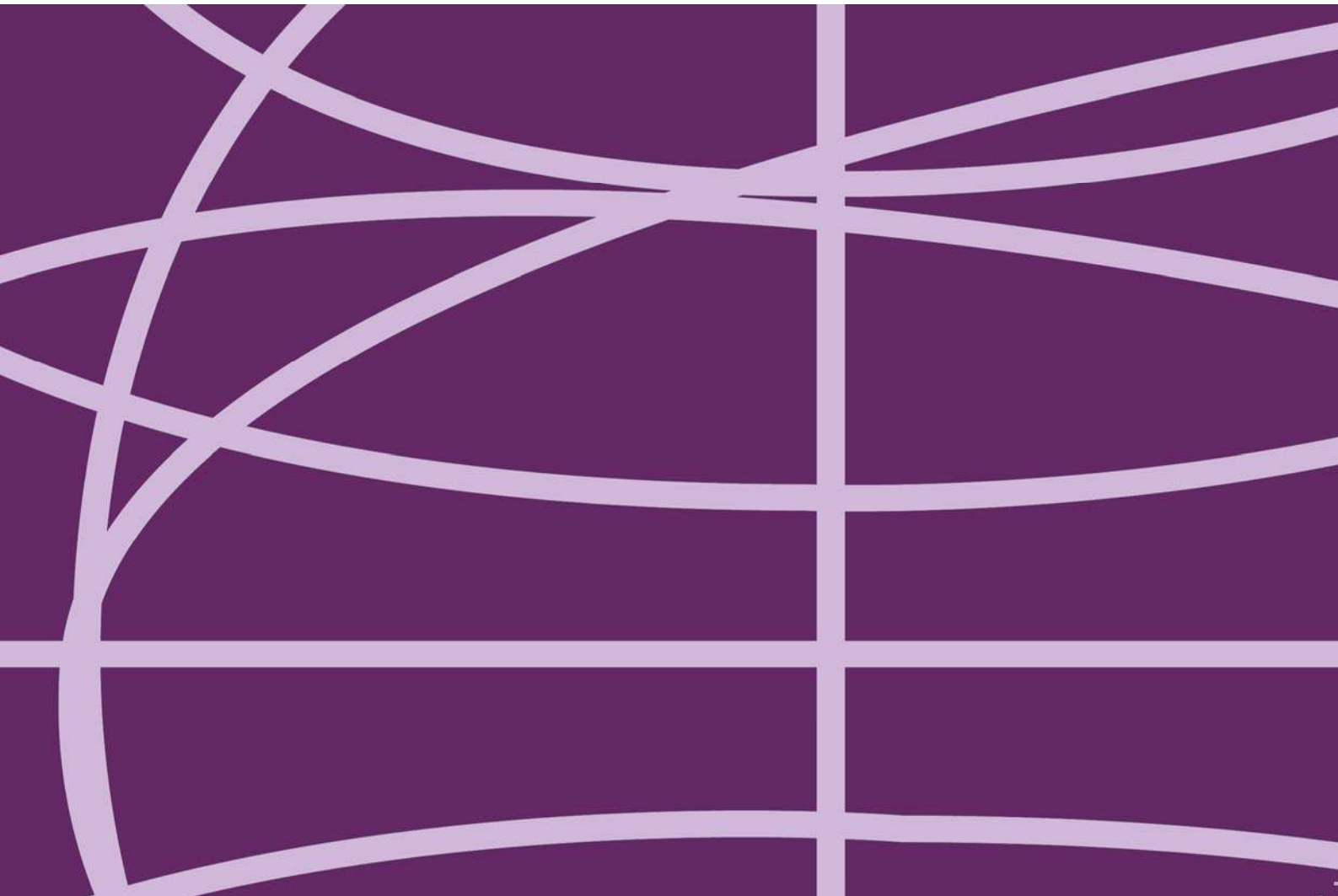


# Peer Review Guide

with Peer Review Checklist



This Guide has been written by the members of the Capacity Building Sub-Committee 3 “Promote Best Practices and Quality Assurance through voluntary Peer Reviews” chaired by the German Bundesrechnungshof. This Guide is supplemented by a Peer Review Checklist which suggests potential contents and subject matters of a peer review.

This Guide is part of the collection of professional standards and best practice guidelines for public sector auditors, officially adopted by INTOSAI. The International Standards of Supreme Audit Institutions (ISSAI) state the fundamental principles for the proper functioning and professional conduct of SAIs and public sector auditing. The present Guide is available in INTOSAI's five official languages.

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## Preface

This Guide was prepared by Sub-Committee 3, chaired by the German SAI, and its member SAIs of Austria, Bangladesh, Croatia, Estonia, France, Hungary, Morocco, Poland, United States of America, and the European Court of Auditors, as well as the SAIs of the Slovak Republic and Sweden as observers.

The Guide is a living document which reflects latest developments and progress made in the field of peer reviews. To maintain its currency, the Guide is periodically reviewed and new editions are published. Between editions, amendments may be issued. It is important that readers assure themselves they are using a current version.

The INTOSAI community is interested in receiving information from peer review teams and reviewed SAIs on the use of this Guide and Checklist. Therefore, feedback, including suggestions for improvement, is highly appreciated and will be considered for further developing this standard. The questionnaire in Annex 2 may be used for this purpose.

# 1 Introduction

In the last few years the number of peer reviews has been increasing within the INTOSAI community. As a result, the need was perceived for some guidance on how to conduct peer reviews which finally led to including this concept as the Proposed Strategy 4 within Goal 2 of the INTOSAI Strategic Plan 2005 - 2010. In March 2006 Sub-Committee 3 of the Capacity Building Committee was tasked to implement this strategy of which one basic element is this Peer Review Guide.

SAIs are involved in peer reviews for various reasons. Some may wish to improve their procedures and their results, others may wish to give ample proof of the high standards governing their work, others may volunteer to have a peer review done by an external party in response to some criticism stated. Other SAIs may simply have been invited to participate in a peer review. Some SAIs' standards may also require peer reviews and provide guidance on their nature and contents. In the event that these standards differ from or conflict with the contents of this guide, the SAIs' own standards have in any case priority.

As the reasons underlying peer review work may vary a lot, so may the contents and procedures of the review. The present peer review guide is not designed to cover all types and areas of peer reviews. However, it is designed to highlight the principles and differing options that may be followed when engaging in such a type of work.

The guide focuses on the reflections SAIs engaging in a peer review may wish to make and the steps that may be useful when planning a peer review. In order to make the guide more user-friendly, *good practice examples* taken from former SAI peer reviews have been included in selected areas and are highlighted in boxes.

Suggestions on the potential contents and subject matters of peer reviews are provided in the *Peer Review Checklist* which is an appendix to this guide.

A documentation of existing peer review papers is available on the INTOSAI website and the website of the INTOSAI Capacity Building Committee. These papers were provided by SAIs that participated in a peer review, and comprise both peer review reports and agreements on which the respective peer reviews were based. In addition to this guide and the checklist, these documents might serve as good practice examples for SAIs who wish to embark on a peer review exercise. Those SAIs are invited to provide peer review agreements and reports to further supplement this documentation<sup>1</sup>.

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<sup>1</sup> Please forward the material to the SAI of Germany (international@brh.bund.de)

## 2 Definition

In this guide, peer review refers to a review of an SAI by one or several partner SAIs. They volunteer to conduct or undergo such a review exercise. This means that neither the two SAIs nor other external parties have obliged the SAIs to do so. SAIs do not have any power of enforcing the results of the peer review. The participating SAIs are free to decide on the contents and exercise of the peer review as well as on the use of the findings generated.

Peer reviews may cover the audit work and/or organisational functions of the SAI in general. They may also be limited to one activity of the SAI. As regards the audit area, peer reviews may be restricted to one type of audit area such as financial audit, regularity/compliance audit, performance audit, etc. As regards the organisational area of the SAI, peer reviews may for example be restricted to individual functions such as financial management, the strategic plan, internal control, information system, human resource management, training etc. Combining individual review topics from both audit areas and organisational areas is also possible.

When making recommendations, the reviewing SAI(s) should pay due regard to the respective national context of the reviewed SAI. Any recommendations made need to be feasible and flexible.

## 3 Initial considerations

### 3.1 Purpose of a peer review

The key purpose of a peer review is to help SAIs ensure that they comply with applicable professional standards and national regulations and rules governing audit work.

A peer review may also pursue other objectives, such as

- to help an SAI to identify the areas and functions in which they need to enhance their capacities;
- to help an SAI make informed decisions about how to improve their own operation and mission performance and to align with or consider other international best practices;
- to provide SAIs with an independent opinion on the design and operation of the SAI's quality management framework;
- to provide assurance as to the appropriateness of SAI practices, reports and staff compliance.

The aim is to make or keep them fit for their purpose of ensuring public sector accountability by providing high quality relevant audit reports and other outputs, in order to help ensure better and more cost effective public service delivery.

There is likely to be a difference in peer review contents and procedures due to the stage of development of the individual reviewed SAI:

- on the one hand, a peer review that is undertaken to assess mature, well developed quality control policies and procedures and
- on the other hand, a peer review that is essentially an assessment of where an SAI currently stands, e.g. by performing a "gap analysis", and which can be, in effect, the first step in putting together a strategic development plan for the SAI and its audit practice.

The objectives sought by carrying out a peer review should be clearly documented and formally agreed in writing by the participating SAIs before the decision to embark on a peer review is taken.

The objectives are of key importance for the contents and the procedures of the peer review. In addition, in the course and at the end of the review exercise, partner SAIs should be able to check if and to what extent the initial objectives set have been achieved even if new objectives have emerged in the meantime.

Once the scope of the peer review is determined and before proceeding with more formal agreement, the reviewing SAIs need to ensure that they will be given reasonable access to



the documents, files, staff, stakeholders and all relevant divisions of the reviewed SAI. The participating SAs need to be confident that the access granted is sufficient to meet the objectives of the peer review.

Apart from that, SAs may decide on a timetable, period or date by which the objective sought should have been accomplished.

Impacts and benefits of a peer review may be:

- reasonable assurance of mission performance;
- strengthening the different audit approaches;
- enhancing or improving specific procedures;
- identifying good practices used by the reviewing and the reviewed SAs that could be more widely distributed;
- improving or ensuring quality of work;
- applying effective audit tools;
- improving or ensuring the quality of management and organisation;
- identifying weaknesses and training needs;
- confirming if the internal manuals, policies and procedures are in line with the International Standards of Supreme Audit Institutions (ISSAI)<sup>2</sup> and international best practices;
- saving resources in the operation of the SAI;
- improving audit effectiveness;
- increasing the number of reports issued;
- enhancing the credibility of the SAI vis-à-vis stakeholders.

### **3.2 Selection of partner SAs**

As a rule, an SAI wishing to have their organisational structure or procedures reviewed as part of a peer review contact other SAs and invite them to be the reviewing SAI in any peer review proposed. The initial contact should be rather informal in order not to be detrimental to the reputation of either SAI in case the request is not successful. In order to provide the SAs, who are invited to be the reviewing SAs, with an appropriate information basis for their decision if to accept or not accept the invitation, the initial contact may be accompanied by basic information about the potentially reviewed SAI, such as legal bases, audit standards, etc.

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<sup>2</sup> See [www.issai.org](http://www.issai.org)

Even before contacting the potential reviewing SAI for the first time, the potentially reviewed SAI should duly consider if the reviewing SAI is the adequate partner for the peer review proposed i.e. if there is reasonable assurance that the potentially reviewing SAI can actually accomplish the objectives set. For this reason it may be useful to consider well in advance if the reviewing SAI:

- 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 relevant expertise and experience in the fields to be covered by the peer review; and
- has experience in the field of quality control reviews.

It should be taken into account that reciprocal peer reviews, i.e. two SAIs reviewing each other's practices on an alternate basis, may influence the objectivity and independence of the peer review team.

If there is more than one reviewing SAI, a team leader should be chosen. Usually, the reviewed SAI chooses the team leader, but it can also leave the decision to the team.

Having a broadly based team undertake the review might be of particular benefit. In this way different experiences and perspectives can all be brought to bear in undertaking the review.

A sound and broad composition of the peer review team can lead to a diversity of views and perspectives and allow for relevant recommendations. Nevertheless, there is a risk that traditional models and theories do not consider customer needs and expectations. An innovative approach, however, might cause reservations by the reviewed SAI who may not accept it. Therefore, the peer review team should act with integrity and have a constructive approach aimed at considering customer needs and expectations and at identifying better solutions. Their conclusions should be supported by sufficient and accurate evidence.

## 4 Peer review agreement (MoU)

Once the reviewed and the reviewing SAIs have reached a basic agreement on conducting a peer review, the scope, objective, timing and criteria of the peer review proposed as well as the conditions to be met in order to help make the review a success can be incorporated into a written agreement, e.g. in the form of a Memorandum of Understanding (MoU). This exercise is meant to ensure mutual consent on the fundamental aspects of the review and to avoid any potential misunderstanding. The SAIs involved should decide and agree on the matters to be covered in the MoU and this should be before initiating the project. When preparing the MoU, they should take care not to limit the review team's scope to conduct the work necessary to accomplish the objectives of the review. The MoU is usually signed by the Heads or authorised representatives of the reviewing and the reviewed SAIs.

The following matters are typically included:

### *Definitions*

The MoU should include the definitions of the main terminology used in the review in order to ensure that partner SAIs have the same understanding of the main aspects of the peer review. These include clear terms of reference for the peer review including the format of the review, its objectives, reporting arrangements and the principles or national and international professional and ethical standards to which those undertaking the review agree to adhere (e.g. impartiality, objectivity, confidentiality, frankness and transparency). The MoU may stipulate the application of ISSAIs, e.g. with regard to the ethical standards, the application of INTOSAI's Code of Ethics (ISSAI 30) may be agreed.

### *Good practice example:*

- The review team will adhere to accepted standards of professional conduct and practice as laid down in the ISSAI.
- In order to assess the performance of the SAI, the review team will use the following standards and criteria: (...)

### *Objective*

The MoU may state the reasons why the reviewed SAI has decided to undergo a peer review, e.g. as part of a regular review process, as part of putting in place a new system, or as part of an overall strategy review and development procedure. The purpose of the peer review should be stated in order to better explain the scope of the objectives pursued.

#### *Good practice examples:*

- To fulfil its mandate and in compliance with its strategic plan, the reviewed SAI has established a quality assurance system. One instrument of quality control is to undergo a peer review by other SAIs.
- An important part of the confidence that people have in democratic institutions is their belief that public funds are spent wisely and effectively. Members of Parliament and the public look to the reviewed SAI for independent, objective and relevant information they can rely on to examine the government's performance and hold it to account. In order to maintain the confidence of Members of Parliament and the public, it is essential that the reviewed SAI operates in compliance with its legislative authority and adheres to established standards of professional and ethical practice. Therefore the reviewed SAI wants an international group of SAIs to assess the quality and effectiveness of its work and to identify areas that may benefit from improvement and good practices.

#### *Timetable*

The start and the end of the peer review as well as the main milestones of the project may be determined so as to help the reviewing SAI make informed decisions on the use of staff and the reviewed SAI to be informed on the development of the work and to forecast when the report on the findings will be available. Due care should be given to the fact that interpretation, translation and submission of documents, minutes and findings may significantly extend the overall timeframe. Furthermore both partners may reasonably forecast and agree on the input of resources needed. The schedule should allow sufficient time to deal with any unforeseen aspect. Both the reviewing and reviewed SAIs need to ensure having sufficient free capacity. An appropriate lead time may be agreed, in order to enable the SAIs to include the peer review in their workplan.

#### *Good practice examples:*

- The peer review will start in (month, year) and is expected to take about (duration).
- Fieldwork will be carried out during a period from (month, year) to (month, year).
- The peer review team will provide a draft report to the reviewed SAI by (date).
- The reviewed SAI will provide its comments by (date).
- The final report will be presented and delivered to the reviewed SAI by (date).

#### *Language*

The reviewed and reviewing SAIs should agree on a working language.

#### *Staffing*

The number, functions and profile of the staffing needed by the partner SAIs should also be roughly determined, thus helping reach a better decision on what staff to assign to the

exercise and better estimate the costs likely to arise. On the one hand, arrangements may be made on keeping staff originally assigned to the job to the extent possible so as to help implement the peer review speedily. On the other hand, SAIs may wish to make specific arrangements on any reasons for substituting staff assigned at the request of the reviewed SAI. It is of particular importance, that the staff maintains their independence, unbiased attitude, accuracy and objectivity, and treats the entire review process confidentially.

When selecting their team participants the reviewing SAIs need to assess and evaluate the particular skills required for the peer review focus. The team leader will need to confirm necessary skills, such as specific language and IT audit skills, prior to finalising the staffing structure proposed.

Where the team leader identifies gaps in the expertise of the staff proposed, it may be appropriate for the team leader and the reviewed SAI to consider relying on external experts at appropriate stages during the peer review.

*Good practice examples:*

- The peer review team will consist of auditors from the SAIs of (countries). The SAI of (one country) will coordinate and lead/manage the team.
- The team leader is the SAI of (one country). The SAIs of (countries) will each contribute X members to the peer review team.
- For security clearance purposes, the review team will demonstrate that individuals reviewing audit files possess a clearance level equivalent to (...).
- The members of the review team will respect the confidentiality of the audit matters.

*Scope and contents of the peer review*

The peer review may cover the audit area of the SAI and/or organisational functions of the SAI in general, or may be limited to specific matters (see chapter 2 Definition). In this case the matters exempt from review work should be explicitly stated to ensure that the review staff keep well within these borders. Matters to be exempt may be politically sensitive or classified procedures or topics/areas that are susceptible to lead to any unknown or undesired consequences once they are submitted to an external study.

SAIs may also place focus on any matters where expertise is sought or which should for other reasons be examined thoroughly. The peer review may be extended to additional focus areas if requested by the reviewed SAI.

A peer review may encompass the following topics:

- legal, actual and financial independence of the SAI;

- staffing (number, recruitment, initial training and continued training, staff assignment and motivation);
- structural and procedural organisation;
- planning and conducting audit missions, audit findings, reporting, follow-up;
- quality control of audit work;
- public relations, audit impact and reputation enjoyed by the SAI; and
- review of compliance with professional, internal and/or ethical standards.

*Good practice examples:*

- The primary focus of this peer review will be placed on assessing whether the performance auditing practice at the reviewed SAI provides independent and objective information on government performance.
- The objective of the peer review is to evaluate the following areas at the SAI under review (...).

*Files and other documents*

The partner SAIs should expressly determine how and to what extent the reviewing SAI's staff is granted access to the records held by the reviewed SAI.

The reviewers shall respect the confidentiality of information that comes to their attention during the review. As a rule, the reviewed SAI wishes that the contents of files and other records as well as of interviews conducted as part of the peer review are treated confidentially. SAIs may also determine – by taking into account any applicable standards or country-specific laws – whether the final report should be published fully or in part on the INTOSAI website or elsewhere. The reviewed SAI may also decide that the final report will not be published at all, and that it will be designed for internal use of the reviewed SAI only.

*Good practice examples:*

- A representative of the reviewed SAI will assist the team in gaining access to the required files, documents and individuals during the review.
- The members of the review team will respect the confidentiality of all observations and conclusions until they have been thoroughly substantiated, cleared with the reviewed office and approved for release.
- The reviewed SAI will provide premises that are sufficiently secure for protecting the information and data received.

*Procedural matters*

To ensure the smooth conduct of the peer review all procedural matters may be determined beforehand in the MoU. Such matters may include the following:

- A peer review may require the reviewing SAIs to understand legal, accounting or regulatory requirements which are peculiar to the jurisdiction of the reviewed SAI.
- It is beneficial if, as part of the consultation process, the reviewed SAI nominates specific groups or individuals for different types of issues.
- The decision whether the delegates of the reviewing SAI may conduct interviews and if so with what officials and whether they may disclose the purpose of the peer review should be documented in the MoU. Free and open access to the reviewed SAI's staff and other relevant aspects of the organisation are essential to the open and transparent conduct of the peer review.
- The participants may consider confirming the procedures for consulting with external local experts. Matters to be considered will include who the nominated experts will be, issues of confidentiality, cost and whether the consultation will be direct between the reviewing SAIs and the experts or via the reviewed SAI.
- It should be defined which documents may be transferred to the reviewer's home office, e.g. originals, copies, confidential documents. Arrangements to ensure the security of communication between the participating SAIs should be agreed in advance, particularly in respect of confidential documents which may need to be sent via the internet when completing work in the SAIs' home countries.
- The MoU should include a process to clear the facts.

*Good practice examples:*

- The reviewed SAI designates contact persons within and outside the SAI, especially in ministries and in Parliament, where required by the review team.
- The documents provided by the reviewed SAI will be examined at the headquarters of the reviewed SAI as well as at those of the reviewing SAIs.

*Timing of communication and discussions*

The partner SAIs may wish to discuss how to proceed with the peer review, initial results achieved and preliminary findings. Relevant dates, intervals, issues due to be discussed and reasons for such discussions may be stipulated in the MoU.

*Good practice example:*

- During the peer review process, the review team will inform the reviewed SAI to an adequate extent and at adequate intervals on the project status.

*Documentation*

Partner SAIs should determine how to record the peer review findings. Documentation requirements may include the overall strategy and review plan, the completeness of records and review evidence, the timing for communicating them to the reviewed SAI and their final

destination. The MoU may specify if and what data should be retained by the peer reviewers, and for what periods. It may also stipulate, what data should not be kept by the peer reviewers once the review is completed. Partner SAIs might wish to avoid placing too high requirements on documentation, because this may render the whole procedure rather cumbersome. The reliability of findings should be the first priority.

Given the fact that the documents required by the peers are written in the reviewed SAI's language, translation requirements may be integrated in the MoU. Partner SAIs should agree on which documents need to be translated, who will be in charge of the translation, and how it will be funded.

*Good practice example:*

- The reviewed SAI will provide translations of all relevant documents, on paper and/or electronically. The peer review team and the reviewed SAI will together decide which documents need translation.

*Final report*

The SAIs involved in the peer review may consider and agree beforehand on the nature and length of the final report, e.g. a short report setting out key findings, a detailed report of all findings or alternatively two reports – an abridged version for public use and a long form report for internal use.

The SAIs involved may also wish to determine what procedure to use for drafting the final report. For this purpose, they may arrange for preparatory liaison, e.g. establish an editorial team.

The decision on the timing of the implementation of recommendations will lie with the reviewed SAI. The reviewed and reviewing SAIs may agree to divide the recommendations into short-term (up to one year) and long-term (up to three years for implementation). Suggestions may be helpful if implementing one specific recommendation is a pre-condition for recommendations to follow.

The report will remain the property of the reviewed SAI. In case the reviewed SAI intends to involve further addressees, this might influence the drafting of the report especially so if audit concepts and terms need to be explained in the report. So it might be advisable to deal with the following topics within the MoU: To whom shall the report be addressed? Is it the reviewed SAI (most usually) only? Who will issue the report? Is it the team leading SAI or all SAIs involved? In addition, the parties may wish to clarify who in addition to the reviewed SAI shall receive the report and in what form: the internal INTOSAI website, the International



Journal of Government Auditing, the Parliament of the reviewed SAI, the general public? This decision is normally made by the reviewed SAI and should be made at the MoU stage.

The INTOSAI community is keen on receiving peer review reports in accordance with their principle of “Experientia mutua omnibus prodest”.

*Good practice examples:*

- The peer review team will provide a report to the head of the reviewed SAI that addresses the peer review objectives. The report will also identify good practices and include suggestions for improvement.
- The reviewed SAI can publish the report on the INTOSAI website and submit it to national institutions as the SAI sees fit.
- The reviewed SAI plans to publish the report.
- The peer review report will be the property of the reviewed SAI.
- The reviewing SAIs can, in agreement with the reviewed SAI, use the report for sharing information in the INTOSAI CBC Sub-Committee 3 or for internal purposes.

*Cost*

The SAIs involved should agree on who is to bear the cost which may be considerable for conducting the peer review (including report drafting and translation). Alternatively, each of the SAIs involved may bear its own cost or one partner receives a lump sum for its review services. The peer review programme might also be supported and funded by community donors in accordance with the INTOSAI principles of independence.

The SAIs may wish to agree on procedural and administrative matters on subsistence and travelling costs. In view of cost efficiency, the delegation should preferably be composed of staff directly connected with the review and should be limited to the minimum number of staff needed to perform it.

*Good practice examples:*

- The reviewed SAI will cover all travel and hotel accommodation costs for preparing and conducting the peer review. Per diem allowances will not be paid.
- The reviewed SAI will pay all reasonable travel costs for members of the review team to carry out field work required. Fieldwork will include a planning visit for the team leader and a study visit for the review team. Reasonable travel costs will include economy/business return airfare, hotel accommodation, per diem allowance based on per diem rates in the reviewed SAI's country and local transportation. Travel costs will be certified for payment by responsible officials within each of the peer reviewers' offices.

### *Support of the peer review*

The reviewed SAI may provide support to the peer review exercise in manifold ways, for example by sending documents on the legal principles and the audit environment to the reviewing SAI's staff, making introductory presentations to help them familiarise themselves with these relevant situations before arriving in country, providing the review staff with office accommodation equipped with telephone and IT connections as well as security features necessary to protect the received information, designating contacts at the reviewed SAI, and providing hospitality to the review staff. These inputs may be documented in the MoU.

#### *Good practice examples:*

- The reviewed SAI will provide the review team with office space and IT facilities appropriate to their work.
- The reviewed SAI will designate contacts to support the reviewing team in all matters including office space, IT facilities and mobile phones.
- The reviewed SAI will provide the review team with secure office space appropriate for their work.
- A contact person will be assigned to assist the team in gaining access to the required files as well as coordinating and arranging interviews and other logistical issues.
- The reviewed SAI will cooperate fully with the partner SAIs in the conduct of the review, providing documentation and related information needed for the review. It will also provide timely access to pertinent staff and coordinate meetings with other individuals as appropriate.

## 5 Preparation and conduct

### *Initial Planning*

When embarking on the peer review, the staff assigned to the job by the reviewing SAI should be carefully selected and adequately prepared for the tasks awaiting them. The review staff should be communicated pertinent information to familiarise with the applicable legal authority, organisation charts, the environment and the major procedures used at the reviewed SAI. To the extent needed they should be taught the essentials about the working language used by the reviewed SAI. Generally, a glossary of the key terms used may be of help.

Before embarking on field work, a discussion should take place or other communication should be exchanged between the reviewed SAI's management and key contacts and the reviewing SAI's management and the review staff. The reviewed SAI may also inform all its employees about the project. This helps ensure a better reception for the review team and may even lead to beneficial 'spontaneous' inputs from staff that are not on the interview list. In addition, the reviewed SAI should contact its stakeholders to ensure they are available in case the reviewing SAI needs to interview them.

The reviewed SAI may wish to clearly outline and communicate the scope and process of the peer review internally prior to commencement of field work. This approach should assist in ensuring a smooth and efficient process.

The reviewing SAIs need to agree the timing and completion of field work. The process by which findings will be incorporated into the final report should be discussed and agreed at the planning stage, with the roles and responsibilities of the participants being clearly defined and delimited. Matters which may be discussed include responsibilities for the review of field work, process for ensuring consistency of conclusions and reaching consensus.

When planning the peer review, the reviewing SAIs may wish to build into their timetable an opportunity to meet post field work, to discuss their findings and conclusions and consider the structure and subject matter of the peer review report.

Planning should be based on the MoU. It might be done beforehand on the reviewing SAI's premises, thus leaving more time for the implementation and reporting stages and thereby reducing costs.

### *Field work*

When starting field work, an introductory discussion should be held on the basis of the arrangements made beforehand with the responsible officials of the reviewed SAI and the review team. The targets, limits and timetable for the peer review exercise should be explained and discussed as needed. Experience has shown that the following issues should be given particular regard:

- costs incurred not only by translation but also by travel;
- logistical assistance for the reviewing SAI's team; and
- addressees of the final report.

In addition, the mandate of the review staff, the terms of reference and the procedures for solving misunderstandings or unpredictable challenges are highlighted. Finally at least those items of the MoU should be discussed that the review staff have to observe.

The *Peer Review Checklist* which is an appendix to this Guide furnishes detailed questions for selected review areas. Where appropriate, the answers to these questions may be based on a sample of audits.

For a peer review that is a prelude to putting together a strategic development plan, it will be important to be clear what the baseline or starting point is; what assessment criteria is being used; and, to be consistent with the approach that is increasingly common among donors, it should be stakeholder driven. For this reason, it would be useful to emphasise that not all the items set out for example in the checklist have to be covered in an initial review.

Building on this point, it would be useful to also take into account "INTOSAI Building capacity in Supreme Audit Institutions: A Guide" as a basis for the peer review process. This may help emphasise the common ground that the guide shares with the draft peer review documents.

## 6 Follow-up and Evaluation

It goes without saying that it is at the reviewed SAI's discretion to decide whether it will implement a recommendation or not. It may be agreed, that the reviewed SAI will provide a written response to the observations and recommendations set out in the peer review report. An action plan may be included in this response. Apart from that, the reviewed SAI might request the peer review team to verify the extent to which recommendations have been followed after an agreed time (e.g.: one year, depending on the recommendations' priorities), to check whether and how their suggestions have been followed. After the verification, the team may prepare another report on the recommendations' implementation. If any problem with the implementation occurs, the team may reword or modify recommendations.

Follow-up discussions between the reviewed and reviewing SAIs may be of great significance to both sides, as the SAI reviewed may receive feedback that the recommendations have been implemented properly or additional suggestions on how to do it. The reviewer may obtain feedback that good use has been made of the efforts put into the peer review work. All procedural matters such as the scope of the follow-up review, logistics, costs, schedule, etc. should be agreed in advance.

According to the INTOSAI Strategic Plan 2005-2010 existing peer review arrangements should be assessed and documented. Evaluation of such a project is thus not only in the individual interest of the participants but – in case the peers decide to share their lessons learnt from the peer review with others – in the general interest of all SAIs considering a peer review. SAIs are therefore encouraged to evaluate peer reviews in order to help INTOSAI establish best practices. Since the decision to conduct a peer review is by definition of a voluntary nature, retrospective evaluation is a voluntary exercise as well.

Adequate timing for an evaluation depends on the scope of the peer review, any long-term recommendations and other circumstances. In isolated cases, the evaluation may be carried out in several steps.

The post-review evaluation analyses and records the pre-set objectives and their target achievement degree. Furthermore, other peer review impacts that may not have been sought in the first place should be scrutinised and recorded.

Also, any findings on the peer review exercise conducted may be documented. This is especially of interest for those SAIs that wish to draw on the benefits of earlier peer reviews for their own peer review project. In accordance with the relevant MoU, the key findings produced in the evaluation should be incorporated in the internal section of the INTOSAI website to be available to the other INTOSAI members.



# Peer Review Checklist

## Appendix to Peer Review Guide

This Checklist relies to some extent on the “Guidelines on audit quality” which have been developed by several SAIs in liaison with Sigma (OECD) and was approved by the VII EUROSAI Congress in 2008. These Guidelines are available at <http://www.eurosai.org/docs/AQGuidelines.pdf>.

## Introduction

The following pages are designed to serve as a framework regarding issues that might be addressed in the course of a peer review. They include a checklist of questions. This checklist furnishes a catalogue of issues that may be covered in a peer review. It is neither a prescriptive list of issues that should or must be included nor is the checklist exhaustive. A peer review might certainly also cover other topics which are not mentioned in the checklist.

Against the background of the manifold differences in SAIs' audit mandates and tasks, not all of these questions will be applicable to all SAIs and the reviewed SAI might wish the peer review to be limited to or focus on selected specific items. An excellent tool / basis to decide on what an SAI wants the peer review to be limited to or focus on is a self-assessment, in order to identify areas for improvement. The self-assessment may also be based on this checklist. The peer review can then take place once the measures taken upon the results of this self-assessment are implemented in order to assess them.

The main function of the checklist is to ensure that the framework of the SAI's audit function can be reviewed comprehensively and to draw the reviewers' attention to issues which merit particular regard. It is also intended as a tool by which to compare the practical audit work with generally accepted standards. Therefore, the checklist is based on internationally accepted standards and compiles information for example from the "Guidelines on Audit Quality" as well as from the International Standards of Supreme Audit Institutions (ISSAI), especially the Lima Declaration (ISSAI 1), the Mexico Declaration on SAI Independence (ISSAI 10), the ISSAI 20 and 21 on Transparency and Accountability and the ISSAI 40 on Quality Control for SAIs. There is also a strong international consensus on three fundamental elements of the legal base that are critical to the quality of an SAI's work:

- assured independence of the SAI, preferably by appropriate provisions in the country's constitution;
- a clear audit mandate, specified in legislation and coupled with the legal powers needed to implement that mandate; and
- assurance that the SAI will perform the audits that are expected of it in accordance with internationally accepted standards or other professional standards with which the SAI must comply.



# 1 Understanding the general framework

Accountability for the use of public funds is a cornerstone of good public financial management. SAIs are the national bodies responsible for scrutinising public revenue and expenditure and providing an independent opinion on how the executive branch has used public funds. These fundamental objectives guide the work of all SAIs, though their individual structure and management vary to a large extent. These depend on the constitution, tradition, history and a number of other reasons. The main types generally identified are

- the auditor general model,
- the board system and
- the court model.

Whereas the legal provisions governing the work of SAIs worldwide vary to a great degree, there is also strong international consensus that the principles laid down in the Declarations of Lima and Mexico should be adhered to if SAIs wish to perform their tasks efficiently and effectively. In comparing the institutional framework with the postulates expressed in these declarations, reviewers should bear in mind that their task is not to attempt to implement a model (their model), but rather to examine if the provisions provide for an adequate fulfilment of an SAI's tasks.

The following paragraphs deal with questions that may be asked by reviewers when they gather background information; from the reviewed SAIs' perspective, they may also hint at what to expect. The checklist may also serve as a yardstick for self-assessment practices.

## 1.1 Legal independence

The peers may gain an understanding as to how the Declaration of Lima's postulates regarding independence are met. Experience has shown that the legal provisions on independence are the key element of the general framework and understanding them is a key element of a successful peer review. Thus, they might wish to see how the establishment of the SAI and the necessary degree of their independence is laid down in the Constitution and/or applicable legislation; how the independence of its members and officials is guaranteed and what provisions are in place with a view to financial independence and relevant INTOSAI guidelines.

Special consideration should be given to freedom of outside influence on the audit opinions.

Independence should not only be guaranteed in the constitution and legislation, but also be guaranteed in the auditors' daily work.

- Does the SAI provide parliament with independent, objective and reliable information on Government performance?

- How is the head of SAI appointed?
- How long is his/her term of office?

## **1.2 Financial independence**

- Is the SAI's financial independence guaranteed legally and evidenced in practice?
- Does the SAI receive sufficient funds to achieve its mandate, including accessing funds to buy in external advice and support if needed?
- Does the SAI present its budget to the parliament directly or indirectly – after discussion with the Treasurer?
- Is the SAI authorised to use the funds allotted to it under a separate budget heading as it sees fit or is the budget subject to any interference by the executive power or parliament?

## **1.3 Organisational independence**

- Is the SAI's organisational structure (court system, auditor general or board system, etc.) set forth in legal provisions or in some other way formally approved?
- Is the organisation structure suitable to fulfil the SAI's mandate?

## **1.4 Audit mandate**

- Are the powers of action open to the SAI laid down in the constitution and/or applicable legislation and do these specify its missions, powers and responsibilities? This chiefly concerns its right to freely to decide upon the selection, implementation, reporting and follow up on audits.
- Does the SAI's mandate describe the procedures for reporting audit findings and auditee's obligation to fully cooperate with its auditors by giving them free access to all the information or documents they seek?

## **1.5 Audit functions and approach**

- What precisely are the audit functions of the SAI?
- May the SAI exercise its audit functions at its own discretion or are there also mandatory audits to perform?
- Do they cover the central government level or do they also extend to regional and local government as well as to state owned enterprises or other entities?
- Do they encompass private entities as well, for example if they receive public funds?
- Does the SAI's audit cover all government operations and transactions that have a financial impact?
- Are the SAI's basic audit powers, duties and reporting responsibilities embodied in the Constitution or other legislation?

- Are rules in place that define the relationship with internal auditors and with other government entities and with private audit firms that carry out external audits in the public sector?

## **1.6 Strategy**

- Has the SAI imposed upon itself a performance standard that it strives to achieve?
- Are those standards adhered to by its staff and do key stakeholders perceive the SAI to be working to sound professional standards?
- Has the SAI developed strategic goals based upon this self-imposed standard, which govern the achievement of its aims, (for example its advisory functions, real-time audit etc.), its focus on audit standards (financial and performance audit etc.) and the proper and effective use of public funds as well as the development of sound financial management?
- May employees participate in the definition of the SAI's strategic goals?
- Does the SAI have, and implement, an audit strategy and performance indicators that constitute guidance allowing it to address its tasks and evaluate the impact for the audited bodies as well as for public finances?

## **1.7 Internal governance**

- Does audit legislation authorise the SAI to issue rules and regulations for the internal governance of the organisation, including such matters as selection, training, functions and promotion of staff?
- Has the SAI developed an ethics code describing what is expected of staff and formalising processes to avoid conflicts of interest and other improper actions?
- Does the SAI effectively formalise and implement the values of ethics and integrity based on the principles generally accepted by the INTOSAI community?
- Does the SAI encourage the development of an auditor's behaviour that is consistent with these values?
- Does a policy exist to monitor compliance to ethics and independence requirements?
- Does the SAI regularly review its working methods, manuals and practices to improve its effectiveness?

## **1.8 Accountability**

- To whom does the SAI report on its activities and performance?
- Is this done by means of periodic public reporting?
- Is the SAI subjected to periodic external scrutiny and/or audit? Is it ensured that the scope of this audit does not interfere with the SAI's independence?
- Are the processes for selecting the external auditors transparent?

- Are the results of the external scrutiny process made publicly available and are agreed recommendations acted on by the SAI?
- Does the SAI report regularly on how its resources have been used and what results have been achieved?

### **1.9 Legal / administrative recommendations**

- Is the SAI authorised to propose recommendations for amendments to draft laws and administrative procedures when it notes room for improvement?
- Is the SAI authorised to draw attention to audit findings that have a bearing on the rationale for policy decisions or on the impact of such decisions?
- Is the SAI authorised to recommend legislative amendments, if it has found evidence that applicable legal provisions have or may have effects not desired by the Legislature or if the SAI finds that the Legislature's objectives can be achieved more efficiently?
- Does the SAI make use of these authorisations?

## 2 Internal standards and regulations / quality control procedures

### 2.1 Audit types

- What types of audit does the SAI perform?
- How does the SAI balance the different types of audit, i.e. regularity/compliance, financial and performance audit, and combinations thereof?

#### 2.1.1 Financial and regularity/compliance audit

- Does the SAI have a mandate for auditing the adherence to regulations providing the basis for disbursements, collection of revenues and commitment of funds?
- Does the mandate cover the accuracy with which revenues and expenditures are calculated, supported by vouchers and stated in the accounts as well as compliance with applicable financial management, provisions and principles?
- Does the SAI have jurisdictional functions? What are the procedures and sanctions applied?

#### 2.1.2 Performance audit

- Does the SAI carry out various methods of performance audits such as: process based studies, organisational studies, impact and outcome studies, cost benefit analysis, specific service and quality management studies, environmental and IT audits?
- Are provisions in place with regard to looking into whether the optimum ratio between the objectives pursued and the resources utilised has been sought and obtained?
- Does the SAI examine the economy, efficiency and effectiveness of measures?
- Does the audit cover the effectiveness of government operations and transactions including the extent to which agreed targets have been achieved (effectiveness)?
- Does the audit cover the examination of the extent to which the input of resources was kept to the minimum necessary to achieve the preset objectives (efficiency)?
- Does the audit also imply a need for evaluating programme results? As a matter of principle, such an evaluation should address the following aspects:
  - target achievement;
  - outcomes;
  - performance (efficiency of implementation and efficiency of the programme itself?); and
  - the impact on the general public.

#### 2.1.3 Exceptions and materiality of findings

- Is it laid down that the SAI should avoid audit gaps whenever possible, i.e. is it ensured that the widest possible overview over public financial management is achieved?
- Especially, is the avoidance of audit gaps that impose a material risk laid down?

### **2.1.4 Real-time audit**

- Are there any rules authorising the SAI to perform audit work at an early stage of a project or programme, e.g. once a decision has been taken but expenditure has not yet been incurred and any potential damage might still be avoided?

### **2.2 Audit standards**

- Does the SAI use audit standards which clearly set out how audit work has to be performed?
- Do these standards align with the audit tasks, INTOSAI standards (ISSAIs) as well as other guidelines and professional standards?
- If yes, how does the SAI make sure that these standards are implemented?
- If the auditors follow international / external standards – do they need to give a reason when they decide not to adhere to them in an individual case?
- Does the SAI conduct audit missions in accordance with its own standards?
- Does the SAI see to it that its standards are regularly updated?
- Are the standards easily available for all auditors (e.g. in libraries, in the form of electronic records or via the Internet)?
- Is there a procedure in place to verify that all auditors know the standards?
- Are the audit standards disseminated?
- Are the standards clearly authorised and are SAI staff obliged to adhere to them when carrying out their audit work?
- How are auditors encouraged to master and widely use the standards?
- Has the SAI, as a first step, defined and decided upon the appropriate standards and level of quality for its outputs and then established comprehensive procedures designed to ensure that this level of quality is attained?
- Does the SAI have a role in (national) standard setting for (..)government(..) accounting and auditing standards?
- If not, is the relationship between the SAI and the entity responsible for developing government accounting standards defined?
- Is the SAI involved in legislation concerning audit procedures?

### **2.3 Quality control**

- Do the audit standards provide for reviews of quality control?
- Are there systems and procedures in place to:
  - confirm that integral quality assurance processes have operated satisfactorily;
  - ensure the quality of the audit report;
  - ensure improvements and avoid repetition of weaknesses;
  - make sure that there is a good communication flow;
  - make sure that there is a feedback process;
  - implement the principles of ISSAI 40.

- Has the SAI also established its own quality control arrangements regarding audit planning, conducting and reporting?
- May audits be reviewed in depth by suitably qualified SAI staff not involved in those audits and is this actually done?
- Is there a guarantee that audit work is performed by one official and authorised by another?
- Are there processes in place to identify generic lessons from these quality reviews and to disseminate these within the SAI?
- Does the SAI have a quality assurance manual in compliance with international standards?
- Does the manual set up the goals and demand of audit quality?
- Does the manual describe responsibilities, processes, methodologies as well as the means to measure the quality of SAI's audits?
- Does the SAI have a detailed plan of each audit it plans to deliver that sets clearly as to how the audit will be conducted?
- Does the team of each audit report regularly about the development of audit work and compliance with the planning as well as with the quality assurance manual?

## **2.4 Internal / external review**

- Has the SAI instituted its own internal audit function with a wide charter to assist it to achieve effective management of its own operations and sustain the quality of its performance?
- Does this internal audit function report directly to the head of the SAI?
- Is there a formal process for ensuring that the recommendations of the internal audit function are acted on, once the SAI has accepted them?
- Does the SAI set an internal review to prevent risks and provide a reasonable assurance to fulfil in good conditions the missions it is assigned according to its objectives, strategy and performance criteria (see also point 3.2.3 Economy, efficiency and effectiveness)?
- Does the SAI seek the views of auditees regarding the quality of its audit reports?
- Has a team of quality assurance auditors been formed to carry out these tasks?
- Does the SAI periodically evaluate its work methods by self assessments in order to implement a process of continuous improvement?
- Does the SAI undergo periodic external evaluation, e.g. peer reviews, of its work as part of a commitment to a continuous improvement process?

## **2.5 Relations to other public entities**

- Is the relationship between the SAI and Legislature and also Government clearly defined by law according to the conditions and requirements of the national situation, with SAI independence as the guiding principle?

## **2.6 Security of information**

- Does the SAI have clear standards in place to assure that information is treated with due confidentiality?
- Does the SAI ensure that privileged information acquired is made available only to the addressee and not to third parties?
- Does the SAI ensure the communication of these standards among the auditors as well as their application?



## 3 Structural aspects

### 3.1 Formal rules

#### 3.1.1 Structure and responsibilities

- Does the SAI possess an organisational structure that enables it to fulfil its tasks in good conditions of effectiveness, economy and efficiency?
- Are functions and responsibilities defined clearly and transparently for all staff and are overlaps avoided?
- On the other hand, is the full coverage of all SAI tasks ensured?
- Does the SAI have an efficient system of internal reporting and communication?
- Does the SAI have a mechanism in place to ensure quality control and quality assurance within the overall structure?
- Is there a commitment on the part of the SAI's top executive to promote and ensure that quality control is practised?

#### 3.1.2 Alterations in the audit tasks

- Is the SAI able and flexible enough to respond to changes in its audit tasks in a timely manner, provided the law permits?

### 3.2 Functional areas

#### 3.2.1 The audit process – structure and documentation

- Is the entire audit process clearly structured and are the roles of all those involved defined clearly and transparently?
- Is there a clear procedure for resolving differences of opinion?
- Is the audit process adequately and continuously documented?
- Does the SAI have a wide field of attributions to evaluate and decide on all aspects that are essential for the accomplishment of its missions?

#### 3.2.2 Technical and administrative requirements

- Does the SAI possess the technical and communicational means needed to fulfil its tasks?
- Is the IT equipment adequate?
- Does the SAI foster the use and the development of information technologies, including the use of computer based auditing methods?
- Have training events on computer-assisted auditing been held?

- Does an audit manual on IT assisted audit exist?
- Does this include an (electronic) archiving function and the internet/intranet?
- Are there administrative units within the SAI which support the work of audit teams by carrying out clerical, IT and publishing tasks?

### **3.2.3 Economy, efficiency and effectiveness**

- Are there provisions (e.g. financial and human resources, logistical and transport provisions) to ensure that the SAI performs its tasks in an economic, efficient and effective way?
- Does the SAI have benchmarks to monitor its performance and does it address weaknesses?
- Is information about weaknesses in the SAI's performance reported to senior management and consistently acted upon?

### **3.2.4 Human resources**

#### **3.2.4.1 General strategy**

- Has the SAI established a clear strategy providing adequate assurance it has the necessary staff, both in numbers and skills, to address its tasks (workforce plan)?
- Are there clear policies in place covering such human resource issues as staff entitlements to training and development, staff appraisals, pay and remuneration, dealing with conflicts of interest, and staff rotation?
- Does the SAI have a policy in place to identify the staff having the skills currently needed by the SAI?
- Does the SAI provide for maintaining know-how of staff leaving the organisation?
- Does the SAI lay stress on personal/social skills as well as technical skills?

#### **3.2.4.2 Recruitment strategy**

- Has the SAI established a clear strategy for recruiting and selecting new staff members?
- Does the SAI seek excellence and anticipate its future needs according to the type of work the SAI expects to perform in the future?
- Is the recruitment strategy separated from the general strategy?
- Does it provide for education objectives and programmes, or are these drawn up in a separate document?
- Can the SAI access persons with specialised knowledge such as engineers, architects or IT specialists?
- Does the SAI use adequate ways of recruiting (e.g. assessment centres etc.) and is it independent in selecting new staff?

- Does the SAI ensure that its staffing needs are publicly known so as to make the hiring process transparent and generally open to applicants, thus providing for equal opportunities?
- Does the SAI place adequate emphasis on professional education and experience when recruiting staff?

#### **3.2.4.3 Initial and induction training**

- Does the SAI provide initial training and induction training designed to help new arrivals? This concerns (among other things) such matters as organisational structure, internal and external working relationships, ethical standards, performance standards, etc.
- Does induction training include a trial period and a period of practical field work?
- Does the SAI prefer recruiting skilled/experienced staff or does it want to train the newcomers itself?

#### **3.2.4.4 Technical and skills training**

- Does the SAI provide for technical and skills training intended to equip auditors with the methodological knowledge and skills needed to plan, conduct and report on whatever type of audit (compliance, regularity, financial or performance) the individual auditor is expected to perform, and to do so efficiently and at a high level of quality?
- Does the SAI have a dedicated technical support unit that updates technical documents and provides support?
- Does the SAI use staff as facilitators who have considerable expertise/experience in the knowledge and skill areas which shall be trained?
- Are staff training needs evaluated?
- Are auditors given the chance to point out training opportunities at home or abroad?

#### **3.2.4.5 Managerial training**

- Is there managerial training for those supervising an audit team?
- Does this ensure that managers have the skills required as they progress within the organisation, for example operational and strategic planning, budgeting for time and money, analysing of results, communication, presentation and social skills?
- Is there a strategy in place to identify and train future managers?

#### **3.2.4.6 Continued training**

- Is there a policy in place to ensure that auditors routinely undergo training to continuously maintain and enhance their professional capabilities?
- Does the SAI have a commitment to life-long learning?
- Is there a training programme detailed by weeks and months, and are education

objectives determined for a year or a longer period?

- Is there a mechanism in place to ensure that all auditors take part in training?
- In order to improve the knowledge and know-how of staff, and help them deal with the increasing diversity of the tasks they have to undertake, do they have the opportunity to benefit from external training courses, internships, or secondments – including the opportunity to participate in joint audit missions with other SAIs ?
- Are employees adequately motivated to develop their professional skills?

#### **3.2.4.7 Evaluation**

- Is staff performance evaluated on a regular basis?
- Are the evaluation criteria generally known?
- Is the evaluation performed objectively?
- Are the objectives and the proposed use of evaluation results been defined?

#### **3.2.4.8 Employee feedback**

- Does the SAI ensure that staff are treated fairly and equally? Does the SAI obtain feedback on these issues?
- Is a mechanism in place allowing staff to express their opinions confidentially and permitting that the suggestions made are taken into account?

## 4 Audit approach

Audit approaches vary according to the mandates of SAIs. The following subparagraph therefore deals first with questions that apply to all forms and mandates, while the second subparagraph lists questions that will only be asked if the SAI's audit mandate provides for the specific type of audit.

### 4.1 Audit selection

#### 4.1.1 General strategy

The general strategy may differ in respect to mandatory financial audits – with the legal obligation to cover all entities – and performance audits that are fully under discretion of the individual SAI.

- Does the SAI give proper consideration to the following when it decides what areas to audit and when to perform those audits:
  - the assessment of risks and the significance, sensitivity and materiality and added value of the audit topics;
  - the financial and human resources required for the performance of particular audits, including consideration of the availability of audit staff with the required skills, also taking into account the size and complexity of the auditee;
  - the time at which the results of particular audits are likely to prove most useful, including consideration of timing requirements imposed by law;
  - the potential need to revise audit priorities in response to changing circumstances; and
  - the selection and timing of audits may also be influenced by the work of internal auditors or other auditors performing audits on the same bodies.

#### 4.1.2 Priority of audit tasks

- When selecting audit tasks to be included in audit planning, does the SAI take due care to avoid audit gaps?
- Does the SAI use relevant criteria to prioritise audit topics?
- How does the SAI handle relative priority among potential audit subjects, considering audits required by law, where applicable, and the limits of the mandate?
- Do indicators exist for quickly and reliably measuring the financial weight, materiality and risk of the audit?
- Is the SAI free to use a sampling technique?
- Is the SAI free to leave specific accounts unaudited?

#### 4.1.3 Selection of bodies to be audited

- Does the SAI select audit subjects with a view to generating audit findings that provide an overview of the government operations that come under its audit authority?
- Does the SAI collect information about the audited subjects and use this to identify areas which merit inspection?

#### 4.1.4 Cost efficiency

Cost-consciousness may require that preference be given to audits which, based on previous knowledge, are likely to generate significant findings.

- Are new audit areas also adequately taken into account?
- Are there rules to this effect?

### 4.2 Audit planning

#### 4.2.1 Resources

- Does the reviewed SAI have an effective process in place by which it decides on how to use its discretionary resources to best effect?
- Are resources used in audit(..) missions allocated appropriately?
- Are audits delivered within the deadlines?
- Does the SAI use any information collected during previous audit(..) work or benchmarking exercises to help it estimate adequately resources and timeframe of the audits?
- Are contingency plans in place to reduce the delays caused by the assignment of staff to other tasks, leave of absence or sick leave?
- Does the SAI have a policy of considering the need for financial and human resources required for the performance of particular audits, in particular:
  - the number and skills of the staff available for the audit;
  - the resources such as time, funding and others including external expertise, when relevant, necessary for conducting audit work; and
  - the risks that may be encountered in the audit?

#### 4.2.2 Adequacy

- Does the SAI develop an understanding of the environment, accountability and key management systems of the audited body prior to the actual audit?
- Are there procedures in place to ensure the quality of the audit questions and methods, which are supposed to be used in the audit?
- Does the SAI provide for a follow-up review to determine whether appropriate action has been taken on audit findings and recommendation previously reported?

- Does the SAI ensure that the audits delivered by the SAI are in accordance with its applicable standards?
- Does the SAI identify the key elements of the internal control system?

### 4.3 Audit implementation

#### 4.3.1 Staff

Does the SAI have a policy to ensure that

- all those involved in the audit understand the plan as a whole and the tasks assigned to that person;
- each official involved in the audit has the skills needed to carry out the assigned tasks; and
- there are no conflicts of interest or other factors that might impede any official involved in the audit from carrying out the assigned tasks in a competent and objective manner?
- Is the non-existence of conflicts of interest recorded?
- prior to the approval of the plan, those involved have been given the opportunity to express an opinion on the tasks assigned to them and to participate in the development of the plan.

#### 4.3.2 Documentation and procedures

- Is the audit process documented adequately and transparently? Is the same true for internal decision-making?
- Are the audit records duly registered to facilitate finding them?
- Are the physical and environmental conditions appropriate to ensure the adequate preservation of the records irrespective of whether they are on paper or in electronic form?
- Are appropriate steps taken in the following areas:
  - audit documentation is properly kept, adequately describes audit tests and findings, is referenced and is easily traced to the relevant elements of the task plan and detailed audit programmes;
  - the audit plan provides the links under which the working papers can be found;
  - treatment of printed evidence in a computer-assisted audit;
  - audit evidence is sufficient and appropriate;
  - audit evidence procedures are properly followed;
  - security levels are in place to limit the access to documents which form part of the audit evidence;
  - the planned audit approach remains appropriate in the light of information gathered in the audit or appropriate changes are made;

- internal control systems of the audited body are properly documented, evaluated and tested;
- controls of an IT nature are adequately taken into account;
- proper sampling, analytical procedures, data gathering and information analysis techniques are used, where appropriate;
- working papers include relevant, reliable and sufficient evidence supporting all findings, opinions, conclusions and recommendations;
- auditors have documented the work performed in such a manner that an independent person should be able to re-perform the work and be able to understand the nature, timing and extent of the work that was done; and
- a checklist is drafted to ensure that the work done is properly documented.

#### **4.3.3 Review before field work**

- Before starting actual field work, is the plan reviewed to assure that it can be properly implemented?
- Are all members of the audit team involved in this review to ensure that everyone understands the plan as a whole as well as their roles in the audit, and to give them an opportunity to raise any concerns that they may have?
- Are auditors encouraged to point out possible shortcomings in the audit task plan and in the quality control system?
- Is the audit scope and/or task plan adjusted if significant unanticipated problems arise?
- Are these modifications submitted to the manager in charge for approval?
- Does the SAI adopt and implement professional standards; strengthen methods and techniques for preventing and detecting fraud and corruption; enhance communication and reporting, and foster the publication and use of guidelines and procedure manuals?

#### **4.3.4 Continuous documentation**

- Is the completion of individual tasks in the audit plan documented and reviewed, evidenced and approved by the immediate supervisor of the auditor responsible?
- Are audit working papers systematically collected, reviewed and maintained?
- Are changes in the approved audit plan documented, along with the reasons for them, especially if they significantly alter the audit methodology or the timetable or other resources required to carry it out?
- Are those changes reviewed and approved by the official, if any, who approved the original plan?

#### **4.3.5 Supervision during audit**

- Does the organisational structure include a supervision department or is the supervisor part of the audit team?



- Or who else is in charge of supervision?
- Does the audit team leader adequately supervise those involved in the audit to ensure that the audit tasks are carried out properly?

#### **4.3.6 Review upon audit completion**

- With a view to identify changes and improvements necessary for future audits: Does the audit team leader, and his/her supervisors, if any, review all aspects of the audit tasks performed during the audit, including tests carried out, findings and working papers and document such reviews?
- Does the relevant auditor/audit team examine the causes and consequences of the shortcomings found during the audit process?

#### **4.3.7 External expertise**

- Does the SAI seek assistance from external experts if unexpected problems or technical issues are encountered during the audit work requiring skills beyond those represented in the team?
- Does the SAI ensure that the work performed by the expert is properly documented and evaluated?
- Is a glossary drawn up of the technical terms used by the external experts in order to ensure understandability?

### **4.4 Audit reporting**

#### **4.4.1 Methodology**

- Are reported audit issues properly analysed and concluded?
- Have all audit findings been evaluated as to their materiality, legality and factual evidence and all relevant material findings included?
- Are all the facts fairly presented?
- Are sources of facts, figures and quotations mentioned?
- Are relevant and material events subsequent to the audit taken into account, to the extent that the auditor is aware of and documents them?
- Is there documentary evidence in support of all conclusions and opinions?
- Is there a clear audit trail for audit steps, findings, conclusions and recommendations prepared by the auditor and his assistants?
- Are the working papers fully cross-referenced?
- Are reports concise, clear, timely, precise, simple, objective, balanced and constructive?
- Are they clearly perceived and well understood by the auditee and the various stakeholders?

- Are all findings and conclusions supported by adequate and reliable audit evidence in the audit working papers?
- Are the recommendations developed by the SAI in accordance with standards of good professional practice?
- Do reports, where applicable, expressly present positive conclusions or state relevant measures and sanctions to be taken by the SAI?
- If so, does the auditor ensure there is sufficient evidence to support such positive conclusions?
- Are time limits adhered to?
- Are applicable procedures followed with regard to serious irregularities and fraud discovered in the audit?
- Is the full methodology of the audit performed well described in the reports providing therefore more transparency and credibility to the findings?

#### **4.4.2 Internal procedure**

- Who is involved in drafting the report?
- Is it ensured that the report is in line with the audit findings?
- Are the reports reviewed for adequacy, conclusiveness, properness, readability etc. by an experienced auditor, audit panels and/or a prosecutor general office which are independent of the audit team?
- If applicable, is this review coupled with or followed by further reviews of the draft report at higher levels or other parts of the organisation, especially if the subject of the report is sensitive or the material is unusually complex or technical?  
Such review by a transversal department is recommended to avoid, especially on legal issues, successive inconsistent opinions, stemming from different units, issued by the SAI.
- Is there any clear statutory provision and internal guidance as to who has the authority to approve and issue the audit report (audit manager, audit panel, other)?

#### **4.4.3 Different viewpoints / conflicting evidence**

- Is the draft audit report, after internal review, provided to the audited body for review and comment within a specified time frame?
- To what extent are comments received from an audited body considered by the SAI?
- Are these comments published in the report?
- How are factual disagreements resolved?
- Is all material conflicting evidence acknowledged in the report, together with an explanation of why it has been rejected or is not reflected in the report conclusions?

#### **4.4.4 Reporting on misdemeanour**

- Does reporting take place in accordance with the SAI's mandate and relevant legislation?
- Does the audit process foresee and the SAI ensure that cases of misdemeanour, such as fraudulent behaviour, violation of contracts or other criminal offences are reported to the prosecuting authorities without delay?

### **4.5 Follow-up and further treatment of the SAI's findings**

#### **4.5.1 Follow-up**

- Are follow-up audits conducted?
- Is there adequate and sufficient monitoring that the audit recommendations are followed in due course?
- Is the time period between completion of the audit and the follow-up on the implementation of the recommendations specified?
- Are there methods governing the implementation of follow-ups, as well as definite criteria specifying when a follow-up is to be made?
- Does the SAI comply with it?
- In case the recommendations are not implemented or not implemented in due course – does the SAI ensure this is documented and justified by the auditee?

#### **4.5.2 Impact of performance audits performed by the SAI**

- Does the SAI assess the impact of its audits on the performance of the auditee?
- Does the evaluation take into account the views of the various stakeholders?
- Are there quantifiable indicators for measuring the impact of the audit?
- Did implemented recommendations achieve improvements in performance?

#### **4.5.3 Perception of the SAI**

- Are there indicators of the way the SAI, its tasks, mission performance, and professional competence is perceived?
- Is the SAI a body held in high esteem for the work it performs?
- Is the SAI regarded as an independent and professional organisation and respected by the public in general and the various stakeholders in particular as having positive influence on the improvement of state activities?
- Is the perception of the SAI evaluated?
- In what way are the results obtained from the evaluation to be used?
- What types of mechanisms have been considered to improve the perception of the SAI from its stakeholders' perspective?

#### **4.5.4 Publication**

- If audit legislation empowers the SAI to publish the results of its work: are those publications elaborated with a view to being understandable to report users and to the general public?
- In what form are the reports distributed?
- Does the SAI publish on the internet as well?
- What type of relationship does the SAI have with the media?

#### **4.5.5 Managing institutional risk**

- How does the SAI handle potential cases of audit failure, i.e. when complex audits, possibly also involving matters which are highly visible and/or politically sensitive, might undermine its credibility?
- Has it established a clear procedure for assessing these institutional risks and for adapting to them, considering such matters as complexity of the audit, audit costs, controversy associated with the matters being audited and likely co-operation or resistance by the audited body?

#### **4.5.6 Managing external relations**

Does the SAI devote management time and attention to strengthening relations with

- parliament and its committees;
- the government to achieve improvements in government accounting and internal controls;
- line ministries and state agencies, to enable auditors to do their work efficiently, without interference and impediments;
- the media, to assure that the public is aware of key SAI products and of the actions taken (or not taken) in response;
- private sector auditors and relevant professional associations, as to sharing experiences that can strengthen quality in both sectors;
- the academic community to facilitate drawing on that source of specialised expertise, when needed, and in recruiting high quality graduates; and
- the audit community, including co-operation at the bilateral and multilateral level, to facilitate benchmarking, sharing of knowledge, experiences, techniques and information on good practices.

## Annex 1: Glossary of terms

Peer review terms	Definitions
audit risk	<p>The converse of assurance is audit risk. This is the risk that the auditor will reach the wrong conclusion regarding the financial statements being examined - i.e. that the auditor fails to express a reservation on financial statements that are in fact materially misstated.</p> <p>Source: European implementing guidelines for the INTOSAI auditing standards</p>
independence	<p>The freedom of the SAI in auditing matters to act in accordance with its audit mandate without external direction or interference of any kind.</p> <p>Source: INTOSAI: Code of Ethics and Auditing Standards</p>
internal audit	<p>The functional means by which the managers of an entity receive an assurance from internal sources that the processes for which they are accountable are operating in a manner which will minimise the probability of the occurrence of fraud, error or inefficient and uneconomic practices. It has many of the characteristics of external audit but may properly carry out the directions of the level of management to which it reports.</p> <p>Source: INTOSAI GOV 9100, Guidelines for Internal Control Standards for the Public Sector</p>
legal authority	<p>"Legal authority" means laws, regulations, orders, directives, circulars, or other documents having the force of law.</p> <p>Source: International Federation of Accountants: Assessment of the Regulatory and Standard-Setting Framework</p> <p><a href="http://ar.ifac.org/ComplianceAssessment/?MBID=SA1&amp;Page[2]=Show#2">http://ar.ifac.org/ComplianceAssessment/?MBID=SA1&amp;Page[2]=Show#2</a></p>
peer	<p>Peers are trusted individuals who are senior and experienced in their own organisations and whose recommendations carry authority. Peers come from a range of SAIs to provide a range of viewpoints.</p> <p>Source: INTOSAI Capacity Building Committee: Building Capacity in Supreme Audit Institutions, A Guide</p>
peer review	<p>Peer reviews are systematic reviews to assess the extent to which an SAI is achieving its goals and the standards it has adopted to meet these. Peer reviews may encompass one part of an SAI's activities, for example, its regularity audits, or range more widely across the whole of its functions, such as strategic planning, human resource management and internal and external communications. They can play a useful role in identifying areas where further development is needed.</p> <p>Source: Discussion paper on theme 1:</p> <p><a href="http://www.incosai2004.hu/angol/doc/EN%20I%20D200715.pdf">http://www.incosai2004.hu/angol/doc/EN%20I%20D200715.pdf</a></p>

performance audit	<p>An audit of the economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities.</p> <p>Source: INTOSAI: Code of Ethics and Auditing Standards</p>
quality assurance	<p>Quality assurance is an assessment process focusing on the operation of the quality control system. It is a review completed after the audit by persons who are independent of the audit under review. Quality assurance necessarily involves the examination of specific audits. However, the purpose of the review is not to criticize specific audits. Rather, it is to determine what controls were intended to be applied to those audits, how those controls were implemented, any gaps in the controls, and other ways of improving the audit quality system.</p> <p>Source:  <a href="http://www.intosaijournal.org/technicalarticles/technicalapr05c.html">http://www.intosaijournal.org/technicalarticles/technicalapr05c.html</a> </p>
quality control	<p>Quality control is a process through which an SAI seeks to ensure that all phases of an audit (planning, execution, reporting, and follow-up) are carried out in compliance with the SAI's rules, practices, and procedures. A quality control system should ensure that audits are timely, comprehensive, adequately documented, and performed and reviewed by qualified staff.</p> <p>Source:  <a href="http://www.intosaijournal.org/technicalarticles/technicalapr05c.html">http://www.intosaijournal.org/technicalarticles/technicalapr05c.html</a> </p>
reciprocal peer review	<p>If one SAI performs a peer review at a partner SAI to be reviewed by this SAI in return this mutual exercise is called a reciprocal peer review.</p> <p>Source: INTOSAI Sub-Committee 3, promote best practices and quality assurance through voluntary peer reviews</p>
regularity audit	<p>Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements; attestation of financial accountability of the government administration as a whole; audit of financial systems and transactions, including an evaluation of compliance with applicable statutes and regulations; audit of internal control and internal audit functions; audit of the probity and propriety of administrative decisions taken within the audited entity; and reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed.</p> <p>Source: INTOSAI: Code of Ethics and Auditing Standards</p>
stakeholder	<p>Parties that are affected by the entity, such as shareholders, the communities in which the entity operates, employees, customers and suppliers.</p> <p>Source: INTOSAI GOV 9100, Guidelines for Internal Control Standards for the Public Sector</p>

## Annex 2: Feedback questionnaire

**1. Peer review conducted**

Reviewed SAI:

Reviewing SAI(s):

**2. Scope of the peer review:**

**3. Date/timeframe of the peer review:**

**4. Did you use the Peer Review Guide?**

☐ yes      If yes, which positive/negative experience did you gain? Please specify:

☐ no      If no, please specify:

**5. Did you use the Peer Review Checklist?**

☐ yes      If yes, what lessons did you learn? Please specify:

☐ no      If no, please specify:

**6. Would you propose modifications for the Guide and Checklist?**

☐ yes      ☐ no

If yes, please specify:

**7. Will you provide papers (e.g. peer review agreement/MoU, report) for the peer review documentation?**

☐ yes      ☐ no

If no, please specify:

Please forward this questionnaire and any other papers you may wish to share with other SAls to the SAI of Germany ([international@brh.bund.de](mailto:international@brh.bund.de)). Thank you very much for your assistance!