

INTOSAI



ANNEX
ISSAI 5600
Peer Review Guide

August 2015 draft

INTOSAI Professional Standards Committee

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ANNEX

PEER REVIEW AREAS AND QUESTIONS ('PRAQ')

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INTRODUCTION

1. This Annex is a guide to the areas of an SAI's mandate, organisation and functioning which may be covered by a peer review. It also provides example questions for use in the peer review process. It is not mandatory to use this material but it is intended as useful reference tool.¹
2. The guidance provided by the PRAQ is non-exhaustive and non-prescriptive. A peer review can cover areas not included in the PRAQ. The questions should be tailored to the SAI and/or to the specific objectives of the peer review. It may not be possible or necessary to use all the example questions. Additional questions may be required.
3. The PRAQ is based primarily on the principles and guidelines defined in the ISSAI framework. In particular, it takes into account:
 - Level 1 (ISSAI 1: Founding Principles) and Level 2 (ISSAIs 10-99: Prerequisites for the Functioning of Supreme Audit Institutions) standards that provide the essential foundations for assessing an SAI's independence, transparency, accountability, governance, ethics and quality control arrangements.
 - ISSAI Level 3 (ISSAIs 100-999: Fundamental Auditing Principles) which defines the generally recognised professional principles of public sector auditing.
 - ISSAI Level 4 (ISSAIs 1000-5999: Auditing Guidelines) which translate these principles into more detailed and operational guidelines on specific areas of activity or issues for day-to-day use and reference.

¹ The PRAQ may also serve as a useful reference tool for an SAI undertaking a self-assessment exercise in preparation for a peer review.

4. Additional reference material on SAI peer reviews is available on the CBC website (www.intosaicbc.org). The online document library includes examples of peer reviews and other valuable insights into the peer review process.
5. The PRAQ focuses on the following seven main overall themes, each addressing fundamental principles, essential pre-requisites and/or key issues covered in the ISSAI framework and other professional guidelines and literature:
 - A. Independence
 - B. Mandate, strategy and types of activities
 - C. Management of resources
 - D. Communication and engagement with stakeholders
 - E. Ethics, transparency, accountability and good governance
 - F. Auditing standards, methodology and quality control
 - G. Audit approach

A. INDEPENDENCE

6. The independence of the SAI is of fundamental importance. When assessing the degree of independence of an SAI, it is recommended that reference is made to ISSAI 10 (“Mexico Declaration on SAI Independence”), ISSAI 11 (“Guidelines and Good Practices Related to SAI Independence”) and ISSAI 12 (“The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens”).
7. Examples of peer review questions on SAI independence (grouped under the eight sub-headings of the Mexico Declaration) include:
 - **Legal framework establishing SAI independence**
 - Is there an appropriate and effective constitutional/statutory/legal framework guaranteeing the independence of the SAI?
 - Are the provisions of this framework applied in practice?
 - Are the relationships between the SAI and parliament, and also with the government, clearly defined in the constitutional/statutory/legal framework?

- **Independence of the SAI's Head(s)**
 - Is there an appropriate mechanism for selecting and appointing the Heads and members (in the case of collegial institutions) of the SAI?
 - Are the terms of office and other employment conditions appropriate?
 - Are there sufficient legal safeguards in place to protect the independence of the SAI's Head(s), including security of tenure and legal immunity in the normal discharge of their duties?

- **Discretion in the discharge of the functions and duties of the SAI**
 - Does the mandate of the SAI cover the areas of work listed under Principle 3 of the Mexico Declaration? ²
 - Does legislation provide the SAI with full discretion in the discharge of its functions and duties?
 - Is the SAI free from direction or interference when:
 - deciding on its non-mandatory audit work?
 - organising and managing itself?
 - enforcing its decisions (and sanctions, where applicable)?
 - Does the SAI also have the obligation to carry out investigations/audits requested by the parliament or government? If it does not have the obligation, does it have an appropriate approach to deciding which requests, if any, to accept?
 - Is the SAI making effective use of its mandate and discretion to ensure public accountability and improve the stewardship of public funds?
 - Does the SAI strive actively to promote, secure and maintain its independence in accordance with its mandate and legal framework?

² SAIs should be empowered to audit the:

- use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature;
- collection of revenues owed to the government or public entities;
- legality and regularity of government or public entities accounts;
- quality of financial management and reporting; and
- economy, efficiency, and effectiveness of government or public entities operations.

Except when specifically required to do so by legislation, SAIs do not audit government or public entities policy but restrict themselves to the audit of policy implementation.

- **Access to information**
 - Does the SAI have timely and unrestricted rights of access to all the information necessary for the proper discharge of its statutory responsibilities?
 - Do any restrictions materially limit the SAI's ability to discharge its statutory responsibilities?

- **Freedom to decide on content and timing of audit reports**
 - Does the SAI have the right and obligation to report on the results of its audit work?
 - Is there a legal requirement for the SAI to report on the results of its audit work at least once a year, as defined under Principle 5 of the Mexico Declaration?
 - Is the SAI free to decide on the content of its audit reports, as well as on their timing, publication and dissemination?
 - If not, what restrictions exist and do they limit the independence of the SAI?

- **Independent follow-up and monitoring of audit results**
 - Does the SAI have monitoring and reporting mechanisms in place to ensure that its observations and recommendations are adequately followed-up?
 - Are these effective in ensuring timely implementation by government and public sector entities and for ensuring public accountability?

- **Sufficient resources to guarantee independence**
 - Are there sufficient legal safeguards over the SAI's financial and managerial/administrative independence?
 - Is the SAI sufficiently funded to fulfil its mandate?
 - Is the SAI authorised to use the funds allotted to it as it deems fit or is the budget subject to any control by government or parliament?
 - Does the SAI have the necessary human and material resources to achieve its goals, and does it have access to external expertise or support when needed?

- **Appropriate organisational structure**
 - Is the SAI's organisational structure defined in the legislation, or in some other way formally approved?
 - Is the SAI's organisational structure appropriate for effective decision making and for achieving its mandate?

B. MANDATE, STRATEGY AND TYPES OF ACTIVITIES

8. An SAI exercises its public-sector audit function within a specific constitutional and legal context. It may be mandated to perform many types of engagements on any subject of relevance. The extent and form of these engagements, and the reporting thereon, will vary according to the SAI's mandate. In certain countries, the SAI is a court with judicial powers over public administration.
9. The SAI must make strategic decisions on how best to meet the requirements of its mandate and other legal obligations. The peer review can assess the way the SAI prioritises and balances its capabilities and resources to meet these demands.
10. Strategic planning is a systematic process by which an SAI agrees on the priorities that are essential to its mission and environment, and how to achieve them. Strategic planning is a key leadership function, with the Head(s) of the SAI and senior management being expected to take a leading role. It involves determining the vision, mission and values of the organisation which guide its strategic direction. They should then be transformed into specific goals, objectives and priorities. Strategic planning should also cover the acquisition and allocation of resources to achieve these priorities.³
11. Most strategic plans are between five and seven years in duration. The length depends on factors such as the SAI's funding cycle, spending or legislative cycles, as well as the pace of change in the environment.

³ Refer to the IDI Handbook for SAIs on "Strategic Planning".

12. Examples of peer review questions on the strategic planning process include:⁴

- **Responsibility for strategic planning**

- Are there clearly defined responsibilities, actions and a timetable for developing the SAI's strategic plan?
- Is the strategic planning process led by someone with sufficient experience and authority in the SAI?
- Are the Head(s) of the SAI and senior management sufficiently involved in the process?
- Is the rest of the organisation involved in, and/or informed about, strategic planning?

- **Development and communication of the strategy**

- Is the SAI's strategic planning process based on a sound needs assessment and gap analysis?
- Does the SAI's strategy include definition and application of its vision, mission and values?
- Does the SAI have an appropriate approach to identifying and evaluating changing and emerging risks in its environment, including key issues affecting society?
- Does the SAI's planning process respond to these issues in a timely and appropriate manner?
- Does the SAI have an appropriate method for assessing what external and internal stakeholders expect from the institution? Does it take these into account in its strategic planning?
- Does the SAI clearly define goals and objectives in its strategy? Do they cover all strategic issues?
- Are performance measures included in the strategy? Do they measure the achievement of the SAI's objectives? Are they practical and cost effective? Do they measure results as well as inputs?

⁴ The IDI Handbook as well as ISSAI 10 ("Mexico Declaration on SAI Independence"), ISSAI 11 ("Guidelines and Good Practices Related to SAI Independence"), ISSAI 12 ("The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens"), ISSAI 20 (Principles of transparency and accountability), ISSAI 21 (Principles of transparency and accountability - principles and good practices) and IDI's "Supreme Audit Institutions Performance Measurement Framework" (PMF) have been used as the basis for identifying peer review areas and questions on the strategic planning process. There is also extensive management literature in the public domain on the principles, tools and good practices in this area.

- Was the strategy widely communicated? Were management and staff members adequately informed about the strategy? Were external stakeholders targeted with an appropriate communications plan? Was the strategy made public?
- **Types of audit and other activities**
 - Does the SAI strike an appropriate balance between the different types of audits it performs, and its other functions and activities?
 - Does the SAI's audit work and other activities contribute to ensuring sufficient accountability of government and public sector entities for their stewardship and use of public resources?
 - Does the SAI address risks of financial impropriety, fraud or risk when exercising its mandate?
 - In the case of financial and regularity/compliance audits, does the SAI have a clear mandate to audit the auditees' adherence to regulations, rules and principles? Is the required level of assurance from this work defined?
 - In the case the SAI has judicial functions, does it have the right to apply appropriate procedures and sanctions?
 - Does the SAI undertake performance audits, where appropriate and relevant?
 - Does the SAI use its knowledge and insight to encourage and support public sector reforms?
 - Does the SAI draw on the work of others, including peer SAIs, INTOSAI and relevant regional working groups, to build its capacity and share knowledge?
- **Monitoring, evaluation and reporting on the implementation of the strategy**
 - Does the SAI monitor progress on the implementation of its strategy?
 - Does the SAI have appropriate baseline data, indicators and targets for the measurement of its performance?
 - Does the SAI monitor the different activities and projects that take place as part of the implementation of its strategy?
 - Does the SAI regularly review and update its strategy to reflect major changes in its environment? Was timely preventive or corrective action taken when things did not go according to plan?

- Does the SAI have an appropriate mechanism to manage potential cases of audit failure, i.e. when complex audits, possibly involving matters which are highly visible and/or politically sensitive, might undermine its credibility?
- Does the SAI take stock of its achievements and evaluate its results? Does it have an effective system for assessing its achievements and progress, and reporting to relevant stakeholders?
- In the case of major differences between achieved and intended results, does the SAI undertake the necessary analysis to identify the reasons and take corrective action?

C. MANAGEMENT OF RESOURCES

Human Resources

13. People are the most valuable asset of an SAI as they play the key role in achieving high quality audit work. An SAI needs an appropriate number of qualified and motivated staff members to operate effectively. It should provide its employees with a professionally challenging and rewarding work environment.
14. Examples of peer review questions on human resource management may include: ⁵
- **Human resource planning**
 - Does the SAI define and plan for its future staffing needs? Has it established a clear strategy, plan and budget for the human resource it requires to fulfil its mandate and achieve its objectives?
 - Are there clear human resource management policies and procedures in place to cover all main issues including recruitment, promotion, pay and entitlements, professional training and development, staff members’ appraisals, ethics, staff members rotation, etc.?

⁵ ISSAI 12 (“The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens”) and ISSAI 40 (“Quality Control for SAIs”) highlight a number of issues concerning human resource management. There is also extensive literature on these matters that is available in the public domain and providing tools and detailed examples on, for example, how to assess the human resource function and activities in an organisation.

- **Recruitment**

- Does the SAI have an objective and effective approach for the recruitment and selection of new staff members to, allow it to meet its professional needs?
- When recruiting staff members, does the SAI place adequate emphasis on multi-disciplinary requirements in addition to specific qualifications and professional experience?

- **Fostering learning and knowledge sharing**

- Does the SAI have in place an appropriate professional development strategy, including training?
- Does this strategy cover the different aspects of individual, team and organisational excellence?
- Does the SAI provide sufficient and appropriate technical and skills training to its staff members? Is there a systematic approach to evaluating training needs?
- Does the SAI set annual training targets for staff members?
- Does the SAI monitor its training to ensure it is being effective in bridging any gaps in knowledge, know-how and skills?
- Does the SAI evaluate whether the individual training events are being presented effectively and whether they are achieving the objectives set for them?
- Is there a mechanism for ensuring sufficient participation in mandatory training and appropriate participation in optional training?
- Does the SAI provide a sufficient and appropriate initial training and induction programme for newly recruited staff members?
- Does the SAI provide managerial training for those supervising audit teams or undertaking other management tasks? Is there a strategy in place to identify and train future managers?

- **Staff Retention**

- Does the SAI take measures to ensure that working conditions (salaries, allowances, personnel welfare and benefits) and career opportunities are sufficiently attractive to retain the services of experienced personnel?
- Does the SAI systematically interview leaving staff members in order to ascertain their reasons for departing and use feedback for improving human resource management?

- **Performance Appraisals**

- Are staff members performance formally evaluated on a regular basis?
- Is there a documented and transparent policy clearly defining the objectives and purpose of the staff members appraisal process? Are the evaluation criteria clearly communicated?
- Does the SAI take measures to ensure that the evaluations are performed objectively, consistently and fairly? Is there an appropriate appeals process?
- Does the appraisal system allow for the recognition and reward of high performers, as well as documentation and follow-up of inadequate performance?

- **Employees' feedback**

- Are there policies, procedures and measures in place to ensure that staff members are treated fairly and equally? Are there adequate mechanisms to report harassment, and to ensure its appropriate follow-up?
- Is the well-being and/or job satisfaction of staff members periodically measured? Are the results followed-up and used to improve human resource management?

Information Technology Management

15. Information Technology (IT) plays a vital and integral role in supporting the achievement of an SAI's strategic objectives and priorities. The IT function can be involved in the development, implementation and maintenance of systems and applications which have an impact at all levels of the organisation.
16. An SAI needs to make long-term critical strategic choices on the infrastructure, technology and resources needed to support the organisation and its activities. Properly planned investment in IT can significantly improve the operational efficiency, effectiveness and impact of the SAI and reduce its costs. Weaknesses in IT management, on the other hand, can lead to an overrun in costs, poor usability and interface with other systems, and end-user dissatisfaction.
17. An SAI should develop and maintain a set of policies and procedures to regulate the use and security of its IT systems, networks, and information resources. On a day-to-day basis, the SAI should ensure that its IT operations are properly managed and deliver the expected level of service to internal and external users.

18. Examples of peer review questions on IT management include: ⁶

- Does the SAI have an IT strategy which addresses its IT needs over an appropriate timeframe? Is the IT strategy aligned with the overall corporate strategy?
- Does the SAI have suitable IT systems to support its audit activities?
- Are IT users and other stakeholders involved in the development of key IT systems?
- Does the SAI have access to the required levels of resources, technical competence and know-how to maintain and develop its systems and applications? Is there an appropriate mechanism for identifying and processing requests for improvements and changes to existing systems?
- Does the IT function within the SAI monitor its performance in delivering services to users, including downtime of hardware and software? Does it respond promptly to these downtimes?
- Is sufficient training on IT-related matters provided to the SAI's employees?
- Does the SAI ensure sufficient security and integrity of data? Does it have tried and tested disaster recovery procedures? Are there policies in place for data protection, and ensuring they are followed?

D. COMMUNICATION AND ENGAGEMENT WITH STAKEHOLDERS

19. In order to achieve its strategic objectives and to foster good working relations, the SAI needs to engage and communicate with its stakeholders. These normally include parliament, government and public sector entities, the judiciary, media, citizens, special interest groups,

⁶ Additionally, further insights can be obtained by consulting:

- IDI IT Audi Handbook (first issue in October 2013);
- internationally accepted standards on IT governance;
- IT management and information security, namely the “Control Objectives for Information and related Technology (CobiT)”;
- the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework;
- and the whole range of standards established by the International Organization for Standardization (ISO) on information technology and security.

donor organisations, academia, public policy organisations, professional and standard-setting bodies and the SAI's employees.

20. An SAI should communicate, in a clear and timely way, with its stakeholders on its role, responsibilities, audit work and results, while maintaining its autonomy and independence.

21. Examples of peer review questions on communication and stakeholder engagement include:⁷

- Has the SAI clearly identified its different stakeholders? Has it formulated a strategy for engaging and communicating with the different types of stakeholder? Is this linked to the overall corporate strategy of the SAI?
- Does the SAI monitor and update stakeholders' concerns and expectations? Does it take these into account during its strategic and/or work planning, while maintaining its independence?
- Does the SAI identify the key messages it wants to give to its stakeholders? Does it communicate these appropriately?
- Does the SAI undertake initiatives to increase stakeholders' knowledge and understanding of its role and responsibilities? Does the SAI contribute towards increasing stakeholders' awareness of the need for transparency and accountability in the public sector? Does the SAI have sufficient visibility with the public?
- Does the SAI use suitable channels and media to communicate with stakeholders on its audit work and results? Does the SAI make its reports publicly available in a timely manner? Does it explain the context and meaning of its reports to facilitate their understanding by media and other stakeholders?
- Does the SAI have an appropriate approach to engaging with stakeholders and taking their views into account? For example, can the public submit comments and suggestions on the SAI's current and future work?
- Has the SAI developed suitable professional relationships with the relevant legislative oversight committees and audited entities to help them better understand the audit conclusions and recommendations and take appropriate action?

⁷ The INTOSAI principles on reporting and communicating effectively with stakeholders are defined in detail in ISSAI 12 ("The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens"), ISSAI 20 (Principles of transparency and accountability), ISSAI 21 ("Principles of transparency and accountability - principles and good practices").

- Does the SAI periodically gauge the level of awareness and understanding among stakeholders about its role, value and findings?

E. ETHICS, TRANSPARENCY, ACCOUNTABILITY AND GOOD GOVERNANCE

22. The conduct of an SAI and its staff members should be transparent and beyond reproach at all times and in all circumstances. To be able to judge others credibly an SAI must lead by example. Any deficiency in professional conduct or any improper conduct by an SAI's leadership and staff members in their personal life places their own integrity, the SAI that they represent, and the quality and validity of its work in jeopardy. The adoption of a Code of Ethics, as well as policies and systems fostering accountability, transparency and overall good governance, helps promote trust and confidence in the work of an SAI and its staff members.
23. Examples of peer review questions on ethics, transparency, accountability and good governance include: ⁸
- **Integrity and ethics**
 - Does the SAI sufficiently and appropriately promote ethical behaviour throughout the organisation?
 - Does the SAI have a Code of Ethics for staff members at all levels? Is it aligned with ISSAI 30, consistent with its mandate and appropriate for its circumstances? Is it made public?
 - Does the SAI take preventive or corrective measures to ensure staff members remain objective and impartial in the conduct of their work? Does the SAI require from personnel a written declaration to confirm acceptance and compliance with its ethical requirements?
 - Are leadership and key staff members required to prepare a declaration of interest? Are these declarations of interest published?

⁸ The main sources of these questions are ISSAI 12 ("The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens"), ISSAI 20 (Principles of transparency and accountability), ISSAI 21 (Principles of transparency and accountability - principles and good practices) and ISSAI 30 (Code of Ethics). These provide a list of concepts that can form the basis for a peer review in this area, with due considerations to national specificities in terms of, for example, cultural, language, legal and social issues.

- Does the SAI have appropriate and effective procedures to identify and prevent internal conflicts of interest or corruption?
 - Does the SAI have policies and rules for safeguarding professional secrecy of the information obtained during the auditing process?
 - Does the SAI assess whether it is perceived by stakeholders as a trustworthy and credible institution?
 - Does the SAI have safeguards in place to maintain its independence from political interference in its regular contacts with the legislative authorities and the executive? If the SAI's staff members are permitted to participate in political activities, are they made aware that such involvement may lead to professional conflicts?
 - Does the SAI have in place, as proposed in ISSAI 40, policies and procedures for rotating key audit personnel to reduce the risk of over-familiarity with the auditees?
 - Does the SAI have the appropriate policies and measures in place to ensure that SAI's ethical and professional standards are also adhered to by its external service providers? Does the SAI remain accountable for outsourced audit work?
- **Transparency and openness**
 - Does the SAI's legal framework include adequate levels of accountability and transparency in its functioning?
 - Does the SAI make public its mandate, leadership appointments, as well as its responsibilities, mission, strategy and annual plans?
 - Does the SAI make known to stakeholders, as appropriate for its circumstances, key aspects such as its audit approach and methodology, its activities, etc.?
- **Good governance and sound management of own operations**
 - Are the SAI's management systems and organisational structure appropriate for supporting good governance and sound management/internal control?
 - Does the SAI have appropriate measures and controls in place to ensure that it conducts its activities in the most economic, efficient and effective manner? Does it regularly assess and follow-up on organisational risks?
 - Does the SAI have an effective enterprise risk management approach involving identification and consideration of the risks it faces? Does it maintain a risk register which it updates regularly?
 - Does the SAI have an appropriate and objective internal audit function?

- Does the SAI report publically, in accordance with applicable laws and regulations, on how it is managing its operations and activities?
 - Are the SAI's budgets and financial statements made public? Is the SAI subject to independent external scrutiny? Is the SAI audited externally? Are these reports made public?
 - Does the SAI use performance indicators to assess the effectiveness of its management and the value of its audit work?
 - Does the SAI monitor public visibility, outcomes and impact and make use of lessons learned?
- **Publication of audit results and conclusions**
 - Does the SAI make public the results, conclusions and recommendations of its audit work (unless there are considered legally confidential)?
 - Does the SAI report publically on wider financial management issues (e.g. overall budget implementation, financial conditions and operations, etc.)?
 - If the SAI also serves as a court, does it report on sanctions and penalties imposed on public servants and other staff members?

F. AUDITING STANDARDS, METHODOLOGY AND QUALITY CONTROL

24. The practical audit work and quality control of an SAI is guided by Level 2, Level 3 and Level 4 ISSAIs. These professional standards and guidelines support the SAI in its professional approach but do not override national laws, regulations or mandates, nor restrict the SAI in carrying out investigations, reviews or other engagements which fall outside the scope of the ISSAIs.
25. A key aim of a peer review can be to assess compliance by the SAI with the various standards in terms of their transposition to audit manuals and other guidance, and/or their application in practice.

Auditing Standards and Methodology

26. The SAI should declare the standards it applies when conducting its audits and make this information accessible to the users of its reports. These standards should be used by the SAI to provide a sound basis for ensuring its audits are carried out appropriately in terms of approach, methods and quality. This is essential for ensuring the credibility of the SAI.
27. Examples of peer review questions on auditing standards and methodology include:
- Has the SAI defined appropriate auditing standards to be applied to its work? Have these standards been formally approved?
 - Do these standards align with the ISSAIs as well as other internationally recognised guidelines and professional standards, as far as the SAI's mandate and legal position allow?
 - Does the SAI have appropriate manuals and guidelines setting out how its professional work is to be done?
 - Are the SAI's standards and related manuals and guidelines easily accessible to all auditors?
 - Does the SAI provide appropriate training to its auditors on the standards, manuals and guidelines?
 - Does the SAI have procedures to ensure its standards, manuals and guidelines are adhered to?
 - Is there evidence to suggest that audit fieldwork is being carried out in accordance with the SAI's own standards? Are any instances of non-compliance being justified and approved appropriately?
 - Does the SAI ensure that its standards, manuals and guidelines are periodically reviewed and updated?

Quality Control

28. An SAI should establish and maintain an appropriate system of quality control which covers all aspects of its work. It is critical that quality is achieved consistently in order to underpin the reputation and credibility of the SAI, and ultimately its ability to fulfil its mandate.

29. Examples of peer review questions on quality control may include:⁹

- **Leadership responsibility for quality**

- Does the SAI's strategy recognise the overriding importance of achieving quality?
- Does the Head of the SAI (this may be an individual or a group depending on the mandate and circumstance of the SAI) take ultimate responsibility for the SAI's system of quality control? Is this appropriately documented and reported?
- Does the SAI promote an internal culture of the importance of quality in all aspects of its work? Is this communicated to all SAI personnel and to any parties contracted to carry out work for the SAI?
- Does the SAI devote sufficient resources to its system of quality control?
- Are there mitigating measures in place to manage the risk that political, economic or other considerations compromise the quality of the SAI's work?
- Does the SAI recognise and reward high quality work?
- Are there systems and procedures in place to identify any problems with quality and to take measures to prevent them from re-occurring?

- **Acceptance and continuance of engagements**

- Does the SAI take into account, when establishing its work programme, whether it has sufficient resources and skills to complete each audit task to the desired level of quality?
- When a problem of quality is identified (such as insufficient resources or lack of specific competencies) during the course of an audit engagement, is there an appropriate mechanism to ensure it is managed or escalated within the SAI and, where appropriate, to the legislature or budgetary authority?

⁹ These are based on the quality control framework established in ISSAI 40 (Quality Control for SAI), relevant issues highlighted in ISSAI 12 ("The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens") as well as Level 3 and Level 4 ISSAIs. They cover the SAI as well as all other personnel and parties contracted to conduct work on its behalf.

- **Emphasis on quality in Human Resources**¹⁰
 - Does the SAI take steps to ensure it has sufficient resources (personnel and, where relevant, parties contracted to conduct work on its behalf) with the required competences, capabilities and commitment to ethical principles, to:
 - perform its tasks in accordance with relevant standards and applicable legal and regulatory requirements?
 - enable the SAI to issue reports that are appropriate in the circumstances?
 - Does the SAI draw on outside sources to ensure that it has the necessary capacity, skills and expertise to carry out its audit work?
 - Do the SAI's human resource policies and procedures give appropriate emphasis to quality and ethical principles (e.g. in respect of recruitment, performance appraisal, professional development, promotion, compensation, etc.)?

- **Engagement performance**
 - Does the SAI have appropriate policies, procedures and methodologies in place to reasonably ensure that its audits and other work are carried out in accordance with relevant standards and applicable legal and regulatory requirements, and that the reports it issues are appropriate in the circumstances?
 - Are matters relevant to promoting consistently high quality work adequately covered in these policies, procedures and tools?
 - Do these policies and procedures sufficiently cover supervision and review responsibilities for all work carried out?
 - Does the SAI carry out engagement quality control reviews? Are there mechanisms to ensure that matters raised from these reviews are satisfactorily addressed and resolved?

- **Monitoring the quality control system**
 - Is there an appropriate quality assurance process in place to ensure that the SAI's system of quality control is adequate and operating as intended?
 - Does the quality assurance process include a systematic review of a sample of completed audit engagements from the range of work carried out by the SAI?

¹⁰ See also sub-section C above on the management of resources, including human resources)

- Are the reviews carried out independently? Are they carried out by staff members with sufficient and appropriate experience and authority?
- Are the conclusions and recommendations of the quality assurance work brought to the attention of senior management and acted upon?

G. AUDIT APPROACH

30. A peer review may cover one or more of the following different stages of the audit process¹¹:

- a) selection and programming;
- b) conduct;
- c) reporting and communication of audit results; and
- d) follow-up and assessment of impact.

It is good practice within a peer review to examine a sample of completed audit engagements in order to assess the different steps of the audit process. Example peer review questions under each of these categories are given below.

Selection and programming

31. Examples of peer review questions on selection and programming include:

- Does the SAI have an appropriate approach to planning its audit work? Is planning linked to the SAI's strategic objectives? Does the SAI have a mechanism for managing different priorities between mandatory and non-mandatory audits as well as across different audit areas?
- In respect of selecting potential audit themes:
 - Does the SAI keep track of developments and emerging risks in public policy and the management of public administration? Does the SAI gather and consolidate, in a structured manner, relevant information on auditees, including previous audit work?

¹¹ These are guided by Level 3 and Level 4 ISSAIs.

- Does the SAI use suitable criteria when selecting audit topics? Does this include assessing issues such as risks of system weaknesses, material misstatements in financial statements, errors in transactions, or failure to achieve policy objectives?
- When addressing the feasibility of each selected audit, is sufficient attention given to assessing the required financial and human resources (including the availability of audit staff members with the required skills and competences), the size and complexity of the auditee, the required sample, the timing and expected timeframe of the audit, as well as the risk of overlap with other similar audits or assessments?
- Are potential audit tasks prioritised and ranked? Is the final selection of audit topics made or endorsed by the SAI's leadership?
- Does the SAI's audit work planning allow for flexibility and adaptability to respond to unforeseen issues or requests that require attention and a quick response?

32. When planning an audit, the SAI should also take into account the key principles highlighted in ISSAI 100, ISSAI 200, ISSAI 300 and ISSAI 400 on the proper planning of an engagement. The principles outlined in these ISSAIs are the source of the example peer review questions given below (which can be used when reviewing individual audit engagements):

- Before commencing the audit, did the auditors ensure that the terms of the audit were clear? Were the terms of the audit and the respective roles and responsibilities communicated to the audited entity?
- Did the auditors obtain a sufficient understanding of the nature and context of the entity or programme being audited, as well as its internal control environment?
- Did the auditors conduct an adequate risk assessment or problem analysis, suitable for the type of audit and its objectives, and identify the potential impact on the audit?
- Does the audit planning clearly define the scope, objectives, criteria and approach to be followed for the audit? Does it include a timetable for the audit? Does it set out the nature, timing and extent of the audit procedures? Does it include an estimate of costs? Does it plan the human resources, including outside experts?
- Is the planning regularly reviewed during the audit process and updated as necessary for problems encountered or changes in priority?

Conduct

33. The key principles highlighted in ISSAI 12, ISSAI 100, ISSAI 200, ISSAI 300 and ISSAI 400 on the proper conduct of an audit engagement and its added value are a good source for peer review questions, and have inspired these examples (which can be used when reviewing individual audit engagements):
- Did the auditors perform sufficient and appropriate audit procedures for concluding on the audit objectives? Was sufficient evidence obtained to support the conclusions reached?
 - Was the work based on sound and robust analysis as well as independent professional judgement? Was the audit evidence reliable?
 - Was the audit process documented sufficiently?
 - Were conclusions reached on all audit questions?
 - Were preliminary findings communicated and discussed with the audited entity, to ensure their accuracy?
 - Was the audit carried out within the timetable and budget? Were any delays or overruns documented and approved at the appropriate level? Were the audit scope and/or plan adjusted for any significant unanticipated problems?
 - Were lessons learned drawn from the audit process and shared with the rest of the SAI as a learning and improvement exercise?

Reporting and communication of audit results

34. Level 3 ISSAIs and ISSAI 12 (“The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens”) can be used as guidance for assessing the reporting and communication of audit results by the SAI.
35. Examples of peer review questions (which can be used when reviewing individual audit engagements), include:
- Does the SAI have the appropriate controls and review procedures in place to ensure that all the material audit issues have been covered in the report and that everything in the report is supported by evidence?
 - Was the draft report subject to an independent internal and/or external review to assess its quality before publication?

- Was the draft audit report cleared with the auditee to ensure accuracy of the facts before publication?
- Was the final audit report clear and understandable, with a logical flow between audit questions, findings, conclusions and recommendations?
- Were the recommendations clear, specific, convincing and practical?
- If the report included an audit opinion, was the appropriate format used, and did it reflect the evidence obtained?
- Does the SAI have procedures in place to deal with cases of serious irregularities and fraud detected during the audit?
- Was the report suitably communicated, in accordance with the SAI's mandate and legal status? Did the SAI engage its stakeholders when communicating the results of the audit to ensure they understood its findings and conclusions?

Follow-up and assessment of impact

36. Follow-up refers to the auditors' examination of corrective action taken by the audited entity, or other parties, based on the SAI's recommendations. The follow-up action can range from simply listing the corrective action up to undertaking a full audit of its effectiveness.
37. Follow-up results may be reported on a case-by-case basis or within a regular consolidated report. The latter can include an analysis highlighting common trends and cross-cutting themes. The systematic follow-up to an SAI's work can contribute to an increased rate of remedial action and to a better understanding of the SAI's role of contributing to the improvement of financial management.
38. The need to follow-up an audit's findings and recommendations will vary with the type of issue or concern in question. For example, for those SAIs with a judicial role, the follow-up may include issuing legally binding reports or decisions. In the case of recurrent financial and compliance audits, the follow-up procedures may form part of the subsequent year's risk assessment. For performance audits, insufficient or unsatisfactory corrective action by the audited entity may call for a further report by the SAI.

39. Level 3 ISSAIs provide specific guidance on the follow-up to be undertaken, depending on the type of audit. Examples of peer review questions on follow-up include:

- Does the SAI have appropriate procedures, criteria and methodologies for deciding on and conducting its follow-up work?
- Does the SAI periodically follow up on previous audit findings and recommendations and report, as appropriate, to the legislature?
- Does the follow-up assessment carried out by the SAI assess whether the audited entity has addressed the problems adequately and within a reasonable period of time?
- Does the SAI have an analysis of its follow-up work and other appropriate information to assess the impact of its work?