



**EUROPEAN COURT OF AUDITORS**

**SPEECH**

## Speech by Vítor Caldeira, President of the European Court of Auditors

*OLACEFS-EUROSAI conference in Tbilisi, Georgia on 17 and 18 September 2012*

Peer Review

*Check against delivery. The spoken version shall take precedence.*

**ECA PRESS**

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Dear Colleagues,

Ladies and Gentlemen,

Why would an institution voluntarily invite a team of auditors to examine its professionalism? And why would their services be provided without a fee? There must be good reasons why peer review is a growing practice amongst SAIs.

The ECA has been convinced of the benefits by its positive experiences of holding peer reviews, participating in peer reviews, and working on the peer review guidelines in sub-committee 3 of the INTOSAI working group on capacity building.

So, I would like to use this occasion to say a few words about each of these experiences in turn and about the lessons the ECA has learned. And I will conclude by offering some reflections on how peer review might develop as an instrument.

Ladies and gentleman,

It was very much considerations of “enhancing stakeholder confidence” – our sub-theme today - that lay behind the ECA’s decision in 2007 to hold its first peer review. At that time, our audit approach was being challenged by certain auditees and other stakeholders began asking the question “Who audits the European Court Auditors?”

It was a legitimate question. And periodic peer review has provided part of the answer, alongside annual external auditing of the ECA’s financial statements and a system of annually reported key performance indicators.

As is the case for many SAIs, there is no similar organisation within our “constitutional framework” against which we can be readily benchmarked. Therefore, it was natural for us to look to our international peers for comparison and assessment.

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The 2008 peer review provided the ECA with the opportunity to obtain independent recognition of our achievements since becoming an SAI as well as an opportunity to have the quality of our organisation's work and procedures reviewed and validated in an open and transparent manner. At the same time, we were looking for new ideas and good practices we could apply to address weaknesses we had already identified on the basis of a prior self-assessment.

In the event, the ECA's first peer review was carried out by the SAIs of Austria, Norway, Portugal and Canada, who led the review. The team evaluated the design and operation of the Court's audit management framework and carried out a thorough assessment of our audit planning, examination, and reporting for both financial and performance audits as well as of our audit support services.

I am pleased to say, the Peer review team concluded positively about:

- the suitability of the ECA's audit framework,
- the independence and objectivity of our work,
- the adequacy of the evidence underlying audit reports, and
- the high level of confidence of stakeholders in those reports.

But I am also pleased to say that the peer review found significant opportunities for the ECA to improve its organisation and performance, amongst other things by:

- developing a culture emphasising the ECA as a single audit institution;
- enhancing aspects of quality assurance and quality control activities; and
- developing risk-based audit strategies to optimise the use of resources to meet the diverse needs of our stakeholders.

In all, the peer review team made 15 recommendations which were integrated into the ECA's strategy for the period from 2009 to 2012.

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Now as we approach the end of the strategy period, we find that some measures have proved more difficult to implement than others. And although most recommendations have now been implemented, we still have important work to do in certain areas, notably in developing risk-based audit strategies.

The motivation behind the Court's decision to hold a new peer review in 2013 is broadly similar to the first peer review; we aim to demonstrate and further develop the professionalism of our organisation and work.

However, we are keen to reflect three important internal and external changes in our environment.

First, our stakeholders expect us to report on the follow up given to the first peer review.

Second, peer review is now firmly established as part of our strategy for continuous improvement.

And third, INTOSAI has adopted new standards and guidelines, in particular for performance audit – a discipline that is becoming increasingly important to our stakeholders.

Taking this context into account, the 2013 peer review of the European Court of Auditors will have two main objectives. It will follow-up the progress made in implementing the recommendations of the first peer review. And it will assess the ECA's practice in performance audit against the latest standards and international good practices.

This time the SAIs of Germany, France and Sweden will be conducting the peer review, with the SAI of Germany as the lead reviewer. In fact, my colleagues in Luxembourg are holding a kick off meeting with the 2013 peer review team today. Since I can not be there myself, I would like to pass on my appreciation to the members of the peer review team through the representatives of their organisation here in Georgia.

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Executing a thorough peer review is a very complex task that requires high quality resources for a considerable time. So, let me use this opportunity to thank the SAIs of both the 2008 and 2013 peer reviews for having accepted to review the European Court of Auditors.

But although participation in peer review teams has clear costs, in the ECA's experience, there are also clear and direct benefits to being a reviewer.

The ECA has had positive experiences of participating in peer review related exercises for EU accession countries as well as most recently, in 2010 and 2011, leading the peer review of the SAI of Norway.

In the latter case, our participation included the engagement of our senior managers responsible for financial and performance audit methodology, strategy and communication, and administration. These senior managers were key contributors to the development of the ECA Strategy 2013-2017, which took place in parallel. And they were thus able to feed their peer review experience directly into that process.

Holding peer reviews and participating in peer review teams also enable lessons to be learned about the peer review process itself. And pooling peer review experiences in a systematic way helps to establish and spread good practice for the benefit of the SAI community as a whole.

This is the motivation behind the work on peer review of Subcommittee 3 of the INTOSAI Capacity Building Committee, of which the European Court of Auditors is a member. Arguably the most important contribution of the sub-committee so far has been the drafting of the peer review guidelines that were endorsed as ISSAI 5600 by INCOSAI in Johannesburg at the end of 2010.

Those guidelines bring together the lessons learned from many reviews. And I would like to emphasise three lessons which were particularly relevant to the ECA.

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First, our experience has underlined the benefits of establishing peer review in a broad strategic framework for continuous improvement. Such a framework can both help to define the scope of the review and facilitate the use of the results.

Second, good preparation is essential to ensure the review focuses on the areas where recommendations for improvement could bring the greatest benefit. The self-assessment the ECA carried out prior to the first peer review provided the review team with an early indication of some of the main issues facing our organisation.

Third, external communication to stakeholders about the peer review before, during and after the exercise considerably enhanced its credibility and underlined the ECA's commitment to transparency and accountability, not only for others but also for itself.

The practice of peer review has continued to grow; 51 peer reviews have already been or are planned to be performed. And the subcommittee is contributing to its take-up by gathering and disseminating the documentation of those peer reviews and informing the whole INTOSAI community about the benefits of peer review.

Last week, the subcommittee met at the ECA's premises in Luxembourg to discuss new ways for developing further the peer review practice in the international SAI community.

So allow me to conclude by raising a few issues about the future of peer review.

I think the over-arching issue is "How can we best make peer review a standard feature of SAI transparency and accountability?" For example, is there scope for distinguishing between the assurance to stakeholders function and the continuous improvement function?

In particular, with the development of a full set of harmonised standards for public audit within the new INTOSAI framework, will it be possible to introduce a form of standardised certification as an outcome of the peer review process?

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Such practices of certification based on peer review already exist within the international internal audit profession. Perhaps, it is now time to start considering how certification could be developed in the international public audit profession as a means to further enhancing stakeholder confidence in SAIs.

Ladies and Gentlemen,

Let me close my speech by emphasising, that the European Court of Auditors' experiences of being reviewed and of reviewing have been very positive. Peer review is helping our institution to create a culture of continuous improvement and it is serving to demonstrate to our stakeholders that we are as committed to applying transparency and accountability to ourselves as we are to promoting these values in others. On the basis of our experience, I would encourage other SAIs to hold peer reviews, participate in peer review teams, and – perhaps most importantly - share the results for the benefit of our respective institutions and ultimately all our stakeholders.

Thank you for your kind attention!