



Peer Review of the Performance Audit Function of the Federal Board of Supreme Audit of Iraq (2009-2012) Final Report



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Executive summary

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Main conclusion

In the first half of 2013, the Netherlands Court of Audit (NCA) reviewed the performance audit function of the Federal Bureau of Supreme Audit of Iraq (FBSA). Before presenting the main conclusion of the review, the reviewers want to emphasize that it was not a typical peer review. The review could not take place in Iraq itself and was not performed by an international team. Furthermore, the review had to deal with the fact that during the review period changes in the approach of performance auditing were introduced. The peer review aims, under the given circumstances, to provide the FBSA with an independent opinion on its performance auditing function.

The reviewers' main conclusion is that – for as far as they could determine - the performance audit function of the FBSA meets most of the international standards of supreme audit institutions (ISSAIs). The FBSA is in the process of introducing a new performance audit manual (draft 2013). This manual is in line with international standards (see chapter 3.2).

Although an audit manual that meets the relevant international standards may be necessary to guarantee effective performance audits, it is far from sufficient. In the worst case, the manual turns out to be just theory. In other words: other characteristics of the performance audit function need to be in place as well. That is why the reviewers also tried to look beyond the ISSAIs and used their own experience.

All opportunities for the FBSA to achieve effective performance audits will be presented and clarified in this report.

The FBSA is in a process of updating its performance audit process. The peer review team was impressed by the determination and eagerness of the FBSA (on an institutional as well as on an individual level) to grow towards a more advanced level of performance auditing. An important issue is to manage the change process in such a way that it keeps pace with the learning capacity of the FBSA. Taking up new challenges can be combined with doing existing things even better. That is why the team recommends that the FBSA take up this challenge by developing its performance auditing along two parallel tracks:



1. Strengthening the current organisation-orientated approach to performance auditing.
2. Starting on a limited scale with performance auditing that goes beyond the scope of an individual organisation by auditing policies within or of individual organisations or in chains of organisations.

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Strengths of FBSA's performance auditing

The peer review team noticed several strong points in the current performance auditing approach of the FBSA. The most important ones are the following:

- The information, stored in permanent files of the FBSA and including performance of tasks (based on indicators) guarantees extensive long-term knowledge about individual organisations.
- The present way of planning performance auditing and the available human resources allow for a full audit coverage of the performance of individual organisations in a 3-5 year cycle.
- Audit reports show that the auditing process leads to very relevant findings regarding the performance of tasks by individual organisations.
- There are frequent and direct contacts between auditors and auditees; much of the audit work is done on the spot.
- The reliability, validity etc. of the information in the audit reports as well as their technical quality is given a lot of attention, not only by the auditors themselves but also by quality control and assurance colleagues.

Recommendations

The first two of the following recommendations are based on the ISSAIs; the others are based on the experience of the reviewers.

1. Strengthen the current organisation-orientated approach of performance auditing by (see paragraph 3.3 and 3.4):
 - introducing a thorough risk analysis as the basis for setting priorities in audit planning (in addition to the permanent files approach);
 - paying more attention to the planned outcomes of organisations' activities;
 - reporting more profoundly on causes of sub-optimal performance.
2. Audit reports are of good quality but can be improved by adding (see paragraph 3.5):



- information on the auditee's organisational structure (including responsibilities) and about the audit objectives, audit questions and methodology;
- the response of the auditee to the FBSA findings and the commitments made by the auditee.

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The FBSA's new performance audit manual (draft 2013) covers these two issues.

3. Include in the annual plan a limited number of performance audits that go beyond the scope of an individual organisation, that are relevant but not too ambitious. The FBSA could consider taking into account questions raised during public debates and inviting stakeholders to come up with issues. Priorities should be set in a strategic plan. (see paragraph 2.4). Since the frequency of performance auditing on policies and programs is not regulated, additional procedures on follow-up for these kinds of audits are necessary (see paragraph 3.6).
4. The audit process as well as the audit reports would benefit from a more frequent use of graphs as tools for analysis and communication (see paragraph 3.5): use visualizations of all kinds of data and of conclusions by making use of organograms, graphics or infographics (where possible).
5. As to quality assurance and quality control (chapter 4):
 - include the reports submitted to the Council of the FBSA in the quality review sample, to make sure that lessons learned from these reports are included in the quarterly reports;
 - include all performance audits executed according to the new approach in the process of quality control and quality assurance;
 - add experience in performance auditing (new approach) to the quality control and quality assurance unit.
 - reconsider the balance in the carrot and stick approach (towards auditors) of the current quality control and assurance policy, to disseminate lessons learned in a positive way.
6. Rethink HRM-procedures and the internal organisation in the light of the ambitions regarding the intended change in the performance auditing approach (see paragraph 2.5).
7. Consider the possibility of strengthening the FBSA's position in retrieving information. It would be helpful if the law would state an obligation to provide information (instead of the right of FBSA to



retrieve information). This forces the auditees to play an active role in the provision of information (see paragraph 2.3).

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8. Seek to further strengthen contacts with stakeholders, to ensure that the message gets across and audits are optimally used. The effectiveness of the FBSA's performance audit work could in the opinion of the peer review team benefit from (see paragraph 2.6):

- identifying the needs of Parliament regarding information included in performance audit reports;
- promoting briefings in the Parliament on audit findings;
- making all reports available through the website.

Integrity and corruption

In all interviews the topic of integrity and corruption was raised by the interviewees (parliamentarians as well as auditees and auditors). It was mentioned that corruption is a widespread problem throughout the whole country, infecting all types of organizations. Paying more attention to the causes of sub-optimal performance (par. 3.4) in audits may lead to evidence that corruption is a major cause. Dealing with this problem is a challenge for FBSA.

FBSA response and NCA afterword

The President of the FBSA responded to the Peer review findings and recommendations on 5 October 2013 (chapter 5). In his letter he clarifies the FBSA's formal position in retrieving information and the background of the current (comprehensive) approach of performance auditing which is related to the exceptional economic and political circumstances Iraq is going through. He points out that the FBSA currently has different specialities for financial and specialized audit; our recommendation for other specialities will be subject of FBSA interest in the light of implementation of the new method of performance audit.

In our afterword (chapter 6) we emphasize the good cooperation with all involved throughout the Peer Review process. The FBSA has taken a courageous step by asking for a peer review and we compliment the FBSA for her eagerness to comply with international standards and good practices. We hope that the reflection on the outcome of this peer review will in due time lead to the FBSA's initiative to draw up and share with stakeholders a plan of action focussed on diversification and related to our key recommendations.



1 Purpose and background

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Background

The Federal Board of Supreme Audit of Iraq (FBSA) invited the Netherlands Court of Audit (NCA) to conduct a peer review of its performance audit function. For several years the FBSA had tried to arrange a peer review by international colleagues. In 2011 the President of the NCA agreed to investigate the possibilities of a peer review being included in the bilateral cooperation programme between the NCA and the FBSA. This programme involves the development of a new approach to performance auditing and assistance in its application.

Objectives

The peer review was carried out on the basis of a Memorandum of Understanding (MoU) signed by the President of the FBSA and the President of the NCA.

According to the MoU the objectives of the peer review are:

- to provide the FBSA with an independent opinion on its performance audit function and the extent to which it complies with the International Standards of Supreme Audit Institutions (ISSAIs) and international best practice and is in accordance with the requirements and standards of national work;
- to identify opportunities for improvement to the FBSA's performance audit function (including the quality management framework).

Constraints

This was not a typical peer review, since the review took place while changes were being introduced with regard to the performance auditing. The review had to deal with the fact that during the period of the review changes in the approach of performance auditing were introduced and were integrated in the old manual (2006), leading to a draft of a new manual (2013).

There were some other limitations as well. The peer review was not performed by an international team. In addition, the review could not take place in Iraq itself. And last but not least: the review (the interviews as well as the studying of audit documentation) was hampered by the language barrier. The members of the peer review team do not speak or



read Arab. The peer review nevertheless aims, under the given circumstances, to provide the FBSA with an independent opinion on its performance auditing work and function.

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Approach

The peer review team has used the INTOSAI Supreme Audit Institutions Performance Measurement Framework (SAI-PMF).¹ From this framework the domains and review criteria relevant for performance auditing were selected. The review covers the performance audit approach (including audit selection, planning, implementation, reporting and follow-up) as well as the quality control and quality assurance processes. The review included the FBSA's audit procedures and how these are applied in the audit work, as well as guidelines, policies and strategies (like the FBSA's legal framework, its own guidelines and manuals, including the FBSA's old as well as its draft of the new manual for performance evaluation). The reviewers based their assessment of the FBSA's performance audit activities on a combination of ISSAIs and the peers' experience with good audit practice.

The assessment is based on already completed audits to make sure that the entire audit process from beginning to end could be reviewed. These audits were executed when the old manual for performance auditing was in place. On the other hand, the peer review team also wanted to take into account the changes and new developments in the area of performance auditing that were being introduced. The peer review team interviewed the FBSA 'ambassadors' and auditors who work with the new approach in pilot audits and has taken note of the draft of the new manual for performance auditing.

Timeframe

The peer review was carried out during the first half of 2013. Details on the contents of the peer review can be found in attachment 1.

Content of this report

Chapter 3 contains our findings, conclusions and recommendations regarding the performance auditing as such, while chapter 4 focusses on quality control and quality assurance regarding performance auditing. Within the FBSA, like in every SAI, there are organisational

¹ In September 2012 an Intosai working group has made public the definitive draft of a SAI Performance Measurement Framework. This framework is intended to establish how well a SAI performs, compared to international good practice. It is due to be presented at the INTOSAI Congress in Beijing in 2013.



characteristics that influence the performance auditing. These characteristics (or institutional aspects) are dealt with in chapter 2.



2 Institutional aspects of performance auditing

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2.1 Introduction

This chapter deals with institutional aspects and characteristics that might influence the FBSA's performance audit function. Insight into these characteristics may offer an explanation for certain aspects of the performance audit function. The team selected the following institutional aspects to be included in this peer review:

- legal position and mandate;
- strategic and annual planning;
- human resources;
- relations with stakeholders.

This chapter starts with a brief, general description of the FBSA.

2.2 About the FBSA

The FBSA is the principal authority of government auditing in Iraq. The FBSA was established in 1927 and plays an integral role in ensuring the accountability of public funds, government institutions and public servants. The activities of the FBSA are regulated by FBSA Law 31, 2011. The Law stipulates the tasks and the scope of activities as well as issues regarding the FBSA's internal organisation, audit procedures and staff. The Council of the FBSA is composed of the President, two Vice-presidents, and the Directors General of the offices.

The main task of the FBSA is to help the Council of Representatives (COR), Iraq's national Parliament, validate that public funds are well spent. The FBSA is responsible for auditing the Government of Iraq's accounts and overseeing public contracts. The FBSA also serves to protect the public interest by identifying and referring cases of fraud, waste and abuse to anti-corruption partners, including the Commission on Public Integrity and inspectors general in individual ministries and agencies.



The President of the FBSA is appointed by the COR for a term of four years pursuant to a suggestion from the Council of ministers (with a maximum of two terms). Organisationally the FBSA is composed of eight audit offices and three administrative support offices located in Baghdad and eight audit offices located in the governorates.

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The FBSA employs approximately 2,100 auditors in the various audit offices (June 2013). In December 2012 the FBSA recruited 250 new staff members.

The FBSA submits five kinds of reports:

- Financial reports.
- Performance reports.
- Reports of field visits.
- Reports on contracts.
- Quarterly reports
- Annual reports

In 2012, 5,361 audits covering various areas of state activity were planned (and executed), 427 of which were performance reports.

In general, performance audits are done by the same auditors who do the financial audits. Most of these auditors have an economic, accounting, administrative or legal background.

The FBSA also has a unit (department of performance evaluation under the Directorate of Technical Affairs and Studies) with specialists with a medical, engineering, agricultural and environmental background. This department is responsible for conducting its own 'specialized' audits by means of specialized technical audit teams in areas such as health, engineering, agricultural, irrigation and environmental issues.

In 2012, 46 specialized audits were planned (and executed). If necessary, the specialists also take part in performance evaluations by the other departments of the FBSA.

2.3 Legal position and mandate on performance auditing

The basis for the FBSA is laid down in the constitution of 2005 that creates a consistent legal position within the legal framework of the State of Iraq. The legal position and mandate of FBSA is elaborated in FBSA Law 31, 2011. The FBSA is intended to be a financially and administratively independent body with judicial personality (art. 5). Within its mandate, the FBSA is free to choose the audit subjects. Annual plans are made (art. 7) to fulfil the audit duties of the FBSA.



“Performance evaluation of entities subject to FBSA’s control” is one of the duties of the FBSA (art. 6).

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Entities subject to the FBSA’s jurisdiction (art. 8):

1. The state institutions and departments, the public sector, or any other authority dealing with public funds in collection, disbursement, planning, funding, exchanging, trading, in-kind production or production of commodities or services.
2. Any other authority whose law or by-law stipulates it should be subject to the Board’s audit and control.

Duties of the FBSA (art. 6)

1. Auditing and control over accounts and activities of the entities under the Board’s jurisdiction and verifying sound disbursement of public funds and efficient implementation of laws, regulations and provisions.
2. Performance evaluation of entities subject to FBSA’s control.
3. Providing technical support in the fields of audit, accounting and administration and the related organisational and technical matters.
4. Evaluating overall financial and economic plans and policies which are established to fulfil the states' objectives.
5. Conducting audits on issues requested for by the Council of Representatives.

The FBSA is free in the ways it performs its audits; audits should be done in accordance with local and internationally approved rules, customs and standards, as well as the regular approaches (art. 11).

Art. 13 states that the FBSA has “the right to access all the documents, transactions, orders and decisions related to audit and control, to conduct or supervise a stock count, and to obtain from all relevant administrative and technical levels all clarifications, information and answers needed to carry out its mission.”

The FBSA is independent in its reporting. There is a wide variety of reports in addition to the mandatory annual report (art. 28). This annual report is presented to the parliament and it contains a summary of all audits undertaken in that year. The FBSA is also free to report to parliament on any important matter relating to audits or evaluations or any issue it deems necessary.

Conclusion

From the legal point of view the FBSA is an independent organisation according to international standards. Performance auditing is one of the duties of the FBSA, and the FBSA Law sets conditions to fulfil this duty.



In practice however, due to circumstances (some of which cannot be influenced by the FBSA), it turns out that it is not always possible to have access to information required by the auditors. According to the interviews there may be several reasons for this disadvantage, like problems in travelling through the country (due to security risks), reluctance and inefficiency of auditees or delay in providing the information.

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Recommendation

The peer review team recommends that the FBSA consider the possibility of strengthening the FBSA's position in retrieving information. It would be helpful if the law would state an obligation to provide information (instead of the right of FBSA to retrieve information). This forces the auditees to play an active role in the provision of information.

2.4 Performance auditing in strategic and annual planning

INTOSAI gives the following definition of performance auditing: "An independent examination of the efficiency and effectiveness of government undertakings, programs or organisations, with due regard to economy and the aim of leading to improvements" (ISSAI 3100). According to the international standards the audit selection and planning stage is an important part of the audit procedure'. It helps to ensure that the audits cover relevant areas and issues and that the audits performed by the SAI add maximum value to the public sector and Parliament. A SAI's strategic audit plan should outline, based on an assessment of risks and materiality, which areas are to be audited, the type of audit, and the possible timing of audits.

2.4.1 Planning of performance audits

The FBSA has a guideline for preparing an audit plan. This guideline includes topics like: planning method, points of departure and planning stages. The guideline mentions various types of audit planning: strategic, medium-term, operational (annual) quarterly and specialized plans. The team received a copy of the 2012 Annual Plan, which also illustrates the strategic decisions made. All entities subject to the FBSA's jurisdiction are audited on a regular base. Leading in the audit planning process are the legal tasks on financial auditing.



In 2012 FBSA planned to audit:

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1. 100% of the main administrations funded from the central budget. This concerns the Council of Representatives, Council of Ministers, presidential offices, ministries and non-ministerial organisations (directories and governmental offices affiliated); 296 organisations.
2. 100% of the other main administrations which have a moral personality and are self-funded and of mixed sector. This concerns companies, consultant offices, high education funds, societies, and unions; 901 organisation.
3. Minimum 33% of sub administrations: units affiliated to main managements and funded by these managements. Examples are municipalities, branches of a bank. This concerns 2,443 organisations. In a 3-year period all sub-managements must be covered (100%).

Resources are attributed to the tasks of the various units (number of days for each task). 33% of the time is devoted to financial auditing, 45% to performance auditing.

The annual plan for the FBSA as a whole is based on sub-plans for each department at central and governorate level. After approving the finalized annual plan, it is divided into quarterly plans.

Each auditee must be included in a "performance evaluation" by the FBSA at least once every five years. As a basis for this performance evaluation, the functioning of an auditee is expressed in terms of a fixed set of performance indicators on mainly the input and the output of the organisation. The indicators for an individual auditee are updated regularly and are kept in the permanent file for that organisation. The auditors (that also perform the financial audit) analyse these indicators and when they notice significant findings they will start a performance evaluation. In fact, the indicator analysis is a risk analysis, in which the scope is limited to the analysis of a predefined data set. There is no risk analysis that starts from a broader (company, policy or society) perspective.

From the indicators used and from the audits reviewed, the peer review team found that traditionally the FBSA's 'performance evaluation' is strongly focussed at the performance of tasks by individual organisations, i.e. determining whether an individual organisation performs its tasks in a sound, rational way and according to the responsibilities given to it as well as according to relevant rules, regulations and legislation.



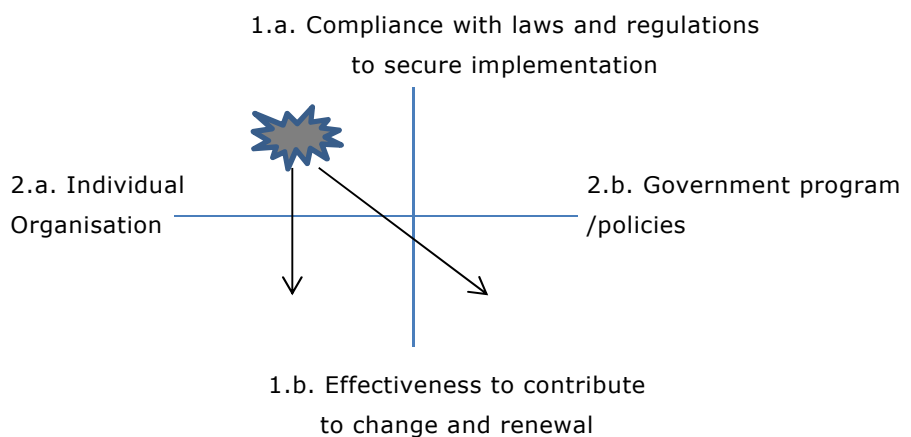
2.4.2 Towards a new approach for performance auditing

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Recently the FBSA has started a transition process regarding performance auditing. The FBSA has decided to extend the scope of its performance auditing by introducing a broad risk analysis (including issues besides the organisation-bound performance indicators) and by focussing on government programmes and policies. The performance audit manual was revised, pilot audits were started and 'ambassadors' were appointed to disseminate the new approach. According to the new performance audit manual (draft 2013) the FBSA wants to develop its performance auditing, including "a gradual change from overall institution performance evaluation to evaluating specific policies or programs, thereby identifying the effectiveness in achieving planned objectives/plans/policies and economic use of available resources."

With this transition process the FBSA adds a new, challenging and relevant way of performance auditing to its audit activities. The following graph can be used to illustrate this development of performance auditing within the FBSA. It is derived from ISSAI 3100 and shows that INTOSAI considers the following two dimensions to be important in performance auditing:

1. Focus on:
 - a. Compliance with laws and regulations to secure implementation
 - b. Effectiveness to contribute to change and renewal
2. Focus on:
 - a. Individual organisational units
 - b. Government undertakings/programs and policies





The FBSA's position within this two-dimensional framework at present is 1.a, 2.a (emphasis on compliance and on individual organisations). The transition that the FBSA wants to make is that it also wants to do performance audits which can be characterized by 1.b, 2.a and 2.b (focus on effectiveness and on policies).

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The FBSA is experimenting with this 'new' approach of performance auditing (for example in pilot audits in the current performance audit training programme). In selecting audit domains for this new approach FBSA has taken into account the National Development Plan. The National development Plan, drafted by the Ministry of Planning, gives an overview of national issues or problems that need to be tackled.

Conclusion on performance auditing in strategic and annual planning

The FBSA's traditional performance auditing is in line with performance auditing in its basic form, as defined by the actual (but not by the upcoming) international standards. The FBSA's method of planning guarantees that each individual organisation is evaluated periodically on its performance. The FBSA's 'traditional' performance auditing is in fact a mix of compliance auditing and operational auditing. The selection of topics to be audited is mainly indicator driven.

The peer review team supports the FBSA's ambitions to broaden the scope of its performance auditing and move to a more developed level of performance auditing which aims at determining whether individual organisations or organisations working together fulfil their intended objectives and have the intended impact. Strengthening performance auditing in this way, would allow the FBSA to focus more on value for money and holding government accountable, not only for spending money legally and in accordance with the defined purpose but also for ensuring that the money spent achieves the planned results and has the intended impact. The peer review team expects Parliament to benefit from this new approach especially when the audits deal with topics that are relevant for government and society (e.g. topics in the National Development Plan).

At the same time the FBSA's performance auditing within its present scope can benefit from the new approach. Based on the audit reports studied, the peer review team is convinced of the fact that the findings of the traditional audits are very relevant. According to the peer review team they would gain value from further development in relation to the analysis of causes underlying these findings (see chapter 3).



Recommendations

The peer review team recommends that the FBSA go through two parallel developments:

- 1. Strengthen the current organisation-orientated approach of performance auditing by:
 - a. an FBSA-wide introduction of a thorough risk analysis and an explicit addressing of causes (see chapter 3);*
 - b. more attention for issues of effectiveness in appropriate situations.**
- 2. Start on a limited scale with performance auditing going beyond individual organisations and with a focus on effectiveness and on government policies.*

The peer review team recommends that the FBSA include a limited number of these 'new' performance audits in the annual plan, which are manageable and are not too ambitious.

Since FBSA capacity will not be sufficient to fully cover all auditees with the new performance auditing approach, the peer review team recommends that the FBSA set priorities in its strategic planning. The FBSA could consider taking into account questions raised during public debates and inviting stakeholders to come up with performance issues that could be included in the strategic and annual planning.

This approach is in line with our recommendations on human resources for performance auditing and on relations with stakeholders.

2.5 Human resources for performance auditing

The INTOSAI Lima declaration (ISSAI 1) emphasizes that an effective SAI is dependent on its capacity to recruit, retain, and sufficiently deploy highly skilled, hardworking and motivated staff. As the domain of this peer review is limited to the FBSA's performance audit function, the peer review team did not assess the Human Resource Management (HRM) function in general, but only from a performance auditing perspective.

The FBSA has recruitment and promotion procedures in place as well as training and development plans. A job description guide is available, which contains a description of different positions within the FBSA. Regardless of the type of audit, auditing for a certain organisation is done by the same audit team. In line with this approach, the FBSA's job descriptions guide only contains descriptions of auditing (and other)



positions in general. There is no section on performance auditing in particular (special skills, education, required qualifications etc.). Also in other areas of HRM (appointment, promotion, rewarding etc.) performance auditing is not a separate issue.

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The FBSA's staff consists of (chartered) accountants, lawyers, economists and various specialists (medical doctors, engineers, technicians etc.), but there is not or not a considerable number of staff with a background in for example political, social or management sciences. ISSAI 3100 emphasizes that performance auditing is a non-recurring process. It is by nature open to questions of judgement and interpretations, due to the variety and complexity of performance audit questions. The level of performance auditing that the FBSA wants to develop would benefit from collective reflection and discussion. This calls for a broad variety of auditors in terms of their knowledge and background.

The FBSA has placed a lot of emphasis on the development of a manual and has invested a lot in the training of its employees in the new way of performance auditing. It was mentioned in the interviews that performance auditing is one of the topics covered by its training courses (amongst which the introduction course for new employees), thus offering each employee the opportunity to become informed about performance auditing in general and the FBSA's new approach to performance auditing in particular. A good handbook is helpful and necessary, but the most crucial factor is the quality of staff: the methodology does not 'do' it, it is the auditor. Training and practical experience is needed to become a good performance auditor. At the moment, a small group of experts is trained on the job with the support of internal and external experts.

Conclusion

Except in training activities, the FBSA gives no special attention to performance auditing in the area of HRM. This reflects the FBSA's approach that financial auditing serves as a point of departure and that the same audit team that performs a financial audit will also perform other types of audits regarding the same auditee.

An issue for discussion within the FBSA is how a change in the current HRM-procedures and/or the current organisation of the performance audit function may enable them to create leverage in the area of performance auditing.

Recommendation:

The peer review team recommends that the FBSA rethink the content of HRM-procedures and the internal organisation in the light of the



ambitions regarding the intended change in the performance auditing approach.

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The FBSA's performance auditing function could in the opinion of the peer review team benefit from:

- *a separate specialist resource pool of performance auditors of reasonable size to carry out performance auditing according to the new approach (while the traditional way of performance auditing can still be performed by the teams that do the financial audit, while the specialists are also available for support);*
- *recruitment criteria in line with the FBSA's ambitions in performance auditing (for example diversification in the FBSA-staff by employing more staff with a background in sociology, political studies or management science and with experience in the application of quantitative and qualitative methods and techniques);*
- *separate sections on performance auditing in the HRM procedures and manuals.*

2.6 Relations with stakeholders

FBSA-law No. 31 (2011) serves as the basis for all external communication procedures. Article 28 of this law specifies when, how and what needs to be reported by the FBSA to the parliament, to the media and to any other stakeholder. The FBSA is due to submit an annual report to the COR, including the relevant insights, observations and suggestions from the performed audits. In addition the FBSA can forward to the COR individual reports on important matters. Further the FBSA has to make public to the media a list of completed audits and control reports and – on request – copies of these reports.²

Parliament.

The FBSA – according to the interviews - aims to make clear to the Iraqi Parliament that performance audits identify opportunities for improvements in the economy, efficiency and effectiveness of public spending. Therefore, reports should be clear and must have recommendations for improvement and they must not blame individuals. Each year, the FBSA issues an annual report and four quarterly reports, which include general observations and findings events for all ministries, in addition to the observations for each ministry and sector. In addition to the annual report and the quarterly reports, summaries of performance audit reports are submitted to Parliament.

² Reports which jeopardize national security are only published with the consent of the COR.



The reports are sent to committees in Parliament (financial, integrity, economy, investment and reconstruction committees). There is regular contact between the FBSA and the Parliament with regard to the various audit reports. When requested, the FBSA provides the Parliament with additional information. The FBSA is planning to establish a Parliamentary Affairs Department (according to article 9 of by-law No.1, 2012) to coordinate contacts between the FBSA and the Parliament.

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Auditees

The communication with auditees is laid down in various procedures. As part of the audit process, the FBSA management is in touch with the heads of the auditees subject to the FBSA's jurisdiction. Communication is not strictly related to the content of audit reports but also to the right of the FBSA's President to invite auditee representatives for meetings and to arrangements in cases where auditees do not follow up on remarks or requests. The FBSA also invites auditees to attend its conferences, symposiums and workshops.

Other stakeholders: citizens, civil society and the media

The FBSA publishes on its website a summary of the annual report, the performance audit reports and a list with titles and subjects of all audit reports issued by FBSA. Other information that can be found on the website³ is the General Comptroller Journal which includes works and activities of the Board, summaries of the annual reports and a list of reports. Full reports are not published on the website but they are made available to the public on request. For important reports, press releases are made.

Conclusion

Within its legal framework, the FBSA makes good efforts in stakeholder management by using the various legal channels and contacts. The Members of Parliament and the auditees that were interviewed, appreciate the reports issued by the FBSA. Parliamentarians seem to be in need for more reports and more details. The FBSA, on the other hand, deliberately reports to the Parliament on a more global level, in an attempt not to overwhelm Parliamentarians with too many details that cloud the main findings and messages.

The peer review team concludes that further growth in contacts with stakeholders is possible by better ensuring that the message gets across and that audits are optimally used.

³ The content of the FBSA-website in English is too limited to meet these claims.



Recommendation

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The effectiveness of the FBSA's performance audit work could in the opinion of the peer review team benefit from:

- *identifying the needs of Parliament regarding information included in the performance audit reports;*
- *promoting briefings in the Parliament on audit findings;*
- *making all reports available on the website.*



3 Performance auditing in practice

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3.1 Introduction

This chapter deals with performance auditing in practice. It starts with an assessment of the FBSA's new performance audit manual (2013).

In addition the peer review team reviewed four performance audits that were executed by FBSA. The sample includes three audits completed in 2009, 2010 and 2011 (according to the 'traditional' approach of performance auditing) and one recently completed audit in which instruments and insights from the new performance audit manual were applied.⁴ In assessing the way in which each of these individual audits was executed the team distinguished the following dimensions:⁵

- Planning phase
- Execution phase
- Reporting phase
- Follow up phase

The peer review team faced considerable (language) limitations in analysing and assessing the audits. It was not feasible to have complete dossiers translated into English. The team asked for a limited number of documents to be translated (preliminary study/audit plan, discussion of findings with and reaction of the auditee, draft report). The consequence is that the team could not see the entire process, for instance to assess if the remarks of the auditee were dealt with appropriately in the final report(s). The translated texts we received did not allow us to assess the original Arab texts on issues such as reader-friendliness or presentation.

3.2 Performance audit manual

According to international standards a SAI should adopt audit standards and maintain a performance audit manual and accompanying guidance

⁴ Not one of the pilot audits but a 'traditional' performance audit executed with the new manual.

⁵ In line with SAI-13 of the SAI performance Measurement Framework.



which are based on or consistent with the Fundamental Auditing Principles (ISSAI 100), including guidance on:

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- risk and materiality assessment;
- selecting performance audit topics;
- planning a performance audit;
- designing performance parameters, audit criteria or audit tests focused on economy, efficiency and effectiveness;
- procedures for communicating with the auditee;
- different methodological approaches and how to apply them;
- types, reliability and recording of audit evidence;
- drawing conclusions based on evidence obtained;
- writing audit reports, including writing balanced reports and producing relevant and constructive observations and/or recommendations;
- the structure and content of a model audit report.

When the PA peer review took place, the performance audit approach and manual were under revision. This complicated the peer review. The peer review team did not assess the performance audit manual (2006), since it is no longer in place. The team based impressions on a draft version of the new manual which was available in June 2013. The team was informed about plans for further development and dissemination of the new manual in the interviews.

The FBSA's performance audit manual (draft 2013) meets the international standards as for the issues covered. Compared to the 2006 manual, the FBSA has introduced important new topics in performance auditing (like the importance of strategic selection of topics, the introduction of risk analysis and the formulation of an audit objective, audit problem and audit questions). According to the interviews a section on quality control and quality assurance will be added.

The FBSA invests in the training of its employees in the new way of performance auditing (see paragraph 2.5 on human resources).

Conclusion

The FBSA has a manual for performance auditing in place. This manual is available for the auditors and is used in practice (according to the interviews). The new performance audit manual (draft 2013) is in line with international standards. It was not yet possible for the peer review team to assess the use of the new manual in practice.



3.3 Audit planning

SAI-13 of the SAI Performance Measurement Framework contains the following criteria for planning an individual performance audit:

- Selection of audit topics is based on an assessment of risks, materiality and auditability.
- Auditors involved in selection and conduct of performance audits have obtained an understanding of the nature of the entity/programme, including key stakeholders, legislation and performance goals.
- The objectives of the audit and responsibilities of the auditor and auditee are clearly set out and communicated to the audit client in an audit engagement letter or similar document.
- A pre-study is carried out to inform the design of the audit.
- The auditee is invited to provide feedback on the suggested approach.
- Audit files include an audit plan which includes:
 - background information required to understand the entity;
 - audit objectives, audit questions and audit scope;
 - a description of methodology including information on how the chosen approach will ensure validity and reliability of the data;
 - definition of relevant, reasonable and attainable audit criteria (to determine whether the audited program or entity meets or exceeds goals and expectations);
 - information on staffing, a schedule and a budget;
 - an assessment of risks that the audit is not carried out according to the plan, and suggested mitigation measures.

The peer review team was provided with an English translation of the preliminary study (audits dating from 2009, 2010 and 2011) or audit plan (recent audit). The assessment of the peer review team is also based on interviews and presentations of the FBSA's employees.

An FBSA performance audit starts with a preliminary study on the performance of an individual organisation. The performance audits are done by the same audit team as the financial audit, which guarantees background knowledge of the organisation. The preliminary study is based on the indicators in the FBSA's permanent file of the organisation and discussion on these indicators with the auditee's management. The results of the preliminary study are laid down in a report, including a work plan with further activities.



Based on a sample of the audits dating from 2009, 2010 and 2011 the peer review team has observed that the report on the primary surveys contains part of the information necessary according ISSAI 3100. The selection of topics was not made explicit by an assessment of risk and materiality. The primary survey working plan unfolds activities, but does not give information on the audit objective and audit questions that lie behind these activities. Information on staffing, time schedule and budget are part of the FBSA's annual operational plan.

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The recently completed audit uses instruments and insights from the new performance audit manual, including a risk analysis. The audit plan contains the information necessary according to international standards (except for assessment of risks that the audit is not carried out according to the plan).

Conclusion

Three reviewed audits from 2009, 2010 and 2011 partly conform to international standards for planning individual performance audits. The knowledge about the organisation (based on performance indicators) is traditionally a strong point in the FBSA's performance audits.

The planning approach in the recently completed audit using the new performance audit manual mainly complies to international standards. The peer review team expects the FBSA to develop further in applying the insights and new instruments introduced in the performance audit manual (draft 2013). Points of attention are: formulating an audit objective, specifically related to (one or more of) the three E's, and developing audit questions addressing causes of sub-optimal performance.

Recommendation

The peer review team recommends that the FBSA promote the new approach to performance auditing in the current audits. In order to encourage attention for effectiveness issues, the FBSA management on different levels should stimulate teams to include – if applicable - in their performance audit risk analysis and problem analysis the planned outcomes of the organisation's activities. In the short term the performance audit ambassadors and specialists could play an important role in this.



3.4 Implementation

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This paragraph covers the organisation of the performance audit work and the involvement of the auditee. SAI-13 of the SAI performance Measurement Framework contains the criteria for the implementation of a performance audit:

- Multiple data collection methods are used, and data is gathered from more than one source.
- The audited entity is invited to confirm that data gathered, for example through interviews, are correct and accurate.
- Sufficient audit evidence is collected and recorded in the audit files to make an assessment against the audit criteria.
- Audit findings and conclusions are discussed with the audit client in an exit conference and the discussion is documented.

Since the peer review team did not have access to the audit files, it was not possible to assess all of the criteria mentioned above on the basis of documents. Much of the information in this paragraph comes from presentations and interviews with the FBSA employees. The team was provided with an English translation of the document (table) with the observations of FBSA, reaction of the auditee and the way in which this reaction was incorporated in the report.

The audits are introduced to the auditee by an introductory letter and a preliminary meeting in which the auditee is informed of the decision of the FBSA to conduct the audit and of the purpose behind it. The audit objective and criteria are discussed, as well as the information that will be requested from the auditee. The timetable is set and contacts are agreed on.

The auditee has the opportunity to comment on the preliminary findings, conclusions and recommendations, presented in a discussion paper. This paper is discussed in a final meeting between the audit team and the auditee. The purpose of this meeting is to guarantee that facts are correct and to get the auditee's initial reactions on preliminary recommendations. The audit team comments on the reactions of the auditee and considers – in close consultation with the management responsible – whether or not to modify, delete or keep the observations and conclusions.⁶

⁶ Table: (1) notes of FBSA, (2) response of auditee, (3) comment of audit team, (4) decision of audit team.



Evidence from the audits that were reviewed show that multiple data collection methods and cross referencing are used. Instructions in the performance audit manual and evidence from the audits show that reliability, correctness and accurateness of findings receives a lot of attention.

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Conclusion

The reviewed audits generally conform to international standards for executing performance audits. A strong point is the frequent and direct contacts with the auditee, due to the fact that much of the work is done on the spot.

The peer review team considers the findings in the reports that were reviewed very convincing and relevant. On the other hand, these findings are not always analysed in the report down to the level of depth that shows the (possible) causes of suboptimal performance. Answers to the 'why' question could strengthen the FBSA's recommendations and could help the auditee in coming to effective solutions.

Findings not analysed in the report in full depth:

Below there are examples of what the peer review team means by missing depth of analysis. There is one example for each of the audits that were reviewed.

- Al Kadhimiya Municipality:

One of the conclusions of this audit is that the tax department only collected a small percentage of the total tax amount due to be collected. The corresponding recommendation is 'take legal procedures to collect more taxes'. However, the report does not contain an analysis of the reasons why only a small percentage of the total tax amount is collected. Possible causes that come to mind are not enough employees to do the job, inefficient procedures or planning, corruption or fraud, poor administration, etcetera.

- Al Kufa University:

One of the conclusions of this audit is that is that the occupancy rates of dormitories is above 100%, despite an increased number of dormitories. The reasons behind this problem are not made clear. It probably (partly) has to do with the number of students accepted. This number is higher than the number of students planned. But it could also come from poor planning of dormitories, lack of money to build dormitories or occupation by non-students, etcetera. The recommendation 'work hard to increase the capacity of dormitories' addresses one of the possible causes.

- Al FAO:

One of the conclusions of this audit is that the company incurred losses for 11 projects (55% of the sample taken into account). This leads to the



conclusion that 'this requires to study and analyse the reasons of losses to avoid these in the future'.

- Primary education:

One of the conclusions of this audit is that there is a lack of educational supervisors. The audit does not go deeper into causes of this lack of educational supervisors. Possible causes could be: insufficient budget, budget spent on other activities, lack of people interested in or educated for the job, etcetera.

The peer review team would like to add two examples where causes of suboptimal performance were well addressed.

- AI FAO:

One of the conclusions of this audit is that the number of vehicles used in one of the projects does not correspond with the amount of fuel that is used. This indicates – according to the report - a clear manipulation and abuse, and requires verifying and an investigation on his case.

- Primary education:

One of the conclusions of the audit addresses misdistribution of educational staff among schools, 'due to non-compliance of the directorate with policies set by the ministry in addition to nepotism in assigning and transferring of teachers'. The auditee, in reaction to this conclusion, points at different causes. FBSA's recommendation addresses these causes: redistribution to fill vacancies on the one hand and get rid of surplus on the other hand.

Recommendation

The peer review team recommends that the FBSA analyse and report more profoundly on the causes of suboptimal performance. Audit questions that address the 'why' would add value, because this would lead to more focussed and precise recommendations. Comparison between organisations (like schools, universities, municipalities) and benchmarking can help to assess performance and to identify good practises.

In all interviews the topic of integrity and corruption was raised by the interviewees (parliamentarians as well as auditees and auditors). It was mentioned that corruption is a widespread problem throughout the country, infecting all types of organizations. Paying more attention to the causes of suboptimal performance in audits may lead to evidence that corruption is a major cause. Dealing with this problem is a challenge for FBSA.



3.5 Reporting

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SAI-13 of the SAI Performance Measurement Framework contains the criteria for performance audit reporting. The reports should:

- contain information about the audit objectives, scope, methodology, criteria and sources used;
- be complete in answering the audit questions and clearly express the relationship between audit objectives, criteria, findings and conclusions;
- be balanced in content and tone, and provide information relevant to the topic;
- be subject to at least two levels of review above the author of the report;
- be shared with the audit client before they are finalized.

The peer review team was provided with an English translation of the draft report and final report. Again, it was not possible to assess all of the criteria mentioned above on the basis of documents. The peer review team decided not to assess reader-friendliness and balance in content and tone on the basis of the translated documents.

The final report is issued after obtaining a written acknowledgment of the comments in the draft report by the auditee and agreement with the auditee on the conclusions and recommendations. The final report includes (in addition to the findings) a summary of the conclusions and recommendations of the audit; this final report is sent to the auditee. The summary of the report is sent to the COR (in line with FBSA Law art. 28).

The reports reviewed give general and brief information about the audit objectives, scope, methodology, criteria and sources used. Information about the organisation does not always give insight into the organisational structure and tasks and responsibilities of the units in the organisation.

Conclusion

The final report does not provide information on the auditees' reaction to observations and recommendations. Providing this information in the report, including commitments made by the auditee, would improve the transparency for Parliament and the public and would be an important instrument in the follow-up process (see also in paragraph 2.6 relations with Parliament). The FBSA is already experimenting with this approach in the new approach to performance auditing.



Recommendation

The peer review team recommends that the FBSA further improve the audit reports by adding:

- *information about the organisational structure (including responsibilities) of the auditee and about the audit objectives, audit questions and methodology;*
- *visualizations of findings and conclusions by making use of organograms, graphics or infographics (where possible); these visualizations do not only add value in the reporting stage but also during the other stages of the audit process;*
- *Reaction of the auditee on the findings and commitments made by the auditee.*

The FBSA's new performance audit manual (draft 2013) covers these issues.

3.6 Follow up

A SAI ought to have an internal follow-up system to verify that audited entities properly address its observations and that identified weaknesses have been corrected.

In the current approach to performance auditing the FBSA monitors developments by updating the indicators in the permanent files on the organisation. According to the interviews (dependent on the type of organisation involved) a new performance evaluation is planned periodically.

Conclusion

Follow-up procedures are related to the traditional performance audits and thus to individual organisations.

Recommendation

Since the frequency of performance auditing on policies and programmes is not regulated, additional procedures on follow-up for these kinds of audits are necessary.



4 Quality control and quality assurance

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4.1 Introduction

A major challenge facing all SAIs is to consistently deliver high quality audits, which comply with professional standards and applicable legal criteria. ISSAI 40 establishes an overall framework for quality control in SAIs. It distinguishes between quality control and quality assurance.

Quality control and quality assurance

- Quality control is the sum of the measures taken to ensure high quality of each audit product. It is carried out as an integrated part of the audit process. For a system of quality control to be effective, it needs to be part of each SAI's strategy, culture and policies and procedures.
- Quality assurance is a periodic evaluation of the audit process. Quality assurance is carried out by individuals who are independent, i.e. have not taken part in the audit process they are reviewing. The quality assurance process should include a review of a sample of completed work across the range of work carried out by the SAI.

4.2 Quality control

SAI-14 of the SAI Performance Measurement Framework contains the international criteria for the quality control of a SAI. The quality control should have following characteristics:

- The Head of the SAI has the formal overall responsibility for the system of quality control.
- The SAI has written procedures on quality control which sets out the responsibilities of auditors and supervisors.
- All audit work carried out is subject to review by line management.
- Procedures are in place for authorizing reports to be issued, and these are complied by.
- Corrective measures are taken in cases where the quality of the work is not deemed sufficient.



- There are no case(s) where work is contracted out, without the SAI undertaking measures to ensure that the contractor has an effective system(s) of quality control in place.

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Since the peer review team did not have access to the audit files, it was not possible to assess the quality control for the reviewed audits. The assessment of the peer review team is based on presentations and interviews with FBSA employees.

All audit work of the FBSA is subject to review by line management. Quality control during the planning, execution, and reporting processes is primarily in the hands of the audit manager and the director of the department.

Besides this responsibility of the line management, the FBSA has procedures for independent quality control in place. A FBSA directive on quality control became operative in 2009. Since 2010 independent quality control checks are done by a team in the Follow up and Controlling Office (under the Department of Performance Quality Auditing). Including the Head, the team consists of 13 employees: chartered accountants with at least 5 year experience at the FBSA. The work of the team includes:

- (unexpected) field visits to audit teams on site in order to make sure that they are working within applicable laws and regulations;
- checks on a 5% sample of reports (including performance audit reports).

In 2012 the team checked 337 audit reports, among these were 20 performance audit reports. The sample of audits to be checked is taken at random from all the reports to be published, with the exception of the reports submitted to (and checked by) the Council of the FBSA. The team checks the audit reports and financial statements (shape, techniques used, mistakes in calculations, match between sub-disclosures with balance sheet & profits account with losses, printing and spelling mistakes). Corrective measures are taken in cases where the quality of the work is not sufficient.

Corrective measures depend on the kind and frequency of the mistakes:

- Mistakes in typing, spelling or calculation: verbal warning. This measure has to be approved by the Supervisor Deputy and is communicated to all team leaders and to the Board of Directors.
- Other mistakes (like incorrect references to law or insufficient documentation): withholding the audit allowances of the team (10%)



for one month. This measure has to be approved by the President of the FBSA and is discussed in the organisation.

- Repeated mistakes of the second kind: referral to an investigation committee and submission to the Council of the FBSA.

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4.3 Quality assurance

SAI-14 of the SAI Performance Measurement Framework contains the international criteria for the quality assurance of a SAI. The quality assurance process should include:

- Written procedures and/or plans for quality assurance specifying the frequency with which quality assurance reviews should be carried out.
- Systematic evaluation of the system of quality control through review of a sample of completed audits.
- Individuals carrying out quality assurance reviews are independent (i.e. have not taken part in the work under review).
- Quality assurance reviews have been carried out according to the frequency specified in plan.
- Quality assurance reviews have been carried out on all audit disciplines performed by the SAI during the past five years.
- The responsibility for each review is assigned to one or more individuals with sufficient and appropriate experience and authority.
- Quality assurance reviews results in recommendations for improvements.
- Results of the quality assurance review are reported to the senior management within one month of completion of the review.
- There is evidence that the responsible senior management has considered and concluded on the recommendations provided.
- The SAI has gone through a peer review of its audit processes for a minimum of one audit discipline during the past five years.

The Follow up and Controlling Office submits quarterly reports to the Council including conclusions of performance quality and detected mistakes in the 5% sample of audit reports. The team presents proposals on issuing regulations (like measures to prevent mistakes and proposals on the use of experts inside and outside the FBSA to ensure quality level of audit reports).

Conclusion on quality control and quality assurance

Procedures for quality control and quality assurance are embedded in the work of the FBSA. In the interviews the peer review team was told that a



chapter on quality control and quality assurance will be added to the new performance audit manual. Much attention is paid in quality control and quality assurance to the reliability and the validity of findings and to the technical quality of the reports. The work aims to identify and prevent mistakes by corrective measures. 32

Performance auditing in the new style is not a recurring process and calls for flexibility and creativeness in the choice of audit objects, methods and standards. The further development of professionalism in performance auditing requires a climate which creates confidence and allows for mistakes to be made in order to be able to learn from them and grow. More than other audits performance auditing would benefit from an approach which is aimed at the dissemination of good practices and learning from bad practices (without naming and shaming).

Recommendation

The peer review team recommends that the FBSA

- *include the reports submitted to the Council of the FBSA in the quality review sample, to make sure that lessons learned from these reports are included in the quarterly reports;*
- *include all performance audits in the new style in the process of quality control and quality assurance;*
- *add experience in performance auditing (new style) to the quality control and quality assurance unit.*
- *reconsider the balance in the carrot and stick approach (towards the auditors) of the current quality control and assurance policy, to disseminate lessons learned in a positive way.*



5 FBSA response

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The President of the FBSA gave the following response to the Peer review findings and recommendations (letter of the President of the FBSA to the President of the NCA, dated 5 October 2013).

'Dear Colleague,

Referring to your letter dated September 26, 2013 and the Peer Review report attached, we studied your report and would like to clarify the following:

1. Regarding the recommendation in chapter 2 related to the "Institutional aspects of performance auditing": FBSA's Law No. 31 (2011) covers the obligation to provide information, as Article 12 paragraphs (I and II) stipulates that "in case of not providing requested information to FBSA the matter will be referred to the Council of Ministers and, if this information were not provided to FBSA within 20 days of that date the matter will be referred to the Commission of Integrity for investigation".
2. Regarding your recommendation related to human resources for performance audit: FBSA currently has different specialities for financial and specialized audit, we have staff with management science background, and your recommendation for other specialities will be subject of FBSA interest in the light of implementation of the new method of performance audit.
3. FBSA adapted the comprehensive performance audit during the current period and in the future (next 4 years) and was obliged to cover all the activities of state institutions due to the exceptional economic and political circumstances Iraq is going through, which necessitate a pause to determine the possibilities of those institutions and the requirements of their reconstruction or development and to keep the reports as specific database to make the proper decision.

Thank you for your efforts... hoping for continuous cooperation
Dr. Abdul Basit Turki Saeed'



6 NCA afterword

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The response of the President of FBSA is very much appreciated, as is the good cooperation with all involved throughout the Peer Review process and the commitment of the FBSA to reflect on its own performance, despite the complex current context.

This peer review marks an important point in the history of the FBSA. A peer review offers Supreme Audit Institutions the opportunity to benchmark their work, to learn from one another's experience and to improve their working methods and the effectiveness of their audits. Requesting a peer review means opening doors and asking for feedback. The FBSA has taken this courageous step and is thereby leading by example at the national and the regional level. We compliment the FBSA for her eagerness to comply with international standards and good practices.

Though we are impressed by what we have seen of the FBSA in practice, in our view a culture of slightly more diversification will help the FBSA to move forward: there are more possibilities to retrieve information than stressing formal rules, diversification of staff will add value and enriching the (current) performance audit approach with a different type of audit on a limited scale will be a good investment in the future.

We hope that the reflection on the outcome of this peer review will in due time lead to the FBSA's initiative to draw up a plan of action focussed on diversification and related to our eight key recommendations. It would be good practice to share this plan with stakeholders. We are certainly willing to carry our cooperation farther along these lines.



Annex 1 About the peer review

Objectives of the peer review

The objectives of the peer review are according to the MoU :

- To provide the FBSA with an independent opinion on its performance audit function and the extent to which it complies with the International Standards of Supreme Audit Institutions (ISSAI) and international best practice; and in accordance with the requirements and standards of national work;
- To identify opportunities for improvement to the FBSA's performance audit function (including the quality management framework).

Organisation of the peer review

The peer review was carried out in 2013 by a peer review team from the Netherlands Court of Audit (NCA).

The members of the peer review team were

- Ms Marlies Burm (Audit Manager, peer review team leader)
- Mr Harry Kramer (Senior Counsellor to the Board)
- Mr Paul Mantelaers (Senior Performance Auditor)

The first and second mission for the peer review took place from 11-15 March, 2013 and from 15-19 June, 2013. Both missions took place in Amman, Jordan.⁷ The third mission, in which the peer review report was formally presented to FBSA, took place in The Hague, The Netherlands, on 26 September, 2013.

Method

When assessing the FBSA's performance audit approach, the peers applied a combination of international standards as defined by INTOSAI, as well as the team members' experience with good practice in the NCA. Having compared various options, the peer review team decided to use the INTOSAI *Supreme Audit Institutions Performance Measurement Framework* (SAI-PMF) as a basis for the selection of the review-criteria.⁸ The team selected from this framework issues that are relevant for performance auditing.

⁷ Because of a negative travel advice from the Dutch Ministry of Foreign Affairs for non-essential travel to Iraq.

⁸ 'Supreme Audit Institutions Performance Measurement Framework', Draft Version 2.0, 14 September 2012; INTOSAI Working Group on the Value and Benefits of SAIs. This framework consists of 7 domains and 22 performance indicators.



During the first mission the peer review team familiarized itself with the BSA in general and its performance auditing in particular. The team focused on characteristics of the FBSA's working environment, both internal and external, which are relevant to its performance auditing. The FBSA staff employees held presentations on the relevant issues and the team had the opportunity to discuss these issues with the employees involved. In addition to the presentations and discussions, the peer review team studied documents (the FBSA-law, strategic and operational planning documents, overview of performance audits submitted to Parliament from 2009-2011, performance audit manual 2006, draft performance audit manual 2013).

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The peer review team selected four performance audits executed by the FBSA for review during the second mission. Annex 2 includes the list of audits reviewed. The sample was intended to cover substantial audit areas of the FBSA and audits carried out by different departments. The sample includes three audits completed in 2009, 2010 and 2011 (according to the 'traditional' approach of performance auditing). In addition the team selected a recently completed audit in which instruments and insights from the new approach of performance auditing were applied (not one of the pilot audits being executed within the framework of the performance audit training programme). Both the way in which these audits were executed as well as the related quality control and assurance were reviewed.

The most relevant parts of the audit files (preliminary study/audit plan, discussion of findings with and reaction of the auditee, draft report) were translated for the peer reviewers. The audit managers responsible for the selected audits gave presentations on the audit process and the audit results and discussed these with the peer review team. 'Ambassadors' and audit managers responsible for pilot audits presented the new performance audit approach and discussed this new approach with the peer review team. The peers also met with representatives of external stakeholders (parliamentary committees and auditees), in order to get information on the use of FBSA's performance audits.

Annex 3 includes a list of persons interviewed.

The findings presented in this report are based on the observations made by the peer review team during the review of audit files and staff interviews and on the statements made by the stakeholders over the course of the review. It should be noted that this peer review has been carried out in a period in which the FBSA is in the process of updating its internal performance audit manual and is experimenting with a new approach to performance auditing. This process is supported by another



team from the NCA. The peer review team worked independently of the team of trainers/coaches. Since the pilot audits were not completed during our review, the peer review could not take into consideration the on-going changes in practice.

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The peers received all necessary information in a spirit of cooperation, mutual respect and dialogue. The peers did not experience that their access to selected files or staff was restricted. The FBSA accommodated the peer reviewers' request to involve stakeholders (parliamentarians and auditees). The discussions with the FBSA employees and stakeholders were characterized by openness and a willingness to exchange information. The peer review team was very impressed by the professionalism of the FBSA's staff and auditors and the enthusiasm and eagerness to further develop the institution's performance auditing. Therefore, the discussions on how things are done at the FBSA gave the peers an opportunity to reflect on the audit approach in their own institution.



Annex 2 List of audits reviewed

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Audits based on the (old) performance audit manual 2006

- Performance evaluation of Mayoralty of Kadhimiya (31 December 2009)
- Performance evaluation for Al-Kufa University (31 December 2010)
- The Results of Controls and Audit Works on Al FAO State Company for executing irrigation projects ((31 December 2011)

Audit based on the draft (new) performance audit guide (2013)

- Primary Education of Directorate of education in Al Najaf (on-going)



Annex 3 List of persons interviewed

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First mission (11-15 March, 2013)

FBSA

- Dr Alaa Hatim Kadum (Director General)
- Dr Abdulkareem K. Soudi (Senior Auditor)
- Ms Batool H. Mohammed (Assistant of Legal Advisor)
- Ms Zainab E. Dagher (Legalist)
- Mr Luay Taqi Kadhim (Auditor)
- Mr Sami Jabbar Anber (Assistant Auditor)

Second mission (15-19 June, 2013)

FBSA

- Dr Alaa Hatim Kadum (Director General)
- Dr. Hafssa Mohammed Fakhrei Rasheed (PA ambassador and Audit Manager)
- Nozad Feqi Fattah Khudhur (PA ambassador and Audit Manager)
- Khaled Salman Eweyad Al Barjah (PA ambassador and Audit Manager)
- Dr Manahil Abdul Latif (Pilot Audit Manager Health)
- Dr Aziz Ibrahim Aziz (Pilot Audit Manager Oil)
- Ms Bushra Abdulla Hassan (Pilot Audit Manager Education and Audit manager Al Kufa University)
- Ms. Sawsan Salman Ahmed (Audit Manager Kadmihiya Municipality)
- Mr. Latef Awad Kadhemi (Audit Manager Al FAO Company)
- Ms. Nada Neamah Mezher Al-Ameri / Suha Mohammed Fahmi
- Mr Madhi Matroud Ridha (Manager Quality Assurance Department)

Parliamentarians

- Ms. Majida Abdullatif Mohammed
- Mr. Haitham Ramadhan Abd Ali Al-Owaidi

Representatives of auditees

- Prof. Akeel Yasseen (President of Al Kufa University)
- Eng. Ali Sachit Dhaher (Manager of Al Kadmihiya Municipality)
- Eng. Abdul Kathem Yaser (President of Al FAO Company)