

Peer Review of The Netherlands Court of Audit



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Executive Summary

The Netherlands Court of Audit (NCA) is the Supreme Audit Institution (SAI) of the Netherlands. It carries out two main functions: performance audit and accountability audit, including financial audit.

In spring 2019, the NCA asked the Swedish National Audit Office, the UK National Audit Office, and the Office of the Auditor General of Canada to carry out a peer review to examine the quality of its work. The peer review was completed in accordance with the Memorandum of Understanding that was signed in October 2019 by the NCA and its peers. The review was led by the Swedish National Audit Office and focused on three issues that the NCA had identified through a self-assessment:

- the quality of NCA's audit selection and programming;
- the quality of NCA's financial audits; and
- the quality of NCA's performance audits.

The review team collected information through interviews with NCA staff and key external stakeholders, document reviews, focus groups, and the review of a sample of performance and financial audits. Free access was given to all requested NCA documents, staff, and relevant external stakeholders. The peer review team would like to convey its thanks to NCA management for the privilege of doing the work, and to all staff for rewarding discussions, assistance, and time provided throughout the peer review.

Peer review conclusion

Benefitting from a broad mandate, highly skilled staff, a well-functioning operational framework, and a culture of exploring innovative audit techniques, the NCA has key elements in place for high quality public auditing. To further improve the quality and impact of its work, the NCA needs to address challenges in relation to the unique Dutch audit system, and the wider ecosystem of Dutch evaluation bodies. Our recommendations focus on ways of helping the NCA to exploit its distinct position as a SAI in this operational environment, chiefly by:

- clarifying both internally and externally how it fulfils its unique role and mandate as the SAI of the Netherlands;
- demonstrating its independence in external financial audit; and
- establishing and maintaining the level of assurance provided in performance audit.

Key findings

Audit selection and programming

We reviewed the quality of the NCA's audit selection by examining the NCA's approach to strategic planning and the way this is reflected in its programming and selection of audit topics, so that its mandate may be fulfilled and impact achieved.

We found several good practices and steps that have been taken in the recent strategic period of 2016-2020 to improve the quality of the NCA's audit selection. In particular, we noted that the NCA:

- balances its programme of work according to three sound strategic priorities and has developed its audit process so that these priorities directly inform audit selection decisions;
- has defined five thematic programmes of work which seem to reflect generic risks across government. Capacity is also allocated to a flexible rolling audit plan to allow for audits of emerging issues of interest;
- has introduced a strategic phase and strategic dialogue sessions in the audit process, during which proposals for new work are presented and challenged by an internal panel to inform audit selection decisions;
- has a unique way of integrating the work from both financial and performance audits by the release of accountability reports on a single day each year on Accountability Day.

The areas for improvement that we identified mainly concern the basis for the NCA's strategic planning and the way it tracks how it fulfils its mandate. In particular, we noted that the NCA:

- does not present a straightforward, consistent message about its mission, purpose, and priorities against its mandate in its current strategic plan. External stakeholders that we interviewed during the review did not have a shared understanding of the NCA's role;
- does not base its strategic programming on an overall assessment of risk across government, although lower level risk assessments are made to inform audit selection. A risk-based foundation for its strategy is crucial to demonstrate internally and externally how the NCA intends to meet its mission and mandate;
- could do more to improve and report its capturing of beneficial impact. Although the NCA has several good ways to follow up on the impact of specific audits, it does not systematically track actual change and improvement in government.

In conclusion, the NCA has a broad mandate to audit public funds. Several elements of its practices are good examples of how a well thought-through strategic and operational framework promotes high-quality audit selection. But the NCA does not use strategic planning and public reporting in a sufficiently compelling way to track how it is fulfilling its mandate. In the absence of a government-wide risk assessment, the peer review was not able to judge whether there is an audit gap in the fields covered by the NCA's audit mandate. We think that a clearly articulated concept of external public audit, together with a transparent risk-based foundation for its strategy, would help the NCA and its stakeholders to identify any gaps in the coverage of its work.

Financial audit quality

The NCA has a statutory responsibility to audit the same financial information in the ministers' and central government's annual reports that is also assigned to the Central Government Audit Service (ADR), the internal audit unit of the government. This is a unique situation from an international perspective, since examining and reporting on government financial statements is normally carried out exclusively by external auditors. The situation with two certifying bodies is not specifically addressed in the International Standards of Supreme Audit Institutions (ISSAI) financial audit standards. The NCA has decided on an approach to the application of the ISSAI on using the work of internal audit that, in the NCA's opinion, takes into account that the ADR is issuing certificates (auditor's reports) in accordance with professional standards. When reviewing the quality of the NCA's financial audits, we carefully considered the set-up of the Dutch audit system, but we did not assess the work carried out by the ADR.

We found several high-quality features of the NCA's financial audit practice, including:

- a risk-based approach to auditing of operational management elements directly related to the financial information in the annual reports and to areas of high importance to the audited entities' tasks and services;
- qualified and knowledgeable financial auditors committed to providing quality audits;
- yearly quality reviews of all engagements, despite limited financial auditor resources;
- a thorough yearly assessment of the ADR's independence and competence followed by ongoing consultation with the ADR on the operational and audit methodology aspects of the internal audit work and its results.

We also identified areas for improvement, which mainly concern the NCA's independence in relation to the work performed by the ADR. We noted that:

- the NCA has the right to make use of the work of others and uses this right to obtain the information it needs from the ADR. However, our reviewed audit samples demonstrate a heavy reliance on the work of the ADR, including work related to significant risks, where additional independent audit work would be expected. We believe that the Dutch audit system, where the internal audit services also has the task of certifying the financial information based on professional audit standards, does not exempt the NCA from its responsibilities. In this respect we disagree with the NCA's interpretation of the ISSAIs.
- the NCA has not clearly and fully defined appropriate auditing standards to use when executing its accountability audit work. Although the NCA applies certain ISSAI financial audit standards, these standards have not been fully adopted, nor do they adequately address all the areas that the NCA is mandated to audit, such as parts of regularity and operational management;
- reporting of financial and regularity audit work could be improved. This can include improving the presentation of the audit opinions and giving greater prominence to the financial and regularity audit findings in the accountability reports.

In conclusion, although the work carried out by NCA financial auditors is of high-quality and in line with the NCA's approach for working within the Dutch audit system, we think that the NCA has the potential to enhance the quality and relevance of financial audit by strengthening the independence of the audit work it carries out as the external auditor. We also believe that the NCA will struggle to have a stable and uniform way of conducting its auditing of financial information, regularity, and operational management until appropriate standards are identified, adopted and communicated.

Performance audit quality

The focus of the NCA's performance audits is to provide insight into the economy, efficiency, and effectiveness of central government and the institutions associated with it. The NCA carries out full-scope performance audits in diverse policy fields and more restrictive audits, such as policy cases, as part of its annual accountability audit. The NCA also publishes other types of reports that do not have conclusions and recommendations.

The peer review team was impressed by the capacity and operational framework for high quality performance audit that the NCA has built up in recent years. Good practices include that:

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- the NCA is using innovative approaches to methodology in performance audit, with capacity for quantitative data analysis, and creative methods for testing the effectiveness of Government operations;
 - all performance audits follow the common steps of the NCA's audit cycle, consisting of a strategic phase, and stages for project proposal, audit execution, reporting, publication, and project review. Various quality control measures are included in the process to safeguard the quality of the audits.

We also noted that:

- performance auditors are skilled, knowledgeable and committed to providing quality audits;
- the audits in our reviewed sample generally seemed to examine relevant topics and used appropriate methods. They were closely aligned to the NCA's strategy, examining how public money is spent within government programmes or across central government;
- the NCA reports were impartial in tone. The reports that we sampled also made good use of graphics to help illustrate and communicate important or complex messages.

We also identified areas for improvement. They mainly concern the quality of audit questions and level of assurance¹ provided in the sampled reports. We noted that:

- the sampled reports were mostly descriptive. Since the NCA also publishes reports without conclusions and recommendations, this was sometimes a deliberate choice. However, even reports with conclusions and recommendations tended to use audit questions framed in a "how" or "what" format, resulting in a descriptive rather than a normative point of departure for the audit;
- there were no statements in the reviewed reports to indicate whether the project was an assurance report (that is, a performance audit that followed INTOSAI standards) or another NCA report (for example, a report intending to describe a programme). In some cases, it was therefore difficult for us to distinguish the intentions of each report and whether it had met them;
- the NCA has made a deliberate choice to optimise impact by focussing its published reports on key messages. However, we found in some of our sampled

¹ "In some direct reporting engagements,..” (e.g. performance audits as opposed to financial auditors' opinions on financial statements) "...the auditor does not give an explicit statement of assurance on the subject matter. In such cases, the auditor provides the users with the necessary degree of confidence by explicitly explaining how findings, criteria and conclusions were developed in a balanced and reasoned manner, and why the combinations of findings and criteria result in a certain overall conclusion or recommendation". (Cf. ISSAI 100, 32)

reports that the key messages did not follow from the audit's objective, and did not always answer specific audit questions;

- some aspects of report presentation made it difficult to see how the NCA was positioning its reporting to add value and extend its influence through the insight it provided. It was not always clear which report text was presented as background on the audited subject, and which reflected NCA observations from audit work.

In conclusion, we think that the NCA has a well-functioning operational framework for high-quality performance audits. Skilled staff with background in data analytics, audit and subject matter allows the NCA to take advantage of the data it has access to and to combine data with recent progress in quantitative techniques and mixed methods. The sample of NCA projects we reviewed generally seemed to examine relevant topics and used appropriate methods, but the clarity of assurance provided varied, and the focus of the audit was not always clear. We think that more attention to rigorous audit questions will make it easier for the NCA to develop strict audit criteria, and carry out more audits based on the principles of economy, efficiency, and effectiveness.

Overall quality considerations

The NCA has an overall quality management system (QMS) in place with different levels that are all crucial to audit quality. Although the QMS was not part of this peer review, we made a few observations on the operational effectiveness of quality control, and also related to quality assurance:

- the NCA has put in place elements to ensure the quality of its work and its published outputs. These include: a comprehensive audit cycle with procedural requirements for all audits; guidance for its staff on the implementation of audit standards; ensuring that training is available to new and existing staff; subjecting all of its reports to a quality review process; and obtaining feedback from experts external to the organisation;
- NCA staff that we interviewed remarked that the internal guidance tended to be fragmented between different sources, making it challenging for staff to be aware of everything they needed to know. We also found that valuable insights derived from the collective observations of internal quality reviewers were not systematically drawn together and used to drive improvement in the NCA's work.

Recommendations

The NCA has taken several steps in recent years to improve performance in all the reviewed areas. We acknowledge these efforts and the commitment of NCA staff to improve performance, and encourage the NCA to continue the journey of improvement it has already begun. We believe that a set of relatively small changes can bring great improvement to existing practices, and our recommendations are designed with a view to contributing to this development. The NCA's response to the recommendations and the peer review team's afterword are set out in a separate section of this report (page 42).

With regard to audit selection and programming, the NCA may wish to:

- Articulate clearly, both internally and externally, how it delivers on the unique external public audit function, and how it fulfils its mandate. Addressing this issue in the ongoing preparation and implementation of its new strategy would help the NCA to take advantage of its distinct position in the Dutch context.
- Work towards developing a high-level risk assessment across government to inform its programme and to inform the balance of its work across government sectors and themes. Although there is no perfect model, overall risk-based decision-making is key to confidently determining and communicating why the NCA chooses to examine certain things and not others.
- Systematically track progress of actual change and improvement in government as a result of NCA work, and report it externally. This would demonstrate that the NCA has delivered on its mandate and strategy, as well as inform its decisions on future audits.

With regard to financial audit, the NCA may wish to:

- Independently plan and execute its financial audit work and reconsider its heavy reliance on internal audit when obtaining the required level of assurance for each of the elements of its audit opinions. This is especially important regarding significant risks.
- Define and implement auditing standards that address each of the legislated audit requirements involving the reliability, orderliness, regularity, presentation, and consistency of financial and non-financial information. The use of clearly defined auditing standards adds transparency for both the auditor and the users of the reports regarding the auditor's efforts to reach the conclusions.

- Reconsider the form and content of its financial audit opinions to make them clear, concise, and compliant with applicable auditing standards, and consider how the different auditing standards used may be disclosed in the accountability reports. The content and structure of the accountability reports may be further streamlined by reporting uniquely on the results of the audit work performed. This would better reflect the responsibilities of the auditor and auditee.
- Seize the opportunity provided by Accountability Day to communicate and promote the importance of sound financial reporting by government and of the financial audit work performed by the NCA. This could include providing more prominence to the results of the NCA's financial audit work in the accountability reports that are released that day.

With regard to performance audit, the NCA may wish to:

- Distinguish its assurance publications (i.e., a performance audit with audit conclusions) from other published NCA work, both at the outset of the work and when the results are presented. As different outputs serve different purposes, this would make it clearer for auditors and users of the report what to expect when the NCA initiates a project, and how the results should be interpreted. Published reports should be stand-alone documents with sufficient information for readers to understand the parameters and methodology of work undertaken.
- Set and publish normative audit questions in all cases where it is producing a report with audit conclusions. Normative rather than descriptive audit questions would help the NCA to develop more rigorous audit criteria and provide assurance based on the principles of economy, efficiency, and effectiveness.
- Work towards a rigorous approach to audit criteria for designated audit work. Audit criteria are often based on laws, regulations, best practices, and other ways of reflecting citizens' legitimate expectations on the audited entity. Audit criteria can also build upon insights from a SAI's own history of auditing government. We believe that the NCA could further exploit its rich experience to build a library of useful criteria. Over time, such a practice will add to the NCA's distinct and authoritative voice.

With regard to quality control and quality assurance, the NCA may wish to:

- Update and maintain financial and performance audit manuals. For financial audit, an updated audit manual should include an update of the underlying

work instructions and a clarification regarding which work instructions are mandatory. This will provide up-to-date support in line with evolving standards and contribute to consistent application of the methodology.

- Reduce audit risk by ensuring quality control observations in financial audit to be completed prior to audits being made public on Accountability Day. This could be done by a risk-based approach to quality control.
- Systematically capture and share across the performance audit practice observations made by the performance audit quality review pool so that colleagues can learn from best practices and drive improvement together.

Introduction

The NCA's legal context and mission

1. The Netherlands Court of Audit (NCA; Algemene Rekenkamer) is the Supreme Audit Institution (SAI) of the Netherlands. The Constitution of the Kingdom of the Netherlands assigns to the NCA the responsibility for examining the State's revenues and expenditures. The NCA's powers and specific audit responsibilities are legislated through the *Government Accounts Act 2016* (the "GAA"). These responsibilities include the annual audit of the regularity, reliability, orderliness, and consistency of the financial and non-financial information in the ministries' and central government's annual reports (the "accountability audit"), as well as performance audits that examine the economy, efficiency, and effectiveness of government policy. The NCA also has powers to audit public funds outside central government, as well as contributions from the European Union.
2. The NCA states that its mission is to audit and improve the regularity, economy, efficiency, effectiveness, and integrity of central government and the institutions associated with it. It does so by means of annual accountability audits and by targeting its multi-year audit programme on policy fields and topics that it considers likely to have significant financial or social importance. The NCA's accountability reports are presented by the President of the Court of Audit to a plenary session of the House of Representatives once a year, on Accountability Day, when the central and ministerial annual financial reports are presented and examined. In addition to the annual accountability reports, the NCA publishes 15-20 performance audit reports, as well as letters to Parliament, and other publications throughout the year.

Current status and recent developments

3. The NCA is one of the oldest SAIs existing and is well renowned in the SAI milieu. Auditors from the NCA are in high demand on the international audit scene, and often participate in projects abroad. The NCA strives to achieve the highest standards of quality in its work.
4. The NCA has undergone major changes during the reviewed period. In 2016, it presented a new strategy with multi-year audit programmes, not only dealing with policy fields, but also with the NCA's approaches to audit. One of these programmes

included the further development of the NCA's accountability audits. Another concerned new audit methods and techniques to create better understanding of economy, efficiency, and effectiveness.

5. Prompted by the new strategy, but also by budget cuts, the NCA carried out an extensive reorganisation in 2017 focusing on the improvement of quality, *zakelijkheid* (business processes) and agility. The reorganisation led to the departure of many staff members. In 2018, the NCA was awarded an additional budget that will increase in increments until 2022. The NCA has used the additional funds to make significant investment in the recruitment, training and development of its staff. The staff turnover has been significant but is stabilising as the NCA's current strategic period is closing at the end of 2020.
6. NCA people are highly skilled, with a mix of knowledge and experience in audit, subject matter, and methodology. During the current strategic period, the NCA has tried new and advanced methods and innovative approaches to auditing and publishing its work, both in performance and accountability audit. A data hub has been created where experts in data analysis are gathered, and from where help can be provided to audits when needed. The NCA also has experts in design and data visualisation, and its reports include helpful graphics which make them easier to read and understand.

The NCA's working environment

7. The Netherlands has a wide ecosystem of audit, inspection, and evaluation within which the Court of Audit navigates and operates. The most important player in this environment is the Central Government Audit Service (ADR), a unit of the Ministry of Finance, which is charged with performing the audit function within central government. Other bodies include various research institutions that carry out evaluations on government policy.
8. A royal decree lays down the rules for the ADR which include the requirement for the ADR to audit the same information in the annual reports of the ministries and central government that the GAA requires the NCA to audit. The ADR reports administratively to the Minister of Finance, but works directly for the individual ministers to whom it issues its reports. The Minister of Finance forwards the ADR's reports on the ministries' annual reports to the NCA, which can use the ADR's

findings in accordance with the GAA. The Dutch audit system and its implications for the NCA is further explained in this report's section on financial audit quality.

Focus of the peer review

9. This peer review was carried out by a team of experienced auditors from the supreme audit institutions of Canada, Sweden, and the United Kingdom.
10. The main objective of the review was to assess the quality of the work of the NCA. Following a Memorandum of Understanding signed on 1 October 2019, the review concentrated on the NCA's audit selection and programming, its financial audit quality, and its performance audit quality. The review covered the NCA's current strategic period, which commenced in 2016 and will end in 2020.
11. The review team collected information through interviews with NCA staff and external stakeholders, document reviews including the NCA's 2018 Supreme Audit Institution Performance Measurement Framework (SAI PMF) self-assessment, focus groups, and the review of a sample of performance and financial audits (see the appendix for further details). The review was also informed by the INTOSAI Framework of Professional Pronouncements (IFPP), as well as the review team's own experience. Based on this information, the peer review identified good practices and areas for improvement, and made recommendations that the NCA may wish to consider. The recommendations are designed to assist the NCA in its efforts to further strengthen its audit practices.

Observations on audit selection and programming

12. This part of the report sets out our observations on the quality of the NCA's audit selection and programming. These include whether the NCA's audit mandate is appropriate to audit public funds, the NCA's approach to strategic planning, and the way in which this is reflected in its programming and selection of audit topics, so that the mandate may be fulfilled and impact achieved.

The NCA's audit mandate

13. SAIs generally recognise eight core principles as essential requirements of proper public sector auditing. These principles are set down in the *Mexico Declaration on SAI Independence* (INTOSAI-P 10). Among other things, the principles contain requirements on a sufficiently broad mandate, full discretion, and unrestricted access to information, for the proper discharge of SAI functions.
14. The NCA's audit activities cover central government and the institutions associated with it. This means that NCA audits not only ministries, but also autonomous administrative authorities working at arm's length from central government, such as wholly or partially state-owned companies. The NCA may, so far as it considers this necessary for the performance of its tasks, inspect all goods, records, documents, and other information carriers in all central government sectors in such a way as it may determine. In the revised *Government Accounts Act* that came into force in 2018, certain aspects of the scope and control powers of the NCA were formally widened. This partly included formalisation of what was already in place in practice.
15. The peer review team did not perform a full investigation of the appropriateness of the NCA's mandate. However, when comparing our understanding of the NCA's legal mandate with the *Mexico Declaration on SAI independence*, we did not see any conflicting items but one. This relates to the NCA's financial autonomy and was already identified in the NCA's 2018 SAI PMF self-assessment. We noted that, in the main, the NCA has a broad mandate to audit public funds, in terms of both powers and given tasks.

Approach to strategic planning

The NCA's mission, purpose, and priorities

16. In its published strategy for 2016-2020, the NCA states that its mission is to audit and improve the regularity, economy, efficiency, effectiveness, and integrity of central government and the institutions associated with it. Whilst this overall mission statement is clear, the NCA does not, in our opinion, present a consistent message throughout the document about its mission, purpose, and priorities, and its position in the terrain of public audit. In particular, we noted that the NCA's 2016-2020 strategic plan:
- has several different expressions of the NCA's purpose that vary in clarity and precision. There are few references in the strategy to core concepts and terminology of external public audit including: audit risk; assurance; audit opinion; holding to account; or driving governmental performance improvement;
 - presents central statements that are not clearly distinct from the roles of government itself. For example, the document attaches great importance to providing transparent reporting, which should be the duty of government, and less importance to assessing evidence to determine whether information or actual conditions conform to established criteria, which is the role of the SAI;
 - does not take the opportunity to distinguish between the role of the external public audit body and that of a number of research bodies within or outside government in the Netherlands.
17. The NCA has various ways to raise its role and mandate with both the legislature and the executive. Examples of good practices at a high level include talks and official consultations between Board members and representatives of the Senate and House of Representatives, and periodic meetings between the Court's President and the Minister of Finance.
18. From our interviews with a range of external stakeholders in the ministries of Interior Affairs (BZK), of Social Affairs, Welfare and Employment (SZW), of Economic Affairs (EZK), of Education, Culture and Science (OCW), of Foreign Affairs (BZ), and in the Research Department of the House of Representatives (DAO), we found that while auditees in our sample audits were informed of the process for each audit, there was little evidence of a shared understanding of the NCA's role. Some of the stakeholders we interviewed in ministries and Parliament

were unclear about the role, purpose, and added value of the NCA, and how it is distinct from various Dutch research bodies.

Example from the reviewing peers: How the UK NAO established Communities of Practice as a strategic tool

The UK NAO has for a number of years incorporated “communities of practice” which are cross-cutting groupings within its management structure. Each covers an area where the NAO has and continues to build expertise and deep knowledge, and wishes to project strategic messages with a distinctive NAO voice. Topics covered include corporate finance, major project delivery, and government contracting. They contribute to strategy and topic selection, and provide a “home” for staff wishing to share or develop expertise. These communities are now evolving further into [knowledge "hubs"](#). The NAO expects that everyone working on the value for money service line (performance audit), and many working on the financial audit service line or in functional teams, will develop wider knowledge and experience working with a hub, alongside their core expertise. Anyone can be involved in hubs and there will be a range of opportunities for people to be involved and be part of one or more hubs across the office.

19. From focus groups we conducted with NCA staff who came from a variety of professional backgrounds, we noted that there was a degree of internal debate among staff about what sort of work can be defined as “audit” and to what extent “non-audit” work is part of the NCA’s mandate. The diversity of the NCA’s staff is in the main a great strength, but the fact that a large part of staff is quite recently employed at the NCA, partly as a result of the NCA’s reorganisation, makes it all the more important that the organisation as a whole has a clear and common understanding of its role.

Recommendation

Articulate clearly, both internally and externally, how the NCA delivers on the unique external public audit function, and how it fulfils its mandate. Addressing this issue in the ongoing preparation and implementation of its new strategy would help the NCA to take advantage of its distinct position in the Dutch context.

Translating the strategic plan into programming

Good practices of the strategic and operational framework for audit selection and programming

20. The NCA has taken several steps in recent years to improve its audit selection and programming. We generally recognise these steps as good practices for strategic and operational frameworks. In particular, we noted that:
- all audit work must deliver on three strategic priorities, or reference points. The audits should critically follow public funds, explore themes with great

financial and social importance, and demonstrate the unique added value of an NCA audit;

- a strategic phase and strategic dialogue sessions were introduced in the audit process, with the aim to strengthen the internal dialogue on strategic planning and audit selection, improve the quality of audit proposals, and facilitate the Board's decision making. These strategic dialogue sessions, in which proposals for new work are presented and challenged by an internal panel, directly inform audit selection decisions;
- in addition to audit work within the multiannual framework and financial audits, capacity is also allocated to a flexible rolling audit plan, to allow for audits of emerging issues of interest;
- the NCA has also looked for creative ways to exploit its mandate, principally through introducing new credible research methods and means of presentation to add to its audit tools (see also the section on performance audit quality).

The NCA's programme of work is balanced but is not based on an overall risk assessment

21. The NCA has, in our opinion, made a rational attempt to balance its overall audit programme to deliver on its three strategic priorities. It has defined five thematic programmes of work which seem to reflect generic risks across government. As the NCA's 2018 SAI PMF self-assessment acknowledges, the NCA does not currently bring together an overall assessment of risk across government. Government-wide risk assessments are common practice among SAIs to inform audit programmes and consciously strike a balance between different types of audit work. Because of the lack of an overall risk assessment, it is unclear how fully the NCA is prioritising its work to cover the main audit risks across its audit field. It should be noted, however, that lower level risk assessments are made by each directorate covering risks within their fields of responsibility. Examination of these risk assessments were not part of the peer review.
22. In the absence of a government wide risk assessment, the peer review was not able to judge whether there is an audit gap in the areas covered by the NCA's audit mandate, i.e., if the NCA has blind spots for certain subjects. We think that a clearly articulated concept of external audit, together with a transparent risk-based foundation for its strategy, would help the NCA and its major stakeholders to

identify gaps in the coverage of its work. See also the section on financial audit quality for further observations on how the NCA uses its mandate.

Example from the reviewing peers: The Swedish NAO's approach to overall risk assessment

The Swedish NAO's overall risk assessment process is top-down and starts with identifying major societal trends assumed to have an impact on government activities a few years into the future. These trends are subsequently broken down into four government-wide risks, and further separated into sub-categories dealing with risks for deficiencies in terms of economy, efficiency, or effectiveness in central government. This rather simple risk assessment process is based on earlier audit findings in both performance and financial audits. It is supplemented by a bottom-up perspective, so that government-wide risks are matched with risks identified by audit units in their specific fields of operation. Lower level risk assessments are made separately for performance and financial auditing. The perspectives are combined into a long-term work plan as well as the annual audit plan. The overall risk assessment is updated annually.

23. While recognising that there is no perfect model, we believe that it is important for the NCA to build on existing elements of its approach to risk, modifying it to be a wider risk-based decision-making model so that every member of staff can contribute to and understand it. Transparency of thinking behind risk-based audit selection and programming has value in itself. Internally, it helps staff to see how their work fits in, and to see how senior management made decisions, even if they may have made different ones. Externally, it shows how external audit adds insight and warns against risks on behalf of taxpayers. External auditor insights about risk are different from government's insights because external auditors think in different ways and spot different patterns than government. This can include identifying repeated mistakes from government approaches, where large amounts of money are spent, but ministries do not readily learn from each other.

Recommendation

Work towards developing a high-level risk assessment across government to inform the NCA's programme and to inform the balance of its work across government sectors and themes. Although there is no perfect model, overall risk-based decision-making is key to confidently determining and communicating why the NCA chooses to examine certain things and not others.

Managing resources to make and measure impact

Accountability day is a unique opportunity

24. The NCA brings together financial audits, operational management issues, and performance audit policy cases across all ministries in its accountability reports, published simultaneously on Accountability Day in May each year. The reports are

accompanied by an annual address by the NCA President to Parliament. In addition, besides the deliverables for the key May deadline, the NCA delivers 15-20 performance audit reports as well as other publications each year. The results of these are published throughout the year.

25. The release of the accountability reports on a single day each year provides an opportunity for the NCA to make an impact with the findings of its financial and performance audit work across government. We were impressed by this unique way of integrating the work from both financial and performance auditors.

The NCA could do more to improve capturing beneficial impact

26. The NCA has several good ways of measuring and reporting the impact of specific audits. Examples include post-audit interviews with auditees as part of project evaluations, and follow-up audits to encourage audited entities to take earlier recommendations seriously. Furthermore, the yearly accountability audit includes a progress monitor on NCA recommendations, in which shortcomings are declared resolved only when the NCA has seen sufficient improvement by the ministry concerned. The NCA also reports the impact of a selection of audits in its annual report.
27. As the NCA's 2018 SAI PMF self-assessment acknowledged, however, audit impact is not systematically or structurally measured. In practice, the NCA uses measures that focus on media coverage and the number of its recommendations accepted by government, rather than going further and capturing actual *change* and *improvement* in government. Without this, there is a risk that the NCA is unable to demonstrate it has delivered its strategy and mandate as fully as it could.

Example from the reviewing peers: Impact monitoring

Evidencing causality is generally not straightforward and is approached in different ways by SAIs. As an example, the UK NAO captures both quantitative and qualitative beneficial changes resulting from its work that have been agreed with auditees, and publishes a selection of case studies. It also commissions consultants to gather in-depth annual feedback from officials at the auditees, and from parliamentarians via surveys and interviews. This is analysed and informs the NAO's stakeholder approach.

The Swedish NAO reports yearly on the impact of earlier recommendations from performance audits. Over time, a random selection of previous work is followed up in two stages: one light-version and one in-depth follow-up at a later stage. The yearly follow-ups also include the impact of modified financial audit reports and are presented at an open session in Parliament together with another yearly report which brings together the most important audit findings from the previous year.

Recommendation

Systematically track progress of actual change and improvement in government as a result of NCA work, and report it externally. This would demonstrate that the NCA has delivered on its mandate and strategy, as well as inform its decisions on future audits.

Observations on financial audit quality

28. This section of the report sets out our observations related to financial audit quality. They concern the NCA's mandated annual audit work, the selection and application of standards, the quality of the audit work that was carried out, and how it was reported.
29. The NCA's financial audit is part of its accountability audit. Its opinions presented in the accountability reports include opinions on:
- true and fair view of financial information;
 - legality and regularity of financial information;
 - whether operation management information is prepared in sound manner and not contrary with the financial information; and
 - whether policy information is obtained in sound manner and not contrary with the financial reporting information.

The Dutch audit system

30. The NCA's annual audit of the financial and non-financial information in the ministers' and central government's annual reports is regulated in the *Government Accounts Act 2016* (the "GAA") (see Introduction section of the report).
31. The GAA stipulates that the NCA may, without prejudice to its powers to conduct its own audits, make use of the findings of others. International auditing standards such as the ISSAIs include requirements for the external auditor when using the work of internal audit.
32. The NCA makes use of the work of the internal audit function of the government, performed by the Central Government Audit Service (ADR). The ADR performs its audits in accordance with internationally accepted auditing standards and issues auditors' reports in accordance with those standards. Its responsibilities with regard to the financial information are the same as the legislation requires of the NCA. The NCA regards the internal audit function as a specific internal control measure, which is relatively independent from the government's operational departments and controllers, but is nonetheless under the influence of management. Based on that assessment, the NCA obtains a significant amount of its audit assurance from work performed by the ADR, and mainly reviews the work performed by the ADR.

33. According to the NCA, in 2018, the ADR spent approximately 50,000 working days within the framework of financial audit. The corresponding figure at NCA was approximately 3,200 days. It should be noted that the two organisations have the same responsibilities in certifying the central government's financial information.
34. When assessing the NCA's financial audit work, we have carefully considered the effects of the Dutch audit system, which include certification of the financial information from both the internal audit function as well as from the NCA. We have not assessed the work carried out by the ADR.

The NCA's mandatory annual audit work

The NCA audits annual reports as required by law

35. A review of a sample of 2018 audit files confirms that the NCA performed its mandatory annual audit work, and reported the results in the ministry/fund accountability reports and in the State of Central Government Accounts report, as required by legislation.
36. As stipulated in the GAA, the purpose of these audits is to establish whether the criteria in the government's financial reporting framework that relate to reliability, orderliness, regularity, presentation, and consistency of information have been met. During our sample review, we noted it was sometimes difficult to ascertain whether sufficient and appropriate audit evidence had been obtained to opine on each of these criteria. This was due to a lack of documentation linking the audit procedure and results to the criteria under audit.
37. The broad legislative requirement to audit operational management is addressed annually. This is done by performing audit work on selected elements of operational management directly related to the financial information in the annual reports and to areas of high importance to the public tasks and services of the audited entities. We found that the NCA appropriately chooses to target the particular areas of operational management which it considers have had an impact on financial reporting each year. This focus on selected risk areas, rather than trying to review too much every year at a high level, provides for impactful recommendations.

Importance of financial audit at the NCA

38. Financial audit is at the core of the NCA's mandate. The assurance that is provided by a SAI's external audit opinion on the financial information prepared by a government is fundamental to the accountability relationship between Parliament and the government, irrespective of how the internal audit system may be set up.
39. Like its peers, the NCA must find the appropriate balance when determining what portion of its limited resources to allocate to financial audit in order to meet its statutory obligations. Some of the NCA staff we spoke with regarding the 2018 audits expressed some concerns about the financial audit capacity that year. We commend the NCA for addressing this concern by increasing the capacity and audit hours for its financial audit practice in 2019.
40. Despite the level of audit effort required to issue the financial audit opinions, it is also common among SAIs that financial audit results do not garner the same level of attention from parliamentarians and the public as do the release of performance audit results. The NCA is in the enviable position of having Accountability Day and accountability audit reports as platforms to speak directly and publicly about the importance of sound financial reporting by the government and about the results of its own financial audit work. We found that the NCA could better use these platforms to highlight the importance of the work of its financial audit practice.

Example from the reviewing peers: Reporting of financial audit results in Canada

In addition to the reports it provides to those charged with governance on the results of each of the annual financial audits it performs, the Office of the Auditor General of Canada (the OAG) seeks to raise awareness of its financial audit work by preparing an annual commentary report to Parliament. This report highlights the results of all the financial audits of federal organizations the OAG conducted during the year, and also includes an educational component to help parliamentarians understand the financial information that the government provides them in order to exercise parliamentary oversight.

Recommendation

Seize the opportunity provided by Accountability Day to communicate and promote the importance of sound financial reporting by the government and the financial audit work performed by the NCA. This could include providing more prominence to the results of the NCA's financial audit work in the accountability reports that are released that day. For example, the NCA could include the significant errors and uncertainties in regularity that were found in the financial information on the main conclusion page in all of its accountability reports.

The selection and application of standards

41. The INTOSAI framework for independent audit work for SAIs distinguishes between standards on financial audit, compliance audit, and performance audit. The accountability audit process within the NCA mandate includes elements of all these audit activities. In that sense, it can be considered as a hybrid audit.

Accountability reports do not clearly identify applied auditing standards

42. INTOSAI's auditing standards have been partially applied, as disclosed by the NCA when it refers to the "audit being based on the ISSAIs" in the accountability reports. However, we noted that which standards are applied, and to what extent, is not clearly defined. The expression "based on" does not clearly indicate whether this refers to the fundamental principles or the standards in the ISSAI framework. It is also unclear for an external stakeholder if, and to what extent, other standards or fundamental principles than those related to financial audit are applied.
43. In its internal methodology documentation, the NCA has identified some ISSAIs on financial audit they consider not relevant in the Dutch environment. For example, the ISSAI on forming an opinion and reporting on financial statements has been identified as not relevant by the NCA because the legislated reporting requirements differ from those required by the ISSAIs. The ISSAIs are clear that if law or regulation stipulates other wording when reporting on the financial statements, the use of that wording would not affect the proper application of the reporting standards. The additional tasks, such as the opinion on operational management that the NCA is required to report on, can be reported under a separate heading in the report. Such report sections should clearly state the additional responsibilities, the criteria used and the assurance opinion.
44. Other ISSAIs which could be considered relevant, such as the standards on understanding the environment and identifying and assessing risks, as well as responding to these risks, might receive some attention in the audits in practice, but have not been dealt with in detail in the methodology, as a result of the extensive reliance on internal audit. This reliance on the work of internal audit in the Dutch context does not, in our view, diminish the need for the full adoption and application of these standards. The ISSAI framework clearly states that reference to the standards should only be made if all relevant requirements are applied.

45. The NCA responsibilities are wide and include regularity issues as well as operational management and other reporting presented in the accountability reports. The nature of the different mandated tasks and opinions that are issued means that the NCA is faced with the decision to apply other standards or develop supplementary standards for some areas, in addition to applying the full set of ISSAIs for financial audit. We found that the NCA has not fully examined its mandated audit responsibilities and their implications for appropriate standards in this respect.

Examples from the reviewing peers:

How the reviewing peers have developed their own standards for financial audit

There are often specific requirements within SAI audit mandates that are not covered by the INTOSAI framework. The Swedish National Audit Office (SNAO) has a legislative requirement to issue opinions on whether management has followed appropriate legislation, and to report on performance reports which form a part of the separate annual reports issued by the authorities in Sweden. To deal with requirements that are outside the INTOSAI framework, the SNAO has issued its own auditing standard in order to be transparent regarding the audit work carried out. Other examples may relate to SAIs sometimes having specific requirements to report on issues related to fraud and corruption.

Use of auditing standards that are “based on” international standards

An option that is available to the NCA: rather than trying to adopt the ISSAIs as an indivisible set of standards is to use the ISSAIs as the basis for developing its own auditing standards. The OAG uses Canadian Auditing Standards (CAS), which are established by Canada’s national Auditing and Assurance Standards Board, to execute its financial audits. Although CAS are largely derived from International Standards on Auditing, there are some differences, and these are clearly identified in the CAS by preceding the paragraph number with a “C”.

Recommendation

Define and implement auditing standards that address each of the legislated audit requirements involving the reliability, orderliness, regularity, presentation, and consistency of financial and non-financial information. The use of clearly defined auditing standards adds transparency for both the auditor and the users of the reports regarding the auditor’s efforts to reach the conclusions.

Independence and quality of financial audit work carried out

The Central Government Audit Service and legislated requirements regarding reliance on its work

46. The Central Government Audit Service (ADR) is required to audit the same information in the annual reports of the ministries and central government that the *Government Accounts Act 2016* (the “GAA”) requires the NCA to audit. Although the scope of these audits is the same, the goal is quite different. The work that is performed by the internal audit function within each ministry provides assurance to

the individual ministers that the annual reports they have prepared meet all of the legislative requirements. The work performed by the NCA, however, provides an external and independent audit opinion to Parliament with assurance that it can discharge the individual Ministers of their liabilities. Therefore, there is a clear distinction between the roles of internal audit versus external audit in the Netherlands.

47. The GAA indicates that the NCA may, without prejudice to its power to conduct its own audits, make use of the findings of audits conducted by others. As such, the legislation does not require the NCA to use the work of internal audit, but does allow it to do so. For reasons explained earlier in the report (see paragraph 32), we noted that the NCA has found it beneficial to use the work of internal audit as much as possible. The NCA recognises that it needs to carefully consider the extent of reliance that it is placing on the work of internal audit in the context of compliance with the ISSAIs.
48. The situation with two certifying bodies is not specifically addressed in the ISSAIs. Due to reasons stated in paragraph 32, as well as for efficiency reasons, the NCA has decided on an approach to the application of the ISSAI: using the work of internal audit that, in the NCA's opinion, takes into account that the ADR is issuing certificates (auditor's reports) in accordance with professional standards. The peer review team agrees that the Dutch situation is not addressed by the ISSAIs, but does not agree with the interpretation made by the NCA. Any internal function conducting internal audit work and tasks should be regarded as internal audit. Our interpretation of the ISSAI on using the work of internal audit is that the requirements apply whether the work includes certifying the financial information or not. The NCA has an external audit responsibility which, in our view, includes independent risk assessment and planning of procedures to address the identified risks. When such risks have been independently assessed, the NCA may make use of the work of others if the work is relevant to address these risks.

Over-reliance on ADR work related to significant risks

49. The NCA makes extensive use of the ADR's work. After performing a thorough yearly assessment of the ADR independence and competence, a large part of the NCA's financial audit work consists of reviewing the ADR's risk assessment and planning, and then re-performing the ADR's audit work. If the NCA establishes that the ADR's internal quality control functions properly, and that there is little likelihood of error in the relevant part of the internal audit, the NCA concludes that

they can substantially reduce the review, i.e., re-performance, of the ADR's work. The NCA consults with the ADR on the operational and audit methodology aspects of the internal audit work and its results on an ongoing basis.

50. According to the ISSAIs, if there is an internal audit function that the auditor wants to rely on, the auditor shall assess the internal audit responsibility, function, competence, and audit procedures. We found that the NCA does carry out such assessments of the ADR. The peer review team also has findings related to the use of the work of internal auditors where the NCA does not fully comply with the requirements in the ISSAIs. These findings (presented in paragraphs 51 to 54) are, according to the NCA, a logical consequence of its interpretation of the ISSAIs in the Dutch audit system. As stated in this report (paragraph 48), the peer review team does not agree with this interpretation.
51. The ISSAIs require the auditor to perform a risk assessment to identify and assess the risk of material misstatement at both report and assertion levels. For example, the risk assessment includes gaining an understanding of the entity's environment, activities, financial management, and internal control. We found that some sample audits we reviewed show that, while planning the audit, the NCA did not always independently gain an understanding of risks at the assertion level and key controls related to the identified risks. Much of this work was based on the ADR work and documentation.
52. Similarly, when gathering audit evidence, reviewing the internal audit documentation, re-performing some tests and assessing its completeness may not be regarded as sufficient to demonstrate the independence of the audit conclusions. When risks are significant, more independent audit work is required by the ISSAIs and would be expected. A large part of the NCA audit work consists of re-performing internal audit procedures mainly directed to significant risks, but we have noted that also other risks levels are subject to re-performance.
53. We also found that there are agreed procedures for escalating issues, such as when the NCA does not consider that the ADR has performed sufficient audit work. The approach used in these cases is to ask the ADR to perform more extensive audit procedures. We would expect the NCA to develop and perform its own audit procedures to obtain the necessary evidence to support and form its own independent opinion.

54. There is an ongoing internal NCA discussion on the number of re-performances to be executed on internal audit work. More important than the number of re-performances is to ensure that they are executed properly, and address the identified risks. This is especially relevant in the case of significant risks. We saw examples of re-performances that were done completely based on the sample selection made by the internal auditor. The NCA did not analyse the original source to assess whether the internal auditor made an appropriate selection before evaluating the use and the extent of re-performances, nor did it obtain the original source documentation to re-perform the selected tests. It should be noted that the procedures carried out were in line with the NCA's internal policy and view on reliance on the internal audit function.

Recommendation

Independently plan and execute the NCA's financial audit work and reconsider its heavy reliance on internal audit when obtaining the required level of assurance for each of the elements of its audit opinions. This is especially important regarding significant risks.

Report presentation

55. The NCA accountability reports are the mechanism through which it reports to Parliament on the results of its financial audit work, together with regularity issues and other findings.

Disclosing accounting and auditing standards

56. The GAA sets out requirements for the structure and content of the financial information included in the annual reports. In addition, the Minister of Finance lays down rules for reporting any errors and uncertainties in the annual reports (i.e., standard for "regularity"). However, the NCA's audit reports do not clearly identify the accounting standards applied for all the areas under audit. Limited information on the accounting standards is disclosed in the "About the accountability audit" section in an appendix of each accountability report. However, this information is incomplete. It is a best practice to have a section in the report that clearly states the basis for the financial reporting on which the auditor's conclusion is based.

57. In addition, the audit reports do not elaborate on the details of the auditing standards used to execute the audit work. This means that the reports do not provide the users with a clear and transparent view of the auditor's work and responsibilities to fully understand the basis for the opinions and how the audit was executed. It is customary to describe the auditor's responsibilities by clearly stating

the standards used for reaching the different conclusions, and a short description on the responsibilities according to those standards.

Opportunities to streamline the reporting

58. The NCA chooses to present audit opinions in separate sections of its accountability reports for each of the criteria under audit. In addition, it provides opinions at both the aggregate and article levels. We noted that the way the NCA presents the multiple audit opinions seems repetitive, and differs from what is internationally recognised: generally a stand-alone, independent auditor's report that includes all of the opinions and the basis for them in one concise document.

59. We also noted that the accountability reports include background information about the ministries and their performance results that is not relevant to the audit and its findings and could therefore be removed.

Recommendation

Reconsider the form and content of the NCA's financial audit opinions to make them clear, concise, and compliant with applicable auditing standards, and consider how the different auditing standards used may be disclosed in the accountability reports. The content and structure of the accountability reports may be further streamlined by reporting uniquely on the results of the audit work performed. This would better reflect the responsibilities of the auditor and auditee.

Observations on performance audit quality

60. This part of the report presents our findings on the quality of the NCA's performance audit work. The observations concern the NCA's overall approach to performance auditing and report presentation.

The NCA's approach to performance auditing

The NCA has built capacity and an operational framework for high quality performance audits

61. The focus of the NCA's performance audits is to provide insight into the economy, efficiency, and effectiveness of central government and the institutions associated with it. The NCA carries out full-scope audits in diverse policy fields and more restrictive audits, such as policy cases, as part of its accountability audit. The NCA also publishes reports without conclusions and recommendations. These too may be broad work spanning across policy fields, or narrow, quickly conducted "focus reports" that look at relevant topical subjects. The results of this varied portfolio are presented in either reports, letters to Parliament, fact sheets, or occasionally, themed websites.
62. As a result of one of its strategic programmes, the DOEN (Develop, Decipher, Explore and Network) programme, the NCA has built up capacity for data analysis to be applied in its performance audit practice and accountability audits. To this end, it has recruited personnel with background in data analytics. This allows the NCA to take advantage of the data it has access to and to combine it with recent progress in quantitative techniques. Mixed methods are also applied in its performance audit practice. In addition, the NCA has a Design Audit Studio with expertise in visualising audit results, which makes them more accessible to its audiences.
63. All performance audits follow the common steps of the NCA's audit cycle, consisting of a strategic phase, and stages for project proposal, audit execution, reporting, publication, and project review. Various quality control measures are included in the process to safeguard the quality of the audits. See also this report's section on quality control.

64. The peer review team was impressed by the capacity and operational framework for high quality performance audits that the NCA has built up in recent years. This was accomplished despite high staff turnover and other challenges during the period. The NCA's ambition is to continue to develop its performance audit practice in the years ahead. More specifically, it wants to carry out more audits based on the principles of economy, efficiency, and effectiveness. It asked the peer review team to explore the opportunities to further develop such audits at the NCA, and sought our advice regarding the standards, or audit criteria, applied.

Sample audits were mostly descriptive

65. The audit reports in our reviewed sample were closely aligned to the NCA's strategy, examining how public money is spent within government programmes or across central government. Several audits in the reviewed sample demonstrated how the NCA uses graphics in an informative way. There are also examples of quantitative data analysis, and more unconventional methods used for testing the effectiveness of Government measures.

66. Two of the six sample reports were examples of non-assurance reports where the NCA made a deliberate choice to not deliver audit conclusions or recommendations. In other words, they were descriptive rather than normative, and did not judge whether government policy was implemented effectively and efficiently, nor did they give recommendations for improvement.

67. The NCA believes that descriptive reports add value and increase the impact of the overall portfolio, and the peer review team agrees. Often this type of work can fulfil a useful scene-setting role for Parliament and the public, before the SAI carries out a more traditional audit. However, we found in the sample that the distinction between audit reports, and reports without audit conclusions, was unclear. There were no statements in the reports to indicate their purpose, whether it was an assurance report (that is, a performance audit that followed INTOSAI standards) or another NCA report with a different purpose. This makes it unnecessarily difficult for readers to know what to look for in the reports and to know whether the NCA has an opinion, or if/how far readers should draw conclusions of their own from the NCA's description of the topic.

68. Four of the six audit reports in our sample had conclusions and recommendations, but these reports too were mostly descriptive. We believe this is because the audit questions the NCA intended to answer, with few exceptions, were "how" or "what"

questions, resulting in a descriptive rather than normative point of departure for the audit. The current way of formulating audit questions also makes it harder for the NCA to develop rigorous audit criteria, which is needed to provide assurance.

69. Adding descriptive questions in an audit can sometimes be useful. However, based on our experience, when auditing economy, efficiency, or effectiveness, it is often preferable to set questions in a format that can be answered with yes or no. Such questions direct the auditor's work towards making an evaluative response and establishing an opinion. This requires the auditor to set proper audit criteria, and will involve analytical work to establish why the criteria were or were not met.
70. The primary objective of most of the sampled audits was to provide insights and bring transparency regarding how public money is spent. Our interviews with external stakeholders indicate a risk that audits where the objective is to give insight do not add much value to Parliament or to the auditees on how to improve performance.

Example from the reviewing peers: The UK NAO approach to descriptive reports establishing facts

Experience from the UK NAO suggests that descriptive reports that are distinct from regular audit reports get attention in Parliament and may have great impact. The NAO has a clear concept for so-called "investigations" that are timely, factual, and targeted reports without conclusions or recommendations. The NCA's "focused reports" are similar to NAO investigations, and may serve as an important vehicle where the NCA is seeking to establish facts and report quickly (for example, for the purpose of transparency and accountability).

Recommendation

Set and publish normative audit questions in all cases where the NCA is producing a report with audit conclusions. Normative rather than descriptive audit questions would help the NCA to develop more rigorous audit criteria and provide assurance based on the principles of economy, efficiency, and effectiveness.

Setting rigorous audit criteria is a challenge

71. The sample of NCA projects we reviewed generally seemed to examine relevant topics and used appropriate methods. There were examples of audits with clear audit criteria that were used to make audit judgements on effectiveness, but there were also examples with weaker criteria. One of the reports with conclusions and recommendations did not state audit criteria at all, whereas one of the reports without conclusions did state criteria. This lack of clarity and consistency did not

help to give the reader confidence in the rigour and focus of the NCA's approach to these audits.

72. The NCA has indicated that audit criteria are difficult to set for audits where the intention is to make judgements whether an activity has accomplished its intended purpose (effectiveness) or the relationship between resources employed and outputs delivered (efficiency). Rigorous audit criteria may reflect everything from *what should be* according to laws, regulations or objectives; and *what is expected*, according to sound principles and best practice; to *what could be*, given better conditions. Successful criteria reflect citizens' legitimate expectations on the audited entity and they should preferably be accepted by all stakeholders. Such criteria may well draw upon the SAI's past experience of examining similar issues across government.
73. Audit criteria are part of what distinguishes an audit from an evaluation performed by other research bodies. We acknowledge that establishing firm criteria is a difficult task. It requires training, experience, and needs attention throughout the audit process. Examples from the reviewing peers' approaches to deriving performance audit criteria and working towards improved audit discipline are provided below.

Examples from the reviewing peers:

How the UK NAO derives performance audit criteria in common areas of risk to public money

SAIs can mine their back catalogue of audit work for lessons learned and good practice. This can provide insight to government and also establish criteria for further audit work in these common areas of risk for government, which are natural territory for SAIs. For example, the NAO has published frameworks, insights, and emerging best practice covering [contract-management](#) and management of [major projects](#). These products, while not audits in themselves, clarify the auditors' and Parliament's expectations of government, help government learn from previous experience, and act as a "shop window" for the work of the SAI, for example at conferences and workshops.

Developing performance audit criteria at the Canadian OAG

In Canada, audit teams are required by standards to develop audit criteria that are relevant, complete, reliable, neutral, and understandable. Audit criteria can be selected or developed in a variety of ways. They are often based on laws and regulations because they relate to the entity or the government as a whole. They are frequently derived from central agency or entity policies, directives, guidelines, and plans. Criteria can also be based on international commitments Canada took; for example, the United Nation's sustainable development goals. During the process of selecting or developing suitable criteria for an audit, audit teams document significant professional judgements made to assess the suitability of audit criteria, including documenting advice received from the appropriate internal specialist and some rationale that explains why the criteria are considered suitable in the context of the audit.

Practices to improve audit discipline at the Swedish NAO

Similar to the NCA's challenges, the Swedish NAO went through a re-organisation (2016) and recruited staff with skills in advanced methodologies and expert knowledge in different policy areas. Important aims were to be able to say more on the actual effects of government policy and to increase productivity.

However, too little attention was given to traditional audit parameters. As a result, some of the published reports turned out as descriptive surveys or high-quality evaluations with narrow scope, rather than traditional performance audits. New Auditors General with alternate approaches took office in March 2017. The Swedish NAO has since worked hard to improve audit discipline, while taking advantage of new skills and capabilities among its staff. A few examples:

- A revised and developed performance audit process and support for plain and persuasive language are two important tools for improving performance auditing. As directors are responsible for audit quality and coach the audit teams in their work, this contributes to a more consistent view on performance auditing throughout the organisation.
- Each audit team must be staffed with strong performance auditing skills, and knowledge of subject matter and methodology. Temporary assistance can also be drawn from other colleagues and from external experts in subject matter and methodology. Strengthening performance auditing is a long-term mission for the Swedish NAO.
- All audit work is scrutinised by quality reviewers at two points during an audit, and debated at internal seminars open to all colleagues. At these occasions, audit design including questions, criteria, and method is challenged. Learning what constitutes a high-quality audit design is promoted by the fact that all performance auditors are part of the pool of available quality reviewers.
- Each audit team is also followed by an appointed in-house legal adviser to support the team in interpreting legal issues as well as the legislature's intention behind government policy, which is helpful in developing audit criteria.

Recommendation

Work towards a rigorous approach to audit criteria for designated audit work. Audit criteria are often based on laws, regulations, best practices, and other ways of reflecting citizens' legitimate expectations on the audited entity. Audit criteria can also build upon insights from a SAI's own history of auditing government. We believe that the NCA could further exploit its rich experience to build a library of useful criteria. Over time, such a practice will add to the NCA's distinct and authoritative voice.

Report presentation

The presentation of NCA reports focuses on key messages with effective use of graphics

74. The NCA has made a deliberate choice to optimise impact by focusing its published reports on key messages. The key message of each report is decided upon by the team and the rapporteur concerned, i.e., the Board member who is responsible for the report. This conscious approach may mean that not all audit questions and findings will necessarily be incorporated in the final report.

75. According to international standards, an audit report shall be, among other things, comprehensive. This means that it needs to include all information and arguments needed to address the audit objective and audit questions. In this regard, we believe it is important that key messages follow from the stated objective of the report, and have answers to specific audit questions. This was not always the case for the sample of NCA reports we reviewed.
76. The reports we sampled made good use of graphics to help illustrate and communicate the key messages. Reports contained diagrams, figures, and tables to support information and findings, at times helpfully simplifying complex issues. In the case of one report, the value of the graphics extended beyond illustrating an NCA audit report; stakeholders themselves had used the graphics to explain complex financial processes to each other. Key messages were impartial in tone.
77. Because of the descriptive character of the reports in our sample, it was not always clear to us which report text was presented as background for the audited subject, or where the text reflected observations that resulted from audit work. This made it difficult to see how the NCA was positioning its reporting to add value and extend its influence, setting out clearly what work NCA had done, what it had found, its insights, and what it had concluded as a result of its work.

Limited information on product parameters

78. As stand-alone products, audit reports need to provide sufficient information for readers to understand the parameters of the work completed. This contributes to how persuasive a report is, as it “sets the stage” for the readers’ expectations to understand the results and how to interpret them, so all readers have a consistent understanding of the report’s findings.
79. The reports we sampled did not fully present details on the methodology used. While the reports had appendices that contained some information on the methodology, including audit questions and criteria where present, the audit criteria were not always sourced, so that readers could see how the criteria were derived. In addition, not all of the reports stated what period the audit work covered.

Example from the reviewing peers: Report drafting practices at the Canadian OAG

- All audits are subject to strict adherence to a templated format. The template includes an “About the Audit” section that presents detailed information in one place, including methodology used, standards followed, criteria, timeframe of the audit, and names of the audit team.
- All audits are assigned an editor, either in house or a contractor.
- All audits produce a single page document of main findings, and are facilitated by a communications expert through a mapping exercise to identify the main messages and a flow of the report.
- Each report is stand alone. There are no references to documentation external to the audit report, whether it be management’s response, audit methodology specific to the report, or otherwise.

Recommendation

Distinguish assurance publications (i.e., a performance audit with audit conclusions) from other published NCA work, both at the outset of the work and when the results are presented. As different outputs serve different purposes, this would make it clearer for auditors and users of the report what to expect when the NCA initiates a project, and how the results should be interpreted. Published reports should be stand-alone documents with sufficient information for readers to understand the parameters and methodology of work undertaken.

Observations on quality control

80. The NCA's overall quality management system (QMS) has four levels: quality of staff, quality control in audit projects, quality control reviews during audit projects, and quality assurance. Although the QMS was not part of this peer review, we made some observations on the operational effectiveness of the system of quality control. This section of the report sets out these observations and comments briefly on some quality assurance aspects.

The NCA has put in place many elements to ensure quality of its work

81. In order to produce accurate and reliable reports, the NCA has put in place many elements to ensure the quality of its work and its published reports. These include: a comprehensive audit cycle with procedural requirements for all audits; guidance to its staff on the implementation of audit standards; ensuring training is available to new and existing staff; subjecting all its external products to a quality review process; and obtaining feedback from external experts.

Reviews by External Experts (part of quality assurance)

82. As part of monitoring activities undertaken, ISSAI standards encourage SAIs to consider external assessment of the quality of the work produced. The NCA has done this on several occasions. In 2007, a peer review of performance audit within the NCA was performed. Twice in the last five years, a selection of publications was reviewed by external experts. These external expert reviews are a valuable exercise to provide the NCA with a different perspective and suggest different approaches to the set-up, conduct, and relevance of its work. The NCA's quality assurance team has issued internal reports on the common threads from these external reviews, which have been discussed with the management team and the Board. All staff members can see the reports if they wish to.

Internal guidance tended to be fragmented between different sources

83. The NCA's audit cycle comprises procedural requirements applicable to the different phases of the NCA's audit process as well as subject-matter assistance. The NCA is currently adding more documentation to the audit cycle.

84. Whilst the audit cycle lists procedures and most subject-matter assistance, some of the quality control reviewers we interviewed remarked that guidance was

fragmented between different sources, and stated that guidance on basic audit methodology is not as easily accessible for staff. The financial audit manual, as well as the performance audit manual, are outdated, but are currently being updated. Awareness of existing guidance so that staff knows where to find everything they need is particularly important in the current NCA context, where a recent re-organisation resulted in a significant turnover of staff.

85. Financial audit work instructions are long and not practical to use. There is also confusion on which guidelines or work instructions are mandatory and which are not. Significant work instructions are missing, for example *ISSAI 1315 – Identifying and Assessing the Risks of Material Misstatement*.

Recommendation

Update and maintain financial and performance audit manuals. For financial audit, an updated audit manual should include an update of the underlying work instructions and a clarification regarding which work instructions are mandatory. This will provide up-to-date support in line with evolving standards and contribute to consistent application of the methodology.

Financial Audit quality control reviews

Quantity of reviews undertaken by quality control team is impressive

86. We found that all engagements are reviewed yearly, even though financial auditor resources are limited. These reviews are conducted by colleagues who are audit practitioners executing their own audits. In addition, findings are consolidated and shared with the management team through memoranda. Financial auditors are knowledgeable, committed to providing quality reviews, and are qualified to undertake financial audits.

Quality control reviewers' expectations are not always in line with those of the practice

87. Quality control reviews are based on reviewers' interpretation of ISSAIs. However, audit teams rely on internal guidance, which can be outdated or difficult to find, to plan and execute their audits. Since there is no common understanding between the quality reviewer and the engagement leader of the methodology that should have been applied, quality control reviewers' expectations are not always in line with those of the practice.

Follow-up on quality control issues is not effective

88. With the exception of the planning phase, quality control reviews of financial audit files are performed or concluded after Accountability Day. In some instances, we found the quality control review started prior to Accountability Day, however the whole quality control review was not finalised before the day itself, and the conclusion regarding execution and reporting of the audit was done post-Accountability Day. In addition, there was no time reserved for a discussion on the results between reviewer and audit team. As a result, audit teams interviewed did not provide their detailed responses to the findings. A summary report was prepared and presented to the management team after Accountability Day, and the recommendations provided had yet to be implemented at the time of the peer review.
89. By performing quality control reviews and agreeing on findings with the financial audit team prior to Accountability Day, the NCA may ensure all key risks and significant matters have been addressed and documented appropriately and in accordance with ISSAIs and NCA's methodology. We understand that the NCA is currently exploring an implementation plan to address some of our findings as outlined above. Introducing quality control reviews at the engagement level for audits based on risk, rather than trying to capture all engagements, may be a way forward. Such a system, combined with more extensive quality controls carried out on a periodic basis after the issuance of the reports, may be a possible way to create a system which is not so time sensitive. While the NCA proposal will address some of the areas of improvement, we believe an approach based on risk and timeliness will significantly improve the NCA's quality control process at the engagement level.

Recommendation

Reduce audit risk by ensuring quality control observations in financial audit to be completed prior to audits being made public on Accountability Day. This could be done by a risk-based approach to quality control.

Stressors on the quality review process

90. The NCA's financial audit quality reviewers are experienced, dedicated, and have a good understanding of their role and the impact of their work. However, we noted stressors on the quality review process. These stressors include:
- The resources available for quality reviews is limited. This has made it difficult to keep up with demand for its services.
 - Quality reviewers also have other responsibilities within the audit practice which can sometimes lead to conflicts in priorities or independence issues.

- Financial audits are performed over a limited time period which presents an additional challenge for both audit teams and quality reviewers.

Performance Audit quality control reviews

Quality review process works well, but insights are not used systematically

91. The NCA has developed and established a quality review process for its reports, which has sound elements to support the quality of its work. The NCA requires that every draft product be submitted for review by the quality control pool at multiple points in the audit process. These reviews are conducted by colleagues who are audit practitioners executing their own audits. The review team is comprised of two auditors who, if possible, remain with the audit for the duration of the engagement. In addition, reports which rely on data analytics as a source of evidence are also subject to a technical review by a member of the data analytics team. The NCA's quality control pool is uniquely placed to identify areas for improvement within its performance audit practice.
92. The quality control pool collects common threads of the reviews, on average once a year. The results are shared with the directors, although not with staff and the Board. There is, however, no systematic central gathering and reviewing of overall quality review messages. Potential insights derived from the collective observations of the reviewers were not systematically used to incorporate improvements to the quality of the work conducted at the NCA.

Stressors on the quality review process

93. Whilst the NCA's performance quality reviewers are also qualified and dedicated, we also noted stressors on the quality review process for performance audits. These stressors include:
 - The quality review pool has lost many experienced reviewers since the NCA's reorganisation. This has made it difficult to keep up with demand, and made it sometimes difficult to assign experienced reviewers to mitigate the risks present in each product.
 - Reports submitted for quality review are not always sufficiently complete for review.
 - The amount of time allocated by audit teams to incorporate the feedback received from quality reviewers is often limited. Depending on the scale and

nature of the observations made by the quality reviewers, there is a risk that they may not be fully considered or incorporated.

Example from the reviewing peers: Quality Review (QR) at the Canadian OAG

- A methodology team includes practitioners who are uniquely assigned to the group for several years, and whose responsibilities include:
 - Maintaining audit methodology (policies, guidance, procedures, templates, and checklists).
 - Updating the audit manual, which is available to all staff. The document is updated at least once a year to reflect changes in auditing standards;
- An audit services team assesses each engagement leader's rationale for Quality Reviewer (QR) assignment to their files, and assigns QRs. QRs are generally selected from a pool of engagement leaders:
 - A QR is assigned based on a series of established criteria that consider such things as the nature of the entity's operations, the existence of very complex and specialised transactions or issues that require significant professional judgment to evaluate, the composition of the engagement team, such as a newly appointed engagement leader, significant turnover in the engagement team, or the team's limited experience with the objectives or subject matter of the engagement, etc.
- The Quality Reviewer's role includes the requirement to perform an objective evaluation of the significant judgments made by the engagement team as well as evaluation of the conclusions reached. This includes:
 - Discussion of significant judgments with the engagement leader and with key members of the engagement team;
 - An assessment of audit work performed to confirm that it supports the audit conclusion and the appropriateness of significant judgments made to reach the audit conclusion;
- The quality review must be completed prior to dating the engagement report.
- Practice reviews are conducted on a cyclical basis (every few years) for each engagement leader to determine the extent that engagement leaders are complying with professional standards, office policies and methodology, and applicable legislative and regulatory requirements.

Recommendation

Systematically capture and share across the performance audit practice observations made by the performance audit quality review pool so that colleagues can learn from best practices and drive improvement together.

The NCA responded to the peer review report by means of a letter to the lead reviewer on 5 November 2020. The response is set out below.

NCA response to peer review report

Before discussing the peer review report substantively, we would like to express our appreciation to the national audit offices of Sweden, Canada and the United Kingdom. We are very grateful to our peers for making several of their experienced staff members available for an independent external review of our work. We would also like to thank you and the other members of the peer review team personally. We enjoy looking back on our inspirational and thought-provoking meetings with the peer reviewers during their working visits. The review process has enabled us to learn at multiple levels and strengthen relations between our organisations. We will continue to reap its benefits into the years ahead. The peer review team members were compelled to finalise their work at a time when the world had locked down amid the coronavirus outbreak, forcing them to organise the reporting phase not quite as planned. They nonetheless managed to deliver an inspiring report within the agreed timeframe, a feat deserving of our compliments in its own right.

The quality of our work is crucial to our reputation as an independent, impartial and expert institute. We work to safeguard and improve this quality in various ways on an ongoing basis. Your peer review helps us identify areas that require or could benefit from further improvement to ensure that we meet the highest quality standards.

We are pleased with the peer review report's main conclusion that the Netherlands Court of Audit (NCA) – benefitting from a broad mandate, highly skilled staff, a well-functioning operational framework, and a culture of exploring innovative audit techniques – has key elements in place for high quality public auditing. We are also pleased that the peer review team found several good practices at the NCA. To us, it confirms that the changes and organisational developments we have witnessed or initiated in the recent strategic period were worthwhile.

At the same time, the peer review report also shows us that we cannot afford to sit back. It provides us with valuable observations and findings to help us improve our work. Endorsing the majority of the peer review team's recommendations, we can and will carry out most of them in the short term. However, there are a few recommendations that we have consciously decided not to implement, or not in full.

This requires an explanation. Below we will briefly state and explain our response to the recommendations with regard to the following four main themes in the report:

1. audit selection and programming;
2. quality control;
3. performance audit;
4. financial audit.

Re 1. Audit selection and programming

We will implement all three recommendations with regard to audit selection and programming. The peer review team recommends that we clarify both internally and externally how we fulfil our unique role and mandate as the supreme audit institution of the Netherlands, that we work towards developing a high-level risk assessment across government to inform our programme and to inform the balance of our work across government sectors and themes and, lastly, that we systematically track progress of actual change and improvement in government as a result of our work, and report it externally.

Concurrent with your peer review, the NCA has developed its strategy for 2021-2025. As your recommendations tie in closely with our new strategy, we will take them on board in its implementation. Carrying out these recommendations can help us clarify our special position within the Dutch government system, to ourselves and to our stakeholders. It can also help us demonstrate to society to what extent we meet our mission to contribute towards improving the performance and functioning of central government and the institutions associated with it.

Re 2. Quality control

Although our quality management system was outside the formal scope of this peer review, naturally we are happy with the peer review team's positive comments on the structure and operational effectiveness of our system. We concur with the peer review team's three recommendations for improvement of our system, most of which can be put into practice in the short term.

Re 3. Performance audit

We will implement the majority of the peer review team's recommendations for improvement of our performance audit quality in the near future.

The NCA carries out different types of audits and it reports on the results in different types of publications. Several years ago, we deliberately chose to diversify our product portfolio. We acknowledge that we should make a finer and clearer distinction between performance audits with and performance audits without conclusions. Starting in 2021,

we will include a statement in each of our performance audit reports indicating whether it is an assurance report or another report with a different purpose. We will also include a standard paragraph in each report's methodology explanation defining which standards were applied and where they can be found.

We take the peer review team's advice recommending us to further exploit our rich experience in audit. We intend to do so by periodically updating our framework of standards on the basis of recent audits. In our view, these actions are a prerequisite for realising the intention as part of our new strategy to provide assurance in our reports more so than we have in the past.

We agree with the peer review team that we should be transparent about each part of our reports, which also covers the criteria applied, the source of those criteria, and the methods and techniques used. However, for some time now we have been intentionally including a brief summary of this information in our reports and referring to a comprehensive explanation on our website. This allows us to make the full data available and easily accessible to readers who are interested and keep the report or other type of publication itself succinct. We believe this adds to the readability and, hence, the accessibility of our work. Ensuring easy accessibility to a wide audience also contributes to bolstering our position as an independent external auditor.

Re 4. Financial audit

The peer review report shows that there are areas for improvement within our financial audit practice. The peer review team has given us a number of useful recommendations, which we take to heart. In the near future we will start examining how we can bring about improvements in these areas.

We would like to discuss three of the peer review team's recommendations separately.

Importance of sound financial reporting and of our financial audit work

The peer review team emphasises the importance of sound financial reporting by the ministers and of the NCA's annual financial audit work. This procedure is laid down in national legislation and regulations. The process from budgeting to rendering account and auditing has undergone major developments in the last decade. The establishment of Accountability Day is a visible reflection of the importance Parliament attaches to accountability and discharge. Our accountability audits cover not only the mandated aspect of regularity, but also the mandated aspect of compliance as well as the efficiency and effectiveness of government policy. We take this approach because we believe public funds, policy implementation and policy results must be viewed in their mutual context.

In our view, it is precisely this interrelationship that contributes to accounts that bear meaning to Parliament. Having said that, we take to heart the peer review team's recommendation to underline in our accountability audits, more than we have done to date, the importance of sound financial reporting, while still maintaining the balance between the three elements referred to above. We are examining how we can put this objective into practice.

Form and content of opinions

The peer review team also recommends that we reconsider the form and content of our financial audit opinions. Seeing that national legislation – more specifically the Government Accounts Act – is our guiding principle and we believe it is equally important to publish readable and accessible reports, we do not embrace this recommendation. We will, however, explain more adequately than we have done to date how we have arrived at our conclusions and why our opinions are formulated the way they are. These explanations will be included in the appendix to our accountability reports and posted on our website. We will also explain why we apply certain international standards without adhering to the letter. Our focus will remain on publishing reports that are accessible to a wide audience and that are comprehensible and intelligible to experts and less well-informed readers alike.

Planning and executing financial audit work

The peer review team recommends that we independently plan and execute our financial audit work and that we reconsider our heavy reliance on the ADR's work, particularly regarding significant risks.

The peer review team thoroughly reviewed our financial audit practice and carefully considered the working environment within which we do our work. The Dutch audit system is unique from an international perspective in that there is a certifying internal audit service (the Central Government Audit Service, ADR) as well as an external auditor that also certifies (the NCA). When we decided to start observing the International Standards of Supreme Audit Institutions (ISSAI), we had to take this situation into consideration. In applying the ISSAIs we must, as do our peers, also take account of the explicit definition of our tasks and mandate in national legislation. Barring a few exceptions, we intentionally decided to apply all ISSAIs to our annual accountability audits, of which financial audit is a key element. In addition, we interpret some of the standards in such a way that, in our opinion, they are suitable for application in the Dutch context. These are conscious choices on our part, driven by the specific set-up of the Dutch audit system and our desire to operate in it efficiently and effectively.

However, it is evident from your report that you do not agree with our interpretation of the ISSAIs in certain respects.

Naturally, we agree that forming an independent opinion on the ministers' financial statements is of vital importance. However, implementing your recommendation would, as we see it, involve a considerable increase in the required capacity at the NCA and would also result in major overlap with the ADR's audit work.

By making this recommendation, the peer review team has re-exposed more sharply a dilemma we have been facing for some time now. The co-existence of a certifying internal audit service and a certifying external auditor leads to some degree of duplication of work, even though we make every effort to avoid inefficiencies in the audit system. However, duplication is inevitable partly because the NCA is required to perform some work comparable to work done by the ADR in order to be able to form an independent opinion as an external auditor. Another reason is that we aim for the highest degree of compliance with the ISSAIs that seek to safeguard quality, due care and transparency in the Dutch situation. We will discuss this dilemma, which affects not only us but other players in the Dutch audit system as well, with Parliament and the Minister of Finance.

Concluding words

The Board has asked the Secretary General to work out the implementation of the recommendations we have adopted in greater detail in the shortest possible term. We will report on the progress in their implementation in our annual report.

At the start of this peer review, we announced our intention to publish the peer review report, both the English-language original and a translation into Dutch. We chose to do so with a view to being transparent about our operation and performance as well as about potential areas for improvement, encouraged by the old adage 'practice what you preach'. We hope this will contribute to public confidence in the NCA.

In closing, we would like to thank you and the other members of the peer review team once again for your work. We had hoped to meet you in person on the occasion of the publication of the peer review report, but sadly the pandemic is likely to prevent this from happening. We nonetheless look forward to meeting you at some point in the future to continue and expand the inspiring contacts between our organisations.

Netherlands Court of Audit

Arno Visser
President

Cornelis van der Werf
Secretary General

The peer review team's afterword

The peer review team appreciates the NCA's constructive response to our report. We are delighted that the NCA Board endorses the majority of our recommendations and that it is willing to implement most of them in the short term. We also acknowledge the NCA's conscious choices regarding the setup of its financial audit practice, given that its interpretation of the ISSAIs differs from our view in certain respects. It deserves repeating that the NCA has key elements in place for high quality public auditing, and that our recommendations in the main should be seen as a set of relatively small changes that can bring improvement to already existing good practices.

The peer review team was particularly pleased to see that the NCA's Board and Secretary General found our report inspiring, and that the review process was believed to enable the NCA to learn at multiple levels and strengthen relations between our organisations. We were as much inspired by the many meetings with engaged and professional colleagues at the NCA, and were able to bring home a lot of good ideas to our respective SAIs. The NCA arrangements for our work and the staff members' willingness to generously share experiences throughout the review process made an impression on us, and we would like to yet again extend our gratitude to everyone, at the NCA and externally, who took time to engage with us.

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Appendix: Peer review approach

Objective of the peer review

- The main objective of the review was to assess the quality of the work of the NCA. Following a Memorandum of Understanding signed on 1 October 2019, the review concentrated on the NCA's audit selection and programming, its financial audits and its performance audits.

Time frame of the peer review work

- The peer review work started in October 2019 and was completed in September 2020.
- The review covered the NCA's current strategic period, which commenced in 2016 and runs through 2020. The review of financial audit quality concentrated on audit work related to 2018.

Sources of evidence

- Review of NCA strategic documents, its SAI PMF self-assessment (2018), the prior peer review (2007), work instructions, manuals and guidelines, quality control review outcomes, and other internal documents.
- Review of a sample of three financial audits for 2018 that were finalised in May 2019.
- Review of a sample of six performance audit proposals and reports published in 2016-2019.
- The sample financial and performance audit reports were limited in number, partly because they needed to be translated from Dutch to English. The sample is not necessarily representative of the full audit portfolio of the NCA.
- Interviews with members of the NCA Board, audit teams, quality reviewers, directors, and auditees for each sample audit.
- Additional interviews with key internal functions and external stakeholders (the Central Government Audit Service and the Research Department of the House of Representatives).
- Focus groups discussions with members of the NCA Board, directors, quality reviewers, and members of staff for further insight and to validate review findings from the sample audits.

Standards used and other sources

The review was informed by The INTOSAI Framework of Professional Pronouncements (IFPP), Dutch law requirements, as well as experience and practices of the reviewing peers. The following standards, guidance and other documents were considered:

- INTOSAI-P 10, Mexico Declaration on SAI Independence
- ISSAI 100, Fundamental Principles of Public-Sector Auditing
- ISSAI 140, Quality Control for SAIs
- ISSAI 300, Performance Audit Principles
- GUID 1900, Peer Review Guidelines
- ISSAI 2000-2899, Financial Auditing Standards
- GUID 3910, Central Concepts for Performance Auditing
- GUID 3920, The Performance Auditing Process
- The Constitution of the Kingdom of the Netherlands
- The Government Accounts Act 2016
- Central Government Audit Service Decree (no. 2017001795)