



## Reporting practices to increase SAI impact – a note to aid discussion

**Increasing the impact and effectiveness of reporting is an enduring long-term objective of most SAIs. They recognise that high quality reporting is central to building confidence and trust in the integrity and objectivity of the institution. Building the reputation of the SAI flows from delivering the right reports to the right audience at the right time.**

### Introduction

1. The ISSAIs, in particular ISSAI 12 on the Values and Benefits of Supreme Audit Institutions, establish a number of expectations around reporting by SAIs focussed on ensuring that their work has impact. Aside from a specific requirement to at least report annually, amongst other things they advocate that:
  - Stakeholders' expectations and views are factored into organisational and audit planning;
  - Audit reports identify themes, common findings, trends, root causes and audit recommendations, and are discussed with key stakeholders;
  - Appropriate communication tools are used to facilitate access and enhance understanding of reports;
  - Assistance is given to parliament in understanding audit reports; and
  - Communication contributes to stakeholders' awareness of the need for transparency and accountability in the public sector, and contributes to the debate on improvements in the delivery of public services.
  
2. At the highest level, improving the efficiency and effectiveness of every aspect of an SAI's operations will contribute to raising the quality of its outputs and their impact with key stakeholders. More practically, for most SAIs planning to achieve impact is fundamental to the whole audit cycle starting with the design of the overall audit programme through the selection and delivery of individual audits, to the identification and reporting of the main messages to key stakeholders and the follow-up on the implementation of recommendations. At each of these stages, an SAI should be thinking about its overall impact and choosing the options and pathways, which will optimise outcomes and reflect favourably on the performance of the institution. It is crucial for the SAI to reflect throughout the audit cycle on whether its activities will create impact and add value.
  
3. This note draws out some of the practices used by SAIs.

## Preparing the right reports

4. Planning to build an SAI's impact starts with the design of the overall audit framework. Within this framework, the SAI will identify and select the individual audit topics it will cover. The delivery of individual audits requires robust methodologies consistently applied, clear quality assurance procedures, high quality actionable recommendations and clarity of reporting. In carrying out these audits, the SAI needs to meet its own performance targets delivering them to agreed timescales and within budget. This requires strong programme and project management skills.
5. The overall audit framework brings together the SAI's statutory obligations, its understanding of the audit environment within the public sector and its appreciation of the requirements and expectations of its principal stakeholders. This framework can take many forms but often it is part of a multi-year strategy, which will also cover the resources and capabilities the SAI requires to deliver its objectives.
6. The strategic framework for an SAI's audit programme will typically be formed from three main elements, in differing proportions, according to the specific constitutional and statutory requirements in each country. These are:
  - **Statutory reporting requirements:** These may include specific direction to undertake financial and compliance audits of government entities' revenue audits and obligations to audit specific elements of the budget process. For example: final budget accounts;
  - **Discretionary but expected reporting:** Many SAIs have a statutory requirement to undertake financial and compliance audit but have degrees of discretion around the level of coverage they provide and the extent of the work carried out. Principal stakeholders will often have a high expectation that SAIs will devote substantial resource to these activities; and
  - **Discretionary reporting:** Most SAIs have the statutory authority to undertake performance audit but have significant independence in determining the extent and nature of the work undertaken.
7. For most SAIs the greater part of their resources will be devoted to the first two categories of work: reporting on **financial, compliance and other statutory audit work**. These audits are crucial to assisting the legislature in holding government to account for its use of public funds. The SAI's work will build trust and understanding in how the government manages its finances in accordance with the statutory framework.
8. Whilst the scope of these audits is often tightly defined in statute and professional standards, there is nevertheless considerable scope to generate added value and impact from these activities. The financial and compliance audit work provides excellent insight into the governance and internal control frameworks within government entities. This can provide a basis for impactful reporting to the legislature or providing advisory commentary to the audited entity through management letters. While many financial and compliance audit reports are often descriptive in character, there is scope to inject more analytical content to extend understanding and examine the root cause of the problems and issues identified.

9. Understanding the make-up of the budget and how it is funded together with an understanding of good financial management principles provides a solid platform for added value reporting and a bridge into more sophisticated performance auditing. Some examples of topic areas might include:
- Explanations of how budgets and financial statements are made up;
  - Analysis of trends over time of expenditure patterns; sources of revenues; make-up of the public debt;
  - Explanations of variance in the discharge of the budget;
  - Understanding the reasons for failures in financial control;
  - Analysis of the management of classes of assets or liabilities.
10. The design of an impactful programme of added value work of this type requires bringing together a number of factors, which become even more relevant as an SAI seeks to develop a performance audit capability. The most important are:
- The capacity and capabilities of the SAI.
  - The SAI's own analysis of the changing audit field around it and assessment of where the highest risks of irregularity, poor performance or poor value for money lie.
  - The SAI's understanding of the expectations of key stakeholders, particularly the legislature.
11. The development of a **performance audit programme** is closely linked to the SAI's own capabilities and access to relevant expertise. A successful programme needs to be calibrated to suit the level of maturity of the audit environment and the ability of the SAI to bring together relevant sector expertise with appropriate audit and analytical skills. In the early stages of developing a performance audit programme, it may be appropriate to focus on issues of economy and efficiency before moving on to questions of effectiveness. It may also mean initially focussing on largely descriptive reports before progressing to more analytical studies, which offer greater insight. This is not to say most programmes will continue to contain a mix of the two.
12. Many SAIs organise their performance audit programmes around themes often set out in their multiyear strategies. These are presented in different ways but focus on issues such as areas of highest risk, enduring policies field and themes of high financial or social importance or the underlying drivers in the changing models of public service delivery. These themes then provide a context driving the selection of the individual audits, which make up the audit programme.

13. Both the SAI's overall **multi-year strategy** and its **annual work programme** of specific audits (financial, compliance and performance audits) need to meet the expectations of stakeholders by being relevant to their function and concerns. It needs to offer insight and clarification in a timely manner which helps them better discharge their functions whether that is the legislature holding government to account or government delivering public services. The SAI needs to be active in managing the expectations of what it can and cannot deliver and to make the case as to why an apparently unattractive report is important and worthy of consideration.
14. The multi-year framework can assist in managing expectations and provide a framework to tackle different aspects of an issue overtime in a series of reports building up expertise and credibility and thus impact. These work programmes must also retain an element of flexibility to address new issues as they emerge.
15. The impact of the SAI comes from the overall programme as a whole and from the individual reports. Each audit project represents a significant investment of time and resources, however, if the SAI commits to a project it needs to be sure that it will deliver the impact intended. This goes to the heart of the SAI's operating model and business processes. Some of the main factors to consider for each audit report include:
  - Is the timing right to cover the topic?
  - The strength of the business case for carrying out the audit. This will identify the likely findings from the work; identify the methodologies and evidence needed to confirm (or not) the findings; identify the likely areas for recommendations; set out the delivery timeline and how it fits with key events in the topic area; identify key stakeholder interests; set out a draft communication plan and specify the resource inputs and cost.
  - The quality assurance framework for the report including peer review within the SAI and external input if necessary.
  - The clarity of reporting. Does the report focus on the quality of the analysis and the main messages?
  - The quality of the recommendations. Do they flow from the report? Are they actionable and pitched at the right level for the main stakeholder audience?
  - The adequacy of the project and programme management arrangements.
16. In summary, securing impact for the SAI must be rooted in the right reports, which demonstrate adherence to professional standards and rigour, and the independence and integrity of the institution.

## **Addressing the right audience at the right time**

17. **An SAI's impact** can be defined in various ways but for the purposes of this paper, it is taken as whether its opinions and recommendations are respected and accepted by the legislature and acted upon by auditees. In most circumstances therefore the legislature and the government are the SAI's primary stakeholders. The key communication mechanism for them is the audit report. It follows that the report must command the attention from busy people. Often, however, the report itself may be only the start of a broader communication strategy to influence their engagement with the report.
18. **To gain attention for the report** the SAI must consider its accessibility and be clear as to the main messages they wish to convey. Often this leads to use of other communication channels requiring different approaches and skills and engagement with other actors such as the media and civil society organisations who may also be able to influence the actions of the primary stakeholders. Achieving good impact may require longer-term engagement beyond the report publication to promote understanding, engagement and the adoption and substantive implementation of audit recommendations.
19. **Good communication** is at the heart of achieving impact. This means understanding stakeholders needs and their environment so that the messaging and channels used to reach these target audiences is the most appropriate to command attention. Often SAIs will have communications plans to raise stakeholder awareness of the role of the SAI and its corporate strategy tailored to the needs of each main stakeholder group. They will also have communication plans for each major report. These plans will vary according to the interest of the stakeholder and may commence well ahead of the report publication. Once published an SAI can use a wide range of communication channels to raise awareness and exert influence, including press releases, media interviews and social media.
20. Ultimately, it is the legislature and the audited entities which must take action in response to the SAI's reports by engaging substantively with the audit recommendations. A proactive approach from the SAI to these stakeholders to confirm they understand the importance of the issues being raised and how they can be addressed through acceptance of audit recommendations will enhance overall impact.
21. **The SAI's engagement with the legislature** might include seeking their views as the audit programme is developed; providing briefings on the themes underpinning the performance audit programme; providing enhanced briefing on the findings in particular reports; supporting public hearings based on the SAI's reports.
22. **The SAI's engagement with audited entities** might include discussions on the themes underpinning the performance audit programme and sharing good practices from elsewhere; explaining in depth the audit findings and the practicality of the audit recommendations; speaking at conferences and workshops.
23. **Securing impact** from an individual report or from a sustained programme of work requires long-term engagement and persistence from the SAI. This will include a robust mechanism for following up the implementation of recommendations and reporting regularly to the legislature particularly where progress falls short of promised action. More informally, progress can be encouraged where the SAI is viewed as a trusted partner willing to provide support in carrying through recommendations.

## **Measuring performance**

24. Assessing the impact of SAIs' reports is difficult. There are some quantifiable measures but mainly they focus on outputs rather than outcomes. Most SAIs track the number of audit recommendations accepted and actioned by audited entities but this provides little insight into the quality of the work or the ongoing impact of the change brought about. They also track proxy measures such as the number of references to the work of the SAI in debates in the legislature or references in the mainstream media.
  
25. A number of SAIs attempt to quantify the financial savings generated by their work and express this as a multiple of the cost of running the SAI. The rigour with which this is done is variable. Several SAIs validate these savings by seeking the agreement of the auditee. Although there may be some methodological weakness in this approach, it does provide a quantifiable metric for stakeholders, particularly parliament.
  
26. In the absence of alternative measures, several SAIs depend on independent surveys of stakeholder opinion based on structured or semi-structured interviews.

## **Summary**

It is crucial for the SAI to reflect throughout the audit cycle on whether its activities will create impact and add value. This requires careful management of its own resources and capabilities to select the right reports in the right circumstances delivered to the right audiences at the right time. SAI impact is achieved when decision makers recognise the value of the work of auditors and use it to support the delivery of improvements in the delivery of public services.

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