INTOSAI Capacity Building Committee

Sub-Committee 3:

Promote Best Practices and Quality Assurance through Voluntary Peer Reviews

Report to the Steering Committee

of the INTOSAI Capacity Building Committee,

Washington, 30 June – 1 July 2010

INTOSAI CBC - Sub-Committee 3

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Annexes

1. Draft Minutes of Sub-Committee 3 meeting held in Bonn on 20-21 May 2010
2. Draft Peer Review Guide
3. Draft Peer Review Checklist

Tasks

According to Goal 2 of the INTOSAI Strategic Plan 2005 – 2010, Sub-Committee 3 shall promote best practices and quality assurance through voluntary peer reviews by:

1. Developing guidelines on and providing best practice examples of how to undertake voluntary peer reviews and establish global and regional mechanisms for initiating them;

2. assessing and documenting existing peer review arrangements in the INTOSAI community;

3. disseminating the results of peer reviews as appropriate and as agreed by participating SAIs;

4. fostering an environment where such voluntary reviews are seen as beneficial to both the SAI undertaking the review and the SAI choosing to undergo it.

Members

The following Supreme Audit Institutions are represented on the Sub-Committee:

➢ As **members**: Austria, Bangladesh (Vice Chair), Croatia, Estonia, European Court of Auditors, France, Germany (Chair), Hungary, Morocco, Poland, United States of America;

➢ as **observers**: Slovak Republic and Sweden.

Meeting

The 3rd Sub-Committee meeting took place in Bonn on 20-21 May 2010 (Annex 1).

Current status

1. **Develop guidelines on and provide best practice examples of how to undertake voluntary peer reviews and establish global and regional mechanisms for initiating them**

   Progress with guide and checklist:

   The Sub-Committee has drafted a *guide* that deals with the practical aspects of a peer review (Annex 2). It is designed to enhance the reader's understanding about peer reviews in general.

   After an introduction stating the reasons underlying peer review work and a definition of the term peer review, the guide discusses the objectives of such a project. It goes on to define criteria for selecting partner SAIs and gives advice on the procedural steps to take. Focus is placed on the memorandum of understanding, i.e. the agreement which the participating SAIs conclude prior to launching the project and which sets out the framework of the exercise. The guide

provides recommendations and good practice examples on the subject matter of such a memorandum of understanding, which typically includes the following:

- definitions of key terminology used in the peer review;

- objective of the peer review;

- timetable;

- working language;

- staffing;

- scope and contents of the peer review;

- access to and treatment of files and other documents;

- procedural matters;

- timing of communications and discussions;

- documentation requirements;

- nature, length and addressees of the final report;

- cost of travel and translation; and

- support of the peer review by the reviewed SAI.

The guide also addresses recommendations regarding the initial planning of a peer review, field work as well as follow-up and evaluation of peer review results. Annex 1 of the guide contains a glossary of terms.

The second document drafted by the Sub-Committee is a *checklist* with a choice of questions that peers may wish to address during a peer review (Annex 3). This checklist shall form an appendix to the guide. It is based on widely accepted standards within the international audit community. It also draws information from the "Guidelines on Audit Quality", developed in 2004 under the auspices of SIGMA by several European SAIs.

The checklist starts off by proposing to the reviewing SAIs to seek an understanding of the reviewed SAI's role in its country, its legislative framework and provisions for independence as well as its mandate, audit approach and strategy. In addition, the checklist covers the areas:

- internal regulations, audit standards and quality control procedures;

- structural aspects, such as structure and responsibilities, efficiency of work processes and human resources management; and

- the audit process itself including audit planning, implementation, documentation, reporting and further treatment of the findings.

In February 2010, **guide and checklist were sent to all INTOSAI members** for comment. The Sub-Committee received replies from 26 SAIs. At its meeting in Bonn on 20-21 May 2010, the Sub-Committee discussed the comments received and included them in the drafts, where possible and appropriate. At this meeting the Sub-Committee members agreed on the final drafts for guide and checklist. Furthermore, they agreed to implement some kind of feedback exercise, in order to develop the documents further as needed. Therefore, the guide contains an annex 2 with a short feedback questionnaire.

The Sub-Committee submits the guide together with the checklist as appendix to the CBC Steering Committee for approval and submission to the INTOSAI Governing Board.

Using the ISSAI framework for numbering the guide and checklist:

To raise awareness of the guide and checklist as well as to ensure their widest dissemination, the Sub-Committee agreed at its past meeting in Bonn on requesting an ISSAI number for the peer review guide and the checklist as an appendix to the guide. The decision about the appropriate level of the ISSAI framework should be left to the Professional Standards Committee (PSC).

The chair of the Sub-Committee informally contacted the PSC secretariat, in order to discuss how to best to proceed for obtaining an ISSAI status. The PSC Steering Committee considers the possibility of including the peer review guide on level 4 in the framework.

The Sub-Committee asks the CBC Steering Committee for approval to further pursue the inclusion of the guide and the checklist as an appendix in the ISSAI framework.

2. Assess and document existing peer review arrangements in the INTOSAI community

The Sub-Committee contacted all SAIs that have participated so far in a peer review and was pleased to receive documents, including reports, Memoranda of Understanding and summary information, on 21 different peer reviews.

In the first step, best practice examples were drawn from these records in order to enrich the peer review guide.

The second step will be to make these records available to all INTOSAI members, so that they can serve as reference for future peer reviews (see point 3.).

In order to maintain and develop further this peer review documentation in the future, the Sub-Committee chair will send an e-mail requesting documents on peer review arrangements to all INTOSAI members at regular intervals (once a year).

> *The Sub-Committee asks the CBC Steering Committee for approval to send an e-mail request to all INTOSAI members in order to update the peer review documentation at regular intervals.*

3. Disseminate the results of peer reviews as appropriate and as agreed by participating SAIs

The decision to undergo a peer review lies with the heads of SAIs. It is so far-reaching that being aware of lessons learned by the heads of other SAIs may be quite helpful in decision-making. We believe that a suitable environment might be encouraged by making the positive experiences available to as many SAIs as possible.

At its recent meeting in Bonn, the Sub-Committee agreed on publishing the peer review records received (see point 2), together with the peer review guide and

checklist, on the CBC website under the section for Sub-Committee 3. The Sub-Committee chair will ask the SAIs that provided the records for approval that their documents may be published via the internet.

A further means to raise awareness of these peer review records is to make mention them in the INTOSAI Journal.

> *The Sub-Committee asks the CBC Steering Committee for approval to the proposed steps in order to publish and raise awareness of the peer review records.*

4. Foster an environment where voluntary peer reviews are seen as beneficial to both the SAI undertaking the review and the SAI choosing to undergo it

We believe that this task is directly linked to publishing the peer review records (see point 3).

Also, Sub-Committee 3 discussed further channels through which a maximum number of SAI heads could be reached. One is to disseminate relevant information at INTOSAI congresses and its regional working groups. In this context, the heads of relevant SAIs may wish to share their experiences with peer reviews.

Another channel may be 'Master Class' seminars of IDI which are designed for SAI heads. Maybe IDI may wish to provide some information on peer reviews at the margin of its seminars.

Furthermore, a booklet explaining the spirit and purpose of peer reviews may foster the environment where voluntary peer reviews are seen as beneficial to SAIs.

Future tasks

After having completed work on the peer review guide and checklist, the Sub-Committee identified the following tasks for the future:

- implement the feedback exercise to refine the guide and checklist;
- maintain and update the peer review documentation; and
- promote peer review records (contribution to seminars, booklet, etc.).

Timetable

The following schedule is laid out for the implementation of the activities of Sub-Committee 3:

	Task		completed by
I. Guide and checklist			
1.	Translation of the guide and checklist into the 5 INTOSAI languages; Arabic by SAI of Morocco, other languages by German SAI		July – October 2010
2.	Submission of guide and checklist to the INTOSAI Governing Board		Following Steering Committee approval
3.	Application for an ISSAI number to be approved by INCOSAI		July - September 2010
4.	XX. INCOSAI submission and report		November 2010
II. Peer review documentation			
1.	E-mail request to the INTOSAI community on a regular basis		yearly
III. Dissemination of peer review material			
1.	E-mail to SAIs who provided peer review material asking for approval to publish these documents		July – October 2010
2.	Posting of the peer review material on the CBC website		Following INCOSAI approval
3.	Reference in the INTOSAI Journal		Following INCOSAI approval