

# Long-term responses to Covid-19

**BUILDING AGILE, FORWARD-LOOKING, INCLUSIVE AND RESILIENT SAIs THROUGH STRATEGIC PLANNING AND MANAGEMENT**

Guidance for Supreme Audit Institutions



**STRATEGY  
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# Long-term responses to Covid-19

## Building agile, forward-looking, inclusive and resilient SAIs through strategic planning and management

### 1. Introduction

Supreme Audit Institutions (SAIs) demonstrate ongoing relevance to their citizens, parliament and other stakeholders by being responsive to changing environments and emerging risks. The current situation of Covid-19 has changed the environment of SAIs and resulted in new risks. SAIs need to respond to such a situation, in the short, medium and long-term. In a previously published [paper](#), we outlined anticipated risks in different response phases – from the emergency response phase to implementing revised operational plans when returning to “normal”, i.e. being back in office. Such phases are regarded as representing short- and medium-term phases for the SAI’s response. Hence, in this paper, we cover the long-term responses to Covid-19 for SAIs, that is, how a SAI could respond to Covid-19 by revisiting its strategic planning, an important component in a SAI’s strategic management.<sup>1</sup>

A key aspect of strategic management and devising long term responses is strategic decision making. Strategic decision making implies continuous iteration between planning, implementation and monitoring to continuously make strategic and operational choices. Since this paper concentrates on strategic planning, it deals with strategic management and strategic decision making in this phase only. Operational planning is only touched upon whenever there are relevant aspects of operational decision-making that have an impact on long term decisions. The main aim of the paper is to demonstrate how SAIs can become more agile and forward-looking (and thereby more resilient) by reflecting the pandemic’s implications in their strategic plans, using the SPMR approach. Being inclusive is one of the strategic management principles embedded in the SPMR approach.

1 See the IDI Handbook on Strategic Management for more conceptual definitions of strategic management, etc.

The main audience of this paper are SAIs participating in the SPMR Initiative, but we envision that the approach presented can be useful and serve as an inspiration for other SAIs as well. While making specific reference to the Covid-19 situation, the approach introduced can also well be applied for other emergencies/crisis that a SAI may experience in the future. We refer you to the Strategic Management Handbook where a detailed description of the methodology is presented. SAIs that do not participate in SPMR may use this paper as a starting point and adapt the approach outlined to their own processes.

Covid-19 has led to significant changes in terms of what is achievable for SAIs. SAIs may be in different stages when it comes to the implementation of their current strategic plans and the process for developing a new one. Nevertheless, no plan is set in stone. The success of any organisation, including a SAI, depends on its ability to remain relevant, thus adjusting its strategic plan when needed. Covid-19 represents a situation warranting SAIs to consider revising their strategic plans to remain relevant. Moreover, making efforts to be a true model organisation implies being agile and forward-looking. This entails that it is pertinent for any SAIs to consider the evolving situation and adjust its strategic plans accordingly.

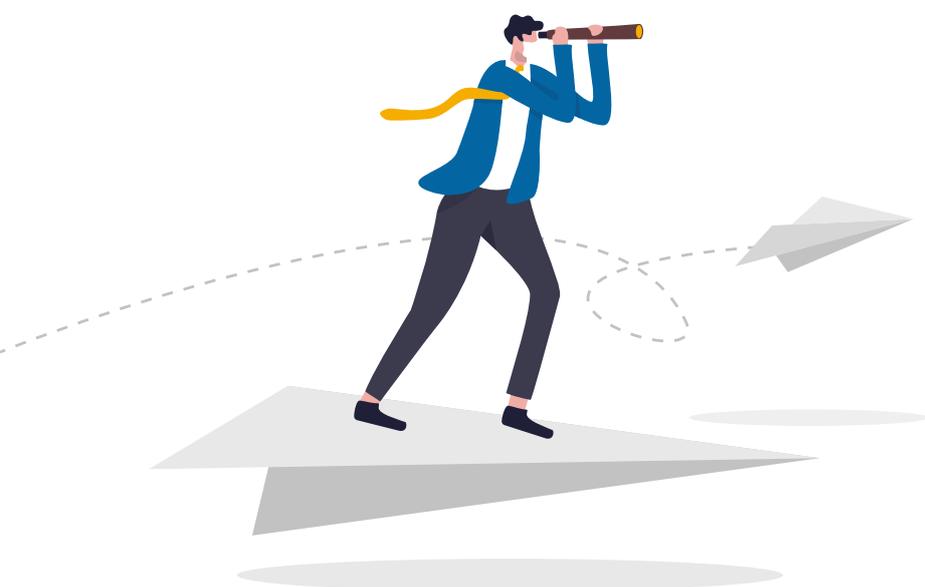
Staying agile becomes even more crucial when extraordinary events take place such as the current one represented by Covid -19. By being agile and demonstrating foresight capacity a SAI may become more resilient towards future emergencies or shocks. However, every SAI is different, and the implications of Covid-19 differ among countries and SAIs. Hence, how extensive the adjustments of the strategic plan need to be will ultimately vary among SAIs. Some SAIs may want to revisit their strategic directions altogether, while other SAIs may want to keep their strategic priorities and revise the approach and the road towards realising their priorities.

Being agile and forward-looking also implies striking a balance between preserving the SAI's foundation in laws, standards, procedures, principles and values while innovating to remain relevant to the citizens, parliament and other stakeholders.

The paper consists of three parts: First, we briefly introduce what we mean by an agile, forward-looking, inclusive and resilient SAI. Secondly, we outline the likely long-term implications of Covid-19. Thirdly, we demonstrate a step-by-step approach to how a SAI may adjust its strategic plan and follow a process that ensures the long-term implications of Covid-19 are captured in its strategic direction.

As there are great uncertainties to what the future will bring the assumptions and implications outlined in this paper may change. We acknowledge that it can be challenging for a SAI to monitor the current situation which is chaotic and changes rapidly. Many SAIs and other institutions are currently under lockdown which may mean that regular communication channels may not work properly, further contributing to the uncertainty of the situation.

Although there are uncertainties, it is still critical that a SAI quickly starts to monitor and analyse the situation, makes strategic decisions and prepares for new tasks and challenges. Strategic foresight is imperative whenever there is a high degree of uncertainty surrounding changes to the relevant future context.



## 2. What is an agile, forward-looking, inclusive and resilient SAI?

Strategically managed SAIs are SAIs that are agile, forward-looking, inclusive and resilient - capacitated to handle future crises and shocks. But what does it mean in practice?

Agile organisations are often portrayed as those geared towards working in flexible teams, fostering innovation and change. However, according to Rigby et al. 2020, an agile organization is characterised by “a balanced system that delivers both stability and agility”.<sup>2</sup> Applying such a definition to a SAI, being agile implies finding a balance between embracing change and innovation and maintaining its stability through adhering to international standards and related working procedures in its work. The balancing would, moreover, require managing risks.

By a forward-looking SAI, we imply a SAI that includes foresight activities in its planning. Such activities imply using existing information to identify multiple alternatives and their implications as to what the future may be, but without offering definitive answers.<sup>3</sup> Applying foresight can be exercised through different techniques, such as horizon scanning, scenario planning and exploring opportunities and challenges. For an example of scenarios taking into account Covid-19 situation for SAIs, see this [paper](#). Engaging with stakeholders to collect their views and perceptions could be a valuable activity in planning for the future as well. This paper

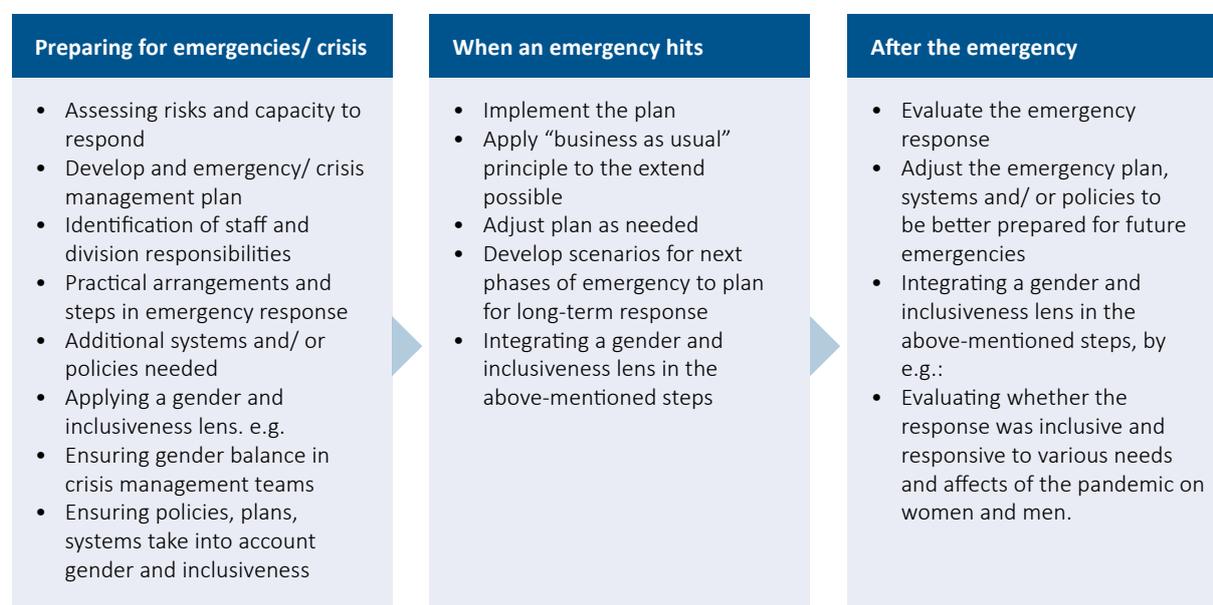
2 Rigby, D.K and Elk, S (2020) The Agile C-Suite. Harvard Business Review, May-June issue. <https://hbr.org/2020/05/the-agile-c-suite>

3 OECD 2020 Strategic foresight.

demonstrates how a SAI may identify and analyse risk trends from its external environment and build its strategic response to capture and respond to those in light of Covid-19. In engaging with various stakeholders, a SAI may demonstrate that it is inclusive. Being inclusive would also imply ensuring, as a minimum, that the views and needs of internal stakeholders collected involve various groups and gender. This implies taking action to consult with both women and men and people with disabilities and/or other particular groups in the SAI, depending on the country context. In light of Covid-19, considering the views of different age groups is pertinent, given that people over 60 years are at a higher risk of infection than the remaining population. Moreover, being inclusive in light of preparing a long-term response to Covid-19 would imply identifying and analysing the disproportionate effects the pandemic has had on women, on people living with disabilities, on certain age groups and other relevant groups. The country context, including the legal framework and the SAI's own policies and ambitions would imply variations in the degree of activities and focus on inclusiveness in practice among SAIs.<sup>4</sup>

A resilient SAI is a SAI that is prepared for future risks and may handle risks in an effective and efficient manner. Hence, demonstrating agility and foresight capacities are two enabling components of a resilient SAI. Moreover, a SAI can become more resilient by adapting and/or further develop standard emergency preparedness principles and activities and a crisis management response (once hit by an emergency)<sup>5</sup>:

More details on these concepts and principles are found in this [paper](#).



4 The literature on gender commonly identifies a continuum of extensiveness in terms of responses by an institution to gender – from gender awareness to gender responsiveness. A gender responsive institution is one that  
 5 Cf. WHO 2017: A Strategic Framework for Emergency Preparedness.



### 3. Long-term implications of Covid-19

Several institutions have already pointed towards the likely long-term implications of Covid-19 and have presented forecasts that are being updated as the situation unfolds. The World Bank has outlined various likely effects on governance and accountability in developing countries, alongside the effects of economic measures put in place during the emergency.<sup>6</sup> IMF has projected that the global economy will contract sharply by -3 per cent in 2020, with -1 for emerging markets and developing economies and -6 per cent for advanced economies.<sup>7</sup> UNDP has described the situation as a systemic human development crisis, while UN Women has pointed to the unequal care burden on women, increasing their risk of infection.<sup>8,9</sup>

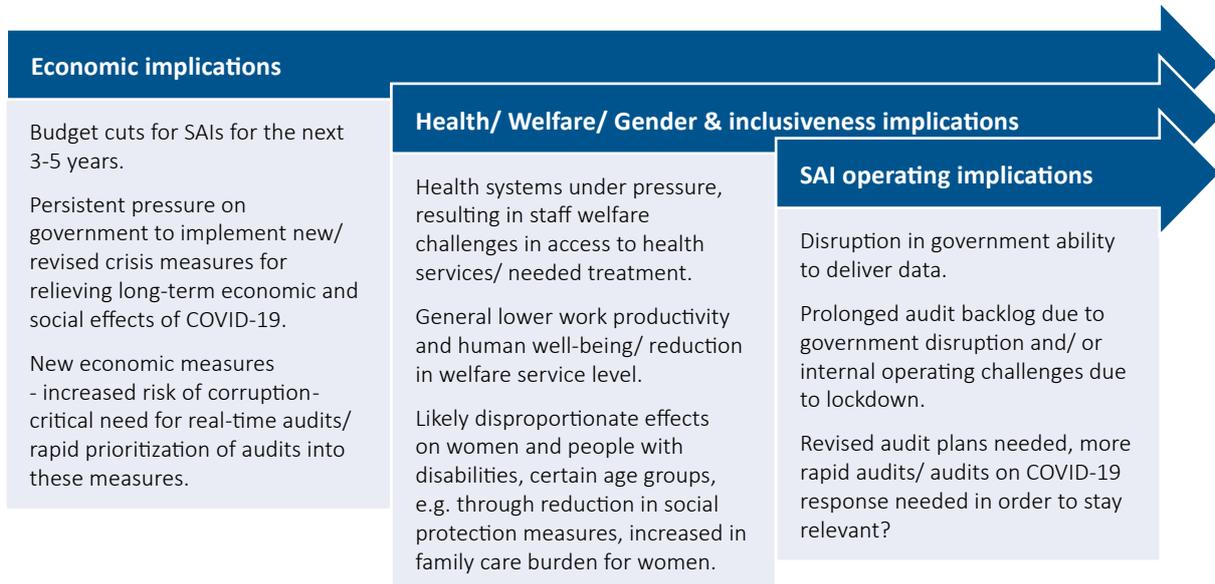
6 World Bank 2020 Macroeconomic Policy in the Time of Covid-19: A Primer for Developing Countries. World Bank Group Research and Policy Brief Nr. 26.

7 IMF 2020: World Economic Outlook, Ch. 1.

8 UNDP 2020: Covid-19 and Human Development. Exploring global preparedness and vulnerability.

9 UN Women 2020: Rapid Guide. Gender, Covid-19 and audit.

These forecasts and recent developments are likely to result in many implications for the SAI, such as:

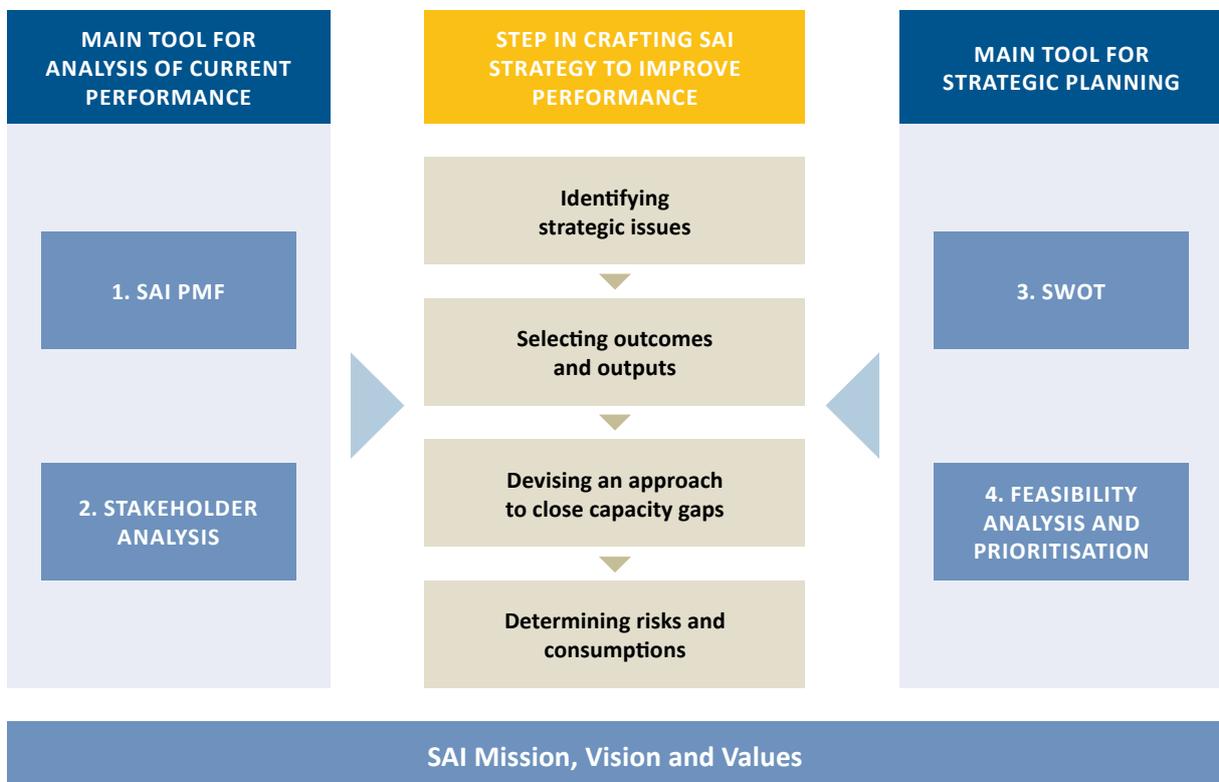


Such implications present SAIs with risks and opportunities – to which they have to respond.



#### 4. Responding to long-term implications: SPMR general approach for crafting a SAI strategy

Illustration 1 - the key steps in crafting a SAI strategic plan following the SPMR approach:

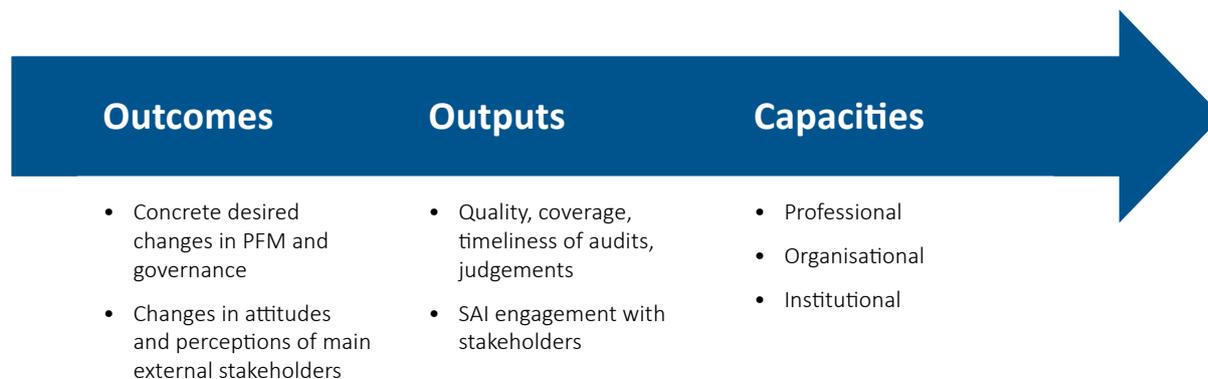


A brief explanation of the key steps is provided below (for more guidance, see the [SAI Strategic Management Handbook](#)):

- **Assess current situation** (Step 1 and 2): The assessment enables the SAI to understand where it stands in terms of its current capacity and key products. SAI PMF is used to assess the SAI's current performance and a stakeholder analysis is conducted to collect the views and expectations from external and internal stakeholders. The results of these assessments/analysis will feed into crafting the strategic plan.
- **Crafting the SAI strategy** (the main steps are presented in the middle column in the illustration).

Two key tools are applied when crafting the SAI strategy: 1) the SWOT analysis and 2) the feasibility analysis and prioritisation. The SWOT analysis is a tool that allows you to analyse the findings from the SAI PMF assessment and stakeholder analysis together. Conducting a SWOT analysis entails taking into consideration key strengths, weaknesses, opportunities and threats to devise **strategic options**. Having devised strategic options, the SAI will start building its results framework by defining its **outcomes and outputs**.

The SPMR approach separates between the internal (outputs) and external (outcomes) results that SAIs may strategically aim to realise within a given period of time. Lastly, the framework also includes longer-term results (impact), alongside the capacities needed to achieve the outputs, outcomes and impact:



The selected outcomes and outputs will, in turn, determine the key capacities SAIs need to have in place for the strategic planning period. This process also includes defining the capacity gaps the SAI needs to close and the **approach to closing the capacity gaps**.

The other key tool applied when crafting the SAI strategic plan is the **feasibility analysis and prioritisation**. This tool is critical to use as it ensures that the plan is realistic and represents an approach that will enable the SAI to achieve its intended results.

Since the SWOT includes the key strengths, weaknesses, opportunities and threats, it is also an important tool to **identify risks and assumptions** which is a critical component when crafting the strategic plan.

In this regard, it is pertinent to clarify some key terms that are used throughout the paper and how these and strategic decision making at the strategic planning level are linked to risk management. To manage risks, a SAI needs to have a good process in place to identify risks, initializing the process with identifying opportunities and threats as the first step. This first step is pertinent, as the opportunities and threats will feed into the SWOT analysis and the SWOT analysis constitute an important source for risk identification. Threats may pose a risk which needs to be further analysed to decide on a risk response. Moreover, the risks should be monitored which will take place at the operational level. Opportunities and threats may give valuable information about how internal and external stakeholders view the world and the SAI and may therefore be a source for identifying assumptions.

For SAIs that are not participating in the SPMR Initiative we do not recommend conducting a SAI PMF assessment before revising their strategic plan in light of Covid-19 since this will be too time consuming. SAIs may still have conducted a SAI PFM assessment recently or may have information about current performance from other tools that can feed into the SWOT-analysis.



## 5. Long-term responses in light of Covid-19 using the SPMR approach

This chapter introduces a structured approach to how a SAI can make strategic long-term decisions taking into consideration implications from Covid-19. The approach derives from the SPMR methodology.

The following road map illustrates how a SAI can further develop or revise its strategic plan:

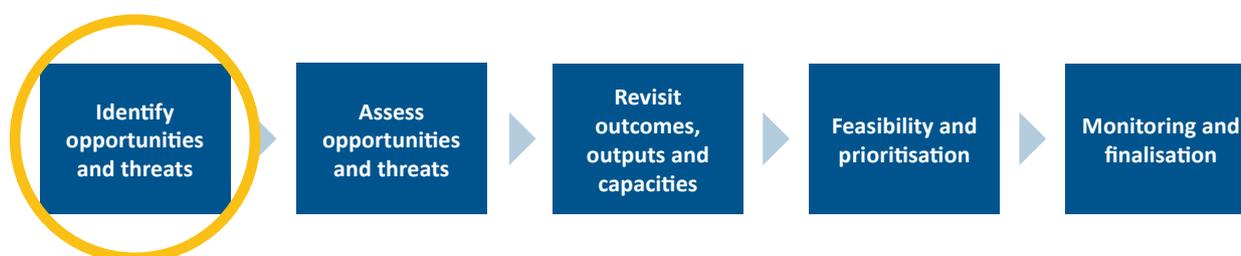


- **Step 1:** Identify new opportunities and threats in light of Covid-19. As mentioned above, this is a method for a SAI to ensure they remain relevant by demonstrating foresight and be future oriented.
- **Step 2:** Assess opportunities and threats and revisit strategic issues.
- **Step 3:** Revisit results framework: outcomes, outputs and capacities.
- **Step 4:** Feasibility and prioritisation of the strategic plan with a focus on budget implications.
- **Step 5:** Monitoring and finalisation of the strategic plan.

The following chapters also demonstrate how this analysis will be integrated in the general SPMR approach for developing a strategic plan as shown in illustration 1 above.

As new remote working routines are somewhat established, and as soon as key staff can resume activity, be it from home or from the office we recommend that the SAI ensures a comprehensive process that includes the steps outlined. Although it is important to start this work early on, the SAI may not be able to formally finalise and approve the plans until returning to office. This applies to the cases where working remotely does not allow for extensive discussions and consultations within the SAI. Nevertheless, it is pertinent to make an effort to explore and utilise new virtual communication channels to undertake such consultations. And this is another way a SAI can demonstrate that it is agile and forward-looking.

## 5.1 Identify opportunities and threats



When the external environment changes, it will be critical for a SAI to ensure they have the necessary information at hand to decide whether its strategic direction need to be revised to make the chances of the SAI's success as big as possible. The first step is to identify emerging opportunities and threats caused by Covid-19. This section focuses mostly on opportunities and threats at the strategic level. Opportunities and threats are very closely linked, and a threat will often have a flip side which is a related opportunity. For instance, new relevant audit topics are emerging in light of Covid-19. If the SAI does not take such emerging issues into consideration when undertaking strategic planning, the SAI risks losing its relevance. On the other hand, the situation provides an opportunity for the SAI to increase its relevance and reaffirm its role as

a key government institution. The table below presents an overview of key areas to consider when identifying the opportunities and threats:

KEY AREAS TO CONSIDER	SOME SPECIFIC OPPORTUNITIES AND THREATS THAT MAY MATERIALISE IN LIGHT OF COVID-19 (NOT AN EXHAUSTIVE LIST)
<p><b>Political context:</b></p> <p>The role and likelihood of key stakeholders supporting intended outcomes.</p> <p><b>Funding situation:</b></p> <p>A credible strategic plan is where the SAI has the necessary funding to implement the plan.</p>	<p><b>Could be both an opportunity and a threat:</b></p> <p>Key stakeholders may have new priorities and expectations. For instance, focus and support may have shifted to other audit types and audit topics.</p> <p><b>An opportunity</b> to affirm the SAIs role as a key government institution and a relevant SAI. This is reinforced by increased demand for more accountability due to increased emergency spending from government.</p> <p><b>Threat:</b> Reduced funding from Parliament and donors. As mentioned in chapter 3, IMF has projected that the global economy will contract sharply by -3 per cent in 2020 which will most likely also impact on SAIs budgets.</p> <p><b>Opportunities:</b> Possibilities for increased support level from donors if they view the SAI as a relevant and key government institution.</p>

KEY AREAS TO CONSIDER	SOME SPECIFIC OPPORTUNITIES AND THREATS THAT MAY MATERIALISE IN LIGHT OF COVID-19 (NOT AN EXHAUSTIVE LIST)
<p><b>Remaining relevant:</b></p> <p>The SAI should consider the extent to which they can affect changes</p> <p><b>Institutional context:</b></p> <p>The SAI's independence and autonomy</p>	<p><b>Could be both an opportunity and a threat:</b> New areas may emerge where the SAI can play a stronger role and more likely contribute positively to the lives of citizens. For instance, through emerging audit topics such as the government's emergency preparedness in terms of having systems/plans/policies in place and its actual crisis management response (incl. on e.g. division of labour and responsibilities among involved/relevant government entities, spending of emergency funding, coordination of responsible agencies through the crisis, the extent to which there were diverse and gender balanced crisis management teams). And other topics such as various effects of Covid-19 on women and men, people living with disabilities and other relevant groups.</p> <p><b>Threat:</b> it may be a threat if the SAI doesn't have the mandate to audit all three main audit streams: financial, compliance and performance audits. Limitations in a SAI's mandate may impact on its ability to conduct audits of emerging topics.</p> <p>An additional aspect to be aware of is that during the crisis many countries have used their own emergency funds, and some may have used funds from donors such as for example the IMF. There is a risk that the SAI does not have the mandate to audit such funds. It could be a risk related to limitations in the legal framework, but the risk can also be related to how the legal framework is interpreted and applied in practice. However, this situation could also be an opportunity if for instance the SAI is able to do joint audits or provide quality assurance to the chosen auditors as a short-term measure. Then the SAI could advocate for a change in legislation to enable the SAI to audit such funds in the future.</p>

KEY AREAS TO CONSIDER	SOME SPECIFIC OPPORTUNITIES AND THREATS THAT MAY MATERIALISE IN LIGHT OF COVID-19 (NOT AN EXHAUSTIVE LIST)
<p><b>Engagement risks:</b></p> <p>Are the risks too high for a SAI to engage? Will affect the likelihood of success and perhaps it makes sense to focus on issues where the risk is lower</p> <p><b>Consequences of inaction:</b></p> <p>Some issues may be more urgent than others and need to be dealt with in the current strategic planning period.</p>	<p>This aspect should be considered for new and emerging threats. For instance, a SAI has to carefully consider whether to pursue a real-time audit or a performance audit immediately following the short-term response to Covid-19. There may be substantial risks that the SAI will receive insufficient information which may lead to conclusions without a sound evidence base.</p> <p><b>Threat:</b> A SAI may face a heightened threat in terms of remaining relevant which may be linked to the reputational risk of the SAI. For instance, a SAI that does not revise its strategic plan and strategic direction to take into account direct effects of Covid-19 such as budget cuts may not be seen as forward-looking or realistic in its planning.</p>

The topics in the table will assist the SAI in structuring the discussions to identify emerging opportunities and threats. It is however pertinent for a SAI to consider other, relevant aspects that may appear through discussion and analysis of its country context and situation. For instance, the issue of emergency preparedness and crisis management could merit other questions, as explored in detail in this [background paper](#). Additionally, how the pandemic has impacted on women and men, certain age groups, people with disabilities and others is another topic that should be included, as it concerns both the SAI itself and its external environment.

Some strategic threats may appear more tangible. Some SAIs are already experiencing reduced funding and the consequences are felt immediately. Other threats, such as the threat of the SAI not remaining relevant, may seem less tangible and the perception can be that the consequences will materialise far into the future. The SAI needs to undertake a discussion that includes all such aspects to be able to decide on an appropriate response.

Although this section focuses on opportunities and threats at the strategic level it is important to be aware of risks at the operational level since these will in some instances have strategic implications that need to be taken into consideration in strategic planning and when revisiting the strategic options. Operational risks are risks pertaining to inadequacies or deficiencies in the management of the SAI's internal systems, processes, structures, tools and resources, as well as risks arising from external events that could negatively impact on a SAI's operations and may affect its daily activities.

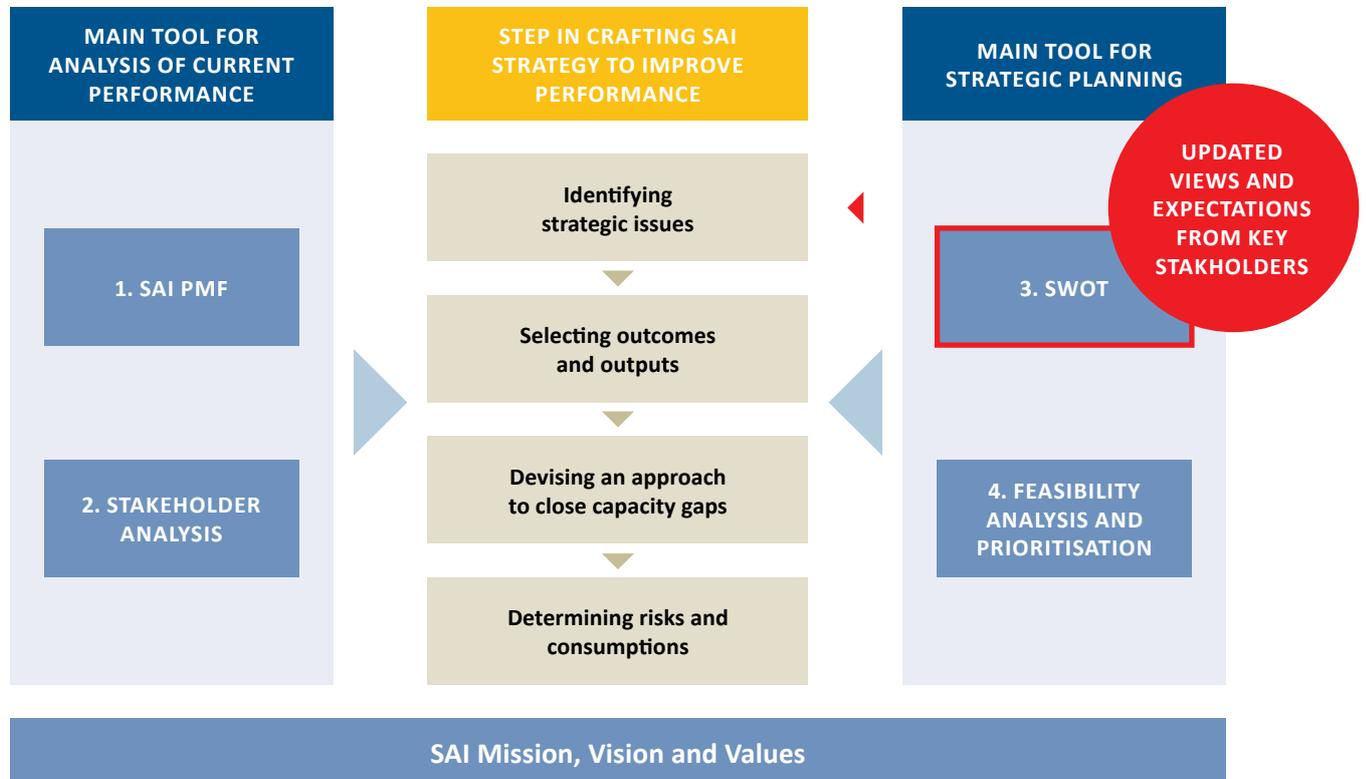
A SAI may face a risk at the operational level in terms of not being able to conduct timely audits resulting in a backlog of audits, originating from SAIs facing challenging working conditions. Combined with the risk of limited human and financial resources over a period, may imply that the SAI will not be able to keep on track with its capacity development priorities. Altogether, such operational risks may lead to a threat at the strategic level, thus having strategic implications for a SAI, impeding on its ability to achieve its strategic objectives in the long run.

The example demonstrates the iterative nature between planning, implementation and monitoring in order to make strategic and operational choices.

### **Crosscutting issues - Stakeholder management**

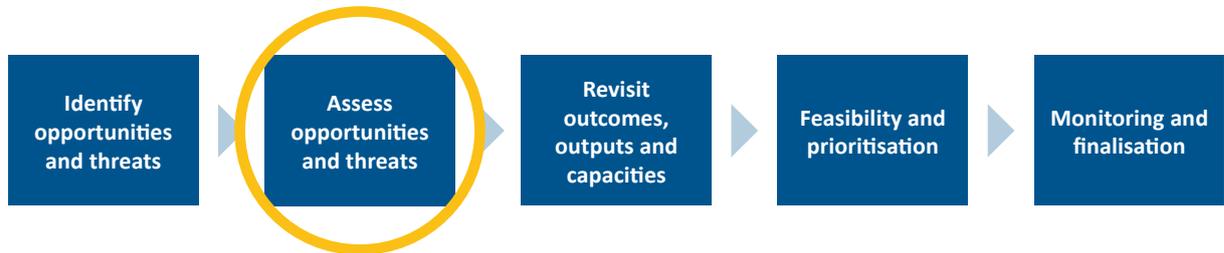
The general SPMR approach includes a stakeholder analysis as part of assessing current performance. It is important to note that stakeholder management is crucial for the whole strategic management process. It is an ongoing process and not a one-off activity. Some SAIs may have conducted a stakeholder analysis right before the pandemic started. It is still imperative that all SAIs try to keep in touch with key stakeholders throughout the emergency as part of the initial efforts to remain engaged in the country's response to the pandemic. And key stakeholders may have changed their views and expectations of the SAI in light of Covid-19. Such changes are crucial to capture as part of identifying opportunities and threats and they may also feed into the aspect of political context (see table above). Embedded in the stakeholder management is the principle of being inclusive, which in this setting would incorporate both taking into account that there are different views and expectations among women and men, of people with disabilities and various age groups, societal groups, etc.

A stakeholder analysis should follow the key SPMR principle of keeping it manageable. Updated views and expectations will feed into the SWOT analysis as illustrated below:

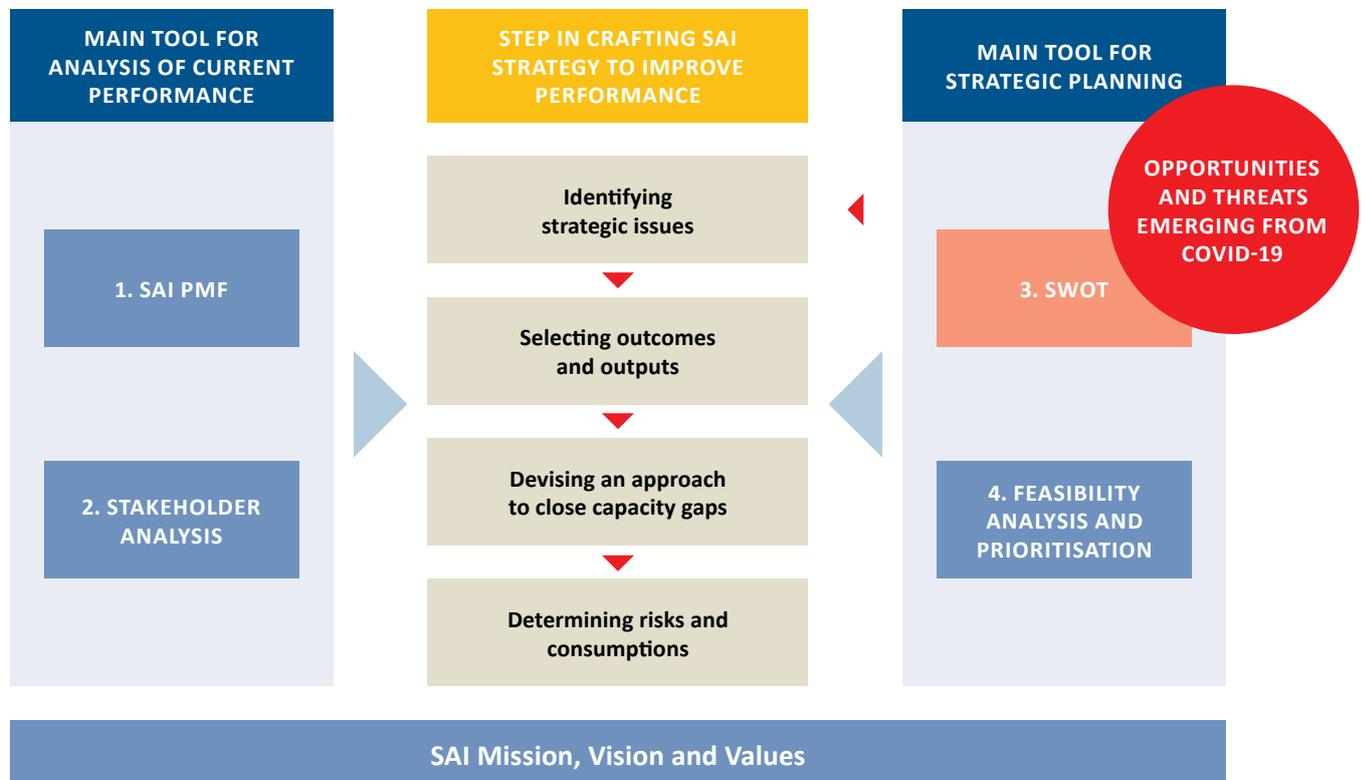


A SAI may not manage to get in touch with its stakeholders right away due to a chaotic situation. If this is the case the SAI can try to analyse from its own perspective the messages, views and expectations that others raise in the general discussions and debate. It will also be important to have a gender and inclusiveness lens to this analysis. In this scenario we advise the SAI to proceed with revising its strategic plan trying to take into consideration the results from such an initial analysis and feed these into the SWOT analysis. When the situation makes it feasible for the SAI to collect updated views directly from their key stakeholders, and if there is a gap between these and the initial analysis, the SAI should make the necessary adjustments prior to the formal approval of the strategic plan.

## 5.2. Assess identified opportunities and threats and devise strategic issues



The next step is to assess the opportunities and threats using the SWOT analysis. It is important to go back to the SWOT analysis to ensure a balanced approach and demonstrate agility. This entails that the SAI should take emerging opportunities and threats in light Covid-19 into consideration. But the SAI should also take other relevant information into consideration such as the results from the SAI PMF assessment and the previous stakeholder analysis. All this information should feed into the SWOT and be analysed together. The SAI needs to make an informed choice based on information on past performance while envisaging future improvement. The steps are illustrated below, indicated with red arrows:



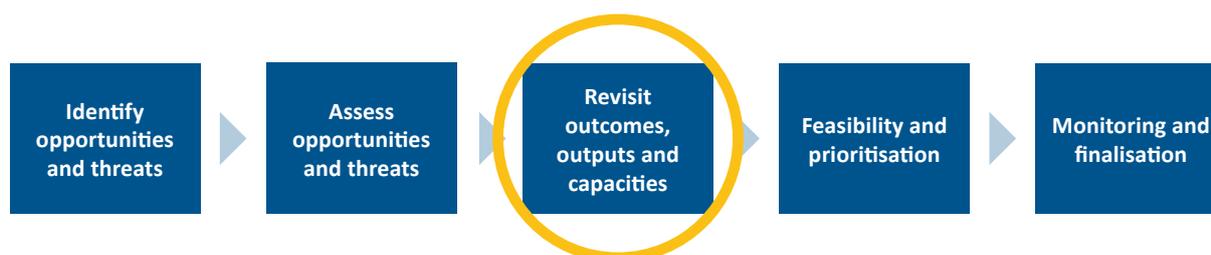
Some SAIs have recently conducted a SWOT analysis as a step in the process of developing its strategic plan. Then it is a matter of updating this with the identified opportunities and threats emerging from Covid-19.

Based on the SWOT analysis the SAI must decide whether to change the strategic direction by revising its strategic issues. Strategic issues are those fundamental questions that the SAI will need to prioritise and select to be addressed in the upcoming strategic management period. When identifying strategic issues, a key question for the SAI will be to determine how far it can leverage on its current strengths and use emerging opportunities. In the box below you can see an example of how a strategic issue has been revised slightly to take identified opportunities and threats in light of Covid-19 into consideration:

**Example initial strategic issue:** How can we leverage on high financial and compliance audit quality while building performance audit capacity over time to ensure we remain relevant when implementation of audit recommendations is lagging behind?

**Revised strategic issue in light of Covid-19:** How can we leverage on high financial and compliance audit quality while rapidly scaling up performance audit capacity in order to meet expectations of key stakeholders in terms of auditing crisis management and health systems response.

### 5.3. Revisit outcomes, outputs and capacities



Based on the strategic issues identified, the next step would be to revisit outcomes, outputs and capacities. This may entail that a SAI needs to revise all the elements, including sequencing of activities. In other cases, a SAI may only revise some of these elements. The extent of revision depends on the degree to which the SAI's context has changed due to Covid-19 and the extent to which the strategic issues have been revised compared to the original strategic plan.

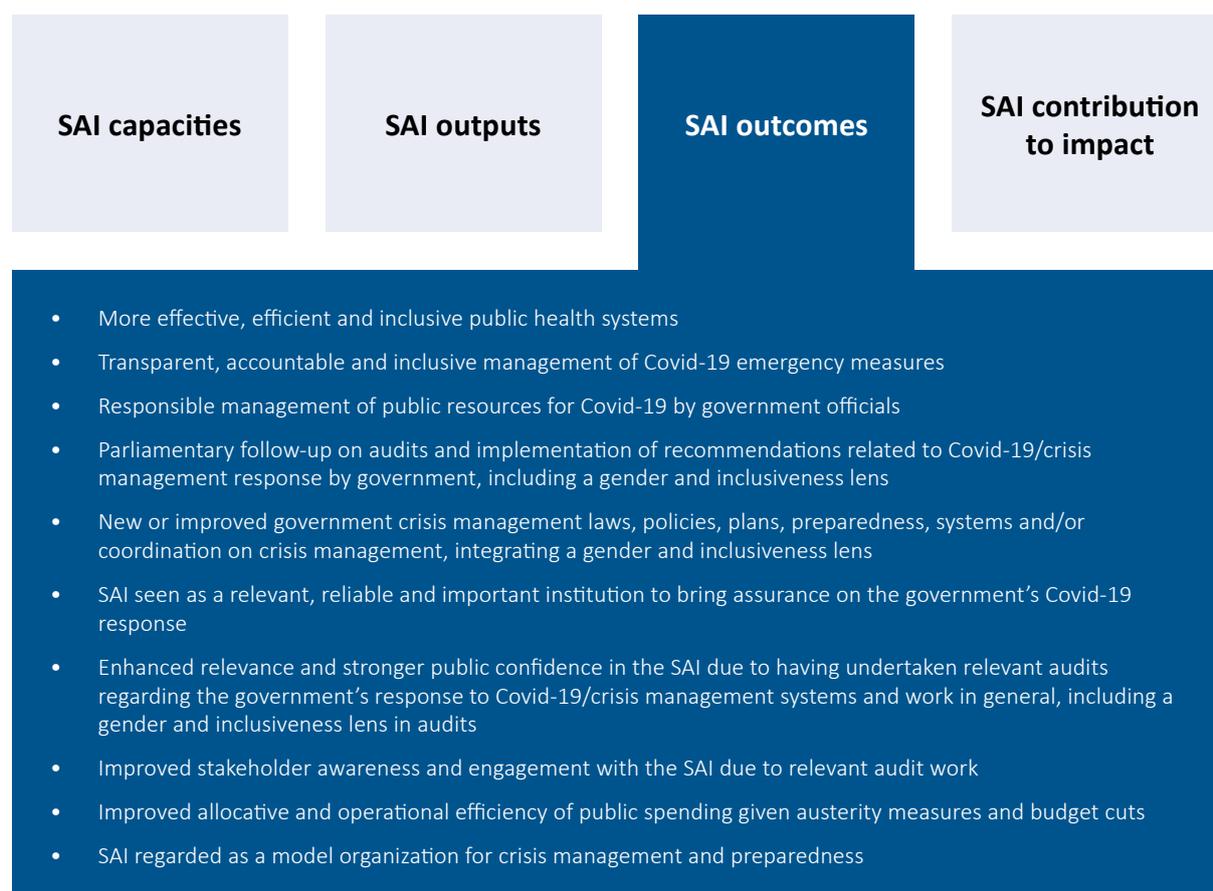
When revisiting the outcomes, outputs and capacities, it is pertinent for the SAI to provide a balanced response, demonstrating agility and be forward-looking. Hence, a SAI needs to consider the following as part of undertaking this work/step:

- How to deliver on the SAI's legal mandate, while at the same time providing adequate and relevant response measures to Covid-19 from the perspective of remaining relevant.
- Although the pandemic is likely to have a significant effect on changing strategic and operational priorities for SAIs, due consideration should be paid to not disregard key other priorities that remain valid, such as ensuring quality of audit work, discharging the SAI's mandate, leading by example and progressing with ongoing capacity development efforts in the SAI at the same speed as before, if possible.

### *5.3.1 Revisit strategic priorities – outcomes and outputs*

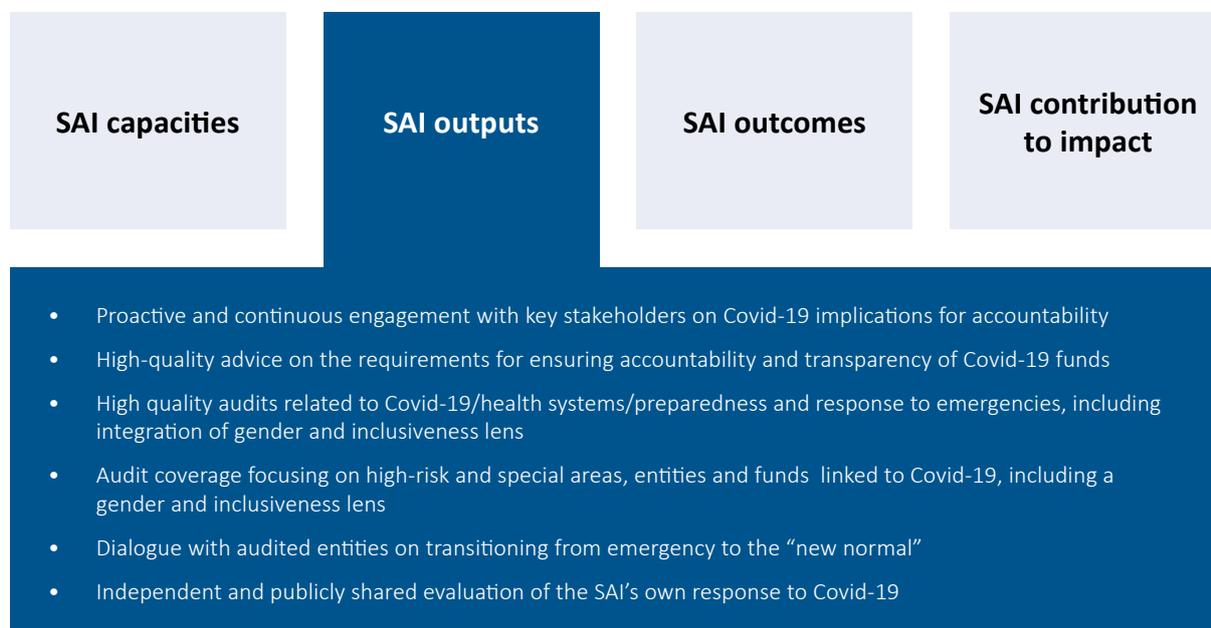
A response to emerging opportunities and threats may be to revise the strategic direction for the SAI in terms of revising outcomes and outputs. When making this strategic decision, it is pertinent for the SAI to explore whether it can leverage on identified opportunities.

In identifying the outcomes in the results framework, a key question is the following: How can we make sure we are regarded as a credible and independent institution, our audit reports make a difference, and our stakeholders engage and support our cause? Examples of outcomes that enable a long-term response in light of Covid-19 are the following (see this [paper](#) on scenarios for more details):



A SAI may also need to consider whether some outputs in the strategic plan should be revised. Outputs are the direct products of SAI processes, for which the SAI is mostly responsible. In order to identify the outputs, a key question to pose is: What is the best way in which the SAI, through its own work, can exert influence and facilitate the achievement of the outcomes which are not entirely under the SAI's control?

Examples of outputs that enable a long-term response in light of Covid-19 include the following (see this [paper](#) for more details):



### 5.3.2 Revisit strategic options

Strategic options refer to the most suitable responses to the outcomes the SAI has selected. The outputs will often be defined at this stage. This paper proposes that the SAI revisit outcomes and outputs together (as explained in section 5.3.1), as we believe this will better enable the SAIs to decide/revise its strategic direction. Thus, this section concentrates on revising the SAI’s strategic options in terms of the corresponding capacities that need to be in place to produce the defined outputs. Moreover, we introduce the approach to addressing the identified capacity gaps, and how this should be seen in relation to the identified outputs.

We recommend following these steps when prioritising between strategic options:

- a. **Rate the outputs in terms of relevance:** take the outputs identified under step 5.3.1 above. A rule of thumb is to identify 2 - 3 outputs per outcome. If a larger number of outputs have been defined, disqualify any outputs that may not be sufficiently relevant at this time.
- b. **Consider in broad terms the required capacities and the capacity gaps for each relevant output.**

Capacities are defined as the degree of ability of the SAI to effectively mobilise its professional and financial resources, processes, systems and operations towards the achievement of its intended outputs. We separate between institutional, organisational and professional capacities. The key question to ask is: *What institutional, organisational and professional aspects of the SAI need to be strengthened in order to achieve the desired outputs?*

SAIs who are currently participating in the SPMR Initiative will be in a process of conducting or have recently conducted a SAI PMF assessment where the SAI PMF findings in each performance domain will be a main input to this analysis. SAIs that are not participating in the Initiative may still have conducted a SAI PMF assessment recently or may have information about current performance from other tools. It is also important to take into consideration specific elements related to Covid-19 as illustrated below.

Several more capacities may be developed, along with sub-categories, pending on the SAI's current capacities and the situation the SAI is facing. It is pertinent that when identifying the capacity gaps, a SAI considers gender and inclusiveness. For instance, a person with disabilities may have other needs in developing his or her capacities in an area. Moreover, women and men may have different preferences as to how to develop the capacities, such as through e-learning (more flexible to women with childcare duties) or physical training during office hours.

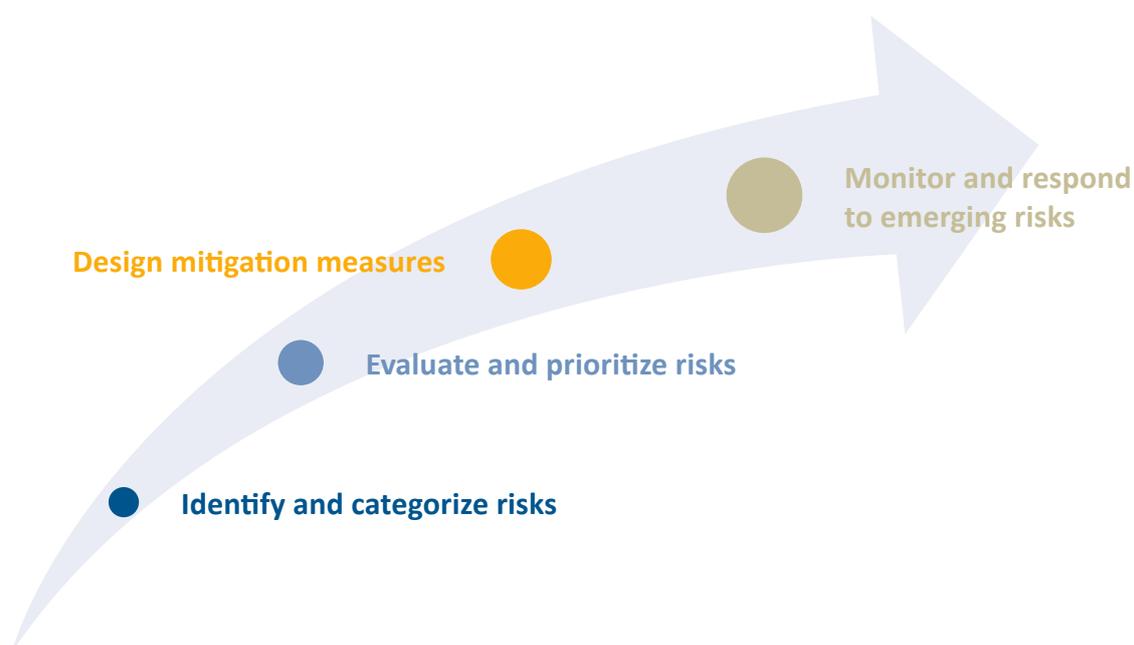


Having identified the capacities, a SAI needs to revert to its outputs and disqualify any outputs that would require capacities that seem unachievable in the coming period.

**c. Record assumptions and risks for each output and related capacity needs.**

Assumptions are beliefs or feelings that something is true or that something will happen, an assertion about the world such as the behavior of external and internal stakeholders, and the SAI's expectation on how such behavior would manifest itself as a response to changes. The results framework represents how a SAI will affect change in the strategic planning period. For these changes to take place the SAI makes critical assumptions that must be in place or fulfilled. For instance, if as part of a strategic option the SAI considers a training on audit methodologies, it assumes that the auditors attending the training will pay attention and will acquire new skills. It then also assumes that auditors will in fact apply the skills and be able to write better audit recommendations. An even stronger assumption is that those recommendations will be better understood and followed up externally. And on their turn, this can contribute to some long-lasting changes that affect citizens. If the assumptions don't hold true, the SAI may not be able to deliver its intended outputs and therefore not affect external change at the outcome and impact level and the SAI strategy will not be successful. It is therefore critical that assumptions are explicitly formulated and are regularly monitored to check whether they still hold true.

Risks pertain to factors both within and outside SAI's control that may jeopardise the achievement of results. Risk management is always important but even more so when there are extensive changes in the external environment which most SAIs are currently experiencing. By analysing risks and assumptions on a continuous basis, a SAI can be better prepared for future crisis. The risk management cycle which also represents the process the SAI should follow is illustrated here:



The first step will be to **identify and categorize risks** where a key source of information is the SWOT analysis. By now specific threats and opportunities emanating from Covid-19 should have been included in the SWOT and taken into consideration when developing the strategic issues. It will also be important to think beyond the SWOT analysis to ensure that the SAI captures all relevant aspects. Risks should be categorized into strategic and operational risks. Strategic risks are risks that will impact the SAI's ability to achieve its strategic plan. It is important to keep in mind that some operational risks can very well turn into strategic risks and should in such cases be taken into consideration for strategic planning.

The second step is to **evaluate and prioritise risks**. Identified risks should be assessed in terms of their probability of occurrence and the consequences for the SAI, should they occur. The likelihood of a risk materialising can be rated on a scale from highly unlikely to recurrent, while the impact can range from serious to limited. You will then arrive at a risk rating such as for instance low, medium or high for each of the risks. If risks are considered too high, the SAI should if necessary, revisit the identified outcomes and outputs to reach a risk level the SAI is comfortable with.

The third step is to **design mitigation measures**. A SAI controls risks when it modifies its practices to maximise its chances of success and minimising the chances of failure. Assigning each individual risk a risk response based on the above analysis is the first step of controlling risks. The risk response will fall into one of the following categories: avoid, reduce, tolerate or share the risk. Further explanation of what these responses entails is described in the [Strategic Management Handbook](#). For each of the risks where the risk response is to avoid, reduce or share, the SAI needs to define a mitigation strategy. It is pertinent for the SAI to strike a balance between control, cost of control and the appropriate level of risk-taking.

The fourth step will be to **monitor and respond to risks**. A template of a risk matrix that can be used for this purpose can be found in the Strategic Management Handbook. The risks should feed into the risk matrix which should be a living document and a key tool to manage the SAI. These will be monitored at the operational level. We will not describe this in detail here since this paper concentrates on strategic planning.

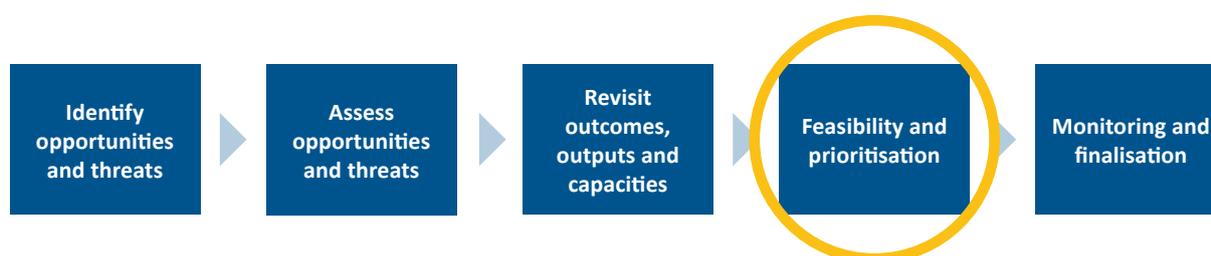
- d. **Select two to three strategic options** (outputs and corresponding capacity needs, gap and approach) for further discussion and feasibility analysis.

If the SAI decides to revise its outputs, it is quite clear that the corresponding capacities, capacity gaps and approach to addressing capacity gaps need to be revised. Even if the SAI has not revised its outputs, a SAI will most likely still need to revise the capacities and the approach to close its capacity gaps.

It is therefore important to be aware of strategic decisions that are simultaneously being made at the operational level based on challenges related to implementation, which may impact the process of devising strategic options at the strategic planning level. For instance, limited staff capacity this year and the successive reprioritisation of tasks at the operational planning level may impede upon the SAI's ability to start closing its necessary capacity gaps

as originally planned. In turn, such impediments may impact on the capacity gaps the SAI may manage to address over the entire strategic planning period. Based on such continuous information, the SAI needs to consider revising its outputs and the corresponding capacity gaps that need to be addressed to end up with a realistic strategic plan. Such information should also feed into point b. above Consider in broad terms the required capacities and the capacity gaps for each relevant output. In some instances, simply revising the sequencing of capacity development interventions may be sufficient to close the capacity gaps.

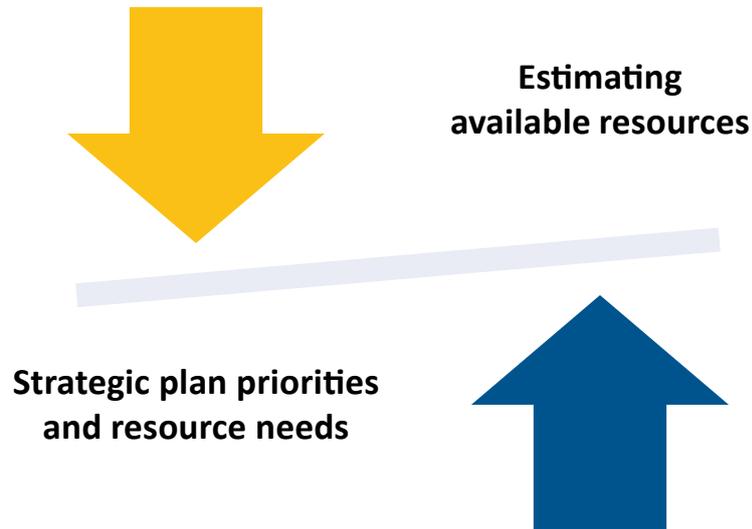
#### 5.4 Feasibility and prioritisation



The SAI will continuously prioritise when following the steps presented above. When the SAI has defined its outcomes, outputs and capacities, it is still pertinent that it conducts a thorough feasibility analysis to ensure that the entire strategic plan remains realistic. This demonstrates the iterative nature of strategic planning and if necessary further revision of the outputs and strategic options will be conducted in this step. It is also important to note that in some cases, the available resources may prevent the SAI from reducing or avoiding a strategic risk to the extent it would like to. Then the SAI would need to go back and revisit the risk responses.

Having a realistic plan is pertinent, given that the strategic plan is a key communication tool for the SAI showcasing its intent in the long run. Some SAIs are already experiencing reduced funding as a result of Covid-19 and a SAI may find itself in a situation with several additional emerging needs in light of Covid-19 but less resources. It is therefore critical to apply a Covid-19 lens to this step. In the following we will concentrate on the budgetary implications.

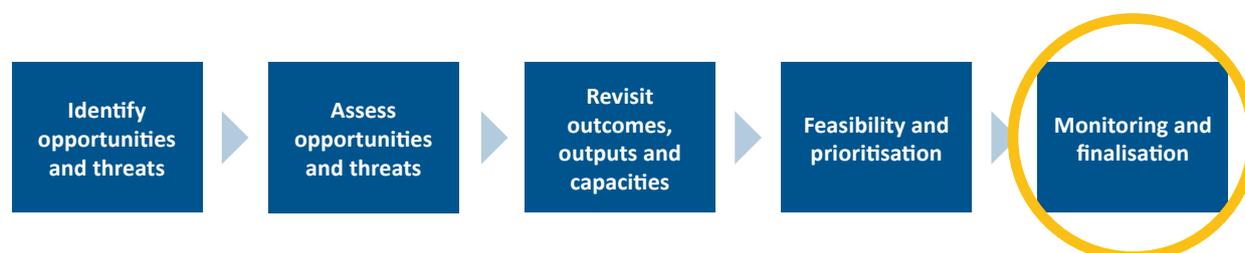
To arrive at a final strategic plan the SAI will need to reconcile priorities and resources as illustrated:



It is a two-way process where the top-down aspect entails that the SAI needs to estimate its resource envelope. The bottom-up aspect entails that the SAI calculates the resources it needs to implement the strategic plan. Following from this process, the SAI has to harmonise the two aspects. There are always more needs than resources and tough decisions have to be taken. Making these decisions in the strategic planning stage is critical because it entails that the SAI will avoid making even tougher decisions in the implementation phase if the SAI then realise that the strategic plan is not realistic.

The last step will be to harmonise everything into a revised results framework and the SAI need to check whether the framework still makes sense in terms of what the SAI intends to achieve. The SAI should have a realistic plan, but it also needs to be a bit ambitious and aim to have an even better strategic plan than before demonstrating relevance. In a nutshell keep your feet on the ground and head in the sky.

## 5.5 Monitoring and finalisation



### 5.5.1 Monitoring

Monitoring is an essential part of any strategic plan and it allows the SAI to track progress on implementation and take preventive or corrective action where progress is off track, or the external environment has changed. It demonstrates the SAI's level of ambitions and supports its accountability by showing that the SAI is committed to implement the plan. Monitoring is crucial in the context of Covid-19 to support decision-making, agility and flexibility of the SAI's response. Key elements of a monitoring system are indicators, baselines, milestones and targets which should be developed for the outcomes and outputs the SAI has identified.

In light of Covid-19 there may also be a need for more frequent monitoring. And keeping it cost-effective since the SAI may face resource constraints.

### 5.5.2 Finalisation and communicating the strategic plan

In the process of revising the strategic plan, the strategic management principle of being inclusive is important. This implies ensuring that internal stakeholders are consulted throughout the strategic planning process, involving both women and men and people with disabilities or various types of groups, if relevant given the country context. Although people are working from home and such internal consultations may be difficult to facilitate on a large scale, SAIs should be able to carry out some consultations with staff, on a limited scale. A SAI should consider consulting with heads of departments through an online session and the SAI should make an effort to involve all staff for instance by facilitating a Questions & Answer session on the final draft strategic plan. The SAI can explore using tools such as the Intranet or online communication platforms (e.g. Skype, Teams, Zoom) if available. If it is not possible the SAI need to facilitate such sessions as soon as the staff has returned to work in the office premises. A draft strategy could also be circulated to all departments, organising departmental sessions for receiving inputs from staff. If it is difficult for women to participate in such sessions due to childcare burden in working from home, another solution should be found in terms of soliciting their views.

Once the strategic plan has been finalised, the SAI needs a thorough plan for communicating it publicly, with due care to inclusiveness. For instance, for people with visual impairments, recording a video with the main messages would be demonstrating inclusiveness in communication. To ensure that people who are illiterate or do not have access to internet are included short radio messages may be considered.

For SAIs that have revised an existing strategic plan, it remains critical to communicate the changes made. Otherwise, the SAI may run the risk of external stakeholders perceiving the SAI as breaking its “promises” as outlined and communicated in the original plan.

Communicating the new or revised strategic plan presents the SAI with an opportunity to demonstrate publicly its commitment to become even more relevant, agile, forward-looking, inclusive and resilient. Hence, communicating the strategic plan is an important part of initiating the realisation of the plan and demonstrating in practice that the SAI aims to realise INTOSAI-P 12.

