"Pacific Auditors Working Together"

STRATEGIC MANAGEMENT AND OPERATIONAL GUIDELINES

A User Guide for Public Sector Auditors in the Pacific

Developed by PASAI in 2012

Foreword

The purpose of these guidelines is to provide assistance for Pacific Association of Supreme Audit Institutions (PASAI) members, especially heads of SAIs and managers to carry out their functions strategically, tactically and operationally. They do this by introducing the basics of planning, examining the types of objectives and differentiating the types of plans consisting of the corporate plan, strategic plan, business plan and operational plan for the management of their offices. PASAI recognises the importance of having these strategic management plans as it is top level management's responsibility to define the SAI's positions, formulate strategies and guide long term organisational activities. This is one of PASAI's initiatives aimed at developing SAIs within the region.

The guidelines have been produced to assist PASAI members in the effective, efficient and economic planning and management of their resources annually and in the long term. It provides guidance to SAIs in establishing and enhancing their strategic management functions.
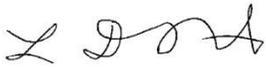
The guidelines look at:

➤ the fundamentals/characteristics of strategic planning;

➤ the strategic planning framework and makes reference to relevant legislation and the founding principles for SAIs proclaimed in INTOSAI's Lima Declaration that underpins these guidelines with the relevant ISSAI Levels 1 and 2 standards;

➤ how to develop or evaluate vision, mission, goals, objectives, analyse internal and external environments, and formulate strategies for strategic plans;

➤ how to prepare strategic plans including the corporate plan, business plan and operational plan;

➤ how to implement strategies;

➤ how to monitor and evaluate results.

As part of a project undertaken by PASAI, the guidelines have been collectively developed by a working group from the region consisting of:

➤ Ms Lillian Waterhouse Hytongue (Leader) – Samoa

➤ Ms Llewelyn Terlaje - Guam

➤ Ms Mamu Kolis Mitiliu – Papua New Guinea

➤ Mr Sairusi Dukuno – Fiji

PASAI expresses its sincere gratitude to the working group members for their tireless efforts in producing these guidelines, and also, the SAIs of Samoa, Guam, Papua New Guinea and Fiji for enabling these people to be made available.   In addition, PASAI acknowledges the contributions of the various regional groupings of the International Organisation of Supreme Audit Institutions (INTOSAI) in particular the Capacity Building Committee for sharing their materials.

PASAI hopes that its members will use the guidelines to enhance their strategic management processes.

Lyn Provost

Secretary-General – PASAI

TABLE OF CONTENTS

GLOSSARY

Different SAIs may use different terminology to describe the same things. Some of the real-life examples used in the guidelines come from SAIs that use alternative terminologies. In these guidelines the following terminology will be used:

Goals

Expresses the strategy of the organisation that allows for the achievement of its purpose and realisation of its vision.

Mission

A mission statement expresses the reason for the organisation's existence. It answers the questions 'what is the nature of its business' and 'who the organisation serves'.

Objectives

Specifies the way a goal will be achieved.

Strategic Management

Strategic management is the processes and comprehensive collection of ongoing activities that organisations use to systematically coordinate and align resources and actions with mission, vision and strategy.

Strategic Planning

Strategic planning is an element of strategic management that sets the organisation's priorities, focuses energy and resources, strengthens operations, ensures employees and stakeholders are working toward common goals, establishes agreement for intended outcomes/results, assesses and adjusts the direction of an organisation to a changing environment.

Vision

Expresses the future direction of the SAI by encapsulating what the SAI intends to become and what it wishes to achieve.

ACRONYMS

ANAO	Australian National Audit Office
BCP	Business Continuity Planning
CBNA	Capacity Building Needs Analysis
CP	Corporate Plan
CPT	Corporate Planning Team
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
KRA	Key Result Area
PASAI	Pacific Association of Supreme Audit Institutions
PRAI	Pacific Regional Audit Initiative
QA	Quality Assurance
SAI	Supreme Audit Institution
SMOG	Strategic Management and Operational Guidelines
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UNO	United Nations Organisation

1. INTRODUCTION TO STRATEGIC MANAGEMENT

Purpose of the Guidelines

Like any other organisation striving to achieve its organisational goals and objectives, SAIs face the same challenges of this modern era of dynamic change that has an impact on how they conduct their business, which primarily is auditing. SAIs that are willing to accept change through a paradigm shift in how they conduct their business by adopting modern contemporary management practices are set to gain immensely through synergies that arise from the use of strategic management as a management tool. One need not go far to look at the great strides made by some of the SAIs within the region that can be attributed to the use of strategic management and planning.

Strategic management in a SAI relates to top-level management that is responsible for defining the SAI's position (as a public audit service provider), formulating strategies and guiding the SAI's activities. Strategic planning on the other hand relates to the decision making and planning processes that chart a SAI's long-term course.

The purpose of the guidelines is to highlight the significance of strategic management and strategic planning, and to provide assistance to SAIs on how they should be strategically positioned to meet the challenges of both their internal and external environments. It is intended that the guidelines are used by all SAIs within the PASAI region. However, PASAI acknowledges that there are:

- SAIs that do not use strategic management and strategic planning in their management and planning processes. It is recommended that SAIs in this category use the guidelines to help prepare their strategic and operational plans;
- SAIs that use strategic management and strategic planning in their management and planning processes aided by similar guidelines. For SAIs in this category, it is also recommended that they look at the contents of the guidelines with a view to strengthening and making any necessary improvements to their current approach.

The guidelines have been developed to meet uniformly high standards in strategic management practices in conformity with the International Standards of Supreme Audit Institutions (ISSAI) Level 1 – The Lima Declaration and Level 2 – the Prerequisites for the Functioning of Supreme Audit Institutions and related ISSAIs. These are: *ISSAI 10, ISSAI 11, ISSAI 20, ISSAI 21, ISSAI 30 and ISSAI 40*. Also in keeping with other internationally accepted best practices and legislative requirements in PASAI member states. These include the Public Service Act, Public Finance Act and the UNO Millennium Convention Strategy.

The extent to which SAIs comply with the requirements of their respective legislation and

internationally accepted best management practices will differ depending on the resources available to them and their operating systems.

Successful strategic planning has a number of distinct characteristics:

- simple - the process and the plan itself;

- ownership - by the whole organisation, particularly at the top (leadership);

- rigorous monitoring and review;

- benchmarking against best practice and other similar organisations;

- solid milestones and KPIs.

The design and implementation of SAIs' strategic management planning processes and/or who could be involved may be carried out through alternative arrangements as detailed throughout the guidelines.

Strategic planning is a process that is a subset of the strategic management process. Figure 1 proposes the relevant processes that SAIs should follow during the strategic planning process.

The guidelines include 10 chapters:

- Chapter 1 covers introduction to strategic planning, stating the purpose of the manual, what it is and the process flowchart;

- Chapter 2 focuses on the strategic planning framework detailing the enabling legislation and universally accepted best management practices and also covers introduction to strategic planning, its objectives and benefits and when it should be undertaken. The issues that have an impact on strategic, corporate, business and operational plans are also discussed;

- Chapter 3 covers developing and evaluating current corporate plans, mission, vision, setting goals and defining objectives;

- Chapter 4 covers introduction and the distinction between the internal and external environment and the analysis of internal environment strengths and weaknesses, and external environment opportunities and threats;

- Chapter 5 focuses on formulating strategies through introduction of three common strategies, corporate, business and operational and also the relationship of the risk management plan and the fraud control plan to these strategies;

- Chapter 6 focuses on developing a corporate plan covering the introduction, what it is,

why it is important, when to prepare it, how to design it and linkages with the government development plan and the SAI's strategic plans;

- Chapter 7 focuses on the business plan covering the introduction, linkages with the national strategic plan, timelines and allocation of resources (financial and human);

- Chapter 8 focuses on developing an operational plan covering the introduction, what it is, why it is important and linkages with the business plan;

- Chapter 9 focuses on implementing strategies covering leadership, structure, human resources and information and control systems;

- Chapter 10 focuses on monitoring and evaluation of results covering introduction, measurement of results, periodic evaluation of annual (operational plans), long-term (corporate and business plans), reporting of results through internal management reports, external reports (annual and long-term) and also quality assurance review.

To be useful and relevant, templates, checklists and examples have been provided in the appendices and throughout the guidelines. The purpose of these aids is to provide SAIs with a practical 'how to' guide on the strategic management process.

What is Strategic Management

Strategic management is a systematic approach of analysing, planning and implementing the strategy in an organisation to ensure there is continued success. This is driven by the senior management involving a long-term procedure or plan, which enables the organisation to achieve its long-term goal. The overall responsibility of managing this process rests with the general management team that focuses on building a solid foundation that will be subsequently achieved by the combined efforts of each and every employee of the organisation.

What is Strategic Planning

Strategic planning encompasses the decision making and planning process that charts an organisation's long-term direction. Moreover, strategic planning is an element of strategic management, where top-level management's responsibilities include defining the organisation's position and formulating strategies to foster long-term organisational activities. As strategic planning is synonymous with corporate planning, both terminologies are often used interchangeably.

Strategic Planning Process

The strategic planning process encapsulates the entire strategic management framework from top-level strategy formulation to decision making and planning. These are all captured in the

Strategic Management and Operational Guidelines as depicted in the diagram below.

Figure 1

Chapter 2:
Strategic Planning Framework

Chapter 3:
Develop or Evaluate Current Mission, Vision, Goals, Objectives, and Values

Chapter 4:
Analyze Internal and External Environment and Values

Chapter 5:
Formulate Strategies: (Corportate, Business, and Operational)

Chapter 6:
Develop a Corporate Plan

Chapter 7:
Develop a Business Plan

Chapter 8:
Develop Operational Plans

Chapter 9:
Implement Strategies

Chapter 10:
Monitor and Evaluate Results

2. STRATEGIC PLANNING FRAMEWORK

Introduction

This chapter outlines the components of the strategic planning framework. It is an iterative process that should be followed by SAIs. It requires the concerted efforts of those managers responsible for making vital decisions to provide guidance to those who serve under them so that they are cognisant of their goals and objectives and remain focused for the future.

In the following chapters, more details are given about the mechanics of strategic management and planning in a SAI environment. The strategic planning framework in a SAI environment mainly focuses on the SAI's strategic audit process, which should be the core focus of SAIs. While the strategic planning framework and the strategic audit process are synonymous, both are separate activities. In the strategic audit process, the SAI lays down some key themes in the area (products/services) related to audits. The key themes set the basis of selecting audit topics that are aligned to the vision and mission of the SAI as outlined in its corporate plan.

Refer to Chapter 8 under the appropriate section to see how this process is to be carried out.

Objectives of Strategic Planning

To be able to face up to its challenges and at the same time be better placed to achieve its goals and objectives, strategic management and strategic planning are vital for an organisation. As such, the challenges faced in an ever dynamic environment are the same for all SAIs irrespective of their size. SAIs that add a strategic dimension to what they do, stand to realise their objectives within the planned period.

Key Features of Strategic Planning

The key elements of the strategic planning framework in a SAI setting are presented in the figure below:

Figure 2

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                              CORPORATE PLAN

                    Outlines SAIs vision, values and key business strategies
                    over the remaining 12 months of the plan.


   RISK MANAGEMENT PLAN                          FRAUD CONTROL PLAN

 Identify and analyse SAIs' business risks      Identify and analyse SAIs' fraud risk
 and how SAIs deal with these risks.            and how SAIs deal with these risks.


                               BUSINESS PLAN

                    Describes SAIs specific action items to implement
                    strategies under each KRA and details the score card for
                    measuring SAIs performances.

                    Describes SAIs specific products, services and resources
                    required and indicators to measure SAIs performance,
                    which is reviewed annually.


                              OPERATIONAL PLAN

                    Where plan of actions are developed by functional
                    divisions in SAIs both in the audit and support services
                    areas.


                             IT STRATEGIC PLAN

                    Guidance on SAIs future decisions regarding the
                    selection and management of information systems.
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PORTFOLIO BUDGET STATEMENT

This statement is closely linked to the SAI's business plan, as it describes the basis of funding to implement the strategies set out in the operational plan. It is about making things happen for the SAI. Resourcing is a vital element.

CORPORATE PLAN

The corporate plan outlines the SAI's vision, role and shared values. It is the document for all planning and other strategic and operational activities for the specified period. The SAI's services are delivered by focussing on the following four common key result areas (KRAs):

- SAI's clients;

- SAI's products and services;

- SAI's people;

- SAI's business performance.

BUSINESS PLAN

The business plan outlines how the key result areas from the corporate plan are to be achieved and provides a scorecard so that the SAI's performance against the key result areas (KRAs) can be assessed, monitored and measured. This is typically based on a three year rolling plan that is updated annually by the SAI.

OPERATIONAL PLAN

The SAI's operational plan supports its business plan where action plans are developed by the appropriate functional divisions. These functional divisions ensure they fulfil all the requirements in order to realise the outcomes in the key result areas.

RISK MANAGEMENT PLAN

The risk management plan for SAIs underpins the corporate governance framework and includes individual plans for each of the service groups. These comprise the corporate management division and the research and development division that are reviewed and updated at least annually by the SAIs. Examples of business units within a SAI are the financial audit, performance audit, IT audit and environmental audit divisions.

FRAUD CONTROL PLAN

This is a comprehensive fraud risk assessment and fraud control plan maintained by SAIs and is reviewed periodically at least every two years to take account of any relevant changes in the environment in accordance with the requirements of a fraud control policy. The plan is an important strategic document that links with SAIs risk management framework and draws together all fraud prevention and detection initiatives.

INFORMATION TECHNOLOGY STRATEGIC PLAN

The IT plan is linked to the SAI's corporate and business plans by providing a framework to

facilitate business operations to enable the SAI to achieve its objectives in the four key result areas set out in SAI's corporate plan. It is a three year plan designed to guide future decisions of the SAI regarding the selection and management of information services and associated technologies.

Benefits of Strategic Planning

There are significant gains to be made by SAIs that use strategic management as a tool. It enhances the thinking processes of those responsible for strategic planning by enabling them to be more strategic in their approach. This is characterised by:

- innovative ideas about the future and having flexible organisational boundaries;

- change in focus from the resource requirements to be able to achieve the deliverables or outcomes that SAIs have desired to achieve;

- optimising organisational performance and process as keys to delivering quality outcomes and services;

- an organisational culture adaptable to change.

When Should Strategic Planning Be Done

The strategic planning process for SAIs depends on their nature, needs and immediate external environment. A SAI's planning process integrates its other plans such as the business and functional/operational plans into the strategic plan. Strategic planning for SAIs is an important process, as it sets the direction and the means to get them to where they want to be in the medium or long-term. A strategic plan typically has a lifecycle of between three and five years, and is dependent on a SAI's strategic outlook. As part of the planning process, the plans are updated annually.   The following points should be observed:

- strategic planning should always be an integral part of a SAI's management and planning process. The strategic plan is usually part of an overall business plan, along with other plans such as the financial plan and operational/management plan;

- strategic planning should also be carried out in preparation for new initiatives to be embarked on by SAIs. For example, when developing a new division, making changes in the delivery of audit services (product), change in approach to client relations, etc.;

- strategic planning should also be done for the medium and long-term with annual focus on target areas. In this case, it is done in time to identify the SAI's goals to be achieved at least over the coming fiscal year where resources are

needed to achieve those goals. These funds are included in the SAI's budget planning for the coming fiscal year;

- SAIs action plans should be updated each year;

- note that during implementation of the SAI's plan, the progress of the implementation should be reviewed by the SAI's management at least on a quarterly basis and the frequency of review depends on the extent of the rate of change in and around the SAI.

Issues that Impact Strategic/Corporate, Business, and Functional Plans

Strategic plans for SAIs may be required by legislation in the various jurisdictions within the PASAI region. This may include compliance with appropriate international standards, such as the two referred to earlier (INTOSAI Levels 1 and 2) and other relevant national standards. With SAIs, the cornerstone of their reason of being is independence. This is reflected in how they discharge their mandate backed by legislation. To be truly independent, laws governing how SAIs conduct their business must be adequate. Laws that do not provide full independence for SAIs have a significant impact on the SAI's corporate, strategic, business and functional plans.

If independence is not acknowledged, the government often does not support the need for adequate resources. This is the fundamental issue impacting on most SAIs. To realise their goals and objectives they must be adequately resourced. Therefore, it is incumbent upon SAIs to ensure they have strategies to address this challenge. A guarantee of independence by legislation is however no guarantee for adequate funding from governments.

3. DEVELOP OR EVALUATE VISION, MISSION, GOALS, OBJECTIVES, AND VALUES

Introduction

This chapter discusses the importance of an organisation's mission, vision, goals and objectives, which are guided by core values. These components set the foundation of strategic planning. Establishing a well-written vision and mission statement allows an organisation to define the reason for its existence and determine where it would like to be in the future. Goals identify how the vision will be attained and should then be broken down into more specific short-term objectives. The core values of the SAI are the basis on which the vision, mission, goals, and objectives are established. The diagram below illustrates the relationship between these components of a strategic plan.

Figure 3: Components of a Strategic Plan

CORE VALUES

Vision — Expresses the future direction of the organisation by encapsulating what the organisation intends to become and what it wishes to achieve.

Mission — Expresses the reason for the organisation's existence - what is the nature of its business and who the organisations serves.

Goals — Expresses the strategy of the organisation that allow for the achievement of its purpose and realization of its vision.

Objectives — Specifies the way a goal will be achieved.

Establishing a Vision

Strategic planning is undertaken to bridge the gap between an organisation's present state and

its future desired state. This future desired state is expressed through the organisation's vision statement. A vision statement should be succinct, realistic and inspiring, allowing stakeholders to easily understand what the organisation intends to achieve at some point in the future as well as motivate employees to accomplish that vision.

Examples of SAI vision statements are as follows:

- FIJI Auditor General's Office – 'Accountability in the public sector through quality audit services';

- Samoa Audit Office – 'To be a leader in delivering independent public sector audit services and promoting improvement in public sector administration';

- Papua New Guinea – 'Auditing for Impact - is the expression of our commitment in the pursuit of the desired state of transparency and accountability in management and use of public resources as envisioned in the National Constitution';

- Guam Office of Public Accountability – 'Guam is the model for good governance in the Pacific'.

There are no hard and fast rules for a vision statement. It is something that is developed through envisioning the ideal future of the SAI and involves listening to what your heart and your gut are telling you. The following questions can serve as a starting point for drafting a vision statement for the SAI:

- what should the SAI stand for?

- how would the SAI define its success?

- what success will the SAI accomplish?

- what will the SAI be the leader in?

- how will the SAI positively have an impact on the planet?

- what will the SAI and its stakeholders value the most about the organisation?

Before a vision is determined however, the SAI should have an understanding of the purpose of its existence, in other words, its mission. That is because an organisation must know why it exists before determining where it should be in the future.

Developing the Organisation's Mission Statement

A mission statement expresses the reason why an organisation exists and the nature of its business. Unlike a vision statement, a mission statement is factual rather than aspirational. It is

what the organisation must do and accomplish. However, like a vision statement, it should motivate and inspire commitment by employees, be expressed clearly and succinctly, and be convincing and realistic.

Examples of some SAI mission statements are as follows:

- FIJI Auditor General's Office – 'Promoting good governance and enhancing transparency and accountability in the public sector in the next 5 years';

- Samoa Audit Office – 'To assure good governance and accountability by providing independent and professional services to all public sector entities in Samoa and through reporting the findings arising from the audits it undertakes';

- Papua New Guinea – 'To produce timely, relevant, independent and quality reports on public sector financial management and performance to Parliament, that are valued by all stakeholders for the extent and usefulness of oversight content, and valued for their impact on the insights to improve the accountability and use of public resources';

- Guam Office of Public Accountability – 'To improve the public trust, we audit, assess, analyse and make recommendations to improve the accountability, transparency, effectiveness, efficiency, and economy of the government of Guam independently, impartially, and with integrity'.

Reviewing sample mission statements can help stimulate ideas when crafting a mission statement. If your SAI has not developed a mission statement, you can also consider the following questions to help you get started:

- why was the SAI created? (Note: SAIs should refer to their enabling legislation for guidance.)

- who are the SAI's stakeholders? How will the SAI address their needs?

- what image does the SAI want to convey?

- what is the nature of the SAIs products and services?

- what level of service does the SAI provide?

- how does the SAI differ from its competitors?

Evaluating Current Vision and Mission

If your SAI has a vision and mission statement currently in place, it should be evaluated to determine if it needs to be redefined due to changes in its environment. It may be found through this process that the current vision is not being realised or the mission is no longer

relevant. To evaluate the vision statement of the SAI, the following questions should be considered:

- does the vision statement reflect what we envision our business to look like in three to five years or does it represent a dream beyond what we can possibly accomplish?

- does our vision statement encompass the business activities the SAI intends to pursue?

- are the capabilities that the SAI intends to develop clarified in the vision statement?

- does our vision statement provide a clear direction of where we intend our organisation to move?

- is our vision statement worded in a way that gives employees a larger sense of purpose? For example, 'building a cathedral' rather than 'laying stones.'

- does our vision statement engage our people and inspire commitment?

- are the SAI's core competencies instilled in our vision statement?

When it comes to evaluating your current mission statement, you need to determine if it should be redefined in light of the emerging vision statement. Some questions to be considered for evaluating a mission statement are as follows:

- is the mission statement relevant in today's operating environment?

- is our mission statement specific about what we do?

- does the mission address who are our stakeholders?

- does the mission statement explain the value of our organisation to its stakeholders?

- is our mission statement based on our organisation's strengths or core competencies?

- does our mission statement motivate employees and inspire commitment?

- is the mission statement realistic, easily understood, concise, and memorable?

- does the mission statement express what our organisation wants to be remembered for?

It is also vitally important that in developing or evaluating the vision and mission statements, the heads of SAIs involve either all staff, or have a process where staff input is sought so that the final vision and mission statements are 'owned' by all staff. This is so that the vision and mission are genuinely shared within the SAI.

Setting Goals

The next component of a strategic plan is the SAI's goals. Setting goals is done in light of vision and mission statements of the SAI. It is the transformation of the far-reaching and encompassing mission and vision into a series of more manageable pieces. It serves as the blueprint toward achieving the SAI's mission and the realisation of its vision. Goals are more time-defined, either long-term or short-term, and are more specifically defined as an outcome statement. Goals specify the end result the SAI desires to achieve in terms of its programs or the SAI as a whole. Goals must be specific, realistic, attainable, and quantifiable. To illustrate goals in relation to vision and mission, see the example from the Guam Office of Public Accountability's strategic plan:

- vision: 'Guam is the model for good governance in the Pacific';

- mission: 'To improve the public trust, we audit, assess, analyse and make recommendations to improve the accountability, transparency, effectiveness, efficiency, and economy of the government of Guam independently, impartially, and with integrity';

- goals:

    o   to maintain the independence of OPA;

    o   to maintain and improve staff competence;

    o   to increase public knowledge of OPA's mission, work, and impact;

    o   to build and improve relations with audited entities;

    o   strive to increase current resources and secure a dedicated funding source.

Establishing Objectives

Objectives are statements of the results to be achieved in order to realise the accomplishment of the goal. One goal can require a number of objectives. In order to be functional, objectives should be crafted in a SMART way. See below for the SMART criteria:

- **S**pecific – an objective should be stated in a clear and unambiguous manner;

- **M**easurable – the objective should provide criteria as a basis of measuring success;

- **A**chievable – in light of the circumstances facing the SAI, the objective should be realistic;

- **R**elevant – objectives should matter to those responsible for accomplishing them;

- **T**ime bound – an objective should set specific and realistic time frames and target dates.

To clarify the confusion that exists between goals and objectives, note that a goal is a description of a destination or what we want to achieve while an objective is the means to reach our destination. As an example take the third goal and the objectives from the Guam Office of Public Accountability's strategic plan.

Goal (what we want to achieve)	Objectives (how we will achieve the goal)
3. To increase the public knowledge of OPA mission, work, and impact.	3.1 To expand and improve website to become more user-friendly. 3.2 To increase public awareness and outreach efforts.

It is important to understand that a number of goals must be attained before the vision can become a reality. Similarly, each goal will in turn require a number of objectives to be successfully achieved. The diagram below illustrates the relationship between the vision, goals and objectives.

Figure 4: Vision, Goals, and Objectives
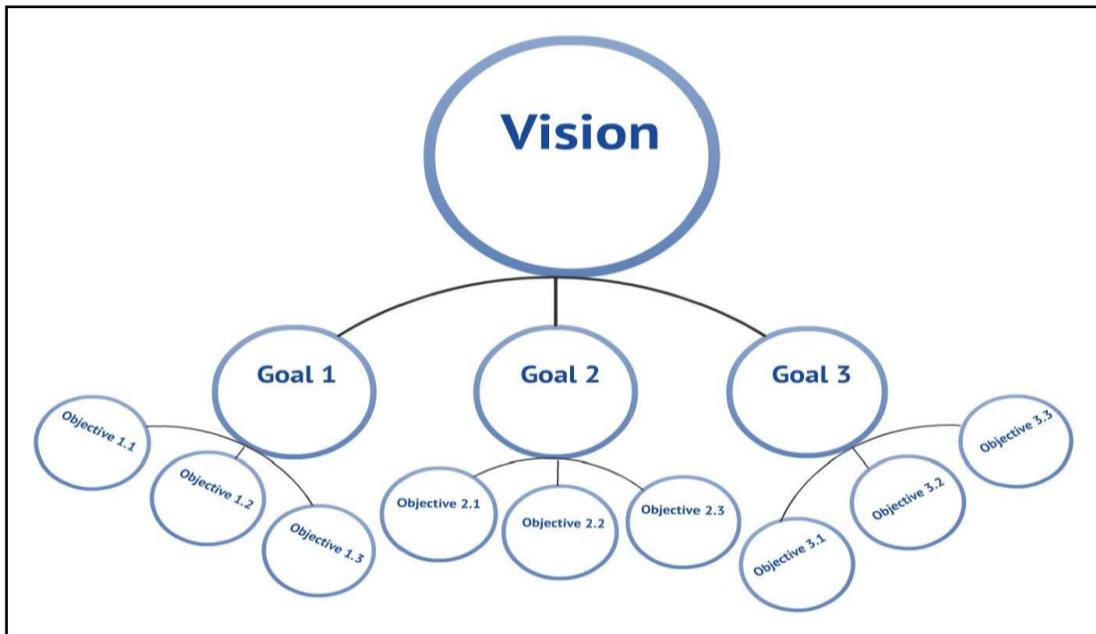
Defining Core Values

Core values are those beliefs and principles that the organisation stands by. Defining these values can help steer the direction in strategic planning. Typically, organisations operate by four to six values, which are of utmost importance to how the organisation carries out its operations. Some examples of core values from SAI's are as follows:

- Samoa Audit Office – honesty, impartiality, service, respect, transparency, accountability, and efficiency and effectiveness;

- Papua New Guinea – independence, integrity, professionalism and responsibility;

- Guam Office of Public Accountability – independence, integrity, impartiality, accountability and transparency.

Some other values that a SAI may consider as a starting point for defining the organisation's values are as follows:

- honesty;

- reliability;

- dependability;

- excellence;

- quality;

- dedicated;

- respect.

The SAI should also refer to their specific mandates, which may already outline requirements for public servants to uphold as in the case of the values specified by the Samoa Audit Office above.

4. ANALYSE INTERNAL AND EXTERNAL ENVIRONMENT

Introduction

This chapter provides guidance on how to analyse the internal and external environments.

When the mission statement has been evaluated, the internal and external environments should be assessed with a SWOT analysis. To complete this step, management of SAIs has to perform a situational analysis, which is a search for their strengths, weaknesses, opportunities and threats (SWOT).

Distinction between Internal and External Environments

Strengths and weaknesses are factors that relate to the internal environment of a SAI, while opportunities and threats relate to the external environment in which the SAI operates.

These four factors have an impact on the strategic choices available to the SAIs. A proper understanding of them is essential to achieve long term goals.

Analysing the Internal and External Environment/Environmental Scanning

The analysis to be done by a SAI on its internal and external environment is key to the formulation or evaluation of the vision and mission statements. An understanding of both the environments would be crucial for the ability of SAIs to realise their goals and objectives. It is also about getting it right in the beginning, which will set the course for the SAI. Therefore, in the task of carrying out this analysis, or environmental scanning, due consideration should be given by SAIs to who should be assigned to conduct this task.

The task should involve a leadership team comprising senior management who must be given a set timeframe to come up with a solid set of environmental factors based on the SWOT analysis. It is also recommended that this leadership team be given time off to go on a leadership retreat to undertake the task and report back to the head of the SAI and the corporate/strategic plan formulation team.

As part of this process, it is a must that SAIs use an external facilitator so there is a person independent from the SAI to bring value and objectivity to the work of the leadership team. It is also important that during this process, staff representatives are invited to provide the wider views of the SAI. There should be time set aside to consult on the drafts with staff and every external party deemed important to the business of the SAI.

Internal Strengths and Weaknesses

The internal strengths of an institution are those factors that the SAI could build on to reach its objectives. Weaknesses hinder performance and can be either compensated for or eliminated.

 In assessing the internal strengths and weaknesses, the key internal factors include:

- management policies;

- resource constraints;

- organisational structure;

- personnel;

- operational procedures.

Information about the internal strengths and weaknesses can be obtained from a wide range of sources such as income statements, staff survey questionnaires and budget estimates. The input of managers, supervisors and the support services team should also be sought.

External Threats and Opportunities

An external assessment basically focuses on threats and opportunities. Threats are factors which hinder the SAI from achieving its objectives. Opportunities are the opposite of threats and can help the SAI achieve its objectives.

The following external factors may be considered when evaluating threats or opportunities:

- economic conditions;

- new competitors;

- substitute products/services;

- any changes in government regulations and policies;

- any changes in strategy of competitors;

- actions of suppliers;

- geographical changes;

- any technological advances.

External information about threats and opportunities can be obtained from government reports, journals relating to the accounting profession, audit clients, suppliers and client service

questionnaires. Another source of external information that would be vital and invaluable to SAIs would be external stakeholders. This could include information from the public accounts committee, CEOs of audited agencies or heads of central agencies obtained through planning sessions or invitation to participate in surveys.

SWOT Analysis Guidance Questions

Basically, SWOT is about making a structured analysis of an organisation to be able to draw up an action plan. To assist SAIs in carrying out a SWOT analysis, a graphical representation with typical questions to ask is provided in the matrix below:

Figure 5: SWOT Analysis Guidance Questions

Strengths

- Organisation Mission and Vision;
- Human Resources & Inhouse skills;
- Strong relationship with Government and stakeholders;
- Past & On Going Activities;
- Best Practice Applications ;
- Good Coordination and monitoring mechanism;
- Source of finance being stable

Weaknesses

- What could be developed by your respective SAIs?
- What could be improved on by your respective SAIs?
- What output have not been accomplished as per expectations?
- What did we find to have gone wrong?
- What were those things SAIs fail to deal with ?
- What should SAI could have avoided?

Opportunities

- If there were no constraints what would you like to do? What might be possible?
- What will happen in the next few years?
- Where do your organization want to be in five years time?
- Who might you want to work with? What could be a win-win situation?
- Were there new technologies that could enhance your services?
- What financial / governmental / legislative changes can benefit you in the near future?

Threats

- What are the stumbling block to expansion of your SAIs ?
- What sort of obstacles do you face?
- What do other Accounting firms or SAIS are doing with their service?
- Will new technologies / developments change you roles?
- What changes that are coming?

5. FORMULATE STRATEGIES

Introduction

This chapter highlights the essence of strategy formulation at the various levels of the decision-making hierarchy of SAIs and how these strategies are integrated to create synergies that would enable them to achieve the desired outcomes in terms of their corporate goals and objectives. Before delving into the concept of strategy and strategy formulation, it is also important to understand what it really entails. According to Alfred Chandler, *Strategy is the determination of basic long-term goals and objectives of an enterprise and the adoption of the course of action and the allocation of resources for carrying out these goals.*

An organisation is characterised by a structure that sets out a formal process through which important decisions, often strategic in nature are made and implemented. Irrespective of their size, most SAIs have formal structures through which decisions are also made and implemented. These structures are commonly made up of three levels in the organisational hierarchy of SAIs comprising senior or executive management, middle management and lower management. This gives cause to the formulation of strategies at those three levels, and hence, is the basis for the three common strategies for SAIs.

Three Common Strategies

Strategies are formulated mostly on the basis of the decision making hierarchy of an organisation and is typified by the three levels of corporate, business and functional. Between these three strategy levels, there is a hierarchical relationship with corporate at the top, business at the middle and functional at the bottom. This relationship ensures that the strategies at each level integrate and are linked directly to the organisation's corporate goals and objectives. Important decisions made at the corporate (top) level cascade down from the top of the organisation to the functional level at the bottom and information at the bottom moves upward to the business level and the corporate level.

Applying the three common strategies in the context of SAIs, the senior or executive management including the head of SAI would be at the top of the hierarchy that is the corporate level, the middle managers at the mid-strata of the hierarchy would make up the business level and, the lower level managers at the bottom of the hierarchy would make up the functional level.

The diagram below depicts the hierarchical relationship of the three levels of strategy.

Figure 6: The Three Levels of Strategy

Corporate-Level
Strategy

What business are we in?

Business-Level
Strategy

How do we do it?

Functional-Level
Strategy

How do we support business level strategy?

*R&D   Finance   Human   IT   Public
                    Resources   Relations*

Source: "*The three levels of strategy", Plunkett and Attner.*

In formulating the corporate level strategy a SAI must ask itself, 'What business is it in?' and 'What business should it be in?' The answers to those questions define what the SAI does and charts the course of business for the SAI. In formulating the business level strategy, a SAI needs to answer the question, 'How do we do it?'. The functional level strategy answers the question, 'How do we support the business level strategy?'.

Corporate Level Strategy

The corporate level strategy is an organisation's process making decisions on allocating its resources to pursue that strategy. In order to determine the direction of the organisation, it is necessary to understand its current position and possible avenues through which it can pursue a particular course of action.

Corporate strategy deals with the major initiatives that are expressly taken by the top level managers involving the utilization of resources, to enhance the performance of the organisation in its external environment. It takes on specifying the organisation's vision, mission, and objectives by developing policies and plans designed to achieve its goals and objectives. This is supported with the allocation of resources to implement the plans and policies, projects and programs. A balanced scorecard is often used to evaluate the overall performance of the organisation and its progress towards achieving its objectives. A corporate strategy needs to

start with stakeholders' expectations, agency and government expectations etc., and use a modified balance scorecard that includes all client agencies, stakeholders and the broader community.

The corporate direction is tied together in the corporate planning process and the performance management framework that navigates around the overall corporate plan. The plan is a document that will never cease and is updated and redirected after it expires at the end of its lifespan. When a new corporate plan is being drawn up, all alterations and updates are done based on all the performance reports on the actual outcomes and risks encountered.

Process of Determining the Corporate Level Strategy by SAIs

In order for a SAI to come up with its corporate strategy, decisions have to be made based on certain crucial questions. Answers to these questions will form the basis for the strategy including:

- What should be the scope of its operations; i.e.; what businesses should the SAI be in? And where should it be in business?
- How should the SAI allocate its resources to the various existing business units or divisions?
- What level of diversity should exist in the core business of the SAI as it moves into the future? Are there other activities the SAI should be in or, are there current activities that should be targeted for elimination?
- What should be the nature of this diversity or how diversified should the SAI be?
- How should the SAI be organised? What will be the boundaries of the SAI? How will these boundaries impact relationships among the various business units or divisions, with suppliers, auditees and other stakeholders? Are the responsibilities for each business unit or division clearly identified and is accountability established? Which will be carried out in-house, and which will be contracted out?
- Should the SAI enter into partnership relationships or alliances with stakeholders? If so, on what basis? If not, what impact might this have on its future organisational performance?

As these questions show, corporate strategies address the long-term direction for the organisation as a whole. Corporate strategies deal with plans for the entire organisation and change as the capabilities of the organisation develop and, as the environment of the organisation changes.

In translating the answers to the above critical questions into corporate strategies, this is how SAIs may be able to do it. The examples provided in the table below are not exhaustive and SAIs are encouraged to come up with strategies at their corporate level that meet their long-term goals and objectives as specified in their vision and mission statements.

Table 1: Corporate Strategy

Strategy	Initiative	Output
Audit Mandate	Revamp or relook at scope of operations. Relook at nature of diversity and establish whether some activities should be eliminated. Establish what the line of products or service should be.	Current scope of operations established. Establish extent of diversity and eliminate activities not aligned to corporate objectives. Establish policy on line of products and service.
Allocation of Resources	A system to be developed to effectively and efficiently monitor and allocate resources to all divisions within SAI.	A framework on the allocation of resources.
Governance and Accountability	Organisational structure and alignment.	New organisational structure implemented.
Stakeholder Relationship	Partnership relationship to be created and harnessed with key stakeholders. Support to PASAI	Strategy established to enable head of SAI to deal with key stakeholders. Active participation.

Business Level Strategy

The business level strategy focuses mainly on the annual business activities of a unit/division within an organisation. Business units would include the divisions or sections within the SAI that perform the audit services for different stakeholders; e.g., the ministries/government divisions and statutory authorities, provincial and local governments and districts. The decisions at this

level highlight the main function of the organisational units. It links the activity plan with the corporate plan of the SAI. The business level strategy captures the vision and mission statements of the SAI together with the main functions and objectives of the corporate plan.

The annual business plan is usually prepared by the division management and is reviewed and approved by the head of the SAI on behalf of the top management team at the corporate level. However, this process will vary according to the individual SAI structure and circumstances.

Business-level strategies are thus primarily concerned with:

- managing activities of units or divisions so they conform to the SAI's corporate level strategies, sometimes this will include fostering cooperation with other business units or divisions to achieve 'strategic synergy';
- developing distinctive capabilities, resources and competitive advantage in each unit or division;
- identifying product or service opportunities and developing strategies for succeeding in each line of product or service;
- monitoring the business environment (internal and external) so that strategies conform to the needs of clients and stakeholders at the current stage of development.

Based on the above factors, the following are examples of how business level strategies could be formulated by SAIs.

Table 2: Business Level Strategy

Strategy	Initiative	Output
Creating synergy	Manage activities of divisions to conform to corporate level strategies.	Corporate strategies implemented by units or divisions.
	Foster better relationships between various divisions.	A culture of mutual respect and understanding for one common strategic goal of the SAI.

Develop Staff	Staff competency matrix.	Competency matrix developed for all staff levels.
	Increase resources in focus areas.	Focus areas being better resourced.
	Create synergies for realising potential of staff to drive competitive advantage and TQM.	Staff are motivated and rewarded for their efforts.
Audit Mandate	Identify new products or service opportunities.	Taking on new lines of products or service to improve SAI's reporting.
	Sector-wide audit strategies.	Audit topics on specific audits developed.
Business Environment	Monitor internal and external business environment for opportunities and threats.	Build on internal and external strengths and managing risks through mitigation strategies.
	Quality control assessments are carried out to meet clients and stakeholder expectations.	Products and service are of uniformly high standard with client and stakeholder expectations being met.
	Ensure there is continuous improvement in the audit products and service.	Continuous improvement because part of the SAI's business process.

Functional Level Strategy

The functional strategy supports the business level strategy. As this strategy involves the functional areas within the SAI, the strategies are more hands on and involve managers of

functional areas which also include audit operations. The strategy covering the core business of SAIs is discussed in much more detail in Chapter 8.

The functional level of the SAI is the level of the operating business units or divisions. These operating business units or divisions within SAIs include other business units that play an important part in supporting the audit operational units in carrying out their core business. These units, which are part of the support services area, include finance and administration, human resources, information and communications technology, research and development, public relations, etc. Most of these units develop annual objectives and short-term strategies solely to implement the strategic plans of SAIs. These strategies are also aligned to the key result areas and goals and objectives of SAIs.

Functional strategies are therefore primarily concerned with:

- efficiently deploying specialists within the functional areas;
- integrating activities within the functional areas;
- making sure that functional strategies link effectively and efficiently with business strategies and the overall corporate-level strategy.

Based on the above factors, these are some examples of how SAIs could formulate their functional strategies.

Table 3: Functional Level Strategies

Strategy	Initiative	Output
HR Process	Deploy staff with specialised skill to functional areas.	Framework developed in identifying and deploying staff.
	Workforce planning.	Workforce plan developed.
	HR policies and procedures.	Key HR policies and procedures are updated and aligned.
Finance	Finance and budget plans aligned to corporate plan.	Framework developed to effectively plan and manage budget.

Human Resources	HR strategic planning.	HR strategic plan updated or developed.
	Staff undergo appropriate training and development.	Staff equipped with right skills.
Information Technology	ICT strategic planning.	ICT strategic plan updated or developed.
	Secure and stable infrastructure.	Systems are secure and stable.
	Enable efficiency of enterprise business applications that support SAI.	Develop and implement enterprise business applications.

Audit Operations	Sector wide audit strategies.	Audit strategies on specific topics developed.
	Performance audit work plan.	Performance audit work plan developed and implemented.
		Performance audit methodology developed and updated.
	Financial audit work plan.	Financial audit work plan developed and implemented.
		Financial audit methodology developed and updated.
	Management of outsourcing of audits.	Outsourcing guidelines developed.
	Quality control and assurance.	Audit quality control and assurance process established.

Functional strategies are formulated according to the structure of the functional level of individual SAIs. Not all SAIs are the same and a structure in one may not necessarily fit all. Therefore, what has been shown above is not exhaustive.

Risk Management Plan

Risks are synonymous with conditions or events of uncertainty. When one or more of them occurs, the consequences will impact negatively on the planned objectives of organisations. All risks, whether perceived or otherwise, are inherent with an organisation's project objectives. Therefore, it is imperative that those vested with the responsibility of managing projects within SAIs must continuously evaluate risks and formulate plans to deal with them.

A risk management plan encompasses an evaluation of potential risks and the development of mitigation strategies to avoid the project from not achieving its objectives in the event that common problems arise. Risk management plans must undergo continuous review to ensure

they remain current.

Risk management should be built into the three levels of strategy as risk has no barriers and can have an impact on the entire decision making hierarchy. Often, risk management plans include a risk strategy that is vital. There are four likely strategies, with numerous variations. Projects have the choice to:

- accept risk—take the chance of negative impact;

- avoid risk—change plans to circumvent the problem;

- mitigate risk—lessen impact through intermediate steps;

- transfer risk—outsource risk to third party that can manage the outcome.

Risk management plans often include matrices exploring options available. An example of how SAIs could manage their risks is by using the qualitative analysis matrix shown below. This is a very simple but effective tool in assessing, managing and mitigating risks.

Table 4: Qualitative Analysis Matrix

Consequence / Likelihood	Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
Almost certain A	S	S	H	H	H
Likely B	M	S	S	H	H
Possible C	L	M	S	H	H
Unlikely D	L	L	M	S	H
Rare E	L	L	M	S	S

Source: Department of Finance and Deregulation (Commonwealth of Australia 2008)

H = High risk   : Immediate action required, board/senior management will be involved
S = Serious risk   : Senior executive management attention needed
M = Medium risk: Managed by specific monitoring or response procedures
L = Low risk   : Managed by routine procedures, unlikely to need specific application or
                        resources

The matrix rates the likelihood of a risk occurring. It also rates the corresponding consequences from insignificant to extreme. Ratings are in both alphabetical and numerical order. Risk ratings begin with A being the highest risk to E being the lowest, and consequences ranging from 1

being insignificant to 5 being extreme as follows:

Likelihood

A – Almost certain

B – Likely

C – Possible

D – Unlikely

E – Rare

Consequences

1 – Insignificant

2 – Minor

3 – Major

4 – Critical

5 – Extreme

When graded on the matrix, the outcome is derived with the appropriate remedy identified.

Whereas risk management tends to be pre-emptive, business continuity planning (BCP) is something that was invented to deal with the consequences of realised residual risks. The necessity to have BCP in place arises because even very unlikely events will occur if given enough time. Risk management and BCP are often mistakenly seen as rivals or overlapping practices. These processes are tied together so that any separation may seem artificial. For example, the risk management process creates important inputs for the BCP (buying and maintaining assets, training of staff, impact assessments, cost estimates etc.). Risk management also proposes suitable controls for the observed risks. Therefore, risk management covers several areas that are vital for the BCP process. However, the BCP process goes beyond risk management's pre-emptive approach and assumes that the disaster will happen at some point. A good example is the risk of losing a staff member after being groomed through training and mentoring on the job. Such action by one person does have implications on the business continuity plan as a whole.

Risk management is simply a practice of systematically selecting cost effective approaches for minimising the effect of threat realisation to the organisation. All risks can never be fully avoided or mitigated simply because of financial and practical limitations.

SAIs in the Pacific must fully grasp the significance of having risk management strategies and policies within their respective organisations to be able to include as part of the business goals to translate into set objectives.

Things that needed to be captured under the risk management SWOT analysis can be referred to in *Appendix 1.*

Fraud Control Plan

Fraud can be defined as 'dishonestly obtaining a benefit by deception or other means'. Fraud control refers to the integrated set of activities to prevent, detect, investigate and respond to fraud and to support processes such as staff training, prosecution and punishment of offenders. The risk of fraud can come from inside an organisation, that is from its employees or contractors, or from outside an organisation, through external parties such as clients, consultants, service providers or other members of the public. Management of SAIs need to understand the types of risks and fraud that are likely to be committed by persons through collusion between employees and external parties (bribery, corruption and abuse of office are examples of these types of fraud). SAIs in the Pacific are encouraged to have their own policies or risk management plans in place to mitigate risks and fraud. For SAIs that have their own policies or risk management plans, there has to be rigorous monitoring and review of the plans periodically.

The misappropriation of assets, such as the theft of physical assets or payment for fictitious goods and services, are actions that will deplete the financial resources of a SAI. Therefore, SAIs need to tighten their internal operating policies in line with the existing financial instructions to strengthen their internal controls to prevent such incidents from happening.

 SAIs are not immune from fraud and the same risks that are commonly faced by auditees are also faced by them. As such, it is imperative that they also have their own fraud control plans. To assist SAIs that do not have a fraud control plan draw up their own fraud control plans, an example is give in *Appendix 2*. The example highlights the key features of a fraud control plan.

Like the risk management plan, SAIs should have their fraud control plans built into the three strategies as part of their risk management strategy, as fraud can be perpetrated from anywhere within the organisation.

6. DEVELOPING A CORPORATE PLAN

Introduction

This chapter outlines the components of a corporate plan. For the benefit of SAIs, it is also important to highlight the strategic management definition of corporate plan and strategic plan, as there may be confusion over both terminologies. For the purpose of these guidelines, both could be used interchangeably based on the preference of the SAI, as there is hardly any difference between both definitions. Corporate plan is used widely in these guidelines and may also be read as strategic plan.

The responsibility for the corporate plan rests with top-level management and heads of business units or divisions.

What is a Corporate Plan

A corporate plan sets out directions to managers at the various levels of an organisation describing what role each business unit or division is expected to fulfill through strategies in the achievement of the organisation's objectives (Gubbins, 2003). This is articulated through the organisation's vision, mission, goals and values where the plan is set against a set timeframe often between 3 to 5 years. It is continuously reviewed against what has been planned and what has actually been achieved in terms of set targets and milestones.

The key components of a complete corporate plan include:

- **Financial & Human Resource Requirements** - the human capacity and skills and sources of funds required to implement the corporate plan;

- **SAI Outputs, Performance Targets and Milestones** - the key outputs, targets and milestones that each SAI would commit to and deliver annually;

- **Risk Management** - what risks exist within SAIs and how they can be addressed;

- **Linkage with Government (National) Plan** - SAIs should show linkages of their outputs and how they would contribute to their governments' long-term development plan goals. This is vital as they have to demonstrate to their governments that apart from their independence, they are commitment to the realisation of national goals;

- **Linkage with Business and Functional/Operations Plan** - the corporate plan integrates with the business and functional/operations plans of SAIs;

- **Key Result Areas and Timelines**- the key result areas of the corporate plan and the timelines to deliver those outputs and the responsible divisions/officers to implement the action plan.

Why is a Corporate Plan Important

A corporate plan is simply the formalised road map of an organisation that describes how it carries out its chosen strategies. For a SAI, the plan highlights where it is going over the next year or years and how it is going to get there as envisioned. As it covers the entire organisation, its focus is often on significant areas of the organisation such as the corporate, business and functional levels.

The corporate plan also serves as a management tool that serves the purpose of aiding the SAI in improving its performance, because unlike other plans, the corporate plan focuses the energy, resources, and time of everyone in the organisation in the same direction. Moreover, it enables the SAI to:

- help build on its strengths;
- communicate the strategies to its staff;
- prioritise financial and other resources needs; and
- provide focus and direction to move from plan to action.

Movement from plan to action underpins the essence of the corporate plan where, all plans within the organisation are integrated into a series of action plans. An action plan is the means to make sure an organisation's vision is made concrete. It describes the way the organisation will use its strategies to meet its objectives. The action plan consists of a number of action steps or changes to be brought about within an organisation.

Each action step or change to be sought should include the following information on:

- what actions or changes will occur;
- who will carry out these changes ;
- by when they will take place, and for how long ;
- what resources (i.e., money, staff) are needed to carry out these changes;
- communication (who should know what?).

The corporate plan ensures SAIs can successfully implement the action plan according to those key result areas contained in the business plan. The business plan outlines those key outputs that support the vision and mission of SAIs to be delivered over a lifespan of three to five years.

It is important for SAIs to prepare a corporate plan that is clear, showing how SAIs will get the resources and use them efficiently by allocating them to the most critical gaps or needs.

This document will help SAIs in the following ways:

- clearly define the capacity gaps and critical resource requirements;

- reduce risks where possible;

- ensure the SAIs' targets and outputs are sustainable as they work towards the achievement of their goals and objectives.

When to Prepare a Corporate Plan

Revising or reviewing a corporate plan formally takes place towards the end of the current plan's lifespan and the timing of preparatory work for the next plan is an important factor. It is acknowledged that there are cases also where SAIs would be developing their corporate plans for the first time. Whether a SAI is developing its corporate plan for the first time or, reviewing its current plan, the approach is the same. However, for the SAI that is developing it for the first time, there would be more to be done. Some SAIs normally prepare and review all their planning documents and conduct planning meetings at the end of each audit year. This may coincide with the final year of the corporate plan requiring a broader approach for the next corporate plan.

The responsibility of preparing these documents remains with senior management including heads of SAIs where they meet to review and set the course of the next corporate plan.

It is important that SAIs define the action and monitoring plans with due consideration to the implementation timelines.

How to Develop a Corporate Plan

The following sections describe how to develop the different components of a complete corporate plan. It is worth noting that there are strong links between all the components in a corporate plan where they complement each other and even in some instances may overlap.

In developing this guideline, similar work done by INTOSAI's regional bodies have been consulted as reference points to ensure that there is uniformity in what is being developed. The reference point for these guidelines has been the IDI Strategic Planning Handbook (2008) from which the processes and checklists have been adapted for the ease of SAIs to follow in developing their corporate or strategic plans.

To develop and implement a corporate plan, it encapsulates the entire corporate planning process that is depicted in the flow diagram below for the benefit of SAIs.

Figure 7: Steps SAIs have to go through to develop and implement a Corporate Plan
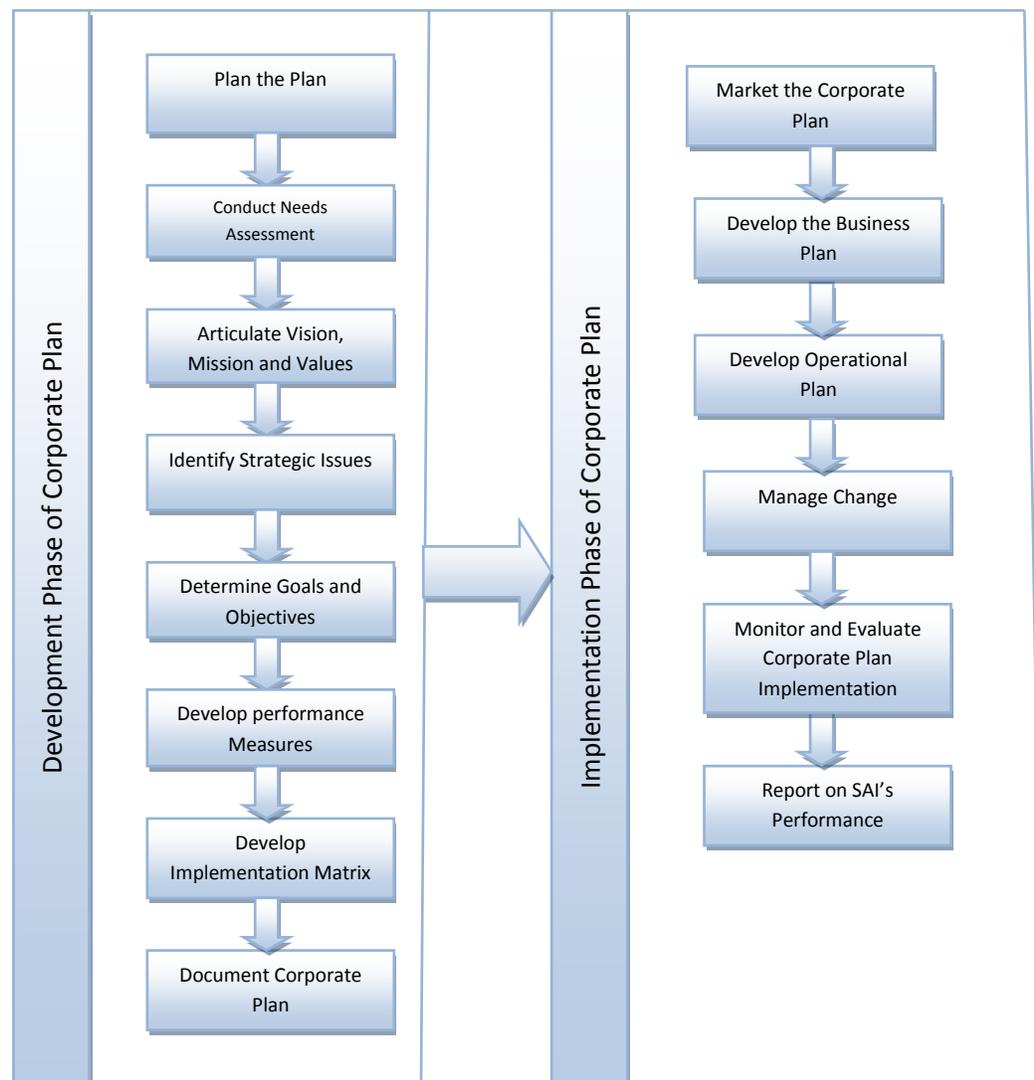
A corporate plan should be developed with the involvement of responsible staff who would deliver the key outputs and deliverables with the support from the senior management of the SAI. Depending on the size and resources of SAIs, some would prefer to form an in-house committee to be known as the corporate or strategic planning team. It will act as a project team to take the lead in planning and developing the corporate plan with relevant input from responsible divisions and the head of the SAI. The team could include:

- support services area under the guidance of the head who must define the financial requirements and assess the human resources and capacity needs in the short, medium and long-term ;

- IT, financial audit/performance audit division heads who would be engaged in outlining the timeline for the audit services together with the technology support, taking into account the resources and time required.

Development of an effective corporate plan requires continuous and open collaboration between the corporate planning team and staff at all levels within SAIs.

There is no correct order in which the corporate plan document should be presented. It all depends on the SAI's preferences and requirements. **Appendix 3** provides an outline of a corporate plan. An example of a corporate plan of a SAI is also provided in **Appendix 4**.

The key components of the corporate plan that need to be analysed by SAIs are as follows:

- financial and human resource requirements;

- risk assessment and mitigation strategy;

- SAIs output and performance targets;

- linkage with the government development plan (national strategic plan);

- linkage with business and functional /operational plan; and

- linkage with INTOSAI Strategic Plan (Lima Declaration)

Human Resource Requirements

The first step of a corporate plan is to conduct a broad analysis of the human resources and other capacities to implement the plan. In addition, the analysis of the current and potential sources of resources and partners to help fill capacity needs should also be undertaken.

A list of questions that SAIs could use to evaluate their human resource requirements are:

- do you have enough people with policy, technical, process or communication knowledge and skills to implement the projects / activities in the corporate plan? If not how will you manage the shortfall?

- will implementing audit staff require enhanced and new skills? How will these skills be built, over what timeframe and at what cost?

- to recruit new staff, or a consultant or to outsource, how long will it take and at what cost and who should be given this responsibility?

Office System and Support Functions

How much extra work in terms of recruitment, training or additional funding would be required in the following areas of operation?

- finance and administration;

- information technology;

- human resources;

- technical support;

- research and development.

Finance Requirements

This stage of the plan would require a general assessment of the financial requirements of delivering the key outputs throughout the lifecycle of the corporate plan. In general, this estimate should be high level without showing detailed potential sources of income and an estimated cost of delivering the outputs.

SAIs could check with each other to find examples of funding levels for support services, audit and other specialised software or equipment to perform audits services.

SAIs could develop a simple table in Excel spreadsheet that shows the projected budgeted expenditures for the next 12 months and actual and prior figures. It is imperative that a base year be used and that year would be the final year of the corporate plan that has just ended.

Table 5: Standard SAI Expenditure Group Financial Requirement

CURRENT YEAR SAI BUDGET							
Expenditure Group as Government Budgets	Prior Year Budgeted Expenditure (Revised)	Prior Year Actual Expenditure	Current Year Actual	Current Year Budget (Revised)	Following Year Budget	Variance	Shortfall

Risk Assessment and Mitigation Strategy

As you develop your corporate plan, you should also assess the risks most likely to affect it and what could be done to mitigate them.

Risks are conditions that could be an impediment to any plan or project. There are high risks and if they are not overcome, they are likely to prevent the project from achieving its goals and objectives.

Highlighted below are potential risks that are common to SAIs. These risks should be discussed and where applicable, be included in their corporate plans. Risk mitigation strategies are to be developed as part of the corporate plan.

Examples of potential risks to SAIs:

- dissatisfied audit clients;

- dissatisfied parliamentary and public accounts committee;

- negative media publicity;

- loss of reputation;

- legislative changes impacting the SAI;

- staff turnover;

- inadequate security of data and information;

- action of union;

- government policy may affect the operation of the SAIs;

- lack of government support;

- continuous support of government;

- lack of corporate knowledge.

It is important that SAIs ensure that any identified risks are dealt with appropriately based on the risk mitigation strategies developed.

Outputs and Performance Targets of SAIs

The key outputs are those that support the vision of SAIs and provide added value to the SAI services.

SAIs may discuss the following key result areas in their corporate plans:

- clients and stakeholders – the primary clients and stakeholders of SAIs are the parliament/legislature, citizens, public entities, public accounts committee, media, and other audit institutions;

- people – they are the most valuable resource of SAIs who collectively represent the office and deliver the quality products and services;

- products and services – these include regularity audits, financial statements audits, performance audits, special investigation audits, IT audits, better practice guides and SAI newsletters;

- business performance – this is achieved through contemporary business practices and a structured business planning and management process

Apart from the above components, there are frameworks and tools that can be used by SAIs to conduct assessments on their needs. The framework used in this guideline is IDI's Capacity Building Needs Analysis Guide (2009) that provides in detail how the analysis could be carried out by SAIs under the eight domains. When carried out, the above components would be classified under one or multiple domains.

The Development Phase

Formulation of a corporate/strategic plan involves two phases as can be seen in the corporate planning process flow diagram that highlights the development and implementation phases. The following are steps SAIs could follow in developing their corporate plans.

Plan the plan

Prior to developing the corporate plan, it is vital for the SAI to have an action plan in place to guide the formulation process. A plan that is to be the basis for preparing the corporate plan development process would involve:

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

The action plan is the prelude to the corporate planning process. It enables the gathering of required resources, and clarifying the expectations and roles and responsibilities of different players in this process.

Preconditions

Prior to the initial steps being taken in corporate planning, the following need to be in place:

- a corporate planning team formally appointed by the head of SAI to be solely responsible for the development of the corporate plan;
- a clear understanding of the corporate planning process or model to be adopted;
- information on the resources that can be made available by the SAI for the corporate plan development process.

Who should be involved?

The corporate planning team duly appointed by the head of the SAI is responsible for formulating the action plan. Both the head and management of the SAI should approve the action plan so that the team has the mandate and commitment in the process including having access to the required resources to enable it to perform its functions.

Process

1. ***Agree on corporate planning process*** – The corporate planning team should first agree on the corporate planning process that they will follow. For example, some members of a corporate planning team may decide that it is not necessary to develop an implementation matrix as part of the corporate plan development. Yet other team members may decide that it is important in articulating the SAI's vision and mission before assessing needs. Each step of the corporate plan development process must be agreed on by the corporate planning team through consensus. The team could consider different corporate planning models before taking this decision.

2. ***Agree on format*** – The corporate planning team can then agree on the format of the action plan. A suggested format for the action plan is at ***Appendix 5***.

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

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

appropriately completed.

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

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

7. **Provide information** – The action plan must be communicated to all stakeholders whose input or presence is likely to be necessary in the corporate plan development process. Information on the planning process should be communicated to the SAI's staff through various mediums of communication including newsletter, circular bulletin board etc., so that stakeholders are aware that a corporate planning process will be taking place in the SAI.

Checklist

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

√ Is it realistic?
√ Will it be possible for the CPT to achieve the given output within the stated timeframe and with the stated resources? Moreover, is it realistic to expect the stated resources to be made available to the CPT?
√ Is it comprehensive? Does it detail all the milestones and tasks required in the process?
√ Are the tasks sequenced logically? Especially if one step depends on the output from an earlier step.
√ Are the stated techniques appropriate for the envisaged output?
√ Are the estimated resources sufficient for the successful completion of the milestones?
√ Are the timeframes, responsibilities and the expected output of each stage clearly defined?
√ Will the plan as a whole help the SAI achieve the final product, ie. corporate plan document?

Output

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

Conduct a Needs Assessment

What is a needs assessment?

The next step that follows after the preparation of the action plan by the CPT is conducting a needs assessment. By then, the team would be ready to begin the corporate planning process. A needs assessment is the process of establishing what the current state of the SAI is by comparing it with what the desired state should be. This comparison is based on what are contemporary best practices recognised internationally and regionally, the SAI's future vision and environmental factors. This forms the basis of determining the gaps. It is vital for this exercise to be carried out as it forms the basis of correctly establishing its current state.

 A variety of frameworks and tools can be used by SAIs for conducting such an assessment. In IDI's Capacity Building Needs Assessment (CBNA) framework, conducting a needs assessment involves ascertaining needs in each of the eight domains of the framework that comprise:

- Independence and Legal Framework;
- Human Resources;
- Audit Methodology and Standards;
- Leadership and Internal Governance;
- Administrative Support;
- External Stakeholder Relations;
- Results.

A casual analysis of gaps is also required to be carried out during this process. For example, under the audit methodology domain the current situation may be that the SAI does not utilise quality assurance methods for any of its reports. In this case, the SAI would need to set up a QA function. The causes for the lack of such a function may be lack of knowledge and skills in conducting QA, the lack of a QA methodology, lack of staff, lack of an audit manual and prescribed audit process.

Preconditions

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

- the head of the SAI should appoint a capacity building needs analysis (CBNA) team responsible for conducting the assessment;
- the CBNA team should have the requisite knowledge and skills about the different needs assessment frameworks available and the different tools that could be used to carry out needs assessment;

- the CBNA team would require adequate resources to use various tools and conduct assessments. Access to external experts may be one of the resource requirements of the CBNA team, especially when carrying out a CBNA for the first time.

Who should be involved?

The needs assessment should be carried out by a dedicated CBNA team. It is recommended that in large SAIs, a CBNA team comprise five to six team members, whereas, for smaller SAIs, the team may consist of three members. As the CBNA requires an organisation wide review, it is recommended that staff from different functional areas such as audit, HR, communications, IT, support, etc., are included in the team. It is also recommended that team members include middle managers, supervisors and members of staff so that all interest groups within the organisation are represented. The needs assessment process requires staff with reasonable analytical skills and the ability to synthesise. It also requires sound oral and written skills. These criteria should form the basis of appointing members to the needs assessment team. The CBNA team should be led by a member of the SAI's management. A senior CPT member should lead the CBNA team, as this will establish an effective link between the CPT and CBNA team.

Throughout this process, there may be a need to source external expertise, if required. If the team sees merit for such assistance to enhance its work, they may wish to consider sourcing the expert externally either from the region, other SAIs, or even other INTOSAI regions. An outsider would bring a different dimension to the team's approach with objectivity that they may lack due to being too close to the situation. The outsider may also be in a better position to handle issues that are sensitive within an SAI. An added advantage would be that the outsider may also bring knowledge and technical expertise in this area. Such an arrangement would be necessary for SAIs that are performing a needs assessment for the first time.

The CBNA process should be as broad based as possible where there is wider consultation involving internal and external stakeholders to arrive at what is to be a comprehensive overview of the SAI's needs. External stakeholders would comprise of members of the public accounts committee, representatives of audited entities, other professional bodies and the donor community. Internal stakeholders would include both SAI management and staff at various levels within the SAI.

Process

1. ***Agree on the CBNA framework*** – The CBNA team should determine and agree on the needs assessment framework it will use for carrying out the needs assessment. This decision will be based on the level of knowledge and skills in the team regarding different frameworks. It will also depend on the resources required and the support that the team is likely to get in carrying out the CBNA. A number of frameworks are currently available and may be used as examples for this purpose including – AFROSAI-E Institutional Strengthening Framework, IDI's CBNA Framework, and the UK's NAO's SAI Maturity model. For these guidelines, it is assumed that IDI's Capacity Building Needs

Assessment (CBNA) Framework will be used to conduct the needs assessment. This framework has been used at the SAI and regional level in AFROSAI-E, ASOSAI, ARABOSAI, CAROSAI, EUROSAI AND OLACEFS. In one region for instance, AFROSAI-E, the framework has been adapted to align with the existing regional framework. In regions that have no specific framework, the IDI framework has been used, occasionally with some modifications to suit regional requirements. Copies of the framework and the CNBA guidance are available from the IDI Secretariat at idi@idi.no .

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

3. ***Develop a plan for the CBNA*** – The needs assessment team should develop a plan for carrying out the needs assessment. A format of the plan should be similar to the format of the action plan shown at ***Appendix 5*** of this guideline. The plan must be realistic, specify responsibility and ensure that there is an alignment between the resources, the tools and the envisaged outputs.

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

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

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

7. ***Write CBNA report*** – the CBNA team would then write a CBNA report to communicate its findings and conclusions to the relevant stakeholders. The report is expected to describe the mandate of the team, the methodology used by them and then the needs identified by the team under each of the eight domains and the causes for those needs. Under each domain the following structure may be used:
   - desired condition on domain;
   - current situation;
   - gaps;
   - causes of the gaps.

The working papers from the different tools used can be attached to the report as annexes. A sample of the contents of a CBNA report is provided at ***Appendix 6*** of the guideline. An illustration of a needs assessment report can be found in the IDI Capacity Building Needs Assessment (CBNA) guide available from the IDI Secretariat.

8. ***Approval and information*** – The head of SAI should approve the CBNA report. All members of senior management and heads of units should have a copy of the report. The CPT should have a copy of the report for each of its members. The report should also be distributed to important external stakeholders. Information about the CBNA report should be publicised within the SAI and the CBNA report should be made available to the staff of SAI on request.

Checklist

The following checklist can be used to review the CBNA Report.

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

Output

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

Articulate Vision, Mission and Value Statements

What are vision, mission and value statements?

In initiating the corporate planning process, it is crucial to establish the essence of the SAI's reason of being and what it aspires to for the future. That crucial expression of mutual understanding is replicated in the SAI's vision, mission and values.

Chapter 3 of the guidelines provides in detail what are vision, mission and value statements and provides real examples from SAI's within the region. Users of these guidelines are advised to refer to this chapter to see what these statements are and how they could be articulated.

Precondition

The CPT needs to have a complete understanding of the role of the SAI and its mandate. It needs to be aware of the strategic direction that the leadership of the SAI is keen in taking and what

the expectations of the stakeholders are on the SAI. The team should also be aware of general trends and developments in the INTOSAI community. The CPT should also be aware of the current situation of the SAI so that the vision is not set at an unrealistic level. Much of the information will come from the output of the previous stage of corporate planning and the CBNA report.

Who should be involved?

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

Process

Preparing to articulate vision, mission and values – The CPT should look at the available definitions and formats for writing a vision, mission and value statement. Where the SAI has vision, mission and values statements, the statements should be relooked over to ensure they fulfill the strategic direction of the SAI. Another way of articulating the statements is to look at similar statements done by other SAIs in the INTOSAI community. The CPT should also arrange a meeting with the head of the SAI and senior management members to formulate the statements. The CBNA report that highlights the current state of the organisation and stakeholder expectations should also be examined.

CPT and senior management meeting – The purpose of the meeting is to enable the CPT members to give the senior management team a brief background of all the preparatory work done and the formats and illustrations from different organisations. If possible, the preparatory papers should be sent to the senior management team before the meeting to enable them to grasp what has been done by the CPT. During the meeting, the CPT members could facilitate the process of writing the vision, mission and value statements. For this activity:

- members could agree on the parameters for writing the vision, mission and value statement;
- ask each person in the team to write a vision, mission and value statement within the agreed parameters (format attached as *Appendix 7 – 9*);
- each person should present their suggestion and the CPT should facilitate the process building consensus to arrive at a single vision, mission and value statement.

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

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

Checklist

The following checklist could be used to review the vision, mission and value statement:

Vision statement

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

Mission Statement

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

Values statement

- √ Does the statement describe what the values mean to the SAI?
- √ Has behaviour that supports the value statements been identified?

Output

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

Identify Strategic Issues

What is it to identify strategic issues?

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

directly affect the achievement of the organisation's mission. The goals for the corporate plan of the SAI can then be developed from the prioritised strategic issues.

Preconditions

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

Who should be involved?

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

Process

In working on identifying strategic issues, the CPT should

1. **Determine links across domains**

   The CPT should tabulate all the identified gaps in each of the domains in such a way that the gaps in the eight domains can be seen together and compared. The next step for the CPT is to scan through the gaps and identify gaps that can be clustered together under some common issues. Linking the issues enables the organisation to arrive at a holistic view of the organisation and ultimately enables it to come up with issues which cut across the SAI as a whole. The CPT should also check for, and eliminate any duplication in the cluster gaps. An illustration of identified gaps and clustering of issues across domains can be found at ***Appendix 10*** as part of the strategic planning case study of the SAI of Atlantis.

2. **Determine strategic issues**

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

   A detailed illustration of the step is provided in the case study of the SAI of Atlantis at **Appendix 10** of this guideline.

3. **Review**

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

4. **Discuss with SAI management**

The CPT should get concurrence of the head of the SAI and the top management team on the draft strategic issues and the gaps cluster under each issue. This is important because the goals and objectives of the corporate plan will flow directly from the strategic issue cluster.

Checklist

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

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

Output

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

Determine Goals and Objectives

What are goals and objectives?

Goals and objectives are the focal points of a corporate plan where they characterise the strategy of the organisation. Goals relate to the ultimate purpose highlighted in the mission statement and when integrated, lead to the realisation of the SAI's vision. There is a direct correlation between goals and the vision and mission that highlight where the focus of any change is to be. Any change would impact on the value that was created by the SAI for its stakeholders. Strategic issues identified in the previous stage of corporate planning should be used as the basis of formulating goal statements. The following is an example of a goal statement from the strategic plan of the SAI of Guam:

"To increase public knowledge of OPA's mission, work and impact".

Objectives are precise and measurable outcomes that enable the achievement of goals. Objectives under a goal describe the means to the end where the goal is realised as the end. The goals describe what are required to be achieved so as to be able to achieve the set vision and

mission. Objectives under a goal statement can be formulated by summarising the clustered needs or gaps under the strategic issue from which the goal statement is derived. In formulating objectives, causes for the gaps need to be considered.

Additional information on goals and objectives can be referred to in Chapter 3 of this guideline.

It should be noted that as goals and objectives are an integral part of the corporate plan, it is vital that there is a strategic dimension to what is expressed. Any issue worthy of strategic importance should only be considered and formulated at high level. Routine activities including projects should not feature.

Who should be involved?

Goals are to be determined by those who play a pivotal role in this process comprising the SAI's management, the CPT and relevant stakeholders. Another group that should also be consulted when determining goals statements is the heads of operational units within the SAI. In the case of determining objectives, the core group would consist of the heads of operational units and the corporate planning team. Resources are often a big challenge to SAIs in facilitating the goal and development meetings. When in such a situation, the SAI may source assistance externally through the region or other sources.

Precondition

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

Process

> | **Parameters for goal statement** |
> | :--- |
> | • Brief |
> | • Not too narrow |
> | • Not time bound |
> | • Informative |
> | • Simple |
> | • Starting with the word "to" |
> | • Focused on delivering results to stakeholders |
> | • Not input oriented |
> | • Directly related to vision/mission |
> | • Indicates direction of change |
> | • Indicates directional and not incremental change |

1. **Agree on the parameters of a goal statement**
   The CPT considers and agrees on the parameters of a goal statement. The CPT could consider the parameters in the adjoining box.

2. **Convert the strategic issues to goal statement**
   After agreeing on the formulation for the goal statement, the CPT needs simply to convert the strategic issues identified in the previous round into goal statements.

3. **Determine objectives for the draft goal statements** – In determining objectives for the goal statements, the CPT should consider the gaps clustered under the strategic issue from which the goal statement is derived and the causes for the gaps. The CPT should then identify the important gaps and formulate the desired future position on the gaps.

The formulation can then be converted into statements of objectives that should indicate the area in which change is to be brought about and the direction of change. For example, to establish and implement audit methodology in line with international standards. The objective statements under a goal, taken together, enable the achievement of that goal. The objectives also need to be realistic and feasible.

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

How and Why?

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

Please refer to the case study of the SAI of Atlantis at **Appendix 10** to see a detailed illustration of this step of the corporate planning process.

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

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

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

Checklist

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

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

Outputs

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

Develop Performance Measures

What are performance measures?

Performance measures are synonymous with monitoring and evaluation. To be able to monitor and evaluate a SAI's corporate plan, it is vital that there is a performance measurement system in place. Performance measures are prescribed standards based on criteria that are used as the basis of evaluating and communicating actual performance against expected results or outcomes. These include:

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

They are used as the yardstick for defining and assessing success, establishing gaps, monitoring

process and improving service delivery. Moreover, it is the basis for the SAI's accountability to its stakeholders.

In the corporate plan, performance measures are linked to the strategic objectives and aid the SAI in determining the degree of its success in the achievement of its objectives and also its goals.
An example of this is shown here.

Objective	Performance Measures
To set up a performance audit function	√ Number of qualified staff assigned to performance audit vis- a- vis number of staff required. √ Number of staff trained in performance audit vis- a- vis performance audit training requirement. √ Development of performance audit manual in line with international standards within a given timeframe. √ Number of performance audit reports tabled.

In the above example the first three measures refer to the adequacy of the input, while the last measure refers to the output. In addition to these input and output measures, output measures can also be written. For example, the number of performance audit recommendations implemented. As such, an SAI can formulate input, output and outcome measures to measure the performance on its corporate plan.

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

Who should be involved?

The CPT would be the core team determining the approach to developing performance measures. Since the performance measure at the corporate plan level affects the entire SAI, all levels in the SAI must be involved in some way or the other in determining the measures. The corporate planning team must consult with management and staff across the organisation to arrive at realistic and measurable performance measures. As the corporate plan is designed to deliver value to the external stakeholders of the SAI, it is important to ascertain their perception of what the success of the corporate plan looks like. Writing performance measures can become

quite technical and it may be advisable to get expert support either within the organisation or from external sources in the region or at an international level.

Process

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

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

- the unit of measure – performance could be measured in terms of percentages, numbers, ratios, time, scores etc;
- baseline – the baseline data on that measure is important. It enables the SAI to then set a realistic target. The extent of progress would then be the movement forward from the baseline;
- target – the performance to be achieved. The target will depend on the current situation of the SAI and a realistic estimate of what is achievable. Expectations of stakeholders and international best practice are also important considerations in determining targets. It is important to have baseline data of the current performance of the SAI before fixing targets;
- source of information – how, and from where will information regarding the measure be collected. The information must be easily accessible;
- measure owner – who will be responsible for gathering and monitoring information on the measure.

A worksheet for formulating measures is at **Appendix 11** of this guideline. Besides the format of the measure, it is also important to remember that measures can be formulated to evaluate input, output and outcome. In the context of a developing SAI it is important to not only look at the input aspects but also to measure the output. Finally, it is the output and outcome measures that reflect the degree of success of the corporate plan. In areas where functions are being newly established or set up, it may be too early to develop outcome measures, e.g. in the previous example of setting up a performance audit unit, developing an outcome measure such as number of recommendations implemented may be premature. However, an output measure should be clearly defined to ensure that the focus remains on producing results. **Appendix 10** on the SAI of Atlantis case study contains a detailed example of performance measures.

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

- as there is a cost to implementing a performance measure system, it is better to have a

few key measures that help the SAI determine success of the corporate plan;

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

Step 4 – Get the concurrence of the head of the SAI and senior management team on the modified performance measures for the corporate plan.

Checklist
The following checklist may be used to review performance measures:

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

Output
A set of performance measures for the corporate plan.

Develop the Implementation Matrix

At this stage of the process, SAIs develop their implementation matrices for the ease of implementing their corporate plans. It is discussed in detail in Chapter 9 under Implementation Strategy where the process and checklist including the output are given. Refer to Chapter 9 of this guideline.

Document the Corporate Plan

What is required to document a corporate plan?

Working through the previous stages of the corporate planning process, the SAI would have

formulated its vision, mission, values, goals, objectives and performance measures. These elements of the corporate plan need to be integrated in a cohesive manner and is done at this stage of documenting the corporate plan. In documenting the corporate plan, the SAI needs to consider the contents of the plan – what should be included in the plan, the plan's format and how it should be presented. The documented plan is the final product of the corporate plan development phase. It is the SAI's main communication and marketing tool. It is also important for the SAI to ensure that the plan is written in a language that could be easily understood by its stakeholders, and provides the stakeholders with the right amount of information on the SAI's plan for the future. *Appendix 3* contains a list of documents that could be included in a corporate plan document. The list is based on the corporate plans of several SAIs in the INTOSAI community.

Preconditions

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

Who should be involved

As with the previous stages, the CPT is responsible for the documentation of the corporate plan. If the CPT members have appropriate writing skills, they can document the plan themselves. They can also get assistance either from internal or external sources to assist them document the plan. The CPT would also need the assistance of a proof reader and a design specialist to proofread and design the layout of the plan document. Such help can be available within the SAI or sought from external sources. The SAI's management has to approve the final draft.

Process

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

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

3. **Proofread and design layout** – The completed draft corporate plan document should be sent for proof reading. The designer should be called in to propose a layout design for

the document. Providing a graphical overview of the vision, mission, goals and objectives may be a good idea.

4. **Obtain approval and print** – A draft corporate plan should be developed by the CPT for the approval of the SAI. Once the draft has been approved, the document can be printed.

Checklist

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

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

Output

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

The Implementation Phase

Market the Corporate Plan

The implementation phase of the corporate planning process begins at this stage where the plan has to be marketed to the SAI's internal and external stakeholders.

What is involved in the marketing of the corporate plan?

Having gone through the entire process of developing the corporate plan, the end result is the SAI being ready with a robust corporate plan document. The next step is to go through the process of marketing or publicising the corporate plan to enable its implementation. This involves determining to whom the plan should be distributed and how the plan and its contents can be exhibited in the best interest of the SAI. Both the methods of marketing and the target audience are determined at this stage.

To be able to implement the plan, the SAI would need the support and involvement of its stakeholders. Stakeholders that have been actively involved in the development process of the plan would like to see the end product. The printed plan would also be the SAI's communication tool with all its internal and external stakeholders. The process of marketing is important for the

following reasons:

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

Target Audience

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

External Stakeholders

The plan could be marketed to the public, media, the public accounts committee, whole of government, donors, audited departments and ministries, service providers, professional bodies, regional organisations and international organisations.

Internal Stakeholders

Management and staff of the SAI.

How to market the corporate plan

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

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

Plan in an electronic format – The plan document could be placed on the SAI's web site. The SAI could also prepare a small CD version of the corporate plan.

Press releases on the plan

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

Presentation at different forums

Representatives of the SAI could present the corporate plan and make copies available at different local, regional and international forums they attend.

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

The main elements of the plan must always be alive in the imagination of the staff. Different methods such as giving information on internal bulletins, posting information on notice boards,

including key slogans on letterheads, putting up posters, writing articles on the plan in the SAI's newsletter or magazine are avenues worth exploring.

Articles could also be published in regional journals and the INTOSAI journal about the SAI's corporate plan.

Develop the Business Plan

At this stage of the corporate planning process, SAIs develop their business plans. The next chapter is dedicated to developing the business plan where the process and checklist including the output are discussed in more detail. Please refer to Chapter 7.

Develop the Operational Plan

This stage is important as this is where the implementation of the corporate plan actually takes place. All activities of the corporate, business and operational plan are integrated and are the basis of the implementation matrix. Chapter 8 is dedicated to the development of operational plans where the process and checklist are discussed in detail there. Please refer to that chapter.

Manage Change

This stage of the corporate planning process is discussed in Chapter 9 as part of the implementation strategy. Change is an important aspect of the implementation process and must be managed appropriately to bring about the desired results. Please refer to that chapter for the process and checklist.

Monitor and Evaluate Corporate Plan

This stage of the corporate planning process is discussed in Chapter 10 where the monitoring and evaluation are carried out on the implementation of the corporate plan. Please refer to that chapter for the process and checklist.

Linkage with the Government Development Plan

Those vested with the responsibility for formulating corporate/strategic plans within SAIs must be aware of the requirement by their governments to have their plans aligned to the national strategic plans. SAIs though independent by virtue of their enabling legislation such as the *Constitution* or *Act* of Parliament/Legislature, must also be seen to support government policy initiatives through national strategic plans. In some jurisdictions, the linkage to the national strategic plan is a matter of compliance.

Whether it is mandatory or not, SAIs must not develop their corporate/strategic plans in isolation, but have them linked to their national strategic plans so they align to the long-term goals and objectives. This could be done by getting to understand the national strategic plan in

its entirety.

Most national strategic plans are long-term ranging from anything between five and twenty years. Some countries even have them for up to fifty years. SAIs have corporate/strategic plans that are for shorter periods.

By going through the national strategic plans, SAIs should be able to identify key themes within these strategic plans that correlate to their mandate. Most, if not all, should feature aspects of the need for good governance through accountability and transparency. Governments are now more conscious about the need for good governance with the ultimate goal of enhancing and strengthening integrity within their systems.

To highlight the need to link strategic plans of SAIs to their national strategic plans and other strategic plans, examples were taken from the plans of four island states namely; Samoa, Papua New Guinea, Cook Islands and Tonga. The key focus areas are mostly in the areas of social, economic, environmental sustainability, service delivery (by sectors) and good governance. Refer to *Appendix 12* and *Appendix 13* for details.

Linkage with SAI's Business and Functional / Operations Plans

The corporate plan does not exist as a stand-alone plan. Its key components are integrated with the business and functional /operational plan of the SAIs.

A corporate plan that is time based and measurable should include the key results areas contained in the business plan. These refer to the outputs or outcomes for which SAIs are responsible to deliver during the year.

An example of an action plan included in a corporate plan is given in the table below that SAIs could include in their corporate plans.

Table 6: Action Plan to be included in a Corporate Plan

Key Result Areas (KRA) Types					
Output	Output Indicators	Actual Results (Last Year)	Target Outputs (This Year)	Planned Time-frame for Results within the Year	Unit Responsible
List sub output to KRA					

7. DEVELOPING A BUSINESS PLAN

Introduction

This chapter outlines the components of a business plan and how it cascades down to the operational plan where most of the SAI's corporate plan activities are implemented. A business plan answers the questions, 'How to?' and 'When?'. It provides the detailed plan for the year and includes projects, programs, activities, timeliness, resources required, budget estimate and outputs. It also assigns responsibility to those involved in the implementation of the corporate plan.

What is a Business Plan

A business plan complements the SAI's corporate plan throughout its lifespan (one to three or five years) and provides the direction and activities for the SAI for the next twelve months. It focuses on a number of corporate plan objectives set by the SAI. Examples of some of the objectives are stakeholder relationships, products and service, business, etc. It also reflects decisions made at the SAI's corporate plan planning meetings and executive management meetings in the year preceding the implementation of the business plan. The business plan is closely linked to the operational plan where the implementation aspects of the corporate plan are carried out.

Why is a Business Plan Important

Developing a business plan based on the corporate plan is an important step to ensure that the corporate plan is implemented in a coordinated and effective manner. The corporate plan has to be converted into an annual business plan with a supporting annual budget. The purpose of the business plan is to provide enough details to keep everyone moving in the same direction with a common understanding of when and how far to move. Developing a business plan is the process of determining the projects/activities and actions to be undertaken during the year for the implementation of the corporate plan. The business plan is generally developed annually and is tied in with the budget cycle of the SAI. Besides the corporate plan projects, a SAI would also have day-to-day business and operational issues that also need to be planned. The SAI can develop one business plan containing projects from the corporate plan as well as the operational plans that will enable it to determine the allocation of resources across the different teams within the audit division or section (for SAIs in the Pacific that will depend on their size and community settings).

When to Prepare a Business Plan

A business plan is prepared annually and usually has input from the head of the SAI and senior management through planning sessions. The planning sessions are intended to put into perspective the requirements of what has been set out to be achieved in the corporate plan. This plan then sets the 'how to' and timeframes to address strategic issues. For example, a SAI would decide that one of its strategic issues has to do with how to set-up its IT audit capability. The business plan is for a year and is supported with a budget to make things happen for the SAI.

The head of the SAI and senior management must be objective and focused on their business plan to ensure it is critically looked at prior to having it implemented. In order to do that, it is recommended that an external facilitator be engaged to manage this process by asking questions and challenging the group so that the plan is realistic and, most importantly, the targets set are achievable.

How to Design a Business Plan

The responsibility for developing a business plan lies with the head of each division or operating unit. The relevant management structures in the SAI should be responsible for compiling an SAI wide business plan. The SAI may also decide to continue with the corporate planning team in a coordination role for the line divisions or operating units.

The diagram below depicts an integrated annual business plan model that SAIs could use to monitor their performance. It also shows that the business plan is central to the strategic management framework of SAIs linking the operational and corporate plans.

Figure 8

Product and Service Delivery

Integrated Annual Business Plan Monitoring our Performance

STRATEGIC MANAGEMENT FRAMEWORK

Managing Resources

Human Resources
- Objectives & Plans

Technical and Legal Support
- Objectives & Plans

Information and Communications Technology (ICT)
-Objectives & Plans

Financial Resources
-Objectives & Plans

Product and Service Delivery

Integrated Annual Business Plans

| Main Public Treasury Account & Public Sector Agencies

-Objectives & Plans | Provincial, Local governments and Districts

-Objectives & Plans | Performance and Special Audits

-Objectives & Plans |

What have we done? – Our achievements

Corporate Direction

Vision and Mission

Values

Corporate Plan

- Objectives and KRAs
- Strategic Tasks
- Strategic Risks
- KPIs

Monitoring and Improvement Plan

Policies Procedures, Process Structures

Operational Plans

Continuous Monitoring and Improvement

Barry Underwood NSW AO, 2012

Linkage with Corporate Plan

It is in line with good governance practices that the head of each division or operating unit is provided with a copy of the corporate plan document including the corresponding implementation matrix and a format for developing the business plan for their respective division/unit. An implementation matrix sets out who is to do what, when and the timeframe required in achieving set targets and milestones. The projects can be distributed on the basis of

the responsibilities determined and the timeframes specified in the implementation matrix. The division/unit heads and their staff are responsible for developing the business plan for the division. The division head and his/her staff members will also include other routine activities that they are responsible for in addition to the corporate plan projects. The business plan has to be submitted to the corporate planning team of the SAI to ensure it aligns with the requirements of the corporate plan.

The corporate planning team usually meets with all the divisional heads to consolidate the business plans for the year. The head of the SAI will approve individual divisions/operating units' business plans after receiving the recommendations of the corporate planning team.

The individual business plans for the units once approved by the head of the SAI, have to be communicated to all parties concerned. Copies are distributed to the managers and staff of the respective divisions/units. All the staff members of the divisions/units must be made aware of the annual business plan that highlights the specific projects that will be audited and the timeframe needed to implement and complete each project.

Linkage with Operational Plan

The operational plan is closely aligned to the business plan as it is built into the corporate/strategic plan. The operational plan captures the main particulars (functions, mission, organisational structure, and budget trends of a client (auditee) of the corporate plan. It also captures the audit objectives and approach together with the reporting requirements and the allocated staff-days for each staff involved in the audit assignment.

Moreover, the operational plan is actually the action plan prepared by someone at the director of audit/audit manager level or at audit team leader level and is approved by the divisional head. It is also the blue print of the audit assignment that is usually attached to the letter of commencement of audit, addressed to the CEO of the auditee agency. For the execution of all individual audits captured in the business plan for the year, an operational plan will be prepared for the monitoring and assessment of the performance of individual staff and the whole audit process for each particular audit client.

Timelines

In the planning and management processes of any business, time is one of the most crucial factors and an important resource.

Time itself is a yardstick that is used as a performance indicator measured against the number of audits each audit team, division and the whole SAI has completed from the field audit work to being reported to parliament/legislature for the period (usually in the year).

The timeliness in executing any project is crucial and there is no exception with executing audit

projects. The timeframe for each audit assignment to be done during the audit cycle has to be captured in the business plan. The monitoring of the performance of both individual staff and the whole team against the budgeted staff-days will determine the expected outcome and actual output.

Allocation of Resources

Resources management is the efficient and effective deployment of an organisation's resources when they are needed. These resources may include financial, inventory, human skills, production resources, information technology, etc.

Resource allocation is used to assign resources that are available in an economical manner and is a part of resource management. Therefore, in audit management, resources are allocated according to the activities that had been included in the annual business plan while taking into consideration the resources available and the execution of the audit within the time planned.

Resource allocation in strategic planning is a plan for using available resources for the achievement of future goals. It is the process of allocating resources among the various business units.

The manner in which an organisation manages and allocates its main resources and assets has to be captured in the strategic planning framework. Resources include, people, property, motor vehicles, furniture and fittings, equipment, information and communications technology and money to fund them.

It is important that in the integrated audit, business plans for all the operational units, the 'what' and 'why' actions that are taken and the 'how' and 'when' they are intended to be delivered or done all have the time factor aligned into them. A progressive work report against each audit undertaken is provided for the overall monitoring of work performance using the output measures and performance indicators.

Of the resources required by SAIs to remain operational, and to be able to achieve their goals and objectives, the most crucial are financial and human resources.

Financial resources

In order for SAIs to be able to discharge their mandate, they have to be provided with the means to do that. This also impacts greatly on the independence of SAIs where the institutions of government responsible for resource allocation to SAIs must ensure they have adequate funding for them to be able to operate appropriately. The corporate services divisions within SAIs have an important task in ensuring that they optimise the utilisation of their budgets to procure and provide the required material and infrastructure support to the various divisions.

Human resources

People are the most valuable asset of any business entity and SAIs are no exception. In order for SAIs to produce quality audit reports within the specified planned timeframe, they need to maintain adequate audit staff strength with the right qualifications and motivation to perform their tasks efficiently and effectively. Management must have a human resource policy in place that will provide employees with a rewarding and professional environment as well as maintaining and enhancing their capabilities.

It is important for SAIs to have a human resources management function within their management structures. Some aspects of the human resources management function include the following:

- establish policy and procedures for recruitment, training, motivation and professional development;
- implement policies and procedures;
- periodically review the results of training and professional development programs to evaluate whether programs are being presented effectively and are accomplishing objectives;
- establish a performance based promotion system, link performance management with staff welfare and benefit;
- assign the responsibility for the professional development function to a person or group with appropriate authority.

The flow diagram below depicts this human resources element along with its sub-elements. SAIs are also encouraged to refer to the PASAI Human Resources Guidelines to see how this is done in more detail.

Figure 9: Structure of Human Resources Development

Develop the Business Plan

The following are steps SAIs have to go through in preparing their business plans that highlights the process and a checklist to be used to review their business plan document.

Who should be involved?

The responsibility for developing a business plan rests with each business unit or division within the SAI. Like the operational plan, relevant management structures or level are responsible for compiling individual business plans. The SAI would have its corporate planning team (CPT) in place where, the role of the team would be for the coordination of the business plans including collating them into a consolidated business plan for the SAI. The involvement of the CPT would be decided by the SAI where its role could be expanded but only for the coordination aspect of this process. Part of that would be to facilitate corporate planning meetings annually for the SAI to assist with the development of annual business plans. These annual meeting are a part of the monitoring and evaluation process in the implementation of the corporate plan.

Process

1. Divisional heads must be provided with copies of the corporate plan document and the implementation matrix including a template for developing the business plan for the unit or division. Projects are assigned based on the strategies, outputs and outcomes and targets and milestones set in the corporate plan. Unit or division heads and their staff are then responsible for developing their business plans. As the plans are for the purpose of addressing strategic issues, routine operational activities should not be included.
2. Upon receipt of all business plans from the various units or divisions within the SAI, the senior management team should meet with heads of all the units or divisions including operational units or divisions and the CPT to consolidate the business plan for the year.
3. The head of the SAI would then approve the plan finalised at that meeting for implementation in the next year.
4. The approved business plan should be communicated internally and copies provided to managers and staff of SAIs. As managers are the key drivers of the business plan, it is vital that they are aware of the business plan and what it encompasses for them in so far as their responsibilities are concerned in driving the strategies and achieving the corporate goals and objectives in the coming year. The business plan is an internal document. However, it is also a good source of accountability for SAIs where external stakeholders could be provided the information for purposes of highlighting credibility with their management systems or sourcing of funding from donor agencies.

Checklist

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

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

Output

At the end of the business planning process the SAI will have a documented business plan for a year, approved by the head of the SAI and containing all information in the given format.

The contents of a business plan can be referred to in *Appendix 14* with an example of a SAI's business plan shown in *Appendix 15*.

8. DEVELOPING AN OPERATIONAL PLAN

Introduction

This chapter outlines the components of the operational plan, which is basically the plan of actions of the key functional units of SAIs.

The level of detail and formality of the operational plan varies based on the size and geographical location of each SAI. SAIs that are small may not have separate responsible divisions for HR, IT, finance, and financial and performance audits.

What is an Operational Plan

Along with your corporate plan and the business plan, the operational plan is the third part of your completed strategic plan. Referring back to the three common strategies in Chapter 5, this refers to how the functional strategies are implemented.

The operational plan is the third part of the strategic plan. Actions are developed by the functional divisions such as financial audit, performance audit, IT audit, special investigation units, HR, IT, legal and other support services divisions.

An operational plan must be developed in conjunction with the corporate plan to ensure the implementation of the plan is well coordinated and effective by those responsible within the SAI. The operational plan is where the actual activities/projects planned in the corporate plan are actioned. In other words, the corporate plan is translated into an annual operational plan. To make that plan work, it would require a supporting annual budget. An operational plan is very detailed, in that it enables everyone within the organisation to be focused towards the same direction and moving at the same pace with a unified goal. When developing an operational plan, the process encompasses identifying projects/activities and actions to be carried out in the year of implementation of the corporate plan. Operational plans are developed annually due to the need for funding through the SAI's budget cycle. An operational plan also includes routine operational activities of the SAI including projects required to be carried out in the corporate plan. As such, an operational plan should integrate both routine and corporate plan activities/projects in one consolidated plan. This is to ensure resources are adequately spread across the different areas of the operational plan.

Why is an Operational Plan Important

An operational plan ensures that you can successfully implement your corporate and business plans by getting your respective divisions to:

- prepare your plan to identify your finance requirement, your human resource requirements and the statutory timelines to meet your annual audit report requirement;

- use resources efficiently, to help allocate scarce resources to the most critical gaps and needs;

- clearly define your capacity gaps and most critical resource requirements;

- reduce risks where possible.

Linkage with the Business Plan

The operational plan does not exist as a stand-alone plan. The components of the plan are linked with the business plan. Looking back at the three strategies of corporate, business and functional, what happens in the functional area of the organisation that includes operational activities supports the business strategy that is comprised of the SAI's business plan. Unlike the operational plan that is in great detail, the business plan only contains activities that will impact on the SAI's vision, mission, goals and objectives. During the monitoring and evaluation process, pertinent information about the implementation of corporate plan strategies at the operational level are fed back to the business level where the outcomes are checked against what has been set out in the business plan.

The operational plan provides the critical bridge between the corporate and business plans as it defines how SAIs will operate in practice to implement their plans.

Operational Plan for Core Divisions

We identified core divisions that may be typical of a SAI. These include the financial audit, performance audit, IT audit, and environmental audit divisions. Each core division will develop its own operational plan, with the fundamental question of 'what will we audit?'. The operational plan, or audit work plan, for each core audit division prioritises which audits are to be undertaken within a specified period, typically one year, given the organisation's available resources. In particular, the objectives of developing an operational plan for core audit divisions are to:

- provide a firm basis for the SAI management to give strategic direction for future audit coverage;

- identify and select audits with the potential to improve public sector accountability and administration;

- provide a platform for communication with agencies and the legislature on SAI audit

strategies;

- produce a work program that can be achieved with expected available resources;

- understand agency risks and take them into account in audit selection;

- provide a basis for SAI accountability.

In order to create an operational plan, the SAI must define the population of the audit topics that exist. Having done that, there are a number of variables to consider in developing a ranking of audit topics. This is done through the strategic audit process as referred to in Chapter 2 where the SAI lays down some key themes against the area (product/service) related to audits. The key theme then sets the basis for selecting audit topics that are aligned to the SAI's corporate/strategic plan goals. In many cases, audits will be initiated due to (1) being mandated by law; (2) requests made by oversight officials; and (3) selection through the audit work plan process. The audit work plan will take these sources into consideration, but the results will be influenced by the type of method utilised for the selection of the audits. In developing an audit work plan, one method that is used to select and rank audits is through a qualitative approach based on the professional judgment of senior staff and management of a particular audit topic. The other method is through a quantitative approach, which utilises a rating system.

Qualitative Approach to Selecting Audit Topics

Most SAIs will utilise information regarding the most significant programs and activities that are already available to them. The sources of this information include:

Information produced by the auditee, such as:	*From external stakeholders:*
➢ Public documents: annual reports and media releases ➢ Business plans ➢ Financial statements and internal financial management reports ➢ Performance reports ➢ Internet sites.	➢ Media reports ➢ Academic papers ➢ Publications from professional bodies ➢ Papers issued by Non-Government Organisations (NGO's) and donor agencies.

Other legislature information:	*From other audit or inspection bodies:*
➢ Previous SAI reports ➢ Committee reports and evidence ➢ Transcripts of sittings ➢ Other reports to the legislature.	➢ Work done by internal audit teams ➢ Reports from other internal reviews ➢ Material from financial auditors ➢ Other SAI reports on similar activities.

In light of reviewing the above mentioned sources, the professional judgment and experiences of the audit work plan group members will drive the ranking of audit topics in the qualitative approach. Each member can consider many factors in prioritising one audit topic or issue over another. Such factors may include: the issues that present key risks to public administration; the significance of the audit issue in terms of materiality, sensitivity and impact; or required audit resources to achieve the expected audit results versus the availability of such resources. The group will then compare rankings of topics and issues and deliberate on the final ranking of audits for the operational plan. However, because this approach is highly subjective based on the various levels of experience the group may have, it can be difficult to justify the SAI's rationale for choosing to conduct one audit over another, especially in such cases when entities ask 'Why do you keep auditing us?'. Therefore, to establish consistency on the basis for selecting audit topics as well as to incorporate input from other members of the audit work plan group, a SAI may use a quantitative approach.

Quantitative Approach to Selecting Audit Topics

In a quantitative approach, potential auditable topics are ranked on the basis of their merit against established selection criteria. To begin, the SAI should group the audit universe into auditable topics and list them in the selection matrix illustrated below.

Audit Topic	Selection Factors					Total Score	Overall Ranking
	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5		
Weight	___%	___%	___%	___%	___%	100%	
Topic 1	= Rating # = Rating # x Factor Weight						
Topic 2							
Topic 3							
Topic 4							
Topic 5							

Rating Scale: Low = 1; Moderate = 5; High = 10

The next step is to establish the most important selection factors that should guide members in their prioritisation of an audit topic. Some examples of selection factors are:

- budgeted expenditures
- budgeted revenues
- budgeted staffing (FTEs)
- public concern
- public complaints
- known or reported problems
- legislative concern

- management concern
- management interest
- legislative interest
- prior audit coverage
- risk of loss, fraud, corruption
- public welfare (health, safety, etc.)
- potential for cost savings

After selection factors are established, each factor should be weighted for its significance. Each audit topic will then be rated on a scale such as 1 to 10, with 1 being the lowest and 10 being the highest impact or significance according to each selection factor.   The rating is then multiplied by the weight assigned to each selection factor to derive a score. Scores are tallied and ranking is given from the highest to the lowest score. Those activities that score the highest would be the audits the SAI should include on the annual work plan. See illustration below.

Audit Topic	Selection Factors					Total Score	Overall Ranking
	Risk of Fraud, Loss, Corruption	Public Concern	Legislative Concern	Prior Audit Coverage	Budgeted Amounts		
Weight	30%	25%	20%	5%	20%	100%	
Topic 1	8 **2.4**	5 **1.25**	10 **2**	4 **0.2**	10 **2**	**7.85**	**1**
Topic 2	10 **3**	7 **1.75**	5 **1**	9 **0.45**	8 **1.6**	**7.8**	**2**
Topic 3	5 **1.5**	5 **1.25**	5 **1**	5 **0.25**	5 **1**	**5**	**5**
Topic 4	5 **1.5**	8 **2**	3 **0.6**	9 **0.45**	3 **0.6**	**5.15**	**4**
Topic 5	10 **3**	6 **1.5**	4 **0.8**	6 **0.3**	6 **1.2**	**6.8**	**3**

The Audit Resources Available

The number of auditors available to undertake audit work is one factor that will limit the number of audits that can be included in an audit work plan. Preparation of the audit work plan will require knowledge of the total number of auditors expected to be available to conduct audits over the period as well as the amount of available hours they have to conduct an audit. An example of how to estimate available audit hours for a typical annual audit work plan is shown below:

Table 7: Calculation of Estimate of Audit Hours Available for the 2012 Annual Audit Cycle

Full Time equivalent of an auditor at senior principal auditor level and below		Man Hours
8 hours a day x 5 days a week x 52 weeks		2,080
Less: 15 days x 8 hours for annual leave	120	
5 days x 8 hours for sick leave	40	
10 days x 8 hours for public holidays	80	
5 days x 8 hours for compassionate leave	40	
Estimated hours for training	80	
Estimated hours to be spent on staff meetings and administrative matters	200	560
Total annual available audit hours		1,520
Auditors		
1. Senior Principal Auditor – permanent and available		1,520
2. Principal Auditor – permanent and available		1,520
3. Principal Auditor – permanent and available		1,520
4. Principal Auditor – permanent and available		1,520
5. Senior Auditor – permanent and available		1,520
6. Senior Auditor – permanent and available		1,520
7. Senior Auditor – permanent and available		1,520
8. Senior Auditor – permanent and available		1,520
9. Trainee Assistant Auditor – permanent and available		1,520
10. Trainee Assistant Auditor – to hire in the beginning of August		1,390
Total estimated available man hours for annual audit cycle		15,070
Note: The man hours does not include those at audit supervisor/manager level. Direct time (hours) charged for review and actual audit work are to be shown on the actual operational plan.		

These audit available hours would first be allocated to audit projects in process and the ongoing audit functions carried out each year. Hours should also be reserved to respond to requests from management and elected officials for unplanned special projects. The remaining time is what would be available for allocation to new audit projects.

Another aspect of audit resources that needs to be considered is what the individual staff members, at their current stage of development, are capable of doing and what their development needs in terms of experience are. In practice this generally becomes a collective

assessment by all of the responsible audit managers who provide input to the audit work plan process.

Approving and Publishing the Annual Work Plan

The SAI should have procedures in place that allow the senior management of the SAI to sign off on the overall plan. This is important because it enables the head of the SAI to ensure the allocation of resources is appropriate across the office. It may be that audits that rank as the most important in one division or group may not be as important overall. The senior management of the SAI may then need to reconsider the allocation of audits and staff to the various audit groups.

Once the plan is approved it may be worthwhile to provide it to the relevant parliamentary committee or other government body charged with overseeing the work of the SAI. To provide transparency it could also be provided to government agencies and be made available as a public document on the SAI's website or through some other means.

The work plan should also be made available to staff to provide context and understanding of the performance of audit work of the SAI. The SAI should also regularly review the work plan to ensure that all audits still maintain the same priority or whether the assigned priority should change. See *Appendix 16* for example of a published annual work plan.

Develop the Operational Plan

In Chapter 6, the flow diagram shows the corporate planning process. Included in this process is the development of the operational plan. Having gone through what an operational plan entails in this chapter, the following are steps SAIs should go through in preparing their operational plans that highlights the process involved and a checklist to be used to review their operational plan documents.

The annual operational plan provides a detailed plan for the coming year. It includes the projects, activities, timelines, resources required, estimated budget, outputs, responsibility for the project and risks involved. The plan also involves a consideration of the source of resources and funds. The SAI can consider different ways of raising resources to implement the plan. For example, if the plan involves carrying out a QA review and the SAI does not have the internal capacity to conduct such a review, it may request its regional body (depending on the existence of such a mechanism in the region) or a bilateral partner to conduct such a review. A format for an operational plan is provided at *Appendix 17*.

Who should be involved?

Responsibility for developing an operational plan lies with the head of each operating unit or division. The relevant management structures in the SAI should be responsible for compiling an

SAI wide operational plan. The SAI may also decide to continue with the CPT in a coordination role for the implementation of the corporate plan. If this is decided by the SAI then the CPT needs to be expended to be able to carry out this function. It needs to be emphasised that if the CPT continues, it should only play a coordinating role. The main responsibility for implementation of the corporate plan should lie within the line function of the SAI and all projects should be managed by the existing management structure of the SAI.

Process

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

2. After the receipt of operational plans of different units/divisions, the senior management team should meet with the heads of operational units/divisions and the CPT to consolidate the operational plan for that year. An illustration from an SAI operational plan is provided at *Appendix 18*.

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

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

Checklist

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

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

Output

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

Outsourcing Audits

When developing an audit plan for the operational divisions, SAIs may decide to outsource the conduct of audits for various reasons. Outsourcing an audit entails the SAI contracting a service provider to conduct an audit instead of performing the audit itself. It is important to note that although the service of conducting an audit has been transferred to a third party, accountability over the effectiveness of the service remains with the SAI. Each SAI must therefore establish a plan to manage outsourced audits.

 Strategic Approach to Outsourcing Audits

The success of outsourcing will be dependent on how well you manage the process before and after the decision to outsource. As illustrated below, the success of outsourcing starts with making the right decisions for outsourcing. Then, the SAI must conduct a thorough vendor selection process. Once a service provider is selected, the contract negotiation phase takes place. The service delivery phase entails defining performance measures and engaging the vendor. During the contract management phase the SAI should monitor, assess and benchmark the performance of the vendor. The last phase deals with the re-evaluation of the performance of the service provider for consideration of future services and the closing out of the contract.

Figure 10: Outsourcing Process
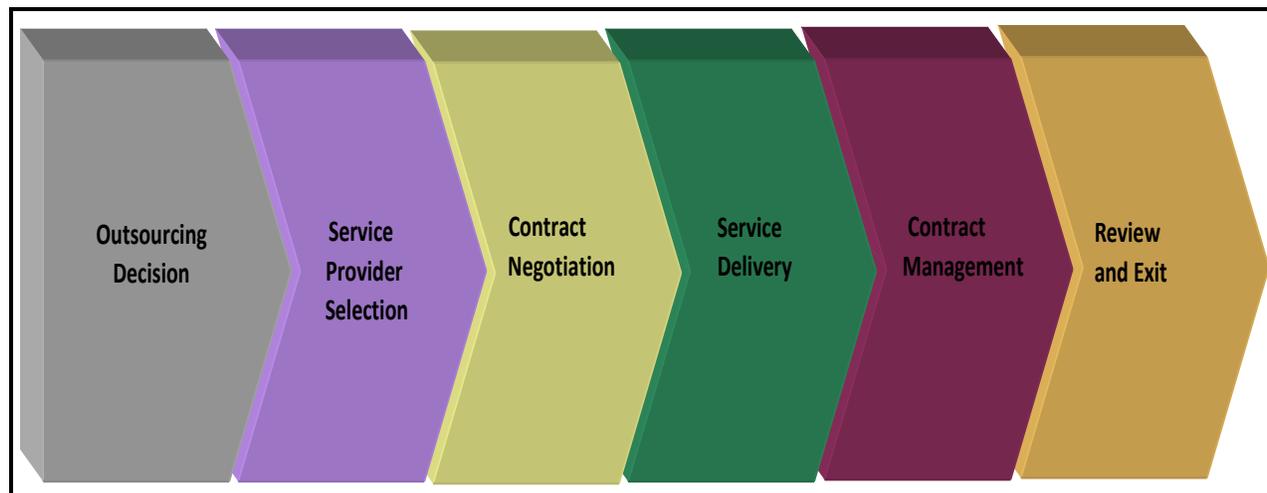
Outsourcing Decision

When deciding whether or not to outsource an audit service, the SAI should evaluate the effectiveness of its current audit division capabilities in carrying out the conduct of the audits listed on its audit work plan. In making the decision to outsource, the consequences as well as the advantages of outsourcing should also be considered. Below are some reasons why the SAI may decide to outsource the conduct of an audit or audit service:

- leveraging expertise or skill sets that the SAI does not have and may be made possible through partnership arrangements;

- access to resources not available to the SAI;

- the need to continue a service while freeing up current resources to effectively carry out higher prioritised audits or services;

- a reduction in audit costs or the need to control audit costs, which have been identified as being inconsistent and unreasonable due to factors such as the size of the SAI, experience of staff, etc.;

- mitigation of risks associated with the conduct of certain audits;

- management of audits with cyclical demands needing additional resources during certain times of the year.

Whatever the reason, the SAI may choose to outsource an audit or function, it should not be exclusively decided as a cost-cutting measure. After all, if the SAI is not careful, one

disadvantage of outsourcing an audit is that costs may be higher than expected due to hidden costs not being factored or the obligation to pay extra charges within the context of the contract. Other disadvantages of outsourcing include:

- managerial control of the conduct of the audit is in the hands of the service provider selected for the contract;

- risk of the liability incurred if the service provider does not act to perform due diligence or does not act ethically such as compromising confidential information that may be collected during the audit;

- quality of the audit does not match the expectation or needs of the SAI;

- reputation of the SAI may be affected due to the quality of work produced by the service provider;

- morale of SAI employees may be negatively affected;

- risk of losing internal knowledge of the organisation;

- partnership arrangement could be to the detriment of SAI where employees leave to join the contracting firm offering better conditions of employment.

Service Provider Selection

Once a decision has been made to outsource a project, function, etc., the SAI will need to develop the scope of services it wishes to outsource. These should be clearly defined and contain enough detail to ensure all prospective service providers have the same understanding of the service required by the SAI. The SAI's policies will dictate the appropriate procurement method to utilise (whether a request for information, request for proposal, etc.) as well as the manner in which the most qualified and responsive bidder is to be selected.

Contract Negotiation

Award is contingent upon successful contract negotiations. In this phase, weaknesses in the selected service provider's proposal are negotiated and the terms and conditions of the contract are discussed until an agreement is reached. The SAI will also negotiate the price of the proposal if found to be unreasonable. The SAI must perform due diligence in ensuring the availability of funds prior to the execution of the contract.

Service Delivery

Once a contract is awarded, the SAI should have a process in place to provide oversight to ensure service delivery is performed in accordance with the contract and performance expectations. Performance measures should be established so that the vendor will be made

aware of how it is expected to perform. These measures and methodology of evaluating the vendor's success in meeting such measures is typically defined in a service level agreement, which will serve as the basis for contract management.   During this phase, regular communication should take place and the roles and responsibilities should also be clearly defined.

Contract Management

The primary objective of contract management is to ensure that the service provider delivers on what it has promised, based on the contract and service level agreements.   This includes ensuring that services are delivered on time, with quality, and within budget.   Contract management also entails that the SAI is able to hold the vendor accountable for providing appropriate documentation and financial data as well as complying with legal requirements.

If the vendor is not performing as expected, the contract should dictate the proper course of action that the SAI may take to encourage vendor productivity. However, the SAI must exercise professional judgment to effectively protect the interest of the public.

Successful contract management involves the continuous assessment of risks throughout the life of the contract and identifying ways to mitigate the risks. Some examples of risks that may be considered include:

- the inability of the vendor to provide services on time;

- an event causing price increases;

- financial sustainability of the vendor;

- situations that may diminish the quality of the final product.

Review and Exit

This phase begins when the contract has come to completion (i.e., all services and deliverables have been completed). The SAI will then work toward closing out the contract by settling all disputes and making final payment.

Not only is it important to measure the success of the vendor in performing the services required by the SAI, but it is equally important to evaluate the performance of the SAI in managing the outsourcing process. The goal of this assessment is to determine where the SAI can improve in terms of efficiency or effectiveness. This may include identifying the causes for any substandard performance or identifying ways to improve communication with the service provider.

Appendix 20 contains the Fiji Office of the Auditor-General Contract Audit Guidelines, which a

SAI may refer to for guidance on the process that is undertaken for the outsourcing of audits.

Operational Plan for Corporate Services

The level of detail and formality of the operational plan vary depending on the size of each SAI.

SAIs that are small in size may only briefly touch on the action plan of each of the key functional units which are the human resource, finance and IT areas. Other support services within the SAIs may be performed by the corporate service division headed by the deputy auditor-general/deputy public auditor.

Large SAIs should be able to provide a detailed action plan that will support the business level strategies for these functional units.

Human resource division

Human resources is the key functional area of an organisation.

The HR division would need to draw up its action plan on an annual basis considering the following factors:

- staff turnover rate;

- meeting statutory requirement timelines in terms of what reports are to be generated as required by the Public Service Commission or similar body;

- facilitating the performance management system of employees;

- staff recruitment;

- staff retention plans in terms of upgrading skills and knowledge.

Another example of a detailed operational plan can be referred to in *Appendix 19*.

Legal division

There are SAIs that may have legal officers within their establishment. They would draw up their annual work program indicating officers responsible for litigation cases that may arise and legal assistance that may be required during an audit engagement.

IT division

The division would have separate IT personnel who are tasked with providing network services and facilities, file database, software and hardware purchase and IT security. This division would need to draw up action plans of its annual tasks and include indicators of achievement.

Finance division

The annual action plan of the finance division would normally focus on the following:

- drawing up cash flow requirements in consultation with ministry of finance/treasury for funding;

- what financial requirements there are to undertake those audits required by statutes;

- the needs of the key functional units in terms of research and development, technological software and hardware needs;

- additional funding for any outsourcing and consultancy services.

Most SAIs have yet to operate commercially to fund their respective operating and capital expenditures. Accordingly these guidelines focus on SAIs that rely on annual funding appropriations from the finance ministry/treasury.

9. IMPLEMENT STRATEGIES

Introduction

This chapter discusses what, why, who, when and how SAIs implement strategies and instil their corporate culture. After the SAIs develop their strategy, the challenge facing their management is implementation. The implementation of strategy is the most difficult, but also, important element of the corporate/strategic planning process. The SAI receives no benefit unless it is implemented correctly, no matter how creative and well formulated the strategy is. The SAI's existing culture may require change during the implementation of the strategy. Note that the step in which strategy is implemented calls for the union of the key elements of the SAI's culture that includes leadership, communication and stakeholder involvement, change management, structure, people and the information and control system. These elements are not only needed but are fundamental to the success of implementing the corporate/strategic plan, and as such, are pivotal to the corporate/strategic planning process.

The significant part of a SAI's implementation strategy is the implementation matrix that is discussed at the end of this chapter. This part highlights the process a SAI has to go through in developing its implementation matrix and includes a checklist to review the implementation aspects of the corporate/strategic plan according to the matrix.

Leadership

Leadership is the cornerstone of the implementation of a strategy. A SAI's leadership involves the ability to persuade other members of the SAI to adopt the behaviours needed for the strategy to be put into action. To accept new values and new ways, the SAI's top-level managers face the challenge of convincing staff at all levels. They may have to involve middle and low-level managers to build coalitions to persuade them to support the change in the strategy formulation and implementation process.

Strategic planning is a leadership function where any initiative for change has to be driven from the top. Strategy and leadership are synonymous with the ability to think, act and influence stakeholders in ways that promote best practices in managing SAIs including their core business. The general perception within SAIs is that, the head of the SAI and senior executive management are solely responsible for the future of the organisation. This does not hold true in contemporary strategic management practice, where leadership should also be seen from the perspective of those who are managed. In these times of dynamic change, the need for harnessing strategic leadership within SAIs is the responsibility of everyone.

Strategic leadership is more effective when top leadership is receptive to the views of those at

the middle and lower levels of the organisation. As such, it is imperative that everyone is given the opportunity to realise their full potential. In doing so, they become creative and innovative in their thinking processes. The involvement of all staff within the SAI in the decision-making process would be a catalyst for commitment, positive development and change for the SAI. As strategic management and planning is beginning to gain prominence within the PASAI region, the need is clear to build up strategic leadership in all SAIs, irrespective of their size, to ensure that auditing in the public sector is given the recognition it deserves.

The need for strategic leadership cannot be embraced in a SAI, if the head of the SAI and executive management do not understand what strategic leadership is.

A criteria developed by Hughes and Beatty (2003) can be used to determine a good strategic leader. The criteria highlight the characteristics of effective strategic leaders and may assist management in developing strategic leadership traits they lack. These can be referred to in **Appendix 21**. This is also supported with the process flow for strategic leadership that provides tips that SAIs could follow in this process. Refer to **Appendix 22** for this process flow.

Communication and Stakeholder Involvement

Broad-based stakeholder involvement and communication are crucial to the successful formulation and implementation of the strategic plan. An understanding of what the internal and external stakeholders' expectations of the SAI are during the formulation phase is important. Therefore, SAIs require the involvement of their internal and external stakeholders during the implementation phase. Their involvement would not only bring about gains for the SAI from their input, but also, infuse a sense of ownership for the plan, which is the key to the facilitation of the implementation process.

Change Management

In a change process, the organisation has to overcome significant challenges. It is therefore critical that these challenges are managed appropriately or risk failure in the implementation of the corporate/strategic plan. This leads to how SAIs could address these challenges through 'change management' and 'strategy'. Change management is synonymous with strategy and should not be looked at in isolation (Manning).

In a change management scenario the organisation manages the change from its current state to its envisioned state (the vision). Change is brought about by the organisation and its people. Management involvement in change is from the top-down perspective. On the other hand, employees' involvement in change is from bottom-up and is equally important. The change from both these perspectives is often referred to as organisational change management and individual change management.

Focus should be centered on broad management practices that will enable the SAI to

understand, accept and support change. Therefore, effort should be made by the management of SAIs to facilitate change. There are aids that could be used by SAIs to facilitate change management within their organisations. The one used by IDI in its Strategic Planning Handbook (2008) that could be used by SAIs to enable them to facilitate change is the ADKAR Change Management Model by Hiatt and Creasey (2003). ADKAR is the acronym for **A**wareness, **D**esire, **K**nowledge, **A**bility and **R**einforcement. This model highlights the challenges to be faced by SAIs in a change management scenario.

The ADKAR Change Management Model can be referred to in ***Appendix 23***.

Structure

The implementation of strategy for SAIs can be improved by changes in the structure of the SAIs as reflected in the organisation chart. SAIs' managers can facilitate new strategies by changing reporting relationships, creating new divisions or work units, and providing the opportunity for independent decision making. The success of a SAI's corporate/strategic plan hinges on the type of structure it has in place to deliver its outputs and outcomes and meet its goals and objectives. Therefore, it is imperative that SAIs establish appropriate organisational structures that will enable them to successfully implement their corporate/strategic plans.

Human Resources

A SAI's human resources are its most valued asset. To achieve the SAI's strategic goals and objectives, the SAI's human resources function, recruits, selects, trains, transfers, promotes, lays off and fires people. To implement new strategies, SAIs will rely heavily on their human resources capabilities. Success will only come about through the ability of its people to adapt to challenges to their organisations.

Information and Control System

To support strategy implementation, management of SAIs must create a proper blend of reward systems, policies, procedures, rules, incentives, information systems and budgets. Also there is a need to buy-in to the strategy by involving all staff levels in its development. All these parts make up the information and control systems within an organisation. In an information and control system, members of SAIs must receive rewards for embracing a new system and enabling it to be successful.

The greatest challenge is not about developing the ideal corporate or strategic plan but finding the right tool to implement it.

Develop the Implementation Matrix

The implementation matrix is a vital link between the corporate/strategic plan and the functional/operational plan. This is done after the corporate/strategic plan has been formulated where projects are identified and prioritised to ensure goals and objectives in the plan are achieved. It is also a process that entails the need to identify the resources vital for the projects, those who are to be responsible, timeline required, the critical success factors and potential risks. The implementation matrix complements the strategic plan in that it aids the SAI to better understand what its resourcing requirements are to be able to implement its strategic plan. It also enables the SAI to be better placed in making informed decisions about its resources by seeking additional budgetary support either from internal (treasury/finance) or, external sources (donors). As the three levels of the SAI's organisational hierarchy would be involved in the implementation of the corporate/strategic plan, it is vitally important that everyone within the SAI is able to see the summation of the strategic plan in its entirety, and how it is to be implemented. The implementation matrix enables that summation to be made visible to all. As it is also now becoming a requirement in most jurisdictions for resource providers of public sector bodies to be provided with well formulated budget plans with strategic outlook, the implementation matrix would be ideal for such a purpose.

Therefore, it is recommended that SAIs develop their implementation matrices as part of their corporate/strategic plans. The implementation matrix also gives the reader of the strategic plan a succinct overview in the form of a big picture on how the plan will be implemented. For example:

Goal 1: Improve quality of audit services

Objective 1.1 Enhance audit methodology

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

Preconditions

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

Who should be involved?

The CPT should facilitate this process, by mainly involving discussions and getting input from the operational heads and their staff. It is also important that senior management and the head of the SAI are kept informed and are allowed to concur with the process. There are immense

benefits to be gained from involving external stakeholders in this process as they may provide special skills including resources and other support for the implementation of the corporate plan. It is always good to have external stakeholders either from within government or donor partners for the development of the corporate plan.

Process

The processes involved are as follows:

1. The CPT should send out the goals and objective statements and performance measures agreed to in the previous stage to the concerned operational heads;
2. The operational heads together with members of their staff, should then suggest projects that would be necessary to achieve the goals and objectives as per the performance measures.

   √ **List projects** – A brainstorming process could be followed to list out all projects that can be undertaken to achieve the goal and its objectives. In listing the projects, the timeframe for their completion, the resources required and the expected outputs from the projects should be stated.
   √ **Prioritise listed projects** – The listed projects can then be prioritised on the basis of the following criteria:
   - degree of impact – in determining the degree of impact the following could be considered:
     o tangible results;
     o level of contribution to achievement of goals and objectives;
     o high leverage potential, that is, synergy with other projects.
   - resources – the resources would include funds and other resources such as human resources, infrastructure, etc. required.

The matrix below may be used to assist in the prioritisation process.

High

First priority	**Second priority** **(consider feasibility)**
Quick wins if high **visibility**	**Bottom of the in-tray**

IMPACT

Low ←————————— **RESOURCES** —————————→ **High**
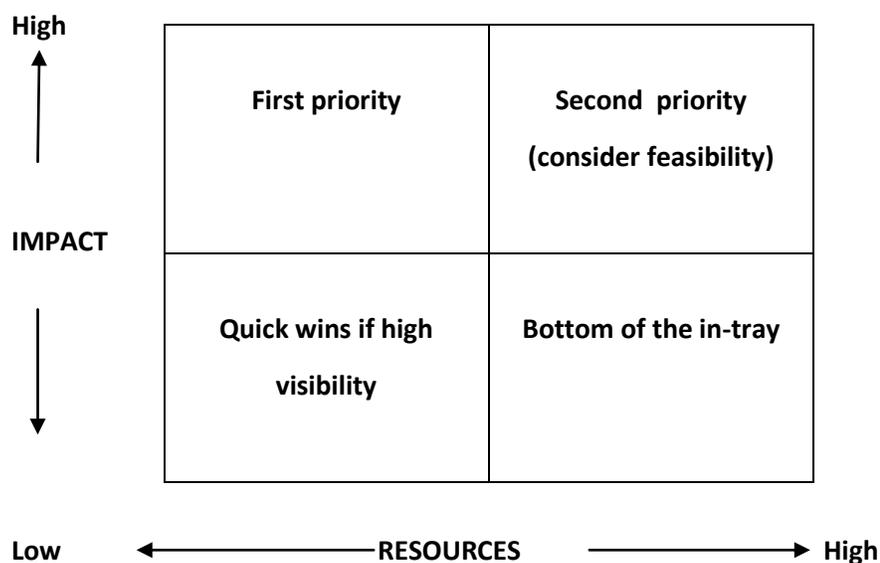
√   **Develop implementation matrix** – The prioritised projects should then be set out in an implementation matrix format.

A suggested format for an implementation matrix is in *Appendix 24*. In developing the implementation matrix, success indicators for projects should be finalised. Indicators that reveal and measure success are to a project what performance measures are to a corporate plan, they help determine whether the project has been successful or not. For example, to set up regional audit offices is a project, the success indicator for that project could be expressed in terms of the number of regional offices set up, the timeframe within which they are set up etc.. The success indicators at project level should be aligned to the performance measures for that goal or objective in the corporate plan. Responsible individuals must be identified for each project. They should be responsible for initiating the activity, manage its execution and reporting on progress and achievements. The potential risks to the project should be identified at this stage.

√   The implementation matrices prepared by different operational units should then be consolidated by the CPT into one implementation matrix for the SAI's corporate plan. The CPT should then consider resource requirements across projects under different goals and objectives. It is imperative that the CPT ensures that all projects planned to meet an objective are adequate and comprehensive enough to cover the objective of the corporate plan. Sequencing of activities is also the responsibility of the CPT. Some activities are dependent on others and not everything can be done at the same time. An illustration of an SAI implementation matrix is shown as part of case study of the SAI of Atlantis in *Appendix 10*.

√   The CPT should present the implementation matrix to the head of the SAI and the senior management team for approval.

It would take more than a year to carry out all the activities needed to fully cover one strategic objective. The column "Year of Achievement" in the implementation matrix would be input for the operational plan.

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

Checklist

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

Output

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

10. MONITOR AND EVALUATE RESULTS

Introduction

This chapter discusses how SAIs monitor and evaluate results of the implementation of their corporate/strategic plans. In simple terms, strategic planning helps SAIs ask four basic questions:

- where are we now?

- where do we want to be?

- how do we get there?

- how do we measure our progress?

Strategic planning is managing for results. It is a participatory process that requires the full commitment of all responsible managers. Top management of SAIs should make a firm commitment to support the planning effort by providing resources for that effort.

The heads of SAIs should assign individuals to the task of formulating an integrated plan.

In strategic planning, the needs and expectations of clients and stakeholders (including policy makers) are taken into consideration in defining missions, goals and performance measures. All of these activities are carried out in a strategic management cycle as outlined below.

Figure 11: The Strategic Management Cycle
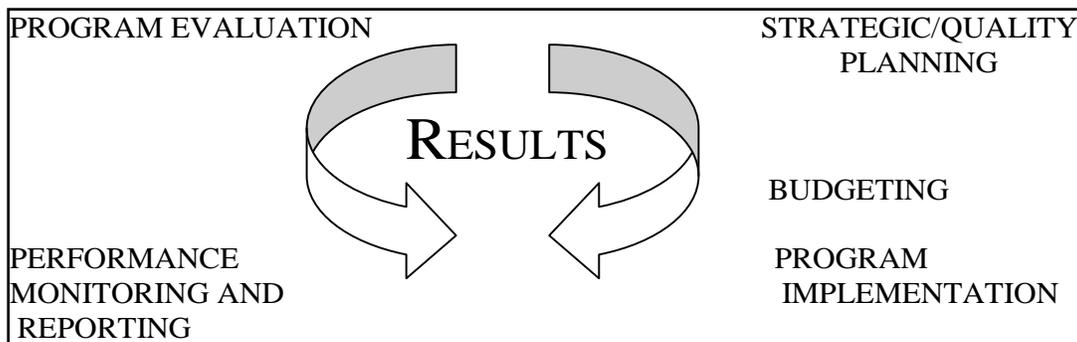
Source: State of Arizona's *Strategic Planning and Performance Management Handbook*, 'Managing for Results'
Note- *In practice, the cycle may not be sequential. This illustration is designed to illustrate the interrelationship between key components.*

What this strategic management cycle sets out to achieve are results, which are the core of all the activities within the corporate/strategic plan. The corporate planning process in Chapter 6 of this guideline is encapsulated in this cycle.

Monitoring and Evaluating Results

A critical component of the strategic management cycle is the monitoring and reporting of progress in achieving strategic goals and objectives. These strategic goals and objectives are set out in the corporate/strategic plan. During the implementation phase of the corporate/strategic plan, it is crucial to ensure there is adequate monitoring and evaluation. SAIs are encouraged to develop monitoring, evaluation and reporting systems that collect data continuously and report annually at a minimum. The performance information from the corporate/strategic plans of SAIs not only serves this purpose but also provides the basis for reporting progress to external policy makers and the public. Annual reports of SAIs provide an opportunity to report progress on planned accomplishments.

During the implementation phase, the corporate/strategic plan has to undergo constant monitoring to ensure activities are being carried out according to the implementation plan. This process is carried out to establish whether modifications are required to be made on what has been planned due to the impact of significant changes within the SAI's environment. There are two major advantages in monitoring the implementation of a strategic plan. Firstly, it enables the tracking of progress by SAIs, and secondly, allows for prompt actions to be taken to address issues that arise.

Responsibility for the monitoring of the implementation of the corporate plan is crucial and rests with the various levels within the SAI's structure. Therefore, it is imperative that the monitoring aspects of the implementation of the corporate plan be integrated into the SAI's structure. Where corporate planning has been recently introduced in a SAI, the corporate planning team or a committee set up by management would be the ideal body to monitor the implementation of the corporate plan. In such situations, there has to be a direct line of accountability by this body to management for purposes of reporting on its responsibility.

Periodic Evaluation

Keeping track of progress also requires the need to take stock of all the activities/projects that have been planned, including targets and milestones. This is the process of evaluation. Evaluation by SAIs can be both on the process used in the development of the plan and results of its implementation. The evaluation of the corporate plan development process is to establish whether the process followed by the SAI yielded the expected results, was efficient and suitably broad based. Evaluating the implementation of its corporate plan, enables the SAI to establish its level of performance against prescribed performance measures. The information obtained discloses the level of success in implementing its strategic plan. What is found in this process

would provide the impetus for better planning and implementation in the future.

SAIs are encouraged to incorporate program evaluation or other performance measures as an ongoing process within their systems.   They are also encouraged to develop monitoring and reporting systems that collect data continuously and report annually at a minimum.

As part of the evaluation process, SAIs are also encouraged to carry out benchmarking against best practices in similar organisations. In regard to benchmarking against similar organisations, the scope for some SAIs to do so would be limited due to the size of the public sector in their jurisdiction. Benchmarking is a very useful evaluation process that could be carried out to establish whether the SAI's corporate and strategic management plans conform to best practices. The ISSAI Levels 1 and 2 standards mentioned in Chapter 1 refer to such standards applicable to SAIs. It is also recognised that in some jurisdictions, there are set national standards that SAIs are required to meet.

In benchmarking against similar organisations, the SAI could choose a public sector organisation that has similar characteristics in terms of its size, budget, skills of its workforce, lifespan of its corporate plan, etc.. It should compare and contrast it with its own performance to establish whether there are any parallels between the attainment of its long-term goals and objectives. It is through such an evaluation that an SAI may be able to establish if what it is doing in so far as its corporate/strategic planning is concerned is below, at par or above an acceptable level.

The task of carrying out the evaluation of the corporate plan development process should be entrusted to the CPT. Even though the evaluation of the implementation aspects of the various projects/activities of the corporate plan rests with respective line functions, the overall evaluation may be carried out by the special committee set up by the SAI to monitor the progress of the plan.

Monitor and Evaluate Corporate Plan Implementation

The following are steps SAIs should follow in monitoring and evaluating the implementing of their corporate plan that includes the process and checklist.

Process

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

- √   parameters for monitoring and evaluation;
- √   source of collection of data;
- √   method of verifying data;
- √   frequency with which data will be collected and analysed;
- √   format of recording observations from the monitoring and evaluation process;

√   system for acting on differences and for communicating lessons to be learnt.

Appendix 25 provides monitoring and evaluating formats for the corporate plan's implementation. It is recommended that the SAI ensure that the data required is generated by the regular management information system in the SAI. Then monitoring of the corporate plan may be carried out through day to day supervision and meetings of the SAI's management. The evaluation of the strategic planning process can be carried out by collecting information from different stakeholders by using different tools such as surveys, interviews or focus groups. The method used for data collection will depend on the size of the SAI and the resources available. For example, in small SAIs it may be feasible for all staff to meet. In large SAIs a survey may need to be carried out.

Checklist

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

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

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

Output

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

Measurement of Results

Performance measures provide the basis for assessing achievements of a SAI's mission, vision, goals and objectives. This is done through the various performance measure regimes adopted by the SAI. As part of the implementation process of the corporate plan, performance measures are to be used by SAIs as the basis for evaluating and communicating actual performance against expected results or outcomes. Chapter 6 of the guidelines outlines in detail how the process could be articulated by SAIs. Measurement of results based on performance measures set by SAIs is also an important aspect of the monitoring and evaluating carried out to establish the results of implementing the corporate plan.

Long-term (Corporate & Business Plans)

The corporate/strategic plan is the long-term document for all planning and other strategic and operational activities. It has a three to five year lifespan and should be evaluated and reviewed by the management of the SAI before the end of its lifespan. The plan outlines the vision, role and shared values of the SAI. Services are delivered by focussing on the following four common key result areas:

- SAI's clients;

- SAI's products and services;

- SAI's people;

- SAI's business performance.

The business plan is a three year rolling plan that is, updated annually through the process of evaluation and review by the management of the SAI. The current business plan outlines how the key result areas from the corporate/strategic plan are to be achieved and provides a scorecard so that the SAI's performance against its key result areas can be assessed, monitored and measured.

The reporting of results or performance by the SAI is the final phase of the corporate planning process.

Reporting of Results

SAIs are advised to refer to the PASAI Reporting Guidelines (2011) as a guide for reporting of results for relevant sections. A summary highlighting relevant sections is provided below.

The Pacific Regional Audit Initiative (PRAI) identified the need to develop best practice guidance materials to enable SAIs to improve the content and structure of their reports and how they convey the results of their findings. These guidelines have been developed to help SAIs in producing audit reports in line with relevant audit reporting standards and to provide guidance in preparing other SAI reporting products. The aim of PASAI is to enhance the institutional capacity of SAIs. These guidelines have been developed with that mission in mind. Therefore, the aim of this guideline is to formulate assistance that would enable SAIs to prepare audit reports that effectively communicate audit findings.

Internal Management Reports

Chapter 6 of PASAI's Reporting Guidelines focuses on how SAIs should report on their performance through the use of annual reports and other relevant reports to stakeholders. It provides a guide on how to develop performance indicators and highlights links to SAI budgets and strategic planning.

Quality Assurance Review

Another form of report on the performance of SAIs is through quality assurance reviews. The term, quality assurance, is often used interchangeably with quality control. However, it is a wider concept that covers all policies and systematic activities implemented within a quality system.

SAI quality assurance reporting frameworks may include:

- determining adequate technical requirements for the conduct of audits;

- testing specific audits for their compliance with established standards for quality, timeliness, and evidential support;

- identifying strategic planning processes, audit work programs, and audit coverage;

- certifying and rating audit training;

- evaluating existing audit processes to establish areas for improvement.

As can be seen from the above SAI QA framework, QA reviews are an integral part of monitoring and evaluation, as it covers the core issues of the strategic audit process. These include appropriate skill for SAI staff, compliance with standards, linking strategic planning to audit

programs, up skilling and the drive for improvement.

Monitoring and evaluation procedures will vary between SAIs, depending on the audit organisation's circumstances. The SAI should perform monitoring and evaluation procedures that would enable it to assess compliance with applicable professional standards and quality control policies and procedures. Entities that monitor performance should collectively have enough expertise and authority for this role.

The SAI should analyse and summarise the results of its monitoring and evaluation process at least annually. This process should identify any systemic or repetitive issues needing improvement and make recommendations for corrective action. The SAI should communicate to appropriate personnel any deficiencies noted during the monitoring and evaluation process and make recommendations for appropriate remedial action.

Annual External Reports

Annual reports of SAIs are important vehicles through which the legislature/parliament and the public at large are able to hold SAIs accountable for their performance. Many SAIs are required to present annual reports to the legislature, through government, in keeping with the relevant legislative requirements in each country. After the report has been presented to the legislature/parliament, it should be disseminated through the various methods of information dissemination available.

Parliamentary model SAIs are generally required under legislation to submit a report summarising their activities and level of performance on an annual basis. There is generally a legally specified timeframe in which SAIs are required to present the report to the legislature.

The performance and accountability reports should provide the program/project results and the financial information to help congress, the president, and the public assess the SAI's performance relative to its mission and the stewardship of financial resources made available by legislature/parliament in the discharge of its mandate. In some jurisdictions, as part of the head of the SAI's accountability requirement, an independent auditor is appointed to audit the SAI. These reports are not time bound, however, and are produced under legislative reporting requirements.

Features of annual reports that are generally considered to represent better practice include:

- clear and measurable objectives – specific and measureable objectives should be stated that reflect the SAI's enabling legislation and government policy;

- results and outcomes oriented – a clear statement should be provided on what the SAI planned to achieve, actually achieved, and what it plans to achieve in the future;

- discussion of results against expectations – targets should be set to provide measures

against which stakeholders can assess the SAI's performance; and

- discussion of strategies, risks, and external factors – annual reports should discuss the SAIs operating environment, internal and external factors that might affect success (including factors beyond the SAI's control), the SAI's response to issues of public interest, future operating environment and developments, major features of corporate governance, and the effectiveness of risk management systems.

Such reports should also be integrated into the SAI's corporate plan and reported under its performance reporting regime.

Long-Term External Reports

Long-term reports of SAIs derived from national strategic development plans for achievements and outcomes by sector are also very useful and may be used for monitoring and evaluating results/performance.

This may also serve as a good source of benchmarking for SAIs where the information is independent and readily available and, could be used for this purpose.

A format detailing how SAIs could carry out their monitoring and evaluation is in *Appendix 25*.

APPENDICES

Appendix 1: Business Plan Perspective and Analysis of Risk Management

From the business plan perspective the analysis of risk management should include the following areas:

Strengths	- SAIs are set up through some form of law under sovereign states; - SAIs provide external audit service and report to parliament on behalf of the people; - The audit act and other related legislation provide significant powers to the SAI; - The scope of what SAI can do is very broad; - SAI's role helps maintain integrity in the government systems; - Provide quality assurance on government activities on accountability, transparency and good governance and aligns with legal procedures and processes; - SAI has support of Parliamentary Public Accounts Committee which reviews its reports table at Parliament; - Has support of government agency audit committees established by charter which also review cliental audit or management reports;
Weaknesses	- Lack of manpower; - Lack of budgetary support;

Opportunity	▪ Consultancy service provided by other SAI counterparts (e.g. NAO) ▪ Outsource audit service to private accounting firms; ▪ Depend on internal audit reports of agencies; ▪ Training provided by counterpart SAIs (e.g. NAO, NSW & Queensland AO , Aust.,); ▪ Training/workshops/seminars provided by PASAI and other international SAI counterparts; ▪ Sharing ideas and experiences and building unified concepts in responsibilities, accountability, auditing and other related frameworks that enhance SAIs boundaries in executing its scope of responsibility.
Threats	▪ Lack of qualified and experience auditors; ▪ Lack of open dialogue and motivation at management leadership level; ▪ Political interference to implementing normal annual audit plan; ▪ Political interference in bureaucrats' appointments as heads of government agencies; ▪ Political interference in normal government accounting processes; ▪ Trade union interference in public service management; ▪ Continuous increase in government agencies;

Appendix 2: Key Features of an Effective Fraud Control Plan

Key features	Comments
An outline of the structure of the organisation.	Include reference to specific fraud control structure in this section of the plan.
A statement of the entity's attitude, definition and approach to fraud.	This statement should match that included in the entity's fraud policy and be endorsed by the chief executive.
Demonstrate links to an up-to-date risk assessment.	This promotes the link between fraud risk and fraud control. Examples should be provided to demonstrate this.
Summary of the fraud risks identified.	This promotes awareness among staff of the fraud risk faced by an organisation.
Outline the key controls in place to address all identified high-rated fraud risks.	Information should be provided on the types and nature of fraud controls to inform employees within the organisation. Where possible links should be made to the organisation's business planning process.
Address both internal and external fraud risks.	Employees need to be aware of the existence of internal and external fraud.
Include a timeline for taking action on all strategies.	This timeline should include realistic deadlines and include monitoring of the implementation of these strategies and controls.
Assign ownership for the design, implementation and evaluation of identified fraud controls.	The assignment of ownership is critical in establishing accountability and promoting compliance with the fraud control plan. These responsibilities should also be highlighted in individual performance agreements.
Reinforce the responsibilities that all employees have for fraud control.	This provides another avenue to remind employees of their responsibilities in relation to fraud control.
Detail how employees can report and respond to suspected fraud.	This will provide employees with enough information on how, and to whom, they should report suspected instances of fraud.
Outline how fraud is investigated within the organisation.	Information relating to the investigation process enables employees to understand how fraud is investigated and treated within their organisation.
Establish performance indicators and related targets.	Appropriate performance indicators enable the adequate monitoring of the outcomes of proposed fraud control strategies.
Include a summary of relevant awareness-raising and training strategies.	This provides information on the fraud awareness raising activities that are undertaken.

Source: *Fraud control in Australian Government Entities: Better Practice Guide, Australian National Audit Office and   KPMG*

Appendix 3: Contents of a Corporate/Strategic Plan

I. Table of Contents

II. Overview by Head of SAI – Discuss the functions of the SAI and the mandate to carry out the types of audits, and reporting to parliament/legislature

III. Executive Summary

IV. Vision, Mission and Values

V. Goals and Objectives

VI. Linkage with Government Strategic Plan

   ➢ Brief discussion of how the SAI would participate in the national development of roadmap of government; and

   ➢ Outline how the SAI will contribute to the government's long term-term development plan

VII. Linkage with the Business and Functional/Operational Plans

   ➢ Brief discussion of the key result areas

   ➢ To include the targets, timeframe and responsible divisions/units

VIII. SAI Outputs, Performance Measures, Targets and Milestones

   ➢ The key outputs and targets the SAI would commit to and deliver

IX. Financial & Human Resource Requirements

   ➢ The human capacity and skills and sources of funds required to implement the corporate plan

X. Risk Management

   ➢ What risks exists and how they can be addressed

XI. Implementation Strategies including Implementation Matrix

XII. Appendices

   ➢ Results of stakeholder analysis

   ➢ Organisation structure/chart

       o the hierarchical level of the SAI

   ➢ List of acronyms

       o organisational history and profile.

Appendix 4: Examples of SAI Corporate Plan

Key Result Areas

AUDITOR-GENERAL'S OFFICE
PAPUA NEW GUINEA

KRA 1 – CLIENTS AND STAKEHOLDERS

Our primary clients and stakeholders are the Parliament and citizens of PNG, public entities, Public Accounts Committee, media, and other Audit Institutions.

Objective 1A – Timely dissemination of reports on public sector financial management and performance.

- Strategy: Develop and implement strategies to allow for more timely tabling of audit reports.

Objective 1B – Our clients are aware of, and acknowledge, the value of the Office's work.

- Strategy: Strengthen relationships with the Parliament and the PAC.
- Strategy: Be more alert to the needs and workings of the Parliament, and to the public sector environment.

KRA 3 – PEOPLE

Our people are our most valuable resource who collectively represent the Office and deliver quality products and services.

Objective 3A – People with the motivation and capability to undertake tasks with integrity and deliver high quality audit products and services.

- Strategy: Develop a policy framework that meets the recruitment, training and development needs of a professional workforce with a program that links skills and training requirements with career advancement and workforce planning priorities.
- Strategy: Determine future capability development support requirements.
- Strategy: Secure and maintain the planned level of resources to meet organisational needs.

Objective 3B – An environment in which staff are fairly appointed, promoted and remunerated.

Auditing for Impact

- Strategy: Confirm the Appointment and Promotion Policy and the remuneration model meet the Office's needs.
- Strategy: Develop a strategy to lessen the impact of cost of living on staff.

Objective 3C – An environment that rewards and recognises good performance.

- Strategy: Implement a performance management framework.

- Strategy: Grow our relationships with central agencies to allow for the coordination of effort to improve public sector financial management.
- Strategy: Make our audit report findings more widely accessible to Government Departments and the public.

KRA 2 – PRODUCTS AND SERVICES

Our products and services include independent financial statements audits, performance audits, special audits, better practice guides and newsletters.

Objective 2A – Appropriate audit coverage provides timely and quality audit reports.

- Strategy: Deliver an audit program that addresses the audit mandate and audit risks, and has capacity for performance and IT auditing.

Objective 2B – Audits are conducted in accordance with professional standards.

- Strategy: Develop technical support capability within the Office.

KRA 4 – BUSINESS PERFORMANCE

Our business performance is achieved through contemporary business practices and a structured and formal business planning and management process.

Objective 4A – Effective process, management, support structures and procedures to deliver a high level of business performance and governance appropriate to a professional practice.

- Strategy: Develop an improved governance and accountability framework with the AGO that will be an exemplar of good public sector management practices and allow for coverage of all the major audit risks within the audit mandate.
- Strategy: Implement an organisational structure to support growth in performance and IT auditing.

Objective 4B – Technology capability meets the need of the Office.

- Strategy: Manage the implications of the IT hardware refresh program.
- Strategy: Update and maintain the Technology Strategic Plan.

ABOUT THE AUDITOR-GENERAL'S OFFICE

The Auditor-General of Papua New Guinea is a Constitutional Officer under section 213 of the Constitution appointed by the Head of State. In the performance of his function, the Auditor-General is not subject to the control or direction of any person or authority.

The Auditor-General's Office (AGO) supports the Auditor-General perform his legislative functions provided by the Constitution and the Audit Act. The AGO's main Office is located in Port Moresby with subsidiary offices in Kavieng, Goroka, Mt Hagen and Lae. The AGO's audit work is governed by auditing standards applied by the auditing profession.

AGO FUNCTIONS

The AGO's functions are to inspect and audit, and to report at least once in every fiscal year to the Parliament on the public accounts of Papua New Guinea, and on the control of and on transactions with or concerning the public monies and property of Papua New Guinea, and such other functions as are prescribed by or under a law of Papua New Guinea.

![Auditor-General's Office Papua New Guinea logo]

Auditor-General's Office

Corporate Plan 2011 – 2014

Auditor-General's Foreword

The 2011-2014 Corporate Plan is our premier planning document that outlines key elements of our audit function, and sets key initiatives and strategies to meet the objectives over a four year period.

The key result areas are designed to add impact to our audit function by supporting our clients and stakeholders by delivering independent, quality, timely and relevant audits and services, using professionally qualified staff, and contemporary business practices.

The Corporate Plan is supported by annual business plans, audit work programs and a performance management system, all designed to work together to deliver timely and quality audit reports on the financial and other performance of the public sector.

Auditor-General's signature

OUR VISION - AUDITING FOR IMPACT

The Vision - **Auditing for Impact** - is the expression of our commitment in the pursuit of the desired state of transparency and accountability in management and use of public resources as envisioned in the National Constitution.

OUR MISSION

To produce timely, relevant, independent and quality reports on public sector financial management and performance to Parliament, that are valued by all stakeholders for the extent and usefulness of oversight content, and valued for their impact on the insights to improve the accountability and use of public resources.

OUR VALUES

Independence – To remain independent in fact and in appearance.

Integrity – To embrace the highest standard of behaviours and to be forthright, honest and sincere in reporting without fear or favour.

Professionalism – To conduct ourselves in a competent and professional manner in the performance of audit services.

Responsibility – Our responsibilities are to the Parliament and the citizens of PNG, to the Office and to ourselves.

DESIRED ATTRIBUTES

Our Office – Valued and appreciated by all stakeholders as a model agency and effective Audit Institution.

Effective Leadership – Aspire to be a model of effective leadership and management, practiced at all levels.

Our Management – Operating with a clear sense of purpose and setting the pace in the public sector.

Working Environment – Foster a working environment that supports our staff to realise their full potential.

Organisational Culture – Pride in our sense of purpose, values and belonging in the Office and portray this image of the Office.

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National Capital District

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Appendix 5: Format for an Action Plan

Name of SAI:

Date:

Milestones / Activities	Responsibility	Timeframe	Techniques	Resources	Output	Risk	Status
Stage 2 **Conduct Needs Assessment**							
Appointment of CBNA Team	Head of SAI	March	Office order	CPT to identify team and submit proposal	CBNA Team	Find people with right qualifications	Done
CBNA Conducted	CBNA Team	April - June	To be decided by CBNA Team	To be requested by CBNA Team	CBNA Report	Availability of resources. Ability to use data gathering and analysis tools.	In progress
Stage 3 **Articulate Vision, Mission and Values**							
Head of SAI and senior management team met with CPT	SPT	July	Facilitated meeting	Needs Assessment Report, meeting venue and arrangements, facilitator	Draft Vision, Mission and Value Statement	Non-Availability of all members	Yet to start

Appendix 6: Sample Contents of CBNA Report

TABLE OF CONTENTS..

INTRODUCTION

EXECUTIVE SUMMARY...

APPROACH AND METHODOLOGY...

CAPACITY BUILDING NEEDS AND STRATEGIES...

Domain 1: Independence and Legal Framework..
Domain 2: Human Resources..
Domain 3: Audit Methodology and Standards...
Domain 4: Governance...
Domain 5: Corporate Support...
Domain 6: Continuous Improvement...
Domain 7: External Stakeholder Relations...
Domain 8: Results..

NEEDS ASSESSMENT LEASONS LEARNED...

ANNEXES..

Annexe 1: The OAG Organisational Structure..
Annexe 2: IDI's Capacity Building Framework..
Annexe 3. A: ASOSAI Web-Based Survey Results...
Annexe 3. B: OAG Web-Based Survey Results..
Annexe 4: List of Documents Reviewed...
Annexe 5: List of Interviewees and Focus Group Participants.........................
Annexe 6. A: Interview Memorandum of Acting Auditor-General....................
Annexe 6. B: Interview Memorandum of Deputies of Auditor-General............
Annexe 6. C: Interview Memorandum of Public Accounts Committee.............
Annexe 6. D: Interview Memorandum of Secretary of Ministry of Finance......
Annexe7: Infrastructure's Physical Observation Report..................................
Annexe 8: List of Other Agencies Involved in Capacity Building of Office of Auditor-General..
Annexe 9. A: Output of the Focus Group Discussion – Senior Management.....
Annexe 9. B: Output of the Focus Group Discussion – Middle / Junior and Non-Supervisory Staff..
Annexe 10: Performance Audit Topic Selection & Reported 2006..................

Appendix 7: Create a Vision Statement

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

WHAT DOES SUCCESS LOOK LIKE?

Appendix 8: Create a Mission Statement

☐   Draft a mission statement for your SAI (Please write legibly).

Step 1: Answer the following questions

What is the focus problem (s) that our SAI exists to solve? (In considering the focus problem or need, you might want to consider the following questions: What need or opportunity does our SAI exist to resolve? Who is affected by the problem? How are they affected? If we were successful what impact would we have regarding this problem?)	
What are the assumptions on which our SAI does its work?	
What is the purpose of our SAI? (A purpose sentence answers the question of why an SAI exists; it does not describe what an SAI does. The sentence should be a short, succinct statement that describes the ultimate result the SAI is hoping to achieve. When writing a purpose sentence, make sure to indicate outcomes and results [eg. to remove homelessness], not the methods of achieving those results, which is what you do [eg. by constructing houses].)	
What are the methods that our SAI uses to accomplish its purpose? Describe our business or businesses – our primary services or program:	

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

Appendix 9: Determine your SAI's Values

☐ Clarify your SAI's belief system: What are some of the values, beliefs, and / or guiding principles that guide (or should guide) your management's and staff's interaction with each other and with the outside world?

☐ Practical impact: What behaviours should you commit to doing in every day practice to support your values and beliefs?

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

Appendix 10: Corporate / Strategic Plan for the SAI of Atlantis

1. GAPS UNDER EACH DOMAIN

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

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

submitted to the head of the executive and not to Parliament.	There is a gap between the procedures prescribed in the manual and the procedure followed during audit.	The SAI has inadequate welfare incentives for its staff. The remuneration for skilled workers is not competitive. There are long delays in filling up vacant positions. The staff lacks good working condition.	information system. The SAI lacks internal capacity to take up strategic planning. The SAI is not subject to an external audit and it does not produce a report on its own performance. The SAI has a QA Manual which is not being implemented due to lack of trained staff. No peer	The computers received from a multilateral donor agency have not been used due to lack know how and IT support. The SAI has only one internet connection. The SAI does not have a canteen and a library. The dead stock in the SAI is not managed properly leading to blockage of space for productive for	The SAI does not have a process for managing change when new systems are introduced. The SAI does not have a research function.	The SAI does not have a policy document on communicating with external stakeholders. The SAI's reports get very little press coverage. There is a huge backlog in discussion on SAI reports by the PAC. The SAI is unable to accept audits of donor funded projects due to lack of capacity. The auditees	provide adequate audit coverage. SAI reports do not meet quality standards.

	reviews have been carried out in the SAI.	productive use.	perceive the SAI as a fault finding body. There is very limited public awareness of the mandate and functioning of the SAI

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

Vision

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

Mission

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

Values

3. **Identify strategic issues**

Accountability, Transparency and Professionalism.

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

LINKING GAPS ACROSS DOMAINS

Inability to provide Quality Audit Services	Need for independence and accountability by SAI	Lack of Skilled personnel	Inadequate organisational and management capacity	Image and impact of the SAI
There are delays in the submission of reports (RE).	Legal provisions related to financial and organisational independence of the SAI are inadequate. (IL)	The SAI has a shortage of skilled audit staff. (HR)	The SAI does not have a process from managing change when new systems are introduced. (CI)	There is lack of action on the observations of the SAI. (RE)
The SAI has not tabled any performance or IT Audit reports. (RE)	The provision relating to the Head of SAI do not guarantee his independence. (IL)	There are vacancies in critical top management positions. (GO)	The SAI does not have a research function. (CI)	The SAI does not have a policy document on communicating with external stakeholders. (ESR)
SAI reports do not meet quality standards. (RE)		The remuneration package for skilled workers is not competitive. (HR)	The SAI is facing a serious shortage of space for its staff. (CS)	The SAI's reports get very little press coverage. (ESR)
Existing audit manuals are outdated and not aligned to current international standards. (AMS)	The SAI reports are submitted to the head of executive and not to Parliament. (IL)	The SAI uses training as the only means of professional development. (CI)	The SAI occupies government premises. (IL)	There is a huge backlog in discussion of SAI reports by the PAC. (ESR)
The SAI lacks manuals and methodology in new audit areas like	The budget provided by the government is inadequate for the SAI. (CS)	The SAI does not conduct a needs assessment before preparing its training	The SAI has only one internet connection. (CS)	The auditees perceive

performance audit, IT audit, and forensic audit. (AMS)	The SAI is not subject to an external audit and it does not produce a report on its own performance. (GO)	The SAI does not have a canteen and a library. (CS)
There is a gap between the procedures prescribed in the manual and the procedure followed during audit. (AMS)	No peer reviews have been carried out in the SAI. (GO)	The disused furniture and equipment in the SAI are not managed properly leading to blockage of space for productive use. (CS)
The SAI is unable to meet the PAC's expectation of carrying out performance audits. (ESR)	plan. (CI) There are no follow-ups on the trainings conducted. (CI)	The staff lacks good working condition. (HR)
	The SAI has inadequate welfare incentives for its staff (HR).	There is lack of delegation in the SAI. (GO)
The SAI is unable to meet the government's expectation of auditing its new IT based financial systems. (ESR)	There are long delays in filling up vacant positions. (HR)	The SAI lacks a management information system. (GO)
	The computers received from a multilateral donor agency have not been used due to lack of knowhow and IT support. (CS)	
There is lack of adequate supervision of the audits conducted. (GO)	The SAI does not have a career development policy and plan for its staff. (HR)	The SAI lacks internal capacity to take up strategic planning. (GO)
	The staff are dissatisfied	

the SAI as a fault finding body. (ESR)

There is very limited public awareness of the mandate and functioning of the SAI. (ESR)

	with the performance management system in the SAI. (HR)
The SAI has a QA manual which is not being implemented due to lack of trained staff. (GO)	
The SAI is unable to accept audits of donor-funded projects due to lack of capacity.	

4. Determine Goals

The SAI converts its strategic into goal statements

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

5. Determine objectives

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

	Goal Statement	Objective Statement
1	To provide timely and high quality audit services	**1.1** To increase audit coverage by adopting a risk based approach **1.2** To establish and implement audit methodology in line with international standards **1.3** To set up performance audit and IT audit functions **1.4** To strengthen QA function in the SAI
2	To make the SAI of Atlantis independent and accountable	**2.1** To have in place new legislation for the SAI **2.2** To establish a system of reporting performance **2.3** To have peer reviews of the SAI carried out periodically

3	To have an adequate and competent workforce in place	**3.1** To provide needs based, diverse and effective professional staff development measures **3.2** To introduce additional welfare measures for staff **3.3** To introduce a system of performance appraisal linked to incentives **3.4** To have a career development system in place **3.5** To develop and implement a strategy for recruiting and retaining qualified staff
4	To establish a modern and effective organisation and management system	**4.1** To enhance the existing infrastructure and facilities **4.2** To enhance management skills **4.3** To establish a management information System **4.4** To develop in house capacity for strategic planning and change management
5	To enhance the image and impact of the SAI of Atlantis	**5.1** To develop and implement a communications strategy **5.2** To increase the visibility of the SAI and its work **5.3** To facilitate the strengthening of the PAC **5.4** To strengthen audit follow-up

6. Develop Performance Measures

Performance Measures can be

	Goal Statement	Objectives Statement	Performance Measures
1	To provide timely and high quality audit services	1.1 To increase audit coverage by adopting a risk based audit approach 1.2 To establish and implement audit methodologies in line with international standards 1.3 To set up performance audit and IT audit functions 1.4 To strengthen QA function in the SAI	√ % increase-decrease in the number of audit reports issued on time √ Ration of audits carried out to mandated audits √ Number of audits tabled for new areas of audit √ % increase in audit reports that are quality assured
2	To make the SAI of Atlantis independent and accountable	2.1 To have in place new legislation for the SAI 2.2 To establish a system of reporting on performance 2.3 To have peer reviews of the SAI carried out periodically	√ New legislation for the SAI approved and implemented by 2010 √ Annual performance reports submitted by SAI to relevant stakeholders √ Number of peer reviews carried out in SAI √ % of peer review comments implemented by the SAI
3	To have an adequate and competent workforce in place	3.1 To provide needs based, diverse and effective professional staff development measures 3.2 To introduce additional welfare measures for staff 3.3 To introduce a system of performance appraisal linked to incentives 3.4 To have a career development system in place 3.5 To develop and implement a strategy for recruiting and retaining qualified staff	√ % Increase in the level of staff satisfaction √ % Decrease in qualified staff turnover √ %Decrease in number of vacancies √ Ratio of PSD programs delivered to PSD Programmes required

| 4 | To establish a modern and effective organisation and management system | 4.1 To enhance existing infrastructure and facilities
4.2 To enhance management skills
4.3 To establish a management information system
4.4 To develop in-house capacity for strategic planning and change management | √ Degree of staff satisfaction with working conditions
√ Number of change management initiatives implemented by the SAI
√ Number of qualified persons assigned to strategic planning function
√ Increase in formal delegation of power |
| 5 | To enhance the image and impact of the SAI of Atlantis | 5.1 To develop and implement a communications strategy
5.2 To establish a public relations function in the SAI
5.3 To facilitate the strengthening of the PAC
5.4 To strengthen and follow-up | √ Increase in the number of stakeholders that know about the SAI
√ Increase media coverage of the SAI report
√ % Increase in the number of SAI reports discussed by PAC
√ % Increase in the number of audit observations implemented |

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

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

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

	Project	Resource	Impact	Priority
1	Send staff abroad for QA training	High	High	2
2	Train staff on the job through regional body	Low	High	3

| 3 | Contract private audit firm to do QA training | High | Low | 3 |

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

Appendix 11: Format of a Performance Measure

Performance Audit reports tabled annually

Unit of Measure	Baseline	Target	Source for data collection	Measure Owner
Number of performance audit reports tabled	0	2	Report Section	Deputy Auditor-General

Appendix 12: Key Focus Areas in the National Strategic Plans of Four Pacific Island Countries

Samoa

Strategy for the Development of Samoa 2012 – 2016

Goal 1 – Sustained macroeconomic stability

Goal 2 – Private sector led economic growth and employment creation

Goal 3 – Improved education outcomes

Goal 4 – Improved health outcomes

Goal 5 – Community development:

      improved economic and social well being and improved village governance

Goal 6 – improved governance

Goal 7 – Environmental sustainability and disaster risk reduction

Papua New Guinea

PNG Vision 2050

Pillar 1 – Human Capital Development, Gender, Youth and People Empowerment

Pillar 2 – Wealth Creation

Pillar 3 – Institutional Development and Service Delivery

Pillar 4 – Security and International Relations

Pillar 5 – Environmental Sustainability and Climate Change

Pillar 6 – Spiritual, Cultural, and Community Development

Pillar 7 – Strategic Planning, Integration and Control

Pillar 8 – Good Governance (Accountability and Transparency)

Cook Islands

National Sustainable Development Plan (NSDP) 2011 – 2015

▸ Our general public has confidence in the systems of government

▶ A general public that is continuously informed of the return on investment for their taxpayer dollar and as a result actively contributes to development decision making actions

▶ A machinery of government focused on strategic direction, progressive partnership and service satisfaction

▶ Increasing the value of existing taxpayer dollars through systems that deliver effective development outcomes

Tonga

National Strategic Planning Framework 2012 – 2015

▶ Facilitate community development by involving district/village communities in meeting their service needs

▶ Support the private sector through better engagement with government, appropriate incentives, and streamlining of rules and regulations

▶ Maintain and develop infrastructure to improve the everyday lives of the people

▶ Increase performance of technical training vocational education & training to meet the challenges of maintaining and developing services and infrastructure

▶ Improve the health of the people by minimising the impact of non-communicable diseases

▶ Integrate environmental sustainability and climate change into all planning and executing of programs

Linkage in the case of Samoa and PNG is direct, in that, governance is one of the goals, whereas for Cook Islands and Tonga, the linkage is implied in the goals. And that linkage can be seen in the provision of audit by the SAIs where the desired outcomes are realised.

Appendix 13: Linkage to Other Plans

SAIs are also encouraged to align/link their plans to other regional/multi-lateral plans due to the crucial role they play in ensuring good governance and better practices by their respective governments. These other plans would include:

‣ United Nation's Millennium Development Goals;

‣ Pacific Plan;

‣ INTOSAI Strategic Plan;

‣ PASAI Strategic Plan.

Under the United Nation's Millennium Development Plan, member nations are required to achieve eight targeted goals by the year 2015. These goals include: eradicating extreme poverty and hunger; achieving universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combating HIV/AIDS, malaria and other diseases; ensuring there is environmental sustainability through specific measures; and, develop a global partnership for development.

The Pacific Plan is the overarching plan of the Pacific that also has specific targets/goals. One of the major focus areas or targets is that of strengthening systems of government throughout the Pacific through the provision of audits. The Pacific Regional Audit Initiative (PRAI) was created under the Pacific Plan as the platform through which capacity of SAIs throughout the region could be built to address the issue of good governance (lack of it) in the Pacific.

The INTOSAI Strategic Plan is the overarching strategic plan that SAIs come under as it sets the foundation through its guiding principles in the Lima Declaration (Level 1). That underlying principle together with the corresponding ISSAIs allows SAIs to ensure that their strategic plans are aligned to the INTOSAI Strategic Plan.

Appendix 14: Contents of an Annual Business Plan

<p align="center">SAI Business Plan for 20XX</p>

Introduction

SAI Vision

Section 1 – Domain (Key Result Area)

Objective for 20XX onwards

Corporate Plan and other strategies

Action items for January to December 20XX

Corporate Plan and other strategies	Action items to support strategies	Responsible officers	Date to be auctioned by	Resourced by

Section 2 – Domain (Key Result Area)

Objective

Strategies

Action items for January to December 20XX

Corporate Plan and other strategies	Action items to support strategies	Responsible officers	Date to be auctioned by	Resourced by

Section 3 – Domain (Key Result Area)

Objective

Strategies

Action items for January to December 20XX

Corporate Plan and other strategies	Action items to support strategies	Responsible officers	Date to be auctioned by	Resourced by

Appendix 15: Contents of a SAI's Annual Business Plan

SAI Business Plan for 20XX

Introduction

This business plan complements the 20XX-20YY corporate plan and provides the direction and activities for the SAI for the next twelve months of 20XX. It focuses on three corporate plan objectives – stakeholder relationship, products and business. It also reflects decisions made at the SAI's planning days and senior management team meetings in 20XX.

SAI Vision

The SAI's vision of auditing for impact is a vision for ensuring that the SAI staff are committed to '…the pursuit of excellence in all components of the audit process, executive management, human resources, audit policies and practices, operations management, performance monitoring and quality control'—all working together to produce outputs that satisfy the needs of clients, stakeholders and the general public.

Section 1 - Our relationships with stakeholders

Objective for 20XX onwards

To be accepted by clients and stakeholders as the leading player in improving the accountability and transparency of the public sector.

Corporate plan and other strategies

Ensure partnership arrangement with our primary client (the Parliament), through:

o   awareness programs for Ministers and other parliamentarians on the role of the Auditor- General;

o   increasing profile of the SAI through strengthened relationships with the Public Accounts Committee (PAC), and the Executive Government;

o   growing our relationships and dialogue with our public sector clients, particularly the central agencies, and other stakeholders through an increased level of networking and participation in audit committees and other forums;

o   working with the Ministry/Department of Finance to review and reform public sector financial reporting and to increase our awareness and understanding of public policy and professional responsibilities and requirements;

o   strengthening relationships with public and private sector accounting and audit

o   developing and maintaining our links with other audit offices, particularly the ANAO, and international audit organisations such as INTOSAI, PASAI, ACAG, and the Commonwealth Auditors-General;

o   developing our website so that the information on work of the office can be accessed by clients and stakeholders;

o   reviewing, in conjunction with clients, current audit reporting methodology and practices to ensure that audit reports are of a high quality, targeted to meet our clients' requirements and tabled in the Parliament in a more timely manner;

o   participating fully with the PASAI sponsored Pacific Regional Audit Initiative (PRAI).

Action items for Jan to June 20XX

Corporate Plan and other strategies	Action item to support strategies	Responsible officers	Date to be actioned by	Resourced by
Reviewing, in conjunction with clients, current audit reporting methodology and practices to ensure that audit reports are of a high quality, targeted to meet our clients' requirements and tabled in the Parliament in a more timely manner.	Auditor-General's reports to be presented to the Parliament as soon as possible after they are delivered to the Speaker.	DA-G (CSB)	Ongoing liaison with Speaker	SAI Budget

Corporate Plan and other strategies	Action item to support strategies	Responsible officers	Date to be actioned by	Resourced by
Reviewing, in conjunction with clients, current audit reporting methodology and practices to ensure that audit reports are of a high quality, targeted to meet our clients' requirements and tabled in the Parliament in a more timely manner.	Proposal on how to change legislation to allow reports to be tabled out of session to be developed. Guidelines for reviewing audit reports to ensure reports are in the context of Government-wide concern and are of high standard.	DA-G (CSB) DA-G (CSB)	30 June 20XX	SAI Budget
Growing our relationships and dialogue with our public sector clients, particularly the Central Agencies, and other stakeholders through an increased level of networking and participation in Audit Committees and other forums.	Attendance at audit committees by DA-Gs or AA-Gs and well researched briefs for audit committee meetings	DA-Gs	Ongoing	SAI Budget

Corporate Plan and other strategies	Action item to support strategies	Responsible officers	Date to be actioned by	Resourced by
Growing our relationships and dialogue with our public sector clients, particularly the central agencies, and other stakeholders through an increased level of networking and participation in audit committees and other forums.	DA-Gs or AA-Gs to attend all audit opening and exit interviews Clear discussion points and structured resolutions on the issues to be discussed and agreed in advance of meetings – AA-G briefs	DA-Gs and AA-Gs	Ongoing	SAI Budget
Increasing profile of the SAI through strengthened relationships with the Public Accounts Committee and the Executive Government.	Responsive to the PAC requests in the time-frame agreed; tabling of reports and advising the Speaker of reports to be tabled in advance of tabling	DA-Gs	Ongoing	SAI Budget
	Copies of reports personally sent to PM, Leader of the Opposition and Chair of the Public Accounts Committee	DA-G (CSB)	Ongoing	SAI Budget
	Preparation, publication and distribution of audit reports to be in accordance with agreed SAI policy	DA-Gs	Ongoing	SAI Budget

Corporate Plan and other strategies	Action item to support strategies	Responsible officers	Date to be actioned by	Resourced by
Growing our relationships and dialogue with our public sector clients, particularly the central agencies, and other stakeholders through an increased level of networking and participation in audit committees and other forums.	Clear communication with audited bodies, more senior staff involvement with CEOs, focus on key issues.	DA-Gs,AA-Gs and DOAs	Ongoing	SAI Budget
	Increased profile through the website, and occasional articles in the media and presentations at public forums.	DA-Gs	Ongoing	SAI Budget
Working with the Ministry/Department of Finance to review and reform public sector financial reporting and to increase our awareness and understanding of public policy and professional responsibilities and requirements.	Develop a seminar series on financial management issues raised in audit reports for agency financial controllers (in conjunction with Department of Finance)	DA-G (CSB)	First seminar for 20XX to be conducted by 28 Feb 20XX.	SAI Budget
Participating fully with the PASAI sponsored Pacific Regional Audit Initiative	Conduct one cooperative performance audit and table it in the Parliament	DA-G (CSB)	30 Jun 20XX	ADB/IDI

Section 2 - Audits and related products

Objective

To plan an annual audit work program and individual audits that address the SAI's audit mandate, provide a basis for current quality audit reports and assurance, and eliminate audit arrears.

Strategies

- o To recover from the backlog of audits and establish regimes so that future audit responsibilities are undertaken in a timely manner and manage the risks associated with not having undertaken an audit.

- o To construct a training program that meets the needs of the auditors and of the support staff in 20XX.

- o To ensure that audit products meet the expectation of clients and stakeholders, through a process of internal and external review and consultation.

- o To include the audit of development budgets in our audit program

- o To review current audit approaches to ensure that they address audit risks and meet the SAI's audit objectives.

- o To develop a performance audit capability.

- o To develop one better practice guide aimed at common activities of public entities.

- o To review current audit reporting, in conjunction with our clients, to ensure that audit reports are of a high quality and targeted to meet our client's requirements.

- o To review the structure of the Auditor-General's reports with a view to publishing reports that are smaller and are ready for tabling in a more timely way.

Action items for Jan to Jun 20XX

Corporate Plan and other strategies	Action item	Responsible officers	Date to be actioned by	Resourced by
To recover from the backlog of audits and establish regimes so that future audit responsibilities are undertaken in a timely manner and manage the risks associated with not having undertaken an audit.	Audits to be focused on current years so that audits of 20XX accounts and records are complete by end 20YY.	DA-Gs/AA-Gs	Ongoing	SAI Budget Donor Assistance
To recover from the backlog of audits and establish regimes so that future audit responsibilities are undertaken in a timely manner and manage the risks associated with not having undertaken an audit.	Progress at 30 June is such that the Assurance and Risk Audit Branch will table 20 SOE audits of 20XX accounts and records and 20YY controls. Progress is such that Part II Report (20XX-20YY) will be ready for tabling in xx 20XX.	DA-G (NG)	30 June 20XX	SAI Budget Donor Assistance
	Progress is such that Provincial Government Branch will conduct Xx audits in the provinces.	DA-G (PG)	30 June20XX	SAI Budget Donor Assistance

Corporate Plan and other strategies	Action item	Responsible officers	Date to be actioned by	Resourced by
	Progress is such that Part I Report (20XX) will be ready for tabling in xx 20YY.	DA-G (NG)	30 June 20XX	SAI Budget
	Progress is such that Part I Report (20XX) will be ready for tabling in xx 20YY.	DA-G (NG)	30 June20XX	SAI Budget
	Progress is such that Part III Report (20XX) will be ready for tabling in xx 20YY.	DA-G (PG)	30 June20XX	SAI Budget
	Progress is such that Part IV Report (20XX) will be ready for tabling in xx 20YY.	DA-G (SB)	30 June20XX	SAI Budget
To develop a performance audit capability.	Continue with the development of a performance audit capability. Scoping of agreed performance audits.	DA-G (CSB)	Ongoing	SAGO (twinning AGO Budget

Corporate Plan and other strategies	Action item	Responsible officers	Date to be actioned by	Resourced by
To include the audit of development budgets in our audit program.	Audit plans to include audits of development budgets.	DA-Gs	Ongoing	SAI Budget
To develop one better practice guide aimed at common activity of public entities.	Start work on a better practice guide.	DA-G	30 June 20XX	SAI Budget
Participating fully with the PASAI sponsored Pacific Regional Audit Initiative.	Conduct one cooperative performance audit and table it in the Parliament.	DA-G (CSB)	30 June 20XX	ADB/IDI
To construct a training program that meets the needs of the auditors and of the support staff in 20XX.	Construct a training program for all staff for 20XX.	DA-G (CSB)	Ongoing	SAI Budget Donor
	Confirm the protocols for the operation of the qualifications committee.	DA-G (CSB)	30 June 20XX	SAI Budget
	Review structure and content of consolidated reports with a view to tabling reports in a more appropriate time frame.			

151

Section 3 - SAI Management, Administration and Governance

Objective

To have adequate resources to meet our audit responsibilities and to ensure effective corporate, financial and technical support/advice provided to executive management and operations management.

Strategies

- o Establish an environment in which staff undertake all tasks with integrity, deliver professional and quality services, and are allowed to reach their full potential.

- o Develop a rewards system and remuneration model that rewards high performing staff.

- o Secure adequate resources through the budget to meet our audit responsibilities with effective operational and support functions.

- o Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.

- o Continuously review and improve our processes, management, support structures and procedures to deliver high level business performance, resulting in quality, timely and cost effective delivery of services.

Action items for Jan to Jun 20XX

Corporate Plan and other strategies	Action item	Responsible officers	To be actioned by	Resourced by
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Operational branches to be responsible for managing own travel and training budgets. Appropriate corporate services structure. Policy and procedures framework. Overall planning and management framework.	DA-G (CSB) DA-Gs	Ongoing	SAI Budget
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Electronic time recording and charging system to be developed.	DA-G (CSB)	30 Jun 20XX	SAI Budget
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Stand-alone time recording for fee paying audits and statutory bodies branches.	DA-Gs	1 April 20XX	SAI Budget
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Email access to be provided for all staff.	DA-G (CSB)	1 Feb 20XX	SAI Budget Donor Assistance

Corporate Plan and other strategies	Action item	Responsible officers	To be actioned by	Resourced by
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Network to be developed.	DA-G (CSB)	1 Feb 20XX	Donor Assistance
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Reports to be routinely published on the website.	DA-G (CSB)	Ongoing	SAI Budget Donor Assistance
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Implement a performance management scheme.	DA-G (CSB)	1 May 20XX	SAI Budget
Be recognised by the public service as a well managed organisation with effective corporate governance arrangements.	Salary model and rewards and recognition scheme implemented.	DA-G (CSB)	30 June 20XX	SAI Budget

Appendix 16: Example a SAI's Branch Operational Plan

The Papua New Guinea Auditor Genera's Office National Government Audit Branch Annual Audit Plan

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THE AUDITOR-GENERAL'S OFFICE   **DRAFT**

NATIONAL GOVERNMENT AUDIT BRANCH
ANNUAL AUDIT PLAN

2012/2013 AUDIT CYCLE

PART A:	BACKGROUND

1.1   Auditor-General's Office Corporate Plan

Preamble

The National Government Branch Annual Audit Plan 2012/2013 was prepared taking into account the AGOs Corporate Plan for years 2012- 2016 (Draft). The Vision and Mission of the Corporate Plan is embraced in the Annual Audit Plan to guide the Branch to prepare the strategic plans to achieve the objectives of the Corporate Plan. The Mission and Vision statements are reproduced below as well as the further description of the fulfillment of the mission statement.

Vision

The vision of the Auditor-General's Office under the Corporate Plan 2012-2016 is Auditing for Impact. The Corporate Plan embraces the need to pursue excellence in all components of audit processes to produce outputs that satisfy the needs of clients, stakeholders and General Public.

The scarce resource of AGO must be utilized under these aspirations and desires that underpin the concept of "Auditing for Impact".

Mission

The Mission of AGO as per the Corporate Plan (2012 – 2016) is to provide independent and quality audit assurance over the financial management of government and public entities through its activities on:-

- Financial Management and the integrity of financial reports;
- Transparency and accountability of assessment of revenue and expenditure of the appropriation; and
- Good governance and integrity of practices in the accounting of resources and delivery of services.

The National Government Audit Branch serves to fulfill this mission by conducting regularity audits, on the Public Accounts of PNG, Donor Funded Projects and Trust Accounts. Currently, the Branch Annual Audits Processes are centered on the audit of the PNG Public Accounts (financial attestation and regularity) and audit of the National Government Departments and agencies to ascertain the with compliance with the relevant legislations and regulations. The Branch will also undertake the audit of Development Projects co-funded by GoPNG and International Donors and Trust Accounts (such as Health and Sector Improvement Program) and Provincial Treasury Offices.   The Branch carry out on-going reviews on the implementations of the audit recommendations made in our previous Management Letters to the respective government agencies

-1-

and also ascertains the implementation of remedial actions which had been highlighted by the management during the exit meetings and in relation to their own responses to the previous audit findings.

Main Functions of The Auditor-General

In accordance with Section 214 of the Constitution of Papua New Guinea; the Audit Act (Part II Audit) and the Auditor-General's Office Corporate Plan (2007-2010), the primary functions of the Auditor General is:-

- To inspect and audit; and
- To report at least once in every fiscal year to the Parliament;
  - ➢ On the public accounts of Papua New Guinea;
  - ➢ On the public accounts of Papua New Guinea; and
  - ➢ Such other functions as are prescribe by or under a law of Papua New Guinea.

Unless other provision is made by law in respect of inspection and audit of the above includes the accounts, finances and property of all:-

a) The Departments of the National Public Service and arms, agencies and instrumentalities of the National Government;
b) The Provincial Governments and arms, agencies and instrumentalities of the Government; and
c) Bodies (Statutory bodies or Authorities etc) which are established by:-
   - ➢ A Constitutional Law; or
   - ➢ An Act of Parliament; or
   - ➢ An Executive or Administrative Act of the National Executive; or
   - ➢ A Provincial Law; or
   - ➢ An Executive or Administrative relating to inspection and audit of Accounts also extended to:-

The Auditor-General's functions relating to inspection and audit of Accounts also extended to:-

d) Government associations;
e) Government-owned companies;
f) Provincial Government associations;
g) Provincial Government public projects; and
h) Public Projects.

The Auditor-General is also mandated to inspect and audit (if he thinks that it is proper to do so) and report to Parliament on any accounts, finances and property of an institution relating to the above as long as the existence and operations of such, consist of or derived from public moneys or property of the State of PNG.

All the Accounts that we are referring to relate directly or indirectly to:-

➢ The collection, receipt, expenditure or issue of public moneys;

➢ The receipt, custody, disposal, issue or use of stores or other property of the State of PNG.

The Auditor-General has other powers under the Audit Act 1989 which he can exercise when executing his responsibilities.

-2-

Main Functions of The NGAB

On behalf of the Auditor-General, the National Government Audit Branch is responsible for the inspection and audit of the Accounts for the:-

➢ The **Main Public Accounts** of Papua New Guinea which consist of 11 Major Financial Statements and 7 Subsidiary Accounts (totaling 18 Statements); **refer to Appendix 1 for details.**

➢ **Fifty (50) National Government Departments** and their agencies, some of which have establishments across all the Provinces and Trust Accounts (those relating to the National Departments); **refer to appendix 1 for details for details.**

➢ Donor Funded Projects; (those relating to the National Departments); **refer to appendix 1 for details; and**

In relation to expediting its responsibilities on behalf of the Auditor-General, the NGA Branch is obligated to produce for Tabling in Parliament two very vital Annual Reports; namely:-

• **Part I Report** – on the Public Accounts of Papua New Guinea; and

• **Part II Report** – on the Control of and on Transactions with or concerning the Public Monies and Property of Papua New Guinea which are used and are in the custody of the National Government Departments.

-3-

PART B: STRATEGIC PLAN

2.1   Objectives of the Branch

2.1.1   Long Term Objectives

The objective of the Branch is to provide an independent audit opinion on the reliability and accuracy of the reported expenditure and revenue of the Public Accounts and by attesting and examining the reliability of relevant accounting records and other source documents (data) which form the basis of preparing the financial statements. In addition, the effectiveness and efficiency of the internal control systems of the individual national departments will be tested to ascertain whether the agencies are implementing and achieving their respective strategic plans, operational and financial responsibilities.

Also, while expediting our audit responsibility we are creating a conducive and mutual understanding and better working relationships with our clients and stakeholders.

2.1.2   Short Term Objectives

In the short term, the Branch will set out to:

- Continue with the current audit approach and that is to optimize the use of the scarce available resources we have and improve the quality of audit processes;

- Continue to improve on strengthening our relationship with our clients and stakeholders to enhance mutual understanding and trust; and

- Produce four (4) Annual Auditor Generals Reports and thirteen (13) Trust Accounts Audit Reports which comprises of following :

N0	TYPE OF REPORT	QUANTITY	FINANCIAL YEAR
01	Part I - Public Account	1	31 December 2009
02	Part 1 -Public Account	1	31 December 2010
03	Part II Accounts & Records	1	31 December 2010
04	Part II – Accounts & Records	1	31 December 2011
05	HSIP –Trust A/C Audit Report	1	31 December 2011
06	Public Solicitors Trust A/C Audit Report	1	31 December 2010
07	GOPNG & Donor Funded Projects Audit Reports	11	31 December 2011
	TOTAL	17	

- Produce thirty (30) management letters comprising of twelve (12) current audit management letters and eighteen (18) carry-over audit management letters. **Refer to appendix 2 for details.**

-4-

| PART C: | ANNUAL AUDIT PLAN – 2012 – 2013 |

3.1 **Reporting**

<u>**AG Annual Reports**</u>

i. To obtain reasonable assurance on the financial management and integrity of the Financial Statements of the Public Accounts for years 2009 and 2010. (Part I of the Auditor-General's Annual Report).

ii. For the Annual Audit Report (Part II); the branch also provide the reasonable assurance on:-

    a) The Financial integrity on accounts and records for years 2010, 2011 and 2012; and

    b) Corporate Governance (some aspects) and review of 2011/2012 internal controls systems to assess the extent or effectiveness of controls relating to compliance with the Public Finance (Management) Act, Financial Instructions, Public Service Management Act and General Orders and other related Legislations and Regulations.

iii. *Donor Funded Project Audit Report*
The Branch will also undertake audit on the Special Purpose Financial Statements for the Development Projects co-funded by GoPNG and Financial Donors Institutions and issue an audit opinion on the Financial Statements for year 2011.

Audit Management Letters

- The Audit Management Letters will be prepared based on the 2006 template which will include a short letter signed by the head of the branch and the attachments detailing the audit findings of the areas covered during the audit.

- There will be 30 management letters issued during the year 2012/13 audit cycle. We have carry-over of 18 management letters from previous audit cycle and 28 current management letters to be issued totaling 46 management letters. We anticipate to produce 65% of the projected 46 management letters. Therefore the branch should be able to issue at least 30 management letters in 2012/2013 annual audit cycle.

- Team leaders/managers will be expected to produce the required management letters at the end of each audit.

- Performance Appraisals; the completion of each audit within the budgeted timeframe will form the basis to assess the work outputs for the individual officers and the team as a whole.

- With regard to the Donor Funded Projects; audits will be out- sourced to the Authorised Auditors. The Branch will be responsible for the review of the audit working papers together with the draft audit reports and issue audit opinions on the Financial Reports.

-5-

Audit Focus and Scope

3.1.1   Public Accounts

The Auditor-General continues to issue qualified reports with the latest for 2008 being a disclaimer and one of the main qualification points is in the area on integrity of the accounts and records maintain by the management. The audit approach will be similar in the 2011 audit. A follow-up on the 2008, 2009 and 2010 audit recommendations will be carried out as well. Our main focus on the 2011 audit will be on the review and examination of accounts and records of the Miscellaneous Expenditure and Public Debts, apart from other areas. The audit of these two areas will be undertaken regardless of whether or not the Financial Statements will be completed by the Department of Finance prior to the commencement of our audit.

The review of the accounting records and documentation processes pertaining to these two areas and attestation of the internal control systems relating to the Accounting Systems of the public accounts of PNG will enable the branch to ascertain the efficiency and effectiveness of the overall management of accounts of the two records. The fact is that several agencies are collectively involved in the due processes of maintaining the accounts and records of these debt accounts.

3.1.2   **Departmental Audits**

The focus of the audit in the 2012/2013 cycle will be to:

- Review the internal control environment of the departments and agencies for the year the years 2011 and 2012 and report on the status of the accounts and records of the revenue and expenditure statements to the National Parliament; and,

- Undertake interim and final audits of the Departments to ascertain the integrity of the accounts and records for the year 2011 and 2012 and report to the National Parliament.

The Audit Approach and audit coverage are in line with what had been applied and covered in the last audit cycle in 2011/2012. The audit coverage relating to the corporate governance for each agency will be left entirely to the discretion of the Managers (DOAs) with prior approval from AAG's responsible for the audits. The areas that will be covered will be highlighted in the Field Audit Plans for each audit.

1. **Final Management Letters** - After the audit issues have been resolved and the Management Response is incorporated into the Final Audit Management Letter is sent to the Department's CEO.

2. **Work performance evaluation** - The task review memorandum will be completed by Managers (DOA) on all staff of the audit team after each audit is completed.

3. **Budgeted Timeframe -** The deadlines (forty five (45) mandays) should be adhered to. This should be broken down to individual tasks and manday allocation depending on the number of team members involved. The details should be part of a Time Budget included in the Field Audit Plan/Memorandum.

-6-

4. Other Matters

a. Managers should inform DAG/AAG if the audit team encounters problems on the field within the first two weeks of commencing the audit, i.e. uncooperative management, information not forthcoming or surrendered, staff not performing, etc, so that AAG/DAG can assist.

b. DOA and AAG will visit audit teams at least once a week to review and assess progress on the audit, and AAG will be available to spend some time with teams on the field. It is expected that DOAs should also spend time in field doing some field work, to assist junior staff.

c. In preparing the field audit plans, the DOAs in consultation with AAGs and DAG prepare strategies in sector wide approach in relation to specific audit issues identified by the Auditor-General.

Such issues include the following:

- Public Debt
- Debt Management
- Investments
- Grant Management
- Loan Service Entitlements
- Revenue
- Taxes and
- Damages, Claims against the State and awards for stalled projects.

The audit strategies should be developed as part of field audit plan to conduct audits in respect of issues raised above. A Matrix should be developed as strategy to guide and provide answers to the issues raised.

Expected Outputs

The audit strategies implemented are expected to generate the following outputs in the short Term (1 – 3 Years) thus:

1. Permanent audit file records;
2. Field Audit Plan with defined audit scope;
3. Audit working paper file(s);
4. Task review memorandum;
5. Exit interview brief on weaknesses observed;
6. Management letter/report on weaknesses and audit recommendations as appropriate;
7. Written Brief to the Auditor General through AAG/DAG on significant audit issues/findings;
8. Management report on AIA;
9. Annual AGO Reports (Part I and II); and
10. Issue Project Audited Reports.
11. Sector wide Reports on issues raised by the Auditor-General.

Audit Schedule Time Frame

Details of audit scheduling are attached in **Appendices 3, 4, 5 and 6**.

-7-

3.1.3 Audit Portfolios

The Division has the core function of the audit of National Government Departments and agencies and the Public Accounts

The total audit portfolio is summarized below:

Programmed	No. of Audits
Public Accounts	18
National Government Department's	50
Project Audits	11
Carry-over audits	18
Reports in Progress	4
Total Units	**101**

In 2012/2013 Audit Plan the Audit Portfolios will be equally shared between the two (2) Assistant Auditors-General and their staff.

Details of audit teams and audit portfolios are attached in **Appendices 4, 5 and 6**.

3.1.4 Mandays Available per Staff on Strength against Audit Mandate.

Optimum Available Mandays

The Branch currently has staff strength of twenty five (25) including the Acting Deputy Auditor-General and two Acting Assistant Auditor-Generals and excluding Secretary/PA. The staff members are as follows:

-8-

No	Officer	Designation	Optimum Mandays/Gross Mandays	Available Mandays/Net Mandays
1	Joseph Felix Wak	a/DAG (NG)	261	
2	Cedric Oaeke	a/AAG-A (NG)	261	158
3	Puva Kairi Heako	AAG-B (NG)	261	158
4	Martha W-Baroro	DOA 1	261	193
5	Charlie Kamali	DOA 2	261	173
6	Anne Toua	DOA 3	261	163
7	Michael Wek	DOA 4	261	163
8	Ray Nou	a/DOA 5	261	178
9	Mamu Kolis	DOA 6	261	163
10	Roy Irum	SPA	261	198
11	Wendy Mawa	SA	261	218
12	Vincent Hugo	SA1	261	218
13	Ellina Iamu	SA1	261	213
14	Cathy Blasius	SA1	261	213
15	Vanessa Kaump	A1	261	193
16	Molna Andrew	A1	261	168
17	Doa Murray	A1	261	193
18	Mesuke Warigi	A1	261	213
19	Moses Paglau	AA3	261*	73
20	Daro Roman	AA3	261	223
21	Graham Kamtabogi	AA3	261	193
22	Godfrey Dorum	AA3	261	223
23	Patrick Malahku	AA3	261	223
24	Illyne Issac	AA3	261	223
25	Jasmine Andrew	AA3	261	223
	Total		**6,525**	**4,557**
	Less Graduate Training(6x218)			**1,308**
	Net Mandays Available			**3,249**

The 3249 (4557 less 1308 Training) Mandays available has an impact on the audit activities planned for. Whilst the Branch has activities and auditee's selected for audit, the available resources will have a impact regarding the audit scope, coverage and timing. The Branch management will ensure that quality is pursued in the field audit planning and audit programme development phase to address the audit risks faced on every audit assignment.

-9-

PART D: SUMMARY OF MANDAYS

4.1   **Summary of Audit jobs and manday requirements based on Total Workload**

Dept/Agencies	Mandays				Total
Public Accounts	2009	2010	2011	2012	
Reports	30	50	-	-	80
Audits	-	-	720	-	720
Departments					
Reports	-	50	50	-	100
Audits	-	-	690	2,250	2,940
Donor Funded					
Project Audit	-	-	450	-	450
	30	100	1,910	2,250	4,290
Less Net Mandays Available					3,249
Net Deficit					1,041

4.2   **Summary of Audit jobs and manday requirements based on Possible Workload**

Public Account	2009	2010	2011	2012	Total
Reports	30	50	-	-	50
Audit	-	-	720	-	720
Departmental					
Reports	-	50	50	-	100
Audits	-	-	690	1,260	1,950
Projects	-	-	450	-	450
	30	100	1,910	1,260	3,300
Less Mandays Required					3,249
Deficit					51

Refer to Appendices 3 to 6 for details of Mandays Allocation.

-10-

PART E: CONSTRAINTS

5.1   The National Government Branch lacks adequate number of senior staff to lead audit teams in the field. The current situation in the Branch shows that there is a gap between Director of Audits and Auditors at the support staff level. That is the Branch lacks Team Leaders at SPA and PA Levels.

Requirement of additional manpower at a Team Leader level.

Position	Approved Positions	Occupied Positions	Vacancy	Recruitment Required
DAG	1	1	0	0
AAG	2	2	0	0
DOA	6	6	0	0
SPA	6	1	5	5
PA	13	0	13	13
SA	12	4	8	8
Auditor	13	11	2	2
AA	0	0	0	0
Secretaries	3	2	1	1
Driver	1	1	0	0
TOTAL	**57**	**28**	**29**	**29**

5.2   Resource Requirement

5.2.1   Staff Requirement

- The branch requests for the immediate recruitment of principle auditors due to staff constraints at a team leader level. Hence the deficit of 561 mandays can be off/setted by recruitment of 3 to 4 principal auditors.

5.2.2   Office Equipment

- To purchase one (1) new fifteen (15) seat bus for the branch at a minimum cost of K80,000.00. This is because the office bus (registration # ZGC 972) for the branch has been in use for more than five (5) years and is therefore overdue for replacement. It is also showing signs of defects such as break problems and air condition is not working at all and

- To purchase office furniture's such as filing cabinets and filing racks etc for the staff of the branch. The details of these office furniture`s are provided here under:

No	Item	Quantity
	SUMMARY OF FURNITURES	
1	Air condition for a/DAG	1
2	Mini bar fridge for a/DAG	1
3	Filing racks enclosed back (grey)	10
4	4 draw cabinets	2
5	3 draw cabinets	6
6	Stan Fan	6
7	Thrash bins (plastic)	8
	TOTAL	**34**

-11-

PART F: APPENDICES

Appendix 1

SCHEDULE OF TOTAL AUDITS

Public Accounts	Financial Year	Mandays Required
1. Statement 'A'	2011	40
2. Statement 'B'	2011	40
3. Statement 'C'	2011	40
4. Statement 'D'	2011	40
5. Statement 'E'	2011	40
6. Statement 'F'	2011	40
7. Statement 'G'	2011	40
8. Statement 'H'	2011	40
9. Statement 'I'	2011	40
10. Statement 'J'	2011	40
11. Statement 'L'	2011	40
SUBSIDIARY ACCOUNTS		
12. Appendix '1' Losses & Deficiencies	2011	40
13. Secretary's Advance	2011	40
14. Receiver of Public Monies	2011	40
15. Waigani Public Account	2011	40
16. Salaries Clearance Drawing Account	2011	40
17. Suspense Account No. 2	2011	40
18. Miscellaneous Expenditure	2011	40
Total		**720**

Departmental Audits	Financial Year	Mandays Required
1. National Parliament	2012	45
2. Office of Governor General	2012	45
3. Department of Prime Minister & NEC *3.1 Office of Bougainville Affairs*	2012	45
4. National Statistical Office	2012	45
5. Department of Finance *5.1Information Technology Division*	2012	45
6. Treasury and Finance Miscellaneous	2012	45
7. Department of Treasury	2012	45
8. Registrar For Political Parties	2012	45
9. PNG Customs Service	2012	45
10. Fire Services	2012	45
11. PNG Immigration and citizenship Services	2012	45
12. Internal Revenue Commission	2012	45
13. Department of Foreign Affairs and Trade	2012	45
14. Office of the Public Prosecutor	2012	45

-12-

15. Department of Personnel Management	2012	45
16. Public Service Commission	2012	45
17. Judiciary Services	2012	45
18. Office of the Public Solicitor	2012	45
19. Magisterial Services	2012	45
20. Department of Attorney General	2012	45
21. Department of Corrective Institutional Services	2012	45
22. Provincial Treasuries	2012	45
23. Department of Police	2012	45
24. Department of National Planning & Monitoring	2012	45
25. Electoral Commission	2012	45
26. National Intelligence Organization	2012	45
27. Department of Provincial & Local Government Affairs	2012	45
28. Department of Defence	2012	45
29. Department of Education	2012	45
30. Commission for Higher Education	2012	45
31. PNG National Commission for UNESCO	2012	45
32. Department of Health *32.1 Hospital Management Services*	2012	45
33. Department of Community Development	2012	45
34. National Volunteer Services	2012	45
35. Department of Environment and Conservation	2012	45
36. Department of Agriculture and Livestock	2012	45
37. Department of Lands and Physical Planning	2012	45
38. Department of Mineral Policy and Geohazards Management	2012	45
39. Department of Petroleum and Energy	2012	45
40. Department of Public Enterprises	2012	45
41. Department of Information and Communication	2012	45
42. Department of Transport	2012	45
43. Department of Commerce and Industry	2012	45
44. Department of Labour & Industrial Relations	2012	45
45. National Tripartite Consultative Council	2012	45
46. Department of Works and Implementation	2012	45
47. Office of Rural Development	2012	45
48. Central Supply & Tenders Board	2012	45
49. Office of Tourism Arts and Culture	2012	45
50. Treasury and Finance – Public Debt Charges	2012	45
Total		**2,250**

-13-

Project Audits	Financial Year	Mandays Required
1. Airport Development Project (ADB) - Civil Aviation	2011	15
2. Lae Port Development Project - IBPC	2011	15
3. PNG Rural Communication Project - Department of Communication	2011	15
4. Highlands Road Maintenance Audit Up-grading Project (ADB 1709/ADB 2242/2243 - DoW	2011	15
5. PNG Productive Partnership Agriculture Development – DAL	2011	15
6. Micro Finance Expansion Project - BPNG	2011	15
7. Smallholder Agriculture Development Project IBPC/IDA 4374 - OPIC	2011	15
8. Community Water Transport Project (ADB 2079) – Dept. of Transport	2011	15
9. PNG Urban Youth Development Project - NCDC	2011	15
10. Road Maintenance and Rehabilitation Project (IBRD 7119) - DoW	2011	15
Total		**150**
11. Health Sector Improvement Programme (HSIP) Trust Account – DoH (10 Provincial Visits 30 Mandays each)	2011	**300**
Sub-Total		**450**

Reports in Progress	Financial Year	Mandays Required
1. Part I (Draft Opinion Review)	2009	30
2. Part I (ML under review)	2010	50
3. Part II (CPs under review)	2010	50
4. Part II (Refer carry-overs)	2011	50
Sub-total		**180**

No	National Department	Sections	Category	Days
1	IRC	3	YTC	45
2	OFFICE OF RURAL DEVELOPMENT	3	YTC	45
3	DEPT. OF FOREIGN AFFAIRS	3	YTC	45
4	DEPT. OF DEFENCE	5	ONLY COMMENCED IN JULY	45
5	NATIONAL PLANNING OFFICE	5	ONLY COMMENCED IN JULY	45
6	MAGISTERIAL SERVICES	2	AUDIT IN PROGRESS	45
7	DEPT. OF HEALTH	2	AUDIT IN PROGRESS	45
8	DEPT. OF PETROLUEM AND ENERGY	6	AUDIT IN PROGRESS	45
9	ATTORNEY GENERAL	4	AUDIT IN PROGRESS	45
10	DEPT. OF PERSSONAL MANAGEMENT	4	AUDIT IN PROGRESS	45
11	OFFICE OF HIGHER EDUCATION	2	DOA REVIEW	30
12	DEPT. AGRICULTURE AND LIVESTOCK **2010**	3	DOA REVIEW	30
13	DEPT. AGRICULTURE AND LIVESTOCK **2011**	3	DOA REVIEW	30

-14-

14	COMMERCE AND INDUSTRY	3	DOA REVIEW	30
15	CORRECTIONAL SERVICES	4	DOA REVIEW	30
16	DEPT. OF POLICE	6	DOA REVIEW	30
17	DEPT OF LANDS	1	DOA REVIEW	30
18	NSO	5	DOA	30
	TOTAL MANDAYS REQUIRED			**690**

Summary

Public Accounts	720
Departmental Audits	2,250
Project Audits	450
Reports in Progress	180
Carry-Over Audits	690
Total Mandays Required based on Total Audits	**4,290**

-15-

Appendix 2

SCHEDULE OF POSSIBLE AUDITS

Public Accounts	Financial Year	Mandays Required
1. Statement 'A'	2011	40
2. Statement 'B'	2011	40
3. Statement 'C'	2011	40
4. Statement 'D'	2011	40
5. Statement 'E'	2011	40
6. Statement 'F'	2011	40
7. Statement 'G'	2011	40
8. Statement 'H'	2011	40
9. Statement 'I'	2011	40
10. Statement 'J'	2011	40
11. Statement 'L'	2011	40
SUBSIDIARY ACCOUNTS		
12. Appendix '1' Losses & Deficiencies	2011	40
13. Secretary's Advance	2011	40
14. Receiver of Public Monies	2011	40
15. Waigani Public Account	2011	40
16. Salaries Clearance Drawing Account	2011	40
17. Suspense Account No. 2	2011	40
18. Miscellaneous Expenditure	2011	40
Total		720

Departmental Audits to be done in 2012/2013 Cycle	Financial Year	Mandays Required
1. Works	2012	45
2. Lands	2012	45
3. Electoral Commission	2012	45
4. Education	2012	45
5. Public Solicitors Office	2012	45
6. Prime minister & National Executive Council	2012	45
7. Health	2012	45
8. Magisterial Services	2012	45
9. Commissioner of Higher Education	2012	45
10. Provincial Government & Local-level Government	2012	45
11. Department of Agriculture & Livestock	2012	45
12. Foreign Affairs	2012	45
13. Internal Revenue Commission	2012	45
14. Office of Rural Development	2012	45
15. Department of Prime Minister	2012	45
16. Correction Institute Services	2012	45
17. National Judicial & Staff Services	2012	45
18. Attorney-General	2012	45
19. Commerce & Industry	2012	45
20. Defence	2012	45

-16-

	2012	45
21. Finance	2012	45
22. National Planning	2012	45
23. National Statistical Office	2012	45
24. National Parliament	2012	45
25. Police	2012	45
26. Petroleum & Energy	2012	45
27. Community Development	2012	45
28. Transport	2012	45
Total		**1,260**

Project Audits	Financial Year	Mandays Required
1. Airport Development Project (ADB) - Civil Aviation	2011	15
2. Lae Port Development Project - IBPC	2011	15
3. PNG Rural Communication Project - Department of Communication	2011	15
4. Highlands Road Maintenance Audit Up-grading Project (ADB 1709/ADB 2242/2243 – DoW	2011	15
5. PNG Productive Partnership Agriculture Development – DAL	2011	15
6. Micro Finance Expansion Project - BPNG	2011	15
7. Smallholder Agriculture Development Project IBPC/IDA 4374 – OPIC	2011	15
8. Community Water Transport Project (ADB 2079) – Dept. of Transport	2011	15
9. PNG Urban Youth Development Project - NCDC	2011	15
10. Road Maintenance and Rehabilitation Project (IBRD 7119) – DoW	2011	15
Total		**150**
11. Health Sector Improvement Programme (HSIP) Trust Account – DoH (10 Provincial Visits 30 Mandays each)	2011	**300**
Sub-Total		**450**

Reports in Progress	Financial Year	Mandays Required
1. Part I (Draft Opinion Review)	2009	30
2. Part I (ML under review)	2010	50
3. Part II (CPs under review)	2010	50
4. Part II (Refer carry-overs)	2011	50
Sub-total		**180**
Grand-Total – Mandays Required		**2,360**

-17-

No	National Department	Sections	Category	Days
1	IRC	3	YTC	45
2	OFFICE OF RURAL DEVELOPMENT	3	YTC	45
3	DEPT. OF FOREIGN AFFAIRS	3	YTC	45
4	DEPT. OF DEFENCE	5	ONLY COMMENCED IN JULY	45
5	NATIONAL PLANNING OFFICE	5	ONLY COMMENCED IN JULY	45
6	MAGISTERIAL SERVICES	2	AUDIT IN PROGRESS	45
7	DEPT. OF HEALTH	2	AUDIT IN PROGRESS	45
8	DEPT. OF PETROLUEM AND ENERGY	6	AUDIT IN PROGRESS	45
9	ATTORNEY GENERAL	4	AUDIT IN PROGRESS	45
10	DEPT. OF PERSSONAL MANAGEMENT	4	AUDIT IN PROGRESS	45
11	OFFICE OF HIGHER EDUCATION	2	DOA REVIEW	30
12	DEPT. AGRICULTURE AND LIVESTOCK **2010**	3	DOA REVIEW	30
13	DEPT. AGRICULTURE AND LIVESTOCK **2011**	3	DOA REVIEW	30
14	COMMERCE AND INDUSTRY	3	DOA REVIEW	30
15	CORRECTIONAL SERVICES	4	DOA REVIEW	30
16	DEPT. OF POLICE	6	DOA REVIEW	30
17	DEPT OF LANDS	1	DOA REVIEW	30
18	NSO	5	DOA	30
	TOTAL MANDAYS REQUIRED			**690**

Summary

Public Accounts	720
Departmental Audits	1,260
Project Audits	450
Reports in Progress	180
Carry-Over Audits	690
Total Mandays Required based on Possible Workload	**3,300**

-18-

Appendix 3

AUDIT TEAMS – AUDIT CYCLE 2012/2013
DEPARTMENT AUDIT FOR YEAR 2012

Section	No of Audit	National Departments/Agencies	Mandays/Period	
			01/07/12- 31/12/12 Interim	01/01/13- 31/06/13 Final
Sect-1	5	Works	30 days	15 days
		Lands	30 day	15 days
		Electoral Commission	30 days	15 days
		Education	30 days	15 days
		Public Solicitors Office	30 days	15 days
			150 days	75 days
Sect-2	5	PM&NEC	30 days	15 days
		Health	30 days	15 days
		Magisterial Services	30 days	15 days
		Com/H. Education	30 days	15 days
		PG & LLG	30 days	15 days
			150	75 days
Sect-3	4	DAL	30 days	15 days
		Foreign Affairs	30 days	15 days
		IRC	30 days	15 days
		ORD	30 days	15 days
			120 days	60 days
Sect-4	5	DPM	30 days	15 days
		CIS	30 days	15 days
		NJSS	30 days	15 days
		Attorney-General	30 days	15 days
		Commerce & Industry	30 days	15 days
			150 days	75 days
Sect-5	5	Defence	30 days	15 days
		Finance	30 days	15 days
		National Planning	30 days	15 days
		NSO	30 days	15 days
		National Parliament	30 days	15 days
			150 days	75 days
Sect-6	4	Police	30 days	15 days
		Petroleum & Energy	30 days	15 days
		Comm. Development	30 days	15 days
		Transport	30 days	15 days
Total	**28**		**120 days**	**60 days**
			840 days	**420 days**
			1260 days	
DOA	11	Donor Funded Projects	150 days	
All	1	HSIP Trust Accounts	300 days	
		Total Mandays	**1,710 days**	

-19-

<u>**Appendix 4**</u>

<u>**PUBLIC ACCOUNTS AUDIT – 2011**</u>

The audit of Public Accounts for the fiscal year ended 31 December, 2011 will be undertaken by all staff of the Branch. The Public Accounts comprises of main statements from 'A' to 'L' and Subsidiary Accounts. These Financial Statements and Subsidiary Accounts are distributed among the six (6) Director of Audits and their team to carry out the audits.

The allocation of the Public Account Statements, audit team and mandays are as follows:

No	Main Statement	Sections	Mandays allocated	Time Period
1	Statement 'A'	1	40	Sept to Dec 2012
2	Statement 'B'	6	40	Sept to Dec 2012
3	Statement 'C'	2	40	Sept to Dec 2012
4	Statement 'D'	3	40	Sept to Dec 2012
5	Statement 'E'	4	40	Sept to Dec 2012
6	Statement 'F'	2	40	Sept to Dec 2012
7	Statement 'G'	5	40	Sept to Dec 2012
8	Statement 'H'	1	40	Sept to Dec 2012
9	Statement 'I'	4	40	Sept to Dec 2012
10	Statement 'J'	3	40	Sept to Dec 2012
11	Statement 'L'	6	40	Sept to Dec 2012

SUBSIDIARY ACCOUNTS

No	Main Statement	Sections	Mandays allocated	Time Period
12	Appendix '1' Losses & Deficiencies	5	40	Sept to Dec 2012
13	Secretary's Advance	6	40	Sept to Dec 2012
14	Receiver of Public Monies	1	40	Sept to Dec 2012
15	Waigani Public Account	2		Sept to Dec 2012
16	Salaries Clearance Drawing Account	4	40	Sept to Dec 2012
17	Suspense Account No. 2	3	40	Sept to Dec 2012
18	Miscellaneous Expenditure	5	40	Sept to Dec 2012

-20-

<u>Appendix 5</u>

There are fifty (50) National Government Departments to be audited for fiscal years, 2012/2013. However, the Branch selected a sample of twenty-six (26) National Government Departments to carry out audit of accounts and records for years 2012 controls. These Department audits will support the audit of Public Accounts for year 2012.

The Branch will conduct the audit for the balance of twenty-two (22) Department's in the subsequent audit cycle.

The names of Departments, audit teams and mandays allocated, are given below:

	National Department	Mandays allocated	Time period	
1	Public Service Commission	45	July – Dec	2013
2	Treasury	45	July – Dec	2013
3	Mineral Policy and Geohazards Management	45	July – Dec	2013
4	Labour & Industrial Relations	45	July – Dec	2013
5	PNG Customs	45	July – Dec	2013
6	Treasury & Finance Miscellaneous	45	July – Dec	2013
7	Environment & Conservation	45	July – Dec	2013
8	Office of the Governor General	45	July – Dec	2013
9	Registrar of Political Parties	45	July – Dec	2013
10	Fire Services	45	July – Dec	2013
11	PNG Immigration and Citizenship Services	45	July – Dec	2013
12	Office of the Public Prosecutor	45	July – Dec	2013
13	Provincial Treasuries	190	July – Dec	2013
14	PNG National Commission for UNESCO	45	July – Dec	2013
15	National Volunteer Services	45	July – Dec	2013
16	Department of Public Enterprises	45	July – Dec	2013
17	Department of Information & Communication	45	July – Dec	2013
18	National Tripartite Consultative Council	45	July – Dec	2013
19	National Intelligence Organisation	45	July – Dec	2013
20	Office of Tourism and Culture	45	July – Dec	2013
21	Central Supply & Tenders Board	45	July – Dec	2013
22	Treasury & Finance Public Debt Charges	45	July – Dec	2013
	TOTAL	1,135		

-21-

Appendix 6

The audits highlighted below are 'carry over audits from the last cycle'. These audits are categorized into four specific phases. Audits not commenced are indicated as (YTC), whilst audits underway are taken up here as (Audits in Progress), the last phase is DOA review.

No	National Department	Sections	Category	Days
1	IRC	3	YTC	45
2	OFFICE OF RURAL DEVELOPMENT	3	YTC	45
3	DEPT. OF FOREIGN AFFAIRS	3	YTC	45
4	DEPT. OF DEFENCE	5	ONLY COMMENCED IN JULY	45
5	NATIONAL PLANNING OFFICE	5	ONLY COMMENCED IN JULY	45
6	MAGISTERIAL SERVICES	2	AUDIT IN PROGRESS	45
7	DEPT. OF HEALTH	2	AUDIT IN PROGRESS	45
8	DEPT. OF PETROLUEM AND ENERGY	6	AUDIT IN PROGRESS	45
9	ATTORNEY GENERAL	4	AUDIT IN PROGRESS	45
10	DEPT. OF PERSSONAL MANAGEMENT	4	AUDIT IN PROGRESS	45
11	OFFICE OF HIGHER EDUCATION	2	DOA REVIEW	30
12	DEPT. AGRICULTURE AND LIVESTOCK **2010**	3	DOA REVIEW	30
13	DEPT. AGRICULTURE AND LIVESTOCK **2011**	3	DOA REVIEW	30
14	COMMERCE AND INDUSTRY	3	DOA REVIEW	30
15	CORRECTIONAL SERVICES	4	DOA REVIEW	30
16	DEPT. OF POLICE	6	DOA REVIEW	30
17	DEPT OF LANDS	1	DOA REVIEW	30
18	NSO	5	DOA	30
	TOTAL MANDAYS REQUIRED			**690**

-22-

Appendix 17: Format of an Operational Plan

Goal: To have in place a competent and motivated workforce						
Objective: Strengthen human resources management						
Project	Risk	Success indicators	Time-frame	Budget $	Funding source	Responsibility
3.1.1 Develop a human resources strategy.	Low	HR strategy developed.	May 12	15 000	Budget	Director HR

Appendix 18: Illustration from an Operational Plan Document

Goal 3	TO TRANSFORM THE SAI FROM A GOOD TO A GREAT PLACE TO WORK					
Objective 3.2	To build team spirit through staff participation through common activities					
Key Activities / Projects	Success Indicators	Risks	Time Frame	Budget	Responsible Person	Progress as at 30 April 2008
3.2.1 To organise a family sports day	Staff participation	Low	August of each year	5,000	Audit fund	Family sports day for August 2008 is being organised.
3.2.2 To organise social and recreational and events for staff	Social events held	Low	In April and December of each year	5,000	Audit fund	Some officers are participating in football tournament organised by the POWC whilst others are doing yoga and aerobics.
2.2.3 To promote staff to participate in activities organised by the Public Officers Welfare Council	Number of staff participating	Medium	ongoing	Nil	Divisional Head and Audit Fund	As and when activities are organised by POWC, staff are being encouraged to participate.

Appendix 19: Excerpt from the Office of the Auditor City and County of Denver – Audit Services Division 2009

Attachment A: Listing of Planned Audits

Auditor's Office
2009 Annual Audit Plan
Listing of Planned Audits

Audit Title	Department	Audit Type	Estimated Hours	Audit Objective
Records Management	Clerk and Recorder	Program Effectiveness	1500	To assess the City's process for records management, including electronic records. The audit will include an examination of policies and systems used for records management and assessment of compliance with related legal requirements.
Seedco	Office of Economic Development	Program Effectiveness	500	To assess the effectiveness of the Office of Economic Development's program oversight and management of Seedco. The audit will include an assessment of contract provisions and performance measures used to monitor the effectiveness of the program as well as an analysis of OED efforts to maximize federal and state funding sources.
Service Level Agreements	Waste Water	Internal Controls	800	To assess the internal control environment related to City Service Level Agreements (SLAs) between various City departments and functions. Specific review will be performed to ensure monies and services being exchanged are appropriate and germane to the respective departments utilizing such agreements.
Special Audit Requests & Unplanned Audits	TBD	TBD	7000	Dedication of hours to perform audits requested by external parties including the Audit Committee, elected officials and operational management as well as high risk audit areas emerging throughout the year.

14

Appendix 20: The Fiji Office of the Auditor-General Contract Audit Guidelines

THE FIJI OFFICE OF THE AUDITOR GENERAL
AUDIT MANUAL
POLICY AND PROCEDURES GUIDELINES

SECTION 13 - CONTRACT AUDITS

TABLE OF CONTENTS

13. CONTRACT AUDITS 2

   13.1 GENERAL APPROACH 3
     13.1.1 Particular Audits Not to be Contracted 3
   13.2 TENDERING PROCEDURES 4
     13.2.1 The Tender Evaluation Committee 4
     13.2.2 Expressions of Interest 4
     13.2.3 Limited Tenders 5
     13.2.4 Engagement Outline 5
     13.2.5 Contact with Prospective Tenderers 6
     13.2.6 Closing of Tenders 6
     13.2.7 Evaluating Tenders 7
     13.2.8 Recommendations of the Committee 8
   13.3 TERM OF CONTRACTS 8
   13.4 THE STANDARD CONTRACT 8
   13.5 THE ONGOING RELATIONSHIP BETWEEN THE AUDIT OFFICE, CONTRACT AUDIT AGENTS AND THE AUDIT
     CLIENT 9
     13.5.1 Quality Control 9
     13.5.2 Initial Contact 9
     13.5.3 Review of Audit Plans 9
     13.5.4 Review of Interim Audit Work 9
     13.5.5 Approval in Principle 10
     13.5.6 Final Review 10
     13.5.7 Additional Services Provided by Contract Audit Agent 10
     13.5.8 OAG Contract Audit Agents Acting as Internal Auditors 11
     13.5.9 Miscellaneous Matters 11
   13.6 BREACHES OF CONTRACT 12
   13.7 AUDIT CLIENT DISSATISFACTION 12
   13.8 EXPIRATION OF THE CONTRACT 12

APPENDICES 14

13.A.1 PLANNING REVIEW 14

13.A.2 APPROVAL IN PRINCIPLE 15

13.A.3 FINAL REVIEW 16

   13.A.3.1 DETAILED REQUIREMENTS FOR FINAL REVIEW 18

13.A.4 SAMPLE TENDER LETTERS / DOCUMENTATION 19

   13.A.4.1 GENERAL AUDIT REQUIREMENTS (ATTACHMENT A) 22
   13.A.4.2 SUMMARY OF TERMS AND CONDITIONS FOR APPOINTMENT OF CONTRACT AUDITORS (ATTACHMENT B) 23
   13.A.4.3 SUMMARY EVALUATION SHEET (ATTACHMENT C) 24

THE FIJI OFFICE OF THE AUDITOR GENERAL
AUDIT MANUAL
POLICY AND PROCEDURES GUIDELINES

SECTION 13 - CONTRACT AUDITS

13. CONTRACT AUDITS

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.1   GENERAL APPROACH

The Audit Office contracts out audits where there is prima facie evidence that the audit can be undertaken more efficiently (in its broadest meaning) by the private sector.

Such prima facie evidence might include:

- indications that the Office of the Auditor General will face costs (overhead or direct) that would not be borne by the private sector;
- indications that the management of the audit (because of the variability of the transactions or because of the sudden extension of mandate) can be more efficiently undertaken by the private sector;
- indications that the audit experience available to the private sector would enable it to perform more efficiently.

At this stage, there is no need to study the strength of the prima facie evidence at length, but a decision to contract out an audit should not be taken in isolation from the audit client.

It would be expected that contracting out would be favoured where there are large, sudden additions to the numbers of audit clients, where there are remote, small audit clients, or where the audit involves a very small client with little or no material risks.

The decision to contract out an audit can only be made by the Auditor-General, and will generally be made in consultation with the Assistant Auditor-General (AAG) responsible for that audit.

All audit contracts are let through the Office's Contract Administration Section.

13.1.1   Particular Audits Not to be Contracted

Contracting out will not normally be favoured where the audit client occupies a central co-ordinating role in government. This is relevant to bodies such as the Parliament, the Treasury, the Premier's Department, the Cabinet Office, Treasury Corporation and, currently, the Department of Public Works and Services.

Contracting out will not normally be favoured where the audit client exerts significant, non-economic regulatory activity. This is relevant to the judiciary, law enforcement agencies, prisons, and juvenile justice, for example.

And contracting out will not normally be favoured where there is prima facie evidence that economies of scale are present. This is relevant to industries where there are multiple audit clients (health, energy, education).

Contracting out ought to involve the consent of the audit client and should only be entertained if the Office has confidence in the professionalism of the audit agent.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.2   TENDERING PROCEDURES

13.2.1   The Tender Evaluation Committee

The submission of a minute to the Auditor-General seeking approval for the contracting of an audit engagement is to contain references to:

- the last audit fee charged in reference to the audit client;
- a list of potential tenderers;
- a suggested period for the contract to run (normally four years);
- the proposed nominees of the Tender Evaluation Committee (the Committee).

Once the decision has been made to contract out an audit engagement (but prior to any steps in the contracting process being undertaken) a Tender Evaluation Committee is to be established to control the contracting process.

The Committee should comprise between three and five officers of the Audit Office. In most cases this Committee will consist of three officers, however where a large number of similar audits are being contracted out at the same time or the contracting process needs to be completed in a short time frame, this number may be expanded to four or five.

Membership of the Committee should consist of the DAG and the responsible Principal Auditor for the audit, the Contract Audit Administrator (Principal Auditor could be appointed in this capacity or the executive officer). A representative of the audit client should be invited to attend the meetings of the Committee in an observer capacity, if it is considered appropriate.

The Secretary of the Committee should establish a file containing:

(i) minutes of all meetings;
(ii) all expressions of interest (if applicable);
(iii) expressions of interest culling evaluations (if applicable);
(iv) all tenders;
(v) tender evaluations; and
(vi) recommendation of successful tenderer.

The first decision required of the Committee is whether expressions of interest should be called for or whether a limited tender should be undertaken. Open tenders are not considered appropriate due to the time required in evaluating individual tenders. Generally, expressions of interest should be called for where the audit is being contracted out for the first time.

13.2.2   Expressions of Interest

Where the most appropriate method is determined to be through expressions of interest, advertisements should be placed in the appropriate media. This will generally be through the Fiji Times or the Post. Estimates of cost should be ascertained prior to the placing of advertisements and the DAG advised.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

In addition to any specific information required by the Committee to evaluate expressions of interest, the following information should be requested:

(i) industry experience/knowledge; and
(ii) size of audit firm and audit capacity/experience.

Once the time for expressions of interest has expired the Committee will evaluate all responses and produce a short list of all firms that will be requested to submit tenders. Expressions of interest should be evaluated on the basis of the culling criteria. All firms unsuccessful in this process should be advised as soon as possible.

13.2.3 Limited Tenders

Where a limited tender is considered to be the most appropriate method, a list of suitable firms should be compiled by the Committee. In establishing this list, the Contracting Database may be of assistance in locating firms with specialised skills or in a particular geographical location. Once the list has been prepared, the Contract Audit Administrator should contact each firm by telephone to ascertain if it is interested in tendering for the audit engagement.

If a suitable number of firms cannot be found to tender for the audit engagement, the Committee should ascertain the reason for the lack of interest (eg. audit fee historically too low, major change in the operations of the audit client) and undertake further steps to locate suitable firms.

13.2.4 Engagement Outline

Once the firms involved in the tendering process have been determined, the Committee should prepare an outline of the audit engagement and forward this to each tenderer (Refer to Appendix 13.A.4). Tenderers should be advised that this information should not be copied, and should be returned to the Audit Office if the tender is unsuccessful.

The outline of the audit engagement should contain the following items:

(i) overview of the Office of the Auditor General;
(ii) overview of the contract client;
(iii) overview of legal environment in which the audit is conducted;
(iv) overview of the contract engagement including names of client contact officers;
(v) copies of relevant client documentation (ie. Annual Report);
(vi) documentation of audit procedures and requirements of the Audit Office;
(vii) reporting requirements of the Audit Office;
(viii) calendar of audit events; and
(ix) copy of the standard contract.

The Committee should also estimate the following matters for the audit, to assist in the evaluation of tenders. (This information should be only used in evaluating tenders and should not be provided to tendering firms.):

(i) total hours for the audit;
(ii) hours for each level of staff (eg. Audit Manager, Audit Senior); and
(iii) total cost of the audit in terms of the Office of the Auditor General charge out rates.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

In addition to any specific information required by the Committee to evaluate tenders, the following information should also be requested of tenderers:

(i)   knowledge of the relevant industry and industry issues;
(ii)   experience in auditing;
(iii)   audit methodology and techniques including CIS audit ability;
(iv)   details of materiality and audit risk adopted for audit;
(v)   quality control procedures;
(vi)   total hours and the split-up of hours between various levels of staff (ie. partner, manager etc.); and
(vii) any links with other tendering firms.

13.2.5   Contact with Prospective Tenderers

In the time between the forwarding of tender documentation to tendering firms and the awarding of the contract, members of the Committee should treat with caution all requests for further information. This is to ensure that one firm does not gain an unfair advantage.

The Committee should consider whether it would be beneficial to request all tendering firms to attend a joint meeting at the audit client's premises with:

(i)   audit client representatives; and
(ii)   a representative of the Committee.

This will allow the tendering firms an equal opportunity to gain additional information and to draft a competitive quotation.

If pertinent information comes to the attention of the Committee in the period between the forwarding of tender documentation and the closing of tenders, an addendum to the tender documentation should be prepared and forwarded to all tendering firms.

The Committee should co-ordinate all contact, and visits and requests for information by tendering firms to the audit client so as to ensure that disruption to the audit client is kept to a minimum.

13.2.6   Closing of Tenders

Tenders should not be accepted after the closing date and should be provided in two envelopes:

(i)   one envelope will contain the tender documentation; and
(ii)   the second will contain the tendered price.

Each envelope should be clearly marked to disclose the contents and the name of the tenderer.

After the tendering process has closed, at least 2 members of the Committee should open each tender and register the details in a tender book. The second envelope containing the price should not be opened at this stage, but will be registered and placed in the custody of the Deputy Auditor-General until required by the Committee.

30-Aug-12 - (Contract Audit Guidelines_19A090D)   *Page 13.6*

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.2.7   Evaluating Tenders

The Committee should meet and evaluate all tenders using the Tender Evaluation Form (refer to Appendix 13.A.4.3 - attachment C) and the estimates of time and cost previously determined.

Selection of the audit agent should be made on the basis of industry experience, audit methodology, capability of staff, involvement of senior staff, thoroughness and resolve of audit plan and audit staff and cost.

In the selection process, there should be no compromise because of costs on a basic minimum quality of audit, taking into account risk.

The audit agent should not be permitted to undertake for the audit client other, non-audit tasks that conflict with the purpose of the audit (also refer 13.5.7).

In particular, the audit agent should not be permitted to provide aggressive tax advice or assume general management consultancy roles.

Where further information is required from tenderers this information may be requested over the telephone or via interview. At least two members of the Committee should conduct any interview, and notes should be provided to the other members of the Committee and filed.

The tender evaluation process should encompass the following criteria:

(i) completion of the Tender Evaluation Form (13.A.4.3);

(ii) review of the hours provided by each tenderer against the hours estimated by the Committee, identifying reasons where hours are abnormally high or low and endeavouring to ascertain the reasons;

(iii) evaluating the independence of the tenderers. When considering independence, investigations should be made into other work being performed by the firm for the audit client, and other links between the audit client and the firm (eg. existing appointment as internal auditor);

(iv) review of the tenderer's response to the specific requirements set out in the engagement outline.

On completion of the evaluation process the Committee should decide which tenders are considered to be satisfactory and suitable for further consideration. Satisfactory tenderers should then be ranked in order of preference.

After the ranking process is complete, the second envelope containing the price for the audit engagement should be opened and the price included on the ranking document.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.2.8   Recommendations of the Committee

The Committee should then draft a recommendation and submit this to the Auditor-General giving reasons for their decision. An alternate choice should also be nominated. At this point the term of the contract should also be decided.

Once the Committee's recommendation has been approved by the Auditor-General, a formal communication should be made with the audit client notifying them of the tenderer selected and requesting a formal response if they have any objections with the appointment. Any objections should be considered by the Committee, and if necessary a further recommendation should be made to the Auditor-General. However, the final decision is the prerogative of the Auditor-General.

Formal responsibility should then be passed to the Contract Audit Administrator to oversee the signing of the contract between the successful tenderer and the Audit Office. The Contract Audit Administrator should also ensure all relevant information on the contract is maintained by the Office, and should notify all unsuccessful tenderers.

After completion of the tendering process a summary of the tender results should be prepared by the Contract Audit Administrator for posting on the Audit Office Bulletin Board. This summary should include the following items:

• name of firm;
• brief overview of audit approach;
• fee tendered;
• hours tendered and ratio of hours tendered for partner/manager/support staff.

The Contract Audit Administrator is also responsible for updating the Contracting Database with any new information obtained during the contracting process.

13.3   TERM OF CONTRACTS

Small contracts can be let up to six years, in order that the Office of the Auditor General and Contract Audit Agent's set up costs can be absorbed over this longer period. Larger contracts are usually for four years except when a large number are to be let for the first time.

13.4   THE STANDARD CONTRACT

The standard contract provides the basis under which the audit engagement will be performed. No work should be undertaken by the Contract Audit Agent until the contract has been signed by the Contract Audit Agent and the Auditor-General.

All contract audit engagements should use the standard contract without amendment to ensure that they are performed under the same contractual conditions.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

**13.5   THE ONGOING RELATIONSHIP BETWEEN THE AUDIT OFFICE,
            CONTRACT AUDIT AGENTS AND THE AUDIT CLIENT**

13.5.1   Quality Control

The Audit Office is responsible for forming and expressing the opinion on the general purpose financial report and should obtain reasonable assurance that the work performed by Contract Audit Agents is adequate for this purpose.

Quality controls have been established in accordance with professional auditing standards (ie. AUS 602 "Using the Work of Another Auditor" and other relevant AUSs) to satisfy this requirement.

13.5.2   Initial Contact

The Engagement Manager should make initial contact with both the audit client and the Contract Audit Agent early in the fiscal year to establish a working relationship between all parties.

The Engagement Manager should at this stage agree with the Contract Audit Agent the dates for the progressive review of the audit working papers and completion of all audit work and reports.

13.5.3   Review of Audit Plans

Upon completion of the audit plan by the Contract Audit Agent but prior to the beginning of interim work, the Principal Auditor should review the plan and the planning review form to ensure that sufficient work will be performed to meet the audit objectives (refer Appendix 1).

Generally, the first plan produced by a Contract Audit Agent will need to be reviewed at a more detailed level than future plans.

If deficiencies are identified in the planning process or the work is not considered sufficient, the Contract Audit Agent should be notified in writing outlining the corrective action required.

After this corrective action has been carried out a second review of the plan should be undertaken to ensure that all deficiencies have been corrected and the planned work is sufficient.

Once the audit plan has been reviewed by the Principal Auditor, an engagement letter should be prepared by the Office of the Auditor General and sent to the audit client. The engagement letter should refer to the contractual relationship between the Office of the Auditor General and the Contract Audit Agent.

13.5.4   Review of Interim Audit Work

Upon completion of the interim audit the Senior Auditor and/or the Principal Auditor should review all work papers. This review should ensure that the procedures outlined in the plan have been followed, including hours as quoted, and that sufficient appropriate audit evidence has been obtained to support the expression of an opinion on the financial report.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

Any problems identified as part of the interim audit review should be communicated to the Contract Audit Agent in writing. The Contract Audit Agent should be advised as to whether or not a further interim review is required of the corrective action or that the items will be reviewed at the time of the final audit.

13.5.5   Approval in Principle

Upon the receipt of the financial report the Senior Auditor and Principal Auditor should perform an initial review of the format of the financial report and discuss with the Contract Audit Agent and the client any problems identified.

The "approval in principle" process should be formally conducted by the Contract Audit Agent, and a detailed review of this process in conjunction with the financial report should be undertaken by the Senior Auditor and Principal Auditor. The Contract Audit Agent is to be advised of the results of this review (refer Appendix 2).

13.5.6   Final Review

The final review will consist of an appraisal of the work performed between the time of the interim review and the year-end, and a review of the final accounts audit procedures/working papers (refer Appendix 3).

As part of this final review the Senior Auditor and/or the Principal Auditor should ensure that all procedures outlined in the plan have been performed satisfactorily and that the work papers produced by the Contract Audit Agent support the audit opinion recommended.

The decision whether to carry out a final review of working papers is the responsibility of the Engagement Controller. This will depend on the standard of the working papers, the nature and extent of audit issues, and an assessment of the effectiveness of the quality control procedures employed by the Contract Audit Agent. Where the assessment of quality control is performed at the interim review stage, the Controller needs to be satisfied that nothing has occurred between the interim review and the signing of the audit report which would cause such assessment to change. As an additional measure, the Controller may wish to conduct a post review of final accounts work during the following year's interim audit review.

As well as the interim and final review visits to the Contract Audit Agent, it is also important to visit the audit client. This enables the Audit Office to be seen as the statutory auditor and to maintain contact. Consideration could also be given to Office attendance at the client's Audit Committee and Annual General Meetings.

13.5.7   Additional Services Provided by Contract Audit Agent

The potential problems associated with the contract auditor undertaking "other services" include:

- Actual independence being at risk because the contract auditor performs management functions or makes management decisions.

- Perceived independence being at risk because the contract auditor appears to be too closely aligned with the entity's management.

- The entity has an opportunity to exert undue pressure on the contract auditor by threatening to take away these "other services" (which might be quite lucrative as compared to the audit fee).

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

Any requests by a Contract Audit Agent to perform additional services for the audit client should be evaluated critically by the Principal Auditor. Generally contract auditors should only be permitted to perform additional services that the Office of the Auditor General would be willing to provide (ie. Special Audits; special reviews and investigations; reports to Parliament; advice on accounting standards/practices; financial management; advice on contracting of accounting work; staff training, and information technology and data processing).

The contract auditor ought exercise no more powers than Parliament has provided to the Auditor-General. Approval for the contract auditor to undertake both the audit and other services can only be given by the Auditor-General. Where approval has been given, it is the responsibility of the Principal Auditor to ensure that the above policy is being adhered to by the contract auditor.

13.5.8 OAG Contract Audit Agents Acting as Internal Auditors

Other than in exceptional circumstances, the Auditor-General will not give approval for contract audit agents to accept an appointment as internal auditor of the same organisation where they act as agents for the OAG. (It is envisaged that such circumstances would be extremely rare.) Approval for the agent to undertake both roles can only be given by the Auditor-General, and where such approval is given, this will be notified to the Treasury.

When seeking such approval, the contract agent must be able to meet the following minimum requirements:

- a separate office of the firm must be used for each function. (Where this is not possible, the dual roles should be carried out by separate engagement partners and audit teams);
- a separate engagement letter must be used for each function;
- the agent must not assume the role of management when undertaking internal audit services; and any recommendations made by the auditor are for implementation by management rather than the auditor;
- the agent should not accept any internal auditing engagement which involves the auditor becoming part of the entity's internal control structure relating to the preparation of financial report information; and
- the external auditor should gather sufficient appropriate audit evidence through the conduct of appropriate audit procedures when forming an opinion on the financial report and should not place any more reliance on work undertaken by colleagues than that undertaken by any other internal audit.

13.5.9 Miscellaneous Matters

At an early stage of the contract period the Senior Auditor/Principal Auditor should encourage both the Contract Audit Agent and the audit client to approach them with any problems encountered as part of the audit process.

When problems are identified the Senior Auditor/Principal Auditor should ensure that they are resolved as soon as possible.

The audit fees may be paid to the Contract Audit Agent on receipt of invoices by the Audit Office at the following stages in the audit process:

- completion of planning;

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

- completion of interim work;
- completion of final accounts work;
- completion of reporting requirements.

Invoices should not be paid unless the stage of work has been completed to a satisfactory level and a schedule of hours worked is attached.

13.6   BREACHES OF CONTRACT

Where a Contract Audit Agent breaches their contract with the OAG, the Contract Audit Administrator together with the Senior Auditor and Principal Auditor should evaluate the effect of the breach on the audit relationship.

If the ongoing contractual audit relationship is not affected by the breach of contract, then the contract should be maintained and the Contract Audit Agent advised in writing that the breach has been identified but no further action will be taken.

Where the contractual audit relationship is affected by the breach then the Contract Audit Agent should be advised in writing and formally requested to take corrective action.

Where the breach of contract is of such a magnitude as to render the contract ineffectual then steps should be taken to terminate the arrangement.

Examples of a breach of contract could include:

(i)   inadequate planning documentation;
(ii) inability to complete the audit within the specified time;
(iii) work papers of an unacceptable standard; and
(iv) suspension of the principals of the Contract Audit Agent from a professional accounting body.

13.7   AUDIT CLIENT DISSATISFACTION

If the Office of the Auditor General becomes aware that the audit client is dissatisfied with the audit services being provided by a Contract Audit Agent, an investigation should be undertaken by the Contract Audit Administrator and the Senior Auditor/Principal Auditor.

Where it is found that the audit client has a valid complaint, the Contract Audit Agent should be advised of the complaint and the action required to rectify the complaint.

If the Contract Audit Agent does not undertake appropriate corrective action, consideration should be given to terminating the contract.

13.8   EXPIRATION OF THE CONTRACT

When the term of the contract expires, a decision should be made by the Deputy Auditor-General whether the audit is to continue to be subject to contract and, if so, the approval of the Auditor-General is to be obtained. If contracting is to be continued, then a decision is required as to whether expressions of interest should be called, or alternatively a limited tender undertaken. This decision can be based on knowledge gained from

POLICIES AND PROCEDURE GUIDELINES **SECTION 13**

the original expression of interest, and other audits which have been recently contracted.   Under no circumstances should a contract be let without a tender.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

APPENDICES

13.A.1   PLANNING REVIEW

The following checklist is used in undertaking a review of the Contract Audit Agent's audit plan:

- brief outline of activities and financial circumstances;
- significant events/changes;
- scope and form of opinion;
- basis of accounting;
- planned materiality;
- major problem, high risk areas;
- multi-locations;
- compliance coverage;
- reliance on internal audit;
- summary control environment;
- all questions answered;
- relevance of comments;
- review plans for evidence of compliance with review item;
- properly signed off;
- materiality levels set;
- degree of reliance of controls;
- nature and extent of audit evidence to be obtained;
- time budgets;
- identify risk areas;
- acquire knowledge of client's business;
- nature, timing and extent of audit procedures.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.A.2   APPROVAL IN PRINCIPLE

The following Approval in Principle checklist is to be used for the contract audit financial report, and is to be submitted within one week of receipt of the financial report.

APPROVAL IN PRINCIPLE OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 19..........

Audit Client..

NAME OF AGENT...

Draft Financial Report received on:..

Financial report due no later than 11 August.

Audit Report (opinion) to Auditor-General due no later than six weeks from date that Financial Report received (as above) and no later than 22 September.

This deadline (based on the date that the draft financial report were received) is:..............

The Audit Report (opinion) last year was given on .... and was clear/qualified.

Except where specified, the basis of accounting is historical cost and full accrual accounting is adopted.

DEPARTURES FROM ACCOUNTING PRINCIPLES AND STANDARDS
Yes/No
Are there any instances of non-compliance with relevant legislation for which the Treasurer's exemption, where applicable, was not obtained?

If yes, are the non-compliance exemptions referred to in the Notes?

Are there any departures from applicable Australian Accounting Standards?

If yes, are the departures referred to in the Notes?

VARIATIONS FROM THE PREVIOUS PERIOD

Are there any significant variations from the financial report of the previous period?

If yes, attach details.

RECOMMENDATION FOR APPROVAL IN PRINCIPLE

The Financial Report is recommended for approval in principle.

FOR CONTRACT AUDIT AGENT.........**Manager/Auditor**..........**Date**

Concurring Opinion of Partner

....**Partner**......................................**Date**

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.A.3   FINAL REVIEW

The following checklist is to be used in the review of final accounts working papers in respect of contract audits:

**AUDIT OFFICE'S REVIEW OF
CONTRACT AUDIT AGENT'S AUDIT WORK PAPERS**

Audit Client:

PERIOD OF AUDIT   **1 JULY 19........ TO 30 JUNE 19............**

NAME OF AGENT..

1. Has the permanent file been updated? (see Appendix 3.1)

2. What systems have been identified for audit?

3. Have these systems been reviewed and documented?

4. Has materiality been determined? (see Appendix 3.1)

	Working Paper Index No.	Comments (Attach further sheets if necessary)

5. Have risks been identified? (see Appendix 3.1)

6. (a) Have internal controls been identified?

    (b) Have any controls been identified as "Key" controls?

        (i) systems based audit adopted?

        (ii) substantive audit adopted?

7. Have audit objectives been stated?

    (a) overall audit objectives

        (i) are they appropriate?

        (ii) in accordance with the audit plan?

    (b) detailed audit objectives

        (i) are they appropriate?

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

    (ii) in accordance with the audit plan?

8. How have sample sizes been determined? (see Appendix 3.1)

9. How have samples been selected? (see Appendix 3.1)

10. Is testing considered adequate? (see Appendix 3.1)

11. Assessment of internal audit

    (a) has an assessment been conducted?

    (b) what reliance is being placed on internal audit?

12. Is the audit sufficient, insufficient or too extensive?

13. Have audit procedures been adequately documented and reviewed?

    (a) overview system

    (b) account area systems

    (c) audit tests and procedures detailed

    (d) results of audit tests and procedures stated

14. Have conclusions on the achievement of audit objectives been recorded, documented, adequately interpreted and reviewed?

15. Have internal control deficiencies and errors detected in the system audit been referred to management, either orally (and discussion recorded) or through an internal control memorandum or management letter?

16. Have matters for follow-up been recorded?

Prepared by: .... **Date** .... **Reviewed by:** .... **Date** ....

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.A.3.1   DETAILED REQUIREMENTS FOR FINAL REVIEW

The following constitute the detailed requirements to questions contained in the checklist at Appendix 3.

1. **Permanent File**
   - Legislation
   - Annual Report
   - Scope of Audit
   - Organisation Charts
   - Outline Systems Descriptions
   - Preliminary Systems Examination
     * Overall Control Environment
   - Internal Audit
     * Charter
     * Assessment
     * Copies/reference Reports
   - Account Area Identification
     * Outline Systems Descriptions
     * Preliminary Systems Examinations
   - Other
2. **Materiality**
   - Identify Users
   - Assess Sensitivity
   - What Based On
   - How Calculated
3. **Risks**
   - Inherent
   - Internal Control
   - Analytical Review
   - How Overcome
4. **Sampling Size**
   - Judgemental
   - Statistical
   - Other
   - Confidence Level
5. **Selection**
   - MUS
   - Random
   - Judgemental
   - Other
6. **Timing**
   - Whole Period Covered
   - Concentration any Period

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.A.4   SAMPLE TENDER LETTERS / DOCUMENTATION

The following are examples of the letters and documentation used in calling for, and then evaluating audit tenders.

3rd July 19…

Managing Partner
(Name & Address of Firm)

Dear Mr

TENDERS INVITED
AUDIT OF …………………………………………….. (Name of Auditee)

Further to your expression of interest in participating in the audit work of the Office of the Auditor-General, you are invited to submit a tender in respect of the above audit commensurate with the requirements outlined in Attachments A and B, together with 3 statements of your firm's capability in this regard.

It is intended to contract one accounting firm to assist in the field audit work of the above client for a period of …………… years commencing ……………and your firm is one of a limited number invited to submit an estimate of fees.

The selected firm will carry out audit work under my overall direction and the Auditor-General will retain responsibility for forming the audit opinion and issuing the audit report.

It should be clearly recognised that any contract establishes an accountability relationship with the Auditor-General and not the auditee.

You are invited to submit to this Office a fee estimate, together with an appropriate resource resume, by 4.30 p.m. …………… 1997. Three copies are to be provided.

The resource resume is to include:

- the proposed audit approach, strategies, methodologies and techniques including CAATs (if any);
- prior professional relationship with the audit client (special projects, services, etc.) if any; and
- personnel assigned to conduct the audit with appropriate profiles.

Ownership of any CAATs developed by the contractor for the purposes of this audit shall reside with the Auditor-General at the expiration of the contract.

30-Aug-12 - (Contract Audit Guidelines_19A090D)   *Page 13.19*

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

At the conclusion of the field audit work and prior to the conduct of the exit or closing interview with the auditee, your firm may be requested to provide a presentation to the Auditor-General and OAG staff directly involved in the audit, on the outcome of the audit.

This presentation should last no longer than one hour and cover the following:

- Audit outcomes in relation to the audit plan, particularly risk assessment;
- Outcome of work on legislative compliance and internal controls and the proposed opinion;
- Issues identified and how resolved;
- Full details in support of any recommendations that the audit opinion(s) be qualified;
- Major issues to be brought to the attention of the Chairman/CEO, through the management letter, and the Minister, and the reasons;
- Difficulties experienced during the current and previous audits;
- An overview of the agency's performance for the year.

Your estimate of fees should be as firm as possible taking into consideration the following:

- any reliance on internal audit work;
- hourly rates applying to levels of personnel assigned to the audit;
- the estimated hours at these levels and in total to complete the audit; and
- any other relevant charges.

These should be quantified to enable an all inclusive fee to be provided.

The resource resume and estimate of fees (based on a ……………year appointment) are to be forwarded to this Office in separate envelopes.

Attachment C lists a number of qualitative and quantitative criteria that will be used for the assessment of contract audit tenders.

A summary of terms and conditions for contract appointment is contained in Attachment B. Please note that the Auditor-General is under no obligation to accept the lowest or any tender submitted.

POLICIES AND PROCEDURE GUIDELINES **SECTION 13**

I attach for your information the 1996 financial statements.

It is anticipated that the selection process will be completed by ……………….…1997.

If you require any additional information please contact me on Phone 211440.

Yours sincerely

………………………..
Deputy Auditor-General

Enc.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.A.4.1   General Audit Requirements (Attachment A)

The field audit work is to be planned, conducted and reported in accordance with Fiji Institute of
Accountants standards and practices, and in accordance with the requirements of the Audit Act 1971 and
any other requirement specified in writing by the Auditor-General to enable the:

i.   formation of the opinions required by the Audit Act 1971 in relation to controls and financial
     statements.

ii. reporting of audit findings, significant control weaknesses, and other relevant matters to the Auditor-
     General.

iii. reporting of any significant legislative non-compliance for the purposes of Audit Act 1971.

At the completion of the planning phase of the audit the Firm will provide the Auditor-General with a
copy of its audit plan (strategy document). This plan shall include the audit methodology to be followed;
the assessment of the control environment; an assessment of audit risk and materiality; the identification
of significant auditable areas, the audit approach for significant auditable areas, including controls, legal
compliance, other areas, and EDP operations; and evaluation of the internal audit function and the
reliance to be placed on internal audit work; the staff to be used on the audit; and the timing of the interim
and final audits. The Auditor-General may request amendments to this plan.

The Firm is to complete the field audit work and provide the appropriate reports and information, together
with the audit working papers, to the Auditor-General by ……………… 1997 or such other date agreed
to by the Auditor-General.

The Auditor-General is to be informed of all significant issues as they are identified during the course of
the audit and provided with advice of all proposed formal meetings between the Firm and the auditee.

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.A.4.2   Summary Of Terms And Conditions For Appointment Of Contract Auditors   (Attachment B)

Any appointment will include the following terms and conditions

- The scope and conduct of the audit is to have regard to the Audit Act 1971.

- The Firm shall not seek or undertake any other work for the audited organisation during the term of the contract without the prior written consent of the Auditor General.

- In consultation with the Auditor General's representative, the Firm is to plan the audit and utilise the Firm's methodology in the conduct of the audit. The firm shall formulate an audit plan prior to the commencement of the field audit work and shall not vary the audit plan except with the prior consent of the Auditor General's representative.

- In carrying out the audit, the Firm is not specifically charged with undertaking audit procedures to search for fraud. However, the firm shall advise the Auditor General's representative immediately of the facts indicating fraud, malpractice and major breaches of legislation or financial authority (including ministerial authority).

- Copyright and proprietory interest in all notes, reports, documents and other works brought into existence by the Firm for the purposes of the audit shall vest in the Auditor General.

- The Firm shall inform the Auditor General's representative in advance of all proposed formal meetings with the audited organisation, including entrance and exit interviews. The Auditor General and/or his nominees may attend such meetings.

- The Firm shall submit to the Auditor General's representative for issue under OAG letterhead, all correspondence which outlines or deals with audit findings of a material nature.

- The Auditor General is responsible for the payment to the Firm of the agreed audit fee. The amount of the fee is confidential between the Auditor General and the Firm, and is not to be divulged to the client by the contractor.

- Any variation of the audit fee will require the prior written approval of the Auditor General.

- The audit engagement may be terminated by either party giving three months written notice of termination.

- The Firm shall not engage sub-consultants to carry out the audit, nor shall it assign its rights under the contract without the prior written consent of the Auditor General.

- The Firm shall arrange and maintain with a reputable insurance company and for the duration of the contract, insurance to the full extent against its liability at common law to employees engaged in the performance of the audit.

- Prior to commencing the audit, the Firm shall arrange and maintain with an insurance company for the duration of the contract, public liability insurance and professional indemnity insurance covering the Firm's legal liability to an extent consistent with guideline requirements issued by the professional accounting bodies.

30-Aug-12 - (Contract Audit Guidelines_19A090D*)*   *Page 13.23*

POLICIES AND PROCEDURE GUIDELINES   **SECTION 13**

13.A.4.3   Summary Evaluation Sheet (Attachment C)

Auditee : ....

EVALUATION CRITERIA	Maximum Weight	Firm 1 Score	Firm 2 Score	Firm 3 Score	Firm 4 Score	Firm 5 Score	Firm 6 Score
1. QUALIFICATION OF PROPOSER	**200**						
a) Experience in similar audits	150						
b) Overall expertise	50						
2. APPROACH AND METHODOLOGY	**300**						
a) Understanding of objectives	30						
b) Innovativeness	20						
c) Audit Methodology	200						
d) Proposal presentation	50						
3. PERSONNEL (AREA OF EXPERTISE)	**500**						
a) Partner	100						
b) Audit Manager	150						
c) Audit Seniors	150						
Computer Audit Specialist (if applicable)	100						
TOTAL	**1000**						
RANKING							

Score : Excellent   : 900 - 1000   Evaluation Done on:
         Very Good   : 800 -   899
         Good   : 760 -   799
         Average   : 700 -   759
         Below Average : 600 -   699
         Poor   : 500 -   599   ....

30-Aug-12 - (Contract Audit Guidelines_19A090D)   *Page 13.24*

## Appendix 21: Characteristics of Effective Strategic Leaders

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

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

- ➢ creating knowledge in the SAI. People should be stimulated to accumulate knowledge by actively being involved in learning and development initiatives;
- ➢ transferring and sharing knowledge with others within the organisation;
- ➢ stimulating people within the SAI to think constantly about ways and means to:
  - o improve working methods to benefit the SAI and its stakeholders;
  - o question existing processes that can be improved;
  - o be productive and add value in the public interest;
  - o consider the return on investment for each event and task e.g. if more vehicles are needed, it should result in an equal improved audit coverage;
  - o create sound internal and external relationships;
  - o define the results that should be achieved;
  - o create tomorrow.

Appendix 22: Strategic Leadership

Process Flow for Strategic Leadership

Knowledge	✛	Imagination / Innovation	✛
Inspiration	✛	Actions	
		⬇	
		Results	
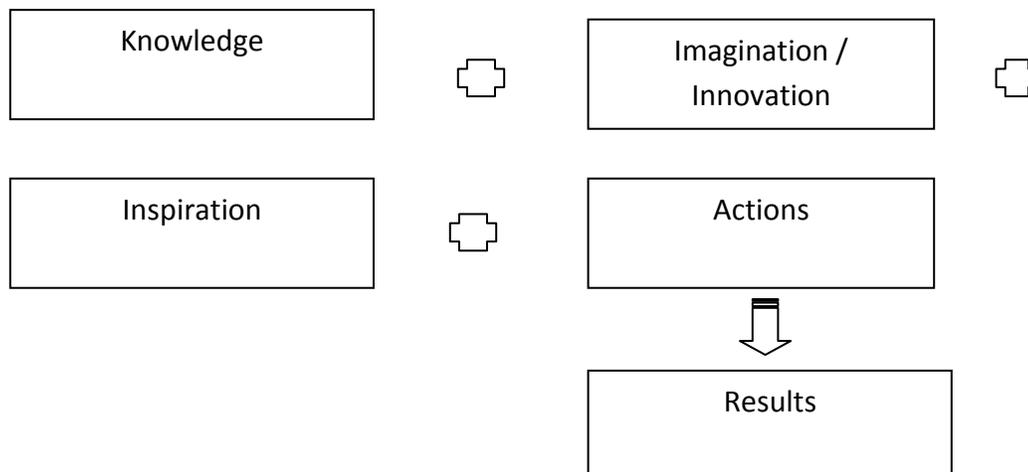
Tips

- Structure drives behaviours! The SAI's organisational structure processes and systems will influence the attitude and behaviours of its staff. The challenge is to change and use those mechanisms to positively influence and align the staff towards the strategic intent of the SAI.
- Remember the KISS principle (keep it straight and simple)! Avoid complex and expensive processes and be conscious of the cost benefit.
- Focus on actual and realistic needs that are aligned with your products and services.
- Always be mindful of the 3D's (discover, delivery and dialogue).
- There is always a need for a balance of reasonable expectations to create a favourable strategic environment, which also includes a sound balance between work and personal life.
- Delegate responsibilities and keep people accountable! There should be a strong emphasis on accountability amongst public sector auditors who must set an example for good governance.
- Walk the talk! Do not expect people to do what you are not doing yourself.
- Think out of the box! Do not limit the thinking to what is already known. Discover the world of the unknown.
- If you want to make a difference and ensure the successful implementation of your strategic plan, your people should be continuously aligned and empowered to get things done.
- Very little can be achieved by one person but by working together as a team, mountains

can be moved.

- Strategic leaders/managers should avoid getting involved in day-to-day operational matters. They should focus on the ongoing changing environment to ensure that the strategic goals and objectives are focused on the desired future position of the organisations.

- More of the same is not what strategic leaders should be doing. Their role should be to focus their organisations on the future and keep them relevant.

Appendix 23: ADKAR Change Management Model

Managing change at the individual level is the primary responsibility of the managers and supervisors. While there are various approaches to managing individual change, the ADKAR approach of Hiatt and Creasy (2003) may be considered by SAIs. The ADKAR model represents five sequenced stages that an individual goes through when embracing change:

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

The above model captures how a single individual goes through change. Since individuals adopt change at different speeds, it is very important for supervisors to be aware that not all individuals are necessarily at the same stage in the change process. Therefore, individual change management strategies should not treat the SAI as a homogeneous mass of people, all going through the change process at the same time. The ADKAR profile of an SAI or any of its functional units could be as follows:

Person A	Awareness	Desire	Knowledge	Ability	Reinforcement

Person B		Awareness	Desire	Knowledge	Ability	Reinforcement

Person C	Awareness	Desire	Knowledge	Ability	Reinforcement

Person N		Awareness	Desire	Knowledge	Ability	Reinforcement

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

Using the ADKAR framework for effective change management communication

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

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

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

Appendix 24: Format of an Implementation Matrix

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

Appendix 25: Format for Monitoring and Evaluation

Performance Aspect	Planned Performance	Actual Performance	Level of Achievement (Over/Under Achieved)	Reasons for Performance Level if Under/ Over Achieved	Actions Planned

References

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