implementation linked to targets on climate change (SDG 13) education (SDG 4) and public health (SDG 3) leading to achieving national outcomes in these areas
Annual Audit Plans (AAPs)	Year 1 AAP	Detailed plan of what audits the SAI will do in the year with resource allocation	Year 1 AAP allocates a multi-functional team trained in auditing SDGs to audit of climate change adaption planning linked to SDG 13 during year 1

While SAIs need to have overall strategic goals or objectives related to audit in their Strategic Plans, we recommend that SAIs develop the Strategic Audit Plan (SAP) as a separate planning piece. Besides, the process of developing the SAP and the strategic plan can be concurrent.

In practice, SAIs may or may not have these three levels of plans as described above. We have seen that some SAIs reflect on their strategic audit portfolio as a part of their overall strategic plan, while other SAIs only develop AAPs for each year. Some SAIs also have a practice of developing SAPs for performance audits and other direct reporting engagements and go directly to annual audit planning for mandated financial audit attestation engagements. While practices may vary based on context and resources, we encourage SAIs to have in place Strategic Audit Plans and Annual Audit Plans as visualised in this playbook so that their audit plans enable them to intentionally achieve the envisaged audit impact.

2.4 System for Planning for Audit Impact

Strategic and annual audit planning cannot be a one-off action. To develop high quality plans on a regular basis the SAI needs to set up or strengthen its system for strategic and annual audit planning. This would require the SAI to decide on and put in place the following elements:



Organisational structure refers to the setup in the SAI for developing these plans. An SAI could decide on permanent or ad-hoc structures, centralised or decentralised structures, different size of the teams involved, levels at which people are involved. Defining the **process flow** involves drawing up the steps or stages that the SAI will go through to develop the plans. In defining a system, the SAI also needs to determine who will be involved, their roles and responsibilities and the competencies required in the planning process (the **people**). Such plans also need **resources** in terms of funding, technology, and infrastructure. We recommend that SAIs provide a system for engaging extensively with **internal and external stakeholders** if they want to have realistic, robust plans that have stakeholder buy-in for implementation. An SAI also needs to think of and put in place mechanisms for **managing the quality** of the plans.

Having in place a system helps the SAI to develop, implement, monitor, evaluate and learn from the SAP and AAP in a consistent manner, on a regular basis and in a timely fashion.

[Chapter 5](#) of this playbook provides detailed guidance on how SAIs can set up or strengthen such systems for planning for impact.

2.5. Why does strategic and annual audit planning matter?

We believe that SAI-wide SAPs are critical for high-quality and high-impact SAI audit practices. Having in place a system that generates an SAP and an AAP on a regular basis has the following benefits:

- As SAIs have limited resources, SAP and AAP help the SAI in evidence-based decision making to focus their efforts in areas of high priority which are most likely to yield the highest long-term impact and add the most value to the public.
- The SAP links SAIs' overall strategic plan to the audit practice and gives the SAI a longer-term perspective on how it wants to grow its audit practice and the intended audit impact that the audit practice will create in the long term.
- The AAP provides for judicious allocation of resources and helps the SAI in keeping its plans dynamic and relevant.
- Bringing together internal and external stakeholders in the planning process creates ownership and buy-in for implementation of the plan. It also makes the plans more realistic, integrated, and adherent to the national context of the SAI.
- The SAP links which audits the SAI intends to carry out (audit portfolio) with the capacity development actions needed to deliver such audits. As such, audit capacity development is aligned and implemented in line with the SAP and AAP.
- The SAP and AAPs help the SAI in demonstrating ongoing relevance to citizens, parliaments, and other stakeholders as visualised in INTOSAI P-12 Principle 5: Being responsive to changing environments and emerging risks.
- The SAP and AAPs also help the SAI in complying with relevant requirements of performance and compliance audit International Standards of Supreme Audit Institutions (ISSAIs) (see box below).

ISSAI 3000: PERFORMANCE AUDIT STANDARD

Planning – Selection of Topics

89) The auditor shall select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to identify audit risks and problems.

90) The auditor shall select audit topics that are significant and auditable, and consistent with the SAI's mandate.

91) The auditor shall conduct the process of selecting audit topics with the aim of maximising the expected impact of the audit while taking account of audit capacities.

ISSAI 4000: COMPLIANCE AUDIT STANDARD

Selection of Areas Significant for the Intended User(s)

Requirement

64) Where the SAI has discretion to select the coverage of compliance audits it shall identify areas that are of significance for the intended user(s).

CHAPTER 3 | HOW TO DEVELOP A STRATEGIC AUDIT PLAN

Strategic audit planning is a crucial component of strategic planning for SAIs, as auditing lies at the heart of the SAI's core activities. Developing a Strategic Audit Plan is an invaluable tool to intentionally plan for audit impact and take appropriate action before the audit report has been issued – actually, even before the audit has been started.

It is best practice for the SAP to be in harmony with the SAIs' overarching strategic plan. This synergy is particularly important when the SAP and the strategic plan exist as distinct documents, have different durations, or when the development of SAP is a newer initiative compared to the established practice of strategic planning.

Depending on the current state of their planning processes, SAIs may adopt either a top-down or a bottom-up approach. In a top-down approach, a well-crafted strategic plan with clear audit-related goals and objectives should guide the development of SAPs, ensuring that the audits contribute effectively to the strategic goals. Conversely, in a bottom-up approach, if the process of creating SAPs reveals that the audit-related goals in the strategic plan are outdated, SAIs should revise these goals to reflect the insights gained from their strategic audit planning.

Generally, there are **seven sequential phases** for developing, implementing, monitoring, evaluating, and learning from the implementation of the SAP. These will be discussed in the next sections of this chapter.

How and to what extent the SAI will go in each phase is a matter of judgement to be decided by the SAI considering its national context and current capacities. The following sections of this chapter describe what each of the phases involves and the different ways in which the SAI could carry out the activities of that phase.



3.1. Scan the Audit Universe

We recommend scanning the audit universe as the first step in the strategic audit planning process. A scan involves collecting and analysing information about the SAI's audit universe. Such information taken together will inform the SAI's decision making throughout the strategic audit planning process.

What is the “audit universe”?

The “audit universe” refers to the exhaustive range of public entities, sectors, governmental operations, processes, programmes, and initiatives that can be audited by the SAI. This includes all levels of government (national, federal, state, local, where appropriate), public sector agencies, government and donor-funded projects, and public enterprises.

By identifying and mapping the audit universe, and the factors affecting it, SAIs can effectively prioritise audit topics by pinpointing critical areas that are crucial for the country's governance, financial integrity, operational efficiency, and compliance with laws and regulations. This allows SAIs to focus their resources on areas with the greatest potential impact on public accountability, the effective use of public resources and contribute to the overall resilience and sustainability of the country, thereby leveraging the SAI's audit impact.

What does “scanning the audit universe” mean?

Scanning the audit universe refers to the systematic process whereby SAIs review and assess the comprehensive scope of potential audit areas and subject matters, including mandated audits in public entities as well as discretionary audits. This process involves evaluating the full scope of their audit mandate, which is defined by the legal framework of the country, to further identify and prioritise audit topics to be included in the SAI's audit portfolio. Some SAIs use different terminology for ‘scanning the audit universe,’ referring to it as ‘area watching’ or other equivalent terms.

Scanning the audit universe includes gathering and analysing information about the public entities that can be audited. However, it extends beyond these entities to include the overarching country risks and trends – such as economic vulnerabilities, environmental concerns, public health issues, and security threats – that affect the nation and the public sector as a whole.

Through scanning the audit universe, SAIs aim to understand the full range of high-risk areas under their mandate and analyse their relative importance and risks. Thus, SAIs can effectively prioritise critical areas that are crucial for the country's governance, financial integrity, operational efficiency, and compliance with laws and regulations. This approach allows SAIs to focus their resources on areas with the greatest potential impact on public accountability, the effective use of public resources, and to contribute to the overall resilience and sustainability of the country.

Scanning includes a thorough understanding of various critical factors – starting from revisiting the SAI's mandate and resources – to country and sectoral risks, societal demand for transparency and accountability, global trends, and emerging issues.

It is practical to customise the scope of scanning activities. It is not essential to exhaustively analyse every possible dimension. In instances where resources are constrained, SAIs might prioritise focusing exclusively on the risks directly associated with the audit mandate and entity level developments. Scanning the risks associated with the audited entities is a part of scanning external factors.

SAIs may also choose the questions they aim to address and the methodologies for doing so. For instance, when examining external factors, they may opt to gather information through engagement with key stakeholders or by conducting comprehensive analyses of specific areas.

A future-oriented approach is key to keep the focus on relevant issues towards generating audit impact and making a difference to the lives of citizens, as envisaged in INTOSAI P-12. A rapidly changing world requires increasing SAls' responsiveness to emerging issues, which may be strengthened by using strategic foresight approaches, such as 'horizon scanning' as a continuous activity.

Employment of 'strategic foresight' approaches: horizon scan on a continuous basis

The Organisation for Economic Co-operation and Development (OECD) defines strategic foresight as "a structured and systematic way of using ideas about the future to anticipate possible opportunities and challenges and better prepare for change," and it "uses a range of methodologies, such as **scanning the horizon for emerging changes**, analysing megatrends, and developing multiple scenarios, to reveal and discuss useful ideas about the future."⁶

Strategic foresight combines a variety of methodologies, tools, and techniques to gather insights about the future, including **horizon scanning**, scenario planning, trend analysis, and stress testing. Foresight is complimentary to forecasting (making prognoses based on current trends and data), as it allows to prepare for uncertainty and complexity associated with most policy environments. Foresight encourages a strategic mindset that goes beyond traditional risk-based planning, emphasising the importance of a future-oriented approach in a way that maximises public value and impact. Strategic foresight is a necessary input into any risk management processes, because it allows to identify and scope the variety of possible risks and cascading effects during crises.

In the context of strategic audit planning, SAls may use strategic foresight as a tool to strengthen the audit universe scan, especially by applying **systemic horizon scanning methods continuously** to timely identify potential risks, opportunities, and challenges that may emerge over the medium to long term (or even in the short term in very volatile policy environments), to inform decision-making and strategic actions. Foresight aims to enhance the resilience and adaptability of SAls by enabling them to proactively address future uncertainties rather than reactively responding to them.

Its full potential and application to inform SAls' planning and decision-making processes are still under exploration and development. When appropriately applied, strategic foresight can transform into a formidable asset for SAls, enabling SAls to provide enhanced support to governments, ensuring they are not just keeping pace but staying ahead of evolving demands and expectations.

Scanning the audit universe may include scanning of:

External factors

- Audit mandate
- Audited entity level developments
- Other external factors

Country risks

- Conventional scanning
- 'Strategic foresight'

Internal factors

- Capacity constraints
- Organisational issues

6 OECD, <https://www.oecd.org/strategic-foresight/whatisforesight/>

The following sections elaborate on the items shown in the illustration above.

3.1.1. Scanning external factors

SAIs might initially focus their scanning efforts on revisiting audit mandate and updating knowledge of their audited entities ([items 'a' to 'f' below](#)), as this approach is the simplest and least resourceintensive. Even though this approach may limit compliance and performance audits to the entity level, it serves as a practical starting point, allowing SAIs to build knowledge, skills, and experience. As SAIs progressively increase their scanning activities, including more external factors and country-wide risks ([items 'g' to 'j' and Section 3.1.2](#)), they may be able to undertake audits with a whole-of-government approach that address cross-cutting issues, such as SDG implementation audits, thereby broadening their audit impact.

Revisiting audit mandate and scanning audited entity level developments

When revisiting audit mandate and scanning the audited entity level developments, SAIs usually conduct risk, financial, and policy analysis related to their own performance and their audited entities' performance. As mentioned before, this is the minimum amount of scanning SAIs would conduct in order to strategise their audit work. After those aspects (reflected in [items 'a' to 'f' below](#)), SAIs will find the advice on how to approach more comprehensive scanning on other external factors and country risks, if there are resources and the desire to do so.

SAIs might seek answers to the following questions.

a. What is an SAI's mandatory audit and other work required by the law and that the SAI has no option but to do?

The audit universe is inherently linked to the mandate of an SAI, which is determined by the legal framework of the country (Constitution, law that regulates the SAI's mandate and/or other laws and regulations). Therefore, it is relevant to have a good understanding of the legal and regulatory framework that defines the SAI's scope of authority. Understanding the mandate is crucial for identifying the audit universe within which the SAI is legally permitted to operate. This involves:

- *Legal interpretation of the boundaries within which the SAI operates. For example, in scenarios where the law requires the SAI to conduct mandatory financial (and/or compliance) audits, it is important to examine whether there are specific parameters such as coverage, types, numbers of entities to be audited, or other factors that are open to interpretation and flexibility. Understanding these nuances is essential for effectively navigating the mandate and optimising the SAI's audit functions.*
- *Furthermore, the law may mandate SAIs to conduct performance audits without specifying the scope, areas, or entities to be audited. This grants the SAI the flexibility to determine the coverage of performance audits. SAIs might also consider not only the current scope or limitations of the mandate but also the potential for its modification, should the SAI wish to expand or alter its remit. This involves the feasibility of dialogue with legislative bodies, policy makers, and other relevant stakeholders. This also involves assessing whether modifications to the mandate could enhance the SAI's capacity, relevance, or impact. This consideration might include exploring the expansion of audit types, such as performance, financial, and compliance audits, extending the SAI's jurisdiction, or implementing other strategic steps.*

The following plays illustrate how SAIs may look at their mandates when making strategic decisions on their audit work.

Click to read:

- ▶ [Play 1: SAIs with financial audit mandates, having performance and compliance audits as discretionary engagements.](#)
- ▶ [Play 2: SAIs with financial and compliance audit mandates, having performance audits as discretionary engagements.](#)
- ▶ [Play 3: Flexible audit frameworks: SAIs deciding audit types and frequency while upholding financial oversight.](#)
- ▶ [Play 4: Interpreting legal framework and assessing impact of potential change.](#)
- ▶ [Play 5: Expanding the mandate of the SAI.](#)

b. How many and which public sector institutions are potentially subject to financial, compliance, and performance audits?

This entails conducting an inventory of public sector institutions potentially subject to the SAI's audits, differentiating between those mandated for regular audits and those where the frequency and scope of audits are at the SAI's discretion. SAIs could also have a mandate to audit bodies that are not entirely public but have a portion of their shares owned by state, regional, or local governments, such as State-Owned Enterprises (SoEs). These bodies should also be incorporated into the list.

SAIs may consider completing a basic table as follows:

No.	Audited entity	Financial audits / required frequency	Compliance audits / required frequency	Performance audits / required frequency
1.	<Name>	<Applicable, annually>	...	...
2.	<Name>	...	...	...
3.	<Name>	N/A	...	...
...	<Name>	...	...	...

The list of the audited entities in the template above could be structured per sectors (e.g. infrastructure, health, etc.), legal status (e.g. ministry, public enterprises, etc.), or any other parameter that best suits the national context.

Such a table might be used also for monitoring the frequency of different types of audits in individual audited entities throughout the duration of the Strategic Audit Plan (SAP).

Click to read:

- ▶ [Play 6: List of public sector institutions the SAI is mandated to audit.](#)

c. Are there instances where the SAI has been unable to meet its audit mandate due to capacity limitations or budgetary restrictions preventing outsourcing?

There may be instances where an SAI is legally required to conduct numerous audits in numerous public sector institutions, yet the national financial management authority and/or legislator have not allocated adequate resources for the SAI to meet its mandate, or there are other reasons why the SAI cannot meet its obligations as per the law. This could predominantly be applicable to financial and compliance audits.

In such instances, the SAI may find it beneficial, or even necessary, to compile an additional list or table to detail these discrepancies. This can be done either through a separate document or by adding an additional column to the table previously discussed ([see item 'b' above](#)). This document would serve as a valuable background resource when determining the SAP, as well as to demonstrate the gaps between the SAI's remits and actual capacities and to advocate for change.

Click to read:

► [Play 7: Inventory of mandated public sector audits with limitations noted by the SAI.](#)

d. What are the entity level developments in key public bodies?

The welfare of people is directly influenced by government policies, which are formulated and implemented by entities audited by the SAI. To pinpoint high-risk areas, explore potential non-mandatory audit topics, and prioritise forthcoming audits, the SAI might find it beneficial to gather more detailed information about these entities. Given that these entities are likely subject to mandatory financial and/or compliance audits, audit teams can leverage information and insights acquired from these audits to enhance their assessments.

The SAI might consider starting with assembling and evaluating information on the background, objectives, activities, plans, resources, procedures, and controls in the entities or areas concerned.

The SAI might consider exploring the following aspects:

- Which programmes or initiatives under the entity's responsibility carry the most significant financial weight or budgets?
- Which programmes or initiatives under the entity's responsibility have complex financial arrangements and/or new sources of income and expense?
- Has the entity recently undergone significant changes in management and operations (for example, launch of new and complex programmes)?
- Are there substantial risks of fraud, waste, and abuse within the entity's operations?
- Which areas under the entity's responsibility have remained unaudited, either recently or historically, and what are the reasons?
- How effective has the entity been in implementing recommendations from previous audits?
- What concerns or expectations does the public have regarding the entity's operations and services?

- Are media focusing on the entities' activities?
- What could be the potential consequences of not conducting an audit in each identified area?

The SAI can obtain relevant information and data from previous audits, usually financial audits. Conducting interviews with the public sector institution, engaging with internal auditors when available, consulting financial audit teams, and/or performing sample desk-checks of relevant documents are identified as the most effective methods for collecting entity-level information.

During financial audits (auditing financial statements of individual entities), the audit team compiles a report for those charged with governance. This report highlights control deficiencies, instances of abuse, concerns related to non-financial performance indicators, and deviations from regulations/legislation. These findings are comprehensively evaluated to assess their pervasiveness and underlying causes. There could be many issues identified as being of public interest and requiring further analysis, but they would extend beyond the scope of a financial audit, and thus could be further analysed during a compliance or performance audit. Therefore, the reports to those charged with governance are of critical importance in assessing the audit environment.

Click to read:

- ▶ [Play 8: Simple analysis of the potential audited entity](#)
- ▶ [Play 9: Elaborate analysis of the potential audited entity](#)

TIPS

To efficiently collect and organise information on audited entities, it is advisable to collaborate with audit teams experienced in financial, compliance, and performance audits within relevant entities and sectors. The designated unit or official overseeing strategic audit planning could consider drafting a standardised assessment template and methodology. This framework could then be distributed to audit teams, ensuring a cohesive and streamlined approach to data gathering and analysis.

e. What are the developments within the key public policies of the country?

The previous question generally addressed the developments in key public sector institution in terms of their status, functions, and operational performance. These institutions often play a pivotal role in formulating and overseeing the implementation of policies across various sectors of the national economy.

When conducting interviews with the relevant public sector institution and engaging with their internal auditors, SAIs may find it useful to also touch upon sectoral policies and, where feasible, to conduct some desk analysis of policy documents which can provide valuable insights.

For instance, identifying signals about inefficiency of certain policies and/or receiving unsatisfactory responses from public officials during interviews may prompt SAIs to review policy papers more

closely. This includes verifying the existence of implementation action plans, analysing whether the public entity monitors their implementation effectively, and checking whether these policies achieve their intended goals or merely exist without practical application. Such preliminary observations can critically inform the SAs' decision to conduct further audits on these topics.

Analysing relevant sectoral policies, which typically encompass assessments of the sector's current status, including prevailing issues and challenges, can be done by the SA itself, by monitoring media outlets, in particular those pursuing analytical journalism, engaging with stakeholders such as parliaments, CSOs and other sources, and last but not least, looking at reports from authoritative sources such as reports by UN agencies, the IMF, World Bank, regional development banks, etc.

SAs may choose whether to evaluate individual sectoral policies or government planning documents covering all sectors, for example, 5-year planning documents along with budget reports, long-term plans of the government such as Vision 2030 and others.

SAs can undertake this analysis by themselves. However, in case of resource constraints they can also refer to results of media monitoring, especially outlets known for analytical journalism, engage with various stakeholders like parliaments and CSOs, review country reports to donors and other international stakeholders, authoritative reports from international bodies such as United Nations (UN) agencies, the International Monetary Fund (IMF), World Bank, and regional development banks.

Click to read:

- ▶ [Play 10: Example process of sectoral policy scanning](#)
- ▶ [Play 11: Sectoral policy scanning through analysis of a single long-term plan of the government](#)

f. Which policies, programmes and/or systems exhibit a cross-cutting nature, thereby facing increased risks of challenges in successful implementation?

In exploring audit-relevant external factors, it is also recommended to **identify those policies, programmes, and systems that span across multiple sectors or domains**, as their expansive reach often exposes them to greater risks of implementation. These cross-cutting initiatives necessitate meticulous examination under a whole-of-government approach to evaluate their feasibility, coordination demands, and potential obstacles to effective execution.

Therefore, SAs pursuing more sophisticated compliance and/or performance audits, which involve evaluating cross-cutting issues across multiple audited entities, may need to extend their review beyond the operational information and sectoral policies typically drafted by the entities themselves. While this approach will require additional resources, it has the potential to significantly enhance the audit impact. The analysis could involve:

- *Policy review:* this would build on the work already done when analysing individual sectoral policies where the aspects going beyond the mandate of the public body had been identified.
- *Use of analytical frameworks:* SAs might choose to apply analytical frameworks that assess policy coherence and integration across different entities, programmes, and systems. Tools such as policy mapping can help identify intersections and potential overlaps between different sectors of public administration.
- *Discussions with public bodies and other stakeholders:* engagement in discussions and collaborative efforts with multiple ministries to gain insights into policies, programmes and

systems that have broader implications beyond their primary sector as well as organising consultations with a broad array of stakeholders, including Non-Governmental Organisations (NGOs), is beneficial in supporting desk analysis.

Click to read:

- [Play 12: Analysing the cross-cutting initiative of establishing a primary school network.](#)

Scanning other external factors

In addition to audit mandate and audited entity level developments, there is a range of **other external factors** – including but not limited to global trends, technological advancements, the readiness of stakeholders to engage in the audit process, and the societal demand for audits – that affect audit priorities and approaches. For scanning these other external factors, the SAI might seek answers to the following questions.

g. How ready are SAI's stakeholders to engage in the audit process and what are their expectations?

Examining national policies across programmes, sectoral policies, and entities, or in other words, conducting whole-of-government audits, necessitates stakeholder engagement as a fundamental prerequisite.

SAI's stakeholders include Parliament, sub-national legislatures, government executive authorities, other accountability institutions, civil society organisations, non-governmental organisations, business associations, development partners and donors, academia, external experts, professional accounting and auditing bodies, general public, media.

This involves answering such questions as:

- *Who are the stakeholders for our SAI?*
- *Are stakeholders aware of the role of SAIs and their audit impact potential?*
- *What is the current level of engagement of key stakeholders in the audit process?*
- *What are the specific expectations stakeholders have from the audit process and how do they perceive the value and outcomes of audits?*
- *What are potential opportunities to increase stakeholder engagement in the audit process?*
- *How will the SAI preserve its independence when engaging with stakeholders?*

During the strategic audit planning process, it is advisable to update the list of SAI's stakeholders to register what the SAI's interaction with them in the previous years was like, as well as to include new stakeholders in the list.

Click to read:

- [Play 13: Mapping the SAI's stakeholders.](#)

h. What are the SAI's options and methods to engage with stakeholders in its national context?

During the strategic audit planning phase stakeholders generally have a consultative role.

The SAI can engage with its diverse stakeholders efficiently through a multi-channel approach tailored to the needs and preferences of each stakeholder group. This approach could include the following methods:

- *Direct consultations: Holding meetings with key stakeholders like Parliament, government executive authorities, other accountability institutions and non-governmental stakeholders to directly gather their insights and priorities for audits.*
- *Targeted surveys and questionnaires: Deploying surveys or questionnaires tailored to specific groups such as academia, professional bodies, and business associations to gather insights on areas of concern and potential audit topics.*
- *Public forums and workshops: Organising thematic forums and workshops that bring together stakeholders from civil society organisations, non-governmental organisations, and the general public to discuss issues of mutual interest and gather suggestions for audit topics.*
- *Digital platforms for engagement: Creating user-friendly digital channels, such as dedicated email addresses, hotline numbers, and social media profiles, to facilitate the easy submission of audit concerns or initiatives by individuals and organisations. These platforms should be widely publicised and accessible.*
- *Stakeholder advisory panels: Establishing advisory panels comprising representatives from various stakeholder groups, including development partners and donors, to provide ongoing feedback and suggestions during the audit planning phase.*
- *Interactive webinars: Hosting webinars on topics of current interest, leveraging external experts and academia to provide insights while also collecting input from a broader audience through live Q&A sessions.*
- *Open data initiatives: Sharing preliminary audit areas and potential topics through open data platforms or the SAI website, inviting public comment and input to ensure transparency and inclusiveness in the audit planning process.*

By leveraging these diverse methods, SAIs can ensure a broad and inclusive consultation process, enabling the efficient collection of valuable information from stakeholders. This multi-faceted approach not only enriches the strategic audit planning process with a wide range of perspectives but also fosters a sense of ownership and accountability among stakeholders, enhancing the relevance and impact of the SAI's work.

Click to read:

- ▶ [Play 14: Engagement with stakeholders during strategic audit planning – scenario example for resource-constrained SAIs](#)
- ▶ [Play 15: Engagement with stakeholders during strategic audit planning – scenario example for well-resourced SAIs](#)

i. What is the public's appetite for audits, and how does this shape audit focus?

This involves answering such questions as:

- How informed is the public about the SAI's role and its potential of generating audit impact?
- How interested is the public in audit activities, findings, and recommendations?
- What types of audits and which audit topics generate the most public attention and engagement?
- Are there specific areas or issues where the public is demanding more transparency and accountability?
- Are there any obstacles to better align audit strategies with public interests and concerns?

SAIs might conduct surveys or review documents that measure public interest in audit activities, organise focus group discussions or public forums. SAIs might also review media coverage of past audits to learn about public interest in different types of audits and audit topics. Moreover, SAIs might monitor social media platforms for discussions and trends indicating public demand for transparency in specific areas.

Click to read:

► [Play 16: Understanding public appetite for audits.](#)

j. What are the latest technological advancements relevant to audit practices, and how can they be integrated?

In an era where technology rapidly evolves and reshapes professional landscapes, understanding the latest technological advancements relevant to audit practices and exploring ways to integrate them into current methodologies is crucial. This involves answering questions such as:

- What are the latest technological tools and software being used in public sector audit?
- Which emerging technologies (like artificial intelligence, blockchain, or data analytics) have potential applications in auditing?

For the latest tools and software in auditing SAIs might look at Industry journals and Tech reports, while for insights on emerging technologies they might attend technology conferences and seminars.

- How relevant are these technological advancements to SAI's specific audit needs and challenges?
- Which aspects of SAI's current audit processes could benefit most from these technologies?

SAIs might choose to consult resources from professional audit associations and/or peers for potential benefits of technology in audit processes.

- What additional competencies will auditors need to effectively use these technologies and are there experts or consultants who could assist in SAI's learning exercise?

SAIs might seek training workshops and webinars offered in the market and/or engage with experts for advice on skill development.

Click to read:

- ▶ [Play 17: Integration of technology within the audit processes in a resource-constrained SAI](#)
- ▶ [Play 18: Integration of technology within the audit processes in a well-resourced SAI](#)

3.1.2. Scanning country risks

Scanning for country risks enables SAIs to identify and prioritise audit areas most vulnerable to shifts in both the national and international landscapes, thereby raising potential threats and opportunities that may influence public sector performance and accountability. It includes analysing risks based on existing conditions and historical data, providing a solid base for immediate risk management efforts.

a. How can the country's economic stability be evaluated?

Grasping the current state of the national economy is crucial for SAIs because it provides a macroeconomic backdrop against which the financial and operational performance of public entities can be assessed. It helps SAIs identify areas of potential financial risk and opportunity within the public sector, ensuring that audits are aligned with the broader economic context and can effectively prioritise areas needing oversight. This involves answering such questions as:

- *What is the current state of the national economy? What is the current situation of the main indexes that reflect the national economy, and how have they evolved in the last years?*

SAIs can utilise government economic reports, national budget documents, financial statements, and national policy outlines. Publications from the Central Bank, including monetary policy and financial stability reports, along with data from statistical agencies on Gross Domestic Product (GDP) growth, unemployment rates, and inflation, offer comprehensive insights. Reports from international organisations, such as UN agencies and regional development banks, can also be useful in this scan. Additionally, media coverage and expert analyses can provide additional perspectives on economic conditions.

- *Are there any significant economic challenges or risks, such as inflation, recession, or unsustainable debt levels?*

SAIs can turn to reports from international financial institutions such as the IMF or World Bank, which provide evaluations of economic health and potential risks. Credit rating agencies and Central Bank publications offer insights into credit risk and economic forecasts, while economic research institutes and 'think tanks' analyse broader economic risks and challenges.

- *What are the major industries and sectors driving the economy, and how are they performing?*

SAIs may look at reports and surveys from industry-specific associations; government economic reports and data for sector-specific analyses and performance reports; academic research for studies focusing on specific industries or economic sectors; international economic data for comparative analysis with global economic data to understand the performance of key sectors.

To optimise resource use and simplify the process, SAls can rely on the expertise of reputable sources. This approach ensures that strategic audit planning is both comprehensive and achievable, allowing SAls to make informed decisions without being burdened by the complexity of economic analysis.

b. What are the current global economic and political trends, and how do they impact the country's policies, economy, natural resources, and international relations?

Understanding global economic and political trends is a manageable task that can significantly inform the strategic focus of SAls, ensuring their audits are relevant and aligned with both domestic and international dynamics. Here is a simplified approach to tackling these areas.

- Analysing prevailing global economic trends:

SAls can gain valuable insights into global economic conditions by consulting reports from authoritative sources such as the IMF and World Bank, as well as regional development banks. Additionally, publications from platforms like the World Economic Forum offer forward-looking analyses on global economic trends. Exploring specialised journals on global trade and economics can also provide a deeper understanding of how these trends may influence the national economy.

- Considering the impact on strategic sectors and external trade:

To understand the effects of global economic movements on the country's strategic sectors and trade, SAls can refer to data and analyses from the World Trade Organisation (WTO) and regional trade organisations. National reports that evaluate the influence of global trends on critical industries and trade sectors, along with forecasts from economic policy institutes, can offer insights into potential impacts on the national landscape.

- Identifying international commitments and pressures:

Investigating the country's international commitments and the influence of global pressures on national policies can be achieved by reviewing reports from the Ministry of Foreign Affairs or similar bodies. These documents outline international obligations and engagements, while key agreements from international organisations like the UN or WTO provide context on commitments in areas such as trade, environmental standards, and human rights. Websites of such international treaties and conventions are also valid sources of information on the commitment of countries, international goals and targets, and their frequent reports regarding the implementation of such agreements.

- Gathering information about the impact of climate change in the country:

The countries' economies, societies, and natural resources are being hit differently by climate change effects, such as sea level rise, biodiversity loss, floods, drought and desertification, etc. Moreover, plans for mitigation and adaptation to climate change may affect the national economic growth and development goals. Relevant information to be gathered in this regard includes the country's Nationally Determined Contributions (NDC), its National Adaptation Plans, and where the country sits in the global context, considering Small Island Developing States (SIDS), Least-Developed Countries (LDCs), the lists of Annexes I or II of the United Nations Framework Convention on Climate Change (UNFCCC).

c. What is the current state of corruption and governance in the country, and how do these factors impact various sectors and institutions?

Understanding the landscape of corruption and governance in the country is fundamental for SAIs to assess whether public resources are used efficiently and ethically, and if the environment is favourable. Pinpointing sectors with heightened corruption or mismanagement risks is crucial for directing SAI efforts towards audit impact. This involves answering such questions as:

- What is the perceived level of corruption across sectors and public entities?

SAIs can access a wealth of information on this front from Transparency International's Corruption Perceptions Index and related reports, which provide a global overview of corruption levels.⁷ Additionally, national anti-corruption bodies (e.g. judiciary, prosecution offices, parliamentary commissions, police department), media investigations, and public surveys offer tangible insights into corruption within various sectors, making the task of identifying corruption hotspots both straightforward and data-driven.

- Are there sectors or institutions known for higher risks of corruption or mismanagement?

This can be achieved through reviewing international watchdog reports which highlight vulnerable sectors, such as those from the World Bank. SAIs can also draw upon their own historical audits for recurring issues, supplemented by sector-specific studies, media coverage, and academic research.

- Are there mechanisms of internal control in place?

The governance of the public sector involves many mechanisms for accountability and transparency, including internal control, which can provide valuable information for SAIs through reports of internal control bodies/committees of the public institutions, as well as by interviewing their staff.

d. What are the prevailing social issues and public sentiments in the country, and how do they influence public trust and expectations towards governance and institutions?

Tackling social issues and their impact on public trust can be approached methodically by SAIs, making this task both manageable and impactful. Here's how SAIs can engage with this process without feeling overwhelmed.

- Identifying pressing social issues or public concerns:

Assessing public concerns about social issues is a foundational step for SAIs to ensure their audits are aligned with societal needs. Easy-to-access public opinion surveys, reports from civil society organisations (CSOs) focusing on critical areas like poverty, health, education, and human rights, along with news and social media analysis, provide a rich tapestry of information.

- Evaluating the impact of government's performance on public trust in the public sector.

7 Corruption Perceptions Index of 2023 available at <https://www.transparency.org/en/cpi/2023>

Understanding how government's performance affects public trust in the public sector is crucial for SAIs aiming to enhance governance and accountability. Through surveys measuring public trust, academic research, and 'think tank' reports that explore the correlation between the government's performance and public trust, SAIs can gain insights into public perceptions. This knowledge enables SAIs to focus their audits on areas that could improve public confidence in government entities, therefore aiming for audit impact.

- Identifying sectors or areas of significant social dissatisfaction:

Pinpointing sectors or areas with notable social dissatisfaction helps SAIs target their efforts where they are most needed. Information from law enforcement on social unrest and human rights organisation reports provides a comprehensive view of social tensions. SAIs can engage with community groups or local CSOs to understand specific areas of discontent and/or consider reports from international organisations that monitor social stability globally.

Click to read:

- ▶ [Play 19: Public sentiment and governance: An example survey by an SAI.](#)

3.1.3 Scanning internal factors

Besides external factors, there are internal factors that affect the feasibility of the SAI's ambitions towards overseeing its audit universe. This subsection brings some reflections to consider about the SAI's internal factors.

a. What is the quantity and quality of resources that the SAI can allocate to carry out audits and other tasks?

A realistic evaluation of the SAI's resources, including staffing, expertise, budget, and technology, is crucial. This assessment determines the SAI's capacity to undertake various audits and influences the scale and depth of potential audits.

During the audit universe scanning phase, the SAI may not yet have even a rough estimate of the required resources. Nonetheless, it is crucial to **identify potential strategies for resource acquisition at this early stage**, which includes both evaluating existing resources and identifying potential opportunities to acquire additional resources and expand the SAI's capabilities. This broader approach includes:

- Assessing the SAI's existing resources, such as staffing levels, expertise, budget, and technology, to understand its current capacity for undertaking audits on various subject matters.
- Optimising resource allocation through more efficient processes, reallocating resources to higher priority areas, or adopting new technologies that can increase audit efficiency and effectiveness.
- Identifying potential opportunities for resource enhancement – whether through additional funding to hire more personnel and/or external expertise, acquiring new technologies, staff training, etc. It could also include seeking partnerships or collaborations that can provide access to additional expertise or tools.

- Leveraging external support, such as technical assistance, grants, or partnerships with international audit bodies, NGOs, or other government agencies that can provide supplementary resources or expertise.

By including the assessment of opportunities to expand their current resources, SAIs can ensure a more comprehensive and strategic approach to plan for resource allocation. This not only enhances their current audit capabilities but also prepares them for future challenges and opportunities.

Click to read:

- [Play 20: Weighing the expanding SAI's internal expertise against budget constraints and broader needs.](#)

b. Is the SAI's current technology and infrastructure adequate for efficient auditing processes?

By understanding both the strengths and limitations of the SAI's existing technology and infrastructure, SAIs can make informed decisions about investments in upgrades or new technologies. The following reflections may be helpful in this regard.

- What is the current state of the SAI's technological tools and software in terms of the relevance, modernity, and functionality?
- How does the existing infrastructure support the SAI's audit methodologies?
- Are there gaps in the current technology and infrastructure that hinder audit efficiency?
- What are the emerging technologies that could enhance audit effectiveness?
- How adaptable is the current infrastructure to integrate new technologies?
- What training and support do audit staff require to fully leverage existing and new technologies?
- What are the budgetary implications of upgrading the SAI's technology and infrastructure?

The conclusions of the external factors scanning (section 3.1.1, item 'j') will support answering the above questions. These topics (technology and infrastructure) are further discussed in [Chapter 5](#) (How to develop a system for SAP and AAP).

c. How effective is the current organisational structure in supporting audit processes?

During the scan an SAI might wish to pinpoint specific areas where structural adjustments could significantly enhance audit quality, promote better resource allocation, and foster a culture of continuous improvement. The following reflections may be helpful in this regard:

- Does the organisational structure facilitate clear communication and efficient workflow among structural units within the SAI?
- Are roles and responsibilities within the SAI clearly defined and aligned with SAI's strategic goals?
- How does the structure support specialisation and expertise development within audit types?

- *Is there flexibility within the organisational structure to adapt to changing needs and priorities?*
- *How does the current structure support or hinder the integration of new technologies and methodologies?*
- *Are there mechanisms in place for continuous learning and professional development within the organisational structure?*
- *How effective are the oversight and quality review mechanisms embedded within the organisational structure?*

The organisational structure of the SAI is further discussed in [Chapter 5](#).

Click to read:

- [Play 21: Evaluation of the SAI's organisational structure](#)

d. How effective is internal communication within the SAI?

Effective communication is foundational to the SAI's operations, impacting everything from strategic audit planning and execution to staff morale and organisational culture. Ultimately, enhancing internal communication strengthens the organisation's cohesion, efficiency, and ability to fulfil its audit mandate effectively towards audit impact. The following reflections may be helpful in this regard:

- *What are the primary channels and tools used for internal communication, and how effective are they?*
- *How frequently and transparently is important information shared among different levels and teams within the SAI?*
- *How are changes in policies, procedures, or audit priorities communicated to all relevant parties?*
- *Is there a clear understanding among staff about where and how to access important information?*
- *Examine mechanisms for upward and downward communication flows and their effectiveness.*
- *Are there any barriers to effective communication within the SAI, and what are they?*
- *How does the current communication strategy support team collaboration and knowledge sharing?*

Click to read:

- [Play 22: Evaluating internal communication at the SAI.](#)

Some final considerations about the audit universe scanning process include:

- The scanning exercise should ideally involve all the SAI's structural units and diverse knowledge and competencies, with the results accessible to all staff.
- Adequate time should be allocated to the scanning activities, namely: identifying sources of information, collecting and processing data, brainstorming, formulating observations and conclusions, consulting with stakeholders, etc.
- After scanning the audit universe for the first time, the SAI can establish a frequency to update it. One moment to think of it is when developing the Annual Audit Plan, using the 'strategic foresight' tool of horizon scan (see Chapter 4, [section 4.1](#)). More comprehensive reviews and updates can be conducted every three to five years. However, incorporating continuous scanning into the organisational setup and processes of SAIs is now regarded as a best practice (see the beginning of [sector 3.1](#) of this chapter).
- A more thorough analysis of audit topics and entities will be undertaken as a pre-study phase in performance audits; therefore, the scanning process does not need to go so deep as an audit's planning phase.
- The SAI could consider **customising** the scanning process described in this chapter by adding considerations that are unique to its own reality and its country's context. This tailored approach ensures a thorough and relevant scanning for the SAI, enhancing the strategic audit planning process and ensuring responsiveness to specific challenges and opportunities.

The SAI has now completed its scanning exercise. The next step is **to efficiently document the observations**. The approach to documenting observations will vary based on the complexity of the scanning process and the methods employed. If the scan involved multiple teams, each is encouraged to write down their observations into a concise summary (e.g. no more than two pages per question). Such summaries will then be consolidated by the designated individual or team overseeing the entire scanning exercise into a more comprehensive document.

3.1.4. Summary of observations from scanning the audit universe

After the SAI teams have systematically documented responses to the chosen questions from the audit universe scanning phase, the subsequent step involves consolidating and prioritising these observations, which will help the SAI in shaping its audit impact value chain. This not only streamlines the focus for future actions but also plays a pivotal role in guiding the strategic audit planning process, particularly for SAIs navigating this pathway for the first time.

Central to this phase is brainstorming, an essential practice that fosters collaborative thinking and idea generation among team members. Short summaries developed by SAI teams engaged in the scanning of audit universe serve as the background documents for brainstorming. After the brainstorming sessions, SAIs might opt to use matrixes that allow for categorisation and prioritisation. Employing these methods allows the SAI to systematically consolidate their concluding assumptions, facilitating a thorough assessment that spans internal and external factors, and country-specific risk factors.



To optimise this process, an SAI might consider adopting the following steps:

1. Consolidate, analyse, and categorise observations to identify overarching themes and insights, focusing on synthesising the data to uncover key issues, challenges, and potential areas for impact.
2. Populate a prioritisation matrix according to the categories: document insights derived from the brainstorming session, concentrating on a limited number of critical observations for each category.
3. Prioritise the observations based on their potential impact on achieving the SAI's strategic goals, relevance to the SAI's mandate, resource availability, and urgency.

The consolidation of information represents a significant challenge, given the volume and diversity of data involved. SAIs encounter a range of observations that span from the external legal framework to national and sectoral policies and extend to capacity constraints. SAIs have the option to employ multiple analyses – for instance, one focused on sectoral policies, another on national policies, a third on the legal framework, and yet another on capacities. Alternatively, they may attempt to consolidate all observations, weighing each against the others, thereby making simultaneous judgements on their relevance.

SAIs might also choose to group observations by themes (e.g., governance, financial management, service delivery) rather than by their source or type. This can help in identifying cross-cutting issues and opportunities for improvement.

SAIs usually apply a risk assessment framework to prioritise observations based on their potential impact on financial statements, compliance, or operational effectiveness. This helps focus efforts on areas with the highest risk or greatest potential for positive change.

Scanning results document should ideally encompass not only observations and conclusions but also a succinct overview of the scanned areas, for the benefit of auditors and especially new staff members.

SAIs might also consider applying content analysis methods to systematically evaluate both qualitative and quantitative aspects of the collected data. Thus, SAIs can categorise observations into meaningful themes, identify prevalent patterns, and quantify the occurrence of specific issues or challenges. This structured approach enhances the ability to distil complex datasets into actionable insights, facilitating a thorough understanding of key areas for impact. In case SAIs possess relevant knowledge and skills, they might use data analytics and visualisation tools to analyse large datasets. Technology can help in identifying patterns, trends, and correlations that might not be apparent through manual analysis.

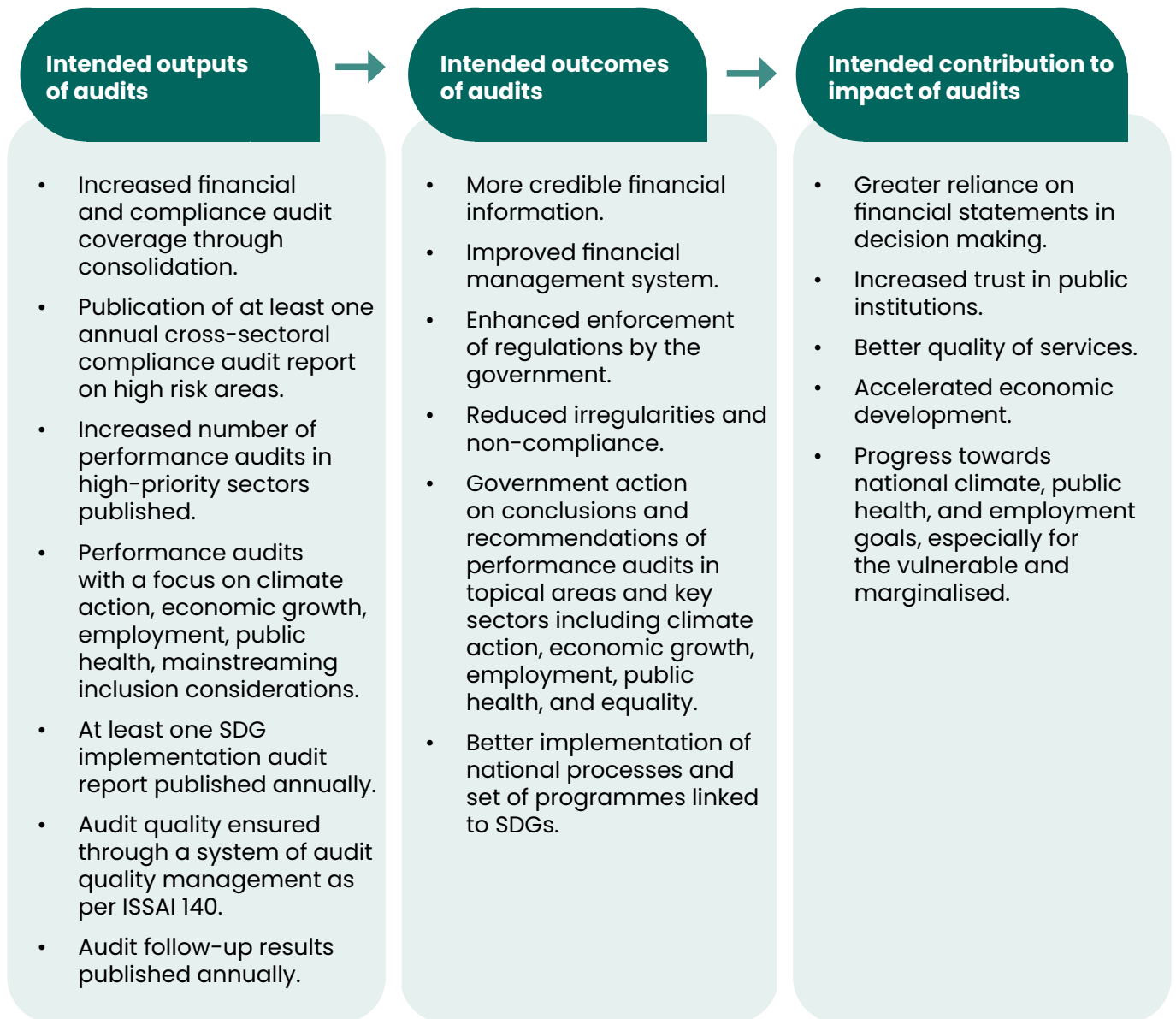
Click to read:

- ▶ [Play 23: Using individual categories to summarise the data collected in the scan.](#)
- ▶ [Play 24: Prioritising a few critical observations on sectoral policies based on significance and alignment with the SAI's strategic goals.](#)
- ▶ [Play 25: Prioritising critical observations per themes.](#)

3.2. Visualise audit impact value chain

The **Audit Impact Value Chain** is a conceptual framework that outlines how an SAI delivers value and benefits to society through its auditing activities. Following the scanning of the audit universe and finding out potential priority areas, the next step in the process involves determining what kind of audit impact the SAI intends to produce and designing the value chain of outputs and outcomes towards it.

The following diagram illustrates how an audit impact value chain may look like:



The diagram above is further detailed in the following play:

Click to read:

- ▶ [Play 26: SAI visualises its Intended Audit Impact Value chain](#)

The audit impact value chain illustrates the relationship between SAI capacities, outputs, outcomes, and the ultimate impact intended. It highlights how the SAI's work during the strategic period contributes to broader benefits and changes. This approach strengthens the SAI's value proposition and relevance and endorses the SAI's role in promoting accountability, transparency, effectiveness and efficiency in public administration, and improved governance.

In developing the audit impact value chain, an SAI builds upon its overarching strategic goals and the observations and conclusions of the audit universe scanning. Additionally, it may take into account audit mainstreams (financial, performance, compliance), follow-up audits, and areas or themes to be overseen by the SAI (e.g. audited entity, sector, whole of government, cross-sectoral approach, etc.).

The SAI can opt to visualise its audit impact value chain in different manners. The 3 following plays show examples of doing this step for each audit type mainstream: financial, compliance, and performance.

Click to read:

- ▶ [Play 27: SAI's audit impact value chain for the financial audit mainstream.](#)
- ▶ [Play 28: SAI's audit impact value chain for the compliance audit mainstream](#)
- ▶ [Play 29: SAI's audit impact value chain for the performance audit mainstream for issues of national significance.](#)

However, having a consolidated audit impact value chain for all audit types could provide a clearer picture of how the three audit mainstreams connect with each other and offer different entry-points to approach public issues. *Play 26*, above mentioned, provides an example of a consolidated audit impact value chain.

The SAI may also decide to describe its intended outputs and outcomes in a more detailed fashion, as illustrated in the following plays.

Click to read:

- ▶ [Play 30: Example of SAI's intended audit outputs](#)
- ▶ [Play 31: Example of SAI's intended audit outcomes](#)

The audit impact value chain is used as a basis for SAI audit planning and making strategic decisions about the audit portfolio.

3.3. Develop a strategic audit portfolio

The main purpose of the strategic audit portfolio is to clearly state what the SAI will be focusing on in the next 3 to 5 years (depending on the SAP's timeframe). Besides, it serves as a basis, at a strategic level, for the development of the several underlying AAPs, especially for the selection/prioritisation of audit topics to be planned for each year and for the allocation of resources.

To define its strategic audit portfolio, the SAI requires two essential inputs: the results from scanning the audit universe and the audit impact value chain (as discussed in sections 3.1 and 3.2).

The portfolio's structure and contents depend on the SAI's approach. For instance, it may contain the topics, themes, or trends to be covered e.g. climate change, digital transformation, poverty, debt sustainability, implementation of SDGs, etc. Another approach to it is focusing on the types of audits planned (financial, performance, compliance), as well as follow-up audits. To do so, SAIs may consider:

- The national priorities and scanning results for internal, external factors and country risks.
- Cross-cutting issues in different public sectors, whole-of-government approach, and the country's commitment to Sustainable Development Goals (SDGs).
- Intended audit coverage among the audit mainstreams (financial, compliance, and performance) and their interlinkages.
- Intended effort to be allocated to follow-up audits.
- Ecosystem of stakeholders to facilitate audit quality and impact.⁸
- Considering inclusiveness and the Leave No One Behind (LNOB) principle.⁹

After identifying the indicative audit areas to be looked at within the SAP's timeframe, the SAI needs to decide what to prioritise once again and include within the portfolio.

Depending on resources, the SAI may use conventional sources – such as previous experience of audit teams or the SAI in general, or topics resulting from engagement with stakeholders – or go beyond them and build on the results of scanning audit universe, as discussed in previous sections. Scanning of audit universe provides general indication and summary of the critical areas to be looked at, including those which hadn't been audited before by the SAI, thereby helping the SAI to look outside the usual sources of information for the audit portfolio. Moreover, the scanning exercise assists SAIs in collecting information that could support them in addressing and evaluating topics coming from such conventional sources.

During the phase of defining the SAI's audit impact value chain, the SAI has decided on the critical areas to be subjected to its audits. The SAI now needs to go further and **define indicative 'subject matters' to collate a list of potential audits (ISSAI 100/26)**. At this stage, SAIs may opt to limit the level of detail to broader audit areas or topics, refraining from delving deeper into specific subject matter. This approach allows for flexibility, with the possibility of narrowing down to particular subject matters either during the annual planning phase – when developing the Annual Audit Plan (AAP) – or, alternatively, during pre-study for performance audits.

SAIs may develop their Strategic Audit Plans (SAP) and their portfolio as separate documents, or they may decide to include them in their overall strategic plans. Moreover, the strategic audit portfolio may be developed at an SAI level taking an overview of the SAI context, or separate SAI's units might develop audit portfolios (for example, financial audits, audits of SDG implementation, etc.) and the portfolio can be a collaborative exercise to coordinate priorities at the SAI level.

ISSAI 100: FUNDAMENTAL PRINCIPLES OF PUBLIC-SECTOR AUDITING.

Subject Matter, Criteria and Subject Matter Information

26) Subject matter refers to the information, condition or activity that is measured or evaluated against certain criteria. It can take many forms and have different characteristics depending on the audit objective. An appropriate subject matter is identifiable and capable of consistent evaluation or measurement against the criteria, such that it can be subjected to procedures for gathering sufficient and appropriate audit evidence to support the audit opinion or conclusion.

⁸ For more information, see IDI's Playbook "Strong Coalition of Stakeholders".

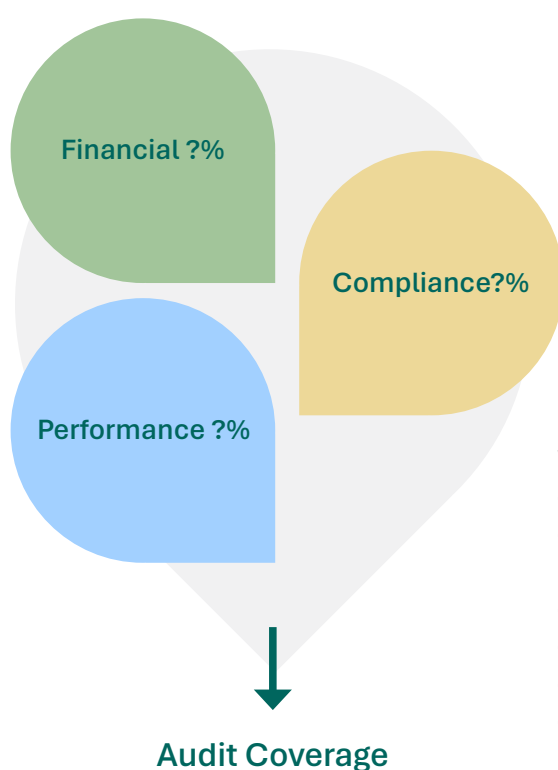
⁹ For more information, see IDI's framework on auditing LNOB (under development).

Practically, SAIs may maintain two distinct lists:

- A list of mandatory audits that the SAI is obligated to conduct, and
- A list of other audits, typically encompassing compliance and performance audits.

One relevant and sometimes challenging aspect to be faced is audit coverage, which encompasses the type and scope of the audits conducted and refers to the extent and range of auditing activities to be performed across the audit universe within a given period. Reflections on audit coverage will impact not only the strategic audit portfolio, but also can serve as considerations for the SAI to review its audit impact value chain to include, as a key output, changing the audit coverage.

When determining its audit coverage, the SAI may integrate all three types of audits (financial, compliance, and performance), so that these audits collectively examine and assess different aspects of the subject matters that are to be audited.



When audit coverage encompasses all three audit types, it offers a comprehensive review of the public sector's financial integrity, adherence to rules and regulations, and operational effectiveness. This comprehensive approach to audit coverage strengthens trust and promotes SAI's relevance.

Nonetheless, deciding on audit coverage presents SAIs' significant challenges, due to resource constraints and the need to define reasonable criteria to determine the optimal share of each audit type. For doing that SAIs could consider, among other things:

- Previous audits carried out in each subject matter.
- If it is time to conduct follow-up on a specific subject matter.
- Which type of audit would add the most value in the duration of the Strategic Audit Plan. For example, financial audits may add the most value in countries with less developed financial management systems.
- SAI's flexibility in defining its audit envelope, using its own conclusions of audit universe scanning and risk assessment.
- Legal requirements to conduct financial and/or compliance audits on specific entities, demanding allocation of resources to those audits, and strategic deployment of remaining resources.
- To what extent the SAI has flexibility to define frequency, targeted entities, or scope of performance audits.
- Need to execute audits in response to planned or ad-hoc requests from legislative or governmental bodies.
- If the SAI has a financial capacity to outsource, for example, financial audits, thus being able to focus resources on compliance and/or performance auditing.

The following plays illustrate diverse strategies and challenges faced by SAIs, underscoring the need for tailored approaches in defining audit coverage.

Click to read:

- ▶ [Play 32: Example of an SAI with broad autonomy to decide on audit coverage strategy.](#)
- ▶ [Play 33: Example of an SAI with limited autonomy to decide on audit coverage strategy.](#)

Afterwards, the SAI may decide to use some **selection criteria** to objectively decide on its audit coverage strategy, having more elements to justify its choices on prioritisation and resource allocation. Such approach is further detailed in Chapter 4, [section 4.2](#), about selecting audits and allocating resources.

3.4. Plan for capacity development actions

The SAI's capacity constraints can hinder it from performing the intended audits and other activities, being a risk to the strategic goals and the implementation of the SAP. Therefore, it is important to address existing capacity needs with a capacity development plan, linked to the strategic audit plan and to the SAP.

The main question to be reflected on at this stage is: Does the SAI have the capacity to deliver the audits planned?

Capacity development actions for implementing the portfolio can include actions related to institutional, organisational, systems and professional staff capacity. Assessing the gap between the existing capacities and the required capacities to undertake planned audits will allow the SAI to plan to expand its capacity for delivery in the long-term and for generating audit impact.

Usual examples of SAI's capacity constraints are:

- Lack of mandate to conduct certain types of audits.
- Inability to publish its audit reports.
- Lack of sufficient number of competent auditors to carry out the intended audits.
- Uncertain availability of resources to conduct the planned audits.
- Incipience of technological resources and outdated data bases
- Lack of approved methodology or guidance on conducting performance audits
- Lack of processes that allow the SAI to put together a multi-disciplinary, cross-sectoral team to conduct audits of SDG implementation, for example.

A key step therefore is conducting an audit capacity needs assessment. A needs statement describes "what is required", and "what do we have" and highlights the areas where capacity development is required ("what do we need"). A "needs assessment" is a systematic set of procedures that are used to determine needs, examine their nature and causes, and set priorities for future action. Needs assessment leads to action that will help SAI develop the audit capacities required to conduct audits included in the portfolio.

The next subsections bring some reflections for the process of planning capacity development plans, as well as plays to illustrate this step.

a. What is required?

Once audits or audited areas have been selected, the type and extent of required capacities, resources, and competencies to deliver the audits in quality and time can be estimated. Estimates may be based on experience (e.g. the average for past audits) or rough estimates based on the characteristics of selected audits. A common challenge is that detailed budgeting usually only starts later when planning for an audit is underway.

There are different ways to do this estimate of requirements; a simple template could be used by a smaller office, whilst a more robust solution may be required for a larger office.

Click to read:

- ▶ [Play 34: Planning for Financial Audit Global risk considerations.](#)

b. What do we have?

As a part of the scan the SAI will have looked at its internal environment, such as available resources, technology and infrastructure, support from organisational structure, internal communication (as discussed in Chapter 3, [section 3.1.3](#)). Such scan is helpful to identify the capacities available in the SAI and the potential for increasing them.

The available supply of resources can be estimated. This involves ensuring that the required expertise and experience is available. It also involves ensuring the number of personnel is sufficient, after considering other demands on their time.

The output of this phase is a list of audit capacities required to conduct audits in the strategic audit portfolio and related concerns.

c. What do we need?

Comparing the list of existing capacities (“what we have”) with the list of capacities required to conduct the audits (“what is required”) will allow for identification of the gaps to be addressed – the needs assessment. In this exercise, the SAI will probably identify major concerns and pivotal needs that may hinder a large number of relevant audits and activities planned. These might be highlighted for the next steps.

d. Which capacities will we develop?

By reviewing its needs assessment, the SAI will be able to identify its major concerns to be addressed and prioritised. Some considerations that may guide this prioritisation process would include:

- Has the SAI considered ways to expand existing resources and capacities?
- Has the SAI considered ways to audit more efficiently?
- What capacity development actions are already in progress?
- How relevant is this capacity need to the SAI’s strategic audit portfolio and strategic objectives?
- If developed, how sustainable will be a given capacity?
- Is the capacity need ad-hoc (for one specific audit only) or will it be required on a frequent basis?
- How many audits will be covered by this capacity?
- Will designed interventions be able to deliver timely results? Is it realistic to develop the capacities in the available timeframe?
- Will management arrangements be able to achieve the envisioned results?
- Is the SAI able to develop capacity by itself, or does it need external resources and/or partnerships?
- What are the efforts required to develop a given capacity versus the value and impact? If a capacity need is not addressed, will it be impossible to carry out a given audit?

The output from this phase should be a list of needs of capacities development that the SAI has decided to address given its current context and needs prioritisation.

Click to read:

- ▶ [Play 35: Planning the capacity development actions for the SAI’s strategic audit portfolio.](#)
- ▶ [Play 36: Snapshot from competency development plan linked to an audit take from LOTA.](#)

e. How will we develop the capacities identified?

The SAI now has a prioritised list of capacities to develop. This is the basis to plan for the development of those capacities. To address those needs, the SAI will decide on:

- *How this capacity can be developed – e.g. staff training, use of consultants, partnership arrangements, outsourcing, changes to institutional structure?*
- *Allocation of resources to develop the capacity.*
- *Timeframe for development of the capacity.*
- *Output plan for capacity development actions.*

Some considerations regarding this step of planning for capacity development include:

- The capacity development plan complements the Strategic Audit Plan (SAP) and provides support to its implementation.
- The capacity development plan identifies needs and actions to develop capacities to implement and deliver the SAP. Therefore, it may be an input to Human Resource Management (HRM) Strategy or to HRM action plans, so that the HRM activities are planned in an integrated manner.
- Staff responsible for HR or training functions may be involved in the delivery of capacity development actions.
- Consider the level of SAI ambition. If the SAI aims to make a substantial change to the SAI's competency framework, a longer process will be required.
- Some capacities will not be able to be developed within the planning range or the effort required might exceed the value added. Thus, the SAI might look for other options or adjust its audit impact value chain and audit portfolio given that the development of the SAP is an iterative process.

3.5. Design a framework for monitoring, evaluation, and learning (MEL)

Implementing the Strategic Audit Plan (SAP) needs monitoring and evaluation activities. By conducting such a process, the SAI will be able to learn from its own planning and delivering, and such lessons learned are precious to improve the system in place for future SAPs (see [Chapter 5](#)). Therefore, the effectiveness of the SAP depends on a framework of monitoring, evaluation, and learning (MEL).

While designing an MEL framework, SAIs may consider how they will monitor and evaluate the SAP with reference to specific defined indicators for each element of audit impact value chain: outputs, outcomes, and impact. It is also important to consider how they intend to learn from their experience, using lessons learned to improvise the current plan or to feed the next planning cycle.

A structured, timely, and reliable MEL framework provides information to:

- Support implementation of SAP with accurate, timely, and evidence-based reporting that informs management and decision-makers to make changes if needed, and to guide and improve implementation and performance.
- Contribute to organisational learning and knowledge sharing by reflecting upon and sharing experiences and lessons from audits so that benefit can be derived from what is being done and how it is being done.

- Stakeholders (especially beneficiaries) to give feedback and provide input into the audit plans. This provides transparency, and an opportunity to learn from experiences and adapt to changing needs.
- Promote and recognise accomplishments and achievements, building morale and contributing to resource mobilisation.

3.5.1. Monitoring

Monitoring refers to the systematic and continuous collection of data and information to track the progress and performance of the SAI against its Strategic Audit Plan (SAP). It involves regular observation, measurement, and recording of activities and outputs to ensure that the SAP is being implemented as planned. Monitoring helps identify early signs of success or challenges, enabling timely adjustments to improve implementation of the SAP.

For monitoring the SAP, the SAI can set key performance indicators (KPI), which are quantifiable metrics used to measure the success or effectiveness of a plan, as well as to identify areas for improvement, make informed decisions, and drive overall achievement of the SAI's strategic intent. These indicators are considered significant because they provide valuable insights into various aspects of performance and help in assessing progress towards goals and objectives.

KPIs are typically specific, measurable, achievable, relevant, and time-bound (SMART), allowing for comparison over time and evaluation of patterns and trends. Some important aspects to be considered in setting KPIs include:

- Define at least one indicator for each output/outcome of the audit impact value chain.
- Limit the number of indicators to avoid overwhelming the SAI with too much information.
- Keep the indicators manageable and cost worthy, making sure that resources are not drained into their calculations.
- What are the inputs for each indicator? Are these data easily available?
- When should each indicator be measured? Who is responsible for measuring them? To whom will the indicators results be reported, and how often?
- What is the baseline of each indicator? If the SAI does not have enough information, the baseline can be determined after its first measurement.
- Define realistic milestones and targets for each indicator.

Monitoring is connected to the SAI's risk management framework. When establishing KPIs and setting the monitoring dynamics, the SAI should also identify and manage risks to the achievement of expected outputs and outcomes. Including this in the monitoring activities is key to timely take action if such risks are identified. Considerations for risk identification, management, and monitoring include:

- What are the risks of low or poor implementation of the SAP? In previous years, which risks have been identified? Which of them caused most impact to the SAI's deliveries?
- What measures can be taken to mitigate/address such risks?
- Which risks are worth monitoring through KPIs?
- How is the risk management for the SAP connected to the broader SAI's risk management framework? Will they operate separately or jointly?

Finally, the SAP is likely to be actioned through an AAP. Therefore, monitoring of the SAP is likely to occur as a part of the development of annual audit plans. This gives an opportunity to reflect on the SAP and to ensure that the progress anticipated towards the audit impact value chain is occurring. For more detail on the AAP's MEL framework, see Chapter 4, [section 4.3](#).

By regularly collecting and systematising data for monitoring purposes, the SAI will obtain a mass of valuable information about the implementation of the SAP. This information will feed the next processes of the MEL framework: evaluation and learning, as detailed in the following sections.

3.5.2. Evaluation

Evaluation is the thorough analysis of data collected in the monitoring activities, aiming to determine the extent to which the SAP has been implemented, including the occurrence of risks. Foremost, it reflects how the SAI has been able to produce the outputs and outcomes stated in the audit impact value chain and to deliver its strategic audit portfolio.

Evaluations may be conducted at specific points in time for different purposes. Mid-term evaluations are carried out throughout the implementation of the plan to inform decision-making regarding the likeliness of fully implementing the plan, the availability of resources to implement it, and eventually need for changes. Evaluations at the end of a planning cycle will demonstrate accountability, contribute to learning process, and inform the next planning cycles.

The SAI can opt to carry out evaluations at different levels with different degrees of formality, from simpler fashions as round table discussions to more sophisticated ones with IT systems and comprehensive reports. Complementarily, the SAI may decide to involve multiple stakeholders, such as peers, regional bodies, consultants, etc., in the process of evaluation of the SAP implementation (see [Chapter 5](#), section 5.5, as well as the IDI's Playbook 'Strong Stakeholder Coalitions for Audit Impact').

3.5.3. Learning

In the SAP process, learning means the acquisition of knowledge or skills through experience. The process of learning builds on the other pillars of the MEL framework: monitoring and evaluation.

Through the ongoing process of monitoring, SAIs collect data and information on various aspects of SAP implementation, including inputs, activities, outputs, and outcomes. This continuous flow of data allows SAIs to identify trends, patterns, successes, and challenges in real-time. By analysing this information, the SAI can gain insights into what is working well and what needs improvement. This ongoing learning from monitoring enables SAIs to make timely adjustments, adapt the SAP, and optimise their approaches to enhance impact.

Evaluations provide a structured and comprehensive assessment of outcomes, impacts, and processes. Through evaluation, project teams form an opinion on the effectiveness, relevance, efficiency, and sustainability of their interventions. Evaluation findings offer valuable insights into the strengths and weaknesses of the SAP, as well as lessons learned. These lessons can inform future planning, design, and implementation. By reflecting on evaluation results and incorporating lessons learned into future plans, SAIs can enhance their capacity to achieve better results and contribute to continuous improvement.

Both monitoring and evaluation contribute to a feedback loop that facilitates organisational learning. The data and insights generated through monitoring activities inform the design and conduct of evaluations. In turn, evaluation findings provide feedback to refine monitoring systems and improve data collection processes. This iterative process of feedback leads to learning and helps SAIs build knowledge, refine strategies, and enhance their ability to achieve desired outcomes effectively.

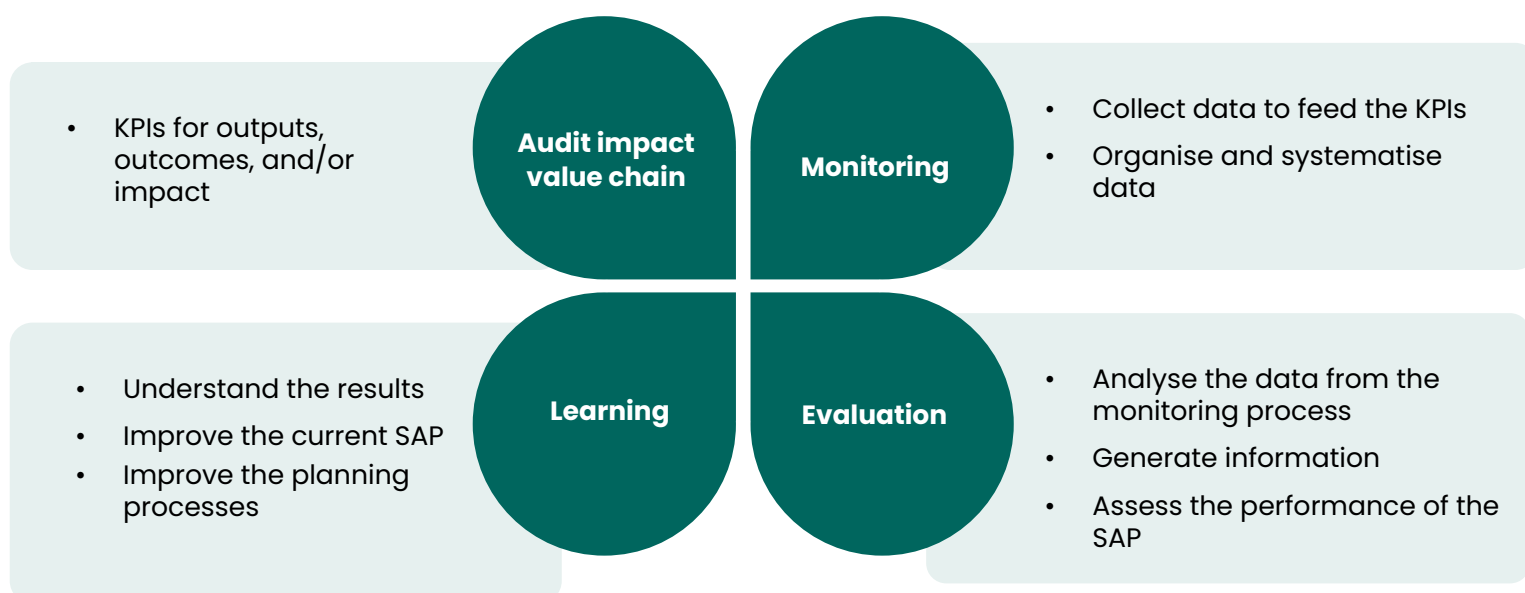
Reflecting on the implementation of the plan regularly allows lessons learned to be identified and acted upon.

Key questions to ask would be:

- Have there been changes in the environment that affect the audits? (For example, the COVID-19 pandemic changed the landscape for many SAIs)
- Has there been a significant change in the interests of stakeholders?
- Do we have any new knowledge that would affect the plan?
- In conducting the audits, did anything happen that tells us something about the choice of audits? For example, were suspected problems borne out by testing? Or were there relevant aspects of the audit topic that hadn't been considered in the scan?

It is good practice to clearly establish responsibilities for running a monitoring, evaluation, and learning process, and those involved in delivering the audits should be consulted for learning activities.

The illustration below shows the activities and processes concerning the MEL framework in an interlinked fashion.



At the left-top corner of the illustration above, we can see the audit impact value chain of the SAP, with KPIs for outputs, outcomes, and/or impact. Next step is monitoring (right-top corner), which includes collecting, organising and systematising data to feed the KPIs. Such data will be analysed and converted to information in the evaluation process (right-bottom corner), allowing the SAI to assess the performance of the SAP. Then, the SAI can learn from the implementation of the SAP by understanding the results of the evaluations (left-bottom corner of the illustration), which at last enable the SAI to improve both the current SAP and the planning processes.

3.6. Document the SAP

Generally, the Strategic Audit Plan (SAP) reflects the SAI's strategic vision, identifying key areas of public interest where audits can significantly contribute to transparency, accountability, and efficiency. The SAP materialises in a document that basically states the **audit impact value chain**, with intended outputs, outcomes, and audit impact, as well as the **strategic audit portfolio**, which contains prioritised areas that the SAI intends to oversee in the next 3 to 5 years, depending on the SAP's timeframe. Furthermore, the SAP is the foundation for developing the several Annual Audit Plans (AAPs).

When documenting the SAP, SAIs may opt to include more or less details, such as the steps taken to develop it, methodology, performance indicators, etc.

The minimum content of the **SAP document** would be:

- The audit impact value chain defined by the SAI, which links outputs and outcomes to the intended audit impact.
- Strategic audit portfolio: Sectors or themes, or even ‘subject matters’ identified as critical for audit attention based on SAI’s risk assessment, including brief considerations of why each topic is considered important.
- Monitoring, Evaluation, and Learning (MEL) framework: how and when the SAI will monitor and evaluate the implementation of the SAP, including the key performance indicators (KPI), as well as how the SAI plans to build on learning exercise regarding the design and implementation of the SAP.

A more comprehensive and extensive SAP would include some other contents, such as:

- The audit types (financial, compliance, performance audits) that the SAI intends to carry out to address the portfolio, considering the SAI’s mandate, resources, and objectives.
- Brief description of observations and conclusions resulting from the scan of the audit.
- Capacity development plan: which capacities the SAI intends to develop in the SAP’s timeframe.
- Metrics for evaluating the effectiveness and impact of the Strategic Audit Plan.
- Statement of approval of the SAP by the SAI at the appropriate level.

The decision on what should be included or not in the SAP depends on the SAI’s strategy, especially regarding stakeholders that may be engaged in the SAI’s activities. For instance, parliamentarians may be more interested in understanding the audit universe scan, and why some themes were or not included in the strategic audit portfolio; donors and development partners may be more interested in the SAI’s capacity development plan to identify areas of synergy.

In addition to the SAP documentation above, working documents should be maintained to allow for a quality process and for future reference, e.g. by new staff at SAI.

Click to read:

- ▶ [Play 37: Documenting the SAP concisely.](#)
- ▶ [Play 38: Documenting the SAP exhaustively.](#)

3.7. Communicate the SAP

Communication is key to implement any plan. Once the SAP is developed the SAI may communicate with internal and external stakeholders. Decisions about what to communicate, with whom and when need to be taken.

a. What to communicate?

The SAI can decide what to communicate and at what level of detail depending on their audience. Potential content of the communication includes what the SAI will audit in the next 3–5 years, and what the intended audit impact value chain of the SAI is.

Considerations for communicating the SAP:

- *Impact on audit work: Evaluate how the communication of the plan might impact audit work. For example, disclosing specific audit topics externally might influence the behaviour of audited entities.*
- *Besides the SAP document, does the SAI want to communicate the SAP process (that is, how the SAI decides what to audit and when)?*
- *Will the Annual Audit Plan (AAP) be communicated as well? If so, this information could be part of the SAP communication.*
- *Stakeholders may expect to know the next steps of any communication. For example, will the SAI communicate the progress against the plan? Will the SAI communicate the results of the planned audits? Will the stakeholders be involved in the process?*

b. Who to communicate with?

The SAP can be communicated internally and/or externally, at different levels of detail.

For the success of the SAP, it is key to communicate it with the internal staff. This is important not only because the auditors will conduct the audits, but also because they need to be aware of the audit impact value chain embedded in the SAP and the objectives that they should pursue through their audit work. Besides, implementation of the SAP depends on the collective work of all the SAI's units/departments, which need to understand their role in the SAP.

Considerations include:

- *Confidentiality and sensitivity: Assess the plan's content for any sensitive or confidential information that may not be suitable for public disclosure. This evaluation will help determine whether full external communication is advisable.*
- *Stakeholder engagement: Consider the expectations and needs of key stakeholders, including government entities, legislative bodies, civil society organisations, the media, and the public in general. Understanding their information requirements can guide the decision on how much detail to communicate externally.*
- *Transparency and accountability: Communicating the plan externally, even at a summary level, can demonstrate the SAI's dedication to transparency and accountability. However, it is important to balance the SAI's commitment to these principles with the need for confidentiality.*

- *Resource and capacity constraints:* Consider the SAI's resources and capacity to manage external communications effectively. Full external communication may require more extensive engagement efforts and resources compared to internal communication or a summarised external release.
- *Legal and regulatory requirements:* Review any legal or regulatory mandates regarding the disclosure of audit plans, which may dictate the extent of communication permissible or required.
- *Feedback opportunities:* The potential for receiving valuable feedback from external stakeholders that could enhance future audit planning and execution.

c. When and how to communicate?

Depending on some of the decisions made by the SAI about the SAP process, the appropriate moment(s), and vehicles of communication of the SAP may vary. Some considerations on that might include:

- *In a top-down approach, the SAP might be communicated after it is developed and approved. In a bottom-up approach, such communication might be at the start of the planning process for the SAP, so that internal and external stakeholders can engage in the process and contribute to it in a timely manner.*
- *Depending on the mandate and the need of confidentiality, the SAI may need to select what pieces of information may be made public or not.*
- *The SAI can set a frequency of communication on the implementation of the SAP, keeping the stakeholders informed and engaged with this process. It can be done together with the communication of the implementation of the AAP, especially informing about the audits carried out, the main findings, conclusions, and recommendations.*
- *The comprehensiveness of the communication pieces will depend on the targeted public and vehicle of communication. For example, social media are more popular among the general public, and they usually limit the number of characters and images that can be posted, therefore such pieces of communication need to be simpler and less technical. The traditional media – newspapers, magazines, radio – might prefer to browse news on the SAI's webpage, which should be kept updated. Such news could contain a few paragraphs describing the audits carried out with links to the published material. Legislative bodies should also be informed, and for this purpose a more formal approach might be needed, such as sending a copy of the audit report or a formal presentation to the parliamentarians.*
- *For internal staff, SAIs can send the SAP by e-mail, publish it in newsletter, and/or present it in an event held by the Auditor General or the planning unit.*

Click to read:

- ▶ [Play 39: Communication strategy of the SAP.](#)



CHAPTER 4 | HOW TO DEVELOP AN ANNUAL AUDIT PLAN

The Annual Audit Plan (AAP) sits under the SAP, detailing which audits and activities will be undertaken in a particular year, and allocating resources. It specifies how the SAI intends to deliver, in one year timeframe, the audit impact value chain and the strategic audit portfolio. Besides, each AAP builds on the previous year's AAP towards the implementation of the overall SAP, as illustrated below for an example of a 5-year duration SAP.

Strategic Audit Plan (SAP), e.g. 5 years				
AAP year 1	AAP year 2	AAP year 3	AAP year 4	AAP year 5

The development of the AAP starts with **reflections** on the SAP and the results of the MEL framework. Regarding the SAP, these reflections especially include:

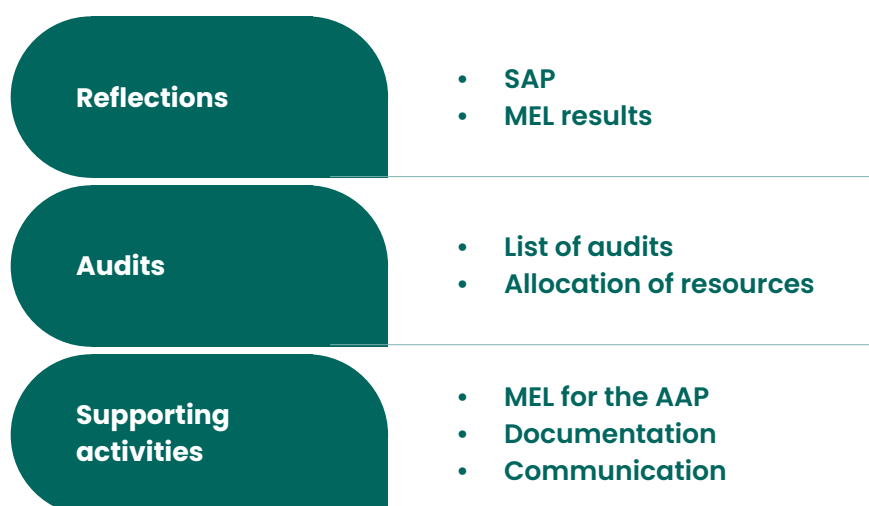
- The audit impact value chain: what outputs and outcomes does the SAI intend to deliver to contribute to audit impact?
- The strategic audit portfolio: what themes/topics were selected by the SAI to be audited in the SAP timeframe?
- The audit universe: what changes and trends should we consider for the next year?

Regarding the results of the MEL, it is important to consider lessons learned from the implementation of the SAP and the previous year's AAP, as well as to what extent the SAI was able to deliver these plans so far.

Then, the SAI may prioritise which audits will be conducted in that year and allocate resources to them. This will create a list with audits, including their objectives, type, scope, assigned team, estimated budget, timelines, etc.

Finally, the SAI sets the supporting activities for the implementation of the AAP: MEL activities for the AAP, documentation, and communication.

The following sections of this chapter further detail these steps.



4.1. Reflect on the SAP and the MEL results

Each AAP connects with the SAP and with the other AAPs. Therefore, developing one AAP starts with reflecting on the SAP and the previous year's AAP, if there was one. This step includes two dimensions of reflections:

- The contents of the SAP: the outputs and outcomes outlined in the audit impact value chain, the topics/themes contained in the portfolio, and if there were any relevant changes in the audit universe.
- The MEL results: the extent to which the SAP and the previous AAP have been implemented, how effective the SAI has been in implementing them, and what lessons were learned.

The following questions and considerations can guide the SAI in conducting this reflection exercise.

a. Have there been any relevant changes to the audit universe that we have scanned?

The audit universe scan is not a rigid piece of planning, but rather an iterative, ongoing process that could continuously inform the planning processes of the SAI. Whereas the first scan exercise may have been more complex and comprehensive (see Chapter 3, [section 3.1](#)), updating it is much simpler, and is necessary to keep the SAI focused on relevant and emerging issues that had not been scanned earlier. Considerations include:

- *What developments have occurred regarding the audit universe? Have there been significant changes in the governmental structure, in the main public policies in place, in the SAI's mandate, etc.?*
- *What relevant issues not covered in the audit universe need attention this year?*
- *Applying tools as strategic foresight and horizontal scan may be helpful in this regard (see Chapter 3, [subsection 3.1.2](#)).*

b. What should the SAI deliver this year towards the implementation of the SAP?

The main purpose of the AAP is to allocate resources and organise the SAI's activities to deliver the outputs and outcomes needed to achieve the intended audit impact. For that, the SAI needs to have a clear idea of the AAP's coverage regarding the audit impact value chain and the strategic audit portfolio.

- *Which outputs and outcomes should we achieve this year towards the realisation of the audit impact value chain?*
- *Which themes/topics of the strategic audit portfolio should be covered this year?*
- *How may this AAP give continuity and add value to what we have been delivering so far?*
- *Which capacities do we still need to develop to deliver the SAP in its timeframe?*

c. To what extent have we implemented the SAP so far? And the previous year's AAP? What lessons have we learned?

The activities concerning the MEL framework will provide valuable insights about the SAI's performance in delivering audits and achieving the audit impact value chain, including lessons learned in this process. Some considerations in this regard include:

- According to the results of the Key Performance Indicators (KPIs), to what extent have we implemented the SAP so far, and the previous year's AAP? Are there signs of underperformance? What can be improved?*
- What risks to the implementation of the SAP and the previous AAP were observed? Were the measures taken effective to mitigate and/or manage such risks? What challenges have we faced last year? How is the external environment facilitating or undermining the implementation of the SAP?*
- Which audits were not performed, or had low results? Have we identified specific challenges in conducting financial, compliance, and performance audits, as well as follow-up audits?*
- What was the cost-benefit ratio between the resources allocated in last year's AAP versus the results achieved? What can we learn from it to improve the development of the upcoming AAP?*
- How relevant was last year's AAP? Were there changes in the audit universe that need to be considered to make the upcoming AAP more relevant? Considering the SAI's capacities, is the strategic audit portfolio under- or overestimated? Is there need for adjustments?*
- Which capacities have we developed last year? How can we take advantage of these new/expanded capacities through the upcoming AAP?*
- Is the system appropriate for the implementation of the SAP and the AAP? Is the system operating as planned? What can be improved? (The system is further detailed in [Chapter 5](#) of this Playbook).*

Many sources of information will be relevant for these reflections, including the auditors that carried out the audits, internal and external stakeholders, the unit responsible for planning, and how the media covered the SAI's work in the previous year.

4.2. Choose audits, capacity development actions and allocate resources

This second step is at the heart of the AAP's key purposes: deciding on what audits will be conducted in that year and allocating resources to them, as well as planning for capacity development actions. The basic inputs for this will be the reflections made in the previous step about the SAP and the MEL results. Then, the SAI needs to consider what audit work is mandatorily required by law, and what is up for the SAI to decide. This step looks also at how to allocate the available resources for carrying out such audits. Moreover, this is also the moment when the SAI chooses the capacity development actions to be conducted in that year, considering the capacity development plan in the SAP.

The SAI may decide to use some selection criteria to objectively decide on the audits to be carried out in the year of the AAP; besides, this gives more elements to justify the SAI's choices on prioritisation and resource allocation. Below we present some examples of such criteria, both for financial audits and for non-mandatory compliance and performance audits.

Some selection criteria for non-mandatory compliance and performance audits might include:

Materiality	Relative importance (or relevance) of a matter in the context in which it is being considered. In addition to monetary value, materiality includes issues of social and political significance, compliance, transparency, governance, and accountability. <i>Methods to determine the materiality or relevance of potential audit topics may include engaging with stakeholders to seek insights and different perspectives – such as parliamentarians, experts at research institutes and influential societal leaders, CSOs – , looking at government priorities, considering the topic's prevalence in media coverage, and reviewing repeated instances of waste, errors, or non-compliance.</i>
Auditability	Can the subject be audited? Is it practical to audit? Does it fall within the legal mandate of the SAI? Will the SAI be able to access all the data required to examine subject matter? Does the SAI have the capacity to audit the topic? <i>If the SAI cannot audit a particular area due to capacity reasons, then it would consider undertaking capacity development actions which can be planned for in the SAP and in the AAP.</i>
Possible impact	Audit impact is the contribution of SAI audit(s) to concrete improvements in effectiveness, accountability, and inclusiveness of public sector institutions, leading to better societies and individual wellbeing. Which impacts is the SAI likely to foster with that audit?
Risks to the SAI	Is there a strategic or reputational risk if the SAI does not carry out an audit on a particular topic/area? This question would apply mostly for non-mandatory compliance and performance audits. In case of financial audits there may be a risk of not fulfilling the SAI's mandate. <i>Risk is understood as an event that affects the achievement of SAI's objectives. Topics exposed to high risks imply a greater possibility that the achievement of objectives will be impaired, which may negatively influence SAI's performance. Examples of situations that may be associated with risks include complex management structures, lack of reliable or updated information on the audit topic, technology challenges, and lack of clarity about objectives, goals, responsibilities, decision-making processes.</i>
Timeliness	Is this the right or appropriate time to audit the topic? For example, is it too early to examine the progress of a new activity? Or is it too late since the government has started to address the issue already?
Previous audit work	Has the topic been audited in the past? Is it worth auditing it again? Has the SAI conducted a follow-up audit of the previous audits? Is there updated information about how the topic has unfolded since the audit conclusions and recommendations were issued? Is there a new audit approach the SAI could take in auditing the topic? Would there be complementary or more specific topics to be audited, giving sequence to the previous audits?
Request for audits	Have any special requests been made for audits to be done? The source of a request for audits should be considered to determine its importance, compulsory nature, and urgency.

Based on the criteria above, the potential audit topics can be ranked with a scoring methodology and prioritised. The prioritisation criteria may also include the results of the SWOT analysis, in case the SAI conducted this exercise when scanning the audit universe. The SAI can use different methods to prioritise topics to be chosen and included in its AAP. See plays below for examples.

Click to read:

- ▶ [Play 40: Prioritising audit topics by applying a scoring methodology.](#)
- ▶ [Play 41: Simplified prioritisation of audit topics.](#)
- ▶ [Play 42: Prioritising key observations on a thematic/sectoral/subject matter basis](#)

The selection criteria for financial audits, on the other hand, will differ from those for compliance and performance audits and vary based on the underlying reasons for strategising those audits. Specifically, such criteria depend on:

- whether the SAI is mandated to conduct annual financial audits across numerous entities but is hindered by capacity limitations,
- whether the SAI aims to exceed the minimum number of financial audits mandated by law, or
- whether there are other factors influencing this decision.

SAIs might think of the following criteria, for example:

Materiality	Evaluating the significance of financial transactions or balances that could influence the decisions of users of the financial statements. This criterion helps in focusing on areas with the greatest potential impact on the state or self-government budgets.
Risk of material misstatement	Identifying areas with a higher risk of error or fraud that could lead to significant misstatements in the financial statements. This includes considering both inherent risks and control risks.
Compliance with regulatory framework	Prioritising entities based on their compliance with financial reporting standards, laws, and regulations. Entities with histories of non-compliance or those subject to new or complex regulations might be given higher priority.
Financial condition and stability (in cases of state or self-government owned enterprises)	Assessing entities that are in risky financial positions or have issues such as liquidity concerns, significant debt levels, or are undergoing significant financial transactions (e.g., mergers, acquisitions).
Public interest and sensitivity	Focusing on entities that attract significant public interest due to their size, nature of business, or societal impact. Entities that are critical to public welfare or are in sensitive sectors may be prioritised.
Changes in operations or environment	Entities that have undergone significant changes in operations, management, or their external environment, which may affect the financial statements, could be prioritised.

Prior audit findings and recommendations	Considering entities with significant unresolved issues from previous audits or where follow-up is required to assess the implementation of recommendations.
Size and complexity of the entity	Larger entities or those with complex operations or transactions may require more frequent or detailed audits due to the increased risk of material misstatement.
Time since last audit	Entities that have not been audited recently may be given priority to ensure that their financial statements are audited periodically.
Strategic importance	Prioritising entities that are strategically important to the economy, sector, or have significant governmental interest.

These criteria could ensure that financial audits are focused on areas where the assurance over financial statements can add the most value, considering both the risk of material misstatement and the importance of the entity to stakeholders.

Click to read:

- ▶ [Play 43: Prioritisation of financial audit topics \(SAI with mandatory audit obligations and capacity constraints\).](#)
- ▶ [Play 44: Prioritisation of financial audit topics for the needs of strategic audit portfolio \(SAI with discretionary financial audit mandate\).](#)

In both plays above, SAIs effectively utilise selection criteria to choose the audits that align with their respective mandates and operational constraints. In **Play 43**, the SAI focuses on maximising impact within mandatory audit obligations, while in **Play 44**, the SAI prioritises flexibility and targeted oversight. These plays demonstrate how tailored criteria can guide SAIs in enhancing the value and effectiveness of financial audits.

Another interesting way of planning is combining the three audit streams (financial, compliance, and performance audits), as per the SAI's mandate. This can be done under one priority thematic area, such as climate action, for example, as illustrated in the following play.

Click to read:

- ▶ [Play 45: Planning financial, compliance, and performance audits to contribute to impact in climate action](#)

TIPS

It is important to highlight the need for your **professional judgement** in the selection process. The mathematical score can help to identify important topics to audit, but it is not a substitute for professional judgement.

The following considerations may help the SAI in reflecting on its decisions of choosing audits and capacity development actions, and of allocating resources when developing the AAP.

a. What is the current scenario of the audit universe, and what should we focus on this year?

After scanning the audit universe for the SAP, and reflecting on it for the upcoming AAP, the SAI will have a clearer picture of which areas it could draw its attention to in a particular year. This could consider:

- Where are the areas worth auditing in terms of generating audit impact?
- What is recently drawing much attention from our external stakeholders, such as Parliament, civil society organisations, the media, international bodies, etc.?
- What has been recently observed by our internal stakeholders, especially audit teams? Are there relevant issues that weren't part of previous audits' scopes and that need immediate attention?

b. What audits is the SAI required by law to conduct, and what is left to the SAI's discretion?

There are three general categories of audit work to be considered in annual audit planning:

1. Mandatory audit work that is required by the law and that the SAI has no option but to carry out.
2. Audit work that is required by the law, but where the SAI has a discretion as to the timing, scope, and/or type of the audit work.
3. Audit work that is optional for the SAI.

This information was scanned by the SAI when revisiting its mandate (see Chapter 3, [section 3.1.1, 'a'](#)). Many SAIs will start considering the mandatory audit work. Key questions in this area include:

- What is the SAI required to audit on an annual basis per its mandate?
- In the past, has the SAI faced constraints to fulfil its mandate? If that is the case, what does the SAI consider not to audit?

Once this mandatory work is settled, the SAI can look at work where they have a choice about the audits to conduct – both whether this choice is limited to the timing, scope, and/or time of the audit work, and whether this discretion refers to the whole audit work. Relevant considerations would include for example:

- What relevant issues should the SAI focus on this year? Which areas or themes carry the most risk? What relevant changes have been observed in the audit universe that deserve the SAI's attention?
- What is the current materiality of the themes/topics/matters in the SAP?
- What are the current needs and expectations of the key stakeholders of the SAI?
- What audit topics do we envisage to carry out this year?

A good starting point for that is revisiting the audit universe, as suggested in step 1 (section 4.1, item 'a', of this chapter).

In the end of this exercise, the SAI will have a clear idea of which audit topics the AAP should cover. The next considerations will include the SAI's capacities and availability of resources, which may narrow down the list of intended audits.

c. Which audits can we carry out this year?

A realistic, reasonable AAP will be cognizant of the resources available within the SAI. The available resources will both limit and enable the SAI to conduct the intended audits and activities, given that the SAI's deliveries depend directly on the resources allocated to the audits. Considering the desired audits to be conducted alongside available resources is an iterative process that prevents the AAP from becoming an unfulfillable wish list. Some considerations include:

- What resources are available (staff, budget, infrastructure, etc.)? The SAI may revisit the reflections and considerations that have been conducted when developing the SAP, especially the audit universe scan and the capacity development plan (Chapter 3, sections [3.1](#) and [3.4](#) of this Playbook).
- How does the SAI's structure distribute its resources internally? Broadly we can consider structures that relate to audit types (financial, compliance, performance), sectors of government (e.g. health, energy, etc.) or discretionary. The structure affects differently the availability of resources, and audits tend to be selected accordingly – either per audit type, per theme, or in a more flexible manner. Each approach has its pros and cons and needs to be considered in the allocation of resources.
- After allocating resources to minimally fulfil the SAI's mandatory work, what resources are available for discretionary audit work?
- What personnel can be allocated to each intended audit? Assigning audit team members should be based on their expertise, experience, and availability, as well as the skills required for each audit type.
- Estimating time and budget required for each audit considering scope, complexity, risk profile of the auditable areas, travel expenses, technology/tools, and other resource needs.
- Ensuring a balanced and manageable workload throughout the year, to avoid overburdening the audit team during peak periods. This should take into account the complexity of the audit, possible delays, as well as other organisational commitments and deadlines.
- Which technology and tools are available to leverage the audits? This includes audit management software, data analytics tools, and other technologies to streamline audit processes and improve efficiency. These tools can help in conducting audits more effectively with fewer resources.
- Some SAIs are planning their resources and the related expenditure in monetary terms. This very much helps to see how much each audit costs. This is not easy and requires a sophisticated time registration system and an estimate of the cost of a working hour for all competency levels. However, once done, it provides very good information for leadership.

d. What capacities should we develop this year?

Besides the audits themselves, the AAP also contains actions towards the development of capacities of the SAI. Identifying such actions is a natural result of the previous reflections in this step of developing the AAP, especially when the SAI faces the constraints that hinder audits that were intended to be conducted. Listing these activities is also an unfolding process of the capacity development plan that was thought of when developing the SAP (see Chapter 3, section [3.4](#)). For prioritising the capacities to be developed in the year, some key considerations include:

- Which capacities and resources have been working properly and enabling the SAI to deliver results? Such capacities can be expanded to leverage the SAI's outputs and outcomes.

- *Which constraints limited us to plan audits for this year's AAP? In the previous years, have we been unable to conduct any audits, including the mandatory ones? Acting on such constraints is crucial to enhance the SAI's capacities.*
- *Which capacities development actions are critical to be conducted to enable us to achieve the audit impact value chain during the SAP's timeframe?*
- *Are there opportunities to get more resources in the short term?*
- *Which stakeholders can we engage with to develop such capacities?*

The result of this step is a list of audits and capacity development actions to be included in the AAP.

4.3. MEL framework for the AAP

The implementation of the AAP needs to be monitored throughout the year to ensure its effectiveness. Thus, a framework for monitoring, evaluation, and learning (MEL) is needed, such as the SAP's MEL framework. The same concepts described for the SAP apply for the AAP (see Chapter 3, [section 3.5](#)), and the differences relate to the level of detail of the AAP in relation to the SAP.

Moreover, given the interlinkages between the SAP and the AAP, it is logical to combine their MEL frameworks, as well as to use the same system for both. This will help the SAI to establish iterative and interconnected processes for monitoring, evaluating, and learning from the whole process of planning for audit impact, thereby being able to timely adjust the SAP and the AAP as well as to improve the development of future SAPs and AAPs.

Besides the considerations made for the SAP's MEL framework, there are some specificities to the AAP.

First, the AAP's key performance indicators (KPI) need to be appropriate to measure the effectiveness of the SAI in undertaking the audits and actions planned in the AAP. Some aspects that the SAI may consider monitoring include:

- Number of audits conducted by their types (financial, compliance, performance).
- Progress of audits and status of audit reports.
- Number of audit reports issued on time.
- Number of follow-up audits conducted.
- Number of audits subject to a quality control process.
- Number of audits deemed of sufficient quality in the review process.
- Materiality and/or percentage of budget assessed through audits.
- Number of audit entities examined through audits.

Monitoring should also include risk management of implementing the AAP, including reflections on:

- What are the risks to the implementation of the AAP? Which risks have we identified in previous years?
- What can the SAI do to mitigate or address these risks?
- How may the AAP's indicators reflect the likelihood of such risks to occur?

The SAI then uses the data of the monitoring processes to evaluate the progress made towards the implementation of the AAP and to determine whether the SAI is on track. By the end of the year, there will be enough information to learn about the SAI's effectiveness in implementing the AAP. Such lessons learned will be useful for developing the next AAP, as well as to reflect on possible adjustments to the SAP.

Click to read:

- ▶ [Play 46: Informal process for monitoring the AAP.](#)
- ▶ [Play 47: Formal process for monitoring the AAP.](#)

4.4. Document the AAP

As the SAP, the AAP should be documented in a formal document, or a planning software. Either way, this document should focus on the activities that are planned for that particular year, as well as the allocation of resources to these activities.

It is important to remember that the AAP is a more detailed and specific document that translates the strategic vision of the SAP into actionable projects for a single year. It specifies and details the audits and activities to be performed and resource allocation. For example, it may contain:

- Each audits' objectives, scope (what will be audited), estimated materiality, resource allocation (budget and team assignment), type (financial, compliance, performance audits), timelines.
- Each capacity development actions' objectives, resource allocation, and stakeholders.
- Which parts of the audit universe scan may be updated in that year.

The complexity, comprehensiveness, and level of details of the AAP's document will depend mostly on the SAI's size and existing capacities to deliver the plan.

Usually, AAPs include the title of the planned audit revealing subject matter, resources (preferably in working days and monetary terms), responsible structures/staff and timeline. However, to decide on the inclusion of individual discretionary audits into the AAP, auditors are typically asked to define the scope, audited entities, and planned impact. This description might or might not be an integral part of the AAP.

For documentation's sake, it is important to include in the AAP a brief rationale behind the selection of each audit topic for that particular year. This is helpful for the SAI's top management to quickly justify the audits' selection if needed. More details about this rationale (e.g. the reflections on the SAP and on the MEL results) can be documented in separate working papers, for future consultation. These working papers can be useful also for the learning process, through which the SAI may identify opportunities for improving the planning system in place.

4.5. Communicate the AAP

Besides documenting the AAP, the SAI may also wish to communicate the AAP and its accomplishments to different internal and external stakeholders. Basically, the same considerations for communicating the SAP will apply to the communication of the AAP (see Chapter 3, [section 3.7](#)). The main difference has to do with the specificity of the AAP's actions, given that it details the audit topics and activities to be performed that particular year.

Therefore, the AAP's communication will be more specific in terms of key messages, targeted audience, and moment of communication, as illustrated in the following table:

Moment of communication	Key messages	Targeted audience
In the beginning of the AAP period	Audits that the SAI plans to carry out that year. Sum of the estimated materiality of such audits.	Stakeholders that are involved with the audit topic and who could contribute to the audit planning phase (e.g. thematic parliamentary commissions, academia, experienced auditors within the SAI, subnational audit institutions, etc.)
In the end of the AAP period	Audits that the SAI carried out that year, with their main conclusions, findings, and recommendations	Stakeholders that are involved with the audit topic and who could contribute to facilitating audit impact through advocacy, awareness raising, etc. (e.g. CSOs, the media, etc.)

The communication activities of the SAP and of each underlying AAP should be integrated into a single, coherent strategy, to avoid misunderstandings regarding those plans.



CHAPTER 5 | HOW TO SET UP A SYSTEM FOR SAP AND AAP

Planning for impact requires a system that supports the activities and processes needed to develop and implement the SAP and the AAP. Setting up this system helps the SAI in many aspects, such as:

- It promotes transparency within the organisation, by making it clear what is expected, and who is accountable for what outcomes.
- It establishes a structured and previsible approach to audit planning.
- It facilitates the efficient and effective allocation of resources, ensuring that the SAI's efforts are directed toward areas where they can have the greatest impact.
- It enhances the SAI's ability to swift reallocation of resources and adapt to changing circumstances and priorities, by documenting the steps taken towards decision making in the planning process.

To be effective, such a system should define clearly what are the outputs and outcomes, roles and responsibilities, resources needed, quality management, among other things that will be discussed in this chapter.

Developing and implementing the SAP and the AAP are an iterative process, which needs to be done in a timely manner following a proper process. It is important for the SAI leadership to document the system of strategic and annual audit planning. This documentation will be fit for the SAI context but could be an internal procedure, policy or regulation authorised by the Head of SAI.

Additionally, the regular development and review of the SAP and AAP through established systems and processes enable continuous improvement in the SAI's methodologies and practices. It encourages the adoption of best practices and the integration of innovative audit techniques, which can further enhance the quality and impact of audit work.

This system for planning for impact includes 6 components, as illustrated in the diagram below and further described in the following sections.



5.1. Organisational structure

Effective organisational arrangements provide a clear understanding of where the process sits in the organisation, ensuring the quality and time production of the SAP and AAP. This clarity is key to the whole system, as it affects the other components (people, process flow, resources, etc.).

The planning process involves collaboration and communication across different levels of the organisation; therefore, it is important to make it clear who is accountable for which outputs and outcomes – such as the audit universe scanning, the audit impact value chain, the documentation, the pieces of communication, etc. This clarity is vital for both internal governance and external trust in the SAI's operations and helps establishing a structured and systematised approach to audit planning.

The organisational structure can differ mostly in relation to the size of the SAI, and the planning tasks may be delegated either to a permanent unit, an ad-hoc committee, a combination of both, or individuals specifically assigned for that purpose.

Another consideration to be taken into account is whether the system for SAP and AAP will be centralised or decentralised. This has to do with the decision on whether the planning for impact will be held in a top-down or a bottom-up approach, as discussed in [chapter 3](#). A centralised system has the advantage of increasing the alignment of the SAP and the AAP with the overall strategic plan of the SAI, whereas a decentralised system may get more insights from different audit units of the SAI, especially in larger SAIs with many decentralised units, whose contributions are then considered and consolidated.

Also, when conducted its first SAP, the SAI may create an ad-hoc working group to both conduct the SAP process, learn from this experience, and propose a structured organisation arrangement for the next SAPs.

5.2. People

In considering the roles and responsibilities within the system the SAI will need to identify the human resources available. Human resources required will depend on the system designed but could include:

- Audit Planning Team: A team responsible for leading the audit planning processes, including facilitators, and subject matter experts.
- Leadership Commitment: Active participation and support from senior leadership to champion the audit planning efforts and allocate necessary resources.

The SAI might like to consider:

- How many staff will be involved in the planning process?
- Which of the SAI staff have the capacities and interest to give meaningful inputs to the planning process?
- Allocating sufficient time for the strategic planning process, including planning meetings, workshops, data analysis, and plan development.
- Recognising that planning is an ongoing process requiring continuous monitoring, evaluation, and refinement over time.
- Who will be involved in the process and what will their roles and responsibilities be? It is important to clearly establish who will conduct the steps described in [chapters 3 and 4](#), such as: the scan of the

audit universe, the design and approval of the audit impact value chain, the activities regarding the MEL framework (monitoring, evaluation, and learning), communication of these plans, etc.

The number of people involved in the planning would also differ depending on the size of the SAI. It is recommended the competencies represented include the different audit disciplines, mainstreams (financial, compliance, performance) and functions in the SAI (including functions as IT, finance, HR, and communication).

The **levels of personnel** will differ depending on the type of plan. For the SAP, more senior personnel like Heads of Audit Departments will be involved. For the AAP the task can be delegated to middle-level management.

Like the SAP, the AAP is compiled through a lot of interaction and coordination, and it is the management's primary responsibility to develop it. However, an individual, structural unit, committee, or team in the SAI is often assigned to coordinate the compilation of the plan. By the end of the planning process, the Head of SAI should take responsibility for concluding on the analysis and key issues. The coordination of the planning process depends on each SAI's circumstances. In small SAIs, it's more likely that one person is appointed as a coordinator instead of a committee. Regardless, the individual(s) involved would preferably be on a senior management level and should have sufficient knowledge of the SAI and its environment.

Click to read:

► [Play 48: Levels of personnel involved in the planning process.](#)

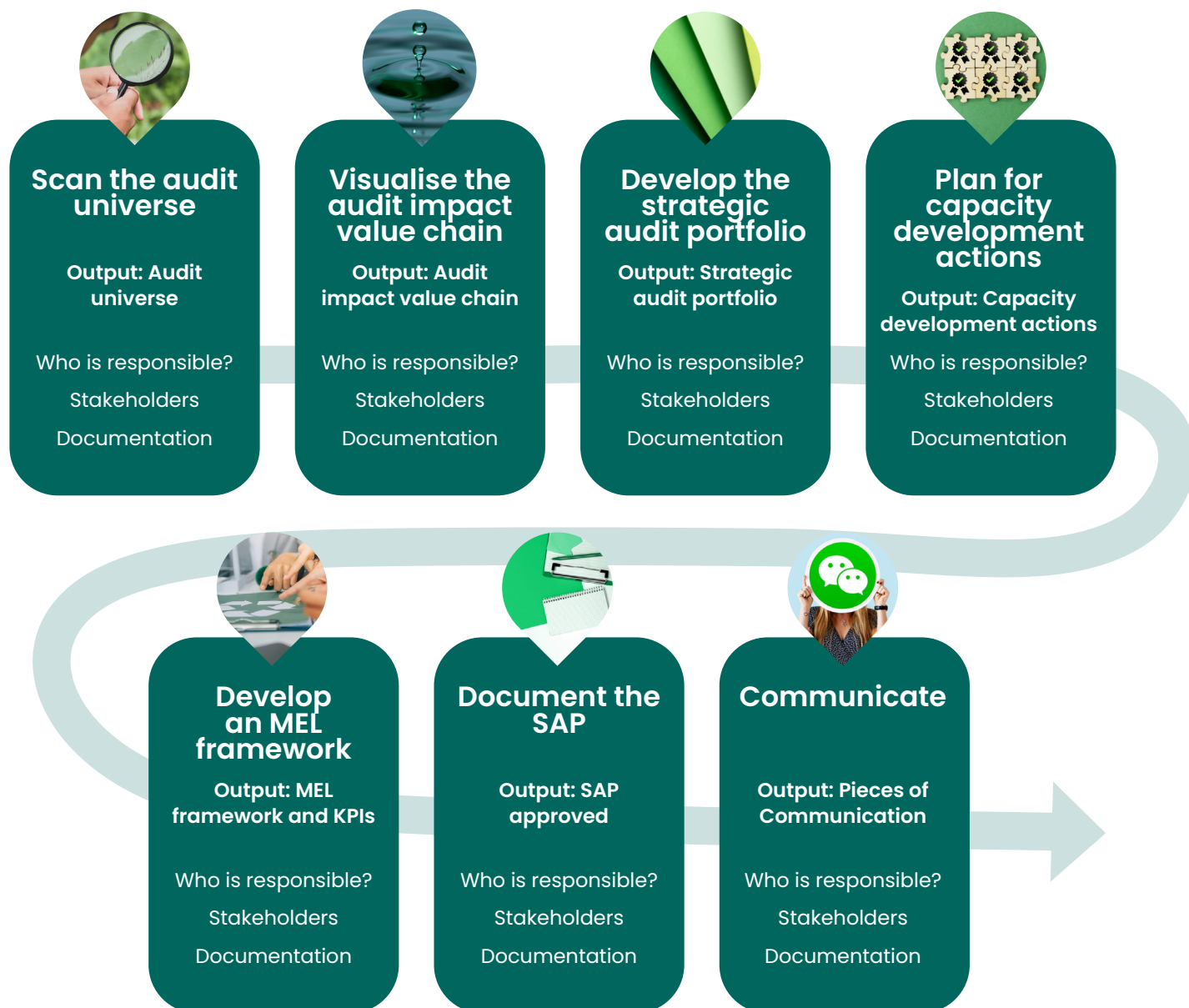
5.3. Process flow

The process flow is a key part of the system put in place to develop and implement the SAP and the AAP. It connects all the other steps by describing the inputs and outputs of each step, activities to be performed, roles and responsibilities, and the flow of information until the delivery of the plan itself. The design of the process flow is directly determined by the several decisions made by the SAI for each step, as described in chapters [3](#) and [4](#).

Collectively drawing the process flow helps clarifying what are the inputs and outputs of each stage, who is responsible for which activities and deliveries, when each stage should be done, etc.

Many tools can be used to design the process flow, ranging from simpler to more sophisticated ones. Simpler tools would include arranging a workshop with the involved actors and manually drawing the activities and their outputs, placing and replacing post-its on a board as the discussion unfolds. More sophisticated tools can involve specific software for planning, consultants, and other tools.

The illustration below gives an overview of what a process flow looks like, describing what should be done in each step of the planning process (audit universe scanning, audit impact value chain, strategic audit portfolio, etc.).



For each step of the process flow, the SAI will make decisions on:

- What the step's inputs and outputs are.
- What the activities to be performed are in order to deliver the intended outputs.
- Who is responsible for conducting such activities, and how stakeholders will be involved in the SAP development/implementation steps.
- What the periodicity and deadlines are.

Filling in a matrix can help visualising what the process flow for developing the SAP will look like. The next play illustrates one example on that.

Click to read:

- ▶ [Play 49: SAI visualises what the SAP's development process flow looks like.](#)

Besides the steps for developing and implementing the SAP, many decisions will need to be made for designing the process flow. The following subsections provide reflections on those decisions.

a. What will be the periodicity of the planning activities?

An SAP would normally cover a period of 3–5 years. The SAI can make a decision about how often and for how long to carry out a strategic audit planning process, as well as which activities will be carried out more or less regularly than the full process (e.g. activities of MEL, communication, scanning the audit universe, etc.). It is recommended to establish a timeline with deadlines for each step. Key considerations include:

- *Alignment:* it is convenient that the SAP periodicity aligns with the SAI's planning cycles and considers the governmental planning cycles (establishment of budget, multiyear plans, elections, etc.).
- *Continuity:* the next SAP should be ready to start before the previous SAP finishes.
- *Horizon scanning:* the audit universe scan is a continuous activity,

An AAP will cover a fiscal year period, giving concreteness to the SAP.

b. Use a top-down and/or a bottom-up approach, or a mix of both?

The **top-down approach** means that the SAI's management decides on the audit topics, the share of audit types and audit directions, and relevant formulations in strategies are inserted without internal consultations with staff members. This usually takes place in cases where:

- Top management has a long track record in SAI's management, and/or
- The strategic planning process involves heavy consultations with stakeholders with many different interests to be considered.

A **bottom-up approach** requires auditors to share their knowledge and experience already at the moment of defining general audit directions and come up with new ideas, properly justifying them. Involving more actors in the planning process implies allocating resources and more time than a top-down approach; on the other hand, it boosts the legitimacy, ownership, and robustness of the SAP.

In reality many models will adopt a **mixed approach**, by taking some features from both approaches in different steps of the process. For taking its decision on this, the SAI may consider:

- *Organisational culture:* Choose based on whether the SAI's culture is hierarchical (inform), seeks input (consult), or values inclusivity (collaborate).
- *Previous decision made on top-down/bottom-up approach:* the involvement of internal and external stakeholders is more intensive in a bottom-up approach, and less intensive in a top-down approach.
- *Time and resources:* Assess the availability of time and resources; "inform" is quickest and least resource-intensive, "consult" requires moderate time and resources, and collaborate is the most demanding in time and resources.

- *Desired level of engagement: Consider the level of stakeholder engagement and buy-in you aim to achieve; “collaborate” typically generates the highest engagement, while “inform” may result in the least.*
- *Comprehensiveness of the audit universe: The more complex the universe, the more beneficial it may be to use a collaborative approach to leverage diverse insights.*
- *Expertise distribution: If expertise is widespread within the SAI, “collaborate” can be beneficial; if it is concentrated, “inform” or “consult” might be more efficient.*

c. How will the work be documented?

Documenting the steps of the SAP is useful for multiple reasons. One is providing accountability and transparency to the SAP for communication purposes. Besides, by documenting the decisions taken in the planning process, the SAI objectively states its intention and what supported those decisions, which helps in the process of reflecting on what is intended. Another purpose of documenting is for further reference, considering both the need to remember why some decisions were made over other options, and new staff that comes in the SAI after the SAP has been approved.

The following working papers can be considered:

- *External environment scanning results with analysis.*
- *Scanning results document should ideally encompass not only observations and conclusions but also a succinct overview of the scanned areas, for the benefit of auditors and especially new staff members.*
- *Internal environment scanning results with analysis.*
- *Prioritised projects (for example, a list of identified potential audits and their assessment based on multiple criteria and/or descriptions).*
- *Assessment for capacity development projects (for example, a list of identified capacity building activities, their evaluation, and justification for the option selection)*

5.4. Resources

Resources play a double role in the whole process: they allow for activities, as well as they limit what activities the SAI will be able to perform. Reflecting on them gives the SAI an idea of what resources are available, and what new resources are needed to enhance the SAI's audit impact.

The resources required will depend on the process flow that has been decided e.g. if a focus group has been planned for then it is needed to identify and provide for sufficient resources.

The main resources needed for developing the SAP are time, budget, technology, information resources, infrastructure, and communications tools.

5.4.1. Time

When is the SAP expected to be delivered? How much time will be allocated to each step? This will help determining deadlines for the process flow, and how much energy the SAI intends to spend in planning for impact.

Besides, the planning cycles need to be aligned, considering the SAI's Strategic Plan, the Strategic Audit Plan (SAP), and the Annual Audit Plans (AAPs). The periodicity of the SAP will depend on its period (3, 4 or 5 years), and when to develop it will depend on the planning cycle of the strategic plan.

5.4.2. Budget

Allocating funds may be needed to complement the SAI's existing resources, such as staff and installed infrastructure. Those complements can include hiring consultants, conducting research, acquiring technology tools, and training staff.

5.4.3. Technology

The role of technology in modernising planning processes cannot be overstated. Incorporating digital tools and data analytics into the development, implementation, monitoring, evaluation, and learning of SAP and AAP can dramatically increase efficiency, improve accuracy and timeliness, and uncover insights that traditional methods might miss. Technology also facilitates better data management and information sharing within the SAI and with external stakeholders.

The SAI might want to consider:

- What technology is the SAI currently using?
- What new technology is available? Is it affordable?
- Have other SAIs had positive experiences by using it?
- Which parts of the planning process can be aided by technology?
- How positive is the cost-benefit ratio of the new technology?
- Do staff have the competencies to operate the technology?

In cases where new, robust technology is not available or affordable, the SAI should not underestimate the value of traditional, basic techniques – such as using paper, post-its and in-person workshops – as long as they effectively address the objectives of each planning stage and deliver the expected outputs. However, many of those techniques can be highly improved by applying simple new technology, such as virtual canvas, online meetings, and enhanced data analysis. This can be an opportunity for expanding the technology currently used by the SAI.

5.4.4. Information Resources

The effectiveness of the SAP in helping the SAI achieve audit impact depends on the quality of information upon which it is based. Having timely access to reliable, updated, and accurate information is crucial throughout the SAP development and implementation.

Scanning the audit universe is perhaps the stage that requires most external information, especially about the national context, public entities, public policies and programmes in place, budget, trends, and changes in the country. For this, the SAI could ensure having access to updated databases, subscription of relevant reports, frequent meetings with auditees, engagement with stakeholders, and a sound understanding of who is being left behind in various sectors. Besides, the SAI may use new tools such as the strategic foresight and horizontal scan, as mentioned in the audit universe scan step (see Chapter 3, [subsection 3.1.2](#)).

External information about the context of the country and the public policies is also important for determining the desired SAI's audit impact when visualising the corresponding value chain.

On the other hand, information about the internal context of the SAI is crucial for many other stages of the process, such as planning for capacity development actions, monitoring the implementation of the SAP, as well as evaluation and learning. An effective internal communication and information flow is relevant to keeping the management team updated and well-informed for decision making.

5.4.5. Infrastructure

Infrastructure involves everything that supports the activities of the process. That includes basic things, such as paper, boards, rooms for workshops, internet, as well as more sophisticated things, such as software, hardware for data bases, etc. The existing infrastructure and the budget to expand it will impact the activities that will be able to be performed and the process flow. On the other hand, the need for new infrastructure can be an opportunity to expanding the SAI's current capacity.

The SAI should not refrain from developing its SAP only because it does not have complex infrastructure and the latest technologies, as long as it understands the objectives and principles of each step and focuses on the audit impact the SAI can deliver.

5.4.6. Communication tools

Communicating the SAP is relevant to keep the SAI's staff motivated in implementing the SAP and to keep multiple stakeholders engaged with the SAI. The tools needed for communication of the SAP will depend on how the SAI wishes to conduct it. It could vary from graphic design of documents, recording of videos, conducting presentations about the SAP, etc. These strategies will require different sorts of communication tools, varying from simpler ones to more sophisticated ones.

5.5. Stakeholder engagement

SAI audit impact is a shared responsibility, involving a value chain and an ecosystem of state and non-state actors. The value chain and the ecosystem need to work as a whole for SAI audit impact to happen. SAI audit impact is not something that the SAI can achieve on its own, but rather a **shared responsibility**. It takes a complex ecosystem of interdependent state and non-state actors, and requires several actors, across different functions to work together in a coherent and coordinated manner.

If the SAI decides to plan for audit impact, such as recommended in this Playbook, it is crucial to engage stakeholders in the planning processes, i.e. in the development of the SAP and the AAPs. This has been mentioned throughout the steps described in the previous chapters.

When setting up a system for planning for impact, SAIs will face the questions of how stakeholders will be involved in the planning processes, in which steps and to what extent. Key considerations include:

- *Independence: The engagement of external stakeholders cannot compromise the SAI's independence, especially regarding its discretion.¹⁰*
- *SAI's mandate: Are there stakeholders who must be consulted by the SAI (e.g. Parliament)? Does the SAI's mandate allow for external consultation? This is something that has also been scanned during the audit universe scan (see Chapter 3, [section 3.1](#)).*

¹⁰ INTOSAI-P10: Mexico Declaration on SAI Independence.

- *Impact and relevance: How could external input enhance the impact and relevance of the audit work?*
- *Time and resources: Consider the additional time, resources, and effort required to manage external stakeholder engagement in the planning process. For example, organising a seminar or a workshop to collect inputs from stakeholders for the SAP and/or AAP can have costs, which should be assessed against the benefits of such engagement.*
- *Internal stakeholders: the SAI has access to plenty of experience, knowledge, and expertise from its very staff, which is directly affected by the SAP and the AAPs. Besides, the additional cost of such stakeholders' involvement is minimum. Thus, it is important to have effective mechanisms of internal communication in place (see also Chapter 3, subsection [3.1.3](#)).*
- *Diversity of perspectives: Evaluate how the diversity of external viewpoints could contribute to more comprehensive and informed planning.*
- *Leave No One Behind (LNOB): the SAI can also consider including vulnerable and marginalised populations (e.g. women, indigenous peoples, poorest, people with disabilities, etc.) for having a broader and responsive to inclusiveness perspective in many steps of the development of the SAP and the AAPs.*

Click to read:

- ▶ [Play 50: Stakeholder engagement in the processes for Planning for Audit Impact.](#)

5.6. Quality management of the SAP and AAP

ISSAI 140 (revised) sets the organisational requirements in setting-up a system of audit quality management (SoAQM). At the systemic level, the SAI develops policies and procedures to establish quality risk management process that enables the SAI to set its quality objectives, assess quality risks and respond to the assessed risks. The system will also enable the SAI to put in place a proactive monitoring and remediation process, and evaluation process for the design, implementation, and operation of the entire system. The overall system consists of the following components:

1. SAI's risk assessment process.
2. Governance and leadership.
3. Relevant ethical requirements.
4. Acceptance, initiation, and continuance of engagements.
5. Performing engagements and issuing audit reports.
6. SAI resources.
7. Information and communication.
8. Monitoring and remediation process.

Strategic and annual audit planning (SAP and AAP) is a critical task for the SAI. Decisions made in quality management at the organisational level can significantly influence how the SAI plans and implements different measures to enhance quality in these planning processes, affecting both the procedures and outputs. Therefore, the approaches to ensuring quality of SAP and AAP processes and outputs should be well integrated in the SAI's overarching quality management system.

Relationship between SAP and AAP quality enhancement measures and SoAQM Quality Risk Management Process

- a. *When establishing quality objectives, the SAI may identify the need to develop additional quality objectives or sub-objectives for relevant components of the system. These should define the desired outcomes aimed at enhancing the effectiveness, efficiency, and impact of the SAP and AAP processes. Serving as a cornerstone, these objectives or sub-objectives will ensure the quality of the SAP and AAP, while accommodating the unique requirements necessary for developing these documents.*
- b. *When identifying and assessing quality risks, the SAI should consider both internal and external factors based on the established quality objectives or sub-objectives. Internal risks may include resource constraints, staff competency issues, unrealistic timelines, underestimation of resources needed, or overlooking critical audit areas. Externally, risks could encompass changes in government priorities, emerging economic challenges, threats to the SAI's independence, low stakeholder participation, or limited access to reliable and updated information.*
- c. *When designing and implementing responses to quality risks as per established SoAQM, responses may involve changes in the system, policies and procedures that are designed to promote continuous improvement. In case of SAP and AAP, the responses may include one or more of the following depending on the quality risk assessment:*
 - *Quality review of the strategic and annual audit plans: This review should assess the plans' alignment with strategic objectives, the feasibility of proposed audits, and the adequacy of resource allocation. The review can be conducted by an internal quality review team, an independent panel within the SAI, or external experts. The choice of reviewers should be based on ensuring an unbiased and comprehensive evaluation.*
 - *Staff competency: Assessing and continuously developing the competency of staff involved in the planning and execution of audits is vital. This includes training in risk management, strategic planning, and audit methodologies. Ensuring that staff competencies align with the requirements of the SAP and AAP helps in mitigating risks related to human resources. This might involve targeted recruitment or specialised training for existing staff.*
 - *Monitoring, evaluation, and learning (MEL) framework: Establishing key performance indicators (KPIs) and mechanisms for continuous monitoring and review of the SAP and AAP processes allows for the timely identification and management of new risks, as well as for generating information that can feed the evaluation and learning processes. Implementing feedback loops from previous planning cycles into the planning process can help identify areas for improvement and reduce the risk of repeating past mistakes, by learning with previous experiences.*

The above list is not exhaustive. SAIs identify and assess risks and define risk responses tailored to their specific circumstances.

Relationship between SAP and AAP quality enhancement measures and the SoAQM Monitoring & Remediation Process

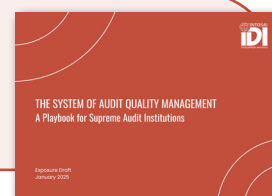
Quality enhancement measures in SAP and AAP processes will be taken into consideration when defining the system monitoring criteria at the organisational (SAI) level. Any deficiencies identified during the monitoring process may necessitate a redesign of the system or the integration of additional quality measures in the SAP and AAP processes.

Relationship between SAP and AAP quality enhancement measures and the SoAQM Evaluation Process

Based on the outcomes of the monitoring, unresolved deficiencies in the SAP and AAP processes, despite remedial actions, will necessitate further interventions. These may also include modifications to the processes themselves or to the entire system.

For further details related to establishment of an overall quality management system in an SAI please refer to ISSAI 140 'Quality management for SAIs'.¹¹

IDI has developed a Playbook to support SAIs in setting-up a System of Audit Quality Management (SoAQM), considering the requirements in ISSAI 140 (revised). [Click to view](#)



Click to read:

- ▶ [Play 51: Strengthening quality of strategic and annual audit planning at an SAI](#)
- ▶ [Play 52: Strengthening supervision and quality review throughout strategic and annual audit planning process as one of potential risk responses](#)

¹¹ https://www.issai.org/wp-content/uploads/2024/02/EN_ISSAI_140.pdf

CHAPTER 6 | PLAY BANK: REAL AND ‘THEORETICAL WITH PRACTICAL POTENTIAL’ SCENARIOS

This chapter provides plays to exemplify the sections discussed in the previous chapters. Some plays were inspired in real scenarios, while others were created as theoretical scenarios with practical potential of being implemented.

► **Play 1: SAIs with financial audit mandates, having performance and compliance audits as discretionary engagements.**

The legal framework requires the SAI to audit only the annual financial statement of the state or whole-of-government accounts, without providing audit opinions on the financial statements of individual entities. Besides, compliance and performance audits are discretionary, allowing the SAI to select regularity and themes based on strategic priorities.

Considering this context, the SAI decides to focus its performance audits on evaluating the efficiency of government-wide initiatives, such as digital transformation projects intended to improve public service delivery throughout all public sectors. Moreover, the SAI chooses to conduct financial audits in high-risk entities having received huge government subsidies or having undergone significant reorganisation/restructuring, even though the SAI is not required to audit such individual entities' financial statements. Finally, the SAI decides to conduct compliance audits on cross-governmental topics, considering their compliance with new data protection regulations, providing insights into systemic issues and areas for improvement in the public administration as a whole.

◀ [Click to go back.](#)

► **Play 2: SAIs with financial and compliance audit mandates, having performance audits as discretionary engagements.**

Under this legal mandate, the SAI is required to audit the financial statements of both the state and individual entities and to provide opinions on each annually. Additionally, the law requires the SAI to conduct compliance audits alongside financial audits within the same entities, while performance audits are discretionary.

This SAI plans to audit a national education department, where it not only gives an opinion on whether the financial statements present fairly, in all material respects, the financial position of the entity but also conducts compliance checks, for example, on adherence to educational standards and funding allocations.

In such instances, the analysis and checks conducted by the SAI extend beyond the mandate of relevant financial audit standards¹² requiring the auditor to “consider laws and regulations when auditing financial statements, including identifying and responding to non-compliance with laws and regulations that

¹² ISSAI 2250 (ISA 250): Consideration of Laws and Regulations in an Audit of Financial Statements.

may have a material effect on the financial statements". Consequently, our hypothetical SAIs could opt to split its audit opinion into two distinct segments or issue two opinions as a result of a single audit: one grounded in the financial audit ISSAIs, and the other based on compliance audit ISSAIs. Given that compliance audit ISSAIs allow for flexibility regarding the issuance of an opinion, SAIs may alternatively choose to detail compliance-related findings, conclusions, and recommendations in the audit report.

Finally, the SAI plans to future conduct a performance audit to further examine the national education system, based on the main findings detected in the previous financial/compliance audit.

◀ [Click to go back.](#)

► **Play 3: Flexible audit frameworks: SAIs deciding audit types and frequency while upholding financial oversight**

Here, the law does not require the SAI to perform specific financial and/or compliance audits, granting it the autonomy to plan all audits independently. This scenario allows the SAI to tailor its audit portfolio to current national priorities or emerging risks.

In some jurisdictions, laws do not specifically require SAIs to conduct financial audits directly while still mandate SAIs with a financial oversight role. In these scenarios, SAIs may choose to outsource financial audits to statutory auditors or depend on their opinions when legal requirements compel public entities to secure annual audits of their financial statements by statutory auditors. In both instances, SAIs formulate approaches and methodologies that allow them to rely on the work of other auditors effectively. This practice usually aligns with the principles outlined in ISSAI 2600.¹³ Under this framework, the SAI assumes the role of the group auditor, while statutory auditors act as component auditors, ensuring a comprehensive oversight mechanism that leverages the expertise and findings of external auditors.

Therefore, our hypothetical SAI scans the audit universe, identifies critical aspects and risks in some public sectors, and decides to carry out compliance and performance audits in those.

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► **Play 4: Interpreting legal framework and assessing impact of potential change.**

The legislation of the country mandates the SAI to:

- Issue opinions on the accuracy of the annual financial statements of 55 ministries and other central state institutions annually by May 15th of the subsequent financial year.
- Provide an opinion and an audit report on the State's annual financial statement each year by October 15th of the following financial year.

The 55 annual financial statements from the ministries and other central state institutions are consolidated into the State's annual financial statement. Consequently, auditing the consolidated statement necessitates similar audit procedures to those used for individual financial audits. Typically, the audit team responsible for the State's annual financial statement relies on the work conducted by

¹³ ISSAI 2600 (ISA 600): Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).

individual audit teams six months prior. This process requires additional procedures and resources.

The SAI has identified that there is room for optimisation of activities and of resources allocation. The sustained collaboration between the SAI and the Ministry of Finance over the years, coupled with the country's growing maturity in financial management, has led to the production of high-quality annual financial statements by public institutions. Therefore, the SAI explored the opportunity to annually deliver just a single opinion and report on the State's annual financial statement, while maintaining a reasonable level of assurance. Such a change would free up resources, allowing for carrying out more compliance and performance audits in high-risk areas.

TAKE-AWAY

Key takeaway: By interpreting the legal framework and assessing its operations, the SAI can identify opportunities to simplify the audit process while maintaining assurance level, leading to more efficient resource allocation, enabling a focus on additional critical risk areas, and thus enhancing audit impact. This approach highlights the importance of adaptive strategies in audit practices to enhance overall efficiency and effectiveness.

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► **Play 5: Expanding the mandate of the SAI.**

The SAI has traditionally been mandated to conduct financial and compliance audits of all government entities. The legal framework, established decades ago, precisely outlines the entities to be audited and the frequency of these audits. However, the rapid evolution of public sector challenges and opportunities, especially in areas like environmental sustainability, digitalisation, sustainability reporting and public health, highlighted the need for the SAI to adopt a more flexible and comprehensive audit approach.

Recognising the potential value of performance audits in addressing these emerging areas, the SAI sought to expand its mandate. The SAI believed that incorporating performance audits could significantly enhance public sector accountability and governance, as well as audit impact.

The initiative to expand the mandate faced several obstacles:

- **Legal and regulatory framework:** The current legal framework did not explicitly authorise the SAI to conduct performance audits.
- **Stakeholder resistance:** There was resistance from various government entities and some political players. Concerns were raised about the potential for increased scrutiny and the administrative burden of accommodating performance audits.
- **Capacity and skills:** The SAI's staff were highly skilled in financial and compliance auditing but lacked experience in performance auditing, which requires a different set of skills.
- **Public perception:** There was a need to convince the public and other stakeholders of the value added by performance audits, amidst concerns about potential overlaps with other oversight bodies and the risk of audit fatigue among audited entities.

To address these obstacles, the SAI undertook several strategic steps:

- **Legal advocacy:** The SAI engaged in dialogue with legislative bodies and policymakers to advocate for legal amendments that would include performance audits in its mandate. This involved presenting evidence of the benefits of performance audits from other jurisdictions and demonstrating how such audits could effectively address emerging public sector challenges in the country.
- **Capacity building:** The SAI initiated a comprehensive capacity-building programme for its staff, focusing on performance audit methodologies, best practices, and case studies from SAIs with established performance audit functions.
- **Stakeholder engagement:** The SAI launched a stakeholder engagement campaign to build support for the mandate expansion. This included workshops, seminars, and public forums with government officials, parliamentarians, CSOs, and the media to highlight the benefits of performance audits for governance and public accountability.

The concerted efforts of the SAI gradually built momentum for change. Legislative amendments were proposed to expand the SAI's mandate to include performance audits. While the process was ongoing, the capacity-building efforts laid the groundwork for a successful transition.

TAKE-AWAY

Key takeaway: Expanding the mandate of an SAI requires strategic advocacy, capacity building, and stakeholder engagement. Combining those efforts can be an effective approach to overcome legal, regulatory, and resistance challenges, ultimately enhancing the SAI's role in improving public sector accountability and governance, as well as enhancing audit impact potential.

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► Play 6: List of public sector institutions the SAI is mandated to audit.

No.	Public sector institution	Financial audits / required frequency	Compliance audits / required frequency	Performance audits / required frequency
1.	National Health Service	Annually	Biennially	Discretionary
2.	Ministry of Education	Annually	With financial audit	Every 3 years
3.	Regional Transport Authority	Annually	Annually	Discretionary
4.	City of Westhaven	Annually	Discretionary	Discretionary
5.	Riverton State-Owned Enterprise	Discretionary (audited annually by statutory auditors)	Discretionary	Discretionary
6.	Department of Environmental Protection	Annually	Discretionary	Every 5 years
7.	Central Bank	Annually	No mandate to audit	No mandate to audit

No.	Public sector institution	Financial audits / required frequency	Compliance audits / required frequency	Performance audits / required frequency
8.	Public Broadcasting Service	Annually	Every 2 years	Discretionary
9.	Westfield Energy Corporation (SoE)	Discretionary (audited annually by statutory auditors)	Discretionary	Discretionary
10.	Ministry of Defence	Annually	Annually	Discretionary
11.	National Space Research Agency	Annually	Every 3 years	After major projects
12.	Provincial Government of Eastfield	Annually	Discretionary	Discretionary
13.	Westfield Municipal Council	Annually	Discretionary	Discretionary
14.	Department of Agriculture	Annually	With financial audit	Every 4 years
15.	National Infrastructure Authority	Annually	Annually	Discretionary
16.	State Housing Development Fund	Annually	Every 2 years	Discretionary
17.	Ministry of Innovation and Technology	Annually	Discretionary	Every 3 years
18.	Urban Water Management Board	Annually	With financial audit	Discretionary
19.	National Pension Fund	Annually	Discretionary	Discretionary
20.	Redwood Cultural Heritage Institute	Annually	Discretionary	Every 5 years
...	...	...	...	...

TAKE-AWAY

Key takeaway: To effectively navigate potential audit topics, a dynamic inventory of all public sector institutions which might potentially become SAI's audited entities might appear to add value to SAI's strategic planning process. Understanding the legal framework and existing mandate is essential, and this overview supports SAIs in fully exercising their strategic audit planning, oversight role, and adapting to evolving audit needs.

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► **Play 7: Inventory of mandated public sector audits with limitations noted by the SAI.**

No.	Public sector institution	Financial audits / required frequency	Compliance audits / required frequency	Performance audits / required frequency	Unaudited due to constraints
1.	National Health Service	Annually	Biennially	Discretionary	Lack of budget
2.	Ministry of Education	Annually	With financial audit	Every 3 years	Mandatory PA not conducted due to capacity constraints
3.	Regional Transport Authority	Annually	Annually	Discretionary	It was audited, there were no constraints
4.	City of Westhaven	Annually	Discretionary	Discretionary	It was audited, there were no constraints
5.	Riverton State-Owned Enterprise	Discretionary (audited annually by statutory auditors)	Discretionary	Discretionary	No oversight of statutory auditors' work due to capacity limitations
6.	Department of Environmental Protection	Annually	Discretionary	Every 5 years	It was audited, there were no constraints
...	...	...	...	...	...
...	Westfield Energy Corporation (SoE)	Discretionary (audited annually by statutory auditors)	Discretionary	Discretionary	No oversight of statutory auditors' work due to capacity limitations
...	Ministry of Defence	Annually	Annually	Discretionary	It was audited, there were no constraints
...	...	...	...	...	...
...	Redwood Cultural Heritage Institute	Annually	Discretionary	Every 5 years	Lack of budget
...	...	...	...	...	...

TAKE-AWAY

Key takeaway: The “Unaudited due to constraints” column directly reflects the challenges the SAI faces in meeting its mandate. This additional data helps identify where resource gaps are impacting the SAI’s deliveries and provides a clear argument to advocate for additional resources, or to revising the current allocation of resources. It is also a critical tool for communicating with national financial management authorities and legislators about the need for adequate funding and support for the SAI.

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► Play 8: Simple analysis of the potential audited entity.

The Urban Renewal Agency (URA) is tasked with revitalising downtown areas and expanding affordable housing. It has a significant budget and engages in complex financial arrangements with both public and private sectors. Brief scanning of entity level developments revealed the following:

1. Financial weight of budget programmes:	Downtown revitalisation initiative: \$200M Affordable housing expansion: \$150M
2. Complexity of financial arrangements:	Use of tax increment financing for downtown projects. Public-private partnerships for affordable housing.
3. Recent operational changes:	New director appointed 6 months ago. Shift towards green building practices.
4. Risk assessment:	High risk of cost overruns in downtown projects. Moderate risk of fraud in procurement processes.
5. Audit history:	Affordable housing expansion not audited in the past 5 years.
6. Implementation of recommendations:	Slow implementation of audit recommendations on procurement reforms.
7. Public concerns:	Public concerns over the displacement of low-income residents.

TAKE-AWAY

Key takeaway: The analysis of the URA demonstrates that with minimal resource investment, it's possible for the SAI to gain valuable insights into an entity's financial prioritisation, operational changes, and risk areas. This approach enables effective audit planning and identifies critical areas for attention without necessitating extensive resource allocation for scanning activities.

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► Play 9: Elaborate analysis of the potential audited entity.

The National Health Department (NHD), which oversees the country's healthcare system, has been at the forefront of the pandemic response, managing substantial funds allocated for healthcare services and vaccine distribution. The SAI opted to reallocate part of its resources to audit this sector, and undertook a sophisticated analysis at the scanning stage, rather than deferring it to the pre-study phase of the performance audit, due to the pressing nature of the issue.

1. Budget analysis & financial weight:	Detailed breakdown of the \$1.5 billion Pandemic Response Fund (PRF) into specific allocations (e.g., vaccine procurement, healthcare infrastructure upgrades, public health campaigns). Use of financial modelling to project future budget needs and assess the sustainability of funding sources. The PRF's largest allocations were \$600M for vaccine procurement, \$400M for healthcare infrastructure upgrades, and \$500M for public health campaigns. The analysis highlighted a potential shortfall in funding for upcoming vaccine booster campaigns.
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2. Complex financial structures & risk management:	Examination of international grant mechanisms, identifying dependencies, and assessing foreign exchange risk. Analysis of contractual obligations with pharmaceutical companies, including penalty clauses for delivery failures and their financial implications. High dependency on volatile international grants for vaccine procurement, with a significant foreign exchange risk identified. Contractual analysis exposed the department to high financial risks due to stiff penalty clauses for delayed vaccine deliveries.
3. Operational and management dynamics:	Rapid operational changes have been implemented in response to the pandemic, including the formation of a task force. Recent adjustments to healthcare service delivery models.
4. Risk assessment:	Statistical risk quantification identified emergency procurement processes as high-risk areas for fraud, with a 25% estimated risk level. Performance risk analysis revealed that health outcomes in rural areas were 15% below national averages, indicating inefficiencies in resource allocation.
5. Audit history:	The rapid disbursement of funds and ongoing emergency status have postponed detailed financial audits. PRF expenditure not audited due to ongoing emergency status and exemptions in emergency spending guidelines. The SAI had audited the national vaccination programme 5 years ago and found that there were delays in distribution of vaccines to remote areas due to out-of-date IT systems, and that there was a lack of professionals qualified to apply vaccines in the public health units. Lack of precedent for auditing in real-time emergency response scenarios. Areas such as mental health programmes and telehealth services expansion in general have not been audited recently, despite their growing importance.
6. Stakeholder perceptions and media analysis:	High public dissatisfaction with vaccine rollout speed and transparency. Frequent media reports of vaccine wastage and procurement discrepancies. Among others, indicates the necessity of auditing public communication strategies and stakeholder engagement practices to enhance transparency and trust.
7. Strategic implications of audit neglect:	The SAI employed scenario planning to explore the potential consequences of not auditing high-risk areas: Potential misallocation of funds and inefficiencies in resource utilisation could lead to suboptimal health outcomes. Lack of accountability might result in decreased public trust in government spending and health initiatives.
8. Recommendation follow-up and implementation progress:	The recommendation tracking system showed a 50% implementation rate of previous audit recommendations, with significant delays in IT system upgrades for supply chain management, impacting vaccine distribution efficiency.

TAKE-AWAY

Key takeaway: The sophisticated preliminary analysis conducted for the NHD illustrates the value of in-depth examination at the early stages of strategic audit planning. By identifying critical areas, this approach not only streamlines the selection of audit topics but also ensures that audit resources are allocated to areas where they can have the most significant impact on service delivery and operational efficiency of the public entities.

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► Play 10: Example process of sectoral policy scanning.

During its strategic audit planning, the SAI has decided to review critical sectoral policies. The aim is to identify inefficiencies, assess policy implementation, and determine the need for in-depth audits in various sectors including healthcare, education, infrastructure, and environmental conservation.

- **Gathering initial signals:** The SAI team begins by collecting preliminary data through media monitoring tools, focusing on analyses and reports that highlight inefficiencies or criticisms of sectoral policies. Additionally, initial interviews are conducted with key public officials across sectors to gather insights on policy goals and challenges.
- **Reviewing policy documents and action plans:** In sectors where inefficiency signals are strongest, the SAI team conducts a brief review of existing policy documents, looking for clarity of objectives, existence of implementation action plans, and the robustness of monitoring mechanisms. Particular attention is paid to policies that have been flagged multiple times in media reports or have been subjects of concern in stakeholder feedback.
- **Checking implementation and monitoring:** The SAI compares stated objectives with actual outcomes, utilising data from government reports and independent evaluations.

After that exercise, the main observations of the SAI were:

Healthcare: Signals of inefficiency in the allocation of healthcare resources led to the discovery of a well-intentioned but under-implemented rural health access policy. Despite clear objectives, there is the lack of a detailed action plan and, consequently, insufficient monitoring of achievement of goals.

Education: There is a disparity between policy goals for digital classroom integration and actual classroom experiences. The policy existed mostly as an 'on-shelf' document, with limited real-world application or achievement of its ambitious goals.

Infrastructure: In the infrastructure sector, the SAI noted repeated concerns over the sustainability and maintenance of public works. A closer review of policy documents and implementation strategies highlighted a gap in sustainable planning and execution, leading to a decision for a focused performance audit.

Environmental conservation: Analyses of environmental policies uncovered discrepancies between conservation goals and actual practices, particularly in marine protection. Although policies were comprehensive on paper, the monitoring of policy implementation was found to be sporadic and ineffective.

TAKE-AWAY

Key takeaway: Such policy scanning enables SAIs to pinpoint specific sectors and policies where inefficiencies or gaps in implementation warrant further auditing. By leveraging a mix of media monitoring, document analysis, and stakeholder engagement, SAIs set the stage for targeted audits that can drive meaningful policy reform and better outcomes for people. This approach not only optimises the use of SAI resources but also ensures that audits are aligned with the areas of public concern.

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► **Play 11: Sectoral policy scanning through analysis of a single long-term plan of the government.**

In order to ensure that SAI's audits are aligned with governmental priorities, the SAI has decided to conduct sectoral policy scanning by focusing on the government's comprehensive 5-year planning document.

Initial review of the 5-year plan: To gain a comprehensive understanding of the government's vision and priorities for national development the SAI begins with a detailed review of the government's 5-year planning document, identifying the outlined goals, strategies, and priorities across all sectors.

Identification of critical areas: From the 5-year plan, the SAI identifies critical areas that are essential to achieving the outlined goals. This includes areas where significant budget allocations have been made, as well as new initiatives and flagship programmes.

Assessment of resource allocation and expected outcomes: To assess the alignment of resource allocation with stated priorities, the SAI examines the budget outlays associated with each identified critical area, alongside the expected outcomes as stated in the plan.

Gap analysis: To identify areas where progress is lagging or where outcomes are not being met, suggesting potential inefficiencies or implementation challenges, the SAI conducts a gap analysis between the planned outcomes and current progress reports or interim evaluations available for the ongoing initiatives within the critical areas.

Stakeholder engagement: To validate observations from the document analysis with stakeholder perspectives, ensuring that the selected areas for potential audits are relevant to both government priorities and public interest, the SAI engages with stakeholders through workshops, surveys, and public consultations.

Formulation of observations: Based on the review, gap analysis, and stakeholder feedback, the SAI formulates preliminary and specific observations about the effectiveness of policies within the critical areas. These observations are then used to develop a strategic audit portfolio.

TAKE-AWAY

Key takeaway: This structured process allows the SAI to systematically translate the government's long-term plan into a focused and strategic audit agenda. By aligning audit topics with national priorities and sectoral challenges, the SAI ensures its work is both relevant and contributory towards enhancing public sector performance and accountability.

► **Play 12: Analysing the cross-cutting initiative of establishing a primary school network.**

The government is in the process of reorganising primary school network across the territory of the country. The relevant policy highlights support to regional development and ensuring equitable access to education. Implementation of the policy involves intricate cooperation between multiple ministries: the Ministry of Education (for curriculum development and teacher allocation), the Ministry of Transport (for ensuring access to schools through road networks), and the Ministry of Regional Development (for regional planning and development balance). Given its cross-sectoral nature, the initiative presents unique challenges.

- Identification of cross-cutting nature: The SAI has identified the primary school network initiative as a cross-cutting project with significant implications for regional development, transportation, and education quality. This recognition is the first step in focusing the potential audit(s) on the coordination and integration challenges inherent in such a project.
- Preliminary stakeholder mapping and engagement: To identify any apparent gaps in coordination and alignment of goals among the sectors involved, initial mapping of key stakeholders from the involved ministries and preliminary discussions are conducted to gauge the initiative's scope, intended outcomes, and existing collaboration frameworks.
- Review of integration of sectoral policies: To determine the existence of a coherent policy framework that supports the initiative or identify policy mismatches, the SAI reviews relevant sectoral policies to assess how the initiative fits within each sector's strategic goals and whether these policies are designed to support cross-sectoral initiatives.
- Gathering of public and stakeholder feedback: To gauge public support and identify any concerns from a stakeholder perspective that might impact the initiative's implementation, the SAI collects feedback from communities, educators, and regional planners about the perceived need and challenges of the proposed school network. This can be done by online surveys and social media.

After such exercise, the SAI's observations were: Preliminary engagement and policy review indicate potential coordination challenges and policy integration gaps among the ministries. Given the initiative's significance for regional development and education access, combined with identified risks and stakeholder concerns, the SAI concludes that an audit focusing on the planning, coordination, and implementation readiness of the initiative of establishing a primary school network is needed.

**TAKE-
AWAY**

Key takeaway: The strategic examination of cross-cutting initiatives during strategic audit planning highlights the crucial need for SAIs to adopt a holistic view of government policies. By focusing on synergies among sectoral policies and their collective impact on national priorities, SAIs can identify and address the multifaceted challenges of implementation and coordination.

► Play 13: Mapping the SAI's stakeholders.

The SAI plans to include in its next strategic audit portfolio a range of whole-of-government audits to assess the effectiveness of national policies and programmes. Recognising the importance of stakeholder engagement in these expansive audits, the SAI embarks on a comprehensive stakeholder mapping exercise.

- Compiling an exhaustive list of stakeholders: The SAI compiles an exhaustive list of stakeholders, including Parliament, local governments, civil society organisations, business associations, academia, and the general public, among others. This initial list is derived from previous engagements and known interactions.
- Assessment of current engagement levels: To understand the baseline of engagement and awareness among stakeholders about the audit process and its value, the SAI assesses the current level of stakeholder engagement, noting areas of strong collaboration and identifying gaps.
- Stakeholder expectations and perceptions: SAI approaches the representatives from each stakeholder category (see also the Play below) to gather insights on their expectations from the audit process and their perceptions of its impact.
- Development of an engagement strategy for the next strategic period: Based on the gathered insights, the SAI develops a brief strategy paper listing stakeholders and defining methods and tools for reaching all of them.

TAKE-AWAY

Key takeaway: Deliberate stakeholder mapping and engagement strategy lead to enhanced stakeholder collaboration during the strategic period, with increased awareness and appreciation of the audit process's importance and impact. By actively addressing stakeholder expectations and perceptions, the SAI not only elevates the value of its audits but also fosters a culture of transparency and accountability across government entities and the broader community.¹⁴

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► Play 14: Engagement with stakeholders during strategic audit planning – scenario example for resource-constrained SAIs

An SAI operates with a small team of 20 individuals. Given its limited resources, the SAI adopts a strategic yet resource-efficient approach to engage stakeholders during its strategic audit planning process.

- Virtual 'town hall' meetings: Utilising free or low-cost video conferencing tools, the SAI organises virtual town hall meetings to engage with a broad range of stakeholders, including government officials, local NGOs, and the general public. These meetings are scheduled at times that maximise participation across different stakeholder groups.
- Social media engagement: The SAI leverages its existing social media platforms to engage with stakeholders. By posting polls, seeking suggestions for audit topics, and encouraging discussions in the comments section, the SAI gathers valuable insights without incurring additional costs.

¹⁴ For more detailed analysis and guideline for establishment of strong stakeholder coalitions, go to the IDI's playbook 'Strong Stakeholder Coalitions for Audit Impact' at IDI's webpage www.idi.no.

- Email campaigns: The SAI uses email campaigns to reach out to stakeholders, including academia, professional bodies, and business associations, inviting them to submit written feedback on potential audit areas and any concerns they might have regarding public sector accountability.
- In-person meeting with the legislator: Recognising the importance of direct communication with key decision-makers, the SAI arranges an in-person meeting with legislators and sub-national legislatures, if appropriate. This meeting is carefully planned to coincide with other scheduled legislative sessions to minimise additional costs and maximise the impact of direct engagement.

TAKE-AWAY

Key takeaway: This multi-faceted yet resource-conscious approach allows the SAI to effectively gather wide-ranging inputs for its strategic audit planning. By combining digital engagement methods with a strategically timed in-person meeting with legislators, the SAI ensures comprehensive stakeholder involvement, enhancing the audit plan's relevance and aligning it with national priorities, all within its resource limitations.

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► **Play 15: Engagement with stakeholders during strategic audit planning – scenario example for well-resourced SAIs.**

An SAI has the capability to undertake a more extensive and varied stakeholder engagement process during its strategic audit planning. This SAI aims to utilise its resources to ensure deep and broad-based stakeholder participation.

- Meetings with legislators: The SAI schedules regular meetings with legislators and parliamentary committees to align with legislative priorities and address areas of mutual concern.
- Survey of key audited entities: To complement direct engagements, the SAI conducts an optional survey among key audited entities, including major government departments and state-owned enterprises. This survey aims to understand their challenges, areas of risk, and potential improvements from their perspective, ensuring that audits address relevant and significant issues.
- Dedicated stakeholder engagement portal: The SAI develops a dedicated online portal where stakeholders can submit audit suggestions, participate in discussions, and view the status of ongoing and planned audits. This portal serves as a one-stop-shop for engagement, providing transparency and ease of access for all stakeholders.
- Regional workshops and seminars: Recognising the importance of face-to-face interaction, the SAI organises regional workshops and seminars across the country. These events are designed to gather inputs from local governments, civil society organisations, the media, and the general public on potential audit topics and areas of concern.
- Stakeholder advisory committees: The SAI establishes advisory committees composed of representatives from key stakeholder groups. These committees meet regularly to provide ongoing input into the strategic audit planning process, ensuring that diverse perspectives are considered in audit topic selection.
- Collaborations with academic institutions: To leverage external expertise, the SAI collaborates with academic institutions to conduct research on emerging issues in public sector governance that

could inform future audits. This collaboration includes joint seminars and the commissioning of studies on specific topics.

In-person and virtual engagement mix: Acknowledging the importance of accessibility, the SAI offers both in-person and virtual options for stakeholder meetings, including those with legislators and advisory committees. This hybrid approach maximises participation and accommodates stakeholders' diverse preferences and circumstances.

TAKE-AWAY

Key takeaway: This stakeholder engagement strategy allows the well-resourced SAI to thoroughly incorporate a wide spectrum of insights and priorities into its strategic audit planning. By actively engaging with legislator, conducting surveys of audited entities, and facilitating broad stakeholder participation through various channels, the SAI ensures its audits are both relevant and aligned with national and sector-specific needs.

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► **Play 16: Understanding public appetite for audits.**

To gauge the public's appetite for audits and identify focus areas that resonate most with citizens, the SAI undertakes this initiative as part of its strategic planning exercise.

- Public interest surveys: The SAI commissions a nationwide survey to measure the public's interest in audit activities and findings. The survey includes questions about the types of audits the public finds most relevant and areas where they demand greater accountability.
- Focus group discussions: By organising focus group discussions across different regions, the SAI gathers qualitative insights from diverse demographic groups about their expectations from audit activities and specific areas of concern.
- Media coverage review: The SAI reviews media coverage of past audits to identify the types that attracted significant public interest, along with the narratives accompanying these audits. Additionally, the SAI continuously monitors media reports concerning issues across various areas of the public policies in place. The ongoing documentation of identified weaknesses is assigned to audit teams responsible for conducting audits in these specific sectors. Besides, the SAI reflects on its own activities related to communication with the general public and with the media.
- Social media monitoring: To tap into real-time public discourse, identifying emerging areas of concern that could benefit from audit attention, SAI monitors social media platforms. The SAI identifies trends and discussions indicating public demand for transparency and accountability in specific government sectors or activities.

In the first decade following the implementation of such a comprehensive strategic planning exercise, the SAI, due to resource constraints, relied solely on reviewing media coverage as its method of analysis. Over time, as resources allowed, it expanded its approach to include additional methods.

TAKE-AWAY

Key takeaway: The Play illustrates how SAIs can begin with resource-efficient strategies to align audits with public expectations, gradually expanding their methods as resources permit. Such adaptability ensures that even with limited means, SAIs can enhance public trust and accountability in government operations.

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► **Play 17: Integration of technology within the audit processes in a resource-constrained SAI**

The SAI operates under significant resource constraints, making it imperative to selectively integrate technology within its audit processes to enhance efficiency and effectiveness.

- Identification of technological needs: The SAI assesses its current audit processes to identify areas that could significantly benefit from technology, such as data collection and analysis. This is achieved through internal reviews and feedback sessions.
- Exploring affordable technologies: Focusing on cost-effective solutions, the SAI explores open-source data analytics tools and basic artificial intelligence software that can automate repetitive tasks. They leverage free resources, industry journals, and tech reports to identify suitable technologies.
- Capacity building on a budget: The SAI organises in-house training sessions led by tech-literate staff members to share knowledge internally. They also take advantage of free webinars and online workshops on using open-source tools in auditing processes.
- Pilot implementation: A small-scale pilot project is initiated, applying selected technologies to a specific audit area, such as analysing procurement data. This allows the SAI to gauge the impact without widespread implementation costs.

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► **Play 18: Integration of technology within the audit processes in a well-resourced SAI**

SAIs with ample resources, including those for initial technology analysis, are well-positioned to systematically incorporate advanced technology across its audit processes. Some examples are:

- Comprehensive initial technology analysis: SAI invests in a detailed technology analysis, hiring external consultants to assess the latest technological tools, software, and their applicability to audit processes. This includes artificial intelligence, blockchain, and sophisticated data analytics platforms. This also includes a detailed assessment of SAI's existing infrastructure and software to identify necessary upgrades or changes required to support the new technologies.
- Upgrading infrastructure and software: Based on the compatibility assessment, SAI undertakes upgrades to its IT infrastructure, including server capacities, cybersecurity measures, and software platforms. This may involve purchasing new hardware, acquiring licenses for specialised software, or custom-developing applications to meet specific audit needs.
- Structured training programmes and expert partnerships: With the infrastructure now primed for new technologies, the SAI rolls out structured training programmes for its auditors, facilitated by partnerships with technology experts and institutions, ensuring the staff is well-prepared to utilise the upgraded systems and tools.

- **Pilot testing and full-scale implementation:** Initial pilot testing of the new technologies on upgraded infrastructure is conducted to fine-tune processes and ensure auditors are comfortable with the tools. Successful pilots are followed by a phased, full-scale implementation across the SAI's operations.

TAKE-AWAY

Key takeaway: The contrasting approaches in two cases highlight the importance of initial technology analysis and tailored implementation strategies based on resource availability. The resourceful and community-driven approach in case 1 contrasts with the structured and investment-heavy strategy of case 2, showcasing diverse pathways to technology integration in audit processes. Both cases underscore the transformative potential of technology in auditing, irrespective of an SAI's resource level.

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► **Play 19: Public sentiment and governance: An example survey by an SAI.**

The SAI recognises public sentiment as a critical factor in shaping its strategic planning and has opted to conduct a survey as part of this exercise. The following questions were included in the survey:

On social issues and concerns:

- What social issues are you most concerned about in our country? (e.g., poverty, health, education, human rights?)
- How would you rate the government's response to these issues? (Very effective, somewhat effective, not effective, don't know).

On public trust and governance:

- On a scale from 1 to 5, how much trust do you have in our public sector institutions to address the country's challenges?
- Which government actions or policies have significantly impacted your trust in the public sector, positively or negatively?

On specific sectors and dissatisfaction:

- Which sectors do you believe require immediate attention from the government to improve social conditions? (e.g., healthcare, education, employment).
- Have you experienced or observed any social dissatisfaction related to these sectors? Yes/No. If yes, please specify.

On public engagement and feedback:

- How well do you feel the government listens to and addresses public feedback and concerns?
- What channels do you typically use to express your opinions or concerns about social issues? (e.g., social media, community meetings, direct communication with officials).

On improvement and expectations:

- What are the top three actions or improvements you wish to see from the government to address social issues?

- How can public sector audits be more effective in enhancing accountability and governance regarding the social issues you have identified?

These questions are designed to gather insights into prevailing social issues, public trust in governance, sectors of significant dissatisfaction, and expectations from the government. The feedback can guide SAIs in aligning their audits with societal needs and improving public confidence in governance.

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► **Play 20: Weighing the expanding SAI's internal expertise against budget constraints and broader needs.**

When scanning the audit universe, the SAI noted that despite the government's significant investment in public transport infrastructure, particularly railways, the SAI's existing auditing expertise is primarily in infrastructure construction only. There is a notable gap in expertise regarding railway infrastructure management and maintenance, including track maintenance, signalling systems management, train scheduling, and passenger services.

The SAI also believed that hiring relevant experts as SAI's staff members was inefficient for several reasons. While an auditor with construction expertise can contribute to various construction projects, the niche expertise required for railway management and maintenance is highly specific. Given the SAI's diverse needs and the challenge of providing full-time employment in this specialised field, this option was not pursued. Furthermore, the SAI evaluated the possibility of securing funding for short-term external expertise but found it unfeasible due to the high market costs and the parliament's focus on balancing the budget for essential public sector needs.

Consequently, the SAI's resource acquisition strategy will now include approaching academia's experts in the topic, and seeking donors interested in supporting the transport sector, particularly for such specialised expenses.

**TAKE-
AWAY**

Key takeaway: Faced with a gap in specialised knowledge for certain audit areas, SAIs usually weigh the practicality of expanding its internal expertise against budget constraints and broader needs. This situation highlights the importance of engaging with stakeholders, strategic resource management and the need for innovative solutions, such as seeking external expertise, as well as external funding or donor support, to effectively address complex and evolving audit requirements.

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► Play 21: Evaluation of the SAI's organisational structure

The SAI initiates an internal evaluation to assess the effectiveness of its current organisational structure in supporting its audit processes. This evaluation aims to identify structural areas where improvements could significantly enhance audit quality, resource allocation and promote a culture of continuous improvement. The SAI has come up with the following observations:

- Communication and workflow efficiency: While communication channels exist, there is a lack of a centralised platform for sharing updates, leading to occasional delays in workflow. Updating of the Management Information System is recommended.
- Clarity of roles and strategic alignment: Roles and responsibilities are generally well-defined but not consistently aligned with the SAI's strategic goals. It is advised that job descriptions be updated to reflect strategic priorities and enhance alignment.
- Support for specialisation and expertise development: The SAI has dedicated teams for different audit streams (financial, compliance, and performance audits); however, opportunities for cross-training and specialisation are limited. Furthermore, there are too many audit teams simultaneously working in one audited entity. Introduction of rotational programmes and specialised training sessions is suggested to broaden expertise. Better audit planning and coordination between audit teams are recommended to avoid unjustified burden on audited entities.
- Structural flexibility: The current structure is somewhat rigid, making it challenging to adapt to new demands quickly. A more flexible team-based approach, allowing for dynamic assignment of auditors based on changing priorities, is recommended.
- Integration of technologies and methodologies: The organisational structure currently lacks a dedicated unit for exploring and integrating new technologies. Establishing a tailored unit or nominating an individual within the SAI is recommended to focus on adopting advanced audit tools and methodologies.
- Continuous learning and development: While some professional development opportunities exist, there is no structured approach to continuous learning. Creating a comprehensive plan for continuous learning and professional development, including regular workshops and access to online courses, is recommended.
- Oversight and quality review mechanisms: Oversight functions are effective but could be enhanced with more frequent and in-depth quality reviews. Expanding the audit quality review team and introducing peer review processes are recommended.

TAKE-AWAY

Key takeaway: Regularly assessing the organisational structure within an SAI is important to ensure it remains conducive to achieving high-quality audits, efficient operations, and the strategic goals of the institution. Conducting this review during the strategic audit planning phase is particularly advantageous as it ensures that any adjustments to the organisational structure are strategically aligned with upcoming audit priorities and challenges.

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► Play 22: Evaluating internal communication at the SAI.

The SAI recognises the pivotal role of effective communication in enhancing its operational efficiency and overall organisational culture. An internal evaluation is conducted to assess the state of communication within the SAI, focusing on identifying strengths and areas for improvement.

- Communication channels and tools: The primary channels identified were email, intranet, and regular meetings. However, the intranet was underutilised, and emails were sometimes overwhelming. The introduction of a centralised communication platform was recommended to streamline information sharing.
- Frequency and transparency of information sharing: Information tends to be shared on a need-to-know basis, leading to gaps in understanding among teams. A more open communication policy, with regular organisational-wide updates, was suggested to enhance transparency and timeliness of information flows.
- Communication of changes: Changes in policies and audit priorities are currently communicated via email, often leading to information overload. Implementing a structured change management communication process, including briefings and Q&A sessions, was advised.
- Access to important information: staff reported confusion about where to find specific documents or policy updates. Enhancing the intranet's functionality as a central repository for important and updated information, with clear guidelines, was recommended.
- Upward and downward communication flows: While downward communication was frequent, upward feedback mechanisms were less formalised, leading to missed insights from junior staff. Establishing regular feedback channels, such as suggestion boxes and open forums, was proposed.
- Barriers to effective communication: The main barriers identified were information silos between departments and a culture of hierarchical communication. Encouraging cross-departmental meetings, regular knowledge-sharing sessions and team-building activities was suggested to break down silos.

TAKE-AWAY

Key takeaway: Effective internal communication is the backbone of an SAI's operations, directly impacting its efficiency, organisational culture, achievement of strategic objectives and audit success. An SAI's proactive assessment highlights the importance of continually evaluating and improving communication strategies.

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► Play 23: Using individual categories to summarise the data collected in the scan.

Scanning its readiness and challenges for auditing digital transformation initiatives in public entities, the SAI identified external factors related to the latest technological advancements relevant to audit practices, and internal factors related to current status of infrastructure and use of technologies. The SAI then organises the collected data into different categories, one of them is "Auditing digital transformation initiatives". For this category, data is structured according to its strengths, weaknesses, opportunities, and threats (SWOT), and the team uses the template below:

	SAI'S OBSERVATIONS	SAI'S KEY INSIGHTS
Strengths	Advanced IT audit tools are available.	SAI possesses state-of-the-art software for IT audits, which can enhance efficiency.
Weaknesses	Skill gaps in emerging technologies.	Staff require additional training in blockchain and Artificial Intelligence technologies.
Opportunities	There is growing demand for digital audit expertise.	Government's increasing focus on digital projects presents more audit opportunities.
Threats	Technological advancements are rapid and may soon become obsolete.	Fast pace of tech change may outstrip current audit methodologies' effectiveness.

As a result, the team documents the following observations:

The SAI has a strong foundation in using advanced IT audit tools, but there's a notable gap in staff training for auditing newer technologies like blockchain and AI. Despite having sophisticated tools, the skill gap in emerging technologies could hinder the SAI's ability to thoroughly audit digital transformation initiatives. The government's push towards digitalisation opens new avenues for the SAI to add value through specialised audits. However, the rapid pace of technological change poses a continuous challenge to keeping audit methodologies up to date.

As a response to deriving strategic question (*How can we enhance our audit effectiveness in digital transformation initiatives when faced with skill gaps and rapid technological advancements?*), the scanning team suggests the following strategies:

- Initiate a targeted training programme for audit staff on blockchain and AI technologies, and
- Develop a partnership with a technology institute for continuous learning and update of audit methodologies.

TAKE-AWAY

Key takeaway: Structured categorisation of data enables SAIs to pinpoint critical areas for development of capacities, contributing for audits to remain effective and relevant. Recognising external trends as opportunities or threats highlights the importance of adaptability and strategic planning in audit processes.

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► **Play 24: Prioritising a few critical observations on sectoral policies based on significance and alignment with the SAI's strategic goals.**

The government has declared five key sectors (healthcare, infrastructure, education, energy, and agriculture) as its priorities while the SAI has committed to audit government's priorities to come up with timely recommendations. Thus, the SAI decides to enhance strategic audit planning by scanning policy implementation across those five sectors.

The SAI's scanning team uses the below template for multi-sector analysis:

KEY SECTOR	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS (OR CHALLENGES)
Healthcare	Advanced policy on public health management	Inconsistent policy implementation across regions	Digital health innovation	Rising healthcare demand vs. budget limits
Infrastructure	Comprehensive infrastructure policy framework	Project delays and budget overruns	Sustainable and smart infrastructure projects	Climate change and environmental compliance
Education	Progressive education policies	Digital divide impacting policy effectiveness	E-learning and educational technology	Funding disparities and quality standards
Energy	Strong renewable energy policies	Infrastructure gaps in energy distribution	Transition to renewable energy sources	Regulatory changes and market volatility
Agriculture	Policies supporting sustainable agriculture	Challenges in smallholder farmer policy adoption	Technological advancements in agriculture (AgTech)	Climate change impacts on agricultural productivity
...	...	...	...	...

As a result, the team documents the following observations:

Healthcare: The urgency in auditing healthcare is driven by the critical and immediate nature of public health demands, especially in light of global health challenges. The potential for digital health solutions to rapidly improve service delivery and policy implementation effectiveness makes it a sector where immediate audits can have significant, timely impact.

Education: The swift transition to digital learning platforms, intensified by current global events, highlights urgent gaps and opportunities in the education sector. Immediate audits are justified by the need to ensure equitable access and effective use of technology in education, addressing disparities and setting standards for quality.

Infrastructure: While important, the nature of infrastructure projects – often long-term and complex – allows for a slightly delayed audit focus. The immediate need is to prepare for sustainable and smart infrastructure developments, ensuring that future projects incorporate efficiency and environmental sustainability from the outset. This strategic delay allows the SAI to gather comprehensive data on ongoing projects and emerging trends in sustainable development in the infrastructure sector.

Energy: The country's transition to renewable sources of energy is crucial but occurs over an extended timeline, allowing for medium to longer-term audit planning. Audits could focus on assessing whether

policy frameworks effectively support infrastructure development and the transition process, aligning with long-term environmental and regulatory changes. At the same time, the SAI may decide to plan for deeper scans of the several financial sources the country will obtain to carry out its energy transition.

Agriculture: Given the sector's dependency on climate conditions and technological advancements, longer-term audits can afford the time to observe the impacts of climate change, the implementation of actions of climate adaptation and the adoption of AgTech. This strategic approach allows for auditing the long-term effectiveness of policies supporting sustainable agriculture and use of technology by smallholder farmers.

As a response to deriving strategic question (*How to prioritise audited areas in a situation of limited resources?*), the scanning team suggests the following strategies:

- Healthcare and Education emerge as immediate priorities due to the critical need for consistent policy implementation and the potential for technological innovation to address current challenges.
- Infrastructure follows closely, with audits planned to focus on improving project efficiency and embracing sustainable development.
- Energy is suggested for medium-term audits, targeting the enhancement of renewable energy policy implementation and infrastructure modernisation.
- Agriculture is slated for longer-term audits, focusing on sustainable practices, climate change adaptation measures and technology integration to improve policy adoption among smallholder farmers.

TAKE-AWAY

Key takeaway: By prioritising sectors based on the urgency of needs, potential for impact, and nature of sectoral developments, the SAI conducts a strategic and impactful audit planning. This allows the SAI to allocate resources effectively, focusing on areas where audits can prompt timely improvements while planning for future challenges in sectors with longer-term development cycles.

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► **Play 25: Prioritising critical observations per themes.**

The SAI has completed the audit universe scanning phase, collecting a wealth of observations that need to be organised, analysed, and prioritised. To address the challenge of consolidating this diverse information, the SAI opts for a thematic approach, grouping observations by overarching themes such as governance, financial management, and service delivery, as well as cross-cutting issues, as shown in the table below.

THEME	OBSERVATIONS	PRIORITY	JUSTIFICATION
Governance	Regulatory overlaps and gaps; inconsistencies in policy alignment.	High	Essential for the foundation of effective and efficient governance; directly impacts all other areas of performance.
Financial management	Budgeting not aligned with priorities; financial reports lack timeliness.	Medium	Crucial for ensuring financial resources are used effectively, though slightly less immediate than governance and service delivery concerns: financial management is vital for the strategic allocation of resources and ensuring financial sustainability. However, the issues in financial management often manifest over longer periods and can be addressed through strategic adjustments and improvements in processes and systems. In contrast, deficiencies in governance and service delivery can have more immediate operational impacts, necessitating quicker action to maintain organisational integrity and public trust.
Service delivery	Variability in service quality and accessibility; staffing and technology constraints.	High	Directly affects public satisfaction and trust in services, with immediate impact on community well-being and support.
Cross-cutting issues	Underutilisation of technology; wavering public trust in institutions.	Medium	Important for modernising operations and rebuilding trust, but implementation can be phased in as part of broader strategic initiatives.

TAKE-AWAY

Key takeaway: Categorising observations by themes offers a structured and insightful approach to summarising data. This method highlights common challenges and opportunities across different areas, making it easier to identify systemic issues and target improvements effectively.

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► Play 26: SAI visualises its Intended Audit Impact Value chain

The new Auditor General (AG) of the SAI decides to join the IDI pilot on planning for audit impact. She is keen for her SAI's audit work to be recognised by key stakeholders and for the audits to have the desired impact. The SAI already has a strategic plan in place. One of the goals of the plan is related to high quality audits that make a difference. The SAI has a mandate to perform financial, performance and compliance audits. Following the IDI's model the SAI undertakes a comprehensive scan of its audit universe, both internally as well as externally. The scan also includes ascertaining the expectations of key external stakeholders.

The scan shows that the SAI did not have adequate financial audit coverage. The government was making efforts to consolidate its financial statements to integrate its accounting system for cost efficiency. This provided an opportunity to the SAI to plan for lesser number of audits of the consolidated accounts, thereby increasing audit coverage and reducing cost. It also provided an opening for the SAI to ask the government to consolidate its financial statements in ministries and agencies where it had not done so. Such arrangements also provided opportunity for consolidating the SAI's audit follow-up actions.

The SAI also has a comprehensive compliance audit mandate. The mandate requires the SAI to conclude on both systemic and individual instances of noncompliance. The mandate led to the SAI having a large number of audited entities in its compliance audit universe and the SAI struggled to cover these entities adequately. The audit universe scan showed increasing trend of noncompliance in areas such as claims of government officials, procurements, and infrastructure projects.

While scanning the audit universe for trends and issues of national as well as global significance, the SAI team found that economic growth was a big area of concern, and the government had planned many actions to accelerate economic growth. The government was planning to strengthen and invest in key sectors such as tourism, agriculture, and power generation. The government was also implementing national targets linked to the 2030 Agenda for Sustainable Development. These targets focused on several SDG areas. The most prioritised amongst them were climate action, public health resilience, full and productive employment. In addressing both economic growth and SDGs the government aimed at implementing the principle of 'leave no one behind'.

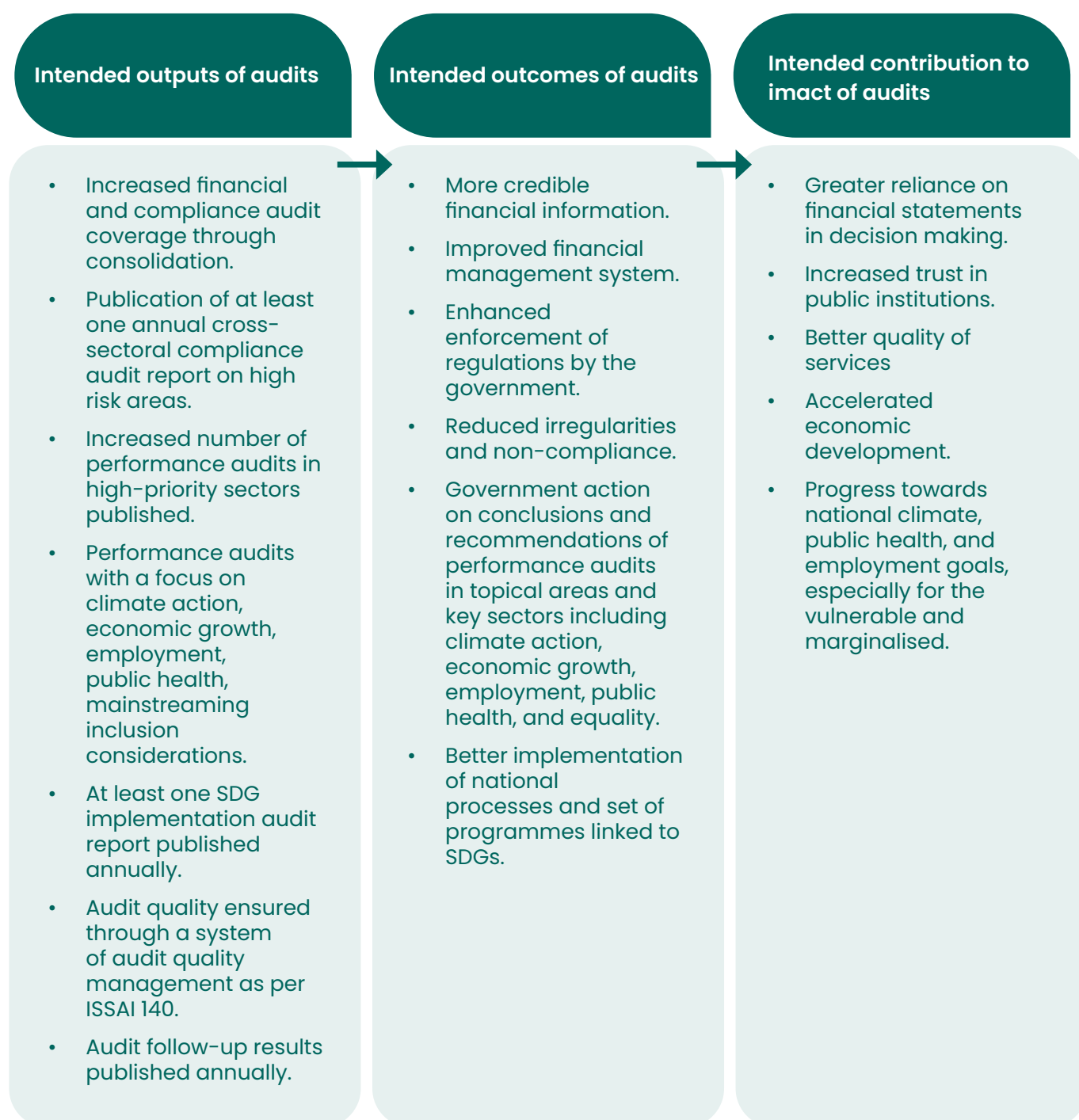
The SAI generally engaged only with the Public Accounts Committee (PAC) in following up audit recommendations and did not have a practice of engaging with stakeholders, especially non state actors, during the audit process. The audit recommendations from previous performance audits on related issues, had not been implemented by the government. The SAI did not have a formal system of conducting follow-up audits. The AG also wanted her SAI to revise their current quality control and assurance process and move towards a system of audit quality management.

The scan also showed that the SAI needed to take measures to strengthen its follow-up system in terms of planning for follow-up on a long-term basis. With the revised ISSAI 140 (Quality Control for SAIs), the SAI also wanted to take measures to setup a system of audit quality management which was in compliance with the standards.

The stakeholder engagement during the scanning phase indicated that the external and internal stakeholders in the country wanted more credible financial information which they could rely on in making decisions related to investments. The parliamentarians wanted to have a better understanding of the implications of SAI's financial audit findings. The stakeholders also expected the SAI to be a key player in helping the government in improving compliance. The Parliamentarians wanted to see more performance audits on issues of both national and global significance. Economic growth and climate action were uppermost on their minds.

In order to have a participatory process of visualising audit impact value chain, the AG asked her deputies to develop value chains for each of their audit streams. The deputies and the AG, supported by a small audit planning team, then met to decide on and finalise the audit impact value chain for the SAI's Strategic Audit Plan (SAP). They decided on aiming for the following intended outputs, outcomes, and contribution to audit impact from the SAI's audit practices in the next four years.

The consolidated result of this exercise was the audit impact value chain shown below:



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► **Play 27: SAI's audit impact value chain for the financial audit mainstream.**

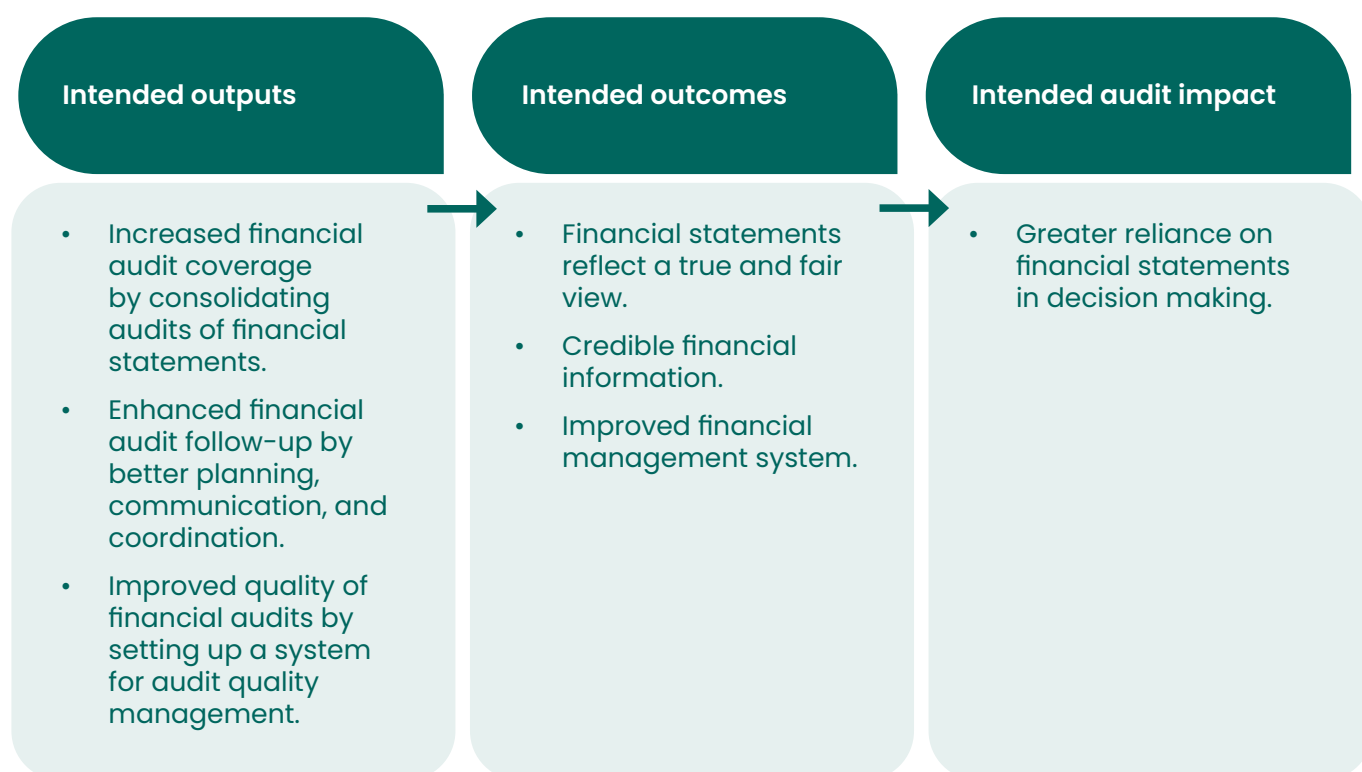
The strategic plan of the SAI has a strategic priority on enhancing the quality and impact of the SAI's financial audit practice. When the SAI scanned its audit universe, it identified some areas of need and some opportunities for enhancing its financial audit practice. The scan showed that the SAI did not have adequate financial audit coverage. The government was making efforts to consolidate its financial statements to integrate its accounting system for cost efficiency. This provided an opportunity to the SAI to plan for lesser number of audits of the consolidated accounts, thereby increasing audit coverage and reducing cost. It also provided an opening for the SAI to ask the government to consolidate its financial statements in ministries and agencies where it had not done so.

Such arrangements also provided opportunity for consolidating the SAI's audit follow-up actions. The scan also showed that the SAI needed to take measures to strengthen its follow-up system in terms of planning for follow-up on a long-term basis. With the revised ISSAI 140 on system of quality management, the SAI also wanted to take measures to setup a system of audit quality management in compliance with the standards. This would also enhance the quality of the financial audits.

The stakeholder engagement during the scanning phase indicated that the external and internal stakeholders in the country wanted more credible financial information which they could rely on in making decisions related to investments. The parliamentarians wanted to have a better understanding of the implications of SAI's financial audit findings.

As per the system set up in the SAI, the Deputy Auditor General (DAG) responsible for financial audits called a meeting of division chiefs and team leaders to discuss the value chain that the SAI could have to address these issues and seize identified opportunities in the SAP. A core team working with the DAG facilitated the meeting.

Based on intensive discussions, they decided that they would recommend the following audit impact value chain for the financial audits mainstream in their Strategic Audit Plan (SAP):



The DAG submitted the proposal to the Audit Advisory Committee. This was a committee of the senior management in the SAI, and it was headed by the AG. The committee was mandated to consider and approve proposals for inclusion in the strategic audit plan.

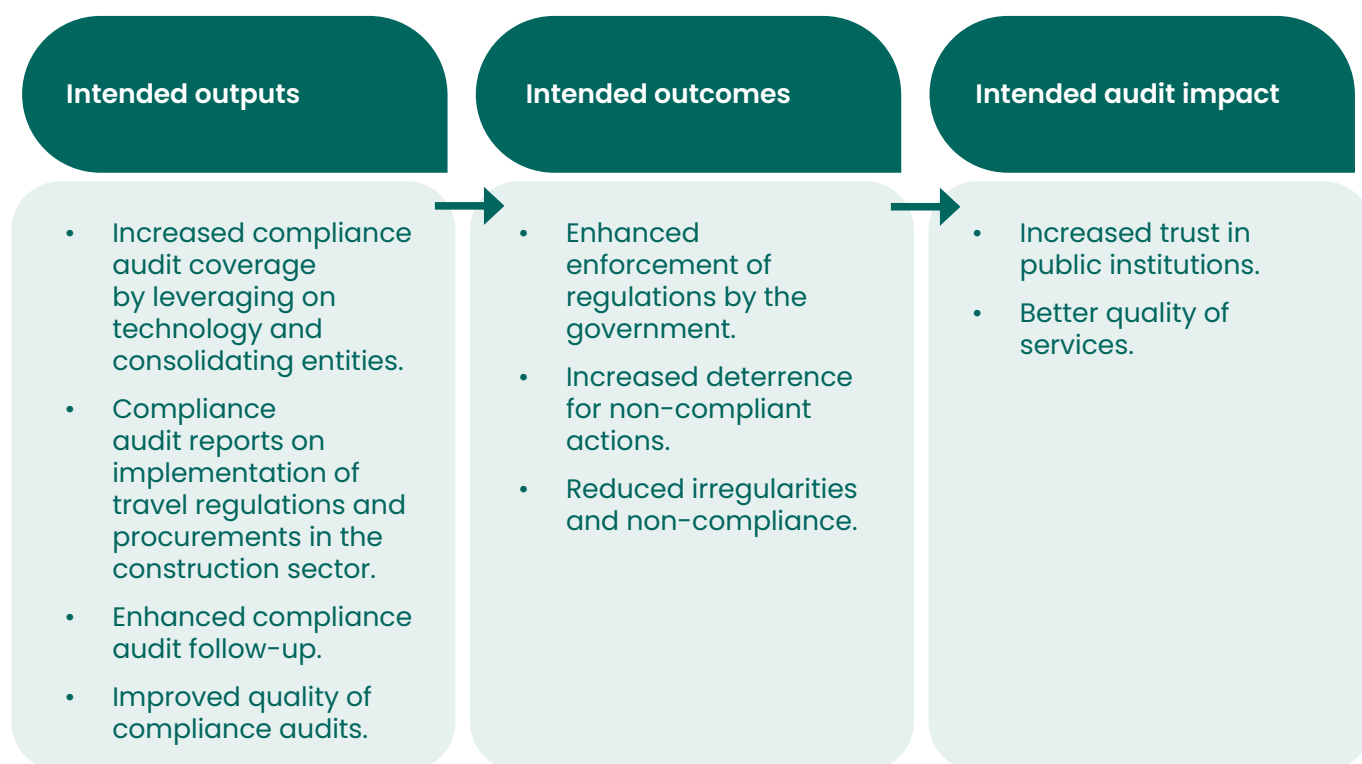
As the timeline for finalising the SAP was fast approaching and the AG was travelling, the committee met virtually to discuss the proposal. The concerned DAG presented the proposal and explained the audit impact value chain for the financial audits mainstream. The committee approved the proposal for inclusion in the SAP.

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► **Play 28: SAI's audit impact value chain for the compliance audit mainstream.**

The SAI has a comprehensive compliance audit mandate, which requires to conclude on both systemic and individual instances of noncompliance. The mandate led to the SAI having a large number of audited entities in its compliance audit universe and the SAI struggled to cover these entities adequately. The audit universe scan showed increasing trend of noncompliance in areas such as official travel, procurements and public works/construction leading to losses, wastage of government resources and deteriorating quality of public assets like roads, building, etc. The SAI audit teams also had information that the government had set up a check-post management system (CPMS) during the COVID pandemic. The CPMS system collected data of movement of people between places. The SAI had requested access to that data.

As it was a small SAI, the AG and her DAG directly worked on the audit impact value chain with the auditors working with compliance audit. Together they agreed to include the following audit impact value chain for the compliance audit mainstream in their Strategic Audit Plan (SAP).



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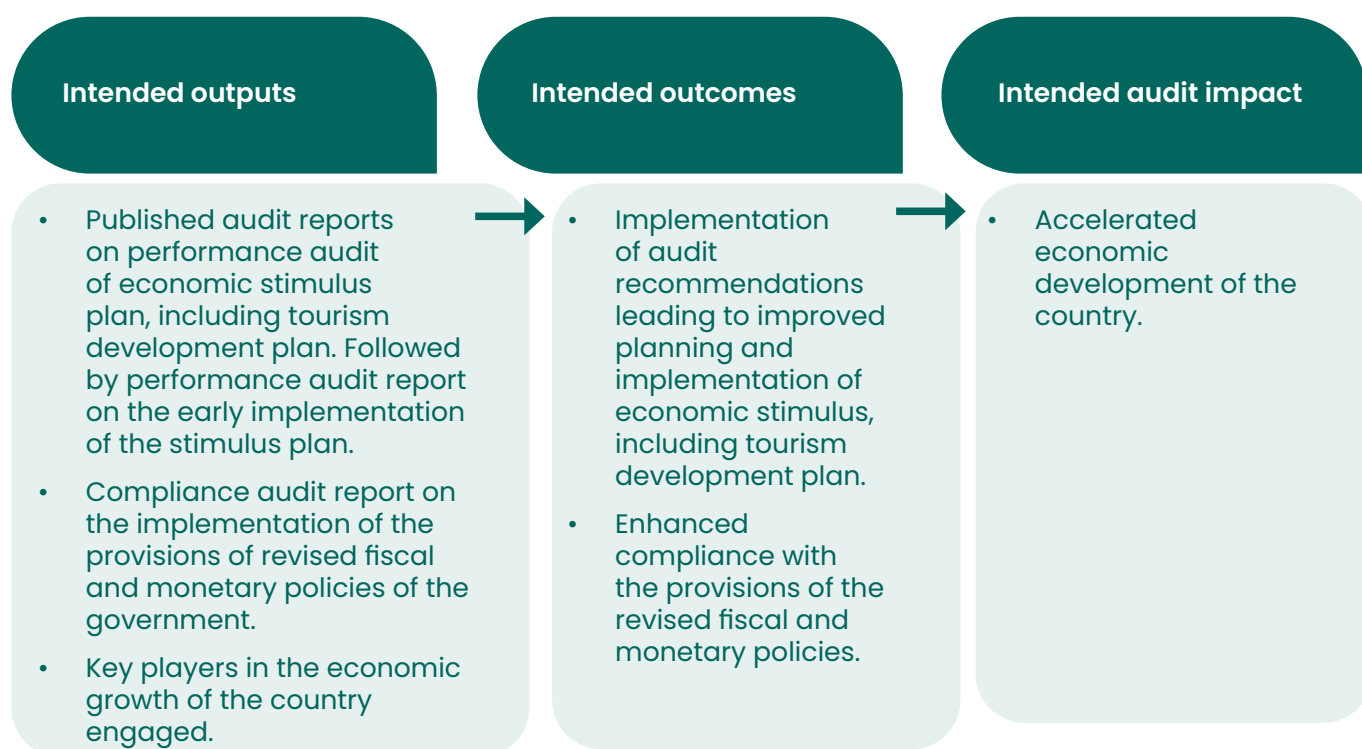
► **Play 29: SAI's audit impact value chain for the performance audit mainstream for issues of national significance.**

While scanning the audit universe for trends and issues of national significance, the SAI found that the COVID pandemic led to deterioration of the economy of the country. The economy depended largely on power generation, tourism, and agriculture. Conversations with the audited entities and key stakeholders showed that the government was developing an economic stimulus plan, including a tourism development plan. The government had also reviewed its fiscal and monetary policies. The government had identified several key stakeholders including development partners, multilateral international organisations, foreign investors, and private sector as key players in the economic growth of the country.

The scan of the audit universe also showed that the SAI generally engaged only with the Public Accountability Committee (PAC) in following up audit recommendations. The SAI did not have a practice of engaging with stakeholders, especially non state actors, during the audit process. Besides, the audit recommendations from previous performance audits on related issues, had not been implemented by the government.

The Auditor General (AG) was of the view that providing meaningful contribution to such a large, complex issue required a multi-pronged audit approach. He discussed with his management team that he wanted the SAI to examine compliance to the fiscal and monetary policies. He also thought that it was important to do a performance audit of the economic stimulus plan at the planning stage, followed by another one at the implementation stage. He wanted his team to use the results of the financial audit of institutions like the Central Bank and Ministry of Finance in the performance audits that would be planned. He also recognised the need for the SAI to enhance and expand its stakeholder engagement.

The senior management team consulted with their respective audit departments to check if such an approach was feasible. They also consulted the legal department to check the SAI's mandate to audit an area at the planning stage. On getting a go ahead from the audit departments and the legal department, the AG approved the following audit impact value chain for the performance audits mainstream for inclusion in the Strategic Audit Plan (SAP).



► **Play 30: Example of SAI's intended audit outputs.**

After scanning its audit universe, some of the SAI's observations were:

- Its capacity to conduct performance audits was reduced due to lack of advanced data analytics tools.
- Many audit recommendations were not being implemented due to incipient follow-up mechanisms and absence of engagement with stakeholders.
- performance audits were being conducted without a whole-of-government approach, hindering the SAI to conduct audits of SDG implementation.

To address those issues, the SAI included in its Strategic Audit Plan (SAP) the following outputs:

Output 1: To increase the SAI's capacity to conduct performance audits by 30% within the next five years through the implementation of advanced data analytics tools and the training of audit staff in their use.

- **Specific:** Targets the development of the SAI's internal capabilities, specifically around performance audits, by identifying two clear methods: implementation of data analytics tools and staff training.
- **Measurable:** Sets a quantifiable goal (30% increase) and a specific timeline (five years), allowing for the objective's progress and achievement to be tracked and evaluated.

Output 2: To achieve a 40% implementation rate of audit recommendations by audited entities within three years by enhancing follow-up mechanisms and stakeholder engagement strategies.

- **Specific:** Focuses on increasing the impact of the SAI's work by improving the rate at which audit recommendations are implemented, specifying follow-up mechanisms and stakeholder engagement as the methods.
- **Measurable:** Establishes a clear target (40% implementation rate) and timeframe (two years), making it possible to measure success in tangible terms.

Output 3: To conduct five whole-of-government performance audits in the areas of health care needs and consumer protection annually within the next five years altogether ensuring the full coverage of subject matters.

- **Specific:** performance audits in areas of healthcare and consumer protection.
- **Measurable:** number of audits, five-year plan, coverage metrics.

Those outputs were documented to be part of the visualisation of the audit impact value chain.

**TAKE-
AWAY**

Key takeaway: The intended audit outputs underscore the value of specificity and measurability. By being specific the target directs focus and resources efficiently, and by being measurable it enables clear tracking of progress, fostering a culture of accountability and continuous improvement within the SAI's operations.

► Play 31: Example of SAI's intended audit outcomes.

The strategic audit plan and the audit impact value chain of the SAI New Zealand includes the following outcomes. In the next few years, the SAI's work will focus on the following outcomes:

- **Achieving reductions in family violence:** Family violence persists despite the efforts of successive governments. We shall examine how well authorities cooperate to reduce family violence. We shall also continue to increase our understanding of the overall family violence problem, its costs to society, and whether the system responds in ways that will lead to significant and sustained reductions in family violence.
- **Improving housing outcomes:** Adequate and affordable housing is crucial for social and economic well-being. We shall look at how the Ministry of Housing is overseeing the housing system and how central and local government agencies are working together to deliver good housing and community outcomes – including for people at greater risk of living in unhealthy homes.
- **Improving health outcomes:** The health sector is the second largest area of government spending but faces significant financial pressures. District health boards, in particular, have inequalities in access. We shall look at how the Government responded to Health and Disability System Review Report and comment on the proposed reforms. We shall also look at how well the Ministry of Health supports district health boards to deal with their financial challenges and how the Ministry and the Treasury work together to support the health sector to be financially sustainable.
- **Improving education outcomes:** School attendance rates are declining and there are long waits for learning support, particularly early intervention. We shall look at the effectiveness of interventions aimed at improving educational outcomes. We shall also look at the financial sustainability of New Zealand's tertiary education institutions (TEIs). TEIs were financially vulnerable to changes in participation rates by international students before Covid-19.
- **Public accountability:** An effective accountability system is critical to New Zealanders' trust and confidence in the public sector and in government. We shall look how well the government is prepared it is to meet sustainable development goals, how the public accountability system is working at regional level. We shall stay focused on the fundamentals, such as how well public organisations manage procurement, how major infrastructure and other significant spending decisions are made, and how well public organisations plan for the future. We shall also pay more attention to integrity and ethics matters.
- **Keeping New Zealanders informed about public sector performance:** Performance reporting is how New Zealanders can see the value they are getting for the rates and taxes they pay. We shall be looking at how the public sector is accountable to communities and asking specific communities about what is important to them about the services they receive. We also want to expand the information that we provide about public sector performance and explore how we can make that information more relevant to different communities.

TAKE-AWAY

Key takeaway: The audit outcomes are targeted and grounded in specific societal issues, such as improving social welfare, health, education, and ensuring public accountability. Each outcome is backed by a thorough explanation, highlighting the critical need for systemic enhancements to address persistent challenges effectively.

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► **Play 32: Example of an SAI with broad autonomy to decide on audit coverage strategy.**

The SAI has the autonomy to shape its audit coverage based on a thorough risk assessment and its own exercise of scanning the audit universe. In that context, the SAI decides to focus on the technology, healthcare, and education sectors due to their critical impact on national development and public welfare:

- **Technology sector: 30% of resources** with a focus on **performance audits** aiming to assess the effectiveness of government initiatives in fostering innovation and securing digital infrastructure. This allocation reflects the sector's critical role in driving economic growth and the need to ensure robust cybersecurity measures.
- **Healthcare Sector (40% of audit resources):** In response to the healthcare sector's expanded role and the public's heightened expectations, 20% of resources are designated for **financial audits** of annual financial statements of healthcare entities. This ensures fiscal responsibility in the face of increased healthcare spending. An additional 20% is dedicated to **performance and compliance audits**, focusing on the efficiency and effectiveness of healthcare delivery and adherence to health regulations, including procurement processes for medical equipment and supplies.
- **Education Sector: 30% of the audit resources**, with 15% being for **performance audits**, examining the effectiveness and adaptability of educational programmes, including the transition to online learning platforms. The remaining 15% focuses on **compliance audits** of educational policies and regulations, ensuring that educational institutions adhere to standards and effectively use allocated resources for infrastructure improvements.

The resources allocation between audit mainstreams is: 20% for financial audits, 15% for compliance audits, and 65% for performance audits. This reflects a strategic emphasis on performance audits, with significant portions also dedicated to financial and compliance audits to ensure a comprehensive audit coverage across the public sector.

The SAI also documents its decision rationale as follows:

- **Diverse audit focus:** The strategy ensures a balanced approach by employing financial audits for a straightforward assessment of financial accountability within key public sectors. Performance and compliance audits complement this by evaluating operational effectiveness and regulatory adherence, offering a comprehensive overview of the subject matters to be audited.
- **Sector-specific prioritisation:** The allocation of resources among sectors is strategically chosen to align with national priorities and areas identified as high-risk or high-impact in the audit universe scanning. The significant portion of resources dedicated to the healthcare sector, for instance, underscores the current emphasis on public health and fiscal stewardship within this domain.
- **Expected outcomes:** The SAI anticipates that this strategic audit coverage will illuminate areas for policy refinement, promote more efficient public service delivery, and ensure the prudent management of public funds. This approach is aligned with the SAI's audit impact value chain, by aiming to foster transparency, enhance public trust, and contribute to the overall improvement of sectoral performance.

**TAKE-
AWAY**

Key takeaway: This method ensures not only broad coverage of the national economy but also a detailed, multi-faceted view of how public sectors manage resources, adhere to regulations, and achieve their operational goals, thus driving meaningful improvements across critical areas of public service.

► **Play 33: Example of an SAI with limited autonomy to decide on audit coverage strategy.**

The SAI is legally mandated to conduct annual financial audits of all central public entities. This legal requirement consumes a significant portion of its resources, leaving the SAI with a limited “leftover” for performance and compliance audits. Despite these constraints, SAI aims to maximise the impact of its remaining resources.

Legal mandate fulfilment

- Financial audits (70% of audit resources): Given the legal requirement, 70% of SAI’s resources are allocated towards financial audits of central public entities’ annual statements, ensuring fiscal responsibility and financial integrity across the government.

Strategic allocation of remaining resources

- Performance audits (20% of audit resources): With the leftover resources, the SAI allocates 20% to performance audits, focusing on high-impact areas identified through audit universe scanning. Priority is given to sectors like healthcare and education, where improvements can significantly benefit public welfare, and defence since the country faces continuous military threats from the neighbouring state.
- Compliance audits (10% of audit resources): The remaining 10% is dedicated to compliance audits, particularly targeting newly implemented regulations or areas with a history of non-compliance. This ensures adherence to laws and policies, safeguarding public interest.

Decision rationale: The substantial allocation to financial audits is a direct response to SAI’s legal obligations, ensuring that all central public entities are audited annually as required by law. Moving forward, the SAI will aim for the optimisation of resources allocated to financial audits to free up more resources for compliance and performance audits.

**TAKE-
AWAY**

Key takeaway: The SAI exemplifies how SAIs with significant legal mandates for financial audits can still effectively utilise their remaining resources to cover other critical areas. Through strategic planning and prioritisation, the SAI ensures that its audit coverage is both legally compliant and maximally impactful.

► **Play 34: Planning for Financial Audit Global risk considerations.**

As a part of planning for financial audits a small SAI carries out a Global Risk Considerations discussion. This is an overall risk discussion that is conducted by members of the SAI’s management team, who have experience in auditing entities in the public sector and are knowledgeable of existing and potential risks that may impact respective entities. Global risk factors considered at this level would include (but is not limited to) prior year key audit matters, prior year audit opinion, technical complexity of the accounting, complexity due to the industry e.g. financial services entities, public sector interest, emerging factors e.g. environmental, past or current knowledge of potential fraud, abuse and/or political interference.

The outcome from this Global Risk Consideration discussion is used to assign the appropriate staff – in terms of experience, and staff levels required i.e. if at a preliminary level, the engagement is deemed as medium or high risk and will merit additional reviews.

Key takeaways: In a small SAI, processes can be simple whilst still identifying appropriate competencies for the audits envisaged.

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► **Play 35: Planning the capacity development actions for the SAI's strategic audit portfolio.**

In conducting the planning process of developing its Strategic Audit Plan (SAP), the SAI completed the steps of scanning the audit universe, visualising its audit impact value chain, and developing the strategic audit portfolio. In these steps, the SAI realised that it does not have some capacities need to deliver all of the audits it intends to carry out.

Therefore, the SAI decides to plan for capacity development actions in a simple fashion, given that it is a small office with reduced resources. This planning process encompasses some steps and reflections related to the 15 performance audits included in the strategic audit portfolio for period 2024–2027. One of them is an audit of SDG implementation focused on Target 5.2 (elimination of intimate partner violence against women). The SAI then conducts an exercise of reflections on some aspects and fills out the table below.

Audit:	Audit of SDG implementation focused on SDG Target 5.2: elimination of intimate partner violence against women (EIPV).
What is required?	The SAI intends to audit the implementation of a set of programmes that contribute to the achievement of SDG Target 5.2, considering the 2030 Agenda's principle of Leave No One Behind (LNOB). According to IDI's SDG Audit Model (ISAM), an audit of SDG implementation is an ISSAI-compliant performance audit to examine the implementation of the SDGs at the national level using a whole-of-government approach, with two entry points: processes or programmes. A programmatic audit of SDG implementation needs to conclude on the government efforts to ensure policy coherence and integration and may conclude on the efforts at realising the principle of leaving no one behind and/or multi-stakeholder engagement. Therefore, the SAI needs these capacities: • Mechanisms for ISSAI-compliance. • Mandate to conduct performance audits. • Performance auditors. • Auditors with skills of conducting a whole-of-government approach and knowledge on the principle of LNOB. • 4 months of availability for those auditors to carry out the audit. • Budget for possible travels to gather data of vulnerable populations. • Access to information and different perspectives on government programmes that contribute to EIPV.

What do we have?	Looking at the results of the audit universe scanning, specifically the scan of internal factors, the SAI identifies that it has: • Quality assurance mechanisms in place to warrant ISSAI-compliance. • Mandate to conduct performance audits. • 5 performance auditors, who do not have skills nor knowledge on a whole-of-government approach nor the LNOB principle. • 2 of these auditors are available in the required timeframe. • Auditing SDGs is a priority in the SAI's strategic plan, and enough budget is warranted for it. • SAI's legislation and regulations guarantees a sound access to information from the government; however, the SAI has never engaged with non-state stakeholders because of reputational risks concerns.
What do we need?	Comparing both lists above, the SAI identifies the following capacity development needs: • The auditors appointed to conduct this audit will need training on conducting audits with a whole-of-government approach and LNOB. • The SAI needs to engage with non-state stakeholders related to the audit topic (EIPV), such as CSOs, experts, and representatives of vulnerable populations.
Which capacities will we develop?	Considering the importance of the audit, and that the developed capacities will be useful for the future, the SAI decides that it will develop the following capacities: • Training on conducting audits with a whole-of-government approach and LNOB. • Engaging with non-state stakeholders, beginning by the ones related to the audit topic (EIPV), and then expanding this experience to engaging with other stakeholders towards audit impact.
How will we develop the capacities identified?	The SAI has learned that IDI recently published the Policy-Coherence Audit Framework and the LNOB Audit Framework, both related to the ISAM 2024. Therefore, the SAI decides to assign its auditors to study these frameworks and engage with IDI to receive support on using them. Regarding the capacity of stakeholder engagement, the SAI creates a working group composed by 3 units (communications unit, performance audit unit, and General Auditor's cabinet) to develop and implement an ad-hoc pilot project for engagement with stakeholders, oriented to this particular audit, as well as a plan for learning from this experience and expanding it to other stakeholders.

After this exercise, the unit responsible for planning involved the Human Resources team to include these capacity development actions with the overall SAI's capacity development plan.

TAKE-AWAY

Key takeaways: Capacities can also be traced on an individual audit basis.

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► **Play 36: Snapshot from competency development plan linked to an audit take from LOTA.**

Several SAIs have participated in an IDI initiative Leveraging on Technology Advancement (LOTA). Participants in this initiative developed a strategic audit portfolio for the audit of technology. The capacities development plan mapped competencies required to the audits planned in the portfolio, one of which is the Audit of Governance Infrastructure for Cybersecurity, Information Security, and Data Protection. When reviewing the competencies required for this audit, the SAI team identified the lack of security clearance as a need to be developed and planned for the Head of SAI to leverage on networks to get this security clearance.

Audits	Requirement	What we have	Capacity to develop	Plan for development
Audit 1: Performance audit of Governance Infrastructure for Cybersecurity, Information Security and Data Protection.	Security Clearance for classified systems	–	Security Clearance for classified systems	Head of SAI to work with senior contacts to put in place controls that would allow access to classified systems
Audit 2: ...	...	...	...	...
Audit 3: ...	...	...	...	...

The same exercise was conducted to all other audits included in the strategic audit portfolio (represented with “...” in the template above).

TAKE-AWAY

Key takeaways: Capacities can be traced on an individual audit basis. Capacities can include institutional arrangements, and the SAI may need to be creative in thinking about how to meet capacity needs.

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► **Play 37: Documenting the SAP concisely.**

The SAI decides to have a concise, straightforward 5-year long SAP, to make it as reader friendly as possible. After conducting the steps of the planning processes, the SAI has final discussions on what's essential to be documented in the SAP as such. The decision is to outline the SAP with the following structure:

CHAPTER	CONTENTS
About this SAP	1-page description of the SAP's purposes.
Audit impact value chain	3-page description of what is the intended audit impact for the next 5 years, what are the intended outputs and outcomes, and how the SAI will engage with stakeholders for achieving the desired impact from its audit work.
Strategic audit portfolio	The main 2-page description of the main areas of interest the SAI will be focusing on in the next 5 years, each with a few paragraphs for considerations on their relevance.
Evaluation and learning	1-page description of how the SAI will evaluate its progress towards the audit impact value chain and the audit portfolio, and when the SAP may be reviewed, for keeping it relevant, updated and future-oriented.

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► **Play 38: Documenting the SAP exhaustively.**

After conducting the necessary steps of the planning process, the SAI documented the Strategic Audit Plan (SAP) in a comprehensive fashion. In the executive summary of the SAP, the message of the SAI's head thanked the participation of stakeholders and staff, and stated the SAI's focus on audit impact, indicated by the audit impact value chain. The table of contents of the SAP document looked like this:

About this SAP

Executive Summary

Summary of the SAP of SAI X

1. Methodology and process
 - 1.1. SAI's mandate
 - 1.2. SAP process flow
 - 1.3. Engagement with stakeholders
 - 1.4. Quality management
2. Audit universe scan
 - 2.1. External scan observations
 - 2.2. Country risks identified
 - 2.3. Internal scan observations
 - 2.4. Summary of observations of the audit universe
3. Audit impact value chain
4. Strategic audit portfolio

- 4.1. Audit topics and types (financial, compliance, performance).
- 4.2. Criteria for prioritisation of audit topics
- 4.3. Available resources
5. Capacity development plan
6. MEL framework
 - 6.1. Key Performance Indicators
 - 6.2. Monitoring
 - 6.3. Evaluation
 - 6.4. Learning

The document was then sent to the Parliament and uploaded to the SAI's website. Besides, the SAI also published a simplified version of the SAP document, focusing on the audit impact value chain and the strategic audit portfolio, including the audit topics and types, with a brief description of each.

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► **Play 39: Communication strategy of the SAP.**

After approving and publishing the SAP document, the SAI decided to start its communication campaign for multiple audiences. The designed communication strategy involves a group of activities:

- Sending to all staff an e-mail signed by the Head of the SAI, stating the relevance of the SAP and that all activities should take into consideration the SAP and the audit impact value chain.
- Arranging a session at a commission of the parliament to present a summary of the SAP.
- Elaborating and posting on social media short messages and a 7-minute video explaining the SAI's role, its intended audit impact, the strategic audit portfolio for the period of the SAP, and how society can engage with the SAI.
- Designating two individuals to summarise the most relevant audit reports in texts with no more than 4,000 characters, including as many illustrations and graphs as possible.

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► **Play 40: Prioritising audit topics by applying a scoring methodology.**

After scanning its audit universe and engaging with multiple stakeholders, the SAI has identified four potential performance audit topics: (A) solid waste management, (B) climate change adaptation, (C) sustainable fisheries, and (D) maternity services in public hospitals. To prioritise these topics in its strategic audit portfolio, the SAI applies a scoring methodology using a selection matrix, detailed below.

CRITERIA AND ITS WEIGHT (0-100)	IDENTIFIED AUDIT TOPICS							
	(A) Solid waste management		(B) Climate change adaptation		(C) Sustainable fisheries		(D) Maternity services in public hospitals	
	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
1. Materiality (15)	3	45	3	45	2	30	2	30
2. Auditability (15)	3	45	1	15	2	30	2	30
3. Possible impact (15)	3	45	2	30	2	30	2	30
4. Risks to the SAI (10)	3	30	1	10	3	30	3	30
5. Legislative or public interest (10)	3	30	3	30	0	0	3	30
6. Relevance (10)	3	30	3	30	2	20	3	30
7. Timeliness (5)	3	15	3	15	1	5	2	10
8. Previous audit work (5)	2	10	3	15	2	10	2	10
9. Other works planned or in progress (5)	2	10	1	5	1	5	1	5
10. Request for performance audit (10)	3	30	0	0	3	30	2	20
Aggregate score	290		195		190		225	
Relative rank of the topic	1		3		4		2	

The first column lists 10 criteria established by the SAI to prioritise the selected audit topics, and their respective weights, varying from 0-100. The remaining columns identify the four audit topics that have been previously selected (A, B, C, D).

Then, all 10 criteria are scored for each of the four audit topics, using the SAI's knowledge and professional judgment, according to a scale from 0 to 3 (Not applicable = 0, Low = 1, Medium = 2, High = 3). These scores are multiplied by the weight of each criterion; for instance, in the case of the materiality of the audit topic A ('solid waste management'), the score is 3 (high), and the weight for this criterion is 15, resulting in an aggregate score of 45 for this topic's materiality ($15 \times 3 = 45$).

The aggregate weighted score for an audit topic is determined by summing the weighted scores for all 10 criteria. For 'solid waste management,' the total is 290 – the highest aggregate score in the matrix. The final step involves ranking the audit topics based on their aggregate scores, with higher scores indicating a higher priority in the ranking.

After this exercise, the SAI identifies its four prioritised audit topics, in this order: solid waste management, maternity services in public hospitals, climate change adaptation, sustainable fisheries.

During this exercise, it is important to document the rationale for determining each score, e.g. why the criterion 'legislative or public interest' was scored 3 for topic B, and 0 for topic C.

TAKE-AWAY

Key takeaway: Prioritising audit topics in this manner may appear to be a straightforward numerical exercise. Nonetheless, it is crucial that each score is underpinned by comprehensive discussions and documented professional judgment to ensure the prioritisation process is reliable and transparent.

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► **Play 41: Simplified prioritisation of audit topics.**

The SAI opted to not to apply a scoring methodology for prioritising audit topics (illustrated in the previous play) in favour of simpler approaches, due to several reasons:

- **Resource constraints:** Implementing a scoring methodology can be resource-intensive, requiring significant time, expertise, and financial resources for data collection, analysis, and evaluation. The SAI has limited resources and finds simpler methods are more feasible and cost-effective.
- **Flexibility needs:** Simpler prioritisation methods can offer greater flexibility, allowing the SAI to quickly adapt its plans to emerging issues or changing priorities without the need for extensive re-evaluation processes.
- **Ease of understanding and communication:** Simpler methods do not involve complex methodologies, being more straightforward to understand and communicate to stakeholders, including the public, government entities, and audit staff.
- **Organisational culture and tradition:** The SAI prefers traditional and less formal approaches to prioritisation based on its organisational culture and historical practices.
- **Risk-based approaches:** Instead of scoring, the SAI relies on risk-based approaches that focus on identifying and prioritising audits based on perceived risks and vulnerabilities. This can sometimes be a more direct and intuitive way to allocate audit resources effectively.

After scanning its audit universe, the SAI brought up several potential audit topics, which now need to be prioritised to inform the SAI's decision-making on including them in its strategic audit portfolio.

One of the audit topics identified was 'solid waste management'. The SAI does an exercise of collecting further information about it and fills out the template below summarising such information.

Summary of an audit topic (e.g. solid waste management)

TITLE	SOLID WASTE MANAGEMENT
Context	Solid waste management is a vital quality-of-life and health issue for citizens. The government is spending an increasing amount on it, often dealing with private sector providers.
Rationale	SAI has not looked at the topic in the last eight years. The government has recently awarded a large contract for the next five years to a company that has performed poorly in other public service contracts and is in a weak financial position.
What the audit could achieve	The audit would look at whether the ministry is getting good value from its contracts with private sector suppliers. For example, we could examine the efficiency of the procurement process. Early intervention might also lead to improving health outcomes for citizens.
Key risks	Our audit may be seen as coming too early in the life of the new contract. We don't have in-house expert to assist with the audit. We already have two audits planned at the ministry, so they may feel that the audit burden is too high. We will need to find a convincing international comparator against which we can benchmark performance. When assessing performance, it may be challenging to estimate what would be a 'fair' price for the services. As mentioned, we would need to find a suitable international comparator. When estimating the cost to public health of service failure, we will need to provide strong evidence of a direct causal link between poor waste management and national disease levels. We need to be very alert for other factors that may contribute to increased incidence of disease.
Public Accounts Committee/ Parliamentary interest	Parliament is very interested in the topic. Several members of parliament have mentioned in recent debates that the current system is poor, and they frequently get complaints from their constituents about poor customer service and failure to carry out vital repairs.
Type of audit	Performance audit
Indicative budget	\$300,000
Indicative timing	Around nine months.

The SAI does this exercise for all of the identified audit topics. Afterwards, the SAI reviews each audit topic's summary to see which ones fit with the SAI's audit impact value chain, strategic goals, and priorities. In the end, the SAI selects the topics to be included in its strategic audit portfolio.

TAKE-AWAY

Key takeaway: Choosing not to use a scoring methodology reflects a strategic decision by an SAI to align its prioritisation process with its operational context, resources, and objectives, ensuring that it remains effective, efficient, and responsive to the needs of its stakeholders.

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► **Play 42: Prioritising key observations on a thematic/sectoral/subject matter basis**

The SAI has completed the audit universe scanning phase and collected information on external factors, country risks and internal factors. It has also analysed the strengths, weaknesses, opportunities, and threats (SWOT) to carry out audits of high quality to generate audit impact. For inclusion in the SAP the SAI consolidated and summarised all the information about the sectors/themes/subject matters in the following table, using the following criteria to prioritise them: intended impact, strength, weakness, opportunity, threat/challenges, relevance, timeliness, and capacity. The subject matters were then classified according to the levels of priority: high, medium, and low.

Sector, Theme, or Subject Matter	Observation	Prioritisation Criteria		Priority level
Financial Audit on Government Financial Statements (FS)	- Mandatory for audit as per the constitution and/or other law. - FS is ready within 3 months of the closure of the financial year. - Timely audit report is required for getting higher score in PEFA assessment.	Intended Impact	Increased credibility of government financial statements.	High
		Strength	Mandate, dedicated audit directorate, adequate manpower, leadership buy-in, Financial Audit guidelines.	
		Weakness	- Job rotation. - Employee dedication.	
		Opportunity	Government transactions are captured, and FS are prepared using a robust IT system.	
		Threats/Challenges	Lack of cooperation from the responsible parties.	
		Relevance	Constitutional and legal requirement.	
		Timeliness	According to constitutional and legal provision, SAI has to submit audit report on government FS to the parliament each year.	
		Capacity	- Adequate number of financial auditors available. - Adequate budget is available.	
Financial Audit on Statutory Public Authority, and Public Enterprise	- Mandatory for audit as per the relevant law. - FS are not ready timely and/or according to the prescribed framework. - Entities are distributed among different audit directorates.	Intended Impact	Increased financial discipline of SPAs and Pes.	Medium
		Strength	Mandate, dedicated audit directorate, leadership buy-in.	
		Weakness	- Job rotation. - Employee dedication.	
		Opportunity	Financial Reporting Council issued reporting framework for SPAs and Pes.	
		Threat/Challenges	FS are not ready timely and/or according to the prescribed framework.	
		Relevance	Legal requirement.	
		Timeliness	As per the legal provision SAI has to submit audit report each year to the Government.	
		Capacity	- Adequate number of financial auditors not available. - Adequate budget is available.	

Sector, Theme, or Subject Matter	Observation	Prioritisation Criteria		Priority level
Compliance Audit on Health, Education, Transportation, Agriculture, Public Works, Energy sector, and Local Government Engineering Department	- Discretionary audit. - Rampant irregularity and non-compliance of financial and other rules and regulations. - Delay in project implementation. - Loss and misuse of public funds.	Intended Impact	- Increased trust on public institutions. - Optimum utilisation of public funds.	High
		Strength	Mandate, dedicated audit directorate, adequate manpower, leadership buy-in, Compliance Audit guidelines.	
		Weakness	- Job rotation. - Employee dedication.	
		Opportunity	- PAC appetite. - Media coverage.	
		Threat/Challenges	Lack of cooperation from the responsible parties.	
		Relevance	Poor compliance environment in the public entities.	
		Timeliness	Compliance environment needs to be improved for better utilisation of public funds.	
		Capacity	- Adequate number of compliance auditors available. - Adequate budget is available.	
Performance Audit on healthcare services in public hospitals	- Discretionary audit. - Inadequate hospital beds, doctors, and nurses. - Poor patient satisfaction. - Lack of diagnostic equipment. - Public health is at stake.	Intended Impact	Improved healthcare services in the public hospitals.	High
		Strength	Mandate, dedicated audit directorate, leadership buy-in, Performance Audit guidelines.	
		Weakness	- Job rotation. - Employee dedication. - Lack of knowledge on high-tech medical equipment.	
		Opportunity	- PAC and public appetite. - Media coverage.	
		Threat/Challenges	- Lack of cooperation from the responsible parties. - Auditors have no idea about high-tech medical equipment. - Difficulty in selecting suitable criteria.	
		Relevance	Healthcare services need to be improved to create healthy nation contributing to growth and development.	
		Timeliness	No performance audit on the issue.	
		Capacity	- Dedicated audit directorate. - PA core group. - Adequate budget is available.	

Sector, Theme, or Subject Matter	Observation	Prioritisation Criteria		Priority level
Performance Audit on environment conservation	- Discretionary audit. - High instance of environment degradation. - Environment conservation act. - Government's commitment.	Intended Impact	Clean environment.	Medium
		Strength	Mandate, dedicated audit directorate, leadership buy-in, Performance Audit guidelines.	
		Weakness	- Job rotation. - Employee dedication. - Lack of knowledge on environmental science.	
		Opportunity	- PAC and public appetite. - Media coverage. - Government's commitment.	
		Threat/Challenges	- Lack of cooperation from the responsible parties. - Lack of knowledge on environmental science. - Difficulty in selecting suitable criteria.	
		Relevance	Clean environment contributes to sound public health.	
		Timeliness	- No performance audit on the issue long since. - One of the top listed environmentally polluted country for consecutive years.	
		Capacity	- Dedicated audit directorate. - PA core group. - Adequate budget is available.	
Performance Audit on climate change	- Discretionary audit. - High instance of climate induced adverse effects on poor people. - High instance of loss and damage. - Negative effect on economic growth and development. - Government's commitment. - Global and national conventions and protocols.	Intended Impact	- Increased wellbeing of poor mass. - Improved adaption and mitigation to climate change effects.	High
		Strength	Mandate, dedicated audit directorate, leadership buy-in, Performance Audit guidelines.	
		Weakness	- Job rotation. - Employee dedication. - Lack of knowledge on climate science.	
		Opportunity	- PAC and public appetite. - Media coverage. - Government's commitment.	
		Threat/Challenges	- Lack of cooperation from the responsible parties. - Lack of knowledge on climate science. - Difficulty in selecting suitable criteria.	
		Relevance	The poor and marginal people suffer the most from climate change.	
		Timeliness	Government implemented series of programmes to adapt and mitigate climate change and now it is the time to assess result.	
		Capacity	- Dedicated audit directorate. - PA core group. - Adequate budget is available.	

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► **Play 43: Prioritisation of financial audit topics (SAI with mandatory audit obligations and capacity constraints).**

Despite its mandate to conduct annual financial audits across all public sector institutions, the SAI finds itself constrained by limited capacity, being unable to fulfil this requirement entirely. Consequently, it must strategically choose which entities to audit. For such prioritisation the SAI applies the following selection criteria:

CRITERION	SELECTION OF THE SAI
Materiality	The SAI chooses the Ministry of Infrastructure due to its significant budget allocation for a nationwide transportation project. Financial magnitude of projects could substantially impact the government's budget if not managed correctly, making it a priority for financial audit.
Risk of material misstatement	The Ministry of Technology, recently undergoing a massive digital transformation project, is selected. Given the project's complexity and the department's adaptation to new financial systems, there's a heightened risk of misstatements that needs closer scrutiny.
Public interest and sensitivity	The Public Health Agency, especially relevant due to recent health crises, attracts significant public interest. The agency's expenditure on emergency medical supplies and services directly affects public welfare, prioritising it for an audit to ensure transparency and proper fund allocation.
Strategic importance	The energy sector, undergoing shifts towards renewable energy investments, represents a strategic pivot in national policy with substantial economic implications. Auditing entities within this sector ensures that strategic initiatives align with financial stability and accountability principles.

After this exercise, the SAI prioritises the financial audits it will be able to carry out according to its capacities.

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► **Play 44: Prioritisation of financial audit topics for the needs of strategic audit portfolio (SAI with discretionary financial audit mandate).**

The SAI has the discretion to decide on conducting financial audits, including determining the scope. This flexibility allows the SAI to tailor its audit portfolio to areas where it can add the most value. The SAI applies the selection criteria as follows:

Compliance with regulatory framework	Prioritises entities with histories of non-compliance or under complex regulations to improve adherence to financial reporting standards.
Financial condition and stability	Targets entities in unstable financial positions: public sector institutions that may face financial challenges or significant fiscal pressures, even when funded by the state budget. It involves examining entities with potential liquidity issues, high levels of debt, or those engaged in substantial financial transactions that could impact their fiscal health and, by extension, their reliance on and use of state resources.
Prior audit findings and recommendations	Focuses on entities with unresolved audit issues or where follow-up is necessary, leveraging past insights for improved financial governance.
Time since last audit	Considers entities not recently audited, ensuring periodic review across the public sector landscape.

► **Play 45: Planning financial, compliance, and performance audits to contribute to impact in climate action**

The national government's implementation of climate action plan has been included by the SAI to be audited within the first year of its three-year Strategic Audit Plan and Strategic Audit Portfolio. This area has been prioritised in view of the escalating effects of climate-related hazards to the economy, health, agriculture, environment, and communities. This is also in line with the effort of the government to monitor and follow up on the progress towards attainment of SDGs. Specifically, SDG 13 aims to combat climate change and its impacts.

Now, the SAI is developing its Annual Audit Plan (AAP) for the first year, with the perspective of mainstreaming this thematic area – climate action – in all three audit streams: financial, compliance, and performance audits.

For the AAP, the **financial audit** will cover the examination of accounts and expenses related to the climate action programmes and projects tagged in the General Appropriations Acts for national government agencies and those covered under the Local Climate Change Expenditure Tagging of the Local Government Units (LGUs).

Compliance with the regulations and guidelines in the implementation of climate change mitigation and adaptation programmes and projects will be subject of the **compliance audits** for auditors assigned in the national government agencies and LGUs. A compliance audit will verify whether government agencies adhere to relevant laws, regulations, and internal control frameworks related to climate change initiatives. This includes observing procurement procedures for green technologies and ensuring adherence to environmental impact assessments.

A **performance audit** of the national climate action plan will be conducted to determine the attainment of the goals and objectives as well as efficiency, economy, and effectiveness of their implementation by the national agencies and LGUs. This will be an audit of SDG implementation, conducted as per IDI's SDGs' Audit Model (ISAM).

These three audit streams are not isolated exercises. They are interconnected and provide a more complete picture of government efforts towards climate action. Financial audits inform compliance and performance audits by identifying potential areas where non-compliance or inefficient spending might occur. Compliance audits strengthen performance audits by ensuring government actions are within legal and regulatory boundaries, leading to more credible national outcomes. Performance audits add value to financial and compliance audits by demonstrating the return on investment for allocated resources and highlighting areas where financial systems and compliance procedures can be adjusted to better support programme effectiveness.

By employing a coordinated approach that integrates all three audit streams, the SAI can assess whether the government's climate action initiatives are financially sound and compliant, as well as whether they deliver the desired outcomes. This comprehensive approach fosters the responsible use of public funds, promotes transparency and accountability in climate expenditures, and ultimately contributes to a more sustainable future.

► Play 46: Informal process for monitoring the AAP.

A small SAI has limited resources, and therefore does not see the need of establishing too complex and formal processes for monitoring the implementation of the AAP. The monitoring process consists of quarterly meetings to discuss the progress made so far against the AAP. In such meetings, auditors report on the audits being carried out, focusing on the audits' developments, timelines, and risks. With this information, the management receives updated information about the status of the AAP's implementation, being able to make timely decisions to manage the occurring risks and reallocate resources if needed. Besides, these meetings serve also to discuss finished audits, their results and what is the best strategy for the SAI to leverage its outcomes and impact, by engaging multiple stakeholders and setting an effective communication strategy.

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► Play 47: Formal process for monitoring the AAP.

A large SAI undertakes a considerable number of audits simultaneously and needs a comprehensive system of monitoring the implementation of the AAP. The table below summarises the monitoring processes:

When	Activity and person responsible
During the monthly SAI's board meeting (every first Wednesday of the month)	Deputies report to the Head of the SAI the status of the audits and activities under their respective supervision.
Every six months (January 31 and July 31 every year)	Each Deputy sends a written report to the unit responsible for compiling the information.
After 15 days (February 15th and August 15th every year)	The responsible unit compiles the information into a compendium report on the progress of the implementation of the AAP and submits this report to the SAI's board.
After one month (March 15th and September 15th every year)	The SAI's board reviews the reports and discusses any significant deviations according to the SAI's regulation (i.e. budget exceeded for more than 10%, deadlines exceeded for more than 15 working days, original distribution of working days among team members is not followed, etc.).
As appropriate	The Deputies propose necessary amendments to the annual audit programme and submits to the board for approval.
During monthly meetings (every first Wednesday of the month)	The SAI's board decides on the proposed amendments, and the responsible team updates the AAP and uploads it to the SAI's intranet.

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► **Play 48: Levels of personnel involved in the planning process.**

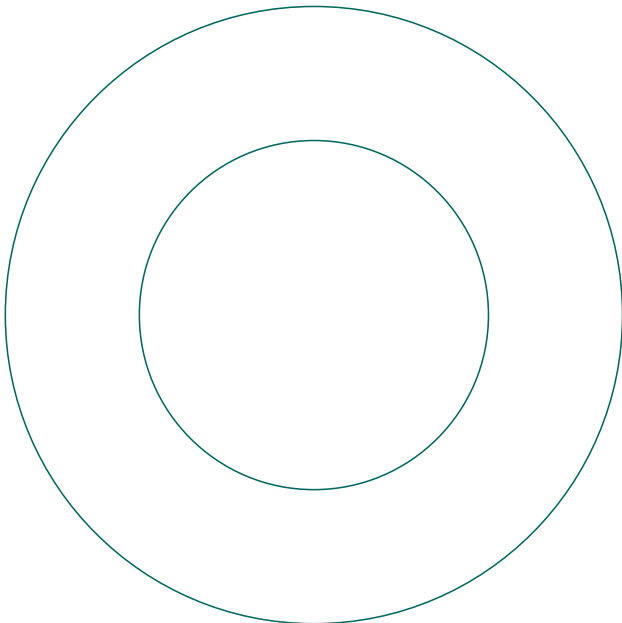
The table below gives an example of definition about the level of personnel involved and their roles and responsibilities in the planning process:

Level	Responsibility
Head of SAI	Setting long-term goals and overall direction of the SAI. Approval of both SAP and AAP.
Planning Department / Ad-hoc committee	Coordinating, and outlining the process and production of plans
Heads of Audit Departments	Setting specific goals for their departments in line with SAI goals. Coordination of information gathering from departments.
Middle level Audit Managers	Providing relevant information relating number of audits and estimated times and resources needed
Institutional heads – IT, HR	Estimation of resource and infrastructure needs

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► **Play 49: SAI visualises what the SAP’s development process flow looks like.**

After carefully studying this Playbook, the SAI decides to establish a system for developing its Strategic Audit Plan (SAP) and the underlying Annual Audit Plans (AAP). When designing the process flow of such system, the SAI makes several decisions about inputs, outputs, roles and responsibilities, and deadlines for each step of the SAP’s development. For having a clear idea of the process flow, the SAI elaborates the following matrix:



STEP	INPUTS	ACTIVITIES AND WHO WILL PERFORM THEM	OUTPUTS	WHEN
Scan the audit universe	Data and information about: SAI's mandate, entities, programmes, country risks, etc. (see Chapter 3)	An ad-hoc committee designated by the AG will gather and analyse information from various sources and document their observations. External stakeholders are engaged in the scanning process.	SAI's audit universe.	As this is the first scanning of the audit universe, it will be conducted prior to the development of the SAP. During the first SAP, the scan will be updated every 2 years.
Visualise the audit impact value chain	SAI's audit universe.	The planning unit will brainstorm and propose what are the intended outputs, outcomes, and audit impact the SAI wants to produce. This proposal is then approved by the SAI's board. External stakeholders are engaged in this step.	SAI's value chain for audit impact for the SAP period.	The audit impact value chain should be ready e.g. 6 months before the SAP is in place.
Develop the strategic audit portfolio	SAI's audit universe. SAI's audit impact value chain.	The planning unit of the SAI will lead a group of 5 experimented auditors in the task of proposing a list of audit topics and types. The list is then approved by the AG.	Strategic audit portfolio (list of audits the SAI intends to carry on during the SAP period).	3 months before the SAP is in place.
Capacity development actions plan	Strategic audit portfolio. Assessment of installed capacities of the SAI.	The planning unit, together with the capacity building unit, will: elaborate lists of needs to address the portfolio and the installed capacity of the SAI; compare both lists and propose which capacities needs may be addressed in the SAP period.	List of capacities the SAI intends to develop in the SAP's period.	2 months before the SAP is in place.
Develop MEL framework	Audit impact value chain. SAP's objectives.	The planning unit maps and assesses risks for the SAP's implementation, proposes KPIs, and designs the MEL framework.	Design of the MEL framework, including KPIs.	1 month before the SAP is in place.
Document the SAP	Audit universe scan, audit impact value chain, strategic audit portfolio, plan for capacity development actions, MEL framework.	The planning unit consolidates the outputs of the previous steps and elaborates the SAP document. The board has delegated the decision-making regarding the capacity development plan and the MEL framework. After then, the board approves the SAP as a whole.	SAP's document approved by the appropriate level of the SAI.	1 week before the SAP is in place.
Communicate the SAP	Approved SAP's document.	The communication unit of the SAI proposes the target audience of the SAP, writes the key messages to be communicated, decides the platforms where to communicate, develops the pieces of communication.	Pieces of communication, list of targeted audience, and platforms to publish them.	Every year, during the whole period of the SAP.

TAKE-AWAY

Key takeaways: Finalising this exercise of drawing the process flow of the SAP's development process, the SAI has a clear idea of inputs, outputs, activities to be performed, roles and responsibilities, and timelines.

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► **Play 50: Stakeholder engagement in the processes for Planning for Audit Impact.**

In setting up its system for planning for audit impact, the SAI takes some decisions on how and when to engage stakeholders. For this, it develops an 'Audit Contribution Portal', which aims to collect inputs from the general public regarding audit topics and what they expect from the SAI towards transparency, accountability, and effectiveness of public policies. For a broader communication of this portal, the SAI engages with the media, such as interviews (<https://www.youtube.com/watch?v=Ql7Su1flllg>).

TAKE-AWAY

Key takeaways: By including several stakeholders in the planning processes, the SAI gets inputs that would probably not be captured otherwise.

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► **Play 51: Strengthening quality of strategic and annual audit planning at an SAI**

A mid-sized SAI with dedicated teams conducting financial, compliance, and performance audits has a commendable track record of delivering high-quality audits. However, there is room for improvement in the strategic and annual audit planning processes. In response, the SAI's leadership has prioritised enhancing the quality of strategic and annual audit planning by integrating these processes into the SAI's overall quality management system. This included the following steps.

1. *Identifying SAP and AAP-related quality objectives:* The SAI defined quality objectives or specific quality sub-objectives for strategic and annual audit planning. These included:
 - Strategic and annual audit planning processes lead to audits that make a difference to lives of people.
 - Resource allocation is optimal, and delays are minimal, ensuring timely completion of audits.
 - Quality of audit universe scanning enhances the ability to anticipate the potential impact of audits.
 - Strategic and annual audit plans reflect stakeholder needs and priorities without compromising SAI's independence.
 - The staff involved in strategic and annual audit planning possess the competencies to plan and monitor implementation effectively.
 - Strategic and annual audit planning remains relevant and responsive to dynamic environments, accommodates changes in audit priorities, emerging risks, and evolving stakeholder needs.

2. Identifying quality risks: The SAI conducted a thorough assessment of its existing strategic and annual audit planning processes. They identified that strategic and annual audit planning were treated as standalone activities, sometimes neglecting quality of processes and final documents, and not mainstreaming impact considerations. In addition, audit plans were not aligned with organisational goals and planning processes were not fully aligned with the SAI's quality management system, leading to inefficiencies and missed opportunities for improvement. The following risks were identified that could negatively affect the quality of strategic and annual audit planning:
- Limited access to timely and reliable data.
 - Inadequate stakeholder engagement.
 - Insufficient allocation of resources for strategic and annual planning.
 - Lack of staff competencies for performing planning tasks.
 - Resistance to change.
3. Defining and implementing risk responses: To address these risks, the SAI implemented a series of risk responses:
- Data: The SAI implemented measures to improve access to timely and reliable data for strategic and annual audit planning. This involved establishing partnerships with relevant government agencies and stakeholders to streamline data sharing processes. Additionally, the SAI invested in technology and data analytics tools to enhance data collection and analysis.
 - Stakeholders: The SAI developed a stakeholder engagement strategy to ensure active participation and input from key stakeholders throughout the audit planning processes. The SAI also established communication channels to keep stakeholders informed and engaged at each stage of the planning process.
 - Resources: In response to resource constraints, the SAI conducted a comprehensive functional review to identify gaps and areas for improvement. As a management decision, a reduction in discretionary audits was implemented to bolster the strategic and annual planning functions. This adjustment would be phased in over the initial years as the SAI refines its planning processes.
 - Competencies: Recognising the importance of staff competency in audit planning, the SAI prioritised learning and capacity building initiatives for the relevant staff members. This involved providing specialised learning on strategic planning and risk management.
 - Resistance to change: SAI leadership communicated the benefits of integrating strategic and annual audit planning into the quality management system and addressed concerns or misconceptions through open dialogue and consultation. *The SAI also provided support to staff members to help them adapt to new processes and procedures effectively.*
4. Integrating with overall system of quality management: The SAI integrated the identified risks and designed responses related to strategic and annual audit planning processes into its overarching quality management system. They revised existing quality management procedures to incorporate audit planning activities, ensuring alignment with organisational goals and objectives.

5. Supplementing monitoring and evaluation mechanisms: The SAI reviewed and supplemented monitoring and evaluation mechanisms, where appropriate to track the revised audit planning processes.
6. Documenting procedures: The SAI embedded the processes and procedures associated with strategic and annual audit planning quality within its overall quality management system.
7. Learning and capacity building: The SAI provided learning and capacity building opportunities for staff involved in audit planning. This included workshops, seminars, and on-the-job training to enhance skills and competencies related to strategic planning and risk management.

TAKE-AWAY

Key takeaways:

Before: Strategic and annual audit planning processes at the SAI were disjointed and not fully integrated into the SAI's quality management system. This resulted in inefficiencies, missed opportunities, and a lack of alignment with organisational goals.

After: The SAI successfully integrated strategic and annual audit planning processes into its quality management system. By defining specific quality objectives or sub-objectives, analysing risks, and implementing risk responses, they enhanced the effectiveness, efficiency, and impact of audit planning activities. The SAI now has standardised procedures, robust monitoring mechanisms, and a culture of continuous improvement.

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► **Play 52: Strengthening supervision and quality review throughout strategic and annual audit planning process as one of potential risk responses**

Recognising the importance of effective management supervision and quality reviews, the SAI has decided to bolster its approach to supervision and quality review throughout strategic and annual audit planning process. This risk response aims to mitigate risks associated with poorly managed staff and ensure the quality of planning outputs.

Improvement 1: Identifying key interim steps and documents

Assess the current planning process to identify interim steps and documents that are crucial to the overall quality of strategic and annual audit planning. Determine which outputs have the greatest impact on the effectiveness and efficiency of the planning process. These may include audit universe scanning results, definition of audit impact value chain, draft strategic audit portfolios, draft capacity building plans, draft annual audit plans.

Improvement 2: Implementing quality review mechanisms

- Establish review criteria: Develop clear criteria for evaluating the quality of interim steps
- Design review processes: Define the procedures for conducting quality reviews, including the frequency, identification and responsibilities of reviewers, and documentation requirements.

- Conduct reviews and assess interim outputs at key milestones.
- Embed the above processes and procedures in the overall system of quality management at the SAI.

Improvement 3: Strengthening daily supervision

- Enhance management oversight: Require direct managers to provide ongoing supervision and support to staff involved in the planning process (for example, regular one-on-one meetings between supervisors and team members to discuss progress, challenges, and development needs, regular verification of draft outputs, coaching and mentoring to help staff overcome obstacles).
- Encourage collaboration: Foster a collaborative work environment where staff feels comfortable seeking guidance and feedback from supervisors and peers. Recognise and reward teamwork and innovative ideas.

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