



STRATEGIC PLAN 2016-2020

OFFICE OF THE AUDITOR GENERAL OF
NEPAL



Legislature-Parliament

Public Accounts Committee

(Public Accounts & Report of Auditor General)

Parliament Building
Singhadurbar, Kathmandu

Phone: +977-4200218/ 4211986

Fax: +977-4200218

Website: www.pac.gov.np

E-mail: legispac@yahoo.com



Message

The Public Accounts Committee (PAC) is incredibly pleased to know that the Office of the Auditor General of Nepal (OAGN) has formulated its institutional strategy encompassing the next five years (2016-2020). We see it as a roadmap for the OAGN to initiate its activities for quality audits. The PAC is confident that this plan is also a powerful tool to accomplish effective auditing that will contribute to promoting accountability, transparency and rule of law.

The recently promulgated Constitution has initiated a federal set up in the country that demands more resources. Consequently, government agencies are under immense pressure to reduce costs to meet the resource needs. At the same time, the government has to meet the demands for high quality public services. In this regard, the PAC expects that the strategic plan of the OAGN will help address the issues that have an impact on the use of public resources across government, and, thereby, give Nepali citizens value for money.

The new Constitution of Nepal has granted wider scope to the OAGN, reflecting the people's trust in the institution. The OAGN scrutinizes public spending for Parliament and is independent of government. The OAGN has authority to examine and report to Parliament on whether ministries, departments, the local bodies and other public sector entities have used their resources efficiently, effectively, and with economy. The PAC is confident that the OAGN's latest strategic plan will lead to quality audit which helps Parliament hold Government to account and improve public services.

We are very much aware of the importance of the OAGN in promoting good governance to improve the lives of the people of Nepal. The OAGN needs to enhance its competency in terms of human resources, working procedures and institutional development in order to meet the challenges of present changed context of the country. For this reason, the PAC is committed to provide every support to the OAGN, including enhancing its independence. We believe that the Strategic Plan will facilitate OAGN's continuous efforts to demonstrate its value and standards through high quality work.

Hon. Janardan Sharma
Chairperson
Public Accounts Committee

Auditor General of Nepal



Babar Mahal
PO Box 13328
Kathmandu
NEPAL



Foreword

The Office of the Auditor General of Nepal (OAGN) has formulated a five-year strategic plan (2016-2020). The purpose of the strategic plan is to ensure that all resources are focused on the most demanding areas, which lead to the creation of value for its stakeholders and thereby contribute to enhance accountability and transparency in the Public Financial Management system in Nepal. This strategic plan has been formulated through consultation mainly taking into consideration the present audit mandate, Supreme Audit Institution Performance Measurement Framework (SAI PMF) review report and international auditing practices.

The strategic plan has set the vision, mission, strategic imperatives and objectives for the next five years. The plan has key performance indicators defined for each strategic objective to help measure progress, make mid-way corrections, and assess outcome. The plan also identifies the strategic initiatives to achieve the strategic objectives, and ultimately to remain committed to our mission and reach the vision.

The OAGN, as a Supreme Audit Institution of Nepal is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and the Asian Organisation of Supreme Audit Institutions (ASOSAI), has been playing an active role in the international auditing community also. I am confident that this strategic plan enables the OAGN to capture national and international scenarios and accordingly helps achieve its duties and responsibilities.

Every staff member in the office should understand his or her role, and their responsibilities towards achieving the set objectives. I believe everyone in the office will continue to be inspired to achieve our goals and vision. In the process, coordination and communication among the management and all staff will be further strengthened. Indeed, the core values that enhance our credibility- independence, integrity, transparency and accountability - must be an integral part of the culture of our office.

I would like to express sincere thanks to the Office of the Auditor General of Norway, and the key external stakeholders for their participation in the strategic planning workshop and valuable inputs. I also deeply appreciate the Audit Advisory Committee for the invaluable inputs that has undoubtedly helped to enhance the quality of the Strategic Plan. Similarly, I am thankful to the strategic planning team and all the staff of my office for their enthusiasm and critical feedback during the planning process.

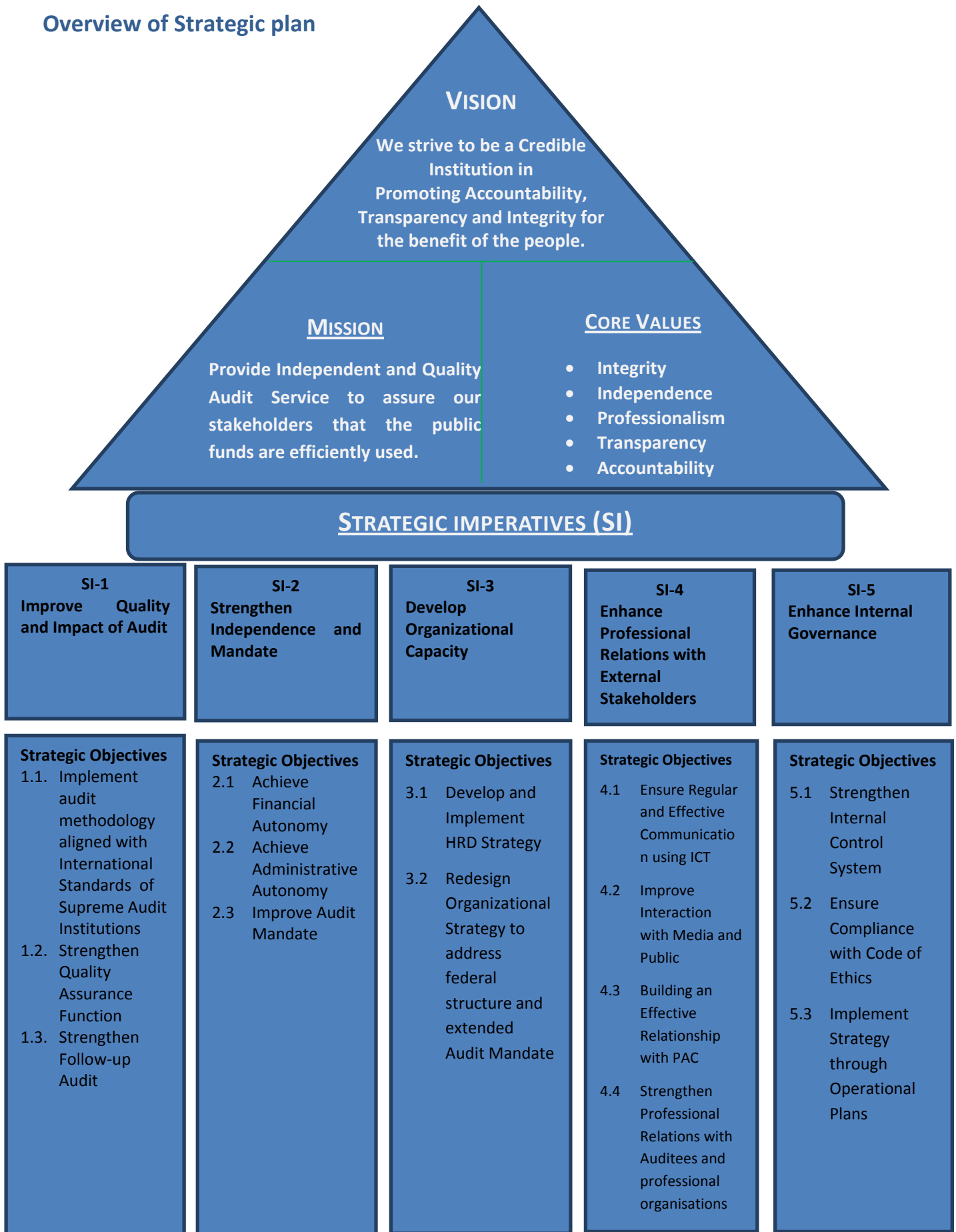
I am confident that this strategic plan will contribute to enhance performance, credibility and professionalism of the OAGN and thereby help towards establishing OAGN as a leading institution of transparency and accountability.

Bhanu P. Acharya
Bhanu Prasad Acharya
Auditor General

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Overview of Strategic plan



Introduction

This is the third strategic plan of the Office of the Auditor General of Nepal (OAGN). Unlike the previous two strategic plans, the time horizon of this plan has been extended from 3 to 5 years. The Constituent Assembly promulgated the Constitution of Nepal in 2015. The country now has adopted a federal form of government resulting in broader mandate of the OAGN. Consequently, it was felt appropriate to expand the duration of the strategic plan to enable the OAGN to fulfil its wider responsibilities effectively. The strategic plan has been formulated primarily considering the OAGN's extended mandate, Supreme Audit Institution Performance Measurement Framework (SAI PMF) review report and international auditing practices.

Key external stakeholders of OAGN were actively consulted in developing this plan. Henceforth, it is believed that continual support from all key stakeholders will be received during this strategic plan's lifecycle, to implement this plan successfully.

Vision

We strive to be a Credible Institution in Promoting Accountability, Transparency and Integrity for the benefit of the people.

The vision is our long-term aspiration. It drives us to improve continuously so as to become a credible institution in promoting public accountability, transparency and integrity. That, in turn, will promote better governance and ultimately advance the welfare of the people of Nepal. However, our vision is not just to be a watchdog over other public sector institutions; rather, it is our deep-rooted commitment to also lead by example by becoming a model organization that holds itself to account and ensures the highest degree of transparency and integrity in its own operations.

Mission

Provide Independent and Quality Audit Service to assure our stakeholders that the public funds are efficiently used.

Our mission represents why we exist as an institution, for whose benefit, and how we propose to uniquely contribute to that larger purpose. Our independent and quality audit service should assure our stakeholders that public funds are used efficiently which ultimately justifies OAGN's existence. The efficient use of public fund will lead to improve the lives of the people of Nepal. That, indeed, is the ultimate purpose of all public sector institutions in Nepal. That commonality of purpose underscores the importance of all public institutions in Nepal working together rather than at cross-purposes. This binds us irrevocably to all other public institutions in the country to achieve the ultimate aim of improving the lives of the people. It serves as a constant

reminder that only by cooperating and coordinating, can the public sector institutions truly succeed in uplifting the nation's welfare. At the same time, we see ourselves as making a unique contribution towards this shared purpose, and that is by being faithful to our Constitutional obligation of providing independent, quality audit services. That, in turn, will improve public sector performance, enhance transparency, ensure accountability, maintain credibility, promote public trust, and foster efficient use of public resources for the benefit of the people of Nepal.

Core Values

Our Core Values always guide us in how we behave with each other as well as with our external stakeholders. They are the foundation of our organizational culture and impact individual, as well as, organizational performance. We believe that how we conduct ourselves daily, affects our individual self-respect, and the goodwill and reputation of the OAGN. Our Core Values are:

Integrity

Our dealing with stakeholders and clients should demonstrate honesty, fairness, objectivity, truthfulness. We remain transparent, accountable and not unduly influenced by the interests of others in performing audit.

Independence

We draw conclusions, raise observations and form audit opinions without being affected by influences that compromise professional judgment, avoiding the situation of conflict of interest, keeping free from self-interest and intimidation and maintaining impartiality.

Professionalism

We believe that only a professional and competent workforce can provide better audit services. Therefore, we aim for continuous professional development at all levels. Our professional expertise and ethical behaviour guide us to contribute to the nation in the prudent use of public resources for the well-being of the people.

Transparency

For any institution in the democratic system of government, it must have the public's confidence. To value this confidence, we intend to be open in our entire work and communicate our audit results in a transparent manner.

Accountability

We aspire for relationship among our all staffs based on clear responsibility for performance, both for the results achieved and means used. We are also committed to be accountable to the people of Nepal, Parliament and other stakeholders.

Strategic Imperatives

The strategic imperatives are the key interventions that we believe are required to be faithful to our Mission and achieve our Vision. These strategic imperatives were arrived at after consultations with our key stakeholders, environmental scan considering significant socio-cultural, technological, economic, environmental, and political trends, and key internal forces affecting the work of the OAGN. While identifying the strategic imperatives, we also considered the risks of not addressing the internal and external forces influencing the OAGN. Our five strategic imperatives:

1. Improve Quality and Impact of Audit
2. Strengthen Independence and Mandate
3. Develop Organizational Capacity
4. Enhance Professional Relations with External Stakeholders
5. Enhance Internal Governance.

Strategic Objectives

The strategic objectives represent the stepping stones for achieving our strategic imperatives, and ultimately our Vision, while remaining stringent to our Mission and Core Values. The following are our strategic objectives.

Strategic Imperative-1: Improve Quality and Impact of Audit

Strategic Objectives:

- 1.1 Implement Audit Methodology aligned with International Standards of SAIs
- 1.2 Strengthen Quality Assurance Function
- 1.3 Strengthen Follow-up Audit

Strategic Imperative-2: Strengthen Independence and Mandate

Strategic Objectives:

- 2.1 Achieve Financial Autonomy

- 2.2 Achieve Administrative Autonomy
- 2.3 Improve Audit Mandate

Strategic Imperative-3: Develop Organizational Capacity

Strategic Objectives:

- 3.1 Develop and Implement Human Resource Development Strategy
- 3.2 Redesign Organizational Strategy to address federal structure and extended Audit Mandate

Strategic Imperative-4: Enhance Professional Relations with External Stakeholders

Strategic Objectives:

- 4.1 Ensure Regular and Effective Communication using ICT
- 4.2 Improve Interaction with Media and Public
- 4.3 Building an Effective Relationship with PAC
- 4.4 Strengthen Professional Relations with Auditees and professional organisation

Strategic Imperative-5: Enhance internal governance

Strategic Objectives:

- 5.1 Strengthen Internal Control System
- 5.2 Ensure Compliance with Code of Ethics
- 5.3 Implement Strategy through Operational Plans

The Key Performance Indicators to measure achievement of the objective have been provided in Annex-1.

Critical Success Factors

In order to achieve successful implementation, we have identified some key issues that we must address in our organization. They are as follows:

1. Organization-wide ownership of our Core Values

Our integrity guides us to take an open, fair and honest approach in addressing our stakeholders, which will help achieve successful implementation of this plan. Our independence from the executive, legislature and judiciary is crucial for credible audit services. Our professionalism requires us to have high level of knowledge, skill and experience to provide timely and quality audit services. For our strategies to succeed, it is imperative that our organisational culture is pervaded with these core values.

2. *Top management initiative*

Leadership and direction is a prerequisite for any plan to succeed. That is especially true for the implementation of this strategic plan. The tone at the top will remain a major determinant for successful execution of this plan. Therefore, management will take every initiative to lead by example in implementing this plan.

3. *Operational plans*

This plan has been formulated for the next five years and reflects high level aspirations, goals, and objectives. The implementation strategy is the first step towards implementation. However, the final and essential step, to ensure successful implementation of the five-year strategy, is to develop and implement directorate-wise annual operational plans. Those operational plans have to include explicit and specific actions for each directorate that has to be undertaken within specified timelines to help achieve each strategic objective. Without such action plans, the strategy will not translate into sustainable change in the organization. Operational plans that will be designed and implemented each year will work as the next building-block to achieve the goals of this strategic plan.

4. *Monitoring and Evaluation*

OAGN places great importance on monitoring and evaluation because, when done and used correctly, they strengthen the basis for managing for results. Without regular monitoring, it will not be possible to ascertain progress and take timely corrective actions. On the other hand, periodic evaluations will help us ascertain the extent of success in implementing the strategy, and hold ourselves accountable for the achievement of planned results. As a first step towards this end, we have defined key performance indicators for each strategic objective.

Annexes

Annex 1: Key Performance Indicators to measure achievement of Strategic Objectives

Annex 2: Implementation Strategy

Annex 3: Results of Environmental Scan

Annex 4: Prioritized domains of SAI PMF

Annex 1: Key Performance Indicators to measure achievement of Strategic Objectives

Strategic Imperative-1: Improve Quality and Impact of Audit	
Strategic Objectives	Key Performance Indicators
1.1 Implement Audit Methodology aligned with International Standards of SAls	(a) Ratio of ISSAI-compliant audits to total audits in each stream as reviewed by QA function (b) Coverage of systemic issues in AG’s annual report
1.2 Strengthen Quality Assurance	(a) Annual percentage QA Reviews of audits (b) Numbers of QA recommendations implemented
1.3 Strengthen Follow-up Audit	Percentage of audit recommendations implemented
Strategic Imperative - 2: Strengthen Independence and Mandate	
Strategic Objectives:	Key Performance Indicators
2.1 Achieve Financial Autonomy	Law amended empowering OAGN to allocate budget among line items and provide PBIS to its staffs (in line with ISSAI 10 Principle 8)
2.2 Achieve Administrative Autonomy	Law amended empowering OAGN to create posts and operate Nepal Audit Service. (in line with ISSAI 10 Principle 8)
2.3 Improve Audit Mandate	Percentage of audit jurisdiction on all public money (in line with ISSAI 10 Principle 3)
Strategic Imperative-3: Develop Organizational Capacity	
Strategic Objectives:	Key Performance Indicators
3.1 Develop and Implement Human Resource Development Strategy	(a) HRD strategy developed, covering all key components of HRD as per good practices (b) Percentage of HRD strategies operationalised
3.2 Redesign Organizational Strategy to address federal structure and extended Audit Mandate	(a) Audit coverage at all levels of the federal set up – Centre, Provinces, Local bodies (b) Reporting provisions as per federal set up laid down in related laws
Strategic Imperative-4: Enhance Professional Relations with External Stakeholders	
Strategic Objectives:	Key Performance Indicators
4.1 Ensure Regular and Effective Communication using ICT	Level of external stakeholders’ satisfaction in use of ICT in communication
4.2 Improve Interaction with Media and Public	(a) Number of interactions held (b) Media coverage of OAGN operations and reports

	(c) Level of satisfaction
4.3 Building an Effective Relationship with PAC	(a) Number of interactions and briefing (b) Percentage of audit recommendations that are incorporated in PAC's report (c) Number of follow up audits conducted and reported based on PAC decision.
4.4 Strengthen Professional Relations with Auditees and professional organisations	Number of interaction and constructive feedback of auditees and professional organisations addressed by the OAGN.
Strategic Imperative-5: Enhance Internal Governance	
Strategic Objectives:	Key Performance Indicators
5.1 Strengthen Internal Control System	(a) Implementation of Internal Control System (based on COSO Framework) (b) Internal audits conducted throughout the year as per accepted professional standards in the field of internal audit (c) Percentage of Internal audit recommendations implemented
5.2 Ensure Compliance with Code of Ethics	(a) Percentage of recommendations addressed based on report of Code of Ethics Compliance Monitoring Committee. (b) External Stakeholder survey on level of compliance of Code of Ethics by the staffs
5.3 Implement Strategy through Operational Plans	(a) System in place for developing annual operating plans (b) Directorate-wise and consolidated annual operating plans, aligned explicitly with each strategic objective, approved before the beginning of each implementation year (c) Achievement of targets in the operational plans

Annex 2: Implementation Strategy

Strategic Imperative:		1. Improve Quality and Impact of Audit					
Strategic Objective (SO):		1.1 Implement Audit Methodology aligned with international standards					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
1.1.1	Develop/Modify electronic working papers to align with requirements of audit manuals	New/Modified EWP aligned to requirement of audit manuals	01/2016	12/2016	AAG, Management Directorate		
1.1.2	Train auditors in use of the EWP	Auditors capable of properly using the EWP	01/2016	12/2017	Director, Training		
1.1.3	Implement audit manuals (Financial, Performance and Compliance) with Electronic Working Paper (EWP)	Use by all auditors of electronic working papers aligned with requirements of the audit manuals	09/2016	12/2018	Director, Policy		
1.1.4	Train auditors on how to increase the use and impact of audit reports (please refer to INTOSAI CBC guide on this subject)	Auditors who consistently apply the good practice strategies for increasing the use and impact of audit reports	04/2017	12/2019	Director, Training		
1.1.5	Design and implement Local body audit practice	a. Policy document in hand	01/2016	06/2016	DAG, Management Division		
		b. LBs will be audited using Policy and procedures designed	08/2016	04/2017	Respective AAG and Directors in LBs Audit		
1.1.6	Change current transaction based reporting into reporting on systemic issues	Policy will be developed and Audit Reports will include systemic issues	06/2016	04/2018	DAG, Management Division		
Strategic Objective (SO):		1.2 Strengthening Quality Assurance Function					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
1.2.1	Enhance competence of audit staff on audit quality, quality controls, and quality assurance in line with the ISSAIs and the OAGN handbooks on quality assurance in financial and performance audits	Audit staff demonstrate sufficient understanding of audit quality, quality control mechanisms, and the purpose and procedures for quality assurance	05-2016	05-2020	AAG, Training Directorate		
1.2.2	Link implementation of QA recommendations to PBIS and performance evaluation	a. Guidelines for performance evaluation.	06/2016	12/2016	AAG, HR		
		b. Incentives awarded and positive performance appraisal comments to auditors who demonstrate better implementation of QA recommendations and	01/2017	12/2017	All audit Supervisors/Managers		

		Increased implementation by auditors of QA recommendations					
1.2.3	Design and implement an effective follow up mechanism by each directorate to address the results of QA	Action Plan prepared in standardised template and implemented by all directorates	06/2016	07/2016	All AAGs		
1.2.4	Design and Implement pre issuance review system	Detail system laid down and pre-issuance review initiated	10/2018	12/2020	Chair, QA Committee, Respective Directorates		
1.2.5	Initiate a system for regular external peer review	External peer reviews conducted as per approved frequency Peer review report implemented	10/2018	12/2020	Director, QA		

Strategic Objective (SO):		1.3 Strengthen the Follow-up Audit					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
1.3.1	Develop and implement policy for proactive follow up including amendment of related laws.	a. Policy document in hand and amendment in related laws as required	05/2017	04/2019	DAG, Management Division		
		b. Audit recommendations implemented as a result of Effective follow up	11/2018	12/2020	DAG, Management Division		
1.3.2	Prepare database of audit observations and PAC directives	Regularly updated database	05/2018	04/2019	Director, Management Division		
1.3.3	Establish the system of issuing online information on audit settlement to audit entities	a. Online audit clearance system.	05/2020	12/2020	Director, Management Division		
		b. Input to subsequent risk based audit planning	05/2020	12/2020	Director, Training		

Strategic Imperative:		2. Strengthen Independence and Mandate					
Strategic Objective (SO):		2.1 Achieve Financial Autonomy					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
2.1.1	Make legislative arrangement for Financial Autonomy including authority to provide performance based incentives to staffs and get lumpsum budget allocated to OAGN and power to reallocate lumpsum budget into line items	OAGN has legal authority to provide incentives to staff, and allocate/reallocate budget to line items	05/2016	12/2018	DAG, Management Division		

Strategic Objective (SO):		2.2 Achieve Administrative Autonomy					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
2.2.1	Get amended the Civil Service Act, 2049 relating to administration of Nepal Audit Service	Nepal Audit Services will be administered by OAGN	05/2016	12/2018	DAG, Management Division		
2.2.2	Gets power to create and fill positions requiring multi-disciplinary professional qualifications.	OAGN will create and fill positions required to carry out its functions effectively.	05/2017	12/2018	DAG, Management Division		
Strategic Objective (SO):		2.3 Improve Audit Mandate					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
2.3.1	Solicit mandate to conduct audit of all public funds and reporting therein.	All public funds will be audited by OAGN and reported as per mandate	05/2018	12/2019	AAG, Management Directorate		

Strategic Imperative:		3. Develop Organizational Capacity					
Strategic Objective (SO):		3.1 Develop and Implement HRD Strategy					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
3.1.1	Prepare and implement HRD Strategy.	HRD Strategy developed and implemented	02/2017	12/2017	Director, HR		
3.1.2	Review existing staff rotation policy.	Revised policy document in hand and effective implementation of the policy	05/2016	06/2016	AAG, Management Directorate		
Strategic Objective (SO):		3.2 Redesign Organizational Strategy to address federal structure and extended Audit Mandate					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
3.2.1	Conduct O & M study in line with federal structure and extended audit mandate	Study report implemented	05/2016	12/2016	AAG, Management Directorate		
3.2.2	Prepare and implement policy for auditing and reporting as per federal set up	Policy prepared and implemented	07/2017	07/2018	DAG, Management		
3.2.3	Initiate periodical reporting	Guidelines Prepared	01/2016	06/2016	AAG, Policy		
3.2.3	Strengthen ICT infrastructure and its application	1. ICT infrastructure increased 2. increased use of ICT and reduce the paper work	01/2017	12/2019	Director, Management		

3.2.4	Construct Office Buildings and Restructure audit office as per federal structure	1 Office Buildings available for use 2. Federal Audit offices established and functioning	01/2016	12/2020	AAG, Management Directorate		
Strategic Imperative:		4. Enhance professional relations with external stakeholders					
Strategic Objective (SO):		4.1 Ensure regular and effective communication using ICT.					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
4.1.1	Prepare and implement action plan	1. Comprehensive action plan 2. ICT tools in place 3. Status report on utilization of tools.	01/2017	06/2017	Director, Management		
4.1.2	Conduct independent review of OAGN's communication system using ICT	1. Review report 2. Recommendations addressed by initiative owners.	01/2019	06/2019	AAG, Management Directorate		
Strategic Objective (SO):		4.2 Improve interaction with the media and public					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
4.2.1	Set up skilled and sufficiently staffed communication team as per approved communication strategy	Functioning Communication team in place	03/2016	02/2017	AAG, Management Directorate		
4.2.2	Develop and implement communication plan based on the communication strategy for effective communication with media and public	a) Media and public communication plans which should identify the concerns of the media & public , what information can and should be provided to address those concerns, and in what form should the information be provided b) Wide coverage of audit results. c) Feedback on potentially significant audit issues	03/2017	12/2018	Communication Team, Coordinator		
4.2.3	Establish media release archives (as per suggestion of OAGN committee which reviewed SAI PMF Report 2014)	a. Media archive established and in use b. Input to audit planning	01/2019	12/2020	Director, Management		
4.2.4	Enhance the participation of Civil Society Organisations in the auditing Process	a) Number of audits conducted engaging CSOs	08/2017	10/2020	AAG Performance Audit		

Strategic Objective (SO):		4.3 Building an effective relationship with PAC					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
4.3.1	Establish a system for regular interactions with PAC members, and briefing of PAC prior to PAC hearing in coordination with PAC	1. Regular interactions held and discussed about value and benefits of SAI and its Reports 2. Ministry wise/Department-wise briefs to PAC in approved Template 3. Suggested questions for use by PAC during hearing.	01/2017	12/2020	AAG, Parliamentary Relations		
4.3.2	Implement mechanism for follow-up of PAC decisions	1. Included in regular audit plan for follow up 2. Follow-up reports submitted to PAC as per agreed timeline.	07/2018	12/2020	AAL AAGs		
Strategic Objective (SO):		4.4 Strengthening the professional relation with auditees and professional organisations					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
4.4.1	Hold effective interactions with Chief Accounting Officers, responsible persons, DTCOs, CDO and ICAN and addressing feedback	Interaction report and Feedback addressed	01/2017	12/2020	AAG, Training		
Strategic Imperative:		5. Enhance Internal Governance					
Strategic Objective (SO):		5.1 Strengthen Internal Control System					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
5.1.1	Map current Internal Control of OAGN	Existing internal control activities documented	05/2016	04/2017	AAG, Management		
5.1.2	Redesign Internal control system in line with good practice (e.g. COSO Framework)	Internal Control framework approved, communicated and implemented	05/2017	04/2018	AAG, Management		
5.1.3	Set up Effective Internal Audit Function	(a) Internal audits conducted regularly (b) Recommendations addressed by line managers	05/2018	12/2020	DAG, Management		
5.1.4	Conduct audits and submit reports in time	All audit reports submitted within stipulated time	01/2017	12/2020	DAG, Management		
5.1.5	Establish a research Unit	Research Unit established	01/2018	01/2019	AAG, Management		

Strategic Objective (SO):		5.2 Ensure Compliance with Code of Ethics					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
5.2.1	Create awareness on code of ethics among staffs	Awareness created on code of ethics	01/2016	12/2016	AAG, Training		
5.2.2	Regular monitoring of Code of Ethics	Monitoring reports and actions taken note	01/2017	12/2020	All DAGs/ AAGs		
Strategic Objective (SO):		5.3 Implement strategy through annual operational plans					
Strategic Initiatives		Expected output(s)	Start date mm/yyyy	End date mm/yyyy	Initiative owner	Status	Comments
5.3.1	Develop and implement a system for annual operational planning, incorporating the audit planning.	Annual operational planning and monitoring incorporated in the organisation's regular operation	01/2016	01/2019	Director, Training		
5.3.2	Design annual operational plan template with guidance,	Template with guidance in hand	01/2016	02/2016	AAG, Training		
5.3.3	Develop competence of management preparing implementing and monitoring annual operational plan	Enhanced management competence in preparing operational plan	03/2016	04/2016	AAG, Training		
5.3.4	Conduct quality review of annual operational plan	1. Quality review report 2. Recommendation addressed by directorates.	07/2018	12/2018	AAG, Management		
5.3.5	System for effective communication of annual plan to the whole organization established	Annual plan generally known and used as a reference in the whole organisation	01/2016	12/2020	Director, Training		
5.3.6	Establish the monitoring and evaluation system to ensure the implementation of Strategic and operational plan.	Monitoring and evaluation mechanism	01/2016	12/2020	DAG, Management		

Annex 3: Results of Environmental Scanning

OAGN operates within the boundaries of external and internal forces which affect organizational performance. During the environmental scan, we identified the following major external forces influencing the OAGN and, therefore, to be addressed by the new strategic plan.

Political and Regulatory

- Inadequate financial independence
- Lack of authority to allocate budget in budget heads
- Extended mandate of audit under the new Constitution
- No effective actions by auditees on audit observations

Socio- cultural

- Increasing expectations of people from the auditor
- Increasing interest of civil society organizations (CSO) and general public in OAGN's audit
- Inadequate interest of competent people to join audit service

Technological

- Greater use of e-governance by government agencies
- Adoption of rapidly changing information technology
- Manual accounting systems replaced by computerized environment

Economic

- Increasing volume and nature of government expenditure
- Inadequate budget allocation to OAGN
- New changes in public financial management resulting from Nepal Public Sector Accounting Standards (NPSAS), Treasury Single Accounts (TSA) and Information Technology-Financial Management Information System (IT-FMIS)
- Corruption perception index (CPI), implying a high perceived corruption in the country
- Leakage of financial resources in government entities
- Global trend in public sector auditing for compliance with international standards of supreme audit institutions (ISSAIs)

Environmental

- Increasing trend of natural disaster like earthquake
- Increased public awareness regarding environmental issues
- Degradation of ecological balance
- Emerging diseases like Acquired Immune Deficiency Syndrome (AIDS), Swine Flu, Ebola and other epidemics

Annex 4 : Prioritized domains of SAI PMF

SAI PMF has seven domains as discussed below. Based on our field force analysis we prioritized B, C, E and F domain during this strategic plan period. We considered results of the recent peer review report while conducting the force field analysis.#

Domain A: SAI Reporting

This domain has 5 indicators. The indicators SAI-1 to 3 in domain A, relate to financial, compliance and performance audit reporting respectively. These indicators deal broadly with: coverage/selection of audits; submission, publication and dissemination of reports; and follow-up of audit recommendations. In effect they are about the quantity of audit work and how the results of audit work are used. Indicator SAI-4 in domain A, relates to SAIs following the Court model only. It covers timeliness of the opinion/report on the General State Accounts, the number of judgments in comparison to the number of output documents requiring a judgment (i.e. administrative trial decisions or audit findings), and the jurisdictional SAI's efforts to ensure timely judgments. SAI-5 in domain A relates to SAI Annual Report and other Reports which focus on contents, submission, publications and dissemination and reporting on value added services.

Domain B: Independence and Legal Framework

Domain B covers the legal mandate of the SAI and its independence, in particular from the Executive. This domain has two Performance Indicators; SAI-6: Independence of the SAI and SAI-7: Mandate of the SAI. SAI-6: Independence of the SAI has four dimensions to assess which are (i) Appropriate and effective constitutional and legal framework, (ii) Financial independence/autonomy, (iii) Organizational independence/autonomy and (iv) Independence of the head of SAI and its officials. Similarly, SAI-7 Mandate of the SAI has also four dimensions to assess which are (i) Sufficiently Broad Mandate, (ii) Access to information, (iii) Right and obligation to report and (iv) Existence of effective follow up mechanism.

Domain C: Strategy for Organizational Development

An SAI should have efficient and effective systems in place which enable it to plan for both the long term "Strategic" and the short term "annual". It should also monitor and report on its performance. This Domain has one Performance indicator namely SAI-8: Strategy for Organizational Development

The content of the strategic plan is assessed in dimension (i), while the process of strategic planning is assessed in dimension (ii) of Performance Indicator SAI-8 Strategy for Organizational Development.

To facilitate implementation of its strategic plan, the SAI should have an annual planning process which operationalises the long term objectives. On an annual basis the SAI should provide a detailed plan for the coming year by elaborating on the planned projects, activities, timelines, and resources required, estimated budget, outputs, responsibility for the projects and risks involved. The content of the annual plan is assessed in dimension (iii) and the annual planning process in dimension (iv) of Performance Indicator SAI-8: Strategy for Organizational Development.

Domain D: Audit Standards and Methodology

This domain has 9 Indicators relating to Financial, Compliance, Performance Audit and Judicial process. Indicators SAI-11-16 in domain D relate to financial, compliance and performance audit foundations and processes respectively. These indicators deal broadly with: audit standards and guidance, ethics, quality control, team management and skills, planning, implementing, and evaluating audit evidence, concluding and reporting audits. In effect they are about the quality of audit work. SAI-17 relates to the judgment process, to be included in an assessment of an SAI following the Court model. It focuses on

the quality of the opinion/report on the General State Accounts and the accounts judging procedures, and effective monitoring mechanisms within a jurisdictional SAI.

Domain E: Management and Support Structures

This domain focuses on whether an SAI manage its operations economically, efficiently, effectively and in accordance with laws and regulations and maintain an appropriate internal control environment to provide reasonable assurance that this is done. This domain has two performance indicators namely SAI-18: Ethics, Management and Internal Control and SAI-19: Asset Management and Support Services. SAI-18: Ethics, Management and Internal control covers four Dimensions; (i) Code of ethics and integrity, (ii) Management of staff, (iii) Financial Management and (iv) Internal control environment. SAI-19 Asset Management and Support Services has two Dimension; (i) Planning and effective use of assets and infrastructure and (ii) Administrative support services.

Domain F: Human Resources and Leadership

This domain has two indicators focused on human resource. SAI-20: Human Resource Leadership and Function focuses on leadership, human resource strategy, recruitment, remuneration, promotion and staff welfare. SAI-21: Professional Development and Training focuses on plan and processes for professional and development relevant to audit disciplines.

Domain G: Communication and Stakeholder Management

Maintaining good working relations with external stakeholders is essential for the SAI to be able to communicate its value and benefits. This domain has three indicators to assess namely SAI-22: Communications Strategy and Internal Communication, SAI-23: Communications with the Legislative, the Executive and the Judiciary and SAI-24: Communications with the Media, Citizens and Civil Society Organizations. The dimensions assessed in these indicators basically focus on communication strategy and good practices regarding communication with internal and wide range of external stakeholders.