Peer Reviews –
An Effective Tool for Capacity Development

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Introduction

- The past (financial, economic and budget crisis) has shown us that

- Citizens, Parliaments and Governments expect all our institutions - Parliamentary Budget Offices as well as Independent Fiscal Institutions and Supreme Audit Institutions - to

  - render the financial situation of the state transparent and
  
  - issue recommendations that indicate

    - how public funds can be used more effectively and efficiently and
    
    - how corruption can be combated in order to safeguard sustainable development, especially fiscal sustainability
These general expectations of the United Nations are translated into concrete expectations related to all our institutions in a series of documents, inter alia:

- the Synthesis Report of UN SG Ban Ki-moon

- Statements of UN USG WU (responsible for the elaboration of the SDGs as well as effective indicators)

- 2 GA Resolutions:
  - A 66/209 (2011),
  - A 69/228 (2014) and

- The Conclusions and Recommendations of the 23rd UN/INTOSAI Symposium
UN SG Ban Ki-moon calls in his already mentioned *Synthesis Report on the Post 2015 Development Agenda* for

- enhanced transparency and accountability in the context of the Post-2015 Development Agenda

and expects

- the strengthening of SAIs and oversight functions by legislature

“*National oversight mechanisms such as supreme audit institutions and oversight functions by legislature should be strengthened.*”
Central framework conditions for all our organizations in order to strengthen transparency, accountability and sustainable development are

- the independence of our institutions,
- the development of the necessary capacity for our work and
- a public accounting system, which allows an accurate and relevant view of the fiscal sustainability, including perspectives on liquidity, resources and assets.
It is the responsibility and duty of all our organizations:

1. to make these obstacles for the effectivity of our own work visible,

2. to take concrete action to improve these framework conditions for our work in order to be able to live up to the expectations and, in doing so

3. to develop the necessary framework conditions and capacities for unfolding our full potential.
Therefore we must

1. strengthen the independence

2. build the necessary capacity to be able to fully unfold our potential for strengthening transparency, accountability and sustainable development and

3. improve and harmonize the public accounting systems and modernize the budgeting processes in terms of outcome oriented budgeting in order to have a more true and fair view of the state budgets
Only with these preconditions in place SAIs and all fiscal oversight institutions can

- live up to the expectations,
- contribute to a monitoring mechanism related to the implementation of development goals at the national level and
- contribute to safeguarding financial sustainability for development by creating the necessary transparency and holding responsible parties accountable.
Performance Measurement Framework (PMF) is a tool for

- measuring performance of an individual, system or organization, against an agreed performance scale. It should enable better management of performance, monitoring of performance over time, and evaluation leading to lesson learning and

- can be conducted by self assessment, external assessment or peer assessment.
Peer Reviews are central, voluntary tools for
- measuring compliance with international standards
- making visible strengths and weaknesses based on these standards
- identifying fields of action internally as well as externally
- identifying methods of solutions, also in terms of best practice examples and
- answering the central question related to independent institutions “Who audits the auditor and independent oversight institutions?”
The result of the Peer Review of the Austrian Court of Audit was essential for:

- convincing the staff, that there is further need for action within the ACA as well as for

- informing Parliament and the public at large about restrictions of competences and legal obstacles for the effectivity of the ACA.
Therefore the findings of the Peer Review were:

- presented to the staff of the ACA,
- published on the website of the ACA,
- officially transmitted to the Parliament,
- discussed in Parliament and
- implemented within the ACA.
Concrete outcome:

- Understanding of the staff for further reform measures

- Awareness of Parliament and public at large about framework conditions, which hinder ACA to fully unfold its potential, e.g. related to the limitation of special – non-audit related – tasks.

The Peer Review was an overall rewarding and enriching experience and helped us to enhance our own mission performance, reputation as well as institutional position.
This positive experience was one of the reasons for the INTOSAI General Secretariat to

- put special emphasize on Peer Reviews and to

- develop a special – INTOSAI wide - Peer Review Project dedicated to independence of SAIs with the Austrian Development Agency (ADA)
Aim of the Peer Review Project:

- support SAIs for implementing International Standards, of which the implementation was acknowledged by the United Nations thus fulfilling the expectations placed in SAIs by the UN related to sustainable development by

- implementing the 8 principles of independence as defined by the Declarations of Lima and Mexico as well as by the UN Resolutions A66/209 and A69/228
8 Principles of Independence of SAIs

1. the existence of an appropriate and effective legal framework that spells out the extent of SAI independence;

2. a broad legislative mandate and full discretion in the discharge of SAI functions;

3. the independence of SAI heads and members including security of tenure and legal immunity in the normal discharge of their duties;

4. unrestricted access to information;

5. the right and obligation to report on the government’s work;
8 Principles of Independence of SAIs

6. the freedom to decide on the content and timing of audit reports and the right to publish and disseminate them;

7. the existence of a follow-up mechanism for recommendations; and

8. financial and administrative autonomy and the availability of appropriate human, material, and monetary resources
*Current Peer Review on SAI Independence*

## Project Partners:

**ACA, 7 national SAIs, 7 INTOSAI Regions and ADA**

- The ACA conducts this project through personnel in-kind contribution: 21 auditors shall conduct seven peer reviews – 1 SAI per Region
- 7 Regional Secretariats (AFROSAI, ARABOSAI, ASOSAI, CAROSAI, EUROSAI, OLACEFS, PASAI) support to identify voluntary reviewed and reviewing SAIs in the regions
- ADA supports this project with EUR 300.000,- (for travel of auditors, translations, conferences,...)
The Peer Review will serve a dual purpose:

- the national SAI will be able to illustrate to national decision makers, in which areas the principles of independence are not yet implemented and

- The national SAI will have a clear view, which measures are necessary to implement these principles.
Current Peer Review on SAI Independence

Expected results

- The Peer Review Report to the national SAI will provide an assessment and recommendations for improvements related to the 8 principles of independence.

- The national SAI will thereby be enabled to raise awareness of decision makers for areas where action is needed.

- The international community will have a clear view of areas where further action on international level (INTOSAI, UN, international donor community) concerning further independence related capacity building, standards development, etc. is needed.
Current Peer Review on SAI Independence

Outlook:

- Determination of SAIs in June
- MoUs to be signed in summer 2015
- Elaboration of audit concept in summer 2015
- Preparation phase for single peer reviews in fall 2015
- On site visits generally in early 2016
- Finish of Peer Reviews in 2016
- Results to be presented to INCOSAI 2016
The special responsibility of our organizations for transparency, accountability and sustainable development especially for public finances requires us to lead by example.

Independence alone is not sufficient for our credibility.

We have to ensure:
- the effectivity and effectiveness of our work and
- that we meet the expectations placed in us and our work.
To do so we must

- create our own internal structures transparent and accountable and
- make obstacles for the effectivity and effectiveness of our work visible in order to overcome these obstacles and
- evaluate our work.

THE central instrument for external evaluation are Peer Reviews
Resumee

Related to public accounting systems and budgeting processes necessary measures would be:

- improve information on financial sustainability (sources of fiscal risk, fiscal transparency standards and practices

- a more complete coverage of public-sector institutions
  - Public corporations need to be part of any comprehensive analysis of public finances since their debts are often implicitly or explicitly government-guaranteed
Resumee

- More comprehensive reporting of assets and liabilities in the financial statements
- Recognition of a broader range of transactions and other economic flows
- Valuation of assets and liabilities and gains and losses in financial statements
- Incorporation of information on contingent liabilities in financial statements and
- Introduction of performance oriented budgeting and thereby
- Measurement of the real outcome of policy measures / government actions
Parliamentary Budget Offices, Independent Fiscal Institutions and SAIs are equally challenged by the expectations related to their contribution to sustainable development.

Effective cooperation is needed for a best possible contribution to sustainable development.

In concluding I wish you all the best for this 7th annual meeting of OECD Parliamentary Budget Officials and Independent Fiscal Institutions.

Thank you very much for your attention!