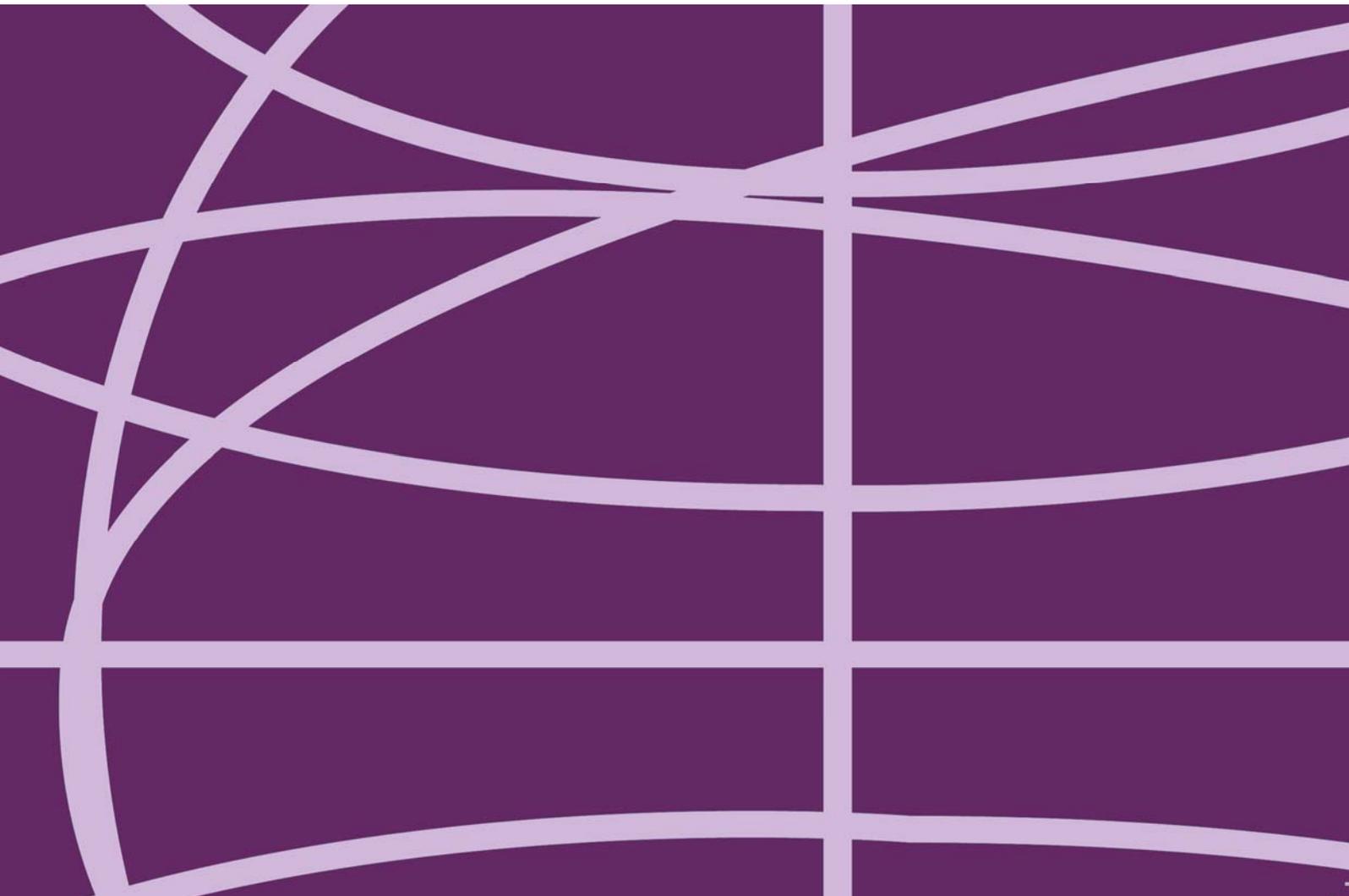


Peer Review Guide

Endorsement version as of May 2010



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.

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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.

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 subcommittee 3 of the Capacity Building Committee was tasked to implement this strategy of which one basic element is this Guide on Peer Reviews.

SAls 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 SAls may simply have been invited to participate in a peer review. Some SAls' 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 SAls' 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 SAls 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 SAls 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 documentation¹.

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

2 Definition

In this guide, peer review refers to 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 SAIs need to be confident that the access granted is sufficient to meet the objectives of the peer review.

Apart from that, SAIs 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 SAIs that could be more widely distributed;
- improving or ensuring quality of work;
- applying effective audit tools;
- improving or ensuring the quality of management and organization;
- 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)² 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 SAIs

As a rule, an SAI wishing to have their organisational structure or procedures reviewed as part of a peer review contact other SAIs 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

² See www.issai.org

to provide the SAIs, who are invited to be the reviewing SAIs, 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.

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"³ 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.

³ See: <http://cbc.courdescomptes.ma/upload/committee/fichier1.pdf>

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.

Annex 1: Glossary of terms

Peer review terms	Definitions
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: NAO audit manual</p>
legal authority	<p>Form of leadership in which the authority of an organization or a ruling regime is largely tied to legal rationality, legal legitimacy and bureaucracy.</p> <p>Source: 06/2010:http://dictionary.babylon.com/legal%20authority</p>
peer	<p>Officials or institutions from other countries acting in the same relevant policy field.</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 for INCOSAI 2004 Theme I: http://www.incosai2004.hu/angol/doc/EN%20I%20D200715.pdf</p>
performance audits	<p>In conducting performance audits, an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should design the audit to provide reasonable assurance of detecting illegal acts that could significantly affect audit objectives. The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may have an indirect effect on the</p>

	<p>audit results.</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: 06/2010: http://www.intosaijournal.org/technicalarticles/technicalapr05c.html</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: 06/2010: http://www.intosaijournal.org/technicalarticles/technicalapr05c.html</p>
reciprocal	<p>mutual</p> <p>Source: 06/2010: http://www.thefreedictionary.com/reciprocal</p>
regularity audits	<p>In conducting regularity (financial) audits, a test should be made of compliance with applicable laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the financial statement amounts or the results of regularity audits. The auditor also should be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements or results of regularity audits.</p> <p>Source: INTOSAI: Code of Ethics and Auditing Standards</p>
stakeholder	<p>The term describes all parties involved who are interested in obtaining the peer review report.</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 Checklist on possible Peer Review issues?

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 SAIs to the SAI of Germany (international@brh.bund.de). Thank you very much for your assistance!