

PEER REVIEWS

One of the Quality Assurance Tools for SAIs

Who audits the auditor?

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Supreme Audit Office of the Slovak Republic
INTOSAI Capacity Building Committee – Subcommittee 3
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CONTENT OF THE PRESENTATION

1. Why to choose a peer review? (from SAIs' perspective)
2. Introducing INTOSAI
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Why to choose a peer review?

Peer Review Ambassadors



"The findings produced by the peer review of the Austrian SAI confirmed the good work done in recent years and the steps taken to advance reform. For the Austrian SAI, the peer review exercise was an overall rewarding and enriching experience. Starting lessons learnt and ideas with peers help us enhance our own mission performance. By publishing the long form peer review report, the Austrian SAI demonstrates that transparency is of key importance also to national SAI efforts."



Dr. Josef Heide, President of the Austrian National Audit Office

"[...] Intosai was preparing for the future accession to the European Union and gave in its financial management and accountability, internal control and external audit created great challenges for the Rijksoverheid (National Audit Office of the Netherlands). Peer review (PR) helped to plan the role of the Rijksoverheid in the process and the steps necessary to meet these challenges."



Pieter van der Zwaag, Auditor General, Rijksoverheid



"In 2008, the European Court of Auditors (ECA) was peer reviewed for the first time by the SAs of Canada (Brian Heide), Austria, Norway and Portugal. In addition, the ECA led the 2012/2013 peer review, with Austria and Norway, of the SAs of Norway. The ECA's experiences of being reviewed and of reviewing have been very positive, helping our institution to create a culture of continuous improvement and demonstrating to our stakeholders that we are committed to providing transparency and accountability, not only for others but also for ourselves. The ECA is, therefore, convinced of the benefits of such reviews and is currently planning to start its next peer review in 2014."



Victor Călinaru, President of the European Court of Auditors



Prof. Dr. Dieter Siegel, President of the Bundesrechnungshof, Germany



what dynamics we share worldwide and what is just your own local flavour of it. In short, a low budget experience not to miss."

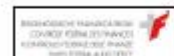


Shadia J. Staveland, President of the Algerian National Audit Office, the Netherlands



Jakob Kowalski, President of the Supreme Audit Office (SAR), Poland

"The Polish SAR has already been subject to peer reviews twice: in 2010 and 2012, and in 2012 we are going to be peer reviewed once again. A peer review is an exceptionally inspiring and enriching experience. As you receive an objective opinion and useful advice from colleagues who are experts in state auditing, which is in fact quite a unique opportunity – even within the auditing community. Their independence of the traditions of your SAI and of your country's current situation makes peer reviews a really beneficial management tool that can supplement or even replace other forms of an SAI's external assessment."



Review of the Austrian SAI. The leaders from all three countries clearly demonstrated that such reviews are so easy to drive. The two parties involved, the hosting and the visiting SAI, benefit enormously from such a close and productive exchange of information and experiences in accordance with INTOSAI's motto 'Synergismus maior communis profectus' (mutual experience benefits all). This approach where a partner SAI provides an unbiased professional assessment helps identify both weaknesses and future needs for action."

"Our overall impression of the three peer review exercises in which we were involved both as hosting and as visiting SAI is definitely a positive one. In the years 2009 / 2010 the Austrian SAI did a peer review of the Swiss SAI. In 2010, the Norwegian SAI analysed our comprehensive centre for performance audit and evaluation. Finally, the Danish, Austrian and Swiss SAI jointly did a peer review of the Austrian SAI. The leaders from all three countries clearly demonstrated that such reviews are so easy to drive. The two parties involved, the hosting and the visiting SAI, benefit enormously from such a close and productive exchange of information and experiences in accordance with INTOSAI's motto 'Synergismus maior communis profectus' (mutual experience benefits all). This approach where a partner SAI provides an unbiased professional assessment helps identify both weaknesses and future needs for action."

Kurt Lüscher, Director of the Eidgenössische Finanzkontrolle, Switzerland



refine its methods to produce more effective work of even higher quality. Considering the unique position SAs occupy in the public sector and the rapidly changing conditions and new challenges we face, a peer review is a worthwhile investment of time and resources for all participating SAs."

"A peer review enables you to measure the question, who audits the auditors? By voluntarily undertaking a peer review, you open your work to external assessment and audit based on internationally accepted auditing standards. This is of great importance at both the national and international levels. A peer review is very demanding, but its benefits and added value greatly exceed the demands. Recommendations confirm whether the institution's management is headed in the right direction and advise management on ways to improve its methods to produce more effective work of even higher quality. Considering the unique position SAs occupy in the public sector and the rapidly changing conditions and new challenges we face, a peer review is a worthwhile investment of time and resources for all participating SAs."



Ján Javorký, President of the Supreme Audit Office of the Slovak Republic



Claus Merges, Auditor General, Sweden

"I have found that participating in peer review is extremely rewarding for individual staff members and beneficial for our organization. In our every day operations as well as when preparing the peer review of our own SAI which is planned for 2014. Participating staff bring back good practice ideas and experience from the visit under review as well as from colleagues on the peer review team, which has proven to be valuable input to the Swedish National Audit Office."



David Budney, Comptroller General of the United States

"The United States Government Accountability Office (GAO) has been the beneficiary of several peer reviews of its performance and financial audit practices and has helped to conduct reviews of other Supreme Audit Institutions (SAIs). These reviews show common trends in that they all find that auditing practices at the reviewed SAI that other national audit officials may wish to emulate and constructive suggestions for the SAI's consideration. Our role in conducting reviews and the results of our own peer reviews have been extremely helpful in enhancing our quality assurance framework. In short, GAO's peer reviews have confirmed that the United States Congress and the American people can have confidence that GAO's work is independent, objective, and reliable – the most important attributes that any audit organization should possess."



Why to choose a peer review?

„The findings produced by the Peer Review of the Austrian SAI confirmed the good work done in recent years and the steps taken to advance reform.”

Dr. Josef Moser, President of the Austrian Rechnungshof

“The PR experience is bilaterally beneficial, both will find subjects for thinking and for learning.”

Mihkel Oviir, Auditor General, Estonia

“The ECA’s experiences of being reviewed and of reviewing have been very positive, helping our institution to create a culture of continuous improvement and demonstrating to our stakeholders that we are committed to promoting transparency and accountability, not only for others but also for ourselves.”

Vitor Caldeira, President of the European Court of Auditors

Why to choose a peer review?

“Peer reviews provide benefits for all participants. We identified helpful suggestions and ideas for our own work.”

Prof. Dr. Dieter Engels, President of the Bundesrechnungshof, Germany

“Peer review: go for it! It helps to move you in the right direction. In short: a low budget experience not to miss. ”

Saskia J. Stuiveling, President of the Algemene Rekenkamer, the Netherlands

“A really beneficial management tool that can supplement or even replace other forms of an SAI’s external assessment.”

Jacek Jezierski, President of the Supreme Audit Office (NIK), Poland

Why to choose a peer review?

“The two parties involved, the hosting and the visiting SAIs, benefit enormously from such a close and productive exchange of information and experiences.”

Kurt Grüter, Director of the Eidgenössische Finanzkontrolle, Switzerland

“A peer review enables you to answer the question, Who audits the auditor? By voluntarily undertaking a peer review, you open your work to external assessment based on internationally accepted auditing standards. ”

Ján Jasovský, President of the Supreme Audit Office of the Slovak Republic

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Gene Dodaro, Comptroller General of the United States



INTOSAI

International Organization of Supreme Audit Institutions

Organisation Internationale des Institutions Supérieures de
Contrôle des Finances Publiques

Internationale Organisation der Obersten
Rechnungskontrollbehörden

Organización Internacional de las Entidades Fiscalizadoras
Supremas

المنظمة الدولية للأجهزة العليا للرقابة المالية العامة والمحاسبة



INTOSAI

- 191 Full Member Supreme Audit Institutions (SAIs)
- Four Associate Members

WB, IIA, AISCCUF, CPLP

- Seven Regional Working Groups

ARABOSAI, AFROSAI, ASOSAI, CAROSAI, EUROSAI, OLACEFS,
PASAI

- Five official working languages

Arabic, English, French, German, Spanish

- Close Connection to the United Nations (Special Consultative Status)
- General Secretariat – Austrian Court of Audit



INTOSAI

- Mission** autonomous, independent, professional, non-political organisation to foster exchange of knowledge, ideas and experience; act as international voice of SAIs.
- Vision** Promote Good Governance by helping to improve performance, transparency, accountability, credibility, fight against corruption, public trust, efficient use of public resources for the benefit of the broad public.
- Motto** Mutual Experience Benefits All.
- Core values** .. Independence, Integrity, Professionalism, Credibility, Inclusiveness, Cooperation, Innovation.



INTOSAI Goals

Goal 1 Accountability and Professional Standards

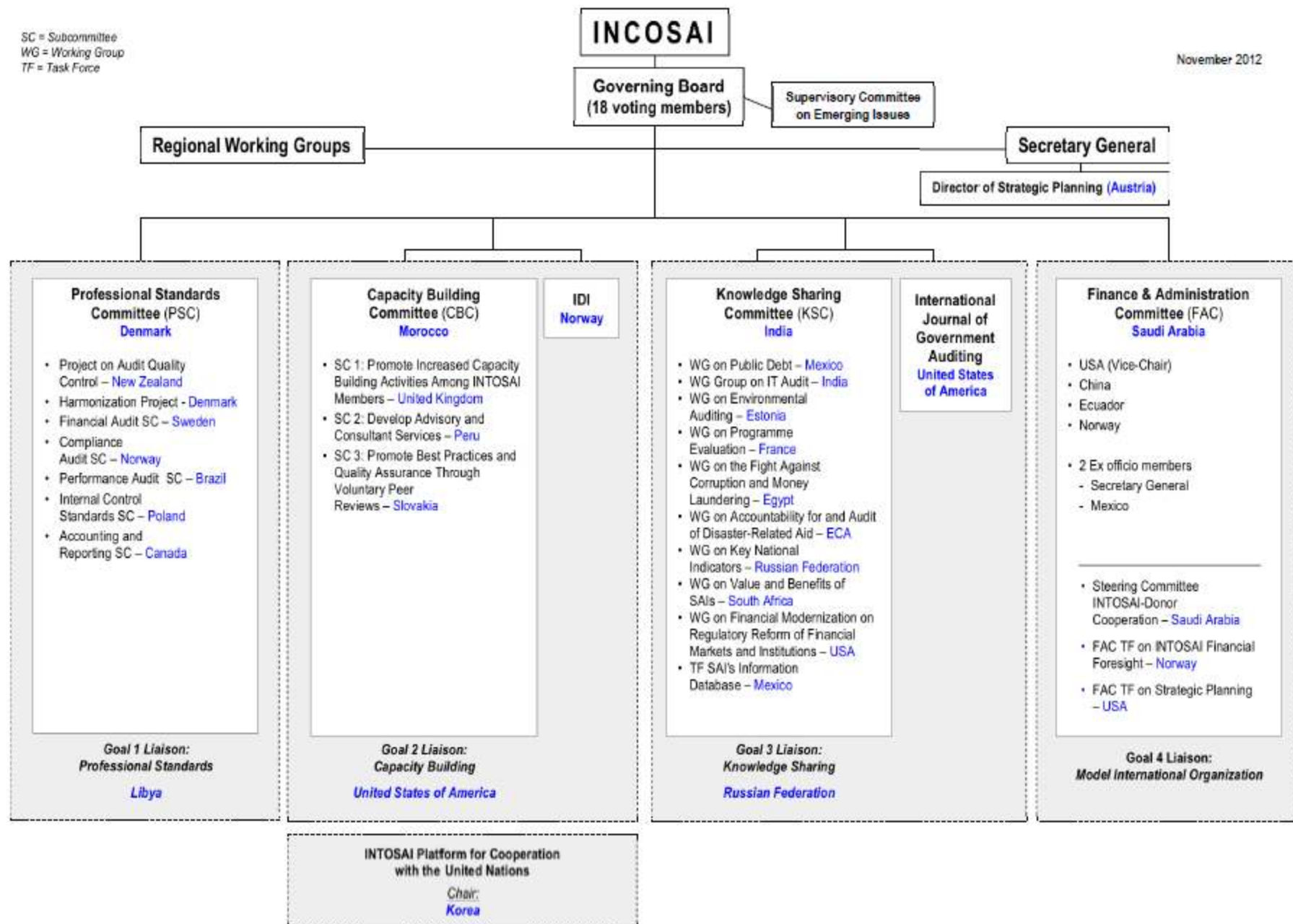
Goal 2 Institutional Capacity Building

Goal 3 Knowledge Sharing

Goal 4 Model International Organisation

SC = Subcommittee
WG = Working Group
TF = Task Force

November 2012





Basic Principles for effective SAls (I)

Basic principles: Lima and Mexico Declarations

- Independence
- Adequate professional and technical qualification
- Appropriate statutory framework and guidelines
- Capacity Building measures for SAI staff
- Exchange of knowledge and experiences
- Clear value and benefit of SAls' activities



Basic Principles for effective SAIs (II)

Independence - 8 principles

- Existence of appropriate and effective constitutional/legal framework and of application provisions
- Independence of SAI heads and members including security of tenure and legal immunity
- Sufficiently broad mandate and full discretion in discharge of SAI function
- Unrestricted access to information



Basic Principles for effective SAIs (III)

Independence - 8 principles

- Right and obligation to report on their work
- Freedom to decide the content and timing of audit reports and to publish and disseminate them
- Existence of effective follow-up mechanism on SAI recommendations
- Financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources



OECD-INTOSAI cooperation

- INTOSAI Working Group on Key National Indicators
- INTOSAI Performance Measurement Framework
- INTOSAI Task Force on SAI Database/ Platform
- OECD High Level Forum on Aid Effectiveness
- INTOSAI CBC Subcommittee 3 on Peer Reviews
- INTOSAI Working Group on Public Debt & Performance Audit Subcommittee
- Peer review of Brazil's SAI (2011-12)
- Peer review of Chile's SAI (2012-13)
- SIGMA (Joint OECD-EU Initiative, principally financed by EU)

INTOSAI CBC Subcommittee 3

Subcommittee 3 promotes best practices and quality assurance through voluntary peer reviews by:

- assessing and documenting existing peer review arrangements in the INTOSAI community,
- fostering an environment where SAIs are aware of the benefits arising from voluntary peer reviews,
- updating the Peer Review guide and Checklist adopted in 2010 on the basis of lessons learned by SAIs and supplementing both documents with further good practice examples where appropriate, as well as
- disseminating peer review results to a larger public, as agreed by the SAIs involved.

<http://cbc.courdescomptes.ma/index.php?id=18>

SAIs and peer reviews

Peer review is review of one SAI by one or several partner SAIs.

Peer review is a voluntary process.

SAIs are free to decide on contents and procedure.

The framework conditions are usually agreed in a Memorandum of Understanding (MoU).

Peer reviews may cover the audit work and/or organizational functions of the SAI in general, or be limited to one activity of the SAI – a peer review exercise may be limited to one audit area or to individual functions.

SAIs decide themselves on the conduct of the peer review as well as on the use of the findings generated.

The reviewing SAI should pay due regard to the respective national context when making recommendations.



Why do SAIs decide for peer reviews

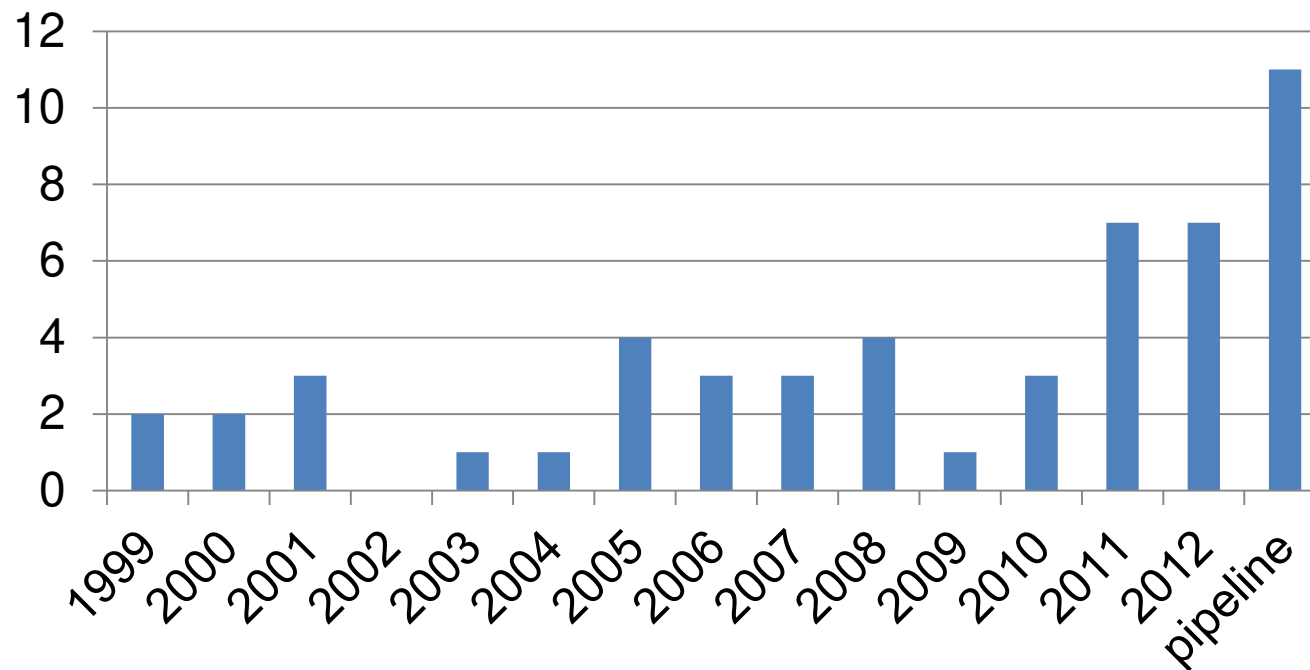
- to improve SAIs' procedures and their results
- to give adequate proof of the high standards governing SAIs' work
- in response to some criticism stated
- to work in different environments and organizations → to enhance capacities and know-how of auditors, e.g. performance audit techniques
- capacity building of number of employees (not only auditors) – peer reviewed as well as peer reviewing SAI
- to provide an answer to the question of “Who audits the auditor? – to enhance accountability, transparency → support independence
- low budget experience
- one form of implementation of ISSAIs (internationally accepted standards / principles for SAIs)



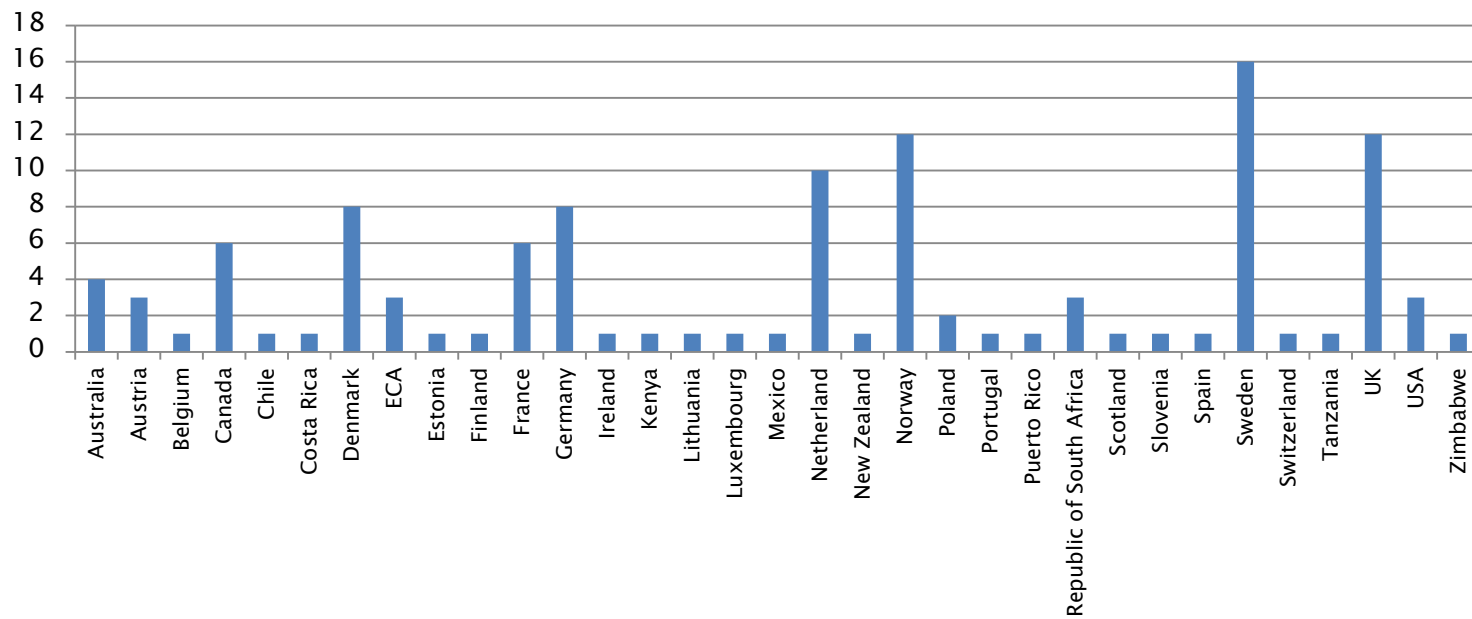
Impacts and benefits of a peer review

- enhancing or improving specific procedures
- identifying weaknesses and training needs
- saving resources in the operation of the SAI
- improving audit impact
- increasing the number of reports issued
- improving or ensuring quality of work
- applying effective audit tools
- reasonable assurance of work
- improving or ensuring the quality of management and organization
- confirming if the internal manuals, policies and procedures are in line with ISSAIs and international best practices
- enhancing the credibility of the SAI vis-à-vis stakeholders
- identifying good practices used by the reviewing and the reviewed SAIs that could be more widely distributed
- strengthening the different audit approaches

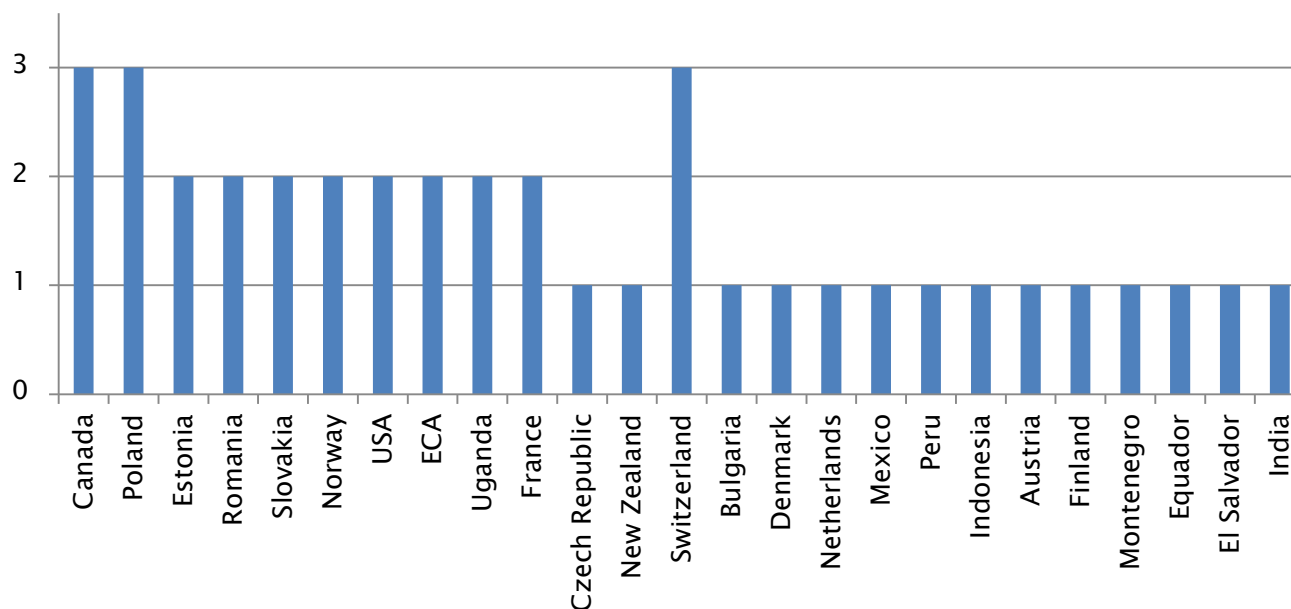
Number of peer reviews per year (according to INTOSAI CBC3 database)



Engagement of SAs as leaders or members of reviewing teams 2000 – present (according to INTOSAI CBC3 database)



SAIs undertaking peer reviews 2000 – 2012 (according to INTOSAI CBC3 database)



What support is provided to SAIs

- INTOSAI CBC Subcommittee 3 prepared a Peer Review Guide and Checklist → in 2010, the XX INCOSAI adopted these instruments as ISSAI 5600
- a documentation of peer review papers is available on the website of the INTOSAI Capacity Building Committee good practice examples and help SAIs
 - ✓ Peer Review Guide and Checklist
 - ✓ peer review reports
 - ✓ relevant MoUs

<http://cbc.courdescomptes.ma/index.php?id=20>

What are ISSAIs

- ISSAIs: International Standards of Supreme Audit Institutions
- the complete and updated collection of professional standards and best practice guidelines for public sector auditors, officially authorized and endorsed by INTOSAI
- available in INTOSAI's five official languages
- state the basic prerequisites for the proper functioning and professional conduct of SAIs and the fundamental principles in auditing of public entities

Classification of ISSAIs

- Level 1: Founding Principles - contain the founding principles of INTOSAI. The Lima Declaration.
- Level 2: Prerequisites for the Functioning of SAIs - state and explain the basic conditions for the proper functioning and professional conduct of SAIs.
- Level 3: Fundamental Auditing Principles - contain the fundamental principles in carrying out auditing of public entities.
- Level 4: Auditing Guidelines - translate the fundamental auditing principles into more specific, detailed and operational guidelines that can be used on a daily basis for auditing tasks.
- The numbers from 1000-9999 are reserved for level 4 (implementation guidelines) - ISSAI 5600

<http://www.issai.org/composite-347.htm>

ISSAI 5600 on peer reviews

- to provide help to SAIs to successfully complete all stages of the peer review process
- designed to highlight the principles and differing options that present themselves when SAIs conduct a peer review
- good practice examples are included from former SAI peer reviews
- consists of the Guide supplemented by a Checklist
- Checklist provides suggestions on the potential contents and subject matters of peer reviews – depending on the scope of the review, the team of reviewers may rely on the checklist as guidance
- ISSAI 5600 is a living document that reflects the latest developments and progress made in the field of peer reviews – includes a feedback questionnaire with an invitation to all INTOSAI members to share ideas and suggestions
- the Sub-Committee will use the feedback to revise the Guide and the Checklist



ISSAI 5600 on peer reviews

Contents

Peer Review Guide

Preface

- 1 Introduction
- 2 Definition
- 3 Initial considerations
 - 3.1 Purpose of a peer review
 - 3.2 Selection of partner SAIs
- 4 Peer review agreement (MoU)
- 5 Preparation and conduct
- 6 Follow-up and Evaluation

Annex 1: Glossary of terms

Annex 2: Feedback questionnaire

Peer Review Checklist

Introduction

1 Understanding the general framework

- 1.1 Legal independence
- 1.2 Financial independence
- 1.3 Organisational independence
- 1.4 Audit mandate
- 1.5 Audit functions and approach
- 1.6 Strategy
- 1.7 Internal governance
- 1.8 Accountability
- 1.9 Legal / administrative recommendations

2 Internal standards and regulations / quality control procedures

- 2.1 Audit types
- 2.2 Audit standards
- 2.3 Quality control
- 2.4 Internal / external review
- 2.5 Relations to other public entities
- 2.6 Security of information

3 Structural aspects

- 3.1 Formal rules
- 3.2 Functional areas

4 Audit approach

- 4.1 Audit selection
- 4.2 Audit planning
- 4.3 Audit implementation
- 4.4 Audit reporting

Selection of partner SAIs

Potentially reviewed SAI should duly consider if the reviewing SAI is the adequate partner:

- possesses sufficient quantitative and qualitative resources for conducting the peer review proposed
- has the flexibility to understand and contribute to reviews of SAIs with a dissimilar organisational structure
- has the flexibility to understand the legal, political, economic, budgetary and social environment of the reviewed SAI
- is known for having a vast experience in the fields to be covered by the peer review and
- has experience in the field of quality control reviews

Memorandum of understanding

- definitions of the main terminology
- objective
- timetable
- language
- staffing (reviewing SAIs: peer review team, team leader / reviewed SAI: contact person, coordinator, responsible persons for different topics, etc.)
- scope and contents of the peer review
- files and other documents (access to information)
- procedural matters (where the conduct shall take place, etc.), communication with external bodies (contact persons)

Our experience

Peer Review of the Supreme Audit Office of the Slovak Republic

- topics
- time schedule
- team and communication
- costs
- results, conclusions and recommendations
- further steps to implement recommendations

Our experience

TEAM

- SAIs of UK, Estonia, Poland and Slovenia

TOPICS

- Soundness of updated Development Strategy of the Office and its compliance with the mission of a modern audit institution (audit activities, HR, PR)
- Audit quality assessment methodology and its compliance with international standards to achieve independence, high-quality and effectiveness of audit activities

Our experience

TIME SCHEDULE

Preparing the project + approval

Communication with the peers

Preparing MoU

Signing MoU

Conducting the peer review

Draft report

Submitting the draft report

Comments to the draft report

Drafting the final report

Submitting the final report

Signing the final report

Drafting the action plan

Approval of the action plan

Oct. 2009 – Febr. 2010

March - April 2010

April - May 2010

May 2010

June - December 2010

January - February 2011

28 February 2011

31 March 2011

April - May 2011

May 2011

30 May 2011

June - November 2011

15 December 2011

Our experience

COMMUNICATION

- 6 meetings = 19 working days
- emails, telephone calls
- discussions
- Bratislava + regional office Trenčín
- other international meetings

USE of ISSAI 5600

- translation to the Slovak – one of the first documents to be prepared when translating the checklist it needed to be adapted to own procedures
- publication on intranet – all staff informed – great added value
- part of the project documentation

***Benefits: more transparent process, in compliance with international auditing standards ISSAIs**

Our experience

RESULTS

28 pages report, 2 annexes, 18 recommendations

CONCLUSIONS

- SAO had responded effectively to the range of challenges that it had faced in recent years
- improved quality and professionalism of SAO activities
- increased impact of SAO work, more accessible to stakeholders, strengthened cooperation with media
- improved infrastructure of the organization
- audit quality methodology the SAO is putting in place complies with relevant INTOSAI guidance and standards

Our experience

RECOMMENDATIONS

- the complete text of the report together with its recommendations is available in Slovak and English on our Web site www.nku.gov.sk
- 18 recommendations divided into several sections, they include:
 - extending and strengthening performance audit methodology and improving the skills of staff undertaking performance audit
 - developing links with external organizations to introduce regular external assessment of audit quality and consider introducing independently moderated professional qualifications for audit staff
 - increasing the use of external advice and expertise
 - supplementing resources available for the audits of regions and municipalities

Our experience

FURTHER STEPS

- OBJECTIVE = to implement all recommendations
- 5 teams – planning, carrying out audits, reporting audit results, quality assessment, HR
- drafting the action plan

HOW DOES THE ACTION PLAN LOOK LIKE?

- recommendation
- task(s)
- responsible unit
- deadline
- note
- status of implementation

CONCLUSIONs

- Why to choose a peer review from SAI's perspective
- Introducing INTOSAI & INTOSAI CBC – Subcommittee 3
- SAIs and peer reviews
- ISSAI 5600: Peer Review Guide and Checklist
- Practical examples of a peer review project

- **Recommendations**



RECOMMENDATIONS

PREPARATION

- decide on the purpose → peer review topics
- get the idea to the head of the head
- choose your partners
- prepare yourself (documentation, MoU, guide)

CONDUCT

- *General Principles for IFIs* might be very useful + set of further indicators / principles

AFTER THE PEER REVIEW

- implement results

BE READY FOR A CHANGE

*“Be the change you want to see
in the world.”*

Mahatma Gandhi

Thank you for your attention